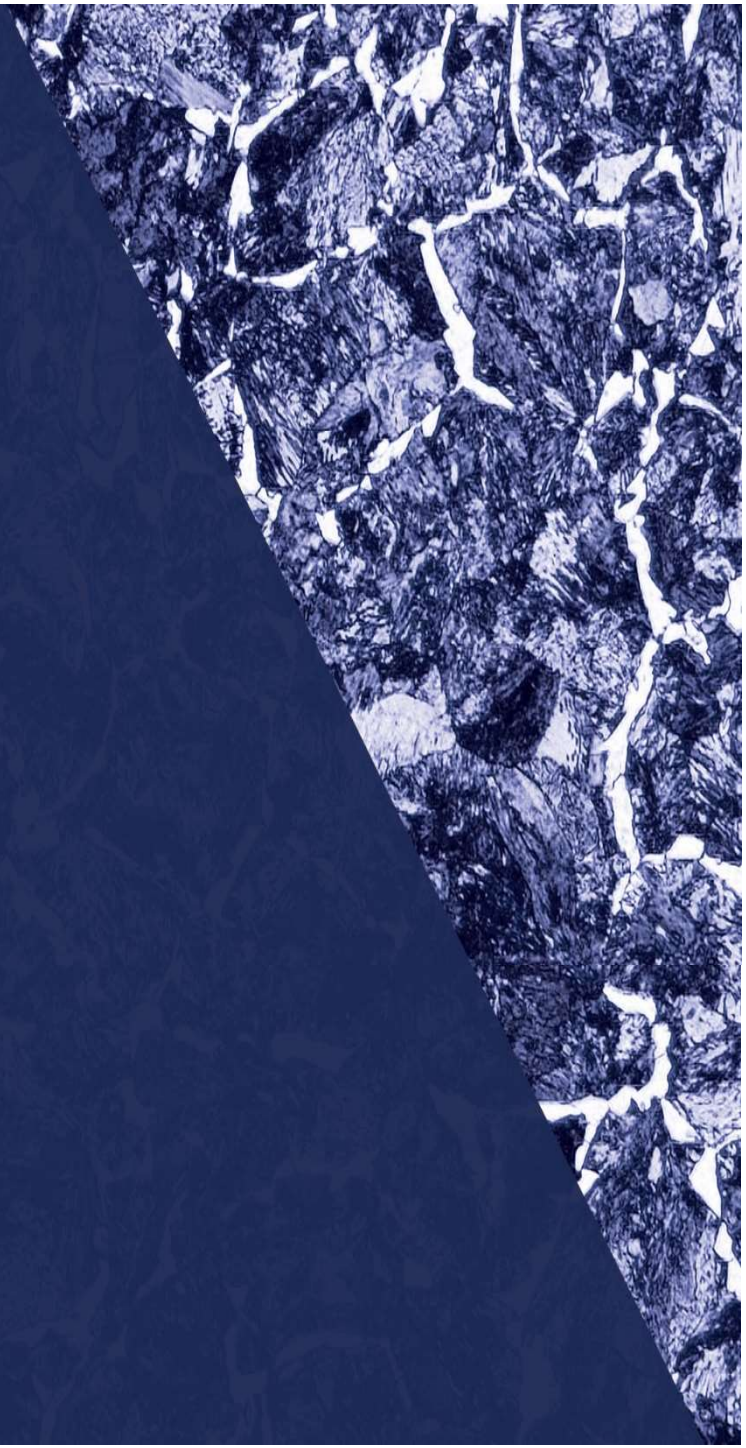
Fourth-Quarter 2017 Earnings Supporting Information

January 25, 2018



TIMKEN STEEL

Forward-looking statements and non-GAAP financial information

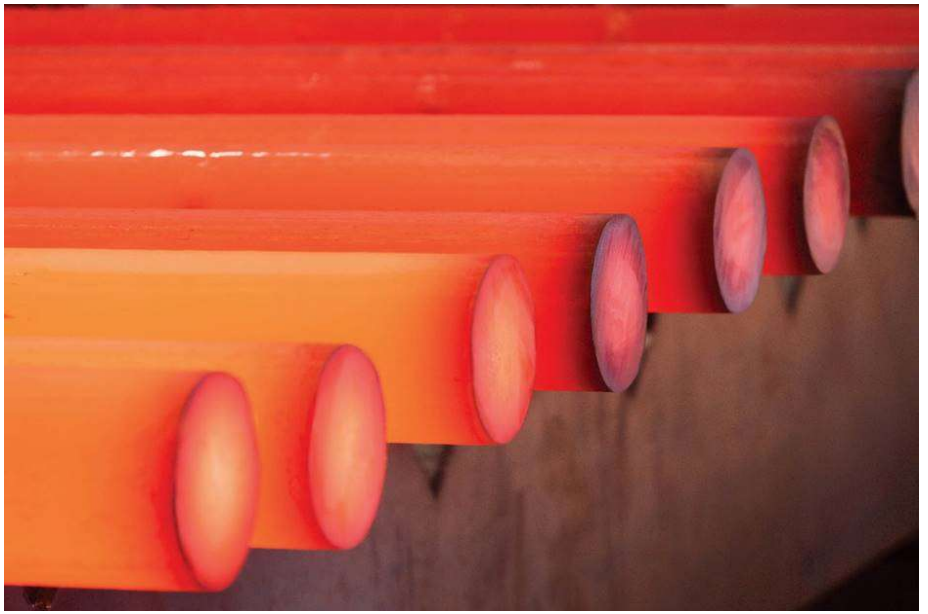
This presentation includes “forward-looking” statements within the meaning of the federal securities laws. You can generally identify the company’s forward-looking statements by words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “forecast,” “outlook,” “intend,” “may,” “possible,” “potential,” “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 year ended December 31, 2017; the impact of mark-to-market accounting; 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 2017 highlights

- Shipments of approximately 286,000 tons – an increase of 48 percent year over year, driven by new business and increased market demand
- Adjusted EBITDA[(1)] improved significantly year over year, primarily from raw material spread and operating cost improvements from higher volume
- United Steelworkers ratified a four-year contract on December 1, 2017
- Introduced new *Endurance* steels, which includes three new, patent-pending, ultra-high-strength, high-toughness grades



TimkenSteel's Endurance family of steels offers customers the ability to achieve lighter weight, longer life and/or more power. Above, hot steel bars rest on a cooling bed before they are sent to one of our thermal processing facilities.

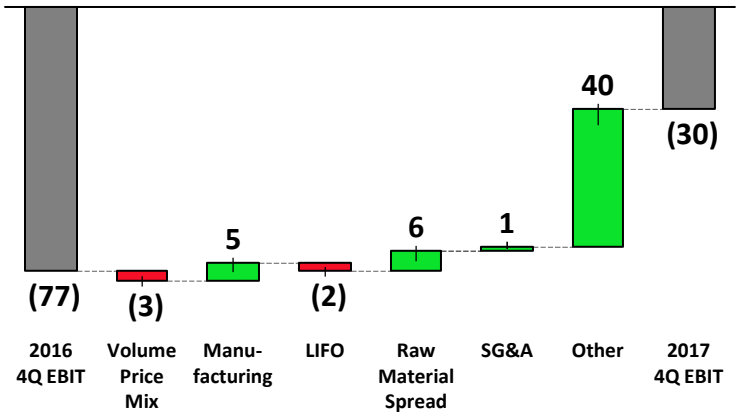
[(1)] *Please see the discussion of Non-GAAP Financial Measures in the Appendix*

Operating performance

(Dollars per million)

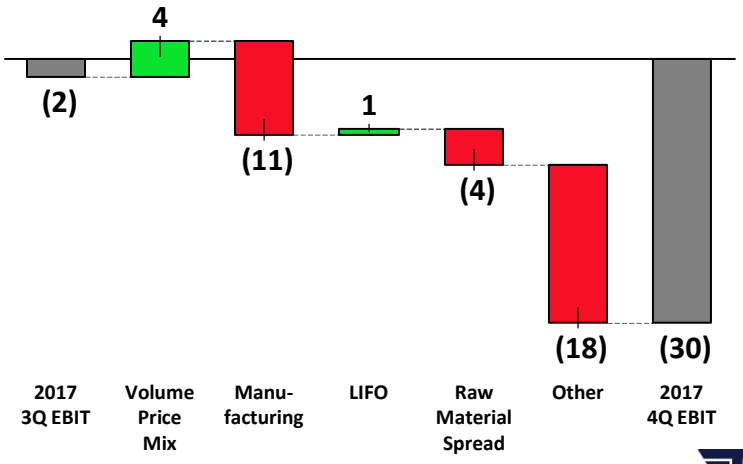
EBIT 2016 4Q vs. 2017 4Q

- Increased market penetration and end-market demand recovery were mostly offset by product mix
- Melt utilization was 68 percent for the quarter, compared with 50 percent in fourth-quarter 2016; higher volumes improved both melt utilization and operating cost leverage
- Favorable raw material spread was largely driven by improved No. 1 Busheling Index and higher shipments
- The favorable variance in “Other” represents the actuarial loss from the re-measurement of pension and other post-employment benefit (OPEB) plans



EBIT 2017 3Q vs. 2017 4Q

- Improved product mix and price were realized during the quarter
- Higher manufacturing expense due to annual maintenance activities
  - Melt utilization was 68 percent for the quarter, compared with 74 percent in third-quarter 2017
- Unfavorable raw material spread was primarily driven by declining scrap market dynamics
- The unfavorable variance in “Other” represents the actuarial loss from the re-measurement of pension and other post-employment benefit (OPEB) plans



2018 market outlook

Direct End Markets

	Market Sentiment	TimkenSteel Sentiment	
North American Light Vehicles	●	↔	Market remains strong on balanced inventory levels
Mining	●	↑	Strong outlook from recovering commodity prices
Machinery	●	↔	Stable activity levels
Rail	●	↘	Rail equipment is showing a modest decline
Agriculture	●	↔	Net farm income ended the year on a positive note for the first time in 4 years, which will improve the market outlook
Oil and Gas	●	↗	Improving oil prices throughout 2018 on balanced supply and demand dynamics
Oil Country Tubular Goods (OCTG)	●	↑	Increased completion activity on high inventory of “Drilled but Uncompleted” wells

Channels

Distribution	●	↑	Balanced inventory levels in industrial; inventory levels in the energy end market have improved

Source: TimkenSteel as of January 25, 2018

Outlook

Guidance	
First-quarter 2018 revenue	▪ Shipments are expected to be between 3 percent and 6 percent higher than fourth-quarter 2017 from first quarter seasonality
First-quarter 2018 EBITDA[1]	▪ Earnings are projected to be between a net loss of $3 million and net income of $7 million ▪ EBITDA is projected to be between $20 million and $30 million ▪ Raw material spread is expected to be higher in the first quarter, primarily due to an increase in the average No. 1 Busheling Index.
Other	▪ 2018 capital spending is projected to be $40 million

Source: TimkenSteel as of January 25, 2018

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

Full-year 2017 summary

Focused on value:

- Top quartile safety performance
- Harrison and Faircrest Steel Plants recognized by WorldSteel Organization as among the 10 best plants in the world for lowest greenhouse gases emissions
- Improved shipped tons by 54 percent year over year
- Announced multiple price increases on shipments throughout the year
- Record-breaking labor productivity
- Secured new four-year labor agreement
- Record low in customer claims

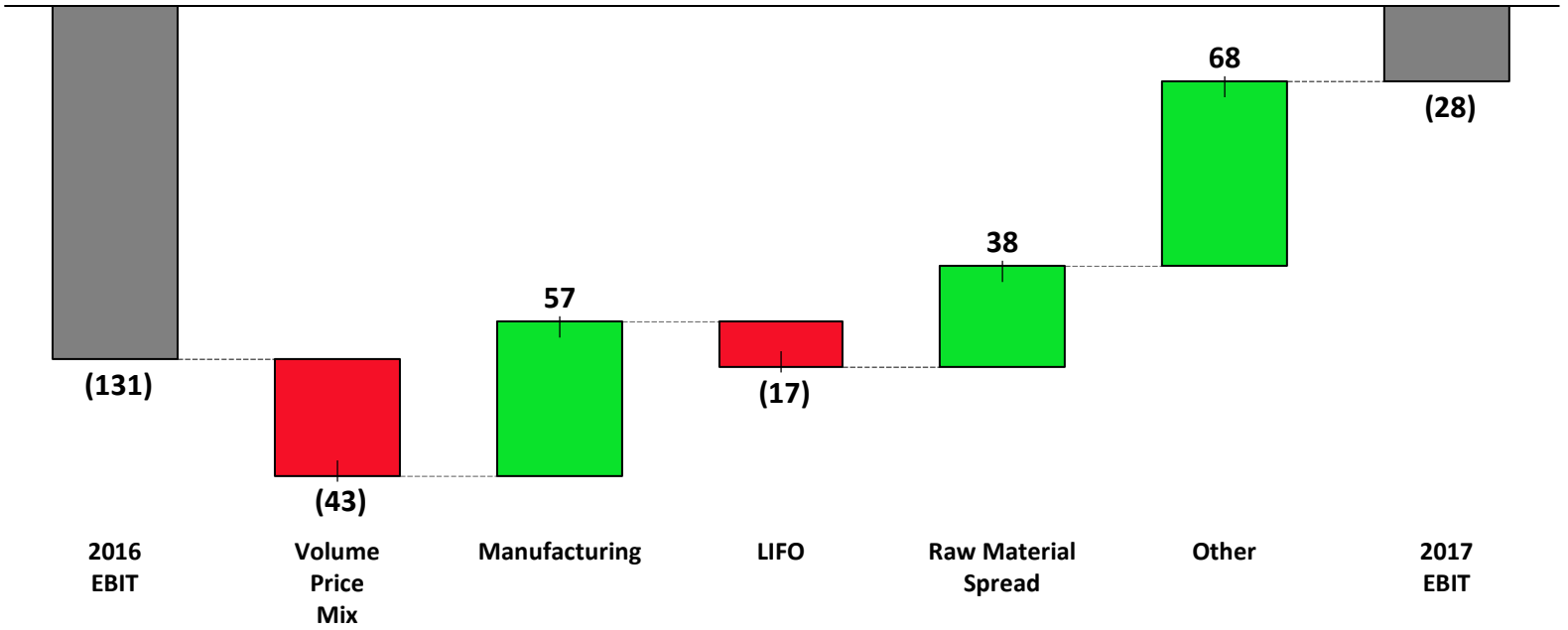
Focused on growth and innovation:

- Received the American Petroleum Institute Q1 certification, which will help us better serve our customers in the oil and gas industry
- Received American Iron and Steel Institute's (AISI) Finalist Award for technical expertise relating to jumbo bloom vertical caster
- Introduced new Endurance family of steels, which includes three new, patent-pending, ultra-high-strength, high-toughness grades
- Accepted American Legion National Large Employer of Veterans Award for recruitment and retention efforts. More than 13 percent of our workforce has served in the military.

Full-year operating performance

(Dollars per million)

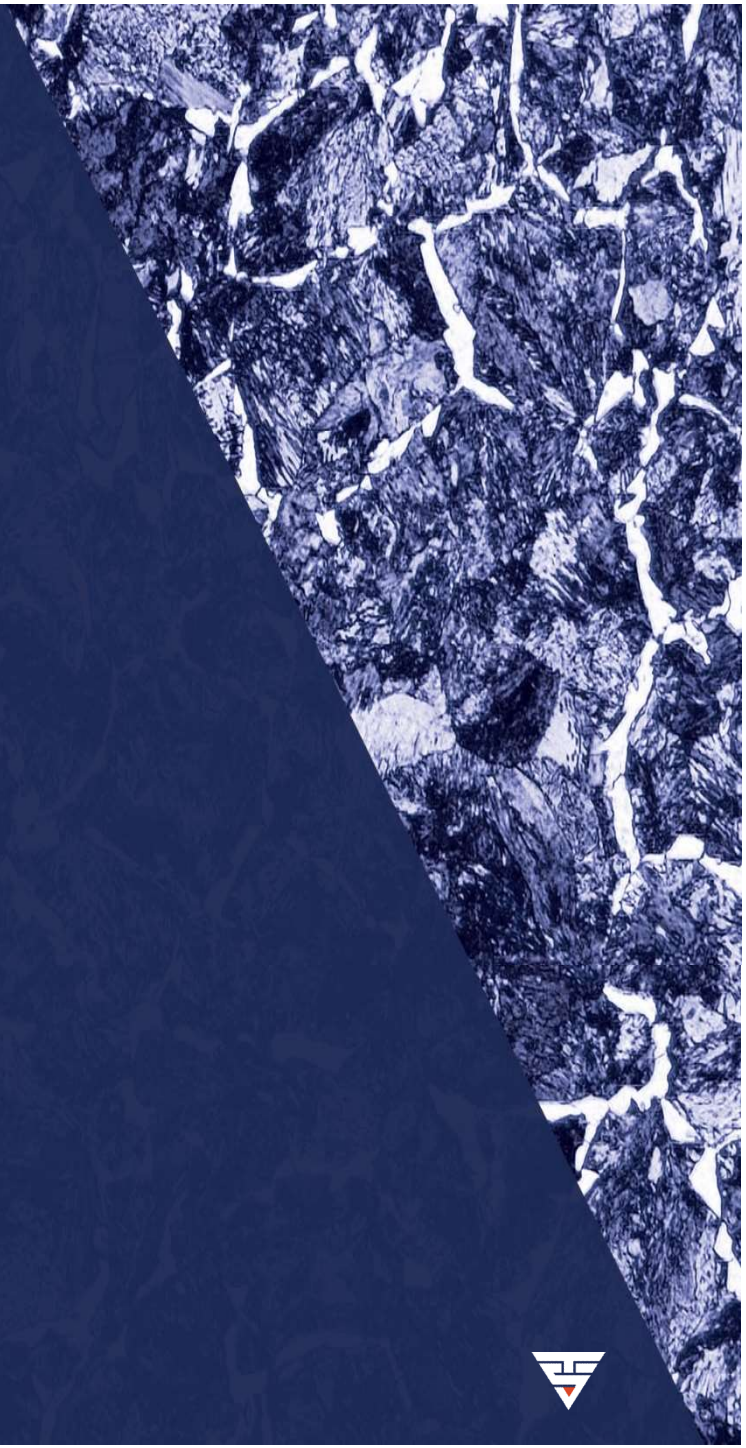
EBIT 2016 vs. 2017



Commentary

- Increased market penetration and end-market demand recovery were offset by shift in product mix and price pressure
- Higher volumes improved both melt utilization and operating cost leverage, which contributed to the favorable manufacturing
- Favorable raw material spread was largely driven by improved surcharges and higher shipments
- The favorable variance in “Other” primarily represents the actuarial loss from the re-measurement of pension and other post-employment benefit (OPEB) plans

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 presentation includes references to the following non-GAAP financial measures: EBIT, EBITDA, Adjusted EBIT 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 as additions to, and not as alternatives 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		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Ship Tons (k)	116.5	72.1	99.4	89.1	74.6	102.8	64.9	70.2	106.2	58.4	67.4	105.0	328.9	284.3	413.4
Net Sales	$ 164.9	$ 82.3	$ 110.6	$ 118.4	$ 84.2	$ 120.2	$ 85.0	$ 79.7	$ 126.3	$ 69.5	$ 77.5	$ 129.3	$ 437.8	$ 323.7	486.4
Less Surcharges	34.2	6.1	20.4	18.3	9.5	27.7	12.7	11.3	28.8	7.1	9.0	29.7	72.3	35.9	106.6
Base Sales	$ 130.7	$ 76.2	$ 90.2	$ 100.1	$ 74.7	$ 92.5	$ 72.3	$ 68.4	$ 97.5	$ 62.4	$ 68.5	$ 99.6	$ 365.5	$ 287.8	$ 379.8
Net Sales/Ton	$ 1,415	$ 1,141	$ 1,113	$ 1,329	$ 1,129	$ 1,169	$ 1,310	$ 1,135	$ 1,189	$ 1,190	$ 1,150	$ 1,231	$ 1,331	$ 1,139	$ 1,177
Base Sales/Ton	$ 1,122	$ 1,057	$ 907	$ 1,123	$ 1,001	$ 900	$ 1,114	$ 974	$ 918	$ 1,068	$ 1,016	$ 949	$ 1,111	$ 1,012	$ 919

Mobile	First Quarter			Second Quarter			Third Quarter			Fourth Quarter			Total		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Ship Tons (k)	102.0	107.2	114.9	105.9	109.7	108.7	102.4	100.5	100.8	106.9	95.6	103.7	417.2	413.0	428.1
Net Sales	$ 131.3	$ 121.3	$ 136.6	$ 127.3	$ 124.1	$ 135.6	$ 124.7	$ 120.4	$ 127.5	$ 121.1	$ 109.6	$ 128.9	$ 504.4	$ 475.4	528.6
Less Surcharges	24.2	8.8	22.9	16.4	12.9	28.2	15.7	16.3	27.1	10.7	12.3	26.9	67.0	50.3	105.1
Base Sales	$ 107.1	$ 112.5	$ 113.7	$ 110.9	$ 111.2	$ 107.4	$ 109.0	$ 104.1	$ 100.4	$ 110.4	$ 97.3	$ 102.0	$ 437.4	$ 425.1	$ 423.5
Net Sales/Ton	$ 1,287	$ 1,132	$ 1,189	$ 1,202	$ 1,131	$ 1,247	$ 1,218	$ 1,198	$ 1,265	$ 1,133	$ 1,146	$ 1,243	$ 1,209	$ 1,151	$ 1,235
Base Sales/Ton	$ 1,050	$ 1,049	$ 990	$ 1,047	$ 1,014	$ 988	$ 1,064	$ 1,036	$ 996	$ 1,033	$ 1,018	$ 984	$ 1,048	$ 1,029	$ 989

Energy	First Quarter			Second Quarter			Third Quarter			Fourth Quarter			Total		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Ship Tons (k)	52.6	6.9	16.9	16.9	5.4	25.7	11.4	4.8	26.7	10.1	6.4	27.7	91.0	23.5	97.0
Net Sales	$ 87.7	$ 10.0	$ 23.7	$ 26.9	$ 9.0	$ 37.6	$ 17.7	$ 7.4	$ 37.7	$ 12.3	$ 9.3	$ 42.7	$ 144.6	$ 35.7	141.7
Less Surcharges	16.7	0.6	2.9	3.7	0.8	6.0	2.6	0.9	6.4	1.4	0.9	8.2	24.4	3.2	23.5
Base Sales	$ 71.0	$ 9.4	$ 20.8	$ 23.2	$ 8.2	$ 31.6	$ 15.1	$ 6.5	$ 31.3	$ 10.9	$ 8.4	$ 34.5	$ 120.2	$ 32.5	$ 118.2
Net Sales/Ton	$ 1,667	$ 1,449	$ 1,402	$ 1,592	$ 1,667	$ 1,463	$ 1,553	$ 1,542	$ 1,412	$ 1,218	$ 1,453	$ 1,542	$ 1,589	$ 1,519	$ 1,461
Base Sales/Ton	$ 1,350	$ 1,362	$ 1,231	$ 1,373	$ 1,519	$ 1,230	$ 1,325	$ 1,354	$ 1,172	$ 1,079	$ 1,313	$ 1,245	$ 1,321	$ 1,383	$ 1,219

Other	First Quarter			Second Quarter			Third Quarter			Fourth Quarter			Total		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Ship Tons (k)	-	-	48.7	-	-	57.4	-	2.3	56.2	-	23.6	49.4	-	25.9	211.7
Net Sales	$ 4.8	$ 4.3	$ 38.5	$ 5.6	$ 5.8	$ 45.9	$ 5.3	$ 6.3	$ 47.6	$ 3.7	$ 18.3	$ 40.5	$ 19.4	$ 34.7	172.5
Less Surcharges	-	-	12.1	-	-	15.7	-	0.4	15.6	-	3.9	12.7	-	4.3	56.1
Base Sales	$ 4.8	$ 4.3	$ 26.4	$ 5.6	$ 5.8	$ 30.2	$ 5.3	$ 5.9	$ 32.0	$ 3.7	$ 14.4	$ 27.8	$ 19.4	$ 30.4	$ 116.4
Net Sales/Ton	N/A	N/A	$ 791	N/A	N/A	$ 800	N/A	$ 2,739	$ 847	N/A	$ 775	$ 820	N/A	$ 1,340	$ 815
Base Sales/Ton	N/A	N/A	$ 542	N/A	N/A	$ 526	N/A	$ 2,565	$ 569	N/A	$ 610	$ 563	N/A	$ 1,174	$ 550

Total	First Quarter			Second Quarter			Third Quarter			Fourth Quarter			Total		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Ship Tons (k)	271.1	186.2	279.9	211.9	189.7	294.6	178.7	177.8	289.9	175.4	193.0	285.8	837.1	746.7	1,150.2
Net Sales	$ 388.7	$ 217.9	$ 309.4	$ 278.2	$ 223.1	$ 339.3	$ 232.7	$ 213.8	$ 339.1	$ 206.6	$ 214.7	$ 341.4	$ 1,106.2	$ 869.5	1,329.2
Less Surcharges	75.1	15.5	58.3	38.4	23.2	77.6	31.0	28.9	77.9	19.2	26.1	77.5	163.7	93.7	291.3
Base Sales	$ 313.6	$ 202.4	$ 251.1	$ 239.8	$ 199.9	$ 261.7	$ 201.7	$ 184.9	$ 261.2	$ 187.4	$ 188.6	$ 263.9	$ 942.5	$ 775.8	$ 1,037.9
Net Sales/Ton	$ 1,434	$ 1,170	$ 1,105	$ 1,313	$ 1,176	$ 1,152	$ 1,302	$ 1,202	$ 1,170	$ 1,178	$ 1,112	$ 1,195	$ 1,321	$ 1,164	$ 1,156
Base Sales/Ton	$ 1,157	$ 1,087	$ 897	$ 1,132	$ 1,054	$ 888	$ 1,129	$ 1,040	$ 901	$ 1,068	$ 977	$ 923	$ 1,126	$ 1,039	$ 902

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

Reconciliation of Earnings (Loss) Before Interest and Taxes (EBIT)[1], Adjusted EBIT[3], Earnings (Loss) Before Interest, Taxes, Depreciation and Amortization (EBITDA)[2] and Adjusted EBITDA[4] to GAAP Net Income (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 income (loss) to EBIT, Adjusted EBIT, EBITDA and Adjusted EBITDA. The 2017 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 2017 Form 10-K.

	Year Ended December 31,		Three Months Ended December 31,		Three Months Ended September 30,	
(Dollars in millions) (Unaudited)	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Net Loss	**($44.3)**	($105.5)	**($34.4)**	($67.0)	**($5.9)**	($22.2)
Provision (benefit) for income taxes	**1.5**	(36.5)	**0.3**	(13.0)	**0.1**	(13.3)
Interest expense	**14.8**	11.4	**3.8**	3.4	**3.7**	3.9
Earnings (Loss) Before Interest and Taxes (EBIT) [1]	**($28.0)**	($130.6)	**($30.3)**	($76.6)	**($2.1)**	($31.6)
EBIT Margin [1]	**(2.1)%**	(15.0)%	**(8.9)%**	(35.7)%	**(0.6)%**	(14.8)%
Depreciation and amortization	**74.9**	74.9	**18.5**	18.8	**18.6**	19.0
Earnings (Loss) Before Interest, Taxes, Depreciation and Amortization (EBITDA) [2]	**$46.9**	($55.7)	**($11.8)**	($57.8)	**$16.5**	($12.6)
EBITDA Margin [2]	**3.5 %**	(6.4)%	**(3.5)%**	(26.9)%	**4.9 %**	(5.9)%
Loss from remeasurement of benefit plans	**(21.8)**	(79.7)	**(19.5)**	(59.3)	**(2.3)**	(20.4)
Adjusted EBIT [3]	**($6.2)**	($50.9)	**($10.8)**	($17.3)	**$0.2**	($11.2)
Adjusted EBITDA [4]	**$68.7**	$24.0	**$7.7**	$1.5	**$18.8**	$7.8

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

[2] EBITDA is defined as net 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 loss from remeasurement of benefit plans.

[4] Adjusted EBITDA is defined as EBITDA excluding the loss from remeasurement of benefit plans.



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, 2018 Low	2018 High
Net income (loss)	($3.0)	$7.0
Provision (benefit) 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]	**$20.0**	**$30.0**

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