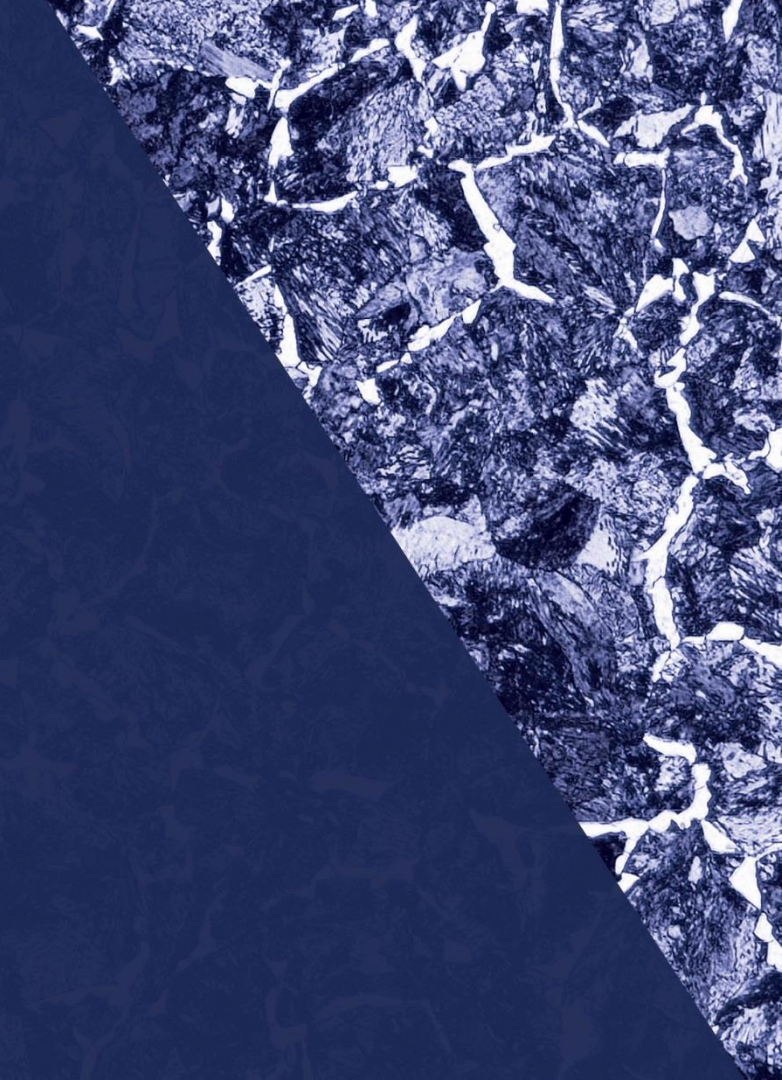
2018 Investor Presentation



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: 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, and the company’s ability to maintain appropriate relations with unions that represent its associates in certain locations in order to avoid disruptions of business; unanticipated litigation, claims or assessments, including claims or problems related to intellectual property, product liability or warranty, and environmental issues and taxes, among other matters; the 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; the amount of any dividend declared by the company’s Board of Directors on the company’s common shares; and the overall impact of mark-to-market accounting. 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.

The unaudited pro forma consolidated financial data in this presentation is subject to assumptions and adjustments described in the company’s registration statement on Form 10. TimkenSteel Corporation’s (“TimkenSteel”) management believes these assumptions and adjustments are reasonable under the circumstances . The unaudited pro forma consolidated financial data does not purport to represent what TimkenSteel’s financial position and results of operations actually would have been had the spinoff occurred on the dates indicated, or to project TimkenSteel’s financial performance for any future period following the spinoff.

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.



Business Overview

TimkenSteel: A compelling investment

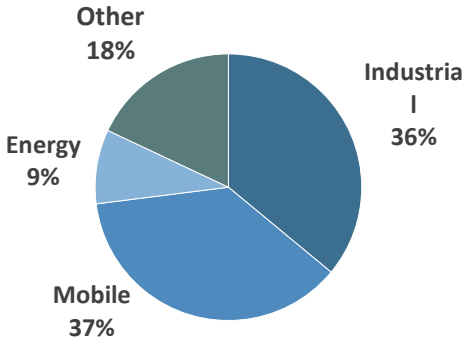
- A leading manufacturer of high-quality, high-performance engineered steel products and value-added services
- Close and trusted working relationship with customers across diverse end markets
- Solid capital structure with good liquidity position
- Deep and experienced management and technical team
- Largest size range and most extensive heat treatment capabilities in North America
- Recognized globally as technical leader in clean steel

TimkenSteel: At a glance

Overview

- Headquartered in Canton, Ohio
- Annual melt capacity of ~2m tons
- Only focused North American SBQ producer
- Widest size range of SBQ bar capability
- Largest domestic capacity of seamless mechanical tube capability

2017 shipments by end market



Alloy steel bars (SBQ) ~75%[1,2]

TimkenSteel Applications



- Bearings
- Fuel injectors
- Crankshafts
- Tri-Cone bits
- Percussion bits
- Energy CRA Production
- CV joints
- Gear

High SBQ

QUALITY

Low (Not SBQ)



- Fasteners
- Hand tools
- Leaf springs
- Shopping carts
- Table legs
- Reinforcing bar

Non-TimkenSteel Applications

Value-added solutions ~15%[1]

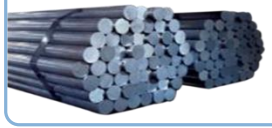
Machining, honing & drilling



Components



Supply chain



Seamless mechanical tubing ~10%[1]



Source: TimkenSteel

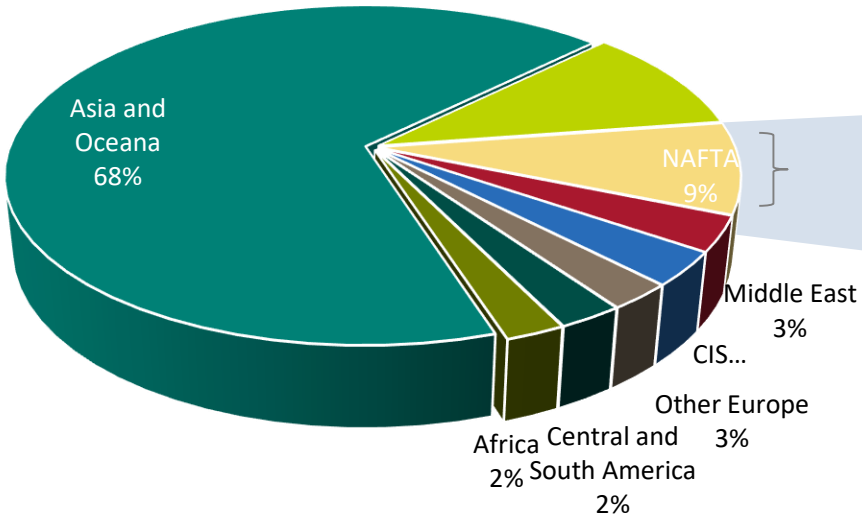
[1] As a percentage of 2017 shipments

[2] Includes billets

Focused in niche market sectors where we have competitive strength

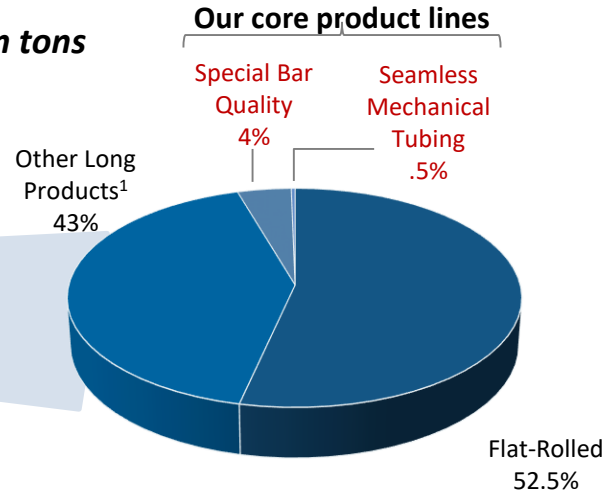
Global finished steel products

1,780m tons



NAFTA finished steel products

150m tons



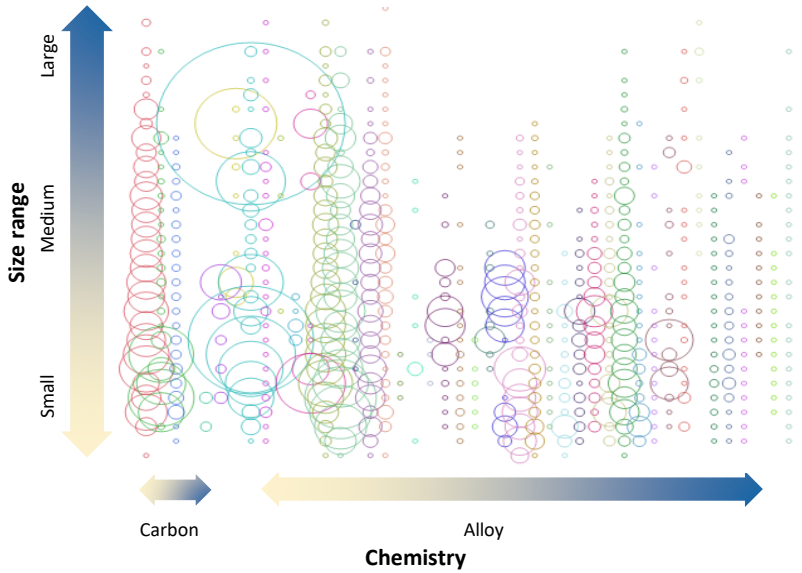
Our home market

Sources: World Steel Association Finished Steel Demand (2017); American Iron and Steel Institute (2017)

[1] Other Long Products: Light Shapes, Reinforcing Bars, Merchant Bars, Wire, Pipe & Tubing

Competitive advantage from processes, experience and systems

Complex order book

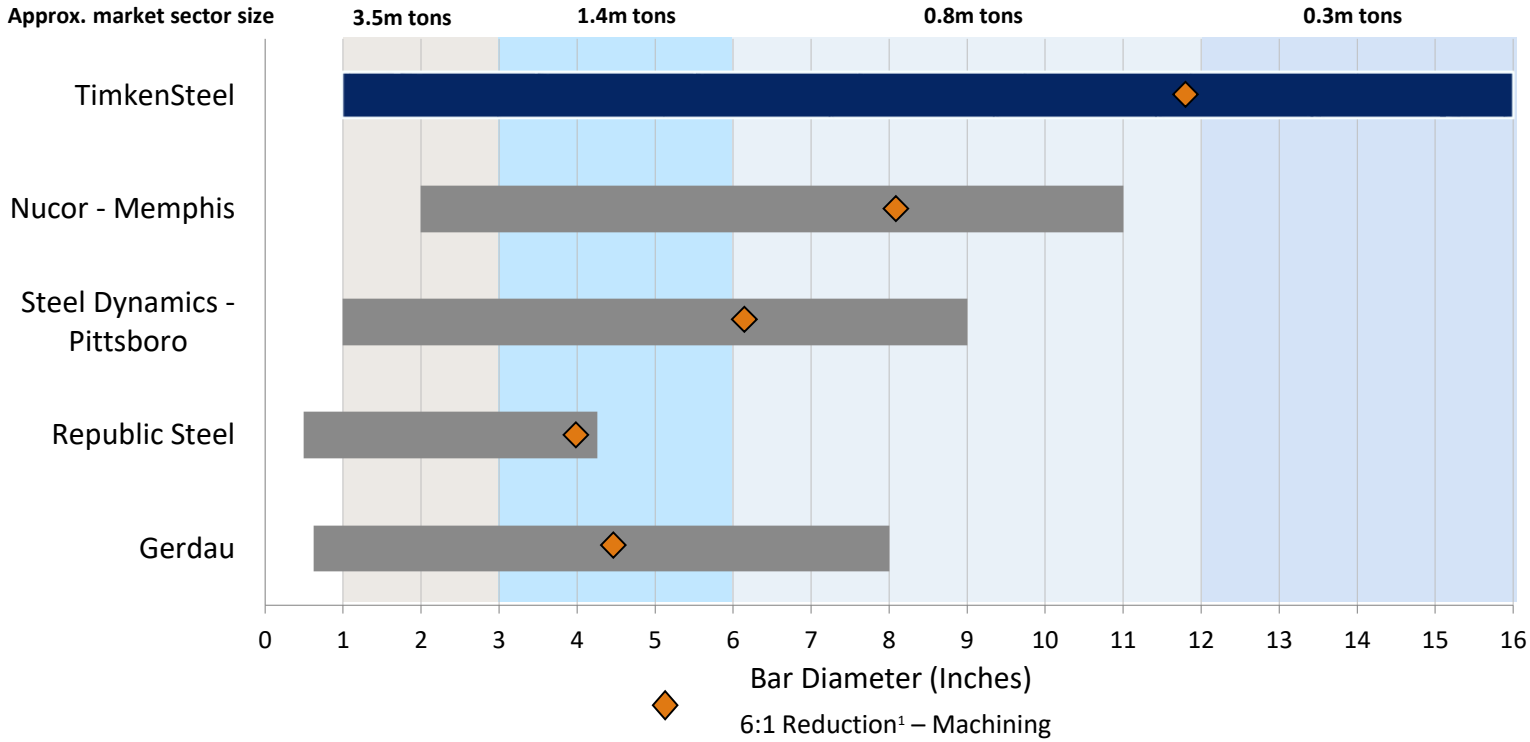


Complex planning environment

- Approximately 700 grades of steel
- Over 2,300 scrap and alloy classifications
- Roughly 8,000 customer specifications
- Over 500 customers
- Average 35 ton order size
- Over 33,000 orders per year on average
- 7 manufacturing plants, 4 warehouses
- About 100 major flow paths, 100 operations, 260 work centers

Source: TimkenSteel (current state)

Broad size range strengthens our competitive position

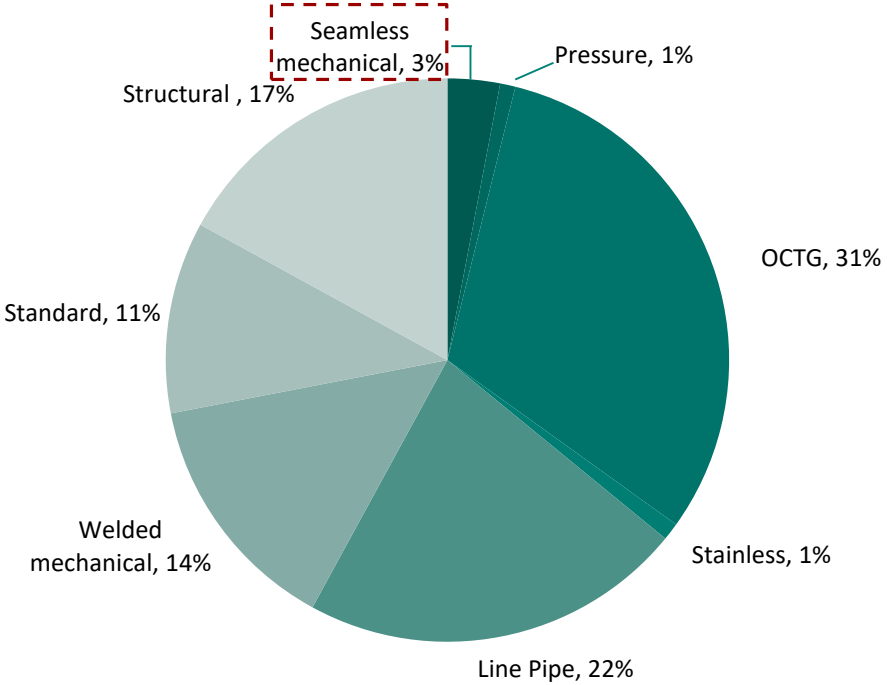


Source: TimkenSteel internal estimates as of 12/31/2017

[1] Reduction ratio is a critical quality measure for machining applications.

A leading producer of seamless mechanical tubing

U.S. tubing landscape[1]



Differentiation

- Largest domestic capacity
- Broadest size range
  - 1.9” to 13.0”
- Heavier walls
- Higher value – added niche volume and alloy grade categories
- Leading producer of quench and tempered capability
- Custom grades, small order sizes, demanding applications make barrier to entry difficult

Source: 2017 Preston Pipe and Tube Report

[1] The chart is organized from lightest to darkest shading, with the darkest shading denoting the highest material value and performance.

Meeting our customers' high-performance needs

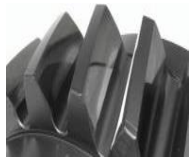
Value proposition

Energy



- On and off-shore drilling and completion applications
- Offerings are valued and trusted by industry leaders
- Unique and integrated supply chain solution set which combines high performance materials, unmatched thermal treatment, proprietary machining processes and responsive delivery capabilities

Industrial



- Diverse industrial applications where performance is critical in a variety of end markets including mining, rail, agriculture, military, machinery and more
- Manufacturing flexibility supports large scale assets with small scale solutions
- Trusted, long-term, reliable supplier

Mobile



- Known for our leadership in quality, consistency, and technical support
- Broad experience fostering deep material, application, and process know-how that creates value
- Critical automotive applications where high performance is required, primarily engine, transmission and driveline components

Key customers

- National Oilwell Varco
- Schlumberger
- Halliburton (via distribution)
- FMC Technologies
- Ellwood Group
- Dril-Quip

- Timken
- Caterpillar
- Amstead Rail
- Ellwood Group
- Canton Drop Forge
- General Dynamics

- General Motors
- Ford
- Honda
- Nissan
- Toyota
- Fiat Chrysler Automobiles

Sales channel

Distribution



- Selected distribution channel partners leveraging one another's strengths
- Authorized service centers valued for differentiated supply chain solutions
- Wide yet tailored offering of sizes, value levels and quantities

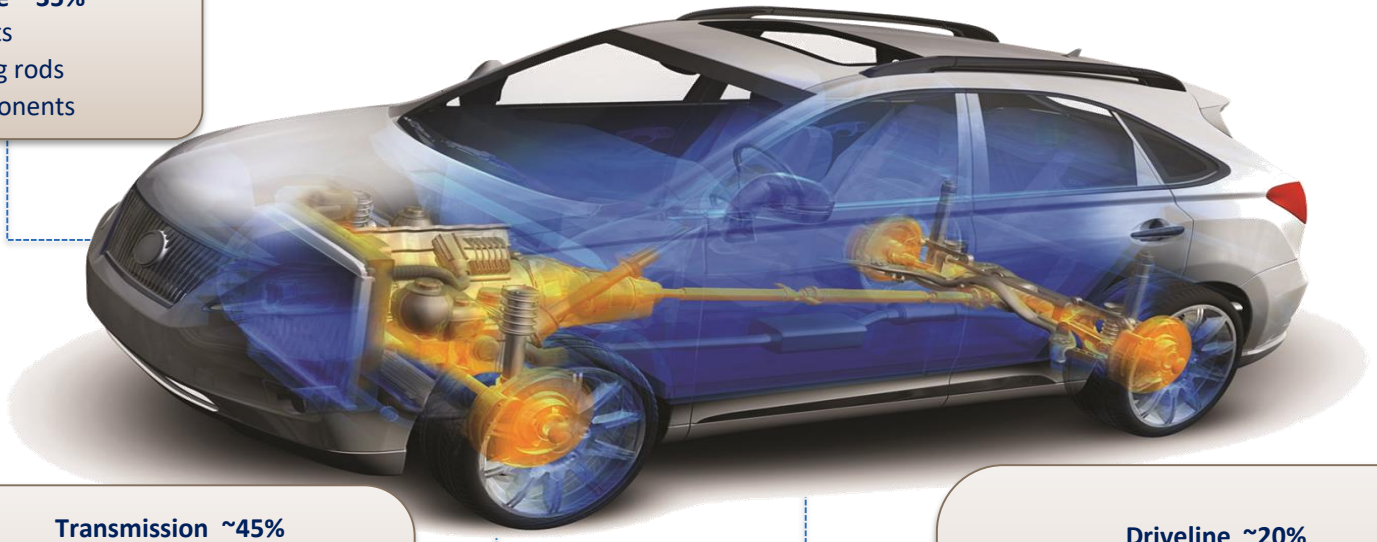
Key customers

- Reliance Steel & Aluminum
- A.M. Castle
- Eaton Steel
- Marmon Keystone

Source: TimkenSteel

TimkenSteel applications in autos

Engine ~35%
- Crankshafts
- Connecting rods
- Fuel components



Transmission ~45%
- Sun, ring, pinion and planetary gears
- CVT pulley
- Drive gears
- Shafts
- Hubs

Driveline ~20%
- Bearing hubs
- Ring gears
- Drive pinion gears
- Side gears
- Axle tubing
- Steering knuckles
- CV Joint housing and cages

TimkenSteel industrial applications










- Bearings components
- Connecting components
- Driveline/axle components
- Engine components
- Ground engaging tooling
- Hydraulic components
- Missile components and projectiles

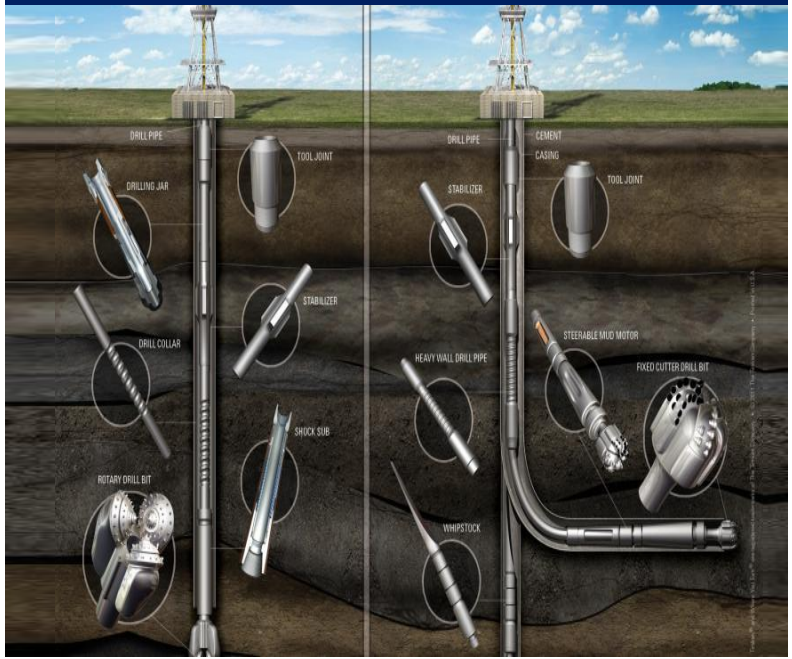
- Planetary gear components
- Steering components
- Track components
- Transmission components
- Drilling
- Others






Demanding applications using unique product and processes

Vertical and horizontal drilling applications



Completion and deepwater drilling applications

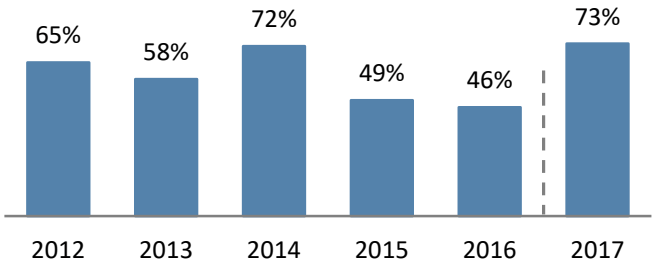


Custom-crafted, reliable solutions that address the distinct needs of the energy industry

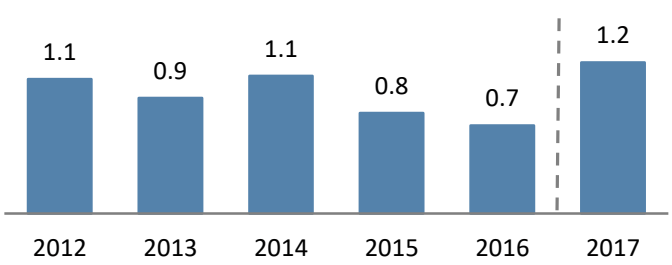
Financial Performance

High level financial performance history

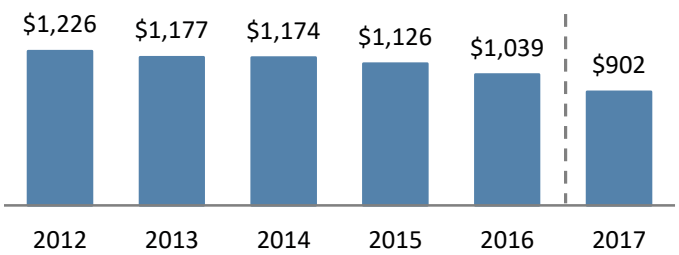
Melt Utilization



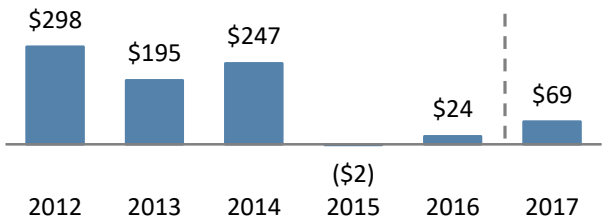
Shipments (k tons)



Average base selling price ($ / ton)[1,4]



Adjusted EBITDA ($m)[2,3,4]



	2012	2013	2014	2015	2016	2017
Adj. EBITDA margin	17%	14%	15%	0%	3%	5%

Source: TimkenSteel, The Timken Company

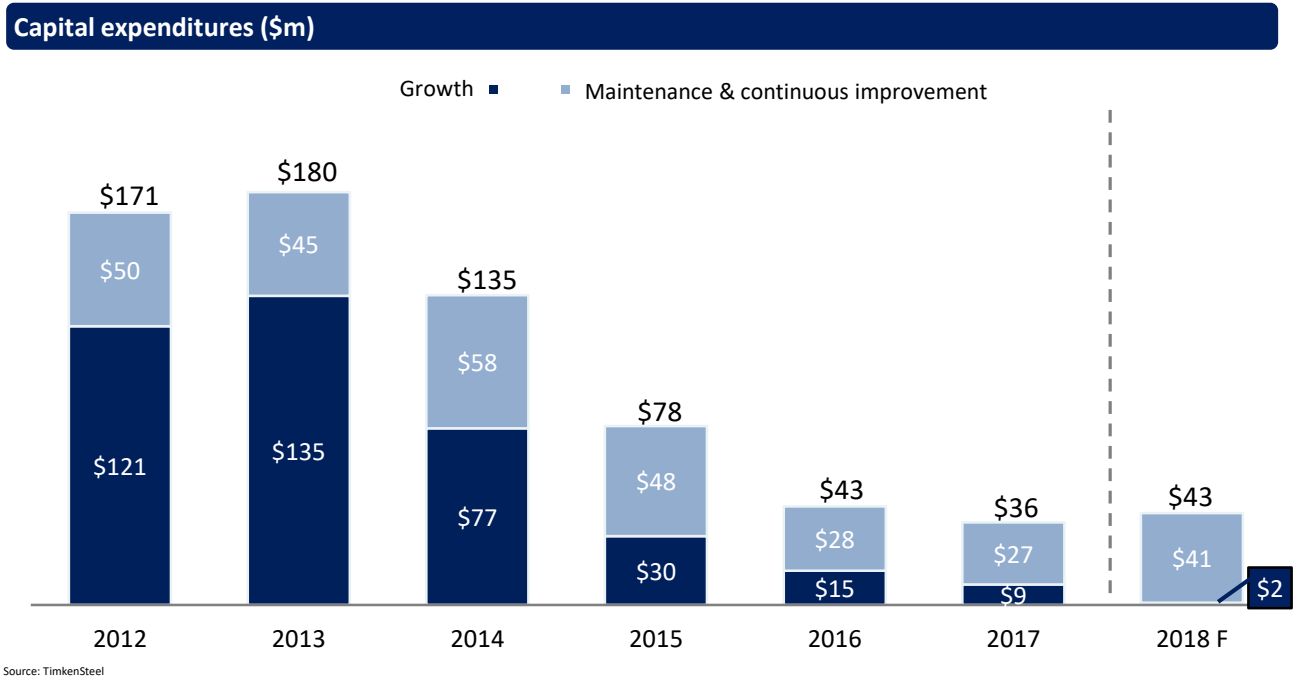
[1] Excludes surcharges

[2] 2012-2013 adjusted EBITDA based on The Timken Company's Steel segment EBITDA, adjusted for previously unallocated corporate expenses and incremental stand-alone costs

[3] Effective January 1, 2016 the company adopted mark-to-market accounting. Adjusted EBITDA for all periods excludes the remeasurement impact of mark-to-market accounting. For 2012-2014, the amortized actuarial losses reflected in adjusted EBITDA have been estimated.

[4] *Please see Appendix for a reconciliation of base sales to net sales and Adjusted EBITDA to Net Income.*

Investments in major growth projects nearly complete



Source: TimkenSteel

Pension plan close to fully funded

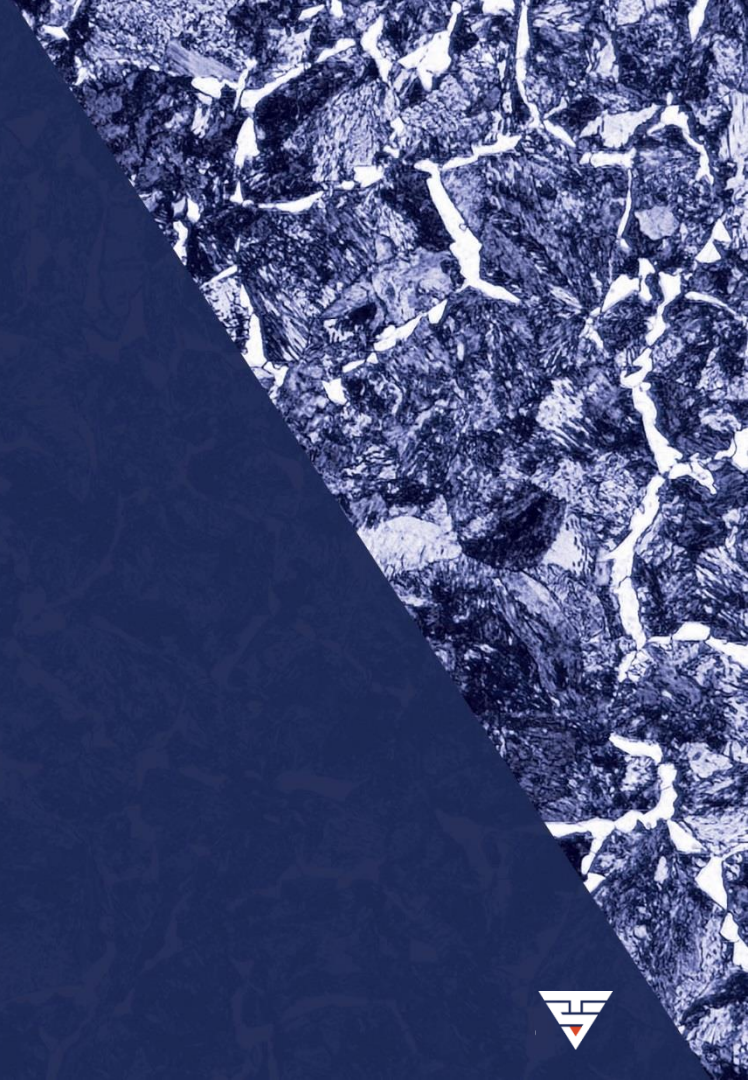
Global Pension plans & OPEB

($m)	Qualified	Non-qualified	Total	OPEB
Liabilities	$1,250	$32	$1,282	$216
Assets	$1,187	$0	$1,187	$104
Funded %	95%	0%	93%	48%

No significant cash outflows expected in the near term

Source: TimkenSteel as of December 31, 2017

Appendix



Quench-and-temper capabilities:

Changing drilling technology

Background / scope

- Multiple thermal treatment options made available since 1980s to meet customer needs
- ~$40m investment commissioned 4Q 2017

Processing / capabilities

- **Advanced Quench-and-Temper Facility:** Capacity for 50,000 process tons annually of 4”-13” bars and tubes

Customer advantages

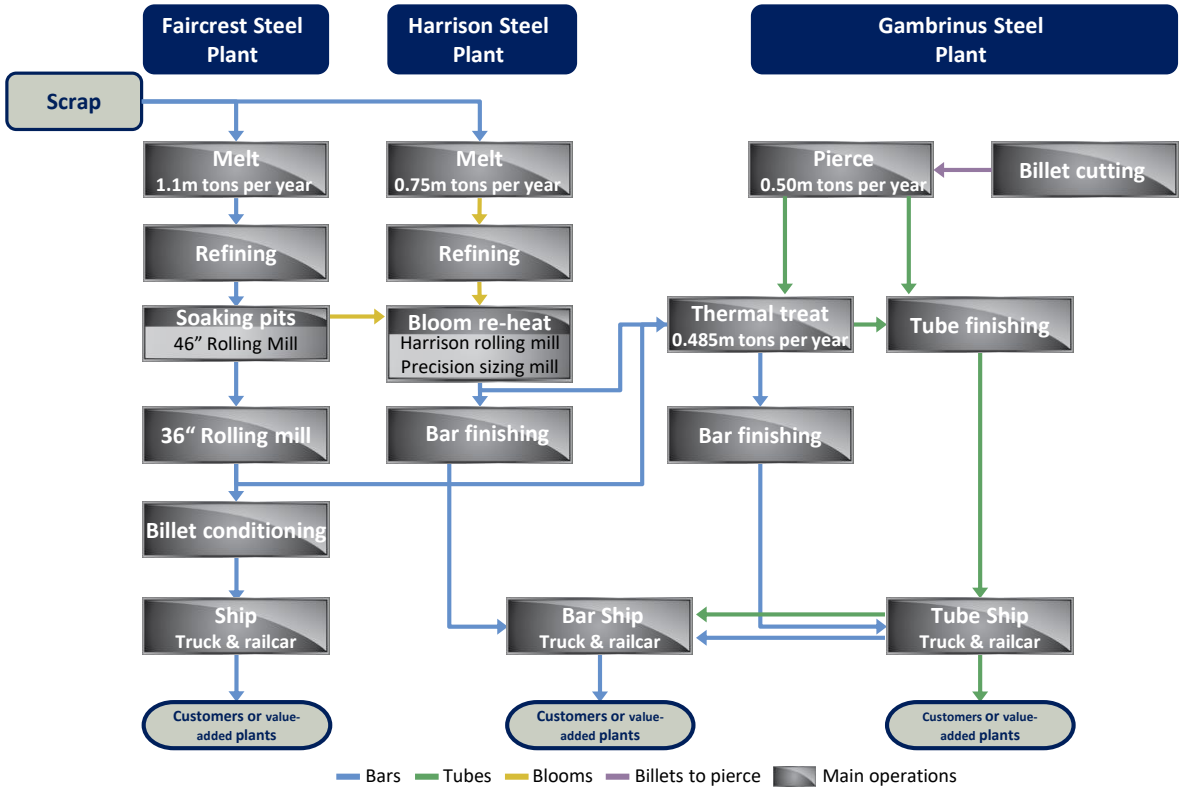
- Diverse range of processes to meet demanding strength and hardness requirements, regardless of order size

Competitive advantages

- Meeting stringent mechanical properties is becoming increasingly valuable as drilling demands in harsh environments increase



Maximizing our assets and process paths to service diverse industries



Incentive Compensation

Award	Objective	Metrics	Employees	Time Period
Annual Incentive	• Execution of annual operational priorities • Variable cash compensation based on performance	• EBIT/BIC[(1)] • Cash flow • Key process path sales	• All salaried	• 1 year
Restricted Stock Units	• Retention • Build ownership • Alignment with shareholders	• Share price	• Senior Managers	• 4 years • Ratable vested
Performance-based Restricted Stock Units	• Long-term shareholder value creation • Alignment with strategic business priorities • Reward for accomplishment of mid-term financial performance	• Average return on invested capital • Cumulative sales • Cumulative cash flow • Share price (metrics in current cycles)	• Directors and above including Officers and CEO[(2)]	• 2 to 3 years
Cliff Vested Restricted Stock Units	• Retention of top talent • Build ownership • Alignment with shareholders	• Share price	• Directors and above including Officers	• 3 years
Non-Qualified Stock Options	• Long-term shareholder value creation • Alignment with shareholders	• Share price	• Directors and above including Officers and CEO[(2)]	• 4 years ratable vested • 10 year exercise period

Source: TimkenSteel

[1]EBIT/BIC is defined as earnings before interest and taxes divided by beginning invested capital

[2]CEO's Long-term incentive portfolio comprised of performance-based restricted stock units and non-qualified stock options

Non-GAAP Reconciliations

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 investor presentation includes references to the following non-GAAP financial measures: Adjusted EBITDA and Base Sales. Adjusted 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 Adjusted EBITDA is useful to investors as it is representative of the company's performance, is a useful reflection of the underlying growth from the ongoing activities of the business and provides improved comparability of results. Base Sales, which the Company defines as net sales adjusted to exclude raw material surcharges, is also an important financial measure used in the management of the business. Management believes that reporting Base Sales is important to investors as it provides additional insight into key drivers of net sales such as base price and product mix.

For the periods prior to the spinoff, the financial information has been prepared on a stand-alone basis and is derived from the consolidated financial statements and accounting records of TimkenSteel's former parent company, The Timken Company. TimkenSteel's consolidated financial statements include certain expenses of its former parent that were allocated to the steel business for certain functions, including general corporate expenses related to finance, legal, information technology, human resources, compliance, shared services, insurance, employee benefits and incentives and stock-based compensation. TimkenSteel considers the expense allocation methodology and results to be reasonable for all periods presented. However, these allocations may not be indicative of the actual expenses TimkenSteel would have incurred as an independent public company or of the costs it will incur in the future.

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. 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.

Reconciliation of Adjusted Earnings (Loss) Before Interest and Taxes (Adjusted EBIT)[1] and Adjusted Earnings (Loss) Before Interest, Taxes, Depreciation and Amortization (Adjusted EBITDA)[2] to Net Income (Loss); Reconciliation of Base Sales[3] to Net Sales:

$m	2012	2013	2014	2015	2016	2017
Net sales	$ 1,729	$ 1,381	$ 1,674	$ 1,106	$ 870	$ 1,329
Less: surcharges	417	300	390	163	94	291
Base sales	$ 1,312	$ 1,081	$ 1,284	$ 943	$ 776	$ 1,038
Ship tons (k)	1,070,380	918,243	1,093,692	837,135	746,729	1,150,279
Average base sale per ton	$ 1,226	$ 1,177	$ 1,174	$ 1,126	$ 1,039	$ 902
Net income (loss)	$ 155	$ 90	$ 46	$ (45)	$ (106)	$ (44)
Interest expense	-	-	1	4	11	15
Provision (benefit) for income taxes	79	38	23	(27)	(36)	1
EBIT	234	128	70	(68)	(131)	(28)
Adjustments:						
Audit/other adjustments	(1.0)	2.3	-	-	-	-
Stand-alone costs	(28)	(32)	(11)	-	-	-
Mark-to-market remeasurment (gain)/loss	-	-	106	(7)	80	22
Amortized actuarial Losses	36	36	19	-	-	-
Adjusted EBIT	$ 241	$ 134	$ 184	$ (75)	$ (51)	$ (6)
% of Sales	*14%*	*10%*	*11%*	*-7%*	*-6%*	*0%*
Adjustments:						
Stand-alone depreciation & amortization	7	7	5	-	-	-
Depreciation & amortization	50	54	58	73	75	75
Total depreciation & amortization	57	61	63	73	75	75
Adjusted EBITDA	$ 298	$ 195	$ 247	$ (2)	$ 24	$ 69
% of Sales	*17%*	*14%*	*15%*	*0%*	*3%*	*5%*

Source: TimkenSteel
Note: Effective January 1, 2016 the company adopted mark-to-market accounting.
[1] Adjusted EBIT is defined as EBIT (a) adjusted for previously unallocated corporate expenses and incremental stand-alone costs and/or (b) excluding the remeasurement impact of mark-to-market accounting.
[2] Adjusted EBITDA is defined as EBITDA (a) adjusted for previously unallocated corporate expenses and incremental stand-alone costs and/or (b) excluding the remeasurement impact of mark-to-market accounting.
[3] Base sales is defined as net sales adjusted to exclude raw material surcharges.