TIMKEN STEEL

Fourth-Quarter 2016 Earnings Supporting Information

February 16, 2017

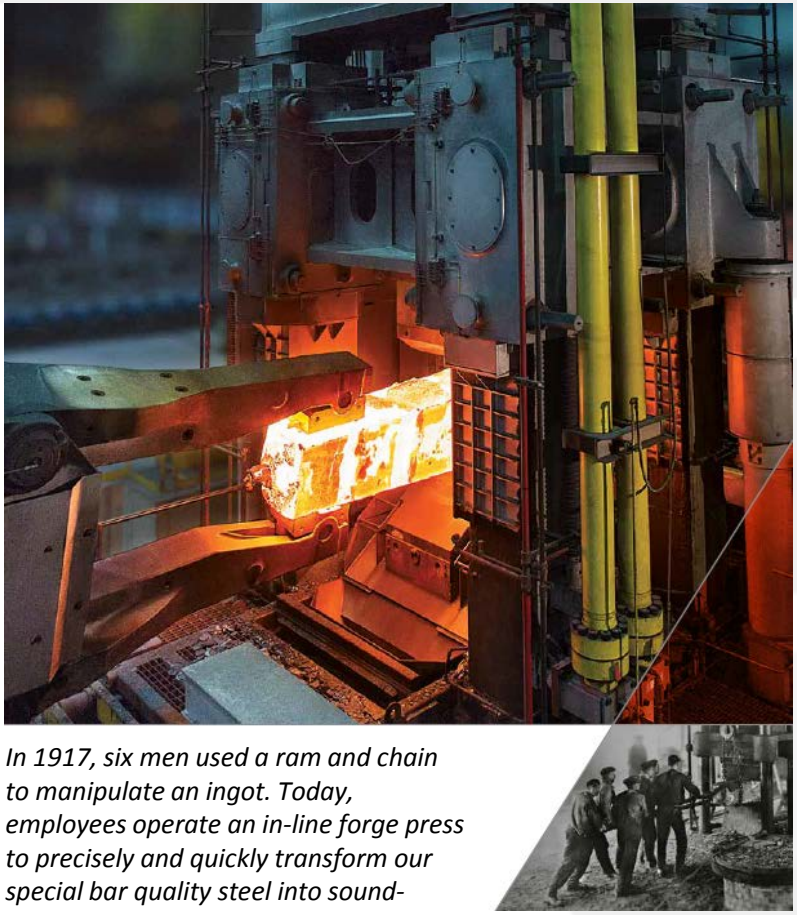
Forward-looking statements and non-GAAP financial information

This presentation includes “forward-looking” statements within the meaning of the federal securities laws. You can generally identify the company’s forward-looking statements by words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “forecast,” “outlook,” “intend,” “may,” “possible,” “potential,” “predict,” “project,” “seek,” “target,” “could,” “may,” “should” or “would” or other similar words, phrases or expressions that convey the uncertainty of future events or outcomes. The company cautions readers that actual results may differ materially from those expressed or implied in forward-looking statements made by or on behalf of the company due to a variety of factors, such as: the finalization of the company’s financial statements for the fourth quarter and three years ended December 31, 2016, including the actual impact of the adoption of mark-to-market accounting; the company’s ability to realize the expected benefits of the spinoff; the costs associated with being an independent public company, which may be higher than anticipated; deterioration in world economic conditions, or in economic conditions in any of the geographic regions in which the company conducts business, including additional adverse effects from global economic slowdown, terrorism or hostilities, including political risks associated with the potential instability of governments and legal systems in countries in which the company or its customers conduct business, and changes in currency valuations; the effects of fluctuations in customer demand on sales, product mix and prices in the industries in which the company operates, including the ability of the company to respond to rapid changes in customer demand, the effects of customer bankruptcies or liquidations, the impact of changes in industrial business cycles, and whether conditions of fair trade exist in U.S. markets; competitive factors, including changes in market penetration, increasing price competition by existing or new foreign and domestic competitors, the introduction of new products by existing and new competitors, and new technology that may impact the way the company’s products are sold or distributed; changes in operating costs, including the effect of changes in the company’s manufacturing processes, changes in costs associated with varying levels of operations and manufacturing capacity, availability of raw materials and energy, the company’s ability to mitigate the impact of fluctuations in raw materials and energy costs and the effectiveness of its surcharge mechanism, changes in the expected costs associated with product warranty claims, changes resulting from inventory management, cost reduction initiatives and different levels of customer demands, the effects of unplanned work stoppages, and changes in the cost of labor and benefits; the success of the company’s operating plans, announced programs, initiatives and capital investments (including the jumbo bloom vertical caster and advanced quench-and-temper facility), the ability to integrate acquired companies, the ability of acquired companies to achieve satisfactory operating results, including results being accretive to earnings, the company’s ability to maintain appropriate relations with unions that represent its associates in certain locations in order to avoid disruptions of business; and availability of financing and interest rates, which affect the company’s cost of funds and/or ability to raise capital, the company’s pension obligations and investment performance, and/or customer demand and the ability of customers to obtain financing to purchase the company’s products or equipment that contain its products. Additional risks relating to the company’s business, the industries in which the company operates or the company’s common shares may be described from time to time in the company’s filings with the SEC. All of these risk factors are difficult to predict, are subject to material uncertainties that may affect actual results and may be beyond the company’s control. Readers are cautioned that it is not possible to predict or identify all of the risks, uncertainties and other factors that may affect future results and that the above list should not be considered to be a complete list. Except as required by the federal securities laws, the company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

This presentation also includes certain non-GAAP financial measures as defined by SEC rules. A reconciliation of those measures to the most directly comparable GAAP equivalent is contained in the Appendix. Please see discussion of non-GAAP financial measures in the Appendix.

Fourth-quarter 2016 highlights

- Shipments of approximately 193,000 tons – an increase of 10 percent over prior year from new business
- Adjusted EBITDA [(1)] of $2 million was a $9 million improvement over the prior year quarter due to cost reduction actions and higher melt utilization
- $145 million of liquidity as of December 31, 2016
- Recognized by AEP-Ohio for continuous improvement initiatives
  - Annual savings in 2016 of 20,511,300 kilowatt hours (kWh)
  - Equivalent to taking 2,909 cars off the road



In 1917, six men used a ram and chain to manipulate an ingot. Today, employees operate an in-line forge press to precisely and quickly transform our special bar quality steel into sound-center engineered large bars.
TimkenSteel is proud to be made in America for 100 years.

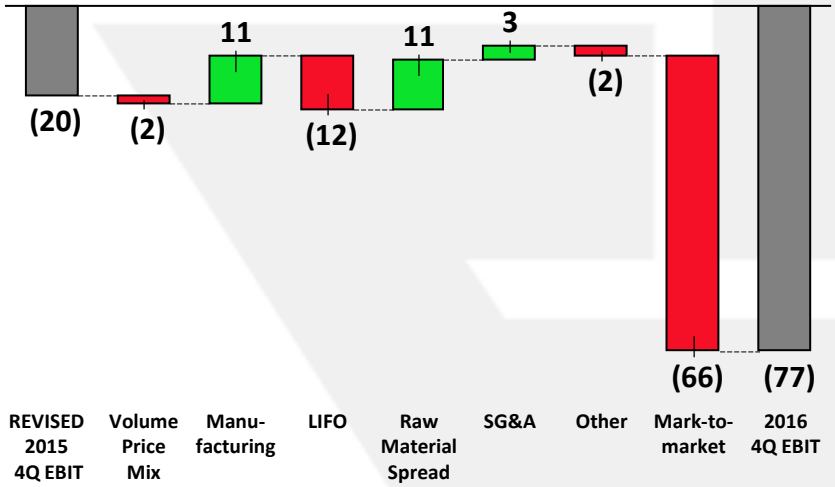
(1) Please see the discussion of Non-GAAP Financial Measures in the Appendix
NOTE: Additional shipment and net sales information can be found on our investor relations website at investors.timkensteel.com under "Financial Information."

Operating performance

(Dollars per million)

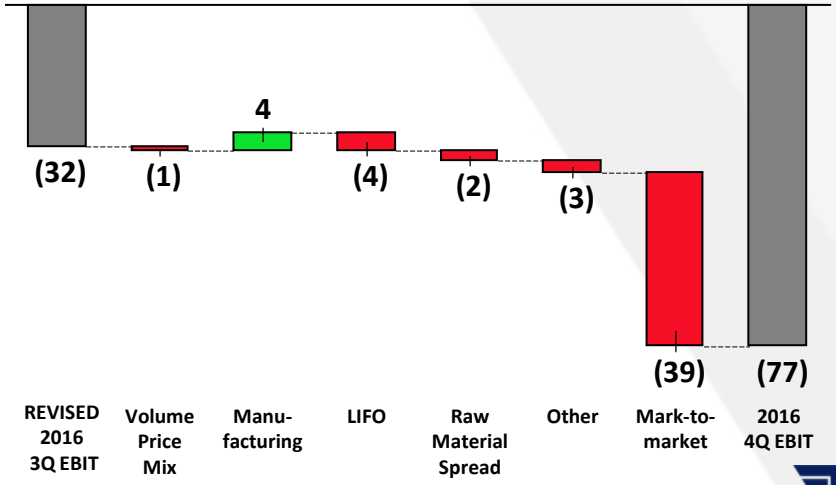
REVISED EBIT 2015 4Q vs. 2016 4Q

- Manufacturing costs favorable as melt utilization increased from 41 percent in fourth-quarter 2015 to 50 percent in fourth-quarter 2016 in addition to cost reduction efforts
- Favorable raw material spread largely driven by increase in scrap and alloy indices
- Lower SG&A due to cost reduction efforts
- "Mark-to-market" represents the actuarial loss from the remeasurement of pension and other post employment benefit (OPEB) plans



REVISED EBIT 2016 3Q vs. 2016 4Q

- Manufacturing costs favorable as melt utilization increased from 44 percent in third-quarter 2016 to 50 percent in fourth-quarter 2016
- "Other" includes non-cash adjustments for adoption of share-based accounting pronouncement, bad-debt reserve and write-off of fixed assets
- "Mark-to-market" represents the actuarial loss from the remeasurement of pension and other post employment benefit (OPEB) plans



Note: The "REVISED" results are preliminary and subject to change as we finalize our financial statements, which will be provided at a later date in the Company's 2016 Form 10-K.

2017 market outlook

Direct End Markets

	Market Sentiment	TimkenSteel Sentiment	
North American Light Vehicles			Market strong but peaking at a record-high level; anticipate periodic slowdowns for inventory adjustment
Mining			Increasing share and expanding customer base; overall base activity levels depressed
Machinery			Improving aftermarket activity levels, but OEM build rates still flat
Rail			Total railcar traffic down; industry direction influenced by direction of automotive, construction and power (coal and oil/gas) markets
Agriculture			Net farm income finished 2015 down 17 percent; will continue to dampen equipment purchases in this market
Oil and Gas			U.S. rig count up more than 300 rigs since May 2016, but still only at 35 percent of the peak in 2014
Oil County Tubular Goods (OCTG)			Oil prices at more than $50 a barrel driving more well completion activity and OCTG demand

Channels

Distribution			Industrial inventories balancing; inventory levels in energy end-market improving

Source: TimkenSteel as of February 16, 2017

Outlook

Guidance	
First-quarter 2017 revenue	▪ Shipments are expected to be approximately 70,000 to 80,000 tons higher (or about 40 percent higher) than fourth-quarter 2016 based upon improving sentiment across all markets. ▪ Shipments of billets to tube makers projected to be about 50,000 tons. ▪ Weak market dynamics in 2016 and aggressive competitive positioning influenced annual price agreements.
First-quarter 2017 EBITDA	▪ Net income is projected to be between $2 million and $12 million. ▪ EBITDA is projected to be between $25 million and $35 million. ▪ Melt utilization is expected to increase from 50 percent to about 70 percent, primarily driven by incremental billet production. ▪ Positive impact from raw material spread is expected.
Other	▪ 2017 capital spending is projected to be $40 million.

Source: TimkenSteel as of February 16, 2017

Full-year 2016 summary

Focused on value:

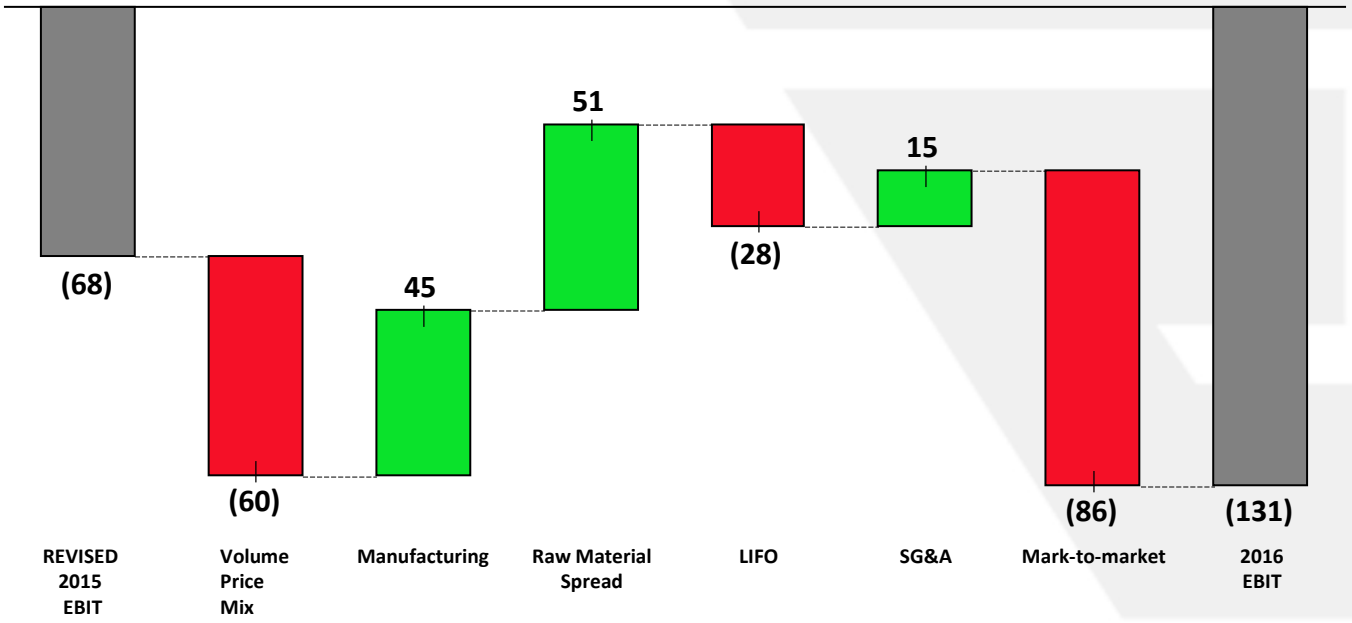
- Generated $74 million of operating cash flow through effective working capital management
- Executed more than $100 million of cost reduction actions to align business with deteriorating market conditions
- Reduced capital expenditures to $43 million; down from $78 million in 2015
- Improved capital structure by amending credit agreement and issuing $86 million of convertible notes

Focused on growth and innovation:

- Developed **Ultra**premium™ technology, which redefined the industry standard for clean steel
- Developed new manufacturing process for high-pressure tubing; re-entered market with special bar quality (SBQ) products serving the petrochemical industry
- Applied forged-rolled process and advanced ultrasonic testing to produce large bars with superior steel strength and cleanness at a reduction ratio better than industry norms.
- Won a large order in the fourth quarter to supply billets to another tube maker, which will boost utilization throughout 2017

Full-year operating performance

(Dollars per million)



Commentary

- Impacts from weak global commodity markets and shift in end-market mix negatively impacted volume / price / mix year over year
- Favorable raw material spread primarily from the timing difference between cost when purchased and the surcharge recovery at the time of sale
- Cost reduction actions drove the favorable SG&A and manufacturing variance over 2015
- "Mark-to-market" represents the actuarial loss from the remeasurement of pension and other post employment benefit (OPEB) plans

Note: The "REVISED" results are preliminary and subject to change as we finalize our financial statements, which will be provided at a later date in the Company's 2016 Form 10-K.

Appendix

(1) Non-GAAP financial measures

TimkenSteel reports its financial results in accordance with accounting principles generally accepted in the United States ("GAAP") and corresponding metrics as non-GAAP financial measures. This earnings release includes references to the following non-GAAP financial measures: EBIT, Adjusted EBIT, EBITDA and Adjusted EBITDA. These are important financial measures used in the management of the business, including decisions concerning the allocation of resources and assessment of performance. Management believes that reporting these non-GAAP financial measures is useful to investors as these measures are representative of the Company's performance and provide improved comparability of results.

See the attached schedules for definitions of the non-GAAP financial measures referred to above and corresponding reconciliations of these non-GAAP financial measures to the most comparable GAAP financial measures, as well as supplemental financial data. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, TimkenSteel's results prepared in accordance with GAAP. In addition, the non-GAAP measures TimkenSteel uses may differ from non-GAAP measures used by other companies, and other companies may not define the non-GAAP measures TimkenSteel uses in the same way.

Supplemental information [1]

(Dollars in millions, except per ton data) (Unaudited)

Figures in the table may not recalculate exactly as presented in the earnings release due to rounding

Industrial	First Quarter			Second Quarter			Third Quarter			Fourth Quarter			Total		
	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016
Ship Tons (k)	97.4	116.5	72.1	120.3	89.1	74.6	119.4	64.9	70.2	106.3	58.4	67.4	443.4	328.9	284.3
Net Sales	$ 147.7	$ 164.9	$ 82.3	$ 174.8	$ 118.4	$ 84.2	$ 174.3	$ 85.0	$ 79.7	$ 152.4	$ 69.5	$ 77.5	$ 649.2	$ 437.8	$ 323.7
Less Surcharges	35.6	34.2	6.1	43.5	18.3	9.5	44.9	12.7	11.3	38.2	7.0	9.0	162.2	72.2	35.9
Base Sales	$ 112.1	$ 130.7	$ 76.2	$ 131.3	$ 100.1	$ 74.7	$ 129.4	$ 72.3	$ 68.4	$ 114.2	$ 62.5	$ 68.5	$ 487.0	$ 365.6	$ 287.8
Net Sales/Ton	$ 1,516	$ 1,415	$ 1,141	$ 1,453	$ 1,329	$ 1,129	$ 1,460	$ 1,310	$ 1,135	$ 1,434	$ 1,190	$ 1,150	$ 1,464	$ 1,331	$ 1,139
Base Sales/Ton	$ 1,151	$ 1,122	$ 1,057	$ 1,091	$ 1,123	$ 1,001	$ 1,084	$ 1,114	$ 974	$ 1,074	$ 1,070	$ 1,016	$ 1,098	$ 1,112	$ 1,012

Mobile	First Quarter			Second Quarter			Third Quarter			Fourth Quarter			Total		
	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016
Ship Tons (k)	100.3	102.0	107.2	100.5	105.9	109.7	93.7	102.4	100.5	97.4	106.9	95.6	391.9	417.2	413.0
Net Sales	$ 136.2	$ 131.3	$ 121.3	$ 136.9	$ 127.3	$ 124.1	$ 130.3	$ 124.7	$ 120.4	$ 131.6	$ 121.1	$ 109.5	$ 535.0	$ 504.4	$ 475.3
Less Surcharges	32.4	24.2	8.8	31.0	16.4	12.9	30.1	15.7	16.3	28.8	10.7	12.3	122.3	67.0	50.3
Base Sales	$ 103.8	$ 107.1	$ 112.5	$ 105.9	$ 110.9	$ 111.2	$ 100.2	$ 109.0	$ 104.1	$ 102.8	$ 110.4	$ 97.2	$ 412.7	$ 437.4	$ 425.0
Net Sales/Ton	$ 1,358	$ 1,287	$ 1,132	$ 1,362	$ 1,202	$ 1,131	$ 1,391	$ 1,218	$ 1,198	$ 1,351	$ 1,133	$ 1,145	$ 1,365	$ 1,209	$ 1,151
Base Sales/Ton	$ 1,035	$ 1,050	$ 1,049	$ 1,054	$ 1,047	$ 1,014	$ 1,069	$ 1,064	$ 1,036	$ 1,055	$ 1,033	$ 1,017	$ 1,053	$ 1,048	$ 1,029

Energy	First Quarter			Second Quarter			Third Quarter			Fourth Quarter			Total		
	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016
Ship Tons (k)	52.1	52.6	6.9	68.7	16.9	5.4	71.0	11.4	4.8	66.6	10.1	6.4	258.4	91.0	23.5
Net Sales	$ 98.1	$ 87.7	$ 10.0	$ 122.1	$ 26.9	$ 9.0	$ 120.8	$ 17.7	$ 7.4	$ 117.1	$ 12.3	$ 9.3	$ 458.1	$ 144.6	$ 35.7
Less Surcharges	21.6	16.7	0.6	27.8	3.7	0.8	29.5	2.6	0.9	26.6	1.4	0.9	105.5	24.4	3.2
Base Sales	$ 76.5	$ 71.0	$ 9.4	$ 94.3	$ 23.2	$ 8.2	$ 91.3	$ 15.1	$ 6.5	$ 90.5	$ 10.9	$ 8.4	$ 352.6	$ 120.2	$ 32.5
Net Sales/Ton	$ 1,883	$ 1,667	$ 1,449	$ 1,777	$ 1,592	$ 1,667	$ 1,701	$ 1,553	$ 1,542	$ 1,758	$ 1,218	$ 1,453	$ 1,773	$ 1,589	$ 1,519
Base Sales/Ton	$ 1,468	$ 1,350	$ 1,362	$ 1,373	$ 1,373	$ 1,519	$ 1,286	$ 1,325	$ 1,354	$ 1,359	$ 1,079	$ 1,313	$ 1,365	$ 1,321	$ 1,383

Other	First Quarter			Second Quarter			Third Quarter			Fourth Quarter			Total		
	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016
Ship Tons (k)	-	-	-	-	-	-	-	-	2.3	-	-	23.8	-	-	26.1
Net Sales	$ 7.5	$ 4.8	$ 4.3	$ 8.4	$ 5.6	$ 5.8	$ 8.8	$ 5.3	$ 6.3	$ 7.2	$ 3.7	$ 18.3	$ 31.9	$ 19.4	$ 34.7
Less Surcharges	-	-	-	-	-	-	-	-	0.4	-	-	3.9	-	-	4.3
Base Sales	$ 7.5	$ 4.8	$ 4.3	$ 8.4	$ 5.6	$ 5.8	$ 8.8	$ 5.3	$ 5.9	$ 7.2	$ 3.7	$ 14.4	$ 31.9	$ 19.4	$ 30.4
Net Sales/Ton	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	$ 2,739	N/A	N/A	$ 769	N/A	N/A	$ 1,330
Base Sales/Ton	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	$ 2,565	N/A	N/A	$ 605	N/A	N/A	$ 1,165

Total	First Quarter			Second Quarter			Third Quarter			Fourth Quarter			Total		
	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016
Ship Tons (k)	249.8	271.1	186.2	289.5	211.9	189.7	284.1	178.7	177.8	270.3	175.4	193.2	1,093.7	837.1	746.9
Net Sales	$ 389.5	$ 388.7	$ 217.9	$ 442.2	$ 278.2	$ 223.1	$ 434.2	$ 232.7	$ 213.8	$ 408.3	$ 206.6	$ 214.6	$ 1,674.2	$ 1,106.2	$ 869.4
Less Surcharges	89.6	75.1	15.5	102.3	38.4	23.2	104.5	31.0	28.9	93.6	19.1	26.1	390.0	163.6	93.7
Base Sales	$ 299.9	$ 313.6	$ 202.4	$ 339.9	$ 239.8	$ 199.9	$ 329.7	$ 201.7	$ 184.9	$ 314.7	$ 187.5	$ 188.5	$ 1,284.2	$ 942.6	$ 775.7
Net Sales/Ton	$ 1,559	$ 1,434	$ 1,170	$ 1,527	$ 1,313	$ 1,176	$ 1,528	$ 1,302	$ 1,202	$ 1,511	$ 1,178	$ 1,111	$ 1,531	$ 1,321	$ 1,164
Base Sales/Ton	$ 1,201	$ 1,157	$ 1,087	$ 1,174	$ 1,132	$ 1,054	$ 1,161	$ 1,129	$ 1,040	$ 1,164	$ 1,069	$ 976	$ 1,174	$ 1,126	$ 1,039

[1] *Please see discussion of Non-GAAP Financial Measures in the Appendix.*

Reconciliation of Earnings (Loss) Before Interest and Taxes (EBIT)[1], Earnings (Loss) Before Interest, Taxes, Depreciation and Amortization (EBITDA)[2] Adjusted EBIT[3], and Adjusted EBITDA[4] to GAAP Net Loss

This reconciliation is provided as additional relevant information about the Company's performance. EBIT, Adjusted EBIT, EBITDA, and Adjusted EBITDA are important financial measures used in the management of the business, including decisions concerning the allocation of resources and assessment of performance. Management believes that reporting EBIT, Adjusted EBIT, EBITDA, and Adjusted EBITDA is useful to investors as these measures are representative of the Company's performance. Management also believes that it is appropriate to compare GAAP net loss to EBIT, Adjusted EBIT, EBITDA and Adjusted EBITDA. The "**REVISED**" results are preliminary and subject to change as we finalize our financial statements, which will be provided at a later date in Company's 2016 Form 10-K.

	Twelve Months Ended December 31,		Three Months Ended December 31,		Three Months Ended September 30,
(Dollars in millions) (Unaudited)	**2016**	**2015 REVISED**	**2016**	**2015 REVISED**	**2016 REVISED**
Net loss	**($105.5)**	($45.0)	**($67.0)**	($13.8)	**($22.2)**
Benefit for income taxes	**(36.5)**	(26.7)	**(13.0)**	(7.2)	**(13.2)**
Interest expense	**11.4**	3.3	**3.4**	1.3	**3.9**
Earnings (Loss) Before Interest and Taxes (EBIT) [1]	**($130.6)**	($68.4)	**($76.6)**	($19.7)	**($31.5)**
EBIT Margin [1]	**(15.0)%**	(6.2)%	**(35.7)%**	(9.5)%	**(14.7)%**
Depreciation and amortization	**74.9**	73.4	**18.8**	18.8	**19.0**
Earnings (Loss) Before Interest, Taxes, Depreciation and Amortization (EBITDA) [2]	**($55.7)**	$5.0	**($57.8)**	($0.9)	**($12.5)**
EBITDA Margin [2]	**(6.4)%**	0.5 %	**(26.9)%**	(0.4)%	**(5.8)%**
Actuarial gains/(losses) from remeasurement of mark-to-market accounting	**(79.7)**	6.5	**(59.3)**	6.5	**(20.4)**
Adjusted EBIT [3]	**($50.9)**	($74.9)	**($17.3)**	($26.2)	**($11.1)**
Adjusted EBITDA [4]	**$24.0**	($1.5)	**$1.5**	($7.4)	**$7.9**

[1] EBIT is defined as net income (loss) before interest expense and income taxes. EBIT Margin is EBIT as a percentage of net sales.

[2] EBITDA is defined as net income (loss) before interest expense, income taxes, depreciation and amortization. EBITDA Margin is EBITDA as a percentage of net sales.

[3] Adjusted EBIT is defined as EBIT excluding the remeasurement impact of mark-to-market accounting.

[4] Adjusted EBITDA is defined as EBITDA excluding the remeasurement impact of mark-to-market accounting.

Reconciliation of Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) [1] to GAAP Net Income

This reconciliation is provided as additional relevant information about the Company's first quarter guidance. EBITDA is an important financial measure used in the management of the business, including decisions concerning the allocation of resources and assessment of performance. Management believes that reporting EBITDA is useful to investors as this measure is representative of the Company's performance. Management also believes that it is appropriate to compare GAAP net loss to EBITDA.

(Dollars in millions) (Unaudited)	Three Months Ended March 31, 2017 Low	2017 High
Net income	$2.0	$12.0
(Benefit) Provision for income taxes	—	—
Interest expense	4.0	4.0
Depreciation and amortization	19.0	19.0
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) [1]	**$25.0**	**$35.0**

[1] EBITDA is defined as net income before interest expense, income taxes, depreciation and amortization.

Revised Financial and Supplemental Information

The adoption of the mark-to-market method of accounting for pension and other post-employment benefit (OPEB) plans requires retrospective application. Select revised prior-period results are presented below. These revised results are preliminary and subject to change as we finalize our financial statements, which will be provided at a later date in the company's 2016 Form 10-K.

(Dollars in millions, except per share data) (Unaudited)	Twelve Months Ended December 31, 2015	Three Months Ended December 31, 2015	Three Months Ended September 30, 2016
Net Loss before income taxes - Previously Reported	**($115.0)**	($37.4)	($26.6)
Elimination of amortized net actuarial loss	**34.1**	8.5	11.9
Other - Effects on inventory and asset fair value change	**2.7**	1.4	(0.3)
Remeasurement gain/(loss)	**6.5**	6.5	(20.4)
Net Loss before income taxes - Revised	**(71.7)**	(21.0)	(35.4)
Benefit from income taxes	**(26.7)**	(7.2)	(13.2)
Net Loss	**($45.0)**	($13.8)	($22.2)
Net Loss per Common Share:			
Basic loss per share	**($1.01)**	($0.31)	($0.50)
Diluted loss per share [(1)]	**($1.01)**	($0.31)	($0.50)
Weighted average shares outstanding	**44,533,725**	44,192,218	44,221,310
Weighted average shares outstanding - assuming dilution	**44,533,725**	44,192,218	44,221,310

[(1)] Common share equivalents, which include shares issuable for equity -based awards and upon the conversion of outstanding convertible notes, were excluded from the computation of diluted loss per share because the effect of their inclusion would have been anti-dilutive.

Supplemental 2016 Mark-to-Market Impacts:

Select impacts are presented below.

(Dollars in millions) (Unaudited)	Twelve Months Ended December 31, 2016	Three Months Ended December 31, 2016
Mark-to-market impacts:		
Elimination of amortized net actuarial loss	**$31.1**	$6.4
Other - Effects on inventory and asset fair value change	**(1.0)**	(0.2)
Remeasurement loss	**(79.7)**	(59.3)
Impact	**($49.6)**	($53.1)

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