

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2016
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission file number: 1-36313

TIMKENSTEEL CORPORATION

(Exact name of registrant as specified in its charter)

Ohio

(State or other jurisdiction of
incorporation or organization)

46-4024951

(I.R.S. Employer
Identification No.)

1835 Dueber Avenue SW, Canton, Ohio

(Address of principal executive offices)

44706

(Zip Code)

(330) 471-7000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on which registered

Common Shares, without par value

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes

No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this Chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this Chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of June 30, 2016, the aggregate market value of the registrant's common stock held by non-affiliates was \$425,406,847 based on the closing sale price as reported on the New York Stock Exchange for that date.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class

Outstanding at February 28, 2017

Common Shares, without par value

44,370,059 shares

DOCUMENTS INCORPORATED BY REFERENCE

Document

Parts Into Which Incorporated

Proxy Statement for the 2017 Annual Meeting of Shareholders

Part III

TIMKENSTEEL CORPORATION

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PART I.
ITEM 1. BUSINESS

Overview

TimkenSteel Corporation (we, us, our, the Company or TimkenSteel) was incorporated in Ohio on October 24, 2013, and became an independent, publicly traded company as the result of a spinoff (spinoff) from The Timken Company (Timken) on June 30, 2014. In the spinoff, Timken transferred to us all of the assets and generally all of the liabilities related to Timken's steel business.

TimkenSteel traces its roots back to The Timken Roller Bearing Company, which was founded in 1899 by carriage-maker/inventor Henry Timken and his two sons. By 1913, the company launched its first formal research facility, centered on improving the quality of the raw materials used to make its bearings. Early research demonstrated the superiority of bearing steel made in electric-arc furnaces (rather than existing Bessemer and open hearth processes), and that finding, coupled with a desire to ensure a dependable supply of premium steel in the years leading into World War I, led to the decision to competitively produce steel in-house. When The Timken Roller Bearing Company's Canton, Ohio steel plant became operational in 1917, it included one of the largest electric arc-furnace facilities in the country.

We manufacture alloy steel, as well as carbon and micro-alloy steel, with an annual melt capacity of approximately 2 million tons and shipment capacity of 1.5 million tons. Our portfolio includes special bar quality (SBQ) bars, seamless mechanical tubing (tubes) and value-add solutions, such as precision steel components. In addition, we supply machining and thermal treatment services, as well as manage raw material recycling programs, which are used as a feeder system for our melt operations. Our products and services are used in a diverse range of demanding applications in the following market sectors: oil and gas; oil country tubular goods; automotive; industrial equipment; mining; construction; rail; aerospace and defense; heavy truck; agriculture; and power generation.

Based on our knowledge of the steel industry, we believe we are the only focused SBQ steel producer in North America and have the largest SBQ steel large bar (6-inch diameter and greater) production capacity among the North American steel producers. In addition, we are the only steel manufacturer able to produce rolled SBQ steel large bars up to 16-inches in diameter. SBQ steel is made to restrictive chemical compositions and high internal purity levels and is used in critical mechanical applications. We make these products from nearly 100% recycled steel, using our expertise in raw materials to create custom steel products with a competitive cost structure similar to that of a high-volume producer. We focus on creating tailored products and services for our customers' most demanding applications. Our engineers are experts in both materials and applications, so we can work closely with each customer to deliver flexible solutions related to our products as well as to their applications and supply chains. We believe our unique operating model and production assets give us a competitive advantage in our industry.

The SBQ bars and tubes production processes take place at our Canton, Ohio manufacturing location. This location accounts for all of the SBQ bars and seamless mechanical tubes we produce and includes three manufacturing facilities: the Faircrest, Harrison, and Gambrinus facilities. Our value-add solutions production processes take place at three downstream manufacturing facilities: TimkenSteel Material Services (Houston, TX), Tryon Peak (Columbus, NC), and St. Clair (Eaton, OH). Many of the production processes are integrated, and the manufacturing facilities produce products that are sold in all of our market sectors. As a result, investments in our facilities and resource allocation decisions affecting our operations are designed to benefit the overall business, not any specific aspect of the business.

Operating Segments

Effective January 1, 2016, we eliminated our segment reporting as a result of organizational changes made in the second half of 2015, in addition to the integrated nature of our business as described above. These organizational changes were made to better align resources to support the business strategy of operating in a leaner, more efficient environment. Specifically, we centralized our customer-facing activities under one leadership role and eliminated the former two segment operating structure. Since that change, we are organized in a centralized manner based on functionality. As a result, we conduct our business activities and report financial results as one business segment.

The presentation of financial results as one reportable segment is consistent with the way we operate our business under the realigned organization and is consistent with the manner in which the Chief Operating Decision Maker (CODM) evaluates performance and makes resource and operating decisions for the business as described above. Furthermore, the Company notes that monitoring financial results as one reportable segment helps the CODM manage costs on a consolidated basis, consistent with the integrated nature of our operations.

Industry Segments and Geographical Financial Information

Information required by this Item is incorporated herein by reference to Note 11 - Segment Information in the Notes to the Consolidated Financial Statements.

Strengths and Strategy

We believe our business model is unique in our industry and focuses on creating tailored products and services for our customers' most demanding applications and supply chains. Our team, including degreed engineers and experienced manufacturing professionals in both materials and applications, works closely with each customer to deliver flexible solutions related to our products as well as their applications and supply chains. We believe few others can consistently deliver that kind of customization and responsiveness.

The TimkenSteel business model delivers these tailored solutions based on the following foundation:

- Deep and experienced management and technical team.
- Close and trusted working relationship with customers across diverse end markets.
- Leadership position in niche markets with differentiated products.
- Track record of innovation rooted in a deep technical knowledge of steel materials, manufacturing processes and end-user applications. Our research and development efforts focus on creating the answers to our customers' toughest engineering challenges and then leveraging those answers into new product offerings. On average, over a 5-year period, 30% of our sales are based on new business.

Recent capital investments are expected to significantly strengthen our leadership position while enhancing our operational performance and customer service.

Major Customers

We sell products and services that are used in a diverse range of demanding applications around the world. Our customers include companies in the following market sectors: oil and gas; oil country tubular goods; automotive; industrial equipment; mining; construction; rail; aerospace and defense; heavy truck; agriculture; and power generation. Our customer base is diverse. In 2016, we did not have direct sales to any single customer that accounted for 10% or more of our total sales.

Products

We believe we produce some of the cleanest, highest performing alloy air-melted steels in the world for our customers' most demanding applications. Most of our steel is custom-engineered. We leverage our technical knowledge, development expertise and production and engineering capabilities across all of our products and end-markets to deliver high-performance products to our customers.

SBQ Steel and Seamless Mechanical Steel Tubing. Our focus is on alloy steel, although in total we manufacture more than 500 grades of high-performance carbon, micro-alloy and alloy steel, sold as ingots, bars and tubes. These products are custom-made in a variety of chemistries, lengths and finishes. Our metallurgical expertise and what we believe to be unique operational capabilities drive high-value solutions for industrial, energy and mobile customers. Our specialty steels are featured in a wide variety of end products including: oil country drill pipe; bits and collars; gears; hubs; axles; crankshafts and connecting rods; bearing races and rolling elements; bushings; fuel injectors; wind energy shafts; anti-friction bearings; and other demanding applications where mechanical power transmission is critical to the end customer.

Value-added Precision Products and Services . In addition to our customized steels, we also custom-make precision components that provide us with the opportunity to further expand our market for bar and tube products and capture additional sales by streamlining customer supply chains. These products provide customers, especially those in the automotive, energy and bearing industries, with ready-to-finish components that simplify vendor management, streamline supply chains and often cost less than other alternatives. We also customize products and services for the energy market sector. We offer well-boring and finishing products that, when combined with our wide range of high-quality alloy steel bars and tubes, can create a one-stop steel source for customers in the energy market sector. Our experts operate precision honing, pull-boring, skiving, outside diameter turning and milling equipment to deliver precision hole-finishing to meet exacting dimensional tolerances.

Sales and Distribution

Our sales force is largely made up of engineers that are backed by a team of metallurgists and other technical experts. While most of our products are sold directly to original equipment (OE) manufacturers, a portion of our sales are made through authorized distributors and steel service centers, representing approximately 15% of net sales during 2016 .

The majority of our customers are served through individually-negotiated price agreements that have a one-year term. A smaller percentage of our customers have pricing agreements that extend for more than one year and contain prices fixed for a period extending beyond current shipments. We do not believe that there is any significant loss of earnings risk with any given pricing term.

Competition

The steel industry, both domestically and globally, is highly competitive and is expected to remain so. Maintaining high standards of product quality and reliability, while keeping production costs competitive, is essential to our ability to compete with domestic and foreign manufacturers of mechanical components and alloy steel. For bar products less than 6-inch in diameter, principal competitors include foreign-owned domestic producers Gerdau Special Steel North America (a unit of Brazilian steelmaker Gerdau, S.A) and Republic Steel (a unit of Mexican steel producer ICH). For bar products up to 9-inch in diameter, domestic producers Steel Dynamics, Inc. and Nucor Corporation (in some cases up to 10-inch) are our principal competitors. For very large bars from 10 to 16 inches in diameter, offshore producers as well as specialty forging companies in North America such as Scot Forge and Sorel Steel are the primary competitors. For seamless mechanical tubing, offshore producers such as Tenaris, S.A., Vallourec, S.A. and TMK Group are our primary competitors as well as the foreign-owned domestic producer ArcelorMittal Tubular Products (a unit of Luxembourg based ArcelorMittal, S.A.). We also provide unique value-added steel products and supply chain solutions to our customers in the industrial, energy and automotive sectors.

Backlog

The backlog of orders for our operations is estimated to have been approximately 200,000 tons at both December 31, 2016 and December 31, 2015 .

Virtually our entire backlog at December 31, 2016 is scheduled for delivery in the succeeding 12 months. Actual shipments depend upon customers' ever-changing production schedules. During these periods of shorter lead times, backlog may not be a meaningful indicator of future sales. Accordingly, we do not believe our backlog data and comparisons thereof, as of different dates, reliably indicate future sales or shipments.

Raw Materials

The principal raw materials that we use to manufacture steel are recycled scrap metal, chrome, nickel, molybdenum oxide, vanadium and other alloy materials. Raw materials comprise a significant portion of the steelmaking cost structure and are subject to price and availability changes due to global demand fluctuations and local supply limitations. Proper selection and management of raw materials can have a significant impact on procurement cost, flexibility to supply changes, steelmaking energy costs and mill productivity. Because of our diverse order book and demanding steel requirements, we have developed differentiated expertise in this area and created a raw material management system that contributes to our competitive cost position and advantage.

In addition to accessing scrap and alloys through the open market, we have established a scrap return supply chain with many of our customers. We operate a scrap processing company for improved access, reliability and cost. Our raw material feeder system is designed to achieve high consistency, reliable chemistry and low variability from a number of our sources. We have extensive segregation points, chemistry monitoring, computerized modeling of variability and total systems optimization (inventory, operating practices, capacity impact, order book, procurement flexibility and strategy). Roughly 40% of our raw material sources are considered "highly controlled," which gives us greater flexibility to substitute lower-cost scrap based on availability. Our raw material management process achieves procurement at competitive costs. This part of our business solidly rests on a deep knowledge of the raw material supply industry and an extensive network of relationships that result in steady, reliable supply from our raw material sources.

Research

Our engineers analyze customer application challenges and develop new solutions to address them. With a century of experience in materials science and steelmaking, we leverage our technical know-how to improve the performance of our customers' products and supply chains.

We invest in technology that results in cleaner, stronger, and more easily processed materials. Our engineers drive technology advances in many market sectors, producing new and improved products that have demonstrated increased performance

in high-stress conditions. Whether we need to develop new material specifications or help solve a customer processing challenge, our advanced material engineers are among the most knowledgeable in our industry.

This expertise extends to advanced process technology in which advanced material conversion, finishing, gaging and assembly enables high quality production of our products. With resources dedicated to studying, developing and implementing new manufacturing processes and technologies, we are able to support new product growth and create value for our customers.

Our research and development expenditures for the years ended December 31, 2016 , 2015 and 2014 were \$8.0 million , \$8.6 million and \$8.5 million , respectively.

Environmental Matters

We continue our efforts to protect the environment and comply with environmental protection laws. Additionally, we have invested in pollution control equipment and updated plant operational practices. We are committed to implementing a documented environmental management system worldwide which may include becoming certified under the ISO 14001 standard. As of December 31, 2016 , all of our steel making and two of our value-add plants have obtained and maintained ISO 14001 certification.

We believe we have established appropriate reserves to cover our environmental expenses. We have a well-established environmental compliance audit program for our domestic units. This program measures performance against applicable laws as well as against internal standards that have been established for all units. It is difficult to assess the possible effect of compliance with future requirements that differ from existing ones. As previously reported, we are unsure of the future financial impact to us from the U.S. Environmental Protection Agency's (EPA) rule changes related to the Clean Air Act (CAA), Clean Water Act, waste and other environmental rules and regulations.

We and certain of our subsidiaries located in the U.S. have been identified as potentially responsible parties under the Toxic Substance Control Act, Resource Conservation and Recovery Act, CAA as well as other state laws. In general, such claims for investigation and remediation also have been asserted against other entities, which are believed to be financially solvent and are expected to substantially fulfill their proportionate share of any obligations.

From time to time, we may be a party to lawsuits, claims or other proceedings related to environmental matters and/or receive notices of potential violations of environmental laws and regulations from the EPA and similar state or local authorities. As of December 31, 2016 and 2015 , we recorded reserves for such environmental matters of \$0.6 million and \$0.8 million, respectively. Accruals related to such environmental matters represent management's best estimate of the fees and costs associated with these matters. Although it is not possible to predict with certainty the outcome of such matters, management believes that the ultimate disposition of these matters should not have a material adverse effect on our financial position, cash flows, or results of operations.

Legal Proceedings

We are involved in various claims and legal actions arising in the ordinary course of business. In the opinion of our management, the ultimate disposition of these matters will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Patents, Trademarks and Licenses

We own a number of U.S. and foreign patents, trademarks, licenses, copyrights and trade secrets, as well as substantial know-how and technology relating to certain products and the processes for their production. While we regard these as important, we do not deem our business to be materially dependent upon any one item or group of items.

Employment

At December 31, 2016 , we had approximately 2,500 employees, with about 58% of our employees covered under one of two collective bargaining agreements that expire in September 2017 and December 2019, respectively. The collective bargaining agreement that expires in September 2017 covers approximately 57% of our employees.

Available Information

We use our Investor Relations website at <http://investors.timkensteel.com>, as a channel for routine distribution of important information, including news releases, analyst presentations and financial information. We post filings (including our annual, quarterly and current reports on Forms 10-K, 10-Q and 8-K; our proxy statements and any amendments to those reports or

statements) as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission (SEC). All such postings and filings are available on our website free of charge. In addition, our website allows investors and other interested persons to sign up to automatically receive e-mail alerts when we post news releases and financial information on our website. The SEC also maintains a website, www.sec.gov, which contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. The content on any website referred to in this Annual Report on Form 10-K is not incorporated by reference into this Annual Report unless expressly noted.

ITEM 1A. RISK FACTORS

The following are certain risk factors that could affect our business, financial condition and results of operations. The risks that are highlighted below are not the only ones we face. You should carefully consider each of the following risks and all of the other information contained in this Annual Report on Form 10-K. Some of these risks relate principally to our business and the industry in which we operate, while others relate principally to our debt, the securities markets in general, ownership of our common shares and our spinoff from Timken. If any of the following risks actually occur, our business, financial condition or results of operations could be negatively affected.

Risks Relating to Our Industry and Our Business

Competition in the steel industry, together with potential global overcapacity, could result in significant pricing pressure for our products.

Competition within the steel industry, both domestically and worldwide, is intense and is expected to remain so. The steel industry has historically been characterized by periods of excess global capacity and supply. Excess global capacity and supply has, and could continue to, negatively affect domestic steel prices, which could adversely impact our results of operations and financial condition. High levels of steel imports into the U.S. could exacerbate a decrease in domestic steel prices.

Additionally, in some applications, steel competes with other materials. Increased use of materials in substitution for steel products could have a material adverse effect on prices and demand for our steel products.

Any change in the operation of our raw material surcharge mechanisms, a raw material market index or the availability or cost of raw materials and energy resources could materially affect our revenues and earnings.

We require substantial amounts of raw materials, including scrap metal and alloys and natural gas, to operate our business. Many of our customer agreements contain surcharge pricing provisions that are designed to enable us to recover raw material cost increases. The surcharges are generally tied to a market index for that specific raw material. Recently, many raw material market indices have reflected significant fluctuations. Any change in a raw material market index could materially affect our revenues. Any change in the relationship between the market indices and our underlying costs could materially affect our earnings. Any change in our projected year-end input costs could materially affect our last-in, first-out (LIFO) inventory valuation method and earnings.

Moreover, future disruptions in the supply of our raw materials could impair our ability to manufacture our products for our customers or require us to pay higher prices in order to obtain these raw materials from other sources, and could thereby affect our sales and profitability. Any increase in the prices for such raw materials could materially affect our costs and therefore our earnings.

We rely to a substantial extent on third parties to supply certain raw materials that are critical to the manufacture of our products. Purchase prices and availability of these critical raw materials are subject to volatility. At any given time we may be unable to obtain an adequate supply of these critical raw materials on a timely basis, on acceptable price and other terms, or at all. If suppliers increase the price of critical raw materials, we may not have alternative sources of supply. In addition, to the extent we have quoted prices to customers and accepted customer orders or entered into agreements for products prior to purchasing necessary raw materials, we may be unable to raise the price of products to cover all or part of the increased cost of the raw materials.

Our operating results depend in part on continued successful research, development and marketing of new and/or improved products and services, and there can be no assurance that we will continue to successfully introduce new products and services.

The success of new and improved products and services depends on their initial and continued acceptance by our customers. Our business is affected, to varying degrees, by technological change and corresponding shifts in customer demand, which could result in unpredictable product transitions or shortened life cycles. We may experience difficulties or delays in the research, development, production, or marketing of new products and services that may prevent us from recouping or realizing a return on the investments required to bring new products and services to market.

New technologies in the steel industry may: (a) improve cost competitiveness; (b) increase production capabilities; or (c) improve operational efficiency compared to our current production methods. However, we may not have sufficient capital to invest in such technologies or to make certain capital improvements, and may, from time to time, incur cost over-runs and difficulties adapting and fully integrating these technologies or capital improvements into our existing operations. We may also encounter control or production restrictions, or not realize the cost benefit from such capital-intensive technology adaptations or capital improvements to our current production processes. Customers continue to demand stronger and lighter products, among other

adaptations to traditional products. We may not be successful in meeting these technological challenges and there may be increased liability exposure connected with the supply of additional products and services or an adverse impact to our results of operations and profitability.

Our business is capital-intensive, and if there are downturns in the industries we serve, we may be forced to significantly curtail or suspend operations with respect to those industries, which could result in our recording asset impairment charges or taking other measures that may adversely affect our results of operations and profitability.

Our business operations are capital-intensive, and we devote a significant amount of capital to certain industries. If there are downturns in the industries we serve, we may be forced to significantly curtail or suspend our operations with respect to those industries, including laying-off employees, recording asset impairment charges and other measures. In addition, we may not realize the benefits or expected returns from announced plans, programs, initiatives and capital investments. Any of these events could adversely affect our results of operations and profitability.

We are dependent on our key customers.

As a result of our dependence on our key customers, we could experience a material adverse effect on our business, financial condition and results of operations if any of the following, among other things, were to occur: (a) a loss of any key customer, or a material amount of business from such key customer; (b) the insolvency or bankruptcy of any key customer; (c) a declining market in which customers reduce orders; or (d) a strike or work stoppage at a key customer facility, which could affect both its suppliers and customers. For the year ended December 31, 2016, sales to our 10 and 20 largest customers accounted for approximately 50% and 65% of our net sales, respectively.

Weakness in global economic conditions or in any of the industries or geographic regions in which we or our customers operate, as well as the cyclical nature of our customers' businesses generally or sustained uncertainty in financial markets, could adversely impact our revenues and profitability by reducing demand and margins.

Our results of operations may be materially affected by conditions in the global economy generally and in global capital markets. There has been volatility in the capital markets and in the end markets and geographic regions in which we or our customers operate, which has negatively affected our revenues. Many of the markets in which our customers participate are also cyclical in nature and experience significant fluctuations in demand for our steel products based on economic conditions, consumer demand, raw material and energy costs, and government actions, and many of these factors are beyond our control.

A decline in consumer and business confidence and spending, together with severe reductions in the availability and increased cost of credit, as well as volatility in the capital and credit markets, could adversely affect the business and economic environment in which we operate and the profitability of our business. We also are exposed to risks associated with the creditworthiness of our suppliers and customers. If the availability of credit to fund or support the continuation and expansion of our customers' business operations is curtailed or if the cost of that credit is increased, the resulting inability of our customers or of their customers to either access credit or absorb the increased cost of that credit could adversely affect our business by reducing our sales or by increasing our exposure to losses from uncollectible customer accounts. These conditions and a disruption of the credit markets could also result in financial instability of some of our suppliers and customers. The consequences of such adverse effects could include the interruption of production at the facilities of our customers, the reduction, delay or cancellation of customer orders, delays or interruptions of the supply of raw materials or other inputs we purchase, and bankruptcy of customers, suppliers or other creditors. Any of these events could adversely affect our profitability, cash flow and financial condition.

Our capital resources may not be adequate to provide for all of our cash requirements, and we are exposed to risks associated with financial, credit, capital and banking markets.

In the ordinary course of business, we will seek to access competitive financial, credit, capital and/or banking markets. Currently, we believe we have adequate capital available to meet our reasonably anticipated business needs based on our historic financial performance, as well as our expected financial position. However, if we need to obtain additional financing in the future, to the extent our access to competitive financial, credit, capital and/or banking markets was to be impaired, our operations, financial results and cash flows could be adversely impacted.

Product liability, warranty and product quality claims could adversely affect our operating results.

We produce high-performance carbon and alloy steel, sold as ingots, bars and tubes in a variety of chemistries, lengths and finishes designed for our customers' demanding applications. Failure of the materials that are included in our customers' applications could give rise to product liability or warranty claims. There can be no assurance that our insurance coverage will be adequate or continue to be available on terms acceptable to us. If we fail to meet a customer's specifications for its products, we

may be subject to product quality costs and claims. A successful warranty or product liability claim against us could have a material adverse effect on our earnings.

The cost and availability of electricity and natural gas are also subject to volatile market conditions.

Steel producers like us consume large amounts of energy. We rely on third parties for the supply of energy resources we consume in our steelmaking activities. The prices for and availability of electricity, natural gas, oil and other energy resources are also subject to volatile market conditions, often affected by weather conditions as well as political and economic factors beyond our control. As a large consumer of electricity and gas, we must have dependable delivery in order to operate. Accordingly, we are at risk in the event of an energy disruption. Prolonged black-outs or brown-outs or disruptions caused by natural disasters or governmental action would substantially disrupt our production. Moreover, many of our finished steel products are delivered by truck. Unforeseen fluctuations in the price of fuel would also have a negative impact on our costs or on the costs of many of our customers. In addition, changes in certain environmental laws and regulations, including those that may impose output limitations or higher costs associated with climate change or greenhouse gas emissions, could substantially increase the cost of manufacturing and raw materials, such as energy, to us and other U.S. steel producers.

We may incur restructuring and impairment charges that could materially affect our profitability.

Changes in business or economic conditions, or our business strategy, may result in actions that require us to incur restructuring or impairment charges in the future, which could have a material adverse effect on our earnings.

We are subject to extensive environmental, health and safety laws and regulations, which impose substantial costs and limitations on our operations, and environmental, health and safety compliance and liabilities may be more costly than we expect.

We are subject to extensive federal, state, local and foreign environmental, health and safety laws and regulations concerning matters such as worker health and safety, air emissions, wastewater discharges, hazardous material and solid and hazardous waste use, generation, handling, treatment and disposal and the investigation and remediation of contamination. We are subject to the risk of substantial liability and limitations on our operations due to such laws and regulations. The risks of substantial costs and liabilities related to compliance with these laws and regulations, which tend to become more stringent over time, are an inherent part of our business, and future conditions may develop, arise or be discovered that create substantial environmental compliance or remediation or other liabilities and costs.

Compliance with environmental, health and safety legislation and regulatory requirements may prove to be more limiting and costly than we anticipate. To date, we have committed significant expenditures in our efforts to achieve and maintain compliance with these requirements, and we expect that we will continue to make significant expenditures related to such compliance in the future. From time to time, we may be subject to legal proceedings brought by private parties or governmental authorities with respect to environmental matters, including matters involving alleged contamination, property damage or personal injury. New laws and regulations, including those that may relate to emissions of greenhouse gases, stricter enforcement of existing laws and regulations, the discovery of previously unknown contamination or the imposition of new clean-up requirements, could require us to incur costs or become the basis for new or increased liabilities that could have a material adverse effect on our business, financial condition or results of operations.

From both a medium- and long-term perspective, we are likely to see an increase in costs relating to our assets that emit relatively significant amounts of greenhouse gases as a result of new and existing legal and regulatory initiatives, such as any initiatives resulting from the Paris Agreement on climate change adopted in December 2015. These initiatives will be either voluntary or mandatory and may impact our operations directly or through our suppliers or customers. Until the timing, scope and extent of any future legal and regulatory initiatives become known, we cannot predict the effect on our business, financial condition or results of operations.

Unexpected equipment failures or other disruptions of our operations may increase our costs and reduce our sales and earnings due to production curtailments or shutdowns.

Interruptions in production capabilities would likely increase our production costs and reduce sales and earnings for the affected period. In addition to equipment failures, our facilities and information technology systems are also subject to the risk of catastrophic loss due to unanticipated events such as fires, explosions or violent weather conditions. Our manufacturing processes are dependent upon critical pieces of equipment for which there may be only limited or no production alternatives, such as furnaces, continuous casters and rolling equipment, as well as electrical equipment, such as transformers, and this equipment may, on occasion, be out of service as a result of unanticipated failures. In the future, we may experience material plant shutdowns or periods of reduced production as a result of these types of equipment failures, which could cause us to lose or prevent us from taking advantage of various business opportunities or prevent us from responding to competitive pressures.

A significant portion of our manufacturing facilities are located in Stark County, Ohio, which increases the risk of a significant disruption to our business as a result of unforeseeable developments in this geographic area.

It is possible that we could experience prolonged periods of reduced production due to unforeseen catastrophic events occurring in or around our manufacturing facilities in Stark County, Ohio. As a result, we may be unable to shift manufacturing capabilities to alternate locations, accept materials from suppliers, meet customer shipment deadlines or address other significant issues, any of which could have a material adverse effect on our business, financial condition or results of operations.

We may be subject to risks relating to our information technology systems.

We rely on information technology systems to process, transmit and store electronic information and manage and operate our business. A breach in security could expose us and our customers and suppliers to risks of misuse of confidential information, manipulation and destruction of data, production downtimes and operations disruptions, which in turn could adversely affect our reputation, competitive position, business or results of operations. While we have policies and procedures to prevent or limit the impact of systems failures, interruptions, and security breaches, there can be no assurance that such events will not occur or that they will be adequately addressed if they do. Although we rely on commonly used security and processing systems to provide the security and authentication necessary to effect the secure transmission of data, these precautions may not protect our systems from all potential compromises or breaches of security.

Work stoppages or similar difficulties could significantly disrupt our operations, reduce our revenues and materially affect our earnings.

A work stoppage at one or more of our facilities could have a material adverse effect on our business, financial condition and results of operations. As of December 31, 2016, approximately 58% of our employees were covered under one of two collective bargaining agreements that expire in September 2017 and December 2019, respectively. Any failure to negotiate and conclude new collective bargaining agreements with the unions when the existing agreements expire could cause work interruptions or stoppages. Also, if one or more of our customers were to experience a work stoppage, that customer may halt or limit purchases of our products, which could have a material adverse effect on our business, financial condition and results of operations.

We are subject to a wide variety of domestic and foreign laws and regulations that could adversely affect our results of operations, cash flow or financial condition.

We are subject to a wide variety of domestic and foreign laws and regulations, and legal compliance risks, including securities laws, tax laws, employment and pension-related laws, competition laws, U.S. and foreign export and trading laws, and laws governing improper business practices. We are affected by new laws and regulations, and changes to existing laws and regulations, including interpretations by courts and regulators. With respect to tax laws, with the finalization of specific actions (Actions) contained within the Organization for Economic Development and Cooperation's (OECD) Base Erosion and Profit study, many OECD countries have acknowledged their intent to implement the Actions and update their local tax regulations. The extent (if any) to which countries in which we operate adopt and implement the Actions could affect our effective tax rate and our future results from non-U.S. operations.

Compliance with the laws and regulations described above or with other applicable foreign, federal, state, and local laws and regulations currently in effect or that may be adopted in the future could materially adversely affect our competitive position, operating results, financial condition and liquidity.

If we are unable to attract and retain key personnel, our business could be materially adversely affected.

Our business substantially depends on the continued service of key members of our management. The loss of the services of a significant number of members of our management could have a material adverse effect on our business. Modern steel-making uses specialized techniques and advanced equipment that requires experienced engineers and skilled laborers. Our future success will depend on our ability to attract and retain such highly skilled personnel, as well as finance, marketing and senior management professionals. Competition for these employees is intense, and we could experience difficulty from time to time in hiring and retaining the personnel necessary to support our business. If we do not succeed in retaining our current employees and attracting new high-quality employees, our business could be materially adversely affected.

We may not realize the improved operating results that we anticipate from past and future acquisitions and we may experience difficulties in integrating acquired businesses.

We may seek to grow, in part, through strategic acquisitions and joint ventures, which are intended to complement or expand our businesses. These acquisitions could involve challenges and risks. In the event that we do not successfully integrate

these acquisitions into our existing operations so as to realize the expected return on our investment, our results of operations, cash flows or financial condition could be adversely affected.

Our ability to use our net operating loss and credit carryforwards to offset future taxable income may be subject to certain limitations.

As of December 31, 2016, we have loss carryforwards totaling \$307 million (of which \$267 million relates to the U.S. and \$40 million relates to various non-U.S. jurisdictions), having various expiration dates, as well as certain credit carryforwards. The majority of the non-U.S. loss carryforwards represent local country net operating losses for entities treated as branches of TimkenSteel under U.S. tax law. During 2016, operating losses generated in the U.S. resulted in a decrease in the carrying value of our U.S. deferred tax liability to the point that would result in a net U.S. deferred tax asset at December 31, 2016. In light of our recent operating performance in the U.S. and current industry conditions, we assessed, based upon all available evidence, and concluded that it was more likely than not that we would not realize our U.S. deferred tax assets. As a result, in the fourth quarter of 2016, we recorded a \$15.6 million full valuation allowance on our net U.S. deferred tax asset. Going forward, the need to maintain valuation allowances against deferred tax assets in the U.S. and other affected countries will cause variability in our effective tax rate. We will maintain a full valuation allowance against our deferred tax assets in the U.S. and applicable foreign countries until sufficient positive evidence exists to eliminate them. Our ability to utilize our net operating loss and credit carryforwards is dependent upon our ability to generate taxable income in future periods and may be limited due to restrictions imposed on utilization of net operating loss and credit carryforwards under federal and state laws upon a change in ownership. Refer to Note 12 - Income Tax Provision in the Notes to the Consolidated Financial Statements for more information.

Section 382 and Section 383 of the Internal Revenue Code of 1986, as amended (the "Code"), provide an annual limitation on our ability to utilize our U.S. net operating loss and credit carryforwards against future U.S. taxable income in the event of a change in ownership, as defined in the Code, which could result from one or more transactions involving our shares, including transactions that are outside of our control, as well as the issuance of shares upon conversion of our 6.00% Convertible Senior Notes due 2021 (Convertible Notes). Accordingly, such transactions could adversely impact our ability to offset future tax liabilities and, therefore, adversely affect our financial condition, net income and cash flow. Refer to Note 6 - Financing Arrangements in the Notes to the Consolidated Financial Statements for more information.

Risks related to our debt

Our substantial debt could adversely affect our financial health and we may not be able to generate sufficient cash to service our debt.

We have substantial debt and, as a result, we have significant debt service obligations. As of December 31, 2016, we had outstanding debt of approximately \$136.6 million. Our debt may:

- make it more difficult for us to satisfy our financial obligations under our indebtedness and our contractual and commercial commitments and increase the risk that we may default on our debt obligations;
- require us to use a substantial portion of our cash flow from operations to pay interest and principal on our debt, which would reduce the funds available for working capital, capital expenditures and other general corporate purposes;
- limit our ability to obtain additional financing for working capital, capital expenditures, acquisitions and other investments, or general corporate purposes, which may limit the ability to execute our business strategy and affect the market price of our common shares;
- heighten our vulnerability to downturns in our business, our industry or in the general economy and restrict us from exploiting business opportunities or making acquisitions;
- place us at a competitive disadvantage compared to those of our competitors that may have less debt;
- limit management's discretion in operating our business;
- limit our flexibility in planning for, or reacting to, changes in our business, the industry in which we operate or the general economy; and
- result in higher interest expense if interest rates increase and we have outstanding floating rate borrowings.

We cannot assure you that we will maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on (as well as any cash due upon conversion of) our debt. If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital or restructure or refinance our debt. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. If our operating results and available cash are insufficient to meet our debt service obligations, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. We may not be able to consummate those dispositions or to obtain the proceeds that we could realize from them, and these proceeds may not be adequate to meet any debt service obligations then due. Further, we may need to refinance all or a portion of our debt on or before maturity, and we cannot assure you that we will be able to refinance any of our debt on commercially reasonable terms or at all.

Restrictive covenants in the agreements governing our other indebtedness may restrict our ability to operate our business, which may affect the market price of our common shares.

Our Amended Credit Agreement contains, and agreements governing indebtedness we may incur in the future may contain, covenants that restrict our ability to, among other things, incur additional debt, pay dividends, make investments, enter into transactions with affiliates, merge or consolidate with other entities or sell all or substantially all of our assets. Additionally, our Amended Credit Agreement requires us to maintain a minimum specified fixed charge coverage ratio for three consecutive months beginning June 30, 2017. A breach of any of these covenants could result in a default, which could allow the lenders to declare all amounts outstanding under the applicable debt immediately due and payable and which may affect the market price of our common shares. We may also be prevented from taking advantage of business opportunities that arise because of the limitations imposed on us by the restrictive covenants under our indebtedness. Refer to Note 6 - Financing Arrangements in the Notes to the Consolidated Financial Statements for more detail on the agreement governing the Amended Credit Agreement.

The conditional conversion feature of the Convertible Notes, if triggered, may adversely affect our financial condition and operating results.

In the event the conditional conversion feature of the Convertible Notes (refer to Note 6 - Financing Arrangements in the Notes to the Consolidated Financial Statements) is triggered, holders of Convertible Notes will be entitled to convert the Convertible Notes at any time during specified periods at their option. If one or more holders elect to convert their Convertible Notes, unless we elect to satisfy our conversion obligation by delivering solely our common shares (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their Convertible Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Convertible Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

Risks related to our common shares

The price of our common shares may fluctuate significantly.

The market price of our common shares may fluctuate significantly in response to many factors, including:

- actual or anticipated changes in operating results or business prospects;
- changes in financial estimates by securities analysts;
- an inability to meet or exceed securities analysts' estimates or expectations;
- conditions or trends in our industry or sector;
- the performance of other companies in our industry or sector and related market valuations;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, divestitures, joint ventures or other strategic initiatives;
- general financial, economic or political instability;
- hedging or arbitrage trading activity in our common shares;
- changes in interest rates;

- capital commitments;
- additions or departures of key personnel; and
- future sales of our common shares or securities convertible into, or exchangeable or exercisable for, our common shares.

Many of the factors listed above are beyond our control. These factors may cause the market price of our common shares to decline, regardless of our financial condition, results of operations, business or prospects.

Provisions in our corporate documents and Ohio law could have the effect of delaying, deferring or preventing a change in control of us, even if that change may be considered beneficial by some of our shareholders, which could reduce the market price of our common shares.

The existence of some provisions of our articles of incorporation and regulations and Ohio law could have the effect of delaying, deferring or preventing a change in control of us that a shareholder may consider favorable. These provisions include:

- providing that our board of directors fixes the number of members of the board;
- providing for the division of our board of directors into three classes with staggered terms;
- establishing advance notice requirements for nominations of candidates for election to our board of directors or for proposing matters that can be acted on by shareholders at shareholder meetings; and
- authorizing the issuance of “blank check” preferred shares, which could be issued by our board of directors to increase the number of outstanding securities of ours with voting rights and thwart a takeover attempt.

As an Ohio corporation, we are subject to Chapter 1704 of the Ohio Revised Code. Chapter 1704 prohibits certain corporations from engaging in a “Chapter 1704 transaction” (described below) with an “interested shareholder” for a period of three years after the date of the transaction in which the person became an interested shareholder, unless, among other things, prior to the interested shareholder’s share acquisition date, the directors of the corporation have approved the transaction or the purchase of shares on the share acquisition date.

After the three-year moratorium period, the corporation may not consummate a Chapter 1704 transaction unless, among other things, it is approved by the affirmative vote of the holders of at least two-thirds of the voting power in the election of directors and the holders of a majority of the voting shares, excluding all shares beneficially owned by an interested shareholder or an affiliate or associate of an interested shareholder, or the shareholders receive certain minimum consideration for their shares. A Chapter 1704 transaction includes certain mergers, sales of assets, consolidations, combinations and majority share acquisitions involving an interested shareholder. An interested shareholder is defined to include, with limited exceptions, any person who, together with affiliates and associates, is the beneficial owner of a sufficient number of shares of the corporation to entitle the person, directly or indirectly, alone or with others, to exercise or direct the exercise of 10% or more of the voting power in the election of directors after taking into account all of the person’s beneficially owned shares that are not then outstanding.

We are also subject to Section 1701.831 of the Ohio Revised Code, which requires the prior authorization of the shareholders of certain corporations in order for any person to acquire, either directly or indirectly, shares of that corporation that would entitle the acquiring person to exercise or direct the exercise of 20% or more of the voting power of that corporation in the election of directors or to exceed specified other percentages of voting power. The acquiring person may complete the proposed acquisition only if the acquisition is approved by the affirmative vote of the holders of at least a majority of the voting power of all shares entitled to vote in the election of directors represented at the meeting, excluding the voting power of all “interested shares.” Interested shares include any shares held by the acquiring person and those held by officers and directors of the corporation.

We believe these provisions protect our shareholders from coercive or otherwise unfair takeover tactics by requiring potential acquirors to negotiate with our board of directors and by providing our board of directors with more time to assess any acquisition proposal, and are not intended to make our company immune from takeovers. However, these provisions apply even if the offer may be considered beneficial by some shareholders and could delay, defer or prevent an acquisition that our board of directors determines is not in the best interests of our company and our shareholders, which under certain circumstances could reduce the market price of our common shares.

We may issue preferred shares with terms that could dilute the voting power or reduce the value of our common shares.

Our articles of incorporation authorize us to issue, without the approval of our shareholders, one or more classes or series of preferred shares having such designation, powers, preferences and relative, participating, optional and other special rights,

including preferences over our common shares respecting dividends and distributions, as our board of directors generally may determine. The terms of one or more classes or series of preferred shares could dilute the voting power or reduce the value of our common shares. For example, we could grant holders of preferred shares the right to elect some number of our directors in all events or on the happening of specified events or the right to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences we could assign to holders of preferred shares could affect the residual value of the common shares.

Risks Relating to the Spinoff

Our historical consolidated financial information are not necessarily indicative of our future financial condition, results of operations or cash flows nor do they reflect what our financial condition, results of operations or cash flows would have been as an independent public company during the periods presented.

Some of the historical consolidated financial information included in this Annual Report on Form 10-K does not reflect what our financial condition, results of operations or cash flows would have been as an independent public company during the periods presented and is not necessarily indicative of our future financial condition, future results of operations or future cash flows. This is primarily a result of the following factors:

- these historical consolidated financial results reflect allocations of expenses for services historically provided by Timken, and those allocations may be significantly lower than the comparable expenses we would have incurred as an independent company;
- our working capital requirements and capital expenditures historically were satisfied as part of Timken's corporate-wide capital allocation and cash management programs; as a result, our debt structure and cost of debt and other capital may be significantly different from that reflected in our historical consolidated financial statements;
- the historical consolidated financial information may not fully reflect the increased costs associated with being an independent public company, including significant changes that have occurred in our cost structure, management, financing arrangements and business operations as a result of our spinoff from Timken; and
- the historical consolidated financial information may not fully reflect the effects of certain liabilities that will be incurred or have been assumed by us and may not fully reflect the effects of certain assets and liabilities that have been retained by Timken.

Please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations and our Consolidated Financial Statements and corresponding notes included elsewhere in this Annual Report on Form 10-K.

We remain subject to continuing contingent liabilities of Timken following the spinoff.

There are several significant areas where the liabilities of Timken may yet become our obligations. The separation and distribution agreement and employee matters agreement generally provide that we are responsible for substantially all liabilities that relate to our steel business activities, whether incurred prior to or after the spinoff, as well as those liabilities of Timken specifically assumed by us. In addition, under the Internal Revenue Code (Code) and the related rules and regulations, each corporation that was a member of the Timken consolidated tax reporting group during any taxable period or portion of any taxable period ending on or before the completion of the spinoff is jointly and severally liable for the federal income tax liability of the entire Timken consolidated tax reporting group for that taxable period. In connection with the spinoff, we entered into a tax sharing agreement with Timken that allocated the responsibility for prior period taxes of the Timken consolidated tax reporting group between us and Timken. However, if Timken is unable to pay any prior period taxes for which it is responsible, we could be required to pay the entire amount of such taxes. Other provisions of federal law establish similar liability for other matters, including laws governing tax-qualified pension plans as well as other contingent liabilities.

If the spinoff does not qualify as a tax-free transaction, Timken could be subject to material amounts of taxes and, in certain circumstances, we could be required to indemnify Timken for material taxes pursuant to indemnification obligations under the tax sharing agreement.

The spinoff was conditioned on Timken's receipt of an opinion from Covington & Burling LLP, special tax counsel to Timken (or other nationally recognized tax counsel), in form and substance satisfactory to Timken, that the distribution of our common shares in the spinoff qualified as tax-free (except for cash received in lieu of fractional shares) to us, Timken and Timken shareholders for U.S. federal income tax purposes under Sections 355 and 368(a)(1)(D) and related provisions of the Code. Such opinion was delivered to Timken by special tax counsel prior to the effectiveness of our registration statement on Form 10 relating to the spinoff. The opinion relied on, among other things, various assumptions and representations as to factual matters made by Timken and us which, if inaccurate or incomplete in any material respect, could jeopardize the conclusions reached by such counsel in its opinion. We are not aware of any facts or circumstances that would cause the assumptions or representations relied on in the opinion of counsel to be inaccurate or incomplete in any material respect. The opinion is not binding on the Internal Revenue Service (IRS), or the courts, and there can be no assurance that the qualification of the spinoff as a transaction under Sections 355 and 368(a) of the Code will not be challenged by the IRS or by others in court, or that any such challenge would not prevail.

If, notwithstanding receipt of the opinion of counsel, the spinoff were determined not to qualify under Section 355 of the Code, Timken (or its affiliate) would be subject to tax as if it had sold common shares in a taxable sale for their fair market value and would recognize taxable gain in an amount equal to the excess of the fair market value of such shares over its tax basis in such shares.

With respect to taxes and other liabilities that could be imposed on Timken in connection with the spinoff (and certain related transactions) under the terms of the tax sharing agreement we entered into with Timken prior to the spinoff, we may be liable to Timken for any such taxes or liabilities attributable to actions taken by or with respect to us, any of our affiliates, or any person that, after the spinoff, is an affiliate thereof. We may be similarly liable if we breach specified representations or covenants set forth in the tax sharing agreement. If we are required to indemnify Timken for taxes incurred as a result of the spinoff (or certain related transactions) being taxable to Timken, it could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Potential liabilities associated with certain assumed obligations under the tax sharing agreement cannot be precisely quantified at this time.

Under the tax sharing agreement with Timken, we are responsible generally for all taxes paid after the spinoff attributable to us or any of our subsidiaries, whether accruing before, on or after the spinoff. We also have agreed to be responsible for, and to indemnify Timken with respect to, all taxes arising as a result of the spinoff (or certain internal restructuring transactions) failing to qualify as transactions under Sections 368(a) and 355 of the Code for U.S. federal income tax purposes (which could result, for example, from a merger or other transaction involving an acquisition of our shares) to the extent such tax liability arises as a result of any breach of any representation, warranty, covenant or other obligation by us or certain affiliates made in connection with the issuance of the tax opinion relating to the spinoff or in the tax sharing agreement. As described above, such tax liability would be calculated as though Timken (or its affiliate) had sold its common shares of our Company in a taxable sale for their fair market value, and Timken (or its affiliate) would recognize taxable gain in an amount equal to the excess of the fair market value of such shares over its tax basis in such shares. That tax liability could have a material adverse effect on our Company.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We are headquartered in Canton, Ohio, at a facility we own in fee. We have facilities in five countries: U.S., China, U.K., Mexico and Poland. We lease sales offices in all of these countries.

We have manufacturing facilities at multiple locations in the U.S. These manufacturing facilities are located in Akron, Canton and Eaton, Ohio; Houston, Texas; and Columbus, North Carolina. In addition to these manufacturing facilities, we own or lease warehouses and distribution facilities in the U.S., Mexico and China. The aggregate floor area of these facilities is 3.8 million square feet, of which approximately 154,000 square feet is leased and the rest is owned in fee. The buildings occupied by us are principally made of brick, steel, reinforced concrete and concrete block construction.

Our facilities vary in age and condition, and each of them has an active maintenance program to ensure a safe operating environment and to keep the facilities in good condition. We believe our facilities are in satisfactory operating condition and are suitable and adequate to conduct our business and support future growth.

Please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations for further discussion of our melt capacity utilization.

ITEM 3. LEGAL PROCEEDINGS

We are involved in various claims and legal actions arising in the ordinary course of business. In the opinion of our management, the ultimate disposition of these matters will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 4A. EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers are elected by the Board of Directors normally for a term of one year and until the election of their successors. All executive officers have been employed by us in their current roles since the spinoff of TimkenSteel from The Timken Company on June 30, 2014. The executive officers of our Company as of March 16, 2017 are as follows:

Name	Age	Current Position
Ward J. Timken, Jr.	49	Chairman, Chief Executive Officer and President
Christopher J. Holding	58	Executive Vice President and Chief Financial Officer
Frank A. DiPiero	61	Executive Vice President, General Counsel and Secretary

Ward J. Timken, Jr. is Chairman of our Board of Directors and our Chief Executive Officer and President. Prior to the spinoff, Mr. Timken served as a director of Timken beginning in 2002 (a position which he still holds) and as Chairman of the Board of Directors of Timken from 2005 until mid-2014. Mr. Timken was President of Timken's steel business from 2004 to 2005, Corporate Vice President of Timken from 2000 to 2003 and held key leadership positions in Timken's European and Latin American businesses from 1992 to 2000. Prior to joining Timken, Mr. Timken opened and managed the Washington, D.C. office of McGough & Associates, a Columbus, Ohio-based government affairs consulting firm.

Christopher J. Holding is our Executive Vice President and Chief Financial Officer. Prior to the spinoff, Mr. Holding served as Senior Vice President of Tax and Treasury since 2010, as Controller of the Process Industries segment from 2008 to 2010, as Industrial Controller from 2006 to 2008, and as Operations Controller from 2004 to 2006, in each case for Timken. Mr. Holding earned his bachelor's and master's degrees from the University of Cincinnati and is a certified public accountant.

Frank A. DiPiero is our Executive Vice President, General Counsel and Secretary. Mr. DiPiero joined Timken in 2014 in anticipation of the spinoff. Previously, Mr. DiPiero was Associate General Counsel, UTC Aerospace Systems of United Technologies Corporation, a provider of technology products and services to the global aerospace and building systems industries, from 2012 to 2013, Vice President, Corporate Secretary and Segment Counsel, Electronic Systems of Goodrich Corporation (Goodrich Corporation became a subsidiary of United Technologies Corporation through a merger in 2012) from 2010 to 2012, and Segment Counsel, Actuation and Landing Systems of Goodrich Corporation from 2004 to 2010. Mr. DiPiero earned his bachelor's degree from Youngstown State University and a J.D. from The University of Toledo College of Law.

PART II.

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Quarterly Common Stock Prices and Cash Dividends Per Share:

Our common shares are traded on the New York Stock Exchange (NYSE) under the symbol "TMST." The estimated number of record holders of our common shares at December 31, 2016 was 4,041.

The following table provides information about the high and low closing sales prices for our common shares and dividends declared for each quarter for the years ended December 31, 2016 and 2015, respectively.

	2016			2015		
	Stock prices		Dividend	Stock prices		Dividend
	High	Low	per share	High	Low	per share
First quarter	\$10.05	\$3.99	\$—	\$37.21	\$25.64	\$0.14
Second quarter	\$13.39	\$8.48	\$—	\$32.87	\$25.91	\$0.14
Third quarter	\$11.90	\$8.48	\$—	\$26.89	\$10.00	\$0.14
Fourth quarter	\$18.08	\$9.52	\$—	\$14.59	\$7.17	\$—

Our Amended Credit Agreement places certain limitations on the payment of cash dividends. Please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations for additional discussion.

Issuer Purchases of Common Shares:

On August 6, 2014, our Board of Directors approved a share repurchase plan authorizing the repurchase of up to three million of our common shares in the aggregate. This share repurchase plan expired on December 31, 2016.

The following table presents information with respect to repurchases of our common shares by us during the three months ended December 31, 2016 :

Period	Total number of shares purchased ⁽¹⁾	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs ⁽²⁾
October 1 - 31, 2016	—	—	—	1,459,907
November 1 - 30, 2016	—	—	—	1,459,907
December 1 - 31, 2016	—	—	—	1,459,907
Total	—	—	—	—

⁽¹⁾ All shares not included in the number of shares purchased as part of publicly-announced plans or programs were surrendered or deemed surrendered to us in connection with our share-based compensation plans.

⁽²⁾ This share repurchase plan expired on December 31, 2016. No additional shares may be repurchased under this plan .

Our Amended Credit Agreement places certain limitations on our ability to purchase our common shares. Please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations for additional discussion.

Securities Authorized for Issuance Under Equity Compensation Plans:

The following table sets forth certain information as of December 31, 2016, regarding the only equity compensation plan maintained by us on that date, the TimkenSteel Corporation Amended and Restated 2014 Equity and Incentive Compensation Plan (the Equity Plan). This plan was approved by our shareholders on April 28, 2016, in connection with our 2016 Annual Meeting of Shareholders.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) ⁽¹⁾	Weighted-average exercise price of outstanding options, warrants and rights (b) ⁽²⁾	Number of securities remaining available for future issuance under equity reflected in column (a) (c) ⁽³⁾ (excluding securities)
Equity compensation plans approved by security holders ⁽⁴⁾	2,951,395	\$22.64	6,146,366
Equity compensation plans not approved by security holders	—	—	—
Total	2,951,395	\$22.64	6,146,366

⁽¹⁾ The amount shown in column (a) includes the following: nonqualified stock options - 2,219,397; deferred shares - 125,850; performance-based restricted stock units - 109,935; and time-based restricted stock units - 496,213 (which includes 308,931 cliff-vested restricted stock units).

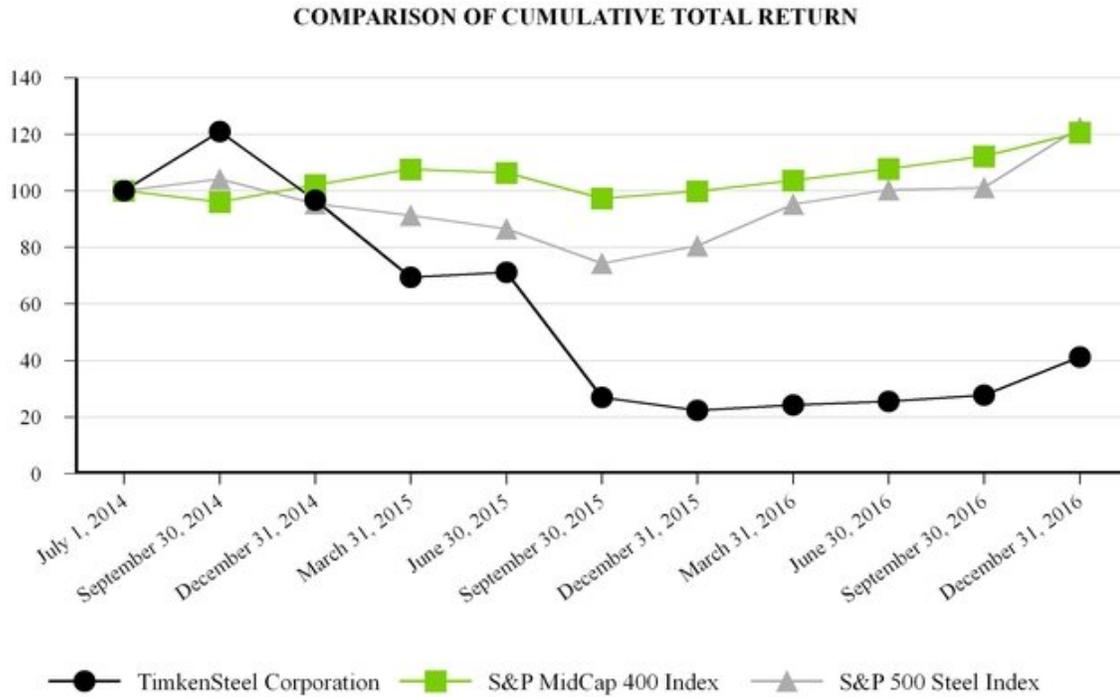
⁽²⁾ The weighted average exercise price in column (b) includes nonqualified stock options only.

⁽³⁾ The amount shown in column (c) represents common shares remaining available under the Equity Plan, under which the Compensation Committee is authorized to make awards of option rights, appreciation rights, restricted shares, performance units and restricted stock units, deferred shares, performance shares and cash incentive awards. Awards may be credited with dividend equivalents payable in the form of common shares. In addition, under the Equity Plan, non-employee Directors are entitled to awards of restricted shares, common shares and option rights. Under the Equity Plan, for any award that is not an option right or a stock appreciation right, 2.46 common shares for awards granted before April 28, 2016 and 2.50 common shares for awards granted on or after April 28, 2016, are subtracted from the maximum number of common shares available under the plan for every common share issued under the award. For awards of option rights and stock appreciation rights, however, only one common share is subtracted from the maximum number of common shares available under the plan for every common share granted.

⁽⁴⁾ The Company also maintains the Director Deferred Compensation Plan pursuant to which Directors may defer receipt of common shares authorized for issuance under the Equity Plan. The table does not include separate information about this plan because it merely provides for the deferral, rather than the issuance, of common shares.

Performance Graph:

The following graph compares the cumulative total return of our common shares with the cumulative total return of the Standard & Poor’s (S&P) MidCap 400 Index and S&P Steel Group Index assuming \$100 was invested and that cash dividends were reinvested for the period from July 1, 2014 through December 31, 2016 .



Date	TimkenSteel Corporation	S&P MidCap 400 Index	S&P 500 Steel Index
July 1, 2014	\$100.00	\$100.00	\$100.00
September 30, 2014	\$120.95	\$96.02	\$104.20
December 31, 2014	\$96.71	\$102.11	\$95.49
March 31, 2015	\$69.46	\$107.54	\$91.25
June 30, 2015	\$71.13	\$106.40	\$86.54
September 30, 2015	\$26.92	\$97.36	\$74.31
December 31, 2015	\$22.29	\$99.89	\$80.49
March 31, 2016	\$24.21	\$103.67	\$95.22
June 30, 2016	\$25.59	\$107.81	\$100.25
September 30, 2016	\$27.80	\$112.28	\$101.09
December 31, 2016	\$41.18	\$120.61	\$122.43

This performance graph shall not be deemed to be “soliciting material” or to be “filed” with the SEC or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Exchange Act.

ITEM 6. SELECTED FINANCIAL DATA

The Consolidated Financial Statements for periods prior to the separation from Timken include the historical results of operations, assets and liabilities of the legal entities that are considered to comprise TimkenSteel. Our historical results of operations, financial position, and cash flows presented in the Consolidated Financial Statements for periods prior to the separation may not be indicative of what they would have been had we actually been a separate stand-alone entity during such periods, nor are they necessarily indicative of our future results of operations, financial position and cash flows.

	Years Ended December 31,				
<i>(dollars and shares in millions, except per share data)</i>	2016	2015 ⁽⁴⁾	2014 ⁽⁴⁾	2013	2012
Statement of Operations Data:					
Net sales	\$869.5	\$1,106.2	\$1,674.2	\$1,380.9	\$1,728.7
Net (loss) income	(105.5)	(45.0)	46.1	89.5	155.2
(Loss) earnings per share ⁽¹⁾ :					
Basic	(\$2.39)	(\$1.01)	\$1.01	\$1.96	\$3.39
Diluted	(\$2.39)	(\$1.01)	\$1.00	\$1.94	\$3.36
Cash dividends declared per share	\$—	\$0.42	\$0.28	\$—	\$—
Weighted average shares outstanding, diluted	44.2	44.5	46.0	46.2	46.2
Balance Sheet Data:					
Total assets ⁽²⁾	\$1,069.9	\$1,142.5	\$1,366.9	\$1,078.8	\$960.7
Long-term debt	136.6	200.2	185.2	30.2	30.2
Total shareholders' equity ⁽²⁾	597.4	682.0	749.8	800.8	699.8
Other Data:					
Book value per share ⁽³⁾	\$13.52	\$15.33	\$16.30	\$17.33	\$15.15

⁽¹⁾ See Note 9 - Earnings Per Share in the Notes to the Consolidated Financial Statements.

⁽²⁾ For the year ended December 31, 2015, amounts have been adjusted to reflect the correction of immaterial errors related to deferred tax expense recognized on other comprehensive income associated with our U.K. pension plan (\$4.8 million) and the fair value of our U.K. pension plan (\$0.7 million). The correction of these immaterial errors did not impact the 2015 Statement of Operations. See Note 1 - Company and Basis of Presentation in the Notes to the Consolidated Financial Statements for additional information.

⁽³⁾ Book value per share is calculated by dividing Total shareholders' equity (as of the period end) by the Weighted average shares outstanding, diluted.

⁽⁴⁾ Amounts reflect the change in accounting principle for recognizing actuarial gains and losses and expected returns on plan assets for our defined benefit pension and other postretirement benefit plans. See Note 1 - Company and Basis of Presentation in the Notes to the Consolidated Financial Statements for additional information.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(dollars in millions, except per share data)

Executive Summary

Business Overview

We manufacture alloy steel, as well as carbon and micro-alloy steel, with an annual melt capacity of approximately 2 million tons and shipment capacity of 1.5 million tons. Our portfolio includes special bar quality (SBQ) bars, seamless mechanical tubing (tubes) and value-add solutions, such as precision steel components. In addition, we supply machining and thermal treatment services, as well as manage raw material recycling programs, which are used as a feeder system for our melt operations. Our products and services are used in a diverse range of demanding applications in the following market sectors: oil and gas; oil country tubular goods; automotive; industrial equipment; mining; construction; rail; aerospace and defense; heavy truck; agriculture; and power generation.

Based on our knowledge of the steel industry, we believe we are the only focused SBQ steel producer in North America and have the largest SBQ steel large bar (6-inch diameter and greater) production capacity among the North American steel producers. In addition, we are the only steel manufacturer able to produce rolled SBQ steel large bars up to 16-inches in diameter. SBQ steel is made to restrictive chemical compositions and high internal purity levels and is used in critical mechanical applications. We make these products from nearly 100% recycled steel, using our expertise in raw materials to create custom steel products with a competitive cost structure similar to that of a high-volume producer. We focus on creating tailored products and services for our customers' most demanding applications. Our engineers are experts in both materials and applications, so we can work closely with each customer to deliver flexible solutions related to our products as well as to their applications and supply chains. We believe our unique operating model and production assets give us a competitive advantage in our industry.

The SBQ bars and tubes production processes take place at our Canton, Ohio manufacturing location. This location accounts for all of the SBQ bars and seamless mechanical tubes we produce and includes three manufacturing facilities: the Faircrest, Harrison, and Gambrinus facilities. Our value-add solutions production processes take place at three downstream manufacturing facilities: TimkenSteel Material Services (Houston, TX), Tryon Peak (Columbus, NC), and St. Clair (Eaton, OH). Many of the production processes are integrated, and the manufacturing facilities produce products that are sold in all of our market sectors. As a result, investments in our facilities and resource allocation decisions affecting our operations are designed to benefit the overall business, not any specific aspect of the business.

Effective January 1, 2016, we eliminated our segment reporting as a result of organizational changes made in the second half of 2015, in addition to the integrated nature of our business as described above. These organizational changes were made to better align resources to support the business strategy of operating in a leaner, more efficient environment. Specifically, we centralized our customer-facing activities under one leadership role and eliminated the former two segment operating structure. Since that change, we are organized in a centralized manner based on functionality. As a result, we conduct our business activities and report financial results as one business segment.

The presentation of financial results as one reportable segment is consistent with the way we operate our business under the realigned organization and is consistent with the manner in which the Chief Operating Decision Maker (CODM) evaluates performance and makes resource and operating decisions for the business as described above. Furthermore, the Company notes that monitoring financial results as one reportable segment helps the CODM manage costs on a consolidated basis, consistent with the integrated nature of our operations. We have conformed Management's Discussion and Analysis of Financial Condition and Results of Operations to reflect this change in reportable segments.

Capital Investments

Our recent capital investments are expected to significantly strengthen our position as a leader in providing differentiated solutions for the energy, industrial and automotive market sectors, while enhancing our operational performance and customer service capabilities.

On July 17, 2014, we began investing in additional advanced quench-and-temper heat-treat capacity. The \$40 million facility will perform quench-and-temper heat-treat operations and, we believe, will have capacity for up to 50,000 process-tons annually of 4-inch to 13-inch bars and tubes. This facility will be located in Perry Township, Ohio on the site of our Gambrinus

Steel Plant near three existing thermal treatment facilities. This facility will be larger than each of our three existing thermal treatment facilities in Canton, Ohio.

In October 2014, we cast our first heat on the world’s largest jumbo bloom vertical caster, which cost approximately \$200 million, excluding capitalized interest. The new caster will improve yield by approximately 15%, increase annual finished ton capacity by up to 125,000 tons and expand our product range servicing the energy and industrial market sectors by providing large bar capabilities unique in the U.S.

These investments reinforce our position of offering what we believe to be the broadest range of SBQ bars and seamless mechanical tubing steel capabilities in North America and enhance our position as a leader in large bar capabilities in North America.

Markets We Serve

We sell products and services that are used in a diverse range of demanding applications around the world. Our customers include companies in the following market sectors: oil and gas; oil country tubular goods; automotive; industrial equipment; mining; construction; rail; aerospace and defense; heavy truck; agriculture; and power generation. Our customer base is diverse. We do not have direct sales to any single customer that account for 10% or more of our total sales. The table below summarizes our sales by market sector for fiscal years 2016 , 2015 and 2014 .

	Years Ended December 31,		
	2016	2015	2014
Light Vehicle	53%	44%	32%
Industrial Other ⁽¹⁾	26%	25%	26%
Industrial Machinery	8%	9%	7%
Oil & Gas	4%	13%	28%
Rail	3%	4%	3%
Other ⁽²⁾	6%	5%	4%
Total	100%	100%	100%

⁽¹⁾ “Industrial Other” represents industrial end-markets that include the following sectors: agriculture, power generation, mining, marine, aerospace, construction and military/defense, none of which are greater than 3% of total net sales, and industrial sales through the distribution channel.

⁽²⁾ “Other” represents end-markets that include the following sectors: heavy and medium truck, metals recycling, and oil country tubular goods, none of which are greater than 2% of total net sales.

Key indicators for our market include the U.S. light vehicle production Seasonally Adjusted Annual Rate, oil and gas rig count activity, U.S. footage drilled, and industrial production for agriculture and construction markets, distribution and mining and oil field machinery products. In addition, we closely monitor the Purchasing Managers’ Index, which is a leading indicator for our overall business.

Impact of Raw Material Prices and LIFO

In the ordinary course of business, we are exposed to the volatility of the costs of our raw materials. Whenever possible, we manage our exposure to commodity risks primarily through the use of supplier pricing agreements that enable us to establish the purchase prices for certain inputs that are used in our manufacturing process. We utilize a raw material surcharge mechanism that is designed to mitigate the impact of increases or decreases in raw material costs, although generally with a lag effect. This timing effect can result in raw material spread whereby costs can be over- or under-recovered in certain periods. While the surcharge generally protects gross profit, it has the effect of diluting gross margin as a percent of sales.

We value some of our inventory utilizing the LIFO inventory valuation method. Changes in the cost of raw materials and production activities are recognized in cost of products sold in the current period even though these materials and other costs may have been incurred in different periods at significantly different values due to the length of time of our production cycle. In a period of rising raw material prices, cost of products sold recognized under LIFO is generally higher than the cash costs incurred to acquire the inventory sold. Conversely, in a period of declining raw material prices, cost of products sold recognized under LIFO is generally lower than cash costs incurred to acquire the inventory sold. In periods of rising inventories and deflating raw material prices, the likely result will be a positive impact to net income. Conversely, in periods of rising inventories and increasing raw materials prices, the likely result will be a negative impact to net income.

Results of Operations

On December 31, 2016, we voluntarily changed our accounting principle for recognizing actuarial gains and losses and expected returns on plan assets for our defined benefit pension and other postretirement benefit plans. Refer to Note 1 - Company and Basis of Presentation in the Notes to the Consolidated Financial Statements for additional information. We have applied the change in accounting principle retrospectively to periods covered in this Report, and the amounts below reflect this change.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

	Years Ended December 31,			
	2016	2015	Increase (Decrease)	% Change
Net sales	\$869.5	\$1,106.2	(\$236.7)	(21.4)%
Net sales, excluding surcharges	775.8	942.5	(166.7)	(17.7)%
Gross (loss) profit	(27.1)	46.2	(73.3)	(158.7)%
Gross margin	(3.1)%	4.2%	NM	(730) bps
Selling, general and administrative expenses	101.5	105.1	(3.6)	(3.4)%
Net loss	(105.5)	(45.0)	60.5	134.4%
Average scrap index per ton (30 day lag)	229	261	(32)	(12.3)%
Average selling price per ton, including surcharges	\$1,164	\$1,321	(\$157)	(11.9)%
Shipments (in tons)	746,729	837,135	(90,406)	(10.8)%
Melt utilization	46.0%	49.0%	NM	(300) ppt

The table above presents net sales, adjusted to exclude raw material surcharges, which represents a financial measure that has not been determined in accordance with U.S. GAAP. We believe presenting net sales adjusted to exclude raw material surcharges provides additional insight into key drivers of net sales such as base prices and product mix.

Net Sales

Net sales for the year ended December 31, 2016 were \$869.5 million, a decrease of \$236.7 million, or 21%, compared to the year ended December 31, 2015. Excluding surcharges, net sales decreased \$166.7 million, or 18%. The decrease was primarily due to a decline of 74.2% in ship tons in the energy end market and a decline of 14.6% in ship tons in the industrial end market. Lower ship tons in the energy end market were primarily driven by lower customer demand from a decrease of 47% in the U.S. rig count in 2016 compared to 2015.

Gross Profit

Gross profit for the year ended December 31, 2016 was a loss of \$27.1 million, a decrease of \$73.3 million, or 159%, compared to the year ended December 31, 2015. The decrease was driven primarily by mark-to-market expense related to our pension and other postretirement benefit plans of approximately \$75 million, price/mix of approximately \$36 million, lower LIFO income of approximately \$28 million and lower volume of approximately \$24 million, partially offset by raw material spread of approximately \$51 million and lower manufacturing costs of approximately \$45 million. As discussed previously, ship tons decreased for the year ended December 31, 2016 compared to the same period in 2015 as a result of lower customer demand from weak commodity markets. The favorable raw material spread was driven by timing associated with our customer surcharge mechanism as discussed above and below.

We have approximately 2 million tons of annual melt capacity. The amount of actual melt produced as a percentage of the capacity defines our melt utilization. Melt utilization is a key performance indicator for our business and is influenced by customer demand and inventory levels. We believe that production levels of approximately 50% melt utilization will generate breakeven Earnings Before Interest Taxes Depreciation and Amortization (EBITDA) results in normalized scrap markets. Many factors can influence the level at which melt utilization will generate breakeven results. The primary factors are product volume and mix, product price and cost structure.

Melt utilization declined from approximately 49% for the year ended December 31, 2015 to approximately 46% for the year ended December 31, 2016. Weakness in commodity markets, declining rig counts and high inventory levels in the distribution supply chain resulted in lower customer demand and therefore lower production volumes. In order to align our cost structure with market demand and continue to manage our breakeven levels to offset potential headwinds from product mix and price, in the

second half of 2015 we implemented a \$75 million cost reduction initiative. Those actions, which included reducing headcount, lowering operating costs and minimizing capital expenditures resulted in over \$100 million of savings. Additionally, stabilizing scrap markets provided positive timing impacts from raw material spread and contributed to the Company generating EBITDA at below 50% melt utilization. We continue to believe that our breakeven rate of 50% is more representative in typical market environments.

Our surcharge mechanism is designed to mitigate the impact of increases or decreases in raw material costs, although generally with a lag effect. This timing effect can result in raw material costs being over- or under-recovered in certain periods. For the year ended December 31, 2016, the surcharge favorably impacted gross margin as a percent of sales.

Selling, General and Administrative Expenses

Selling, General and Administrative (SG&A) expenses for the year ended December 31, 2016 decreased \$3.6 million, or 3%, compared to the year ended December 31, 2015, due primarily to \$15 million of realized savings from the initiative discussed above, partially offset by approximately \$11 million of mark-to-market expense related to our pension and other postretirement benefit plans.

Impairment and Restructuring Charges

During 2015, we approved and implemented a cost reduction plan that resulted in the reduction of our salaried and hourly headcount. As a result, we recognized restructuring charges consisting of severance, benefits and other associated expenses of \$0.3 million and \$5.6 million for the years ended December 31, 2016 and 2015, respectively. Refer to Note 14 - Restructuring Charges in the Notes to the Consolidated Financial Statements for details.

During the year ended December 31, 2015, we recorded impairment charges of \$0.9 million related to discontinued use of certain assets. No impairment charges were recorded for the year ended December 31, 2016.

Interest Expense

	Years Ended December 31,		
	2016	2015	\$ Change
Cash interest paid	\$7.9	\$3.1	\$4.8
Accrued interest on convertible notes	0.6	—	0.6
Amortization of convertible notes discount and deferred financing	2.9	0.3	2.6
Total Interest Expense	\$11.4	\$3.4	\$8.0

Interest expense for the year ended December 31, 2016 of \$11.4 million was an increase of \$8.0 million, compared to \$3.4 million interest expense for the year ended December 31, 2015. The increase was primarily due to the issuance of the 6.00% Convertible Senior Notes due in 2021 (Convertible Notes) in May 2016. Refer to Note 6 - Financing Arrangements in the Notes to the Consolidated Financial Statements for additional information.

Benefit for Income Taxes

	Years Ended December 31,			
	2016	2015	\$ Change	% Change
Benefit for income taxes	(\$36.5)	(\$26.7)	(\$9.8)	36.7%
Effective tax rate	25.7%	37.2%	NM	(1150) bps

The decrease in the effective tax rate in the year ended December 31, 2016 compared to the year ended December 31, 2015 is due primarily to valuation allowances recorded in 2016 against our deferred tax assets. Refer to Note 12- for additional information.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

On December 31, 2016, we voluntarily changed our accounting principle for recognizing actuarial gains and losses and expected returns on plan assets for our defined benefit pension and other postretirement benefit plans. Refer to Note 1 - Company and Basis of Presentation in the Notes to the Consolidated Financial Statements for additional information. We have applied the change in accounting principle retrospectively to periods covered in this Report, and the amounts below reflect this change.

	Years Ended December 31,			
	2015	2014	Increase (Decrease)	% Change
Net sales	\$1,106.2	\$1,674.2	(\$568.0)	(33.9)%
Net sales, excluding surcharges	942.5	1,284.2	(341.7)	(26.6)%
Gross profit	46.2	201.1	(154.9)	(77.0)%
Gross margin	4.2%	12.0%	NM	(780) bps
Selling, general and administrative expenses	105.1	128.9	(23.8)	(18.5)%
Net (loss) income	(45.0)	46.1	(91.1)	(197.6)%
Scrap index per ton (30 day lag)	261	418	(157)	(37.6)%
Average selling price per ton, including surcharges	\$1,321	\$1,531	(\$210)	(13.7)%
Shipments (in tons)	837,135	1,093,692	(256,557)	(23.5)%
Melt utilization	49.0%	72.0%	NM	(2300) ppt

The table above presents net sales, adjusted to exclude raw material surcharges, which represents a financial measure that has not been determined in accordance with U.S. GAAP. We believe presenting net sales adjusted to exclude raw material surcharges provides additional insight into key drivers of net sales such as base prices and product mix.

Net Sales

Net sales for the year ended December 31, 2015 were \$1,106.2 million, a decrease of \$568.0 million, or 34%, compared to the year ended December 31, 2014. Excluding surcharges, net sales decreased \$341.7 million, or 27%. The decrease was primarily due to an approximately 50% decrease in ship tons in the energy end market and related distribution channel and a 5% decrease in ship tons in the industrial end market as a result of lower demand for energy and related industrial products.

Gross Profit

Gross profit for the year ended December 31, 2015 was \$46.2 million, a decrease of \$154.9 million, or 77%, compared to the year ended December 31, 2014. The decrease was driven primarily by higher manufacturing costs of approximately \$138 million, lower volume of approximately \$93 million, raw material spread of approximately \$54 million, price/mix of approximately \$21 million and an inventory revaluation charge of approximately \$8 million, partially offset by mark-to-market income related to our pension and other postretirement benefit plans of approximately \$115 million and higher LIFO income of \$42 million. As discussed previously, ship tons decreased for the year ended December 31, 2015 compared to the same period in 2014 as a result of lower customer demand in the energy and industrial end markets. Manufacturing costs were unfavorable due primarily to melt utilization declining from approximately 72% for the year ended December 31, 2014 to approximately 49% for the year ended December 31, 2015. The unfavorable raw material spread was driven by timing associated with our customer surcharge mechanism as discussed above.

Our surcharge mechanism is designed to mitigate the impact of increases or decreases in raw material costs, although generally with a lag effect. This timing effect can result in raw material costs being over- or under-recovered in certain periods. While the surcharge generally protects gross profit, it had the effect of diluting gross margin as a percent of sales.

Selling, General and Administrative Expenses

Selling, General and Administrative (SG&A) expenses for the year ended December 31, 2015 decreased \$23.8 million, or 18.5%, compared to the year ended December 31, 2014 due primarily to lower variable pay and mark-to-market expense related to our pension and other postretirement benefit plans, offset by the fact that the first half of 2014 did not include costs required to operate on a stand-alone basis.

Impairment and Restructuring Charges

During 2015 we approved and implemented a cost reduction plan that resulted in the reduction of our salaried and hourly headcount. As a result, we recognized restructuring charges consisting of severance, benefits and other associated expenses of \$5.6 million for the year ended December 31, 2015. Refer to Note 14 - Restructuring Charges in the Notes to the Consolidated Financial Statements for details. No restructuring charges were recorded for the year ended December 31, 2014.

During the years ended December 31, 2015 and 2014, we recorded impairment charges of \$0.9 million and \$1.2 million, respectively.

(Benefit) Provision for Income Taxes

	Years Ended December 31,			
	2015	2014	\$ Change	% Change
(Benefit) provision for income taxes	(\$26.7)	\$22.6	(\$49.3)	(218.1%)
Effective tax rate	37.2%	32.9%	NM	430 bps

The increase in the effective tax rate in the year ended December 31, 2015 compared to the year ended December 31, 2014 was due primarily to the loss of a tax benefit associated with the U.S. manufacturing deduction.

Non-GAAP Financial Measures

Net Sales, Excluding Surcharges

The table below presents net sales by end market sector, adjusted to exclude raw material surcharges, which represents a financial measure that is not in accordance with U.S. GAAP. We believe presenting net sales by end market sector adjusted to exclude raw material surcharges provides additional insight into key drivers of net sales such as base price and product mix.

Net Sales adjusted to exclude surcharges
(dollars in millions, tons in thousands)

	2016				
	Mobile	Industrial	Energy	Other	Total
Tons	413.0	284.3	23.5	25.9	746.7
Net Sales	\$475.4	\$323.7	\$35.7	\$34.7	\$869.5
Less: Surcharges	50.3	35.9	3.2	4.3	93.7
Base Sales	\$425.1	\$287.8	\$32.5	\$30.4	\$775.8
Net Sales / Ton	\$1,151	\$1,139	\$1,519	\$1,340	\$1,164
Base Sales / Ton	\$1,029	\$1,012	\$1,383	\$1,174	\$1,039

	2015				
	Mobile	Industrial	Energy	Other	Total
Tons	417.2	328.9	91.0	—	837.1
Net Sales	\$504.4	\$437.8	\$144.6	\$19.4	\$1,106.2
Less: Surcharges	67.0	72.3	24.4	—	163.7
Base Sales	\$437.4	\$365.5	\$120.2	\$19.4	\$942.5
Net Sales / Ton	\$1,209	\$1,331	\$1,589	N/A	\$1,321
Base Sales / Ton	\$1,048	\$1,111	\$1,321	N/A	\$1,126

	2014				
	Mobile	Industrial	Energy	Other	Total
Tons	391.9	443.4	258.4	—	1,093.7
Net Sales	\$535.0	\$649.2	\$458.1	\$31.9	\$1,674.2
Less: Surcharges	122.3	162.2	105.5	—	390.0
Base Sales	\$412.7	\$487.0	\$352.6	\$31.9	\$1,284.2
Net Sales / Ton	\$1,365	\$1,464	\$1,773	N/A	\$1,531
Base Sales / Ton	\$1,053	\$1,098	\$1,365	N/A	\$1,174

The Balance Sheet

The following discussion is a comparison of the Consolidated Balance Sheets as of December 31, 2016 and 2015 :

	December 31,	
	2016	2015
Current Assets		
Cash and cash equivalents	\$25.6	\$42.4
Accounts receivable, net	91.6	80.9
Inventories, net	164.2	173.9
Deferred charges and prepaid expenses	2.8	11.4
Other current assets	6.2	9.2
Total Current Assets	\$290.4	\$317.8

Refer to the Liquidity and Capital Resources section in this Management's Discussion and Analysis of Financial Condition and Results of Operations for a discussion of the decrease in cash and cash equivalents. Accounts receivable, net increased \$10.7 million and inventories, net decreased \$9.7 million as of December 31, 2016 compared to December 31, 2015 due primarily to 10% higher shipments in the fourth quarter of 2016 as compared to the fourth quarter of 2015. Inventories also decreased from efforts to reduce inventory to align with anticipated sales volumes. Deferred charges and prepaid expenses decreased \$ 8.6 million due primarily to the receipt of tax refunds.

	December 31,	
	2016	2015
Property, Plant and Equipment, net		

Property, plant and equipment, net	\$741.9	\$769.3
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Property, plant and equipment, net decreased \$27.4 million from December 31, 2015 . The decrease was primarily due to depreciation expense of \$68.0 million , partially offset by capital expenditures of \$41.3 million .

Other Assets	December 31,	
	2016	2015
Pension assets	\$6.2	\$20.7
Intangible assets, net	25.0	30.6
Other non-current assets	6.4	4.1
Total Other Assets	\$37.6	\$55.4

Pension assets decreased \$14.5 million from December 31, 2015 primarily driven by a decrease in the discount rate to 4.17% as of December 31, 2016 , compared to 4.67% as of December 31, 2015 . Refer to Note 8 - Retirement and Postretirement Benefit Plans in the Notes to the Consolidated Financial Statements for additional information.

Intangible assets, net decreased \$5.6 million from December 31, 2015 . The decrease was primarily due to amortization expense of \$6.9 million, partially offset by capitalized software expenditures of \$1.4 million .

Liabilities and Shareholders' Equity	December 31,	
	2016	2015
Current liabilities	\$130.7	\$104.2
Convertible notes, net	66.4	—
Other long-term debt	70.2	200.2
Accrued pension and postretirement costs	192.1	114.1
Deferred income taxes	—	32.0
Other non-current liabilities	13.1	10.0
Total Shareholders' Equity	597.4	682.0
Total Liabilities and Shareholders' Equity	\$1,069.9	\$1,142.5

Current liabilities as of December 31, 2016, increased \$26.5 million from December 31, 2015 due to higher accounts payable of approximately \$37.5 million, partially from extended payment terms, offset by lower capital spending, lower benefit accruals, and lower restructuring accruals.

In May 2016, the Company issued \$86.3 million in Convertible Notes. See the Liquidity and Capital Resources section and Note 6 - Financing Arrangements in the Notes to the Consolidated Financial Statements for additional information regarding the Convertible Notes.

Other long-term debt decreased due to repayments of \$130.0 million on the Amended Credit Agreement primarily from proceeds from the issuance of the Convertible Notes and net operating cash flows.

Accrued pension and postretirement costs as of December 31, 2016, increased \$78.0 million as compared to December 31, 2015, primarily from the remeasurement of pension obligations and plan assets due to the change in discount rate discussed above and the VEBA reimbursement of certain retiree expenses incurred by the Company. Refer to Note 8 - Retirement and Postretirement Benefit Plans in the Notes to the Consolidated Financial Statements.

The decrease in deferred income taxes is primarily due to the Company's net operating losses. Refer to Note 12 - Income Tax Provision in the Notes to Consolidated Financial Statements for additional information.

Refer to the Consolidated Statements of Shareholders' Equity for details of the decrease in total shareholders' equity.

Liquidity and Capital Resources

Convertible Notes

In May 2016, we issued \$75.0 million aggregate principal amount of Convertible Notes, plus an additional \$11.3 million principal amount to cover over-allotments. The Convertible Notes bear cash interest at a rate of 6.0% per year, payable semiannually on June 1 and December 1, beginning on December 1, 2016. The Convertible Notes will mature on June 1, 2021, unless earlier repurchased or converted. The net proceeds received from the offering were \$83.2 million, after deducting the initial underwriters' discount and fees and the offering expenses payable. We used the net proceeds to repay a portion of the amounts outstanding under our Amended Credit Agreement.

Credit Agreement

During the third quarter of 2015, we projected that at December 31, 2015, we would not be in compliance with the interest coverage ratio covenant contained in our then-existing revolving credit facility, due to a steeper-than-expected drop in industrial demand driven by depressed commodity prices. Accordingly, on December 21, 2015, we amended and restated our existing revolving credit facility, effectively converting it from a cash flow-based facility to an asset-based facility in order to eliminate various financial covenants that are customary in cash flow-based facilities, including the interest coverage ratio covenant. As amended in December 2015, the revolving credit facility required us to maintain (i) certain minimum availability under the revolving credit facility, including a requirement to have availability of not less than \$100 million for at least one day prior to July 1, 2016, and (ii) a minimum fixed charge coverage ratio of no less than 1.0 to 1.0 for the twelve-month periods ending July 31, 2017, August 31, 2017 and September 30, 2017, and thereafter on a springing basis if minimum availability requirements were not maintained.

On February 26, 2016, we entered into Amendment No. 1 (the Amendment) to the Amended and Restated Credit Agreement dated as of December 21, 2015 (as amended by the Amendment, the Amended Credit Agreement) in order to provide more flexibility with respect to the amount and form of financing we could obtain to enhance our liquidity. The Amendment made several changes to the then-current revolving credit facility including, among other things: eliminating the one-time \$100 million liquidity requirement; revising the timing of the applicability of, and eliminating the springing component related to, the fixed charge coverage ratio; permitting certain sale and leaseback transactions; and expanding the types of additional indebtedness that we are permitted to incur.

Pursuant to the Amendment, we also reduced the size of the revolving credit facility from \$300 million to \$265 million given that, in the near-term, it was unlikely we would have a borrowing base sufficient to support such availability. The Amended Credit Agreement also includes a block on availability equal to the greater of \$28.9 million or 12.5% of the aggregate commitments (except that in the event of a mandatory reduction in the commitments, the block on availability will be equal to the greater of \$20.0 million or 12.5% of the aggregate commitments), effectively reducing our borrowing base by the availability block. Refer to Note 6 - Financing Arrangements in the Notes to the Consolidated Financial Statements and the

Covenant Compliance section within Management’s Discussion and Analysis for details on the Amended Credit Agreement covenants.

The Amended Credit Agreement has a term of five years through June 30, 2019. The following represents a summary of key liquidity measures as of December 31, 2016 and 2015:

	December 31, 2016	December 31, 2015
Cash and cash equivalents	\$25.6	\$42.4
Amended Credit Agreement:		
Maximum availability	\$194.4	\$212.6
Amount borrowed	40.0	170.0
Letter of credit obligations	1.6	0.7
Availability not borrowed	152.8	41.9
Availability block	33.1	—
Net availability	\$119.7	\$41.9
Total liquidity	\$145.3	\$84.3

Our principal sources of liquidity are cash and cash equivalents, cash flows from operations and available borrowing capacity under our Amended Credit Agreement. We currently expect that our cash and cash equivalents on hand and expected cash flows from operations will be sufficient to meet liquidity needs; however, these plans rely on certain underlying assumptions and estimates that may differ from actual results. Such assumptions include improvements in operating results and cash flows driven by the restructuring and cost reduction activities taken during 2015 and 2016 that streamlined our organizational structure, lowered operating costs and increased liquidity. As we continue through these challenging market conditions, prudent capital allocation tactics also have been deployed. In the fourth quarter of 2015, the Board of Directors suspended the Company’s cash dividend. Additionally, in 2016 we reduced the cash being spent on capital expenditures by 45% below 2015 levels, in accordance with the restrictions in our Amended Credit Agreement.

As of December 31, 2016, taking into account the foregoing, as well as our view of industrial, energy, and automotive market demands for our products, our 2017 operating plan and our long-range plan, we believe that our cash balance as of December 31, 2016 of \$25.6 million, projected cash generated from operations, and borrowings available under the Amended Credit Agreement will be sufficient to satisfy our working capital needs, capital expenditures and other liquidity requirements associated with our operations, including servicing our debt obligations, for at least the next twelve months and through June 30, 2019, the maturity date of our Amended Credit Agreement.

To the extent our liquidity needs prove to be greater than expected or cash generated from operations are less than anticipated, and cash on hand or credit availability is insufficient, we would seek additional financing to provide additional liquidity. We regularly evaluate our potential access to the equity and debt capital markets as sources of liquidity and we believe that additional financing would likely be available if necessary, although we can make no assurance as to the form or terms of any such financing. We would also consider additional cost reductions and further reductions of capital expenditures. Regardless, we will continue to evaluate additional financing or may seek to refinance outstanding borrowings under the Amended Credit Agreement to provide us with additional flexibility and liquidity. Any additional financing beyond that incurred to refinance existing debt would increase our overall debt and could increase interest expense.

For more details on the Amended Credit Agreement and the Convertible Notes, please refer to Note 6 - Financing Arrangements in the Notes to the Consolidated Financial Statements.

Cash Flows

The following table reflects the major categories of cash flows for years ended December 31, 2016, 2015 and 2014. For additional details, please see the Consolidated Statements of Cash Flows contained elsewhere in this Annual Report.

Cash Flows	Years Ended December 31,		
	2016	2015	2014
Net cash provided by operating activities	\$74.4	\$107.1	\$93.9
Net cash used by investing activities	(42.7)	(77.8)	(129.6)
Net cash (used) provided by financing activities	(48.5)	(21.4)	70.2
Increase (decrease) in Cash and Cash Equivalents	(\$16.8)	\$7.9	\$34.5

Operating activities

Net cash provided by operating activities for the years ended December 31, 2016 and 2015 was \$74.4 million and \$107.1 million, respectively. The \$32.7 million decrease was primarily due to the effect of managing working capital to volume. Refer to the Consolidated Statements of Cash Flow for additional information.

Net cash provided by operating activities for the years ended December 31, 2015 and 2014 was \$107.1 million and \$93.9 million, respectively. The \$13.2 million increase was primarily the result of cash provided by the changes in our accounts receivable, inventories and prepaid expense balances, partially offset by a \$91.1 million decrease in net income as well as an increased use of cash related to changes in our accounts payable and other accrued expense balances.

Investing activities

Net cash used by investing activities for the years ended December 31, 2016, 2015 and 2014 was \$42.7 million, \$77.8 million and \$129.6 million, respectively. Cash used for investing activities primarily relates to capital investments in our production processes. Capital spending decreased \$35.5 million in the year ended December 31, 2016 compared to the year ended December 31, 2015 as a result of targeted strategic capital allocations due to certain restrictions in our Amended Credit Agreement. Capital spending decreased \$51.4 million in the year ended December 31, 2015 compared to the year ended December 31, 2014 due to lower spending related to the jumbo bloom vertical caster, which was commissioned in the fourth quarter of 2014.

Our business sometimes requires capital investments to remain competitive and to ensure we can implement strategic initiatives. As of December 31, 2016, our \$63.9 million construction in progress balance included approximately: (a) \$45.5 million relating to growth initiatives (e.g., new product offerings, additional capacity and new capabilities) and continuous improvement projects; and (b) \$18.4 million relating primarily to routine capital costs to maintain the reliability, integrity and safety of our manufacturing equipment and facilities. We expect to incur approximately \$29 million of additional costs including approximately \$12 million relating to growth initiatives and continuous improvement projects and approximately \$17 million to complete other remaining projects. These additional costs are expected to be incurred during the next one to three years.

As of December 31, 2015, our \$74.9 million construction in progress balance included approximately: (a) \$47 million relating to growth initiatives (e.g., new product offerings, additional capacity and new capabilities) and continuous improvement projects; and (b) \$28 million relating primarily to routine capital costs to maintain the reliability, integrity and safety of our manufacturing equipment and facilities.

Financing activities

Net cash used by financing activities for the year ended December 31, 2016 was \$48.5 million compared to \$21.4 million for the same period in 2015. The change was due primarily to a \$130 million repayment on the Amended Credit Agreement, partially from the proceeds of \$86.3 million from the issuance of the Convertible Notes.

Net cash used by financing activities for the year ended December 31, 2015 was \$21.4 million compared to net cash provided by financing activities of \$70.2 million for the same period in 2014. The change was due primarily to a reduction of \$140.0 million of net borrowings under the credit facility for the year ended December 31, 2015 compared to the same period 2014 and a reduction in the repurchase of outstanding shares from a cost of \$30.6 million to approximately \$17 million in 2015.

partially offset by a \$50.0 million dividend paid to Timken in 2014 in connection with the spinoff and an increase of \$6.0 million in cash dividends paid to shareholders.

Covenant Compliance

Under the Amended Credit Agreement, we are required to comply with certain customary covenants, including covenants that limit our ability to, among other things, (i) incur or suffer to exist certain liens, (ii) make investments, (iii) incur or guaranty additional indebtedness (iv) enter into consolidations, mergers, acquisitions and sales of assets, (v) make distributions and other restricted payments, (vi) change the nature of our business, (vii) engage in transactions with affiliates and (viii) enter into restrictive agreements, including agreements that restrict the ability to incur liens or make distributions. Further, the Amended Credit Agreement contains financial covenants that (i) limit the amount of capital expenditures we may make to \$45 million in fiscal year 2016 and \$50 million in fiscal years thereafter and (ii) require the Company to maintain a minimum specified fixed charge coverage ratio for the year-to-date periods beginning January 1, 2017 and ending June 30, 2017, July 31, 2017 and August 31, 2017. The fixed charge coverage ratio is the ratio of EBITDA, adjusted for capital expenditures, to fixed charges. Fixed charges include, among other things, cash interest, scheduled principal payments, cash taxes, dividends, and capital lease obligation payments. As of December 31, 2016, we anticipate that EBITDA will need to be a minimum of \$10 million in order to comply with the fixed charge coverage ratio covenants. We believe that our earnings will be sufficient to meet this covenant throughout the term of the Amended Credit Agreement.

We expect to remain in compliance with our debt covenants for at least the next twelve months. If at any time we expect that we will be unable to meet the covenants under the Amended Credit Agreement, we would seek to further amend the Amended Credit Agreement to be in compliance and avoid a default or pursue other alternatives, such as additional financing. If, contrary to our expectations, we were unable to amend the terms of our Amended Credit Agreement to remain in compliance or refinance the debt under the Amended Credit Agreement, we would experience an event of default and all outstanding debt under the revolving credit facility would be subject to acceleration and may become immediately due and payable.

Dividends and Share Repurchases

On November 13, 2015, our Board of Directors decided to suspend the cash dividend as we managed through a challenging market environment. Our Board of Directors will review the dividend as business conditions improve.

On August 6, 2014, our Board of Directors approved a share repurchase plan pursuant to which we were authorized to repurchase up to three million of our outstanding common shares in the aggregate. This share repurchase plan expired on December 31, 2016.

From inception of this program through December 31, 2016, \$45.8 million was used to repurchase 1,540,093 shares under the share repurchase plan. No shares were repurchased during 2016 as our Amended Credit Agreement placed certain limitations on our ability to repurchase our outstanding common shares.

Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2016.

Contractual Obligations	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Convertible notes and other long-term debt	\$136.6	\$—	\$40.0	\$66.4	\$30.2
Interest payments	29.7	7.4	13.8	7.9	0.6
Operating leases	20.0	6.5	9.2	4.3	—
Purchase commitments	51.9	23.9	9.9	2.2	15.9
Retirement benefits	42.1	4.4	15.7	5.4	16.6
Total	\$280.3	\$42.2	\$88.6	\$86.2	\$63.3

The caption Convertible notes and other long-term debt includes the Convertible Notes of \$66.4 million, the Amended Credit Agreement of \$40 million, and Revenue Refunding Bonds of \$30.2 million. Interest payments include interest on the Convertible Notes and estimated interest payments on variable rate debt computed using the assumption that the interest rate at December 31, 2016 is in effect for the remaining term of the variable rate debt. Actual interest could vary. See Item 7A - Quantitative and Qualitative Disclosures about Market Risk for further discussion.

Purchase commitments are defined as agreements to purchase goods or services that are enforceable and legally binding on us. Included in purchase commitments are certain obligations related to capital commitments, service agreements and energy consumed in our production process. These purchase commitments do not represent our entire anticipated purchases in the future, but represent only those items for which we are presently contractually obligated. The majority of our products and services are purchased as needed, with no commitment. We do not have any off-balance sheet arrangements with unconsolidated entities or other persons.

Retirement benefits are paid from plan assets and our operating cash flow. The table above depicts the expected pension and other postretirement benefit payments to be paid by us in 2017 and our expected benefit payments over the next years related to our non-qualified pension plan. Refer to Note 8 - Retirement and Postretirement Benefit Plans in the Notes to the Consolidated Financial Statements for further information related to the total pension and other postretirement benefit plans and expected benefit payments.

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with U.S. GAAP. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. We review our critical accounting policies throughout the year.

New Accounting Guidance

See Note 2 - Significant Accounting Policies in the Notes to the Consolidated Financial Statements.

Revenue Recognition

We recognize revenue when title passes to the customer. This occurs at the shipping point except for goods sold by certain of our foreign entities and certain exported goods, where title passes when the goods reach their destination. Selling prices are fixed based on purchase orders or contractual arrangements. Shipping and handling costs billed to customers are included in net sales and the related costs are included in cost of products sold in the Consolidated Statements of Operations for the years ended December 31, 2016, 2015 and 2014.

Inventory

Inventories are valued at the lower of cost or market, with approximately 64% valued by the LIFO method and the remaining inventories, including manufacturing supplies inventory as well as international (outside the U.S.) inventories are valued by the first-in, first-out, average cost or specific identification methods. An actual valuation of the inventory under the LIFO method can be made only at the end of each year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations are based on management's estimates of expected year-end inventory levels and costs. Because these are subject to many factors beyond management's control, annual results may differ from interim results as they are subject to the final year-end LIFO inventory valuation. We recognized a decrease of \$5.0 million and \$50.7 million in our LIFO reserve in 2016 and 2015, respectively.

We record reserves for product inventory that is identified to be surplus and/or obsolete based on future requirements. As of December 31, 2016 and 2015, our reserve for surplus and obsolete inventory was \$8.1 million and \$8.4 million, respectively.

Long-lived Asset Impairment

Long-lived assets (including tangible assets and intangible assets subject to amortization) are reviewed for impairment when events or changes in circumstances have occurred indicating that the carrying value of the assets may not be recoverable.

We test recoverability of long-lived assets at the lowest level for which there are identifiable cash flows that are independent from the cash flows of other assets. Assets and asset groups held and used are measured for recoverability by comparing the carrying amount of the asset or asset group to the sum of future undiscounted net cash flows expected to be generated by the asset or asset group.

Assumptions and estimates about future values and remaining useful lives of our long-lived assets are complex and subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends and internal factors such as changes in our business strategy and our internal forecasts.

If an asset or asset group is considered to be impaired, the impairment loss that would be recognized is the amount by which the carrying amount of the assets exceeds the fair value of the assets. To determine fair value, we use internal cash flow estimates discounted at an appropriate interest rate, third party appraisals as appropriate, and/or market prices of similar assets, when available.

In the years ending December 31, 2015 and 2014 we recorded impairment charges of \$0.9 million and \$1.2 million, respectively, related to the discontinued use of certain long-lived assets. There were no impairment charges recorded during the year ended December 31, 2016 .

Income Taxes

For the periods ending prior to and on June 30, 2014, income taxes, as presented herein, attribute current and deferred income taxes of Timken to the TimkenSteel standalone financial statements in a manner that is systematic, rational and consistent with the asset and liability method prescribed by the FASB ASC Topic 740, "Accounting for Income Taxes" (ASC 740). Accordingly, our income tax provision was prepared following the "separate return method." The separate return method applies ASC 740 to the standalone financial statements of each member of the consolidated group as if the group member were a separate taxpayer and a stand-alone enterprise. As a result, actual tax transactions included in the financial statements of Timken may not be included in our Consolidated Financial Statements. Similarly, the tax treatment of certain items reflected in our Consolidated Financial Statements may not be reflected in the financial statements and tax returns of Timken; therefore, such items as alternative minimum tax, net operating losses, credit carryforwards, and valuation allowances may exist in the stand-alone financial statements that may or may not exist in Timken's financial statements.

We are subject to income taxes in the U.S. and numerous non-U.S. jurisdictions and account for income taxes in accordance with FASB ASC Topic 740, "Income Taxes" (ASC 740). Deferred tax assets and liabilities are recorded for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases, as well as net operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. We record valuation allowances against deferred tax assets by tax jurisdiction when it is more likely than not that such assets will not be realized. In determining the need for a valuation allowance, the historical and projected financial performance of the entity recording the net deferred tax asset is considered along with any other pertinent information. Net deferred tax assets relate primarily to net operating losses and pension and other postretirement benefit obligations in the U.S., which we believe are more likely than not to result in future tax benefits. As of December 31, 2016, we have recorded a valuation allowance on our net deferred tax assets in the U.S. as we do not believe it is more likely than not that U.S. deferred tax assets will be realized.

In the ordinary course of our business, there are many transactions and calculations where the ultimate income tax determination is uncertain. We are regularly under audit by tax authorities. Accruals for uncertain tax positions are provided for in accordance with the requirements of ASC 740. We record interest and penalties related to uncertain tax positions as a component of income tax expense.

Benefit Plans

Prior to the spinoff, our employees participated in various retirement and other postretirement benefits sponsored by Timken. During 2014, the assets and liabilities of these plans that related to our employees and retirees were transferred to benefit plans sponsored by us and the benefit obligation under the transferred defined benefit pension plans and other postretirement benefit plans were determined on an actuarial basis as of the transfer date. We use actuaries to calculate the benefit obligation of the plans as of the respective measurement dates, using key assumptions such as discount rates, inflation, long-term investment returns, mortality, employee turnover, rate of compensation increases and medical and prescription drug costs, based on company data and appropriate market indicators. We recognize each plan's funded status as an asset for overfunded plans and as a liability for unfunded or underfunded plans. The prior service cost recorded in accumulated other comprehensive income (loss) will be amortized to expense over a period of years through the net periodic benefit cost.

On December 31, 2016, we voluntarily changed our accounting principle for recognizing actuarial gains and losses and expected returns on plan assets for our defined benefit pension and other postretirement benefit plans. Prior to 2016, we amortized, as a component of pension and other postretirement expense, unrecognized actuarial gains and losses (included within accumulated other comprehensive income (loss)) over the average remaining service period of active employees expected to receive benefits under the plan, or average remaining life expectancy of inactive participants when all or almost all of plan participants are inactive. We historically have calculated the market-related value of plan assets based on a 5 -year market adjustment. The value was determined by adjusting the fair value of plan assets to reflect the investment gains and losses during each of the last 5 years. The difference between the expected return on assets and actual return on assets was recognized at the rate of 20% per year (e.g., recognized over five years). Under the new principle, actuarial gains and losses are immediately recognized through net benefit

cost in the Statement of Operations upon the annual remeasurement at December 31, or on an interim basis as triggering events warrant remeasurement. In addition, we changed our accounting for measuring the market-related value of plan assets from a calculated amount (based on a five-year smoothing of asset returns) to fair value. We believe these changes are preferable, as they result in an accelerated recognition of changes in assumptions and market returns on plan assets as compared to the minimum amortization approach and market-related value of plan assets (i.e. the delayed approach). Additionally, we believe the new accounting principles provide a better representation of the operating results of the Company and the impact of our benefit obligations (through the income statement) in the period when changes occur. These changes have been applied retrospectively to prior periods beginning with the formation of the TimkenSteel pension and other postretirement benefit plans during the second quarter of 2014, just prior to the spinoff. The cumulative effect of the changes in accounting principles resulted in a reduction of additional paid in capital of \$ 229.4 million as of the date of June 30, 2014. Refer to Note 1 - Company and Basis of Presentation in the Notes to the Consolidated Financial Statements for further discussion.

As of December 31, 2016 , our projected benefit obligations related to our pension and other postretirement benefit plans were \$1,220.3 million and \$214.2 million , respectively, and the underfunded status of our pension and other postretirement benefit obligations were \$88.6 million and \$100.3 million , respectively. These benefit obligations were valued using a weighted average discount rate of 4.17% and 4.09% for pension and other postretirement benefit plans, respectively. The determination of the discount rate is generally based on an index created from a hypothetical bond portfolio consisting of high-quality fixed income securities with durations that match the timing of expected benefit payments. Changes in the selected discount rate could have a material impact on our projected benefit obligations and the unfunded status of our pension and other postretirement benefit plans.

For the year ended December 31, 2016 , net periodic pension benefit cost was \$70.9 million , and net periodic other postretirement benefit cost was \$12.5 million . In 2016, net periodic pension and other postretirement benefit costs were calculated using a variety of assumptions, including a weighted average discount rate of 4.67% and 4.51% , respectively, and an expected return on plan assets of 6.46% and 5.00% , respectively. The expected return on plan assets is determined based on several factors, including adjusted historical returns, historical risk premiums for various asset classes and target asset allocations within the portfolio. Adjustments made to the historical returns are based on recent return experience in the equity and fixed income markets and the belief that deviations from historical returns are likely over the relevant investment horizon.

The net periodic benefit cost and benefit obligation are affected by the applicable year-end assumptions. Sensitivities to these assumptions may be asymmetric and are specific to the time periods noted. The impact of changing multiple factors simultaneously cannot be calculated by combining the individual sensitivities. The sensitivity to changes in discount rate assumptions may not be linear. A sensitivity analysis of the projected incremental effect of a 0.25% increase (decrease), holding all other assumptions constant, is as follows:

	Hypothetical Rate	
	Increase (decrease)	
	0.25%	(0.25)%
Discount Rate		
Net periodic benefit cost	(\$0.7)	\$0.8
Benefit obligation	(\$38.5)	\$40.3
Return on plan assets		
Net periodic benefit cost	(\$2.8)	\$2.8

Aggregate net periodic pension income and other postretirement benefit cost for 2017 is forecasted to be approximately \$3 million and \$6 million, respectively. This estimate is based on a weighted average discount rate of 4.17% for the pension benefit plans and 4.09% for the other postretirement benefit plans, as well as an expected return on assets of 6.46% for the pension benefit plans and 5.00% for the other postretirement benefit plans, respectively. Actual cost also is dependent on various other factors related to the employees covered by these plans. Adjustments to our actuarial assumptions could have a material adverse impact on our operating results.

Please refer to Note 8 - Retirement and Postretirement Benefit Plans in the Notes to the Consolidated Financial Statements for further information related to our pension and other postretirement benefit plans.

Other Loss Reserves

We have a number of loss exposures that are incurred in the ordinary course of business such as environmental claims, product liability claims, product warranty claims, litigation and accounts receivable reserves. Establishing loss reserves for these

matters requires management's estimate and judgment with regard to risk exposure and ultimate liability or realization. These loss reserves are reviewed periodically and adjustments are made to reflect the most recent facts and circumstances.

Forward-Looking Statements

Certain statements in this Annual Report on Form 10-K (including our forecasts, beliefs and expectations) that are not historical in nature are "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. In particular, Management's Discussion and Analysis of Financial Condition and Results of Operations contains numerous forward-looking statements. Forward-looking statements generally will be accompanied by words such as "anticipate," "believe," "could," "estimate," "expect," "forecast," "outlook," "intend," "may," "plan," "possible," "potential," "predict," "project," "seek," "should," "target," "would," or other similar words, phrases or expressions that convey the uncertainty of future events or outcomes. You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K. We caution readers that actual results may differ materially from those expressed or implied in forward-looking statements made by or on behalf of us 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 we conduct business, including additional adverse effects from global economic slowdown, terrorism or hostilities. This includes: political risks associated with the potential instability of governments and legal systems in countries in which we or our 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 we operate. This includes: our ability 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 the 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 our products are sold or distributed;
- changes in operating costs, including the effect of changes in our manufacturing processes; changes in costs associated with varying levels of operations and manufacturing capacity; availability of raw materials and energy; our ability to mitigate the impact of fluctuations in raw materials and energy costs and the effectiveness of our 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 our 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 our ability to maintain appropriate relations with unions that represent our 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: our cost of funds and/or ability to raise capital; our pension obligations and investment performance; and/or customer demand and the ability of customers to obtain financing to purchase our products or equipment that contain our products; and the amount of any dividend declared by our Board of Directors on our common shares; and
- those items identified under the caption Risk Factors in other parts of this Annual Report.

You 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, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Our borrowings include both fixed and variable-rate debt. The variable debt consists principally of borrowings under our Amended Credit Agreement. We are exposed to the risk of rising interest rates to the extent we fund our operations with these variable-rate borrowings. As of December 31, 2016, we had \$136.6 million of aggregate debt outstanding, of which \$70.2 million consists of debt with variable interest rates. Based on the amount of debt with variable-rate interest outstanding, a 1% rise in interest rates would result in an increase in interest expense of approximately \$0.7 million annually, with a corresponding decrease in net income or increase in net loss before income taxes of the same amount.

Foreign Currency Exchange Rate Risk

Fluctuations in the value of the U.S. dollar compared to foreign currencies may impact our earnings. Geographically, our sales are primarily made to customers in the U.S. Currency fluctuations could impact us to the extent they impact the currency or the price of raw materials in foreign countries in which our competitors operate or have significant sales.

Commodity Price Risk

In the ordinary course of business, we are exposed to market risk with respect to commodity price fluctuations, primarily related to our purchases of raw materials and energy, principally scrap steel, other ferrous and non-ferrous metals, alloys, natural gas and electricity. Whenever possible, we manage our exposure to commodity risks primarily through the use of supplier pricing agreements that enable us to establish the purchase prices for certain inputs that are used in our manufacturing business. We utilize a raw material surcharge as a component of pricing steel to pass through the cost increases of scrap, alloys and other raw materials, as well as natural gas. From time to time, we may use derivative financial instruments to hedge a portion of our exposure to price risk related to natural gas and electricity purchases. In periods of stable demand for our products, the surcharge mechanism has worked effectively to reduce the normal time lag in passing through higher raw material costs so that we can maintain our gross margins. When demand and cost of raw materials is lower, however, the surcharge impacts sales prices to a lesser extent.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Registered Public Accounting Firm

To The Board of Directors and Shareholders of TimkenSteel Corporation

We have audited the accompanying consolidated balance sheets of TimkenSteel Corporation as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive (loss) income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2016. Our audits also included the financial statement schedule included at Item 15a. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of TimkenSteel Corporation at December 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2016 in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, the Company has elected to change its method of accounting for actuarial gains and losses and the calculation of expected return on plan assets related to its pension and other postretirement benefit plans during the year ended December 31, 2016.

As discussed in Note 2 and Note 10 to the consolidated financial statements, the Company adopted an amendment to an accounting standard for share-based payment transactions.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), TimkenSteel Corporation's internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) and our report dated March 16, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Cleveland, Ohio

March 16, 2017

Report of Independent Registered Public Accounting Firm

To The Board of Directors and Shareholders of TimkenSteel Corporation

We have audited TimkenSteel Corporation's internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). TimkenSteel Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, TimkenSteel Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the 2016 consolidated financial statements of TimkenSteel Corporation, and our report dated March 16, 2017, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Cleveland, Ohio

March 16, 2017

Consolidated Statements of Operations

	Years Ended December 31,		
	2016	2015 ADJUSTED	2014 ADJUSTED
(Dollars in millions, except per share data)			
Net sales	\$869.5	\$1,106.2	\$1,674.2
Cost of products sold	896.6	1,060.0	1,473.1
Gross (Loss) Profit	(27.1)	46.2	201.1
Selling, general and administrative expenses	101.5	105.1	128.9
Impairment and restructuring charges	0.3	6.5	1.2
Operating (Loss) Income	(128.9)	(65.4)	71.0
Interest expense	11.4	3.4	0.9
Other expense, net	1.7	2.9	1.4
(Loss) Income Before Income Taxes	(142.0)	(71.7)	68.7
(Benefit) provision for income taxes	(36.5)	(26.7)	22.6
Net (Loss) Income	(\$105.5)	(\$45.0)	\$46.1
Per Share Data:			
Basic (loss) earnings per share	(\$2.39)	(\$1.01)	\$1.01
Diluted (loss) earnings per share	(\$2.39)	(\$1.01)	\$1.00
Dividends per share	\$—	\$0.42	\$0.28

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Comprehensive (Loss) Income

	Years Ended December 31,		
	2016	2015 ADJUSTED	2014 ADJUSTED
<hr/>			
<i>(Dollars in millions)</i>			
Net (loss) income	(\$105.5)	(\$45.0)	\$46.1
Other comprehensive (loss) income, net of tax:			
Foreign currency translation adjustments	(2.0)	(1.1)	(0.3)
Pension and postretirement liability adjustments	0.5	1.0	0.6
Other comprehensive (loss) income, net of tax	(1.5)	(0.1)	0.3
Comprehensive (Loss) Income, net of tax	(\$107.0)	(\$45.1)	\$46.4

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Balance Sheets

	December 31,	
	2016	2015 ADJUSTED
(Dollars in millions)		
ASSETS		
Current Assets		
Cash and cash equivalents	\$25.6	\$42.4
Accounts receivable, net of allowances (2016 - \$2.1 million; 2015 - \$1.5 million)	91.6	80.9
Inventories, net	164.2	173.9
Deferred charges and prepaid expenses	2.8	11.4
Other current assets	6.2	9.2
Total Current Assets	290.4	317.8
Property, Plant and Equipment, Net	741.9	769.3
Other Assets		
Pension assets	6.2	20.7
Intangible assets, net	25.0	30.6
Other non-current assets	6.4	4.1
Total Other Assets	37.6	55.4
Total Assets	\$1,069.9	\$1,142.5
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable, trade	\$87.0	\$49.5
Salaries, wages and benefits	20.3	21.4
Accrued pension and postretirement costs	3.0	3.2
Other current liabilities	20.4	30.1
Total Current Liabilities	130.7	104.2
Non-Current Liabilities		
Convertible notes, net	66.4	—
Other long-term debt	70.2	200.2
Accrued pension and postretirement costs	192.1	114.1
Deferred income taxes	—	32.0
Other non-current liabilities	13.1	10.0
Total Non-Current Liabilities	341.8	356.3
Commitments and contingencies	—	—
Shareholders' Equity		
Preferred shares, no par value; authorized 10.0 million shares, none issued	—	—
Common shares, without par value; authorized 200.0 million shares; issued 2016 and 2015 - 45.7 million shares	—	—
Additional paid-in capital	845.6	828.8
Retained deficit	(193.9)	(92.6)
Treasury shares, 2016 and 2015 - 1.5 million, respectively	(44.9)	(46.3)
Accumulated other comprehensive loss	(9.4)	(7.9)
Total Shareholders' Equity	597.4	682.0
Total Liabilities and Shareholders' Equity	\$1,069.9	\$1,142.5

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

	Total	Additional Paid-in Capital	Net Parent Investment	Retained Earnings (Deficit)	Treasury Shares	Accumulated Other Comprehensive Loss
(Dollars in millions)						
Balance as of December 31, 2013	\$800.8	\$—	\$801.2	\$—	\$—	(\$0.4)
Net income (loss)	46.1	—	62.3	(16.2)	—	—
Pension and postretirement adjustment, net of tax	0.6	—	—	—	—	0.6
Foreign currency translation adjustments	(0.3)	—	—	—	—	(0.3)
Stock-based compensation expense	6.0	4.0	2.0	—	—	—
Dividends – \$0.28 per share	(12.7)	—	—	(12.7)	—	—
Net transfer (to)/from Parent and affiliates	(62.0)	9.2	165.9	—	—	(237.1)
Reclassification of net parent investment to additional paid-in capital	—	1,031.4	(1,031.4)	—	—	—
Cumulative effect of change in accounting principle (refer to Note 1)	—	(229.4)	—	—	—	229.4
Stock option exercise activity	6.1	6.1	—	—	—	—
Purchase of treasury shares	(30.6)	—	—	—	(30.6)	—
Shares surrendered for taxes	(4.1)	—	—	—	(4.1)	—
Balance as of December 31, 2014 ADJUSTED	\$749.9	\$821.3	\$—	(\$28.9)	(\$34.7)	(\$7.8)
Net loss	(45.0)	—	—	(45.0)	—	—
Pension and postretirement adjustment, net of tax	1.0	—	—	—	—	1.0
Foreign currency translation adjustments	(1.1)	—	—	—	—	(1.1)
Stock-based compensation expense	7.0	7.0	—	—	—	—
Dividends – \$0.42 per share	(18.7)	—	—	(18.7)	—	—
Adjustments to net parent investment and additional paid-in capital	4.7	4.7	—	—	—	—
Stock option exercise activity	1.5	1.5	—	—	—	—
Purchase of treasury shares	(15.2)	—	—	—	(15.2)	—
Issuance of treasury shares	—	(5.7)	—	—	5.7	—
Shares surrendered for taxes	(2.1)	—	—	—	(2.1)	—
Balance as of December 31, 2015 ADJUSTED	\$682.0	\$828.8	\$—	(\$92.6)	(\$46.3)	(\$7.9)
Net loss	(105.5)	—	—	(105.5)	—	—
Pension and postretirement adjustment, net of tax	0.5	—	—	—	—	0.5
Foreign currency translation adjustments	(2.0)	—	—	—	—	(2.0)
Stock-based compensation expense	6.7	6.7	—	—	—	—
Issuance of treasury shares	—	(1.4)	—	—	1.4	—
Equity component of convertible notes, net	18.7	18.7	—	—	—	—
Deferred tax liability on convertible notes	(7.2)	(7.2)	—	—	—	—
Cumulative adjustment for adoption of ASU 2016-09	4.2	—	—	4.2	—	—
Balance as of December 31, 2016	\$597.4	\$845.6	\$—	(\$193.9)	(\$44.9)	(\$9.4)

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Years Ended December 31,

	2016	2015 ADJUSTED	2014 ADJUSTED
(Dollars in millions)			
CASH PROVIDED (USED)			
Operating Activities			
Net (loss) income	(\$105.5)	(\$45.0)	\$46.1
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	74.9	73.4	58.0
Amortization of deferred financing fees and debt discount	2.9	0.3	—
Impairment charges and loss on sale or disposal of assets	1.2	1.9	2.6
Deferred income taxes	(36.8)	(25.6)	(29.8)
Stock-based compensation expense	6.7	7.0	6.0
Pension and postretirement expense	83.4	(15.5)	107.2
Pension and postretirement contributions	(4.9)	(15.6)	(20.7)
Reimbursement from postretirement plan assets	13.3	—	—
Changes in operating assets and liabilities:			
Accounts receivable, net	(10.7)	86.2	(17.7)
Inventories, net	9.7	122.7	(69.6)
Accounts payable, trade	37.5	(70.7)	16.2
Other accrued expenses	(8.2)	(31.5)	26.2
Deferred charges and prepaid expenses	8.3	22.7	(27.6)
Other, net	2.6	(3.2)	(3.0)
Net Cash Provided by Operating Activities	74.4	107.1	93.9
Investing Activities			
Capital expenditures	(42.7)	(78.2)	(129.6)
Proceeds from disposals of property, plant and equipment	—	0.4	—
Net Cash Used by Investing Activities	(42.7)	(77.8)	(129.6)
Financing Activities			
Cash dividends paid to shareholders	—	(18.7)	(12.7)
Purchase of treasury shares	—	(17.3)	(34.7)
Proceeds from exercise of stock options	—	1.5	5.8
Credit agreement repayments	(130.0)	(50.0)	(30.2)
Credit agreement borrowings	—	65.0	185.2
Proceeds from issuance of convertible notes	86.3	—	—
Debt issuance costs	(4.8)	(1.4)	—
Dividend paid to The Timken Company	—	—	(50.0)
Net transfers from/(to) Parent and affiliates	—	(0.5)	6.8
Net Cash (Used) Provided by Financing Activities	(48.5)	(21.4)	70.2
Effect of exchange rate changes on cash	—	—	—
(Decrease) Increase In Cash and Cash Equivalents	(16.8)	7.9	34.5
Cash and cash equivalents at beginning of period	42.4	34.5	—
Cash and Cash Equivalents at End of Period	\$25.6	\$42.4	\$34.5

See accompanying Notes to the Consolidated Financial Statements.

Notes to Consolidated Financial Statements

(dollars in millions, except per share data)

Note 1 - Company and Basis of Presentation

TimkenSteel Corporation (the Company or TimkenSteel) manufactures alloy steel, as well as carbon and micro-alloy steel, with an annual melt capacity of approximately 2 million tons and shipment capacity of 1.5 million tons. TimkenSteel's portfolio includes special bar quality (SBQ) bars, seamless mechanical tubing (tubes) and value-add solutions, such as precision steel components. In addition, TimkenSteel supplies machining and thermal treatment services, as well as manages raw material recycling programs, which are used as a feeder system for the Company's melt operations. The Company's products and services are used in a diverse range of demanding applications in the following market sectors: oil and gas; oil country tubular goods; automotive; industrial equipment; mining; construction; rail; aerospace and defense; heavy truck; agriculture; and power generation.

TimkenSteel became an independent company as a result of the distribution on June 30, 2014 by The Timken Company (Timken) of 100 percent of the outstanding common shares of TimkenSteel to Timken shareholders. Each Timken shareholder of record as of the close of business on June 23, 2014 received one TimkenSteel common share for every two Timken common shares held as of the record date for the distribution. TimkenSteel common shares trade on the New York Stock Exchange under the ticker symbol "TMST."

Prior to the spinoff on June 30, 2014, what is now TimkenSteel was made up of Timken's steelmaking operations and operated as a reportable segment of Timken. The accompanying Consolidated Financial Statements for periods prior to the separation have been prepared from Timken's historical accounting records and are presented on a stand-alone basis as if the operations had been conducted independently from Timken. Accordingly, Timken and its subsidiaries' net investment in the operations is shown as net parent investment in lieu of stockholders' equity in the Consolidated Financial Statements. The Consolidated Financial Statements for periods prior to the separation include the historical results of operations, assets and liabilities of the legal entities that are considered to comprise TimkenSteel. The historical results of operations and cash flows of TimkenSteel presented in the Consolidated Financial Statements for periods prior to the separation may not be indicative of what they would have been had TimkenSteel actually been a separate stand-alone entity during such periods, nor are they necessarily indicative of TimkenSteel's future results of operations and cash flows.

The SBQ bars and tubes production processes take place at the Company's Canton, Ohio manufacturing location. This location accounts for all of the SBQ bars and seamless mechanical tubes the Company produces and includes three manufacturing facilities: the Faircrest, Harrison, and Gambrinus facilities. TimkenSteel's value-add solutions production processes take place at three downstream manufacturing facilities: TimkenSteel Material Services (Houston, TX), Tryon Peak (Columbus, NC), and St. Clair (Eaton, OH). Many of the production processes are integrated, and the manufacturing facilities produce products that are sold in all of the Company's market sectors. As a result, investments in the Company's facilities and resource allocation decisions affecting the Company's operations are designed to benefit the overall business of the Company, not any specific aspect of the business.

Effective January 1, 2016, TimkenSteel eliminated its segment reporting as a result of organizational changes made in the second half of 2015, in addition to the integrated nature of the Company's business as described above. These organizational changes were made to better align resources to support the business strategy of operating in a leaner, more efficient environment. Specifically, the Company has centralized its customer-facing activities under one leadership role and eliminated the former two segment operating structure. Since that change, the Company is organized in a centralized manner based on functionality. As a result, TimkenSteel conducts its business activities and reports financial results as one business segment.

The presentation of financial results as one reportable segment is consistent with the way the Company operates its business under the realigned organization and is consistent with the manner in which the Chief Operating Decision Maker (CODM) evaluates performance and makes resource and operating decisions for the business as described above. Furthermore, the Company notes that monitoring financial results as one reportable segment helps the CODM manage costs on a consolidated basis, consistent with the integrated nature of the operations.

Presentation

Certain items previously reported in specific financial statement captions have been reclassified to conform to the fiscal 2016 presentation.

Change in Accounting Principle

On December 31, 2016, TimkenSteel voluntarily changed its accounting principle for recognizing actuarial gains and losses and expected returns on plan assets for its defined benefit pension and other postretirement benefit plans. Prior to 2016, the Company amortized, as a component of pension and other postretirement expense, unrecognized actuarial gains and losses (included within accumulated other comprehensive income (loss)) over the average remaining service period of active employees expected to receive benefits under the plan, or average remaining life expectancy of inactive participants when all or almost all of plan participants are inactive. The Company historically has calculated the market-related value of plan assets based on a 5-year market adjustment. The value was determined by adjusting the fair value of plan assets to reflect the investment gains and losses during each of the last 5 years. The difference between the expected return on assets and actual return on assets was recognized at the rate of 20% per year (e.g., recognized over five years). Under the new principle, actuarial gains and losses are immediately recognized through net periodic benefit cost in the Statement of Operations upon the annual remeasurement at December 31, or on an interim basis as triggering events warrant remeasurement. In addition, the Company changed its accounting for measuring the market-related value of plan assets from a calculated amount (based on a five-year smoothing of asset returns) to fair value. The Company believes these changes are preferable, as they result in an accelerated recognition of changes in assumptions and market return on plan assets, as compared to the minimum amortization approach and market-related value of plan assets (i.e. delayed approach). Additionally, the Company believes the new accounting principles provide a better representation of the operating results of the Company and the impact of its benefit obligations (through the income statement) in the period when changes occur.

These changes have been applied retrospectively to prior periods beginning with the formation of the TimkenSteel pension and postretirement benefit plans during the second quarter of 2014. The cumulative effect of the change in accounting principles resulted in a reduction of additional paid in capital of \$ 229.4 million as of the date of establishment of the TimkenSteel pension and other postretirement plans.

The following table reflects the effect of the change in accounting principles on the 2016 Consolidated Financial Statements (dollars in millions, except per share data):

Increase (decrease)

Statement of Operations

Cost of products sold	\$44.1
Selling, general and administrative expenses	5.5
Provision for income taxes	—
Net (loss) income	(49.6)
Diluted earnings (loss) per share	(\$1.12)

Statement of Comprehensive (Loss) Income, net of tax

Foreign currency translation adjustments	\$2.3
Pension and postretirement adjustment	47.3

Balance Sheet

Additional paid in capital	(\$229.4)
Retained deficit	(\$80.5)
Accumulated other comprehensive loss	309.9

Statement of Cash Flows

Net (loss) income	(\$49.6)
Pension and postretirement expense	49.6

Separately, the 2015 financial statements have been restated to correct immaterial errors related to deferred tax expense recognized on 2015 other comprehensive income associated with the Company's U.K. pension plan (\$ 4.8 million) and to correct the amount associated with the fair value of the Company's U.K. pension plan (\$ 0.7 million). The correction of these immaterial errors did not impact the 2015 statement of operations.

The following tables reflect the impact to the financial statement line items as a result of the change in accounting principles and the correction of immaterial errors discussed above for the prior periods presented in the accompanying financial statements (dollars in millions, except per share data):

Statement of Operations	2015			2014		
	As Reported	Adjustments	Adjusted	As Reported	Adjustments	Adjusted
Net sales	\$1,106.2	\$—	\$1,106.2	\$1,674.2	\$—	\$1,674.2
Cost of products sold	1,097.4	(37.4)	1,060.0	1,400.4	72.7	1,473.1
Gross Profit	8.8	37.4	46.2	273.8	(72.7)	201.1
Selling, general and administrative expenses	111.0	(5.9)	105.1	112.1	16.8	128.9
Impairment and restructuring charges	6.5	—	6.5	1.2	—	1.2
Operating (Loss) Income	(108.7)	43.3	(65.4)	160.5	(89.5)	71.0
Interest expense	3.4	—	3.4	0.9	—	0.9
Other expenses, net	2.9	—	2.9	1.4	—	1.4
(Loss) Income Before Income Taxes	(115.0)	43.3	(71.7)	158.2	(89.5)	68.7
(Benefit) provision for income taxes	(42.6)	15.9	(26.7)	53.8	(31.2)	22.6
Net (Loss) Income	(\$72.4)	\$27.4	(\$45.0)	\$104.4	(\$58.3)	\$46.1

Per Share Data:

Basic (loss) earnings per share	(\$1.63)	\$0.62	(\$1.01)	\$2.29	(\$1.28)	\$1.01
Diluted (loss) earnings per share	(\$1.63)	\$0.62	(\$1.01)	\$2.27	(\$1.27)	\$1.00

Statement of Comprehensive (Loss) Income, net of tax	2015			2014		
	As Reported	Adjustments	Adjusted	As Reported	Adjustments	Adjusted
Net (loss) income	(\$72.4)	\$27.4	(\$45.0)	\$104.4	(\$58.3)	\$46.1
Other comprehensive income (loss), net of tax						
Foreign currency translation adjustments	(1.5)	0.4	(1.1)	(1.2)	0.9	(0.3)
Pension and postretirement adjustment	35.0	(29.7)	5.3	(58.6)	59.2	0.6
Correction of pension and postretirement adjustment ⁽¹⁾	—	(4.3)	(4.3)	—	—	—
Total pension and postretirement liability adjustments, net of tax	35.0	(34.0)	1.0	(58.6)	59.2	0.6
Other comprehensive income (loss), net of tax	33.5	(33.6)	(0.1)	(59.8)	60.1	0.3
Comprehensive (Loss) Income, net of tax	(\$38.9)	(\$6.2)	(\$45.1)	\$44.6	\$1.8	\$46.4

⁽¹⁾ Adjustment to correct immaterial errors associated with the fair market value of the Company's U.K. pension plan and deferred taxes related to other comprehensive income recognized during 2015.

Balance Sheet	2015		
	As Reported	Adjustments	Adjusted
Other Assets			
Correction to non-current pension assets ⁽¹⁾	\$20.0	\$0.7	\$20.7
Non-Current Liabilities			
Deferred income taxes	\$26.9	\$—	\$26.9
Correction to deferred income taxes ⁽¹⁾	—	5.1	5.1
Total deferred income taxes	\$26.9	\$5.1	\$32.0
Shareholders' Equity			
Additional paid-in-capital	\$1,058.2	(\$229.4)	\$828.8
Retained earnings (deficit)	(\$61.7)	(\$30.9)	(\$92.6)
Accumulated other comprehensive income	(\$263.8)	\$260.2	(\$3.6)
Correction to accumulated other comprehensive loss ⁽¹⁾	—	(4.3)	(4.3)
Total accumulated other comprehensive income	(\$263.8)	\$255.9	(\$7.9)

⁽¹⁾ Adjustment to correct immaterial errors associated with the fair market value of the Company's U.K. pension plan and deferred taxes related to other comprehensive income recognized during 2015.

Cash Flows from Operating Activities	2015			2014		
	As Reported	Adjustments	Adjusted	As Reported	Adjustments	Adjusted
Net (loss) income	(\$72.4)	\$27.4	(\$45.0)	\$104.4	(\$58.3)	\$46.1
Deferred income taxes	(41.5)	15.9	(25.6)	1.4	(31.2)	(29.8)
Pension and postretirement expense	30.7	(46.2)	(15.5)	14.9	92.3	107.2
Changes in operating assets and liabilities:						
Inventories, net	119.9	2.8	122.7	(66.8)	(2.8)	(69.6)
Net Cash Provided by Operating Activities	107.1	—	107.1	93.9	—	93.9

Note 2 - Significant Accounting Policies

Basis of Combination:

The Consolidated Financial Statements include the combined assets, liabilities, revenues and expenses related to TimkenSteel as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014. All significant intercompany accounts and transactions within TimkenSteel have been eliminated in the preparation of the Consolidated Financial Statements. All significant intercompany transactions with Timken prior to the spinoff are deemed to have been paid in the period the cost was incurred.

Use of Estimates:

The preparation of these Consolidated Financial Statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. These estimates and assumptions are reviewed and updated regularly to reflect recent experience.

Revenue Recognition:

TimkenSteel recognizes revenue when title passes to the customer, which includes related-party sales to Timken and its subsidiaries for the periods prior to spinoff. This occurs at the shipping point except for goods sold by certain of the Company's foreign entities and certain exported goods, where title passes when the goods reach their destination. Selling prices are fixed based on purchase orders or contractual arrangements. Shipping and handling costs billed to customers are included in net sales and the related costs are included in cost of products sold in the Consolidated Statements of Operations.

Cash Equivalents:

TimkenSteel considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Allowance for Doubtful Accounts:

TimkenSteel maintains an allowance for doubtful accounts, which represents an estimate of losses expected from the accounts receivable portfolio, to reduce accounts receivable to their net realizable value. The allowance is based upon historical trends in collections and write-offs, management's judgment of the probability of collecting accounts and management's evaluation of business risk. TimkenSteel extends credit to customers satisfying pre-defined credit criteria. TimkenSteel believes it has limited concentration of credit risk due to the diversity of its customer base.

Inventories, Net:

Inventories are valued at the lower of cost or market. The majority of TimkenSteel's domestic inventories are valued by the last-in, first-out (LIFO) method. The remaining inventories, including manufacturing supplies inventory as well as international (outside the U.S.) inventories are valued by the first-in, first-out (FIFO), average cost or specific identification methods. Reserves are established for product inventory that is identified to be surplus and/or obsolete based on future requirements.

Property, Plant and Equipment, Net:

Property, plant and equipment, net are valued at cost less accumulated depreciation. Maintenance and repairs are charged to expense as incurred. The provision for depreciation is computed principally by the straight-line method based upon the estimated useful lives of the assets. The useful lives are approximately 30 years for buildings and three to 20 years for machinery and equipment.

Intangible Assets, Net:

Intangible assets subject to amortization are amortized on a straight-line method over their legal or estimated useful lives, with useful lives ranging from three to 15 years .

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 350-40, "Internal-Use Software," (ASC 350-40), TimkenSteel capitalizes certain costs incurred for computer software developed or obtained for internal use. TimkenSteel capitalizes substantially all external costs and qualifying internal costs related to the purchase and implementation of software projects used for business operations. Capitalized software costs primarily include purchased software and external consulting fees. Capitalized software projects are amortized over the estimated useful lives of the software.

Long-lived Asset Impairment:

Long-lived assets (including tangible assets and intangible assets subject to amortization) are reviewed for impairment when events or changes in circumstances have occurred indicating that the carrying value of the assets may not be recoverable.

TimkenSteel tests recoverability of long-lived assets at the lowest level for which there are identifiable cash flows that are independent from the cash flows of other assets. Assets and asset groups held and used are measured for recoverability by comparing the carrying amount of the asset or asset group to the sum of future undiscounted net cash flows expected to be generated by the asset or asset group.

Assumptions and estimates about future values and remaining useful lives of TimkenSteel's long-lived assets are complex and subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends and internal factors such as changes in TimkenSteel's business strategy and internal forecasts.

If an asset or asset group is considered to be impaired, the impairment loss that would be recognized is the amount by which the carrying amount of the assets exceeds the fair value of the assets. To determine fair value, TimkenSteel uses internal cash flow estimates discounted at an appropriate interest rate, third party appraisals, as appropriate, and/or market prices of similar assets, when available.

In the years ending December 31, 2015 and 2014 , TimkenSteel recorded impairment charges of \$ 0.9 million and \$ 1.2 million respectively, related to the discontinued use of certain long-lived assets. No impairment charges were recorded for the year ended December 31, 2016 .

Product Warranties:

TimkenSteel accrues liabilities for warranties based upon specific claim incidents in accordance with accounting rules relating to contingent liabilities. Should TimkenSteel become aware of a specific potential warranty claim for which liability is probable and reasonably estimable, a specific charge is recorded and accounted for accordingly. TimkenSteel had no significant warranty claims for the years ended December 31, 2016, 2015 and 2014.

Income Taxes:

For the periods ending prior to and on June 30, 2014, income taxes, as presented herein, attribute current and deferred income taxes of Timken to the TimkenSteel standalone financial statements in a manner that is systematic, rational and consistent with the asset and liability method prescribed by the FASB ASC Topic 740, "Accounting for Income Taxes" (ASC 740). Accordingly, the TimkenSteel income tax provision was prepared following the "separate return method." The separate return method applies ASC 740 to the standalone financial statements of each member of the consolidated group as if the group member were a separate taxpayer and a stand-alone enterprise. As a result, actual tax transactions included in the financial statements of Timken may not be included in the Consolidated Financial Statements of TimkenSteel. Similarly, the tax treatment of certain items reflected in the Consolidated Financial Statements of TimkenSteel may not be reflected in the financial statements and tax returns of Timken; therefore, such items as alternative minimum tax, net operating losses, credit carryforwards, and valuation allowances may exist in the stand-alone financial statements that may or may not exist in Timken's financial statements.

Deferred tax assets and liabilities are recorded for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases, as well as net operating loss and tax credit carryforwards. TimkenSteel recognizes valuation allowances against deferred tax assets by tax jurisdiction when it is more likely than not that such assets will not be realized. Accruals for uncertain tax positions are provided for in accordance with ASC 740. TimkenSteel recognizes interest and penalties related to uncertain tax positions as a component of income tax expense.

In general, the taxable income (loss) of various steel entities was included in Timken's consolidated tax returns, where applicable, in jurisdictions around the world. As such, separate income tax returns were not prepared for any entities of TimkenSteel. Consequently, income taxes currently payable are deemed to have been remitted to Timken, in cash, in the period the liability arose and income taxes currently receivable are deemed to have been received from Timken in the period that a refund could have been recognized by TimkenSteel had TimkenSteel been a separate taxpayer. Accrued U.S. federal, state and certain foreign current income tax balances, including penalties and interest, are treated as being settled without payment as of the end of each year. Therefore, the settlement of the current income tax liability without payment is treated as a Parent contribution and is included in net transfer (to)/from Timken and affiliates in the accompanying Consolidated Statements of Shareholders' Equity.

Following the spinoff on June 30, 2014, TimkenSteel accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined on the basis of the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. TimkenSteel recognizes deferred tax assets to the extent TimkenSteel believes these assets are more likely than not to be realized. In making such a determination, TimkenSteel considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If TimkenSteel determines that it would be able to realize deferred tax assets in the future in excess of their net recorded amount, TimkenSteel would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes. TimkenSteel records uncertain tax positions in accordance with ASC 740 on the basis of a two-step process whereby (1) TimkenSteel determines whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, TimkenSteel recognizes the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority.

TimkenSteel recognizes interest and penalties related to unrecognized tax benefits within the income tax expense line in the accompanying Consolidated Statements of Operations. Accrued interest and penalties are included within the related tax liability line in the Consolidated Balance Sheets.

Foreign Currency Translation:

Assets and liabilities of subsidiaries are translated at the rate of exchange in effect on the balance sheet date; income and expenses are translated at the average rates of exchange prevailing during the year. The related translation adjustments are reflected as a separate component of accumulated other comprehensive loss. Gains and losses resulting from foreign currency transactions are included in the Consolidated Statements of Operations. TimkenSteel realized foreign currency exchange losses of \$ 0.8 million in 2016, \$1.3 million in 2015 and \$1.1 million in 2014 .

Net Parent Investment:

Prior to the spinoff, Timken's net investment in TimkenSteel was presented as net parent investment in lieu of stockholders' equity. The Consolidated Statements of Shareholders' Equity included net cash transfers and other property transfers between Timken and TimkenSteel. Timken performed cash management and other treasury-related functions on a centralized basis for nearly all of its legal entities, which included TimkenSteel. The net parent investment account included assets and liabilities incurred by Timken on behalf of TimkenSteel such as accrued liabilities related to corporate allocations including administrative expenses for legal, accounting, treasury, information technology, human resources and other services. Other assets and liabilities recorded by Timken, whose related income and expense had been pushed down to TimkenSteel, were also included in net parent investment.

All intercompany transactions effected through net parent investment in the accompanying Consolidated Balance Sheets were considered cash receipts and payments and are reflected in financing activities in the accompanying Consolidated Statements of Cash Flows.

The following table is a reconciliation of the amounts related to the spinoff, presented in the Consolidated Statements of Shareholders' Equity as net transfer (to)/from Timken and affiliates and the amounts presented as net transfers from/(to) Timken and affiliates on the Consolidated Statements of Cash Flows.

	Year Ended December 31, 2014
Net transfer (to)/from Timken and affiliates - Equity	(\$62.0)
Dividend paid to Timken	50.0
Net transfer of (assets) and liabilities from Timken	25.0
Settlement of (assets) and liabilities with Timken	(9.2)
Cash received from Timken for settlement of separation	3.0
Net transfers from/(to) Timken and affiliates - Cash Flow	\$6.8

Additionally, during 2015, additional paid in capital was adjusted to reflect final adjustments between the Company and Timken related primarily to the allocation of certain temporary differences calculated for tax purposes.

Pension and Other Postretirement Benefits:

TimkenSteel recognizes an overfunded status or underfunded status (e.g., the difference between the fair value of plan assets and the benefit obligations) as either an asset or a liability for its defined benefit pension and other postretirement benefit plans on the Consolidated Balance Sheets. As discussed in Note 1 - Company and Basis of Presentation , on December 31, 2016, TimkenSteel voluntarily changed its accounting principle for recognizing actuarial gains and losses and expected returns on plan assets for its defined benefit pension and other postretirement benefit plans. Prior to 2016, the Company amortized, as a component of pension and other postretirement expense, unrecognized actuarial gains and losses (included within accumulated other comprehensive income (loss)) over the average remaining service period of active employees expected to receive benefits under the plan, or average remaining life expectancy of inactive participants when all or almost all of plan participants are inactive. The Company historically has calculated the market-related value of plan assets based on a 5 -year market adjustment. The value was determined by adjusting the fair value of plan assets to reflect the investment gains and losses during each of the last 5 years. The difference between the expected return on assets and actual return on assets was recognized at the rate of 20% per year (e.g., recognized over five years). Under the new principle, actuarial gains and losses are immediately recognized through net periodic benefit cost in the Statement of Operations upon the annual remeasurement at December 31, or on an interim basis as triggering events warrant remeasurement. In addition, the Company changed its accounting for measuring the market-related value of plan assets from a calculated amount (based on a five-year smoothing of asset returns) to fair value. The Company believes these changes are preferable, as they result in an accelerated recognition of changes in assumptions and market return on plan assets, as compared to the minimum amortization approach and market-related value of plan assets (i.e. the delayed approach).

Additionally, the Company believes the new accounting principles provide a better representation of the operating results of the Company and the impact of its benefit obligations (through the income statement) in the period when changes occur.

Prior to the spinoff, certain of TimkenSteel's employees participated in defined benefit pension and other postretirement benefit plans sponsored by Timken and accounted for by Timken in accordance with accounting guidance for defined benefit pension and other postretirement benefit plans. Expense allocations for these benefits were determined based on a review of personnel by business unit and based on allocations of corporate and other shared functional personnel.

Stock-Based Compensation:

TimkenSteel recognizes stock-based compensation expense based on the grant date fair value of the stock-based awards over their required vesting period on a straight-line basis, whether the awards were granted with graded or cliff vesting. Stock options are issued with an exercise price equal to the opening market price of TimkenSteel common shares on the date of grant. The fair value of stock options is determined using a Black-Scholes option pricing model, which incorporates assumptions regarding the expected volatility, the expected option life, the risk-free interest rate and the expected dividend yield. The fair value of stock-based awards that will settle in TimkenSteel common shares, other than stock options, is based on the opening market price of TimkenSteel common shares on the grant date. The fair values of stock-based awards that will settle in cash are remeasured at each reporting period until settlement of the awards.

TimkenSteel early adopted Accounting Standards Update (ASU) 2016-09, "Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" in the fourth quarter of 2016, with the effect recorded as of January 1, 2016.

Under ASU 2016-09, TimkenSteel recognizes all excess tax benefits and tax deficiencies as income tax expense or benefit in the consolidated statement of operations. The Company recorded an adjustment to beginning retained earnings of \$ 4.2 million for previously unrecognized excess tax benefits. The excess tax benefits and tax deficiencies are considered discrete items in the reporting period they occur and are not included in the estimate of an entity's annual effective tax rate.

TimkenSteel's prior year additional paid in capital pool will be not be affected because those excess benefits have already been recognized in the financial statements, and the recognition of excess tax benefits and tax deficiencies in the income statement is prospective only in the fiscal year of adoption. As a result, there was not a reclassification between additional paid in capital and retained earnings in the fiscal years before adoption.

Derivative Instruments:

TimkenSteel recognizes all derivatives on the Consolidated Balance Sheets at fair value. Derivatives that are not designated as hedges must be adjusted to fair value through earnings. Forward contracts on various foreign currencies may be entered into in order to manage the foreign currency exchange rate risk on forecasted revenue denominated in foreign currencies. Other forward exchange contracts on various foreign currencies may be entered into in order to manage the foreign currency exchange rate risk associated with certain of TimkenSteel's commitments denominated in foreign currencies.

As of December 31, 2016 , TimkenSteel had no outstanding foreign currency forward contracts. As of December 31, 2015 , TimkenSteel had foreign currency forward contracts with a fair value of less than \$0.1 million based on level 2 inputs.

Research and Development:

Expenditures for TimkenSteel research and development amounted to \$8.0 million , \$8.6 million and \$8.5 million for the years ended December 31, 2016 , 2015 and 2014 , respectively, and were recorded as a component of selling, general and administrative expenses in the Consolidated Statements of Operations. These expenditures may fluctuate from year to year depending on special projects and the needs of TimkenSteel and its customers.

Adoption of New Accounting Standards

The Company adopted the following standards during 2016, none of which had a material impact on the Consolidated Financial Statements or the related Notes to the Consolidated Financial Statements.

Standard		Effective Date
2015-05	Internal-Use Software: Customer's Accounting for Fees Paid in a Cloud Computing Arrangement	January 1, 2016
2016-09	Stock Compensation: Improvements to Employee Share-Based Payment Accounting - See Note 10	January 1, 2016
2015-03	Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs - See Note 6	March 31, 2016

Accounting Standards Issued But Not Yet Adopted

In October 2016, the FASB issued ASU 2016-16, Accounting for Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory (Topic 740). This ASU requires immediate recognition of the income tax consequences of intercompany asset transfers other than inventory. The ASU is effective for annual reporting periods beginning after December 15, 2017 and interim periods within those annual periods. The Company is currently evaluating the impact this standard will have on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments (a Consensus of the Emerging Issues Task Force)," The guidance is intended to reduce diversity in practice in how certain items are classified in the cash flow statement. It is effective for annual reporting periods beginning after December 15, 2017 and interim periods within those years. Early adoption is permitted, provided that all the issues addressed in the standard are adopted in the same period. Retrospective transition is required. TimkenSteel plans to adopt ASU 2016-15 effective January 1, 2017, and does not expect the adoption to have a material effect on its Statements of Cash Flows.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." This ASU changes how entities will measure credit losses for most financial assets, including trade and other receivables. This guidance will replace the current incurred loss approach with an expected loss model. It is effective for annual periods beginning after December 31, 2019, and interim periods therein. Early adoption is permitted for annual periods beginning after December 15, 2018 and interim periods therein. TimkenSteel is currently evaluating the impact of the adoption of this ASU on its results of operations and financial condition.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," which requires lessees to recognize lease liabilities and right-of-use assets on the balance sheet for operating leases, and requires additional quantitative and qualitative disclosures. It is effective for annual reporting periods beginning after December 15, 2018. The Company regularly enters into operating leases. TimkenSteel is currently evaluating the impact of the adoption of this ASU on its results of operations and financial condition.

In July 2015, the FASB issued ASU 2015-11, "Inventory: Simplifying the Measurement of Inventory (Topic 330)," which requires that certain inventory be measured at the lower of cost or net realizable value. The guidance applies only to inventories for which cost is determined by methods other than last-in, first-out (LIFO). The Company values certain portions of its inventory using the FIFO, average cost, or specific identification methods. This standard is effective for annual reporting periods beginning after December 15, 2016. TimkenSteel plans to adopt this standard effective January 1, 2017, and does not expect the adoption to have a material effect its results of operations and financial condition.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," which provides guidance for revenue recognition and will supersede Topic 605, "Revenue Recognition," and most industry-specific guidance. Under ASU 2014-09 and the subsequently issued amendments, the core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. Additional disclosures will be required about the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers. This standard is effective for annual reporting periods after December 15, 2017. TimkenSteel is currently evaluating the impact of the adoption of this ASU on its results of operations and financial condition. TimkenSteel anticipates adopting this standard using the modified retrospective approach as of January 1, 2018.

Note 3 - Inventories

The components of inventories, net as of December 31, 2016 and 2015 were as follows:

	December 31,	
	2016	2015
Inventories, net:		
Manufacturing supplies	\$37.9	\$43.3
Raw materials	16.2	14.6
Work in process	58.6	59.5
Finished products	59.6	64.9
Subtotal	172.3	182.3
Allowance for surplus and obsolete inventory	(8.1)	(8.4)
Total Inventories, net	\$164.2	\$173.9

Inventories are valued at the lower of cost or market, with approximately 64% valued by the LIFO method, and the remaining inventories valued by the FIFO, average cost or specific identification methods.

The LIFO reserve as of December 31, 2016 and December 31, 2015 was \$44.6 million and \$49.6 million, respectively. TimkenSteel recognized a decrease in its LIFO reserve of \$ 5.0 million and \$ 50.7 million during 2016 and 2015, respectively, in cost of products sold. The decreases in the LIFO reserve recognized during 2016 and 2015 were due to lower manufacturing costs, lower scrap steel costs, and lower inventory quantities.

Note 4 - Property, Plant and Equipment

The components of property, plant and equipment, net as of December 31, 2016 and 2015 were as follows:

	December 31,	
	2016	2015
Property, Plant and Equipment, net:		
Land	\$13.3	\$13.4
Buildings and improvements	420.6	418.2
Machinery and equipment	1,352.0	1,298.2
Construction-in-progress	63.9	74.9
Subtotal	1,849.8	1,804.7
Less allowances for depreciation	(1,107.9)	(1,035.4)
Property, Plant and Equipment, net	\$741.9	\$769.3

Total depreciation expense was \$68.0 million, \$67.2 million and \$50.8 million for the years ended December 31, 2016, 2015 and 2014, respectively.

TimkenSteel recorded capitalized interest related to construction projects of \$ 0.7 million, \$1.0 million and \$6.9 million for the years ended December 31, 2016, 2015 and 2014, respectively. The amount of capitalized interest for 2014 includes \$5.7 million that was allocated to TimkenSteel from Timken prior to the spinoff.

TimkenSteel recorded impairment charges of \$0.9 million and \$0.3 million for the years ended December 31, 2015 and 2014, respectively, related to the discontinued use of certain assets. No impairment charges were recorded for the year ended December 31, 2016.

Note 5 - Intangible Assets

The components of intangible assets, net as of December 31, 2016 and 2015 were as follows:

	December 31, 2016			December 31, 2015		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible Assets Subject to Amortization:						
Customer relationships	\$6.3	\$3.7	\$2.6	\$6.8	\$3.7	\$3.1
Technology use	9.0	5.2	3.8	9.0	4.7	4.3
Capitalized software	58.9	40.3	18.6	57.9	34.7	23.2
Total Intangible Assets	\$74.2	\$49.2	\$25.0	\$73.7	\$43.1	\$30.6

Intangible assets subject to amortization are amortized on a straight-line method over their legal or estimated useful lives. The weighted-average useful lives of the customer relationships, technology use and capitalized software are 15 years, 15 years and 6.3 years, respectively. The weighted-average useful life of total intangible assets is 8.1 years.

Amortization expense for intangible assets was \$ 6.9 million , \$6.2 million and \$7.2 million for the years ended December 31, 2016 , 2015 and 2014 , respectively. Based upon the intangible assets subject to amortization as of December 31, 2016 , TimkenSteel's estimated annual amortization expense for the five succeeding years is shown below (in millions):

Year	Amortization Expense
2017	\$6.3
2018	5.1
2019	4.0
2020	2.9
2021	1.0

In the fourth quarter of 2014, TimkenSteel made a final determination to discontinue the use of a trade name acquired in 2008, resulting in an impairment charge of \$0.9 million to reduce the asset to its estimated fair value of zero.

Note 6 - Financing Arrangements

Convertible Notes

In May 2016 , the Company issued \$75.0 million aggregate principal amount of Convertible Senior Notes, and an additional \$11.3 million principal amount to cover over-allotments (Convertible Notes). The Indenture for the Convertible Notes dated May 31, 2016, which was filed with the Securities and Exchange Commission as an exhibit to a Form 8-K filed on May 31, 2016, contains a complete description of the terms of the Convertible Notes. The key terms are as follows:

- Maturity Date: June 1, 2021 unless repurchased or converted earlier
- Interest Rate: 6.0% cash interest per year
- Interest Payments Dates: June 1 and December 1 of each year, beginning on December 1, 2016
- Initial Conversion Price: Approximately \$12.58 per common share of the Company
- Initial Conversion Rate: 79.5165 common shares per \$1,000 principal amount of Notes

The net proceeds to the Company from the offering were \$83.2 million , after deducting the initial underwriters' discount and fees and the offering expenses payable by the Company. The Company used the net proceeds to repay a portion of the amounts outstanding under the Amended Credit Agreement.

The components of the Convertible Notes as of December 31, 2016 are as follows:

Principal	\$86.3
Less: Debt issuance costs, net of amortization	(2.1)
Less: Debt discount, net of amortization	(17.8)
Convertible notes, net	\$66.4

The initial value of the principal amount recorded as a liability at the date of issuance was \$66.9 million , using an effective interest rate of 12.0% . The remaining \$19.4 million of principal amount was allocated to the conversion feature and recorded as a component of shareholders' equity at the date of issuance. This amount represents a discount to the debt to be amortized through interest expense using the effective interest method through the maturity of the Convertible Notes.

Transaction costs were allocated to the liability and equity components based on their relative values. Transaction costs attributable to the liability component of \$ 2.4 million are amortized to interest expense over the term of the Convertible Notes, and transaction costs attributable to the equity component of \$ 0.7 million are included in shareholders' equity.

The following table sets forth total interest expense recognized related to the Convertible Notes for the year ended December 31, 2016 :

Contractual interest expense	\$3.0
Amortization of debt issuance costs	0.2
Amortization of debt discount	1.7
Total	\$4.9

The fair value of the Convertible Notes was approximately \$ 135.0 million as of December 31, 2016 . The fair value of the Convertible Notes, which falls within Level 1 of the fair value hierarchy, is based on the last price traded in December 2016.

Holders may convert all or any portion of their Convertible Notes, in multiples of \$1,000 principal amount, at their option at any time prior to the close of business on the business day immediately preceding March 1, 2021 only under certain circumstances described in the Convertible Notes Indenture, based on the reported sale price of the Company's common shares for specified trading days as a percentage of the conversion price of the Convertible Notes, and upon the occurrence of specified corporate events. On or after March 1, 2021 until the business day preceding the maturity date, holders may convert all or any portion of their Convertible Notes, in multiples of \$1,000 principal amount, at their option.

Upon conversion, the Company will pay or deliver, as the case may be, cash, common shares or a combination of cash and common shares, at its election. If the Company satisfies its conversion obligation solely in cash or through payment and deliver, as the case may be, of a combination of cash and common shares, the amount of cash and number of common shares, if any, due upon conversion will be based on a daily conversion value calculated on a proportionate basis for each trading day in a 40 -trading day observation period.

If the Company undergoes a fundamental change, subject to certain conditions, holders may require the Company to repurchase for cash all or part of their Convertible Notes at a repurchase price equal to 100% of the principal amount of the Convertible Notes to be repurchased, plus accrued and unpaid interest to the repurchase date.

Upon certain events of default occurring and continuing (including failure to pay principal or interest on the Convertible Notes when due and payable), the Trustee or the holders of at least 25% in principal amount may declare 100% of the principal and accrued and unpaid interest, if any, on all the Convertible Notes to be due and payable. In case of certain events of bankruptcy, insolvency or reorganization, involving the Company or a significant subsidiary, 100% of the principal and accrued and unpaid interest on the Convertible Notes will become due and payable immediately.

Other Long-Term Debt

The components of other long-term debt as of December 31, 2016 and 2015 were as follows:

	December 31,	
	2016	2015
Variable-rate State of Ohio Water Development Revenue Refunding Bonds, maturing on November 1, 2025 (0.71% as of December 31, 2016)	\$12.2	\$12.2
Variable-rate State of Ohio Air Quality Development Revenue Refunding Bonds, maturing on November 1, 2025 (0.70% as of December 31, 2016)	9.5	9.5
Variable-rate State of Ohio Pollution Control Revenue Refunding Bonds, maturing on June 1, 2033 (0.70% as of December 31, 2016)	8.5	8.5
Amended Credit Agreement, due 2019 (LIBOR plus applicable spread)	40.0	170.0
Total Other Long-Term Debt	\$70.2	\$200.2

Amended Credit Agreement

On February 26, 2016, the Company, as borrower, and certain domestic subsidiaries, as subsidiary guarantors, entered into Amendment No. 1 to the Amended and Restated Credit Agreement (as amended by the Amendment, the Amended Credit Agreement) with JPMorgan Chase Bank, N.A., as administrative agent, and the other lenders party thereto.

The Amended Credit Agreement provides for a \$265.0 million asset-based revolving credit facility, including a \$13.3 million sublimit for the issuance of commercial and standby letters of credit, and a \$26.5 million sublimit for swingline loans. The availability of borrowings is subject to a borrowing base calculation based upon a valuation of the eligible accounts receivable, inventory and machinery and equipment of TimkenSteel and the subsidiary guarantors, each multiplied by an applicable advance rate. The Amended Credit Agreement includes a block on availability equal to the greater of \$28.9 million or 12.5% of the aggregate commitments (except that in the event of a mandatory reduction in the commitments, the block on availability will be equal to the greater of \$20.0 million or 12.5% of the aggregate commitments), effectively reducing the Company's borrowing base by the availability block.

The Amended Credit Agreement contains certain customary covenants, including covenants that limit TimkenSteel's and its subsidiaries' ability to, among other things, (i) incur or suffer to exist certain liens, (ii) make investments, (iii) incur or guaranty additional indebtedness (iv) enter into consolidations, mergers, acquisitions and sales of assets, (v) make distributions and other restricted payments, (vi) change the nature of its business, (vii) engage in transactions with affiliates and (viii) enter into restrictive agreements, including agreements that restrict the ability to incur liens or make distributions. Further, the Amended Credit Agreement contains financial covenants that (i) limit the amount of capital expenditures TimkenSteel may make to \$45.0 million in fiscal year 2016 and \$50.0 million in fiscal years thereafter and (ii) require the Company to maintain a minimum specified fixed charge coverage ratio for the year-to-date periods beginning January 1, 2017 and ending June 30, 2017, July 31, 2017 and August 31, 2017. As of December 31, 2016, we are in compliance with all covenants.

Borrowings under the Amended Credit Agreement bear interest based on the daily balance outstanding at LIBOR (with no rate floor), plus an applicable margin (varying from 3.00% to 3.50%) and an additional 0.75% on the machinery and equipment component or, in certain cases, an alternate base rate (based on certain lending institutions' Prime Rate or as otherwise specified in the Amended Credit Agreement, with no rate floor), plus an applicable margin (varying from 2.00% to 2.50%). The Amended Credit Agreement also carries a commitment fee equal to the unused borrowings multiplied by an applicable margin of 0.50%. The applicable margins are calculated quarterly and vary based on TimkenSteel's average quarterly availability as set forth in the Amended Credit Agreement. The interest rate under the Amended Credit Agreement was 4.80% as of December 31, 2016. The amount available under the Amended Credit Agreement as of December 31, 2016 was \$119.7 million net, after reducing for the block on availability of \$33.1 million.

Revenue Refunding Bonds

On June 1, 2014, Timken purchased, in lieu of redemption, the State of Ohio Water Development Revenue Refunding Bonds (Water Bonds), State of Ohio Air Quality Development Revenue Refunding Bonds (Air Quality Bonds) and State of Ohio Pollution Control Revenue Refunding Bonds (Pollution Control Bonds) (collectively, Bonds). Pursuant to an Assignment and Assumption Agreement dated June 24, 2014 between Timken and TimkenSteel, Timken assigned all of its right, title and interest in and to the loan agreements and the notes associated with the Bonds to, and these obligations were assumed by, TimkenSteel. Additionally, replacement letters of credit were issued for the Water Bonds and the Pollution Control Bonds. The Bonds were remarketed on June 24, 2014 (Remarketing Date) in connection with the conversion of the interest rate mode for the Bonds to the weekly rate and the delivery of the replacement letters of credit, as applicable. TimkenSteel is responsible for payment of the interest and principal associated with the Bonds subsequent to the Remarketing Date.

On September 1, 2016, the Water Bonds were remarketed in connection with the delivery of a replacement letter of credit issued by JP Morgan Chase Bank, N.A. The key terms of the Water Bonds did not change as a result of the remarketing.

All of TimkenSteel's other long-term debt is variable-rate debt. As such, the carrying value of this debt is a reasonable estimate of fair value as interest rates on these borrowings approximate current market rates, which is considered a Level 2 fair value input as defined by ASC 820, "Fair Value Measurements." The valuation of Level 2 is based on quoted prices for similar assets and liabilities in active markets that are observable either directly or indirectly.

Advanced Quench-and-Temper Facility

In the second quarter of 2015, TimkenSteel entered into a lease arrangement with the Stark County Port Authority in connection with the construction of a new advanced quench-and-temper facility in Perry Township, Ohio and the issuance of an Industrial Revenue Bond. The bond is held 100% by TimkenSteel Material Services, LLC (a wholly-owned subsidiary of TimkenSteel) and, accordingly, the obligation under the lease agreement and investment in the Industrial Revenue Bond, as well as the related interest income and expense, are eliminated in the Consolidated Financial Statements. As of December 31, 2016, \$38.2 million has been spent on the new advanced quench-and-temper facility and is reported in the caption Property, plant and equipment, net in the Consolidated Balance Sheets. Of this amount, \$10.8 million has been financed through the capital lease arrangement described above.

Leases

TimkenSteel leases a variety of real property and equipment. Rent expense under operating leases amounted to \$8.6 million, \$11.0 million and \$9.2 million in 2016, 2015 and 2014, respectively. As of December 31, 2016, future minimum lease payments for non-cancelable operating leases totaled \$20.0 million and are payable as follows: 2017 - \$6.5 million; 2018 - \$5.5 million; 2019 - \$3.7 million; 2020 - \$2.7 million; and 2021- \$1.6 million. TimkenSteel has no significant lease commitments after 2021.

Note 7 - Accumulated Other Comprehensive Loss

Changes in accumulated other comprehensive loss for the years ended December 31, 2016 and 2015 by component are as follows:

	Foreign Currency Translation Adjustments	Pension and Postretirement Liability Adjustments	Total
Balance at December 31, 2014	(\$3.9)	(\$3.9)	(\$7.8)
Other comprehensive (loss) income before reclassifications, before income tax	(1.1)	—	(1.1)
Amounts reclassified from accumulated other comprehensive loss, before income tax	—	1.7	1.7
Income tax (expense)	—	(0.7)	(0.7)
Net current period other comprehensive income, net of income taxes	(1.1)	1.0	(0.1)
Balance at December 31, 2015	(5.0)	(2.9)	(7.9)
Other comprehensive (loss) income before reclassifications, before income tax	(2.0)	(0.9)	(2.9)
Amounts reclassified from accumulated other comprehensive loss, before income tax	—	1.7	1.7
Income tax (expense)	—	(0.3)	(0.3)
Net current period other comprehensive (loss) income, net of income taxes	(2.0)	0.5	(1.5)
Balance at December 31, 2016	(7.0)	(2.4)	(9.4)

The above table reflects the adjustments discussed in Note 1 - Company and Basis of Presentation .

The amount reclassified from accumulated other comprehensive loss for the pension and postretirement liability adjustment was included in cost of products sold and selling, general and administrative expenses in the Consolidated Statements of Operations. These components are included in the computation of pension and postretirement net periodic benefit cost.

Note 8 - Retirement and Postretirement Benefit Plans

Defined Benefit Pensions

Prior to the spinoff, eligible TimkenSteel employees, including certain employees in foreign countries, participated in the following Timken-sponsored plans: The Timken Company Pension Plan; The Timken-Latrobe-MPB-Torrington Retirement Plan; and the Timken U.K. Pension Scheme. During 2014, the assets and liabilities of these pension plans related to TimkenSteel employees and retirees were transferred to pension plans sponsored by TimkenSteel as follows: TimkenSteel Corporation Retirement Plan; TimkenSteel Corporation Bargaining Unit Pension Plan and the TimkenSteel U.K. Pension Scheme. Plan assets of \$1,193.6 million , benefit plan obligations of \$1,134.8 million and accumulated other comprehensive losses of \$361.8 million (\$228.9 million , net of tax) were recorded by TimkenSteel related to these plans, prior to the change in accounting principle discussed below and in Note 1 - Company and Basis of Presentation .

Pension benefits earned are generally based on years of service and compensation during active employment. TimkenSteel's funding policy is consistent with the funding requirements of applicable laws and regulations. Asset allocations are established in a manner consistent with projected plan liabilities, benefit payments and expected rates of return for the various asset classes. The expected rate of return for the investment portfolio is based on expected rates of return for various asset classes, as well as historical asset class and fund performance.

Postretirement Benefits

Prior to the spinoff, eligible retirees of TimkenSteel and their dependents were provided health care and life insurance benefits from the following Timken-sponsored plans: The Timken Company Bargaining Unit Welfare Benefit Plan for Retirees and The Timken Company Welfare Plan for Retirees. During 2014, the assets and liabilities of these postretirement plans related to TimkenSteel employees and retirees were transferred to postretirement plans sponsored by TimkenSteel as follows: TimkenSteel Corporation Bargaining Unit Welfare Benefit Plan for Retirees and TimkenSteel Corporation Welfare Benefit Plan for Retirees.

Plan assets of \$130.1 million , benefit plan obligations of \$232.2 million and accumulated other comprehensive losses of \$8.2 million (\$5.0 million , net of tax) were recorded by TimkenSteel related to these plans, prior to the change in accounting principle discussed below and in Note 1 - Company and Basis of Presentation .

On December 31, 2016, TimkenSteel voluntarily changed its accounting principle for recognizing actuarial gains and losses and expected returns on plan assets for its defined benefit pension and other postretirement benefit plans. See Note 1 - Company and Basis of Presentation for amounts recognized as a result of the change in accounting principle and for further discussion. The information within this Note has been adjusted to reflect the change in accounting principle.

The following tables set forth the change in benefit obligation, change in plan assets, funded status and amounts recognized on the Consolidated Balance Sheets for the defined benefit pension plans as of December 31, 2016 and 2015 :

Change in benefit obligation:	Pension		Postretirement	
	2016	2015	2016	2015
Benefit obligation at the beginning of year	\$1,163.5	\$1,257.5	\$215.3	\$243.3
Service cost	15.6	16.8	1.5	1.7
Interest cost	52.4	51.3	9.4	9.4
Actuarial losses (gains)	81.1	(88.2)	6.6	(19.9)
Benefits paid	(79.1)	(70.2)	(19.5)	(19.2)
Plan amendment	—	—	0.9	—
Foreign currency translation adjustment	(13.2)	(3.7)	—	—
Benefit obligation at the end of year	\$1,220.3	\$1,163.5	\$214.2	\$215.3

Change in plan assets:	Pension		Postretirement	
	2016	2015	2016	2015
Fair value of plan assets at the beginning of year	\$1,144.3	\$1,230.0	\$137.9	\$142.6
Actual return on plan assets	78.7	(12.0)	6.1	(0.6)
Company contributions / payments	2.2	0.5	2.7	15.1
Benefits paid	(79.1)	(70.2)	(19.5)	(19.2)
Reimbursement from postretirement plan assets	—	—	(13.3)	—
Foreign currency translation adjustment	(14.4)	(4.0)	—	—
Fair value of plan assets at end of year	\$1,131.7	\$1,144.3	\$113.9	\$137.9
Funded status at end of year	(\$88.6)	(\$19.2)	(\$100.3)	(\$77.4)

In the third quarter of 2016, the Company amended its postretirement benefit plans relating to its non-bargaining retirees, effective January 1, 2017, to provide for the transition of certain Medicare-eligible retirees and their eligible dependents from Company-sponsored group retiree medical coverage to individual health insurance purchased through an insurance company private exchange. This change is reflected in the Change in benefit obligation table as the Plan amendment for \$ 0.9 million .

The TimkenSteel Corporation Retirement Plan (Salaried Plan) has a provision that permits employees to elect to receive their pension benefits in a lump sum. In the third quarter of 2016, the cumulative cost of all settlements exceeded the sum of the service cost and interest cost components of net periodic pension cost for the Salaried Plan. The Company completed a full remeasurement of its pension obligations and plan assets associated with the Salaried Plan as of September 30, 2016 . This settlement loss is included in the net remeasurement losses (gains) as a component of net periodic benefit cost.

The accumulated benefit obligation at December 31, 2016 exceeded the fair value of plan assets for two of the Company's pension plans. For these plans, the benefit obligation was \$886.5 million , the accumulated benefit obligation was \$866.5 million and the fair value of plan assets was \$791.6 million as of December 31, 2016.

The total pension accumulated benefit obligation for all plans was \$1,192.1 million and \$1,132.8 million as of December 31, 2016 and 2015 , respectively.

Amounts recognized on the balance sheet at December 31, 2016 and 2015 , for TimkenSteel’s pension and postretirement benefit plans include:

	Pension		Postretirement	
	2016	2015	2016	2015
Non-current assets	\$6.2	\$20.7	\$—	\$—
Current liabilities	(0.6)	(0.6)	(2.4)	(2.6)
Non-current liabilities	(94.2)	(39.3)	(97.9)	(74.8)
	(\$88.6)	(\$19.2)	(\$100.3)	(\$77.4)

Included in accumulated other comprehensive loss at December 31, 2016 and 2015 , were the following before-tax amounts that had not been recognized in net periodic benefit cost:

	Pension		Postretirement	
	2016	2015	2016	2015
Unrecognized prior service cost	\$1.5	\$2.1	\$2.1	\$2.4

Amounts expected to be amortized from accumulated other comprehensive loss and included in total net periodic benefit cost during the year ended December 31, 2017 are as follows:

	Pension	Postretirement
Prior service cost	\$0.5	\$1.0

The weighted-average assumptions used in determining benefit obligation as of December 31, 2016 and 2015 were as follows:

Assumptions:	Pension		Postretirement	
	2016	2015	2016	2015
Discount rate	4.17%	4.67%	4.09%	4.51%
Future compensation assumption	3.09%	2.76%	n/a	n/a

The weighted-average assumptions used in determining benefit cost for the years ended December 31, 2016 and 2015 were as follows:

Assumptions:	Pension		Postretirement	
	2016	2015	2016	2015
Discount rate	4.67%	4.21%	4.51%	4.05%
Future compensation assumption	3.08%	3.09%	n/a	n/a
Expected long-term return on plan assets	6.46%	6.98%	5.00%	5.00%

The discount rate assumption is based on current rates of high-quality long-term corporate bonds over the same period that benefit payments will be required to be made. The expected rate of return on plan assets assumption is based on the weighted-average expected return on the various asset classes in the plans’ portfolios. The asset class return is developed using historical asset return performance as well as current market conditions such as inflation, interest rates and equity market performance.

For measurement purposes, TimkenSteel assumed a weighted-average annual rate of increase in the per capita cost (health care cost trend rate) of 6.50% and 6.75% for 2016 and 2015 , respectively, declining gradually to 5.00% in 2023 and thereafter for medical and prescription drug benefits, and 8.50% and 8.75% for 2016 and 2015 , respectively, declining gradually to 5.00% in 2031 and thereafter for HMO benefits. A one percentage point increase in the assumed health care cost trend rate would have increased the 2016 and 2015 postretirement benefit obligation by \$1.6 million and \$2.3 million , respectively and increased the total service and interest cost components by \$0.1 million in both the years ended December 31, 2016 and 2015 . A one percentage point decrease would have decreased the 2016 and 2015 postretirement benefit obligation by \$1.4 million and \$2.1 million , respectively and decreased the total service and interest cost components by \$0.1 million in both the years ended December 31, 2016 and 2015 .

The components of net periodic benefit cost for the years ended December 31, 2016, 2015 and 2014 were as follows:

Components of net periodic benefit cost:	Pension			Postretirement		
	Years Ended December 31,			Years Ended December 31,		
	2016	2015	2014	2016	2015	2014
Service cost	\$15.6	\$16.8	\$10.2	\$1.5	\$1.7	\$1.1
Interest cost	52.4	51.3	33.3	9.4	9.4	6.5
Expected return on plan assets	(71.1)	(82.8)	(54.6)	(5.8)	(7.1)	(4.6)
Amortization of prior service cost	0.6	0.6	0.5	1.1	1.1	0.6
Net remeasurement losses (gains)	73.4	5.7	98.3	6.3	(12.2)	15.9
Allocated benefit cost from Timken	—	—	5.2	—	—	2.2
Net Periodic Benefit Cost	\$70.9	(\$8.4)	\$92.9	\$12.5	(\$7.1)	\$21.7

As discussed above, prior to the spinoff, employees of TimkenSteel participated in various retirement and postretirement benefits sponsored by The Timken Company. Because Timken provided these benefits to eligible employees and retirees of TimkenSteel, the costs to participating employees of TimkenSteel in these plans were reflected in the Consolidated Financial Statements, while the related assets and liabilities were retained by Timken. Expense allocations for these benefits were determined based on a review of personnel by business unit and based on allocations of corporate and other shared functional personnel. All cost allocations related to the various retirement benefit plans have been deemed paid by TimkenSteel to Timken in the period in which the cost was recorded in the Consolidated Statements of Operations as a component of cost of products sold and selling, general and administrative expenses. Allocated benefit cost from Timken were funded through intercompany transactions, which were reflected within the net parent investment on the Consolidated Balance Sheets.

TimkenSteel recognizes its overall responsibility to ensure that the assets of its various defined benefit pension plans are managed effectively and prudently and in compliance with its policy guidelines and all applicable laws. Preservation of capital is important; however, TimkenSteel also recognizes that appropriate levels of risk are necessary to allow its investment managers to achieve satisfactory long-term results consistent with the objectives and the fiduciary character of the pension funds. Asset allocations are established in a manner consistent with projected plan liabilities, benefit payments and expected rates of return for various asset classes. The expected rate of return for the investment portfolios is based on expected rates of return for various asset classes, as well as historical asset class and fund performance. The target allocations for plan assets are 15% equity securities, 60% debt securities and 25% in all other types of investments.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The inputs used to measure fair value are classified into the following hierarchy:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 - Unadjusted quoted prices in active markets for similar assets or liabilities, or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.
- Level 3 - Unobservable inputs for the asset or liability.

The following table presents the fair value hierarchy for those investments of TimkenSteel's pension assets measured at fair value on a recurring basis as of December 31, 2016 :

	Total	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	\$45.2	\$4.6	\$40.6	\$—
U.S government and agency securities	220.3	214.2	6.1	—
Corporate bonds	105.2	—	105.2	—
Equity securities	52.2	52.2	—	—
Mutual fund - equity	15.3	—	15.3	—
Mutual fund - real estate	24.8	24.8	—	—
Total Assets in the fair value hierarchy	\$463.0	\$295.8	\$167.2	\$—
Assets measured at net asset value ⁽¹⁾	668.7	—	—	—
Total Assets	\$1,131.7	\$295.8	\$167.2	\$—

⁽¹⁾ Certain assets that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have been classified in the fair value hierarchy. Such assets include common collective trusts that invest in equity securities and fixed income securities, limited partnerships, real estate partnerships, hedge funds, and risk parity investments. As of December 31, 2016, these assets are redeemable at net asset value within 90 days.

The following table presents the fair value hierarchy for those investments of TimkenSteel's pension assets measured at fair value on a recurring basis as of December 31, 2015 :

	Total	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	\$27.8	\$2.1	\$25.7	\$—
U.S government and agency securities	220.7	213.1	7.6	—
Corporate bonds	125.6	—	125.6	—
Equity securities	78.8	78.8	—	—
Mutual fund - equity	16.1	—	16.1	—
Mutual fund - real estate	33.9	33.9	—	—
Total Assets in the fair value hierarchy	\$502.9	\$327.9	\$175.0	\$—
Assets measured at net asset value ⁽¹⁾	641.4	—	—	—
Total Assets	\$1,144.3	\$327.9	\$175.0	\$—

⁽¹⁾ Certain assets that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have been classified in the fair value hierarchy. Such assets include common collective trusts that invest in equity securities and fixed income securities, limited partnerships, real estate partnerships, and risk parity investments. As of December 31, 2015, these assets were redeemable at net asset value within 90 days.

The following table presents the fair value hierarchy for those investments of TimkenSteel's postretirement assets measured at fair value on a recurring basis as of December 31, 2016 :

	Total	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	\$1.4	\$1.4	\$—	\$—
Total Assets in the fair value hierarchy	\$1.4	\$1.4	\$—	\$—
Assets measured at net asset value ⁽¹⁾	112.5	—	—	—
Total Assets	\$113.9	\$1.4	\$—	\$—

⁽¹⁾ Certain assets that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have been classified in the fair value hierarchy. Such assets include common collective trusts that invest in equity securities and fixed income securities, limited partnerships, real estate partnerships, hedge funds, and risk parity investments. As of December 31, 2016, these assets are redeemable at net asset value within 90 days.

The following table presents the fair value hierarchy for those investments of TimkenSteel's postretirement assets measured at fair value on a recurring basis as of December 31, 2015 :

	Total	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	\$1.0	\$1.0	\$—	\$—
Total Assets in the fair value hierarchy	\$1.0	\$1	\$—	\$—
Assets measured at net asset value ⁽¹⁾	136.9	—	—	—
Total Assets	\$137.9	\$1.0	\$—	\$—

⁽¹⁾ Certain assets that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have been classified in the fair value hierarchy. Such assets include common collective trusts that invest in equity securities and fixed income securities, limited partnerships, real estate partnerships, and risk parity investments. As of December 31, 2015, these assets were redeemable at net asset value within 90 days.

Future benefit payments are expected to be as follows:

Benefit Payments:	Postretirement		
	Pension	Gross	Medicare Part D Subsidy Receipts
2017	\$78.2	\$20.3	\$0.7
2018	88.1	19.8	0.7
2019	76.2	19.3	0.8
2020	75.2	18.4	0.9
2021	75.8	17.6	0.9
2022-2026	373.8	77.2	5.0

The Company expects to make contributions to its U.K. pension plan in 2017 of approximately \$ 1.4 million .

Defined Contribution Plans

Prior to the spinoff, substantially all of TimkenSteel's employees in the U.S. and employees at certain non-U.S. locations participated in defined contribution retirement and savings plans sponsored by Timken. TimkenSteel established similar defined contribution plans in connection with the spinoff. The Company recorded expense primarily related to employer matching contributions to these defined contribution plans of \$4.6 million in 2016, \$5.8 million in 2015 and \$4.7 million in 2014.

Note 9 - Earnings Per Share

On June 30, 2014, 45.4 million TimkenSteel common shares were distributed to Timken shareholders in conjunction with the spinoff. For comparative purposes, and to provide a more meaningful calculation for weighted average shares, this number of shares was assumed to be outstanding as of the beginning of each period prior to the spinoff in the calculation of basic weighted average shares. In addition, for the dilutive weighted average share calculations, the dilutive securities outstanding at June 30, 2014 were assumed to also be outstanding as of the beginning of each period prior to the spinoff.

Basic earnings (loss) per share are computed based upon the weighted average number of common shares outstanding. Diluted earnings (loss) per share are computed based upon the weighted average number of common shares outstanding plus the dilutive effect of common share equivalents calculated using the treasury stock method or if-converted method. For the Convertible Notes, the Company utilizes the if-converted method to calculate diluted earnings (loss) per share. Under the if-converted method, the Company adjusts net earnings to add back interest expense (including amortization of debt discount) recognized on the Convertible Notes and includes the number of shares potentially issuable related to the Convertible Notes in the weighted average shares outstanding. Treasury stock is excluded from the denominator in calculating both basic and diluted earnings (loss) per share.

For the years ended December 31, 2016 , 2015 and 2014 , 2.8 million , 2.0 million and 0.1 million of shares issuable for equity-based awards, respectively, were excluded from the computation of diluted earnings per share because the effect of their inclusion would have been anti-dilutive. In periods in which a net loss has occurred, as is the case for years ended December 31, 2016 and 2015, the dilutive effect of equity-based awards is not recognized and thus not utilized in the calculation

of diluted earnings (loss) per share, because the effect of their inclusion would have been anti-dilutive. The shares potentially issuable of 6.9 million, related to the Convertible Notes, were also anti-dilutive for the year ended December 31, 2016.

The following table sets forth the reconciliation of the numerator and the denominator of basic earnings per share and diluted earnings per share for the years ended December 31, 2016, 2015 and 2014:

	Years Ended December 31,		
	2016	2015	2014
Numerator:			
Net (loss) income for basic and diluted earnings per share	(\$105.5)	(\$45.0)	\$46.1
Denominator:			
Weighted average shares outstanding, basic	44,217,577	44,533,725	45,541,705
Dilutive effect of stock-based awards	—	—	502,438
Weighted average shares outstanding, diluted	44,217,577	44,533,725	46,044,143
Basic (loss) earnings per share	(\$2.39)	(\$1.01)	\$1.01
Diluted (loss) earnings per share	(\$2.39)	(\$1.01)	\$1.00

Note 10 - Stock-Based Compensation

Description of the Plan

Prior to the spinoff, employees of Timken's steel business, now TimkenSteel, were eligible to participate in The Timken Company Long-Term Incentive Plan (Timken LTIP Plan) and The Timken Company 2011 Long-Term Incentive Plan (Timken 2011 Plan) and were eligible to receive Timken stock-based awards including stock options, restricted share awards and performance-based restricted share units. Effective June 30, 2014, TimkenSteel employees and non-employee directors began participating in the TimkenSteel Corporation 2014 Equity and Incentive Compensation Plan. On April 28, 2016, shareholders of TimkenSteel approved the amendment and restatement of the TimkenSteel Corporation 2014 Equity and Incentive Compensation Plan to, among other matters, increase the number of shares available for awards and to adjust the fungible share adjustment factor going forward. The TimkenSteel Corporation Amended and Restated 2014 Equity and Incentive Compensation Plan is referred to herein as the TimkenSteel 2014 Plan.

The TimkenSteel 2014 Plan authorizes the Compensation Committee of the TimkenSteel Board of Directors to grant non-qualified or incentive stock options, stock appreciation rights, stock awards (including restricted shares, restricted share unit awards, performance shares, performance units, deferred shares and common shares) and cash awards to TimkenSteel employees and non-employee directors. No more than 11.05 million TimkenSteel common shares may be delivered under the TimkenSteel 2014 Plan. The TimkenSteel 2014 Plan contains fungible share counting mechanics, which generally means that awards other than stock options and stock appreciation rights will be counted against the aggregate share limit as 2.50 common shares for every one common share that is actually issued or transferred under such awards. The TimkenSteel 2014 Plan authorized up to 3.0 million common shares for use in granting "replacement awards" to current holders of Timken equity awards under Timken's equity compensation plans at the time of the spinoff.

As of December 31, 2016, approximately 6.1 million shares of TimkenSteel common stock remained available for grants under the TimkenSteel 2014 Plan.

In connection with the spinoff, stock compensation awards granted under the Timken LTIP Plan and the Timken 2011 Plan were adjusted as follows:

- Vested and unvested stock options were adjusted so that the grantee holds options to purchase both Timken and TimkenSteel common shares.
- The adjustment to the Timken and TimkenSteel stock options, when combined, were intended to generally preserve the intrinsic value of each original option grant and the ratio of the exercise price to the fair market value of Timken common shares on June 30, 2014.
- Unvested restricted stock awards were replaced with adjusted, substitute awards for restricted shares or units, as applicable, of Timken and TimkenSteel common shares. The new awards of restricted stock were intended to generally preserve the intrinsic value of the original award determined as of June 30, 2014.
- Vesting periods of awards were unaffected by the adjustment and substitution.

Awards granted in connection with the adjustment of awards originally issued under the Timken LTIP Plan and the Timken 2011 Plan are referred to as replacement awards under the TimkenSteel 2014 Plan and, as noted above, reduce the maximum

number of TimkenSteel common shares available for delivery under the TimkenSteel 2014 Plan. TimkenSteel records compensation expense for both TimkenSteel and Timken common shares for awards held by TimkenSteel employees only.

As discussed in Note 2 - Significant Accounting Policies, TimkenSteel early adopted Accounting Standards Update (ASU) 2016-09, "Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" in the fourth quarter of 2016, with the effect recorded as of January 1, 2016. Under ASU 2016-09, TimkenSteel recognizes all excess tax benefits and tax deficiencies as income tax expense or benefit in the Consolidated Statements of Operations.

The following table provides the significant assumptions used to calculate the grant date fair market values of options granted using a Black-Scholes option pricing method:

	2016	2015	2014 Subsequent to Spinoff	2014 Prior to Spinoff
Weighted-average fair value per option	\$3.32	\$11.21	\$18.43	\$23.17
Risk-free interest rate	1.34%	1.47%	1.78%	1.80%
Dividend yield	—%	1.93%	1.22%	1.75%
Expected stock volatility	41.71%	47.10%	47.00%	50.35%
Expected life - years	6	6	6	6

The expected life of stock option awards granted is based on historical data and represents the period of time that options granted are expected to be held prior to exercise. Because of the absence of adequate stock price history of TimkenSteel common stock, expected volatility related to stock option awards granted subsequent to the spinoff is based on the historical volatility of a selected group of peer companies' stock. Prior to the spinoff, volatility was calculated using the historical volatility of Timken stock. Expected annual dividends per share are estimated using the most recent dividend payment per share as of the grant date. The risk-free rate for periods within the expected life of the option is based on the U.S. Treasury yield curve in effect at the time of the grant.

The following summarizes TimkenSteel stock option activity from January 1, 2016 to December 31, 2016 :

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (millions)
Outstanding as of December 31, 2015	1,617,503	\$28.68		
Granted	644,580	\$7.47		
Exercised	(6,825)	\$11.24		
Canceled, forfeited or expired	(35,861)	\$24.05		
Outstanding as of December 31, 2016	2,219,397	\$22.64	6.22	\$5.5
Options expected to vest	968,982	\$15.90	8.53	\$5.1
Options exercisable	1,239,280	\$27.82	4.41	\$0.4

Stock options presented in this table represent TimkenSteel awards only, including those held by Timken employees.

The total intrinsic value, the cash proceeds and the related tax benefit associated with stock options exercised during the period from January 1, 2016 to December 31, 2016 each were less than \$ 0.1 million .

The following summarizes TimkenSteel stock-settled restricted share award activity from January 1, 2016 to December 31, 2016 :

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding as of December 31, 2015	339,410	\$30.31
Granted	426,090	\$7.16
Vested	(38,641)	\$30.60
Canceled, forfeited or expired	(30,706)	\$3.93
Outstanding as of December 31, 2016	696,153	\$17.57

Restricted share awards presented in this table represent TimkenSteel awards only, including those held by Timken employees.

TimkenSteel recognized stock-based compensation expense of \$6.7 million (\$ 4.2 million after tax), \$7.0 million (\$4.3 million after tax) and \$6.0 million (\$3.8 million after tax) for the years ended December 31, 2016 , 2015 and 2014 , respectively, related to stock option awards and stock-settled restricted share awards. 2014 compensation expense includes the recognition of \$0.3 million of incremental compensation expense in the second quarter of 2014 resulting from the adjustment and substitution of stock-settled awards. The adjustment of the stock compensation awards occurred in conjunction with the distribution of TimkenSteel common shares to Timken shareholders in the June 30, 2014 after-market distribution.

Outstanding restricted share awards include restricted shares, restricted stock units, performance-based restricted stock units and deferred shares that will settle in common shares. Outstanding restricted shares and restricted stock units generally cliff-vest after three years or vest in 25% increments annually beginning on the first anniversary of the date of grant. Performance-based restricted stock units vest based on achievement of specified performance objectives.

As of December 31, 2016 , unrecognized compensation cost related to stock option awards and stock-settled restricted shares and restricted stock units was \$ 7.3 million , which is expected to be recognized over a weighted average period of 1.6 years. The calculations of unamortized expense and weighted-average periods include awards based on both TimkenSteel and Timken stock awards held by TimkenSteel employees.

Certain restricted stock units, including performance-based restricted stock units, are settled in cash and were adjusted and substituted as described above. TimkenSteel accrued \$ 0.8 million and \$1.6 million as of December 31, 2016 and 2015 , respectively, which was included in salaries, wages and benefits, and other non-current liabilities on the Consolidated Balance Sheets. TimkenSteel paid \$1.0 million and \$ 2.9 million for cash-settled restricted stock units during 2016 and 2015 , respectively.

Note 11 - Segment Information

TimkenSteel manufactures alloy steel, as well as carbon and micro-alloy steel, with an annual melt capacity of approximately 2 million tons and shipment capacity of 1.5 million tons. TimkenSteel's portfolio includes SBQ bars, seamless mechanical tubing (tubes) and value-add solutions, such as precision steel components. In addition, TimkenSteel supplies machining and thermal treatment services, as well as manages raw material recycling programs, which are used as a feeder system for the Company's melt operations. The Company's products and services are used in a diverse range of demanding applications in the following market sectors: oil and gas; oil country tubular goods; automotive; industrial equipment; mining; construction; rail; aerospace and defense; heavy truck; agriculture; and power generation.

The SBQ bars and tubes production processes take place at the Company's Canton, Ohio manufacturing location. This location accounts for all of the SBQ bars and seamless mechanical tubes the Company produces and includes three manufacturing facilities: the Faircrest, Harrison, and Gambrinus facilities. TimkenSteel's value-add solutions production processes take place at three downstream manufacturing facilities: TimkenSteel Material Services, Tryon Peak, and St. Clair. Many of the production processes are integrated, and the manufacturing facilities produce products that are sold in all of the Company's market sectors. As a result, investments in the Company's facilities and resource allocation decisions affecting the Company's operations are designed to benefit the overall business of the Company, not any specific aspect of the business.

Effective January 1, 2016, TimkenSteel eliminated its segment reporting as a result of organizational changes made in the second half of 2015, in addition to the integrated nature of the Company's business as described above. These organizational changes were made to better align resources to support the business strategy of operating in a leaner, more efficient environment. Specifically, the Company has centralized its customer-facing activities under one leadership role and eliminated the former two

segment operating structure. Since that change, the Company is organized in a centralized manner based on functionality. As a result, TimkenSteel conducts its business activities and reports financial results as one business segment.

The presentation of financial results as one reportable segment is consistent with the way the Company operates its business under the realigned organization and is consistent with the manner in which the Chief Operating Decision Maker (CODM) evaluates performance and makes resource and operating decisions for the business as described above. Furthermore the Company notes that monitoring financial results as one reportable segment helps the CODM manage costs on a consolidated basis, consistent with the integrated nature of the operations.

Geographic Information

Net sales by geographic area are reported by the country in which the customer is domiciled. Long-lived assets include property, plant and equipment and intangible assets subject to amortization. Long-lived assets by geographic area are reported by the location of the TimkenSteel operations to which the asset is attributed.

	Years Ended December 31,	
	2016	2015
Net Sales:		
United States	\$763.4	\$979.5
Foreign	106.1	126.7
	\$869.5	\$1,106.2
<hr/>		
	December 31,	
	2016	2015
Long-lived Assets:		
United States	\$766.6	\$799.3
Foreign	0.3	0.6
	\$766.9	\$799.9

Note 12 - Income Tax Provision

(Loss) income from operations before income taxes, based on geographic location of the operations to which such earnings are attributable, is provided below.

	Years Ended December 31,		
	2016	2015	2014
United States	(\$136.2)	(\$82.2)	\$69.0
Non-United States	(5.8)	10.5	(0.3)
(Loss) income from operations before income taxes	(\$142.0)	(\$71.7)	\$68.7

The (benefit) provision for income taxes consisted of the following:

	Years Ended December 31,		
	2016	2015	2014
Current:			
Federal	\$—	\$—	\$32.3
State and local	0.1	(1.2)	5.3
Foreign	0.2	0.1	0.5
	\$0.3	(\$1.1)	\$38.1
Deferred:			
Federal	(\$32.9)	(\$28.7)	(\$10.4)
State and local	(3.6)	0.2	(3.5)
Foreign	(0.3)	2.9	(1.6)
	(36.8)	(25.6)	(15.5)
United States and foreign tax (benefit) expense on (loss) income	(\$36.5)	(\$26.7)	\$22.6

For the year ended December 31, 2016, TimkenSteel made no U.S. state tax payments and, as of December 31, 2016, had \$0.5 million of refundable overpayments of state incomes and no federal income taxes. For the year ended December 31, 2015, TimkenSteel made \$0.5 million in U.S. state payments, and as of December 31, 2015, had refundable overpayments of federal income taxes of \$6.9 million and state income taxes of \$1.7 million. The Company recorded these receivables as a component of prepaid expenses on the Consolidated Balance Sheets.

The reconciliation between TimkenSteel's effective tax rate on income (loss) from continuing operations and the statutory tax rate is as follows:

	Years Ended December 31,		
	2016	2015	2014
Tax at the U.S. federal statutory rate	(\$49.7)	(\$25.2)	\$24.2
Adjustments:			
State and local income taxes, net of federal tax benefit	(3.5)	(2.2)	1.1
Foreign earnings taxed at different rates including tax holidays	(0.1)	—	—
U.S. domestic manufacturing deduction	—	—	(3.2)
U.S. research tax credit	(0.4)	(0.5)	(0.6)
Valuation allowance	15.6	—	—
Other items, net	1.6	1.2	1.1
(Benefit) provision for income taxes	(\$36.5)	(\$26.7)	\$22.6
Effective income tax rate	25.7%	37.2%	32.9%

Income tax expense includes U.S. and international income taxes. Except as required under U.S. tax law, U.S. income and foreign withholding taxes have not been recognized on the excess of the amount for financial reporting over the tax basis of investments in foreign subsidiaries that is indefinitely reinvested outside the U.S. This amount becomes taxable upon a repatriation of assets from the subsidiary or a sale or liquidation of the subsidiary. Undistributed earnings of foreign subsidiaries outside of the U.S. were \$1.6 million, \$1.6 million and \$1.5 million at December 31, 2016, 2015 and 2014, respectively. The Company recognized a deferred tax liability in the amount of \$ 0.1 million during 2016 for current-year earnings at its Chinese subsidiary, as those earnings are not permanently reinvested by the Company.

The effect of temporary differences giving rise to deferred tax assets and liabilities at December 31, 2016 and 2015 was as follows:

	December 31,	
	2016	2015
Deferred tax assets:		
Pension and postretirement benefits	\$70.3	\$34.6
Other employee benefit accruals	9.1	7.2
Tax loss carryforwards	107.4	63.7
Intangible assets	2.5	2.9
Inventory	2.9	2.9
State decoupling	0.5	1.6
Other, net	5.3	3.7
Deferred tax assets subtotal	\$198.0	\$116.6
Valuation allowances	(24.4)	(10.2)
Deferred tax assets	173.6	106.4
Deferred tax liabilities:		
Depreciation	(\$156.8)	(\$136.3)
Inventory	(9.7)	(1.0)
Convertible debt	(6.6)	—
Other, net	(0.2)	(1.1)
Deferred tax liabilities subtotal	(173.3)	(138.4)
Net deferred tax assets (liabilities)	\$0.3	(\$32.0)

As of December 31, 2016, net deferred tax assets of \$ 0.3 million are recorded as a component of other non-current assets on the Consolidated Balance Sheets.

As of December 31, 2016, TimkenSteel had loss carryforwards in the U.S. and various non-U.S. jurisdictions totaling \$306.5 million having various expirations dates. TimkenSteel has provided valuation allowances of \$24.4 million against these carryforwards. The majority of the non-U.S. loss carryforwards represent local country net operating losses for branches of TimkenSteel or entities treated as branches of TimkenSteel under U.S. tax law. Tax benefits have been recorded for these losses in the U.S. The related local country net operating loss carryforwards are offset fully by valuation allowances.

During 2016, operating losses generated in the U.S. resulted in a decrease in the carrying value of the Company's U.S. deferred tax liability to the point that would result in a net U.S. deferred tax asset at December 31, 2016. In light of TimkenSteel's recent operating performance in the U.S. and current industry conditions, the Company assessed, based upon all available evidence, and concluded that it was more likely than not that it would not realize its U.S. deferred tax assets. As a result, in the fourth quarter of 2016, the Company recorded a \$ 15.6 million full valuation allowance on its net U.S. deferred tax asset. Going forward, the need to maintain valuation allowances against deferred tax assets in the U.S. and other affected countries will cause variability in the Company's effective tax rate. The Company will maintain a full valuation allowance against its deferred tax assets in the U.S. and applicable foreign countries until sufficient positive evidence exists to eliminate them.

As of December 31, 2016, TimkenSteel had no total gross unrecognized tax benefits, and no amounts which represented unrecognized tax benefits that would favorably impact TimkenSteel's effective income tax rate in any future periods if such benefits were recognized. As of December 31, 2016, TimkenSteel does not anticipate a change in its unrecognized tax positions during the next 12 months. TimkenSteel had no accrued interest and penalties related to uncertain tax positions as of December 31, 2016. TimkenSteel records interest and penalties related to uncertain tax positions as a component of income tax expense. As of December 31, 2015, TimkenSteel had no total gross unrecognized tax benefits and no amount of unrecognized tax benefits that would favorably impact TimkenSteel's effective income tax rate in any future periods if such benefits were recognized. TimkenSteel had no interest and penalties related to uncertain tax positions as of December 31, 2015. TimkenSteel records interest and penalties related to uncertain tax positions as a component of (benefit) provision for income taxes.

The reconciliation of TimkenSteel's total gross unrecognized tax benefits is as follows:

	Years Ended December 31,		
	2016	2015	2014
Beginning balance, January 1	\$—	\$—	\$0.7
Tax positions related to prior years:			
Reductions	—	—	(0.7)
Ending balance, December 31	\$—	\$—	\$—

As of December 31, 2016, Timken is subject to examination by the IRS for tax years 2006 to 2009 and 2012 to the present. Timken also is subject to tax examination in various U.S. state and local tax jurisdictions for tax years 2006 to the present. Timken also is subject to tax examination in various foreign tax jurisdictions, including Mexico, China and the U.K. for tax years 2002 to the present. TimkenSteel is subject to examination by the IRS for the period June 30, 2014 through December 31, 2016. TimkenSteel also is subject to tax examinations in various foreign tax jurisdictions, including Mexico, China, Poland, Singapore and the U.K. for the period June 30, 2014 through December 31, 2016.

Note 13 - Contingencies

TimkenSteel has a number of loss exposures incurred in the ordinary course of business, such as environmental claims, product warranty claims, and litigation. Establishing loss reserves for these matters requires management's estimate and judgment regarding risk exposure and ultimate liability or realization. These loss reserves are reviewed periodically and adjustments are made to reflect the most recent facts and circumstances. As of December 31, 2016 and 2015, TimkenSteel had contingency reserves related to loss exposures incurred in the ordinary course of business of \$ 0.2 million and \$ 0.5 million, respectively.

Environmental Matters

From time to time, TimkenSteel may be a party to lawsuits, claims or other proceedings related to environmental matters and/or may receive notices of potential violations of environmental laws and regulations from the U.S. Environmental Protection Agency (EPA) and similar state or local authorities. TimkenSteel recorded reserves for such environmental matters as other current and non-current liabilities on the Consolidated Balance Sheets. Accruals related to such environmental matters represent management's best estimate of the fees and costs associated with these matters. Although it is not possible to predict with certainty the outcome of such matters, management believes that their ultimate dispositions should not have a material adverse effect on TimkenSteel's financial position, cash flows, or results of operations.

The following summarizes TimkenSteel contingency reserves and activity related to EPA matters from January 1, 2015 to December 31, 2016 :

Beginning balance, January 1, 2015	\$1.3
Expenses	—
Payments	(0.5)
Ending balance, December 31, 2015	\$0.8
Expenses	—
Payments	(0.2)
Ending balance, December 31, 2016	\$0.6

Note 14 - Restructuring Charges

During the second quarter of 2015, TimkenSteel approved and began implementing a cost reduction plan that resulted in the reduction of TimkenSteel's salaried and hourly headcount. As a result, TimkenSteel recognized restructuring charges consisting of severance, benefits and other associated expenses of \$0.3 million and \$5.6 million for the years ended December 31, 2016 and 2015. TimkenSteel recorded reserves for such restructuring charges as other current liabilities on the Consolidated Balance Sheets. The following is a roll forward of the consolidated restructuring accrual for the years ended December 31, 2016 and 2015 :

Beginning balance, January 1, 2015	\$—
Expenses	5.6
Payments	(3.3)
Ending balance, December 31, 2015	\$2.3
Expenses	0.3
Payments	(2.5)
Ending balance, December 31, 2016	\$0.1

Note 15 - Relationship with Timken and Related Entities

Prior to the spinoff on June 30, 2014, TimkenSteel was managed and operated in the normal course of business with other affiliates of Timken. Transactions between Timken and TimkenSteel, with the exception of sale and purchase transactions and reimbursements for payments made to third-party service providers by Timken on TimkenSteel's behalf, are reflected in equity in the Consolidated Balance Sheets as net parent investment and in the Consolidated Statements of Cash Flows as a financing activity in net transfers (to)/from Timken and affiliates.

Corporate Costs/Allocations

For the periods prior to April 1, 2014, the Consolidated Financial Statements include corporate costs incurred by Timken for services that were provided to or on behalf of Timken's steel business, now TimkenSteel, including but not limited to legal, treasury, corporate administration, technology and human resource services. These costs consist of allocated cost pools and direct costs. Corporate costs were directly charged to, or allocated to, TimkenSteel using methods management believes are consistent and reasonable. TimkenSteel direct costs were incurred directly by TimkenSteel based on negotiated usage rates and dedicated employee assignments. These corporate charges and allocations were deemed paid by TimkenSteel to Timken in the period in which the costs were recorded in the Consolidated Statements of Operations. Net charges from Timken for these services, reflected in selling, general and administrative expenses, were \$7.4 million for the year ended December 31, 2014. Effective April 1, 2014, TimkenSteel performed these functions using internal resources or services provided by third parties, certain of which were provided by Timken and directly charged to TimkenSteel.

Transactions with Other Timken Businesses

TimkenSteel sold finished goods to Timken. During the years ended December 31, 2016, 2015 and 2014, respectively, revenues from related-party sales of products totaled \$32.7 million or 3.8% of net sales, \$46.5 million, or 4.2% of net sales and \$84.6 million or 5.1%, respectively. Prior to the spinoff, TimkenSteel recorded related-party receivables from Timken as Accounts receivable due from related-party in its Consolidated Balance Sheets. Upon separation, outstanding amounts were reclassified to trade receivables.

TimkenSteel did not purchase material from Timken during the year ending December 31, 2016. TimkenSteel purchased less than \$ 1.0 million during the year ended December 31, 2015, and approximately \$1.0 million during the year ended December 31, 2014. In addition, certain of TimkenSteel's third-party service providers were paid by Timken on behalf of TimkenSteel. TimkenSteel would subsequently reimburse Timken in cash for such payments. Prior to the spinoff, TimkenSteel recorded related-party payables to Timken as Accounts payable due to related party in its Consolidated Balance Sheets. Upon separation, outstanding amounts were reclassified to trade payables.

Material Agreements Between TimkenSteel and Timken

On June 30, 2014, TimkenSteel entered into a separation and distribution agreement and several other agreements with Timken to affect the spinoff and to provide a framework for the relationship with Timken. These agreements govern the relationship between TimkenSteel and Timken subsequent to the completion of the spinoff and provide for the allocation between TimkenSteel

and Timken of assets, liabilities and obligations attributable to periods prior to the spinoff. Because these agreements were entered into in the context of a related party transaction, the terms may not be comparable to terms that would be obtained in a transaction between unaffiliated parties.

Separation and Distribution Agreement — The separation and distribution agreement contains the key provisions relating to the spinoff, including provisions relating to the principal intercompany transactions required to effect the spinoff, the conditions to the spinoff and provisions governing the relationships between TimkenSteel and Timken after the spinoff.

Tax Sharing Agreement — The tax sharing agreement generally governs TimkenSteel's and Timken's respective rights, responsibilities and obligations after the spinoff with respect to taxes for any tax period ending on or before the distribution date, as well as tax periods beginning before and ending after the distribution date. Generally, TimkenSteel is liable for all pre-distribution U.S. federal income taxes, foreign income taxes and non-income taxes attributable to TimkenSteel's business, and all other taxes attributable to TimkenSteel, paid after the distribution. In addition, the tax sharing agreement addresses the allocation of liability for taxes that are incurred as a result of restructuring activities undertaken to effectuate the distribution. The tax sharing agreement also provides that TimkenSteel is liable for taxes incurred by Timken that arise as a result of TimkenSteel's taking or failing to take, as the case may be, certain actions that result in the distribution failing to meet the requirements of a tax-free distribution under Section 355 of the Internal Revenue Code of 1986, as amended.

Employee Matters Agreement — TimkenSteel entered into an employee matters agreement with Timken, which generally provides that TimkenSteel and Timken each has responsibility for its own employees and compensation plans, subject to certain exceptions as described in the agreement. In general, prior to the spinoff, TimkenSteel employees participated in various retirement, health and welfare, and other employee benefit and compensation plans maintained by Timken. Following the spinoff (or earlier, in the case of the tax-qualified defined benefit plans and retiree medical plans), pursuant to the employee matters agreement, TimkenSteel employees and former employees generally participate in similar plans and arrangements established and maintained by TimkenSteel. The employee matters agreement provides for the bifurcation of equity awards as described in Note 10 - Stock-Based Compensation . Among other things, the employee matters agreement also provides for TimkenSteel's assumption of certain employment-related contracts that its employees originally entered into with Timken, the allocation of certain employee liabilities and the cooperation between TimkenSteel and Timken in the sharing of employee information.

Transition Services Agreement — The transition services agreement, which expired on July 1, 2016, governed the process under which TimkenSteel and Timken provide and/or make available various administrative services and assets to each other. Services provided by Timken to TimkenSteel included certain services related to finance, facilities, information technology and employee benefits under LTA.

SUPPLEMENTAL DATA
Selected Quarterly Financial Data (Unaudited)
(dollars in millions, except per share data)

The following selected quarterly operating results for each quarter of fiscal 2016 and 2015 have been adjusted to reflect the change in accounting principle and correction of immaterial errors as described in Note 1 - Company and Basis of Presentation :

	Quarters Ended			
	December 31	September 30	June 30	March 31
2016				
Net Sales	\$214.7	\$213.8	\$223.1	\$217.9
Gross (Loss) Profit	(44.7)	(6.2)	15.3	8.5
Net (Loss) Income ⁽¹⁾	(67.0)	(22.2)	(6.6)	(9.7)
Per Share Data: ⁽²⁾				
Basic (loss) earnings per share	(\$1.52)	(\$0.50)	(\$0.15)	(\$0.22)
Diluted (loss) earnings per share	(\$1.52)	(\$0.50)	(\$0.15)	(\$0.22)

	Quarters Ended			
	December 31	September 30	June 30	March 31
2015				
Net Sales	\$206.6	\$232.7	\$278.2	\$388.7
Gross Profit	9.3	(12.3)	2.1	47.1
Net Income ⁽¹⁾	(13.8)	(24.5)	(18.1)	11.4
Per Share Data: ⁽²⁾				
Basic earnings per share	(\$0.31)	(\$0.55)	(\$0.40)	\$0.25
Diluted earnings per share	(\$0.31)	(\$0.55)	(\$0.40)	\$0.25

Previously reported quarterly financial information for fiscal year 2016 and 2015 were as follows (in millions, except per share amounts):

	Quarters Ended		
	September 30	June 30	March 31
2016			
Net Sales	\$213.8	\$223.1	\$217.9
Gross (Loss) Profit	2.5	10.2	3.4
Net Loss ⁽¹⁾	(16.6)	(10.5)	(13.6)
Per Share Data: ⁽²⁾			
Basic loss per share	(\$0.38)	(\$0.24)	(\$0.31)
Diluted loss per share	(\$0.38)	(\$0.24)	(\$0.31)

	Quarters Ended			
	December 31	September 30	June 30	March 31
2015				
Net Sales	\$206.6	\$232.7	\$278.2	\$388.7
Gross (Loss) Profit	(6.2)	(20.5)	(6.1)	41.6
Net (Loss) Income ⁽¹⁾	(24.2)	(30.8)	(24.3)	6.9
Per Share Data: ⁽²⁾				
Basic (loss) earnings per share	(\$0.55)	(\$0.69)	(\$0.54)	\$0.15
Diluted (loss) earnings per share	(\$0.55)	(\$0.69)	(\$0.54)	\$0.15

⁽¹⁾ Net Loss for the second, third, and fourth quarters of 2015 included restructuring charges of \$1.6 million , \$0.3 million and \$3.7 million , respectively. The restructuring charges related to a cost reduction plan that reduced TimkenSteel's salaried and hourly headcount. See Note 14 - Restructuring Charges in the Notes to the Consolidated Financial Statements.

⁽²⁾ Basic and diluted earnings per share are computed independently for each of the periods presented. Accordingly, the sum of the quarterly earnings per share amounts may not equal the total for the year. For comparative purposes, and to provide a more meaningful calculation for weighted average shares, this amount was assumed to be outstanding as of the beginning of each period presented prior to the spinoff in the calculation of basic weighted average shares. See Note 9 - Earnings Per Share in the Notes to the Consolidated Financial Statements.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Annual Report on Form 10-K, our management carried out an evaluation, under the supervision and with the participation of the Company's principal executive officer and principal financial officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as defined in Exchange Act Rule 13a-15(e). Based upon that evaluation, the principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this Annual Report on Form 10-K.

Report of Management on Internal Control Over Financial Reporting

The management of TimkenSteel is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. TimkenSteel's internal control system is designed to provide reasonable assurance regarding the preparation and fair presentation of published financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

TimkenSteel management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2016. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment under COSO's "Internal Control-Integrated Framework (2013 framework)," management believes that, as of December 31, 2016, TimkenSteel's internal control over financial reporting is effective.

Ernst & Young LLP, an independent registered public accounting firm, has issued an audit report on our assessment of TimkenSteel's internal control over financial reporting as of December 31, 2016. Please refer to Item 8, "Reports of Independent Registered Public Accounting Firm."

Changes in Internal Controls

There have been no changes during the Company's fourth quarter of 2016 in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Required information will be set forth under the captions “Election of Directors” and “Section 16(a) Beneficial Ownership Reporting Compliance” in the proxy statement to be filed within 120 days of December 31, 2016 in connection with the annual meeting of shareholders to be held on May 2, 2017 , and is incorporated herein by reference. Information regarding the executive officers of the registrant is included in Part I hereof. Information regarding the Company’s Audit Committee and its Audit Committee Financial Expert is set forth under the caption “Audit Committee” in the proxy statement filed in connection with the annual meeting of shareholders to be held on May 2, 2017 , and is incorporated herein by reference.

The Company’s Corporate Governance Guidelines and the charters of its Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee are available on the Company’s website at www.timkensteel.com and are available to any shareholder in print, without charge, upon request to the General Counsel. The information on the Company’s website is not incorporated by reference into this Annual Report on Form 10-K.

The Company has adopted a code of ethics that applies to all of its employees, including its principal executive officer, principal financial officer and principal accounting officer, as well as to its directors. The Company’s code of ethics, the TimkenSteel Code of Conduct, is available on its website at www.timkensteel.com and in print, without charge, upon request to the General Counsel. The Company intends to disclose any amendment to its code of ethics or waiver from its code of ethics that applies to its principal executive officer, principal financial officer, principal accounting officer, or any director by posting such amendment or waiver, as applicable, on its website at www.timkensteel.com.

ITEM 11. EXECUTIVE COMPENSATION

Required information will be set forth under the captions “Compensation Discussion and Analysis;” “ 2016 Summary Compensation Table”; “ 2016 Grants of Plan-Based Awards Table”; “Outstanding Equity Awards at 2016 Year-End Table;” “ 2016 Option Exercises and Stock Vested Table”; “Pension Benefits”; “ 2016 Nonqualified Deferred Compensation Table”; “Potential Payments Upon Termination or Change in Control”; “Director Compensation”; “Compensation Committee”; “Compensation Committee Interlocks and Insider Participation”; and “Compensation Committee Report” in the proxy statement to be filed within 120 days of December 31, 2016 in connection with the annual meeting of shareholders to be held on May 2, 2017 , and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Required information, including with respect to institutional investors owning more than 5% of the Company’s common shares, will be set forth under the caption “Beneficial Ownership of Common Stock” in the proxy statement to be filed within 120 days of December 31, 2016 in connection with the annual meeting of shareholders to be held on May 2, 2017 , and is incorporated herein by reference. Required information regarding securities authorized for issuance under the Company’s equity compensation plans is included in Item 5 of this Annual Report on Form 10-K and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Required information will be set forth under the captions “Director Independence” and “Related Party Transactions Approval Policy” in the proxy statement to be filed within 120 days of December 31, 2016 in connection with the annual meeting of shareholders to be held on May 2, 2017 , and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Required information regarding fees paid to and services provided by the Company’s independent auditor during the years ended December 31, 2016 and 2015 and the pre-approval policies and procedures of the Audit Committee of the Company’s Board of Directors will be set forth under the captions “Services of Independent Auditor for 2016 ” and “Audit Committee Pre-Approval Policies and Procedures” in the proxy statement to be filed within 120 days of December 31, 2016 in connection with the annual meeting of shareholders to be held on May 2, 2017 , and is incorporated herein by reference.

PART IV.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)(1) - Financial Statements are included in Part II, Item 8 of the Annual Report on Form 10-K.

(a)(2) - Schedule II - Valuation and Qualifying Accounts is submitted as a separate section of this report. Schedules I, III, IV and V are not applicable to the Company and, therefore, have been omitted.

(a)(3) Listing of Exhibits

Exhibit Number	Exhibit Description
2.1†	Separation and Distribution Agreement, dated as of June 30, 2014, by and between TimkenSteel Corporation and The Timken Company.
3.1	Amended and Restated Articles of Incorporation of TimkenSteel Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on June 13, 2014, File No. 001-36313).
3.2	Code of Regulations of TimkenSteel Corporation (incorporated by reference to Exhibit 3.2 of Amendment No. 3 to the Company's Registration Statement on Form 10 filed on May 15, 2014, File No. 001-36313).
4.1	Indenture, dated May 31, 2016, by and between the Company and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on May 31, 2016, File No. 001-36313).
4.2	First Supplemental Indenture, dated May 31, 2016, by and between the Company and U.S. Bank National Association, as Trustee (including Form of Note) (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on May 31, 2016, File No. 001-36313).
10.1†	Tax Sharing Agreement, dated as of June 30, 2014, by and between TimkenSteel Corporation and The Timken Company.
10.2†	Employee Matters Agreement, dated as of June 30, 2014, by and between TimkenSteel Corporation and The Timken Company.
10.3†	Transition Services Agreement, dated as of June 30, 2014, by and between TimkenSteel Corporation and The Timken Company.
10.4†	Trademark License Agreement, dated as of June 30, 2014, by and between TimkenSteel Corporation and The Timken Company.
10.5†	Noncompetition Agreement, dated as of June 30, 2014, by and between TimkenSteel Corporation and The Timken Company.
10.6	TimkenSteel Corporation Amended and Restated 2014 Equity and Incentive Compensation Plan (incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-8 filed on October 28, 2016, Registration No. 333-214297).
10.7	TimkenSteel Corporation Senior Executive Management Performance Plan (incorporated by reference to Appendix A to the Company's 2015 Proxy Statement filed on March 19, 2015, File No. 001-36313).
10.8††	TimkenSteel Corporation Annual Performance Award Plan.
10.9††	Form of Director Indemnification Agreement.
10.10††	Form of Officer Indemnification Agreement.
10.11††	Form of Director and Officer Indemnification Agreement.
10.12	Supplemental Pension Plan of TimkenSteel Corporation (Effective June 30, 2014) (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 13, 2014, File No. 001-36313).
10.13	Form of Amended and Restated Employee Excess Benefits Agreement with TimkenSteel Corporation (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on June 13, 2014, File No. 001-36313).
10.14	Form of Severance Agreement with TimkenSteel Corporation (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on June 13, 2014, File No. 001-36313).
10.15	Amended and Restated TimkenSteel Corporation 2014 Deferred Compensation Plan (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 11, 2015, File No. 001-36313).
10.16	Amended and Restated TimkenSteel Corporation Director Deferred Compensation Plan (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on May 11, 2015, File No. 001-36313).

Exhibit Number	Exhibit Description
10.17	Amendment and Restatement Agreement dated as of December 21, 2015, by and among TimkenSteel Corporation, the other loan parties and lenders thereto and JPMorgan Chase Bank, N.A., as administrative agent (which includes the Amended and Restated Credit Agreement, dated as of December 21, 2015, among TimkenSteel Corporation, JPMorgan Chase Bank, N.A., as administrative agent, PNC Bank, National Association, as syndication agent, the other agents and lenders party thereto and Bank of America, N.A. and HSBC Bank USA, National Association, as co-documentation agents, and J.P. Morgan Securities LLC and PNC Capital Markets, LLC, as joint bookrunners and joint lead arrangers) (incorporated by reference to Exhibit Number 10.1 to the Company's Current Report on Form 8-K filed on January 8, 2016, File No. 001-36313).
10.18	Form of Nonqualified Stock Option Agreement (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on May 11, 2015, File No. 001-36313).
10.19	Form of Time-Based Restricted Stock Unit Agreement (Cliff Vesting) (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed on May 11, 2015, File No. 001-36313).
10.20	Form of Time-Based Restricted Stock Unit Agreement (Ratable Vesting) (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed on May 11, 2015, File No. 001-36313).
10.21	Form of Performance-Based Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K filed on February 29, 2016, File No. 001-36313).
10.22	Form of Deferred Shares Agreement (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on August 4, 2016, File No. 001-36313).
10.23	Amendment No. 1 to Amended and Restated Credit Agreement, dated as of February 26, 2016, among TimkenSteel Corporation, the other loan parties and lenders party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.23 to the Company's Annual Report on Form 10-K filed on February 29, 2016, File No. 001-36313).
12.1*	Computation of Ratio of Earnings to Fixed Charges.
18.1*	Letter of Independent Registered Public Accounting Firm Regarding Change in Accounting Principle
21.1*	A list of subsidiaries of the Registrant.
23.1*	Consent of Independent Registered Public Accounting Firm.
24.1*	Power of Attorney.
31.1*	Certification of the Chief Executive Officer pursuant to Rule 13a-14 of the Exchange Act, as adopted, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Chief Financial Officer pursuant to Rule 13a-14 of the Exchange Act, as adopted, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
†	Incorporated by reference to the exhibit filed under the corresponding Exhibit Number of the Company's Current Report on Form 8-K filed on July 3, 2014, File No. 001-36313.
††	Incorporated by reference to the exhibit filed under the corresponding Exhibit Number of Amendment No. 3 to the Company's Registration Statement on Form 10 filed on May 15, 2014, File No. 001-36313.
*	Filed herewith.
**	Furnished herewith.

Schedule II-Valuation and Qualifying Accounts

Allowance for uncollectible accounts:	2016	2015	2014
Balance at Beginning of Period	\$1.5	\$0.2	\$0.2
Additions:			
Charged to Costs and Expenses (1)	0.7	1.3	—
Deductions (2)	(0.1)	—	—
Balance at End of Period	\$2.1	\$1.5	\$0.2

Allowance for surplus and obsolete inventory:	2016	2015	2014
Balance at Beginning of Period	\$8.4	\$2.9	\$1.9
Additions:			
Charged to Costs and Expenses (3)	1.5	7.2	1.6
Deductions (4)	(1.8)	(1.7)	(0.6)
Balance at End of Period	\$8.1	\$8.4	\$2.9

Valuation allowance on deferred tax assets:	2016	2015	2014
Balance at Beginning of Period	\$10.2	\$11.7	\$14.1
Additions:			
Charged to Costs and Expenses (5)	15.6	—	—
Charged to Other Accounts (6)	—	—	—
Deductions (7)	(1.4)	(1.5)	(2.4)
Balance at End of Period	\$24.4	\$10.2	\$11.7

(1) Provision for uncollectible accounts included in expenses.

(2) Actual accounts written off against the allowance-net of recoveries.

(3) Provisions for surplus and obsolete inventory included in expenses.

(4) Inventory items written off against the allowance.

(5) Increase in valuation allowance is recorded as a component of the provision for income taxes.

(6) Includes valuation allowances recorded against other comprehensive income/loss or goodwill.

(7) Amount primarily relates to foreign currency translation adjustments, the removal of losses not carried over to TimkenSteel and a decrease in U.K. tax rates.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TIMKENSTEEL CORPORATION

Date: March 16, 2017

/s/ Christopher J. Holding

Christopher J. Holding
Executive Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ Ward J. Timken, Jr.</u> Ward J. Timken, Jr.	Chairman, Chief Executive Officer and President (Principal Executive Officer)	March 16, 2017
<u>/s/ Christopher J. Holding</u> Christopher J. Holding	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	March 16, 2017
<u>/s/ Tina M. Beskid</u> Tina M. Beskid	Vice President, Corporate Controller & Investor Relations (Principal Accounting Officer)	March 16, 2017
<u>*</u> Joseph A. Carrabba	Director	March 16, 2017
<u>*</u> Phillip R. Cox	Director	March 16, 2017
<u>*</u> Diane C. Creel	Director	March 16, 2017
<u>*</u> Terry L. Dunlap	Director	March 16, 2017
<u>*</u> Randall H. Edwards	Director	March 16, 2017
<u>*</u> Donald T. Misheff	Director	March 16, 2017
<u>*</u> John P. Reilly	Director	March 16, 2017
<u>*</u> Ronald A. Rice	Director	March 16, 2017
<u>*</u> Randall A. Wotring	Director	March 16, 2017

*Signed by the undersigned as attorney-in-fact and agent for the directors indicated.

<u>/s/ Frank A. DiPiero</u> Frank A. DiPiero	Executive Vice President, General Counsel and Secretary	March 16, 2017
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COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Dollars in millions, except ratio amounts)

	Year Ended December 31,					
	2016	2015 Adjusted	2014 Adjusted	2013	2012	2011
Income (loss) before income taxes	\$ (142.0)	\$ (71.7)	\$ 68.7	\$ 127.6	\$ 234.3	\$ 252.3
Plus:						
Fixed charges	13.4	5.5	8.9	12.0	5.8	3.0
Amortization of capitalized interest	1.9	1.7	0.7	0.6	0.6	0.6
Less:						
Interest capitalized	0.7	1.0	6.9	10.8	4.5	1.2
Earnings (loss)	(127.4)	(65.5)	71.4	129.4	236.2	254.7
Interest (A)	10.6	3.9	7.1	11.0	4.8	1.8
Amortization of deferred financing costs	1.5	0.5	0.9	0.1	0.2	0.4
Interest portion of rental expense	1.3	1.1	0.9	0.9	0.8	0.8
Fixed Charges	\$ 13.4	\$ 5.5	\$ 8.9	\$ 12.0	\$ 5.8	\$ 3.0
Ratio of Earnings to Fixed Charges	(B)	(B)	8.02	10.78	40.72	84.90

(A) Amount includes interest expense on debt and capitalized interest during the period.

(B) For the year ended December 31, 2016, there was a deficiency of earnings to cover the fixed charges of \$114.2 million. For the year ended December 31, 2015, there was a deficiency of earnings to cover the fixed charges of \$60.0 million. Accordingly, the ratios for these periods have not been presented.

March 16, 2017

Board of Directors
TimkenSteel Corporation
1835 Dueber Ave. SW
Canton, Ohio 44706

Ladies and Gentlemen:

Note 1 of the Notes to Consolidated Financial Statements of The TimkenSteel Company and Subsidiaries (the Company) included in its Annual Report on Form 10-K for the year ended December 31, 2016, describes voluntary changes in the Company's methods of accounting for actuarial gains and losses and the calculation of expected returns on plan assets for all of its pension and other postretirement benefit (OPEB) plans. The change in method of recognizing actuarial gains and losses is from a method that recognizes such gains and losses in stockholders' equity in the period incurred and amortizes them as a component of net periodic benefit cost in future periods subject to a corridor to a method that recognizes actuarial gains and losses in the income statement in the period incurred. The change in method of computing expected returns on plan assets is from a method that utilizes a calculated value of plan assets that smooths changes in the fair value of plan assets to a method that utilizes the actual fair value of plan assets. There are no authoritative criteria for determining a "preferable" method of accounting for actuarial gains and losses or of calculating expected returns on plan assets based on the particular circumstances; however, we conclude that such changes in methods of accounting are to acceptable alternative methods which, based on your business judgment to make these changes and for the stated reasons, is preferable in your circumstances.

Very truly yours,

/s/ Ernst & Young LLP
Cleveland, Ohio

Subsidiaries of the Registrant

The active subsidiaries of the Company (all of which are included in the Consolidated Financial Statements of the Company and its subsidiaries) are as follows:

Name	State or sovereign power under laws of which organized	Percentage of voting securities owned directly or indirectly by Company
United States		
EDC, Inc.	Ohio	100.0%
TimkenSteel Material Services, LLC	Delaware	100.0%
TSB Metal Recycling LLC	Ohio	100.0%
International		
TimkenSteel UK Limited	England	100.0%
TimkenSteel de Mexico S. de R.L. de C.V.	Mexico	100.0%
TimkenSteel (Shanghai) Corporation Limited	China	100.0%

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-214297) pertaining to the TimkenSteel Corporation 2014 Equity and Incentive Compensation Plan;
- (2) Registration Statement (Form S-8 No. 333-197076) pertaining to the TimkenSteel Corporation Savings Plan for Certain Bargaining Employees;
- (3) Registration Statement (Form S-8 No. 333-197077) pertaining to the TimkenSteel Corporation Savings and Investment Pension Plan;
- (4) Registration Statement (Form S-8 No. 333-197078) pertaining to the TimkenSteel Corporation 2014 Equity and Incentive Compensation Plan;
- (5) Registration Statement (Form S-8 No. 333-197079) pertaining to the TimkenSteel Corporation Voluntary Investment Pension Plan; and
- (6) Registration Statement (Form S-3 No. 333-208930) of TimkenSteel Corporation

of our reports dated March 16, 2017 , with respect to the consolidated financial statements and schedule of TimkenSteel Corporation and the effectiveness of internal control over financial reporting of TimkenSteel Corporation, included in this Annual Report (Form 10-K) for the year ended December 31, 2016 .

/s/ Ernst & Young LLP

Cleveland, Ohio

March 16, 2017

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned Director of TimkenSteel Corporation hereby constitutes and appoints Frank A. DiPiero, Christopher J. Holding, and Tina M. Beskid, and each of them (each with full power to act alone), his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of TimkenSteel Corporation for the fiscal year ended December 31, 2016 , including any amendments thereto, on his behalf, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact or agents, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Joseph A. Carrabba

Joseph A. Carrabba, Director

Dated: February 16, 2017

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned Director of TimkenSteel Corporation hereby constitutes and appoints Frank A. DiPiero, Christopher J. Holding, and Tina M. Beskid, and each of them (each with full power to act alone), his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of TimkenSteel Corporation for the fiscal year ended December 31, 2016 , including any amendments thereto, on his behalf, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact or agents, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Phillip R. Cox

Phillip R. Cox, Director

Dated: February 16, 2017

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS , that the undersigned Director of TimkenSteel Corporation hereby constitutes and appoints Frank A. DiPiero, Christopher J. Holding, and Tina M. Beskid, and each of them (each with full power to act alone), her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for her and in her name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of TimkenSteel Corporation for the fiscal year ended December 31, 2016 , including any amendments thereto, on her behalf, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact or agents, or any of them, or their or his/her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Diane C. Creel

Diane C. Creel, Director

Dated: February 16, 2017

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned Director of TimkenSteel Corporation hereby constitutes and appoints Frank A. DiPiero, Christopher J. Holding, and Tina M. Beskid, and each of them (each with full power to act alone), his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of TimkenSteel Corporation for the fiscal year ended December 31, 2016 , including any amendments thereto, on his behalf, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact or agents, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Terry L. Dunlap

Terry L. Dunlap, Director

Dated: February 16, 2017

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned Director of TimkenSteel Corporation hereby constitutes and appoints Frank A. DiPiero, Christopher J. Holding, and Tina M. Beskid, and each of them (each with full power to act alone), his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of TimkenSteel Corporation for the fiscal year ended December 31, 2016 , including any amendments thereto, on his behalf, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact or agents, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Randall H. Edwards

Randall H. Edwards, Director

Dated: February 16, 2017

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned Director of TimkenSteel Corporation hereby constitutes and appoints Frank A. DiPiero, Christopher J. Holding, and Tina M. Beskid, and each of them (each with full power to act alone), his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of TimkenSteel Corporation for the fiscal year ended December 31, 2016 , including any amendments thereto, on his behalf, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact or agents, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Donald T. Misheff

Donald T. Misheff, Director

Dated: February 16, 2017

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned Director of TimkenSteel Corporation hereby constitutes and appoints Frank A. DiPiero, Christopher J. Holding, and Tina M. Beskid, and each of them (each with full power to act alone), his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of TimkenSteel Corporation for the fiscal year ended December 31, 2016 , including any amendments thereto, on his behalf, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact or agents, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ John P. Reilly

John P. Reilly, Director

Dated: February 16, 2017

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned Director of TimkenSteel Corporation hereby constitutes and appoints Frank A. DiPiero, Christopher J. Holding, and Tina M. Beskid, and each of them (each with full power to act alone), his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of TimkenSteel Corporation for the fiscal year ended December 31, 2016 , including any amendments thereto, on his behalf, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact or agents, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Ronald A. Rice

Ronald A. Rice, Director

Dated: February 16, 2017

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned Director of TimkenSteel Corporation hereby constitutes and appoints Frank A. DiPiero, Christopher J. Holding, and Tina M. Beskid, and each of them (each with full power to act alone), his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of TimkenSteel Corporation for the fiscal year ended December 31, 2016 , including any amendments thereto, on his behalf, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact or agents, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Randall A. Wotring

Randall A. Wotring, Director

Dated: February 16, 2017

CERTIFICATION

I, Ward J. Timken, Jr., certify that:

1. I have reviewed this annual report on Form 10-K of TimkenSteel Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 16, 2017

/s/ Ward J. Timken, Jr.

Ward J. Timken, Jr.
Chairman, Chief Executive Officer and President
(Principal Executive Officer)

CERTIFICATION

I, Christopher J. Holding, certify that:

1. I have reviewed this annual report on Form 10-K of TimkenSteel Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 16, 2017

/s/ Christopher J. Holding

Christopher J. Holding
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of TimkenSteel Corporation (the “Company”) on Form 10-K for the period ended December 31, 2016 , as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer’s knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Date: March 16, 2017

/s/ Ward J. Timken, Jr.

Ward J. Timken, Jr.
Chairman, Chief Executive Officer and President
(Principal Executive Officer)

Date: March 16, 2017

/s/ Christopher J. Holding

Christopher J. Holding
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)