

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

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**FORM 10-Q**

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

For the quarterly period ended September 30, 2017

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

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**TIMKENSTEEL CORPORATION**

(Exact name of registrant as specified in its charter)

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**Ohio**

(State or other jurisdiction of  
incorporation or organization)

**1835 Dueber Avenue SW, Canton, OH**

(Address of principal executive offices)

**46-4024951**

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

**44706**

(Zip Code)

**330.471.7000**

(Registrant's telephone number, including area code)

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 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 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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial reporting accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

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 October 13, 2017
Common Shares, without par value	44,441,647

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## PART I. FINANCIAL INFORMATION

## ITEM I. FINANCIAL STATEMENTS

**TimkenSteel Corporation**  
**Consolidated Statements of Operations (Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
(Dollars in millions, except per share data)				
Net sales	\$339.1	\$213.8	\$987.8	\$654.8
Cost of products sold	320.6	206.3	928.5	629.6
<b>Gross Profit</b>	<b>18.5</b>	7.5	<b>59.3</b>	25.2
Selling, general and administrative expenses	22.5	21.8	67.7	66.8
Restructuring charges	—	—	—	0.3
<b>Operating Loss</b>	<b>(4.0)</b>	(14.3)	<b>(8.4)</b>	(41.9)
Interest expense	3.7	3.9	11.0	8.0
Other income (expense), net	1.9	(17.3)	10.7	(12.1)
<b>Loss Before Income Taxes</b>	<b>(5.8)</b>	(35.5)	<b>(8.7)</b>	(62.0)
Provision (benefit) for income taxes	0.1	(13.3)	1.2	(23.5)
<b>Net Loss</b>	<b>(\$5.9)</b>	(\$22.2)	<b>(\$9.9)</b>	(\$38.5)
<b>Per Share Data:</b>				
<b>Basic loss per share</b>	<b>(\$0.13)</b>	(\$0.50)	<b>(\$0.22)</b>	(\$0.87)
<b>Diluted loss per share</b>	<b>(\$0.13)</b>	(\$0.50)	<b>(\$0.22)</b>	(\$0.87)
<b>Dividends per share</b>	<b>\$—</b>	\$—	<b>\$—</b>	\$—

See accompanying Notes to Unaudited Consolidated Financial Statements.

**TimkenSteel Corporation**  
**Consolidated Statements of Comprehensive Loss (Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
<hr/>				
(Dollars in millions)				
Net Loss	(\$5.9)	(\$22.2)	(\$9.9)	(\$38.5)
Other comprehensive income, net of tax:				
Foreign currency translation adjustments	0.3	(0.5)	1.1	(2.8)
Pension and postretirement liability adjustments	0.1	—	0.4	0.8
Other comprehensive income, net of tax	0.4	(0.5)	1.5	(2.0)
<b>Comprehensive Loss, net of tax</b>	<b>(\$5.5)</b>	<b>(\$22.7)</b>	<b>(\$8.4)</b>	<b>(\$40.5)</b>

See accompanying Notes to Unaudited Consolidated Financial Statements.

**TimkenSteel Corporation**  
**Consolidated Balance Sheets (Unaudited)**

	September 30, 2017	December 31, 2016
(Dollars in millions)		
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$25.8	\$25.6
Accounts receivable, net of allowances (2017 - \$2.6 million; 2016 - \$2.1 million)	160.6	91.6
Inventories, net	219.5	164.2
Deferred charges and prepaid expenses	4.2	2.8
Other current assets	7.4	6.2
<b>Total Current Assets</b>	<b>417.5</b>	<b>290.4</b>
<b>Property, Plant and Equipment, Net</b>	<b>701.6</b>	<b>741.9</b>
<b>Other Assets</b>		
Pension assets	9.8	6.2
Intangible assets, net	20.9	25.0
Other non-current assets	6.0	6.4
<b>Total Other Assets</b>	<b>36.7</b>	<b>37.6</b>
<b>Total Assets</b>	<b>\$1,155.8</b>	<b>\$1,069.9</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable, trade	\$133.8	\$87.0
Salaries, wages and benefits	30.4	20.3
Accrued pension and postretirement costs	3.0	3.0
Other current liabilities	21.4	20.4
<b>Total Current Liabilities</b>	<b>188.6</b>	<b>130.7</b>
<b>Non-Current Liabilities</b>		
Convertible notes, net	69.2	66.4
Other long-term debt	95.2	70.2
Accrued pension and postretirement costs	196.2	192.1
Deferred income taxes	0.7	—
Other non-current liabilities	13.2	13.1
<b>Total Non-Current Liabilities</b>	<b>374.5</b>	<b>341.8</b>
<b>Shareholders' Equity</b>		
Preferred shares, without par value; authorized 10.0 million shares, none issued	—	—
Common shares, without par value; authorized 200.0 million shares; issued 2017 and 2016 - 45.7 million shares	—	—
Additional paid-in capital	842.3	845.6
Retained deficit	(204.1)	(193.9)
Treasury shares - 2017 - 1.3 million; 2016 - 1.5 million	(37.6)	(44.9)
Accumulated other comprehensive loss	(7.9)	(9.4)
<b>Total Shareholders' Equity</b>	<b>592.7</b>	<b>597.4</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$1,155.8</b>	<b>\$1,069.9</b>

See accompanying Notes to Unaudited Consolidated Financial Statements.

**TimkenSteel Corporation**  
**Consolidated Statements of Cash Flows (Unaudited)**

Nine Months Ended September 30,

	2017	2016
(Dollars in millions)		
<b>CASH PROVIDED (USED)</b>		
<b>Operating Activities</b>		
Net loss	(\$9.9)	(\$38.5)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	56.4	56.2
Amortization of deferred financing fees and debt discount	3.1	1.9
Impairment charges and loss on sale or disposal of assets	0.4	1.0
Deferred income taxes	0.7	(24.9)
Stock-based compensation expense	4.9	4.6
Pension and postretirement expense	4.6	23.4
Pension and postretirement contributions and payments	(2.5)	(3.1)
Reimbursement from postretirement plan assets	—	13.3
Changes in operating assets and liabilities:		
Accounts receivable, net	(69.0)	(23.0)
Inventories, net	(55.3)	18.5
Accounts payable, trade	46.8	23.6
Other accrued expenses	10.7	(8.4)
Deferred charges and prepaid expenses	(1.4)	7.6
Other, net	(1.2)	3.3
<b>Net Cash (Used) Provided by Operating Activities</b>	<b>(11.7)</b>	<b>55.5</b>
<b>Investing Activities</b>		
Capital expenditures	(11.9)	(26.1)
<b>Net Cash Used by Investing Activities</b>	<b>(11.9)</b>	<b>(26.1)</b>
<b>Financing Activities</b>		
Proceeds from exercise of stock options	0.2	—
Shares surrendered for employee taxes on stock compensation	(1.4)	—
Credit agreement repayments	(5.0)	(130.0)
Credit agreement borrowings	30.0	—
Debt issuance costs	—	(4.8)
Proceeds from issuance of convertible notes	—	86.3
<b>Net Cash Provided (Used) by Financing Activities</b>	<b>23.8</b>	<b>(48.5)</b>
Effect of exchange rate changes on cash	—	—
<b>Increase (Decrease) In Cash and Cash Equivalents</b>	<b>0.2</b>	<b>(19.1)</b>
Cash and cash equivalents at beginning of period	25.6	42.4
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$25.8</b>	<b>\$23.3</b>

See accompanying Notes to Unaudited Consolidated Financial Statements.

**TimkenSteel Corporation**  
**Notes to Unaudited Consolidated Financial Statements**  
*(dollars in millions, except per share data)*

**Note 1 - Company and Basis of Presentation**

The accompanying Unaudited Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles in the United States (U.S. GAAP) for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) and disclosures considered necessary for a fair presentation have been included. For further information, refer to TimkenSteel's Audited Consolidated Financial Statements and Notes included in its Annual Report on Form 10-K for the year ended December 31, 2016 .

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 (OCTG); 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 (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.

**Change in Accounting Principle**

On December 31, 2016, TimkenSteel 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 per year as of the date of establishment of the TimkenSteel pension and other postretirement plans. For further information refer to our Annual Report on Form 10-K for the year ended December 31, 2016 filed with the SEC.

## Note 2 - Recent Accounting Pronouncements

### *Adoption of New Accounting Standards*

The Company adopted the following Accounting Standard Updates (ASU) during the nine months ended September 30, 2017. With the exception of ASU 2017-07, which is discussed below, the adoption of these standards did not have a material impact on the Unaudited Consolidated Financial Statements or the related Notes to the Unaudited Consolidated Financial Statements.

<b>Standard</b>	
2015-11	Inventory: Simplifying the Measurement of Inventory (Topic 330)
2016-15	Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments (a Consensus of the Emerging Issues Task Force)
2016-16	Accounting for Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory (Topic 740)
2017-07	Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (Topic 715)

In the first quarter of 2017, the FASB issued and the Company early adopted ASU 2017-07, “Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (Topic 715).” This ASU requires entities to present non-service cost components of net periodic benefit cost in a caption below operating loss and provides that only service cost is eligible to be capitalized in inventory or construction of an asset. This ASU requires retrospective application of the change in the statement of operations and prospective application for the capitalization of service cost in assets. This ASU permits previously disclosed components of net periodic benefit costs as an estimation basis for applying the retrospective presentation as a practical expedient. Utilizing the practical expedient approach, based on amounts previously disclosed, the Company reclassified non-service components of net periodic benefit cost from cost of products sold and selling, general and administrative expenses, respectively, into other income (expense), net on the Unaudited Consolidated Statements of Operations. See Note 9 - Retirement and Postretirement Plans for additional information.

### *Accounting Standards Issued But Not Yet Adopted*

In July 2017, the FASB issued ASU 2017-11, Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception. This ASU eliminates the requirement to consider “down round” features when determining whether certain equity-linked financial instruments or embedded features are indexed to an entity’s own stock. It is effective for annual periods beginning after December 31, 2018. Early adoption is permitted. TimkenSteel is currently evaluating the impact of the adoption of this ASU on its results of operations and financial condition.

In May 2017, the FASB issued ASU 2017-09, Compensation — Stock Compensation (Topic 718), Scope of Modification Accounting. This ASU clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as modifications. This ASU shall be applied prospectively to awards modified on or after the adoption date. It is effective for annual periods beginning after December 31, 2017. Early adoption is permitted, including adoption in any interim period for which financial statements have not yet been issued. TimkenSteel will apply this ASU for awards modified on or after January 1, 2018, as applicable. TimkenSteel does not expect this ASU to have a material impact on its results of operations or financial condition.

In January 2017, the FASB issued ASU 2017-01, “Business Combinations - Clarifying the Definition of a Business.” This guidance clarifies the definition of a business when evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. It is effective for annual periods beginning after December 31, 2017. TimkenSteel will apply this ASU to business combinations effective after January 1, 2018, as applicable.

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

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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 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 reporting periods after December 15, 2017. TimkenSteel has substantially completed a review of its customer contracts and has preliminarily determined that its revenue transactions will continue to be recognized at a point in time. Based on the analysis completed to date, the Company's expectation is that this standard will not materially impact the amount or timing of revenue recognized. The Company is finalizing its review of accounting policies, systems and related internal controls in anticipation of adopting ASU 2014-09 as of January 1, 2018, using the modified retrospective approach.

### Note 3 - Inventories

The components of inventories, net as of September 30, 2017 and December 31, 2016 were as follows:

	September 30, 2017	December 31, 2016
Inventories, net:		
Manufacturing supplies	\$36.6	\$37.9
Raw materials	31.7	16.2
Work in process	96.3	58.6
Finished products	63.5	59.6
Subtotal	228.1	172.3
Allowance for surplus and obsolete inventory	(8.6)	(8.1)
Total Inventories, net	\$219.5	\$164.2

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 United States) inventories, valued by FIFO, 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 must be based on management's estimates of expected year-end inventory levels and costs. Because these calculations 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.

The LIFO reserve as of September 30, 2017 and December 31, 2016 was \$53.5 million and \$44.6 million, respectively. TimkenSteel projects that its LIFO reserve will increase for the year ending December 31, 2017 due primarily to higher anticipated raw material costs and inventory quantities.

## Note 4 - Property, Plant and Equipment

The components of property, plant and equipment, net as of September 30, 2017 and December 31, 2016 , were as follows:

	September 30, 2017	December 31, 2016
Property, Plant and Equipment, net:		
Land	\$13.4	\$13.3
Buildings and improvements	418.9	420.6
Machinery and equipment	1,354.1	1,352.0
Construction in progress	51.6	63.9
Subtotal	1,838.0	1,849.8
Less allowances for depreciation	(1,136.4)	(1,107.9)
Property, Plant and Equipment, net	\$701.6	\$741.9

Total depreciation expense was \$51.3 million and \$51.0 million for the nine months ended September 30, 2017 and 2016 , respectively. TimkenSteel recorded capitalized interest related to construction projects of \$0.5 million in both the nine months ended September 30, 2017 and 2016 . During the nine months ended September 30, 2017 , TimkenSteel recorded impairment charges of \$0.4 million in the caption cost of products sold on the Unaudited Consolidated Statements of Operations, related to the discontinued use of certain assets. There were no impairment charges recorded during the nine months ended September 30, 2016 .

## Note 5 - Intangible Assets

The components of intangible assets, net as of September 30, 2017 and December 31, 2016 were as follows:

	September 30, 2017			December 31, 2016		
	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	\$4.0	\$2.3	\$6.3	\$3.7	\$2.6
Technology use	9.0	5.8	3.2	9.0	5.2	3.8
Capitalized software	58.5	43.1	15.4	58.9	40.3	18.6
Total Intangible Assets	\$73.8	\$52.9	\$20.9	\$74.2	\$49.2	\$25.0

Intangible assets subject to amortization are amortized on a straight-line method over their legal or estimated useful lives. Amortization expense for intangible assets for the nine months ended September 30, 2017 and 2016 was \$5.1 million and \$5.2 million , respectively.

## 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

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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 September 30, 2017 and December 31, 2016 were as follows:

	September 30, 2017	December 31, 2016
Principal	\$86.3	\$86.3
Less: Debt issuance costs, net of amortization	(1.8)	(2.1)
Less: Debt discount, net of amortization	(15.3)	(17.8)
Convertible notes, net	\$69.2	\$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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Contractual interest expense	\$1.3	\$1.3	\$3.9	\$1.7
Amortization of debt issuance costs	0.1	0.1	0.3	0.2
Amortization of debt discount	0.9	0.7	2.5	0.9
Total	\$2.3	\$2.1	\$6.7	\$2.8

The fair value of the Convertible Notes was approximately \$ 162.8 million as of September 30, 2017 . 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 September 2017 .

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 delivery, 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 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.

[Table of Contents](#)**Other Long-Term Debt**

The components of other long-term debt as of September 30, 2017 and December 31, 2016 were as follows:

	September 30, 2017	December 31, 2016
Variable-rate State of Ohio Water Development Revenue Refunding Bonds, maturing on November 1, 2025 (0.862% as of September 30, 2017)	\$12.2	\$12.2
Variable-rate State of Ohio Air Quality Development Revenue Refunding Bonds, maturing on November 1, 2025 (0.862% as of September 30, 2017)	9.5	9.5
Variable-rate State of Ohio Pollution Control Revenue Refunding Bonds, maturing on June 1, 2033 (0.862% as of September 30, 2017)	8.5	8.5
Amended Credit Agreement, due 2019 (LIBOR plus applicable spread)	65.0	40.0
<b>Total Other Long-Term Debt</b>	<b>\$95.2</b>	<b>\$70.2</b>

**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 September 30, 2017, 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 and Restated 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 5.2% as of September 30, 2017. The amount available under the Amended Credit Agreement as of September 30, 2017 was \$164.3 million net, after reducing for the block on availability of \$33.1 million.

**Revenue Refunding Bonds**

On June 1, 2014, The Timken Company (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

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Bonds to the weekly rate and the delivery of the replacement letters of credit, as applicable. The replacement letters of credit had an initial stated term of one year that, upon request by the Company, and with approval by the issuing bank, can be renewed annually thereafter for subsequent one year terms.

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.

As of September 30, 2017, the Company has requested and the issuing banks have approved renewal of the Air Quality Bonds and Pollution Control Bonds through June 2018 and the Water Bonds through August 2018. TimkenSteel is responsible for payment of the interest and principal associated with the Bonds subsequent to the Remarketing Date.

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 Accounting Standard Codification (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 Unaudited Consolidated Financial Statements. As of September 30, 2017, \$39.6 million has been spent on the new advanced quench-and-temper facility and is reported in property, plant and equipment, net in the Unaudited Consolidated Balance Sheets. Of this amount, \$11.8 million has been financed through the lease arrangement described above.

**Note 7 - Accumulated Other Comprehensive Loss**

Changes in accumulated other comprehensive loss for the nine months ended September 30, 2017 and 2016 by component are as follows:

	Foreign Currency Translation Adjustments	Pension and Postretirement Liability Adjustments	Total
Balance at December 31, 2016	(\$7.0)	(\$2.4)	(\$9.4)
Other comprehensive income before reclassifications, before income tax	1.1	—	1.1
Amounts reclassified from accumulated other comprehensive loss, before income tax	—	1.1	1.1
Income tax benefit	—	(0.7)	(0.7)
Net current period other comprehensive income, net of income taxes	1.1	0.4	1.5
<b>Balance at September 30, 2017</b>	<b>(\$5.9)</b>	<b>(\$2.0)</b>	<b>(\$7.9)</b>

	Foreign Currency Translation Adjustments	Pension and Postretirement Liability Adjustments	Total
Balance at December 31, 2015	(\$5.0)	(\$2.9)	(\$7.9)
Other comprehensive loss before reclassifications, before income tax	(2.8)	—	(2.8)
Amounts reclassified from accumulated other comprehensive loss, before income tax	—	1.2	1.2
Income tax benefit	—	(0.4)	(0.4)
Net current period other comprehensive (loss) income, net of income taxes	(2.8)	0.8	(2.0)
<b>Balance as of September 30, 2016</b>	<b>(\$7.8)</b>	<b>(\$2.1)</b>	<b>(\$9.9)</b>

The amount reclassified from accumulated other comprehensive loss for the pension and postretirement liability adjustment was included in other income (expense), net in the Unaudited Consolidated Statements of Operations. These accumulated other comprehensive loss components are components of net periodic benefit cost. See Note 9 - Retirement and Postretirement Plans for additional information.

## Note 8 - Changes in Shareholders' Equity

Changes in the components of shareholders' equity for the nine months ended September 30, 2017 were as follows:

	Total	Additional Paid-in Capital	Retained Deficit	Treasury Shares	Accumulated Other Comprehensive Loss
Balance at December 31, 2016	\$597.4	\$845.6	(\$193.9)	(\$44.9)	(\$9.4)
Net loss	(9.9)	—	(9.9)	—	—
Pension and postretirement adjustment, net of tax	0.4	—	—	—	0.4
Foreign currency translation adjustments	1.1	—	—	—	1.1
Stock-based compensation expense	4.9	4.9	—	—	—
Stock option activity	0.2	0.2	—	—	—
Issuance of treasury shares	—	(8.4)	(0.3)	8.7	—
Shares surrendered for taxes	(1.4)	—	—	(1.4)	—
<b>Balance at September 30, 2017</b>	<b>\$592.7</b>	<b>\$842.3</b>	<b>(\$204.1)</b>	<b>(\$37.6)</b>	<b>(\$7.9)</b>

## Note 9 - Retirement and Postretirement Plans

The components of net periodic benefit cost for the three and nine months ended September 30, 2017 and 2016 were as follows:

Components of net periodic benefit cost:	Three Months Ended September 30, 2017		Three Months Ended September 30, 2016	
	Pension	Postretirement	Pension	Postretirement
Service cost	\$4.6	\$0.4	\$3.9	\$0.4
Interest cost	12.3	2.1	13.2	2.4
Expected return on plan assets	(17.7)	(1.3)	(18.1)	(1.5)
Amortization of prior service cost	0.1	0.2	0.1	0.2
Net remeasurement loss	2.3	—	20.4	—
<b>Net Periodic Benefit Cost</b>	<b>\$1.6</b>	<b>\$1.4</b>	<b>\$19.5</b>	<b>\$1.5</b>

Components of net periodic benefit cost:	Nine Months Ended September 30, 2017		Nine Months Ended September 30, 2016	
	Pension	Postretirement	Pension	Postretirement
Service cost	\$13.8	\$1.2	\$11.7	\$1.2
Interest cost	36.8	6.3	39.8	7.1
Expected return on plan assets	(52.9)	(4.0)	(53.6)	(4.4)
Amortization of prior service cost	0.3	0.8	0.4	0.8
Net remeasurement loss	2.3	—	20.4	—
<b>Net Periodic Benefit Cost</b>	<b>\$0.3</b>	<b>\$4.3</b>	<b>\$18.7</b>	<b>\$4.7</b>

The service cost component is included in cost of products sold and selling, general and administrative expenses. The non-service cost components of net periodic benefit costs are included in other income (expense), net in the Unaudited Consolidated Statements of Operations. The Company utilized the practical expedient approach, based on amounts previously disclosed, to reclassify non-service components of net periodic benefit cost from cost of products sold and selling, general and administrative expenses, into other income (expense), net on the Unaudited Consolidated Statements of Operations.

The following table sets forth the amounts reclassified into other income (expense), net for the three and nine months ended September 30, 2016 .

	Three	Nine
	Months ended September 30, 2016	
Cost of products sold	(\$13.3)	(\$7.7)
Selling, general and administrative expenses	(3.4)	(2.8)
	(\$16.7)	(\$10.5)

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 2017 and 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, 2017 and 2016, which resulted in a non-cash pre-tax loss from remeasurement of \$ 2.3 million and \$ 20.4 million , respectively, included in other income (expense), net on the Unaudited Consolidated Statements of Operations.

## Note 10 - Earnings Per Share

Basic earnings (loss) per share is computed based upon the weighted average number of common shares outstanding. Diluted earnings (loss) per share is computed based upon the weighted average number of common shares outstanding plus the dilutive effect of common share equivalents calculated using the treasury stock 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 (loss) 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.

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

The following table sets forth the reconciliation of the numerator and the denominator of basic and diluted loss per share for the three and nine months ended September 30, 2017 and 2016 :

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
<b>Numerator:</b>				
Net loss for basic and diluted earnings per share	(\$5.9)	(\$22.2)	(\$9.9)	(\$38.5)
<b>Denominator:</b>				
Weighted average shares outstanding, basic	44,433,094	44,221,310	44,373,264	44,215,373
Dilutive effect of stock-based awards	—	—	—	—
Weighted average shares outstanding, diluted	44,433,094	44,221,310	44,373,264	44,215,373
<b>Basic loss per share</b>	<b>(\$0.13)</b>	<b>(\$0.50)</b>	<b>(\$0.22)</b>	<b>(\$0.87)</b>
<b>Diluted loss per share</b>	<b>(\$0.13)</b>	<b>(\$0.50)</b>	<b>(\$0.22)</b>	<b>(\$0.87)</b>

## Note 11 - Income Taxes

TimkenSteel's provision (benefit) for income taxes in interim periods is computed by applying the appropriate estimated annual effective tax rates to income or loss before income taxes for the period. In addition, non-recurring or discrete items, including interest on prior-year tax liabilities, are recorded during the periods in which they occur.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Provision (benefit) for income taxes	\$0.1	(\$13.3)	\$1.2	(\$23.5)
Effective tax rate	(1.5)%	37.5%	(14.0)%	37.9%

For the nine months ended September 30, 2017 and the year ended December 31, 2016, operating losses generated in the U.S. resulted in a decrease in the carrying value of the Company's U.S. net deferred tax liability to the point that would result in a net U.S. deferred tax asset at September 30, 2017 and 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 full valuation allowance on its net U.S. deferred tax asset of \$ 15.6 million . 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 conclude that a valuation allowance is not necessary. The increase in the effective tax rate for the nine months ended September 30, 2017 is primarily due to a discrete charge of approximately \$1.0 million recorded in the second quarter of 2017.

## Note 12 - 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 September 30, 2017 and December 31, 2016 , TimkenSteel had a \$0.7 million and \$0.2 million contingency reserve, respectively, related to loss exposures incurred in the ordinary course of business.

### *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. 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. As of September 30, 2017 and December 31, 2016, TimkenSteel had a \$0.5 million and a \$0.6 million reserve for such environmental matters, respectively, classified as other current and non-current liabilities on the Unaudited Consolidated Balance Sheets.

The following is a rollforward of the accrual related to environmental matters for the nine months ended September 30, 2017 and 2016:

	Nine Months Ended September 30,	
	2017	2016
Beginning Balance, January 1	\$0.6	\$0.8
Expenses	0.1	—
Payments	(0.2)	(0.2)
<b>Ending Balance, September 30</b>	<b>\$0.5</b>	<b>\$0.6</b>

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*(dollars in millions, except per share data)*

### 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 from The Timken Company (Timken) on June 30, 2014 .

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 (OCTG); 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.

The collective bargaining agreement between the Company and the United Steelworkers (USW) Local 1123, which had an expiration date of September 25, 2017 has been extended, and we remain in discussions with USW representatives regarding a new collective bargaining agreement. We continue to operate uninterrupted under the terms of the existing collective bargaining agreement.

### 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 approximately \$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. The Company anticipates beginning operations in the fourth quarter of 2017.

### 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.

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We value approximately 64% 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**

	<b>Three Months Ended September 30,</b>			
	<b>2017</b>	<b>2016</b>	<b>Increase (Decrease)</b>	<b>% Change</b>
Net sales	<b>\$339.1</b>	\$213.8	\$125.3	58.6 %
Net sales, excluding surcharges	<b>261.2</b>	184.9	76.3	41.3 %
Gross profit	<b>18.5</b>	7.5	11.0	146.7 %
Gross margin	<b>5.5%</b>	3.5%	NM	200 bps
Selling, general and administrative expenses	<b>22.5</b>	21.8	0.7	3.2 %
Net income	<b>(5.9)</b>	(22.2)	16.3	(73.4)%
Average scrap index per ton (30 day lag)	<b>374</b>	272	102	37.5 %
Average selling price per ton, including surcharges	<b>\$1,170</b>	\$1,202	(\$32)	(2.7)%
Shipments (in tons)	<b>289,942</b>	177,823	112,119	63.1 %
Melt utilization	<b>74%</b>	44%	NM	30 pp

	<b>Nine Months Ended September 30,</b>			
	<b>2017</b>	<b>2016</b>	<b>Increase (Decrease)</b>	<b>% Change</b>
Net sales	<b>\$987.8</b>	\$654.8	\$333.0	50.9 %
Net sales, excluding surcharges	<b>773.8</b>	587.2	186.6	31.8 %
Gross profit	<b>59.3</b>	25.2	34.1	135.3 %
Gross margin	<b>6.0%</b>	3.8%	NM	220 bps
Selling, general and administrative expenses	<b>67.7</b>	66.8	0.9	1.3 %
Net loss	<b>(9.9)</b>	(38.5)	28.6	74.3 %
Average scrap index per ton (30 day lag)	<b>353</b>	229	124	54.1 %
Average selling price per ton, including surcharges	<b>\$1,143</b>	\$1,183	(\$40)	(3.4)%
Shipments (in tons)	<b>864,446</b>	553,646	310,800	56.1 %
Melt utilization	<b>74%</b>	45%	NM	29 pp

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 price and product mix.

**Net Sales**

Net sales for the third quarter of 2017 were \$339 million , an increase of \$125 million compared to the third quarter of 2016 . Excluding surcharges, net sales increased \$76 million , or 41% . The increase was due to higher volumes of \$124 million, offset by price/mix of approximately \$48 million. For the three months ended September 30, 2017 , ship tons increased by 112 thousand tons, or 63% compared to the same period in 2016, due primarily to market penetration and sales initiatives, including 56 thousand tons of new billet business to the tube manufacturers supplying the OCTG market.

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Net sales for the nine months ended 2017 were \$988 million , an increase of 51% compared to the same period in 2016 . Excluding surcharges, net sales increased \$187 million , or 32% . The increase was due to higher volumes of \$346 million, offset by price/mix of approximately \$159 million. For the nine months ended September 30, 2017 , ship tons increased 311 thousand tons, or 56% compared to the same period in 2016 , due primarily to market penetration and sales initiatives, including 162 thousand tons of new billet business to the tube manufacturers supplying the OCTG market.

**Gross Profit**

Gross profit for the third quarter of 2017 was \$19 million , an increase of \$ 11 million , or 147% , compared to gross profit of \$8 million for the third quarter of 2016 . The increase was driven primarily by higher volumes of approximately \$21 million, favorable raw material spread of approximately \$10 million and production efficiencies of approximately \$26 million as a result of increased melt utilization to 74% for the third quarter of 2017 compared to 44% for the third quarter of 2016 , partially offset by price/mix of approximately \$39 million and higher LIFO expense of approximately \$7 million.

Gross profit for the nine months ended September 30, 2017 was \$59 million , an increase of \$34 million , or 135% , compared to gross profit of \$25 million for the same period in 2016 . The increase was driven primarily by higher volumes of approximately \$58 million, favorable raw material spread of approximately \$32 million, a supplier refund of approximately \$5 million and production efficiencies of approximately \$53 million as a result of increased melt utilization to 74% for the nine months ended September 30, 2017 compared to 45% for the same period in 2016 , partially offset by price/mix of approximately \$99 million and higher LIFO expense of approximately \$15 million.

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 nine months ended September 30, 2017 , the surcharge favorably impacted gross margin as a percent of sales.

**Selling, General and Administrative Expenses**

Selling, general and administrative (SG&A) expenses increased approximately \$ 1 million in both the third quarter of 2017 and in the nine months ended September 30, 2017 compared to the same periods in 2016 due primarily to variable compensation costs.

**Interest Expense**

	Three Months Ended September 30,		
	2017	2016	\$ Change
Cash interest paid	\$0.8	\$0.9	(\$0.1)
Accrued interest	1.9	1.9	—
Amortization of convertible notes discount and deferred financing	1.0	1.1	(0.1)
Total Interest Expense	\$3.7	\$3.9	(\$0.2)

  

	Nine Months Ended September 30,		
	2017	2016	\$ Change
Cash interest paid	\$6.0	\$4.2	\$1.8
Accrued interest	1.9	1.9	—
Amortization of convertible notes discount and deferred financing	3.1	1.9	1.2
Total Interest Expense	\$11.0	\$8.0	\$3.0

Interest expense decreased \$0.2 million in the third quarter of 2017 compared to the same period in 2016. Interest expense for the nine months ended September 30, 2017 increased approximately \$3 million , compared to the same period in 2016 , due primarily to the issuance in May 2016 of the 6.00% Convertible Senior Notes due in 2021 (Convertible Notes).

**Other Income (Expense), Net**

	<b>Three Months Ended September 30,</b>			
	<b>2017</b>	<b>2016</b>	<b>\$ Change</b>	<b>% Change</b>
Non-service components of benefit cost	<b>\$4.3</b>	\$3.7	(\$0.6)	16.2 %
Loss from remeasurement of benefit plans	<b>(2.3)</b>	(20.4)	(\$18.1)	(88.7)%
Other	<b>(0.1)</b>	(0.6)	(\$0.5)	(83.3)%
Other income (expense), net	<b>\$1.9</b>	(\$17.3)	(\$19.2)	(111.0)%

  

	<b>Nine Months Ended September 30,</b>			
	<b>2017</b>	<b>2016</b>	<b>\$ Change</b>	<b>% Change</b>
Non-service components of benefit cost	<b>\$12.7</b>	\$9.9	(\$2.8)	28.3 %
Loss from remeasurement of benefit plans	<b>(2.3)</b>	(20.4)	(\$18.1)	(88.7)%
Other	<b>0.3</b>	(1.6)	(\$1.9)	(118.8)%
Other income (expense), net	<b>\$10.7</b>	(\$12.1)	(\$22.8)	(188.4)%

Other income (expense), net was income of \$1.9 million and \$10.7 million for the three and nine months ended September 30, 2017, respectively compared to expense of \$17.3 million and \$12.1 million in the three and nine months ended September 30, 2016, respectively. The change in the three and nine months ended September 30, 2017 is primarily due to the change in the loss from remeasurement of benefit plans. See Note 9 - Retirement and Postretirement Plans in the Notes to Unaudited Consolidated Financial Statements for a discussion regarding the loss from remeasurement of benefit plans.

**Provision (Benefit) for Income Taxes**

	<b>Three Months Ended September 30,</b>			
	<b>2017</b>	<b>2016</b>	<b>\$ Change</b>	<b>% Change</b>
Provision (benefit) for income taxes	<b>\$0.1</b>	(\$13.3)	(\$13.4)	(100.8)%
Effective tax rate	<b>(1.5)%</b>	37.5%	NM	(3900) bps

  

	<b>Nine Months Ended September 30,</b>			
	<b>2017</b>	<b>2016</b>	<b>\$ Change</b>	<b>% Change</b>
Provision (benefit) for income taxes	<b>\$1.2</b>	(\$23.5)	(\$24.7)	(105.1)%
Effective tax rate	<b>(14.0)%</b>	37.9%	NM	(5,190)bps

For the year ended December 31, 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 nine months ended September 30, 2017 and in the fourth quarter of 2016, we recorded 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. The increase in the effective tax rate for the nine months ended September 30, 2017 is primarily due to a discrete charge of approximately \$1.0 million recorded in the second quarter of 2017.

**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 has not been determined 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.

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

	Three Months Ended September 30,									
	2017					2016				
	Mobile	Industrial	Energy	Other	Total	Mobile	Industrial	Energy	Other	Total
Tons	100.8	106.2	26.7	56.2	289.9	100.5	70.2	7.1	—	177.8
Net Sales	\$127.5	\$126.3	\$37.7	\$47.6	\$339.1	\$120.4	\$79.7	\$8.7	\$5.0	\$213.8
Less: Surcharges	27.1	28.8	6.4	15.6	77.9	16.3	11.3	1.3	—	28.9
Base Sales	\$100.4	\$97.5	\$31.3	\$32.0	\$261.2	\$104.1	\$68.4	\$7.4	\$5.0	\$184.9
Net Sales / Ton	\$1,265	\$1,189	\$1,412	\$847	\$1,170	\$1,198	\$1,135	\$1,225	N/A	\$1,202
Base Sales / Ton	\$996	\$918	\$1,172	\$569	\$901	\$1,036	\$974	\$1,042	N/A	\$1,040

	Nine Months Ended September 30,									
	2017					2016				
	Mobile	Industrial	Energy	Other	Total	Mobile	Industrial	Energy	Other	Total
Tons	324.4	308.4	69.3	162.3	864.4	317.4	216.8	19.4	—	553.6
Net Sales	\$399.7	\$357.1	\$99.0	\$132.0	\$987.8	\$365.8	\$246.2	\$27.7	\$15.1	\$654.8
Less: Surcharges	78.2	76.9	15.3	43.4	213.8	38.0	26.9	2.7	—	67.6
Base Sales	\$321.5	\$280.2	\$83.7	\$88.6	\$774.0	\$327.8	\$219.3	\$25.0	\$15.1	\$587.2
Net Sales / Ton	\$1,232	\$1,158	\$1,429	\$813	\$1,143	\$1,152	\$1,136	\$1,428	N/A	\$1,183
Base Sales / Ton	\$991	\$909	\$1,208	\$546	\$895	\$1,033	\$1,012	\$1,289	N/A	\$1,061

**Balance Sheet**

The following discussion is a comparison of the Consolidated Balance Sheets as of September 30, 2017 (Unaudited) and December 31, 2016 :

	September 30, 2017	December 31, 2016
<b>Current Assets</b>		
Cash and cash equivalents	\$25.8	\$25.6
Accounts receivable, net	160.6	91.6
Inventories, net	\$219.5	\$164.2
Deferred charges and prepaid expenses	4.2	2.8
Other current assets	7.4	6.2
<b>Total Current Assets</b>	<b>\$417.5</b>	<b>\$290.4</b>

Refer to the Liquidity and Capital Resources section of this Management's Discussion and Analysis of Financial Condition and Results of Operations for a discussion of the change in cash and cash equivalents. Accounts receivable, net increased \$69 million as of September 30, 2017 compared to December 31, 2016 , due to an increase in net sales of \$124 million in the third quarter of 2017 compared to the fourth quarter of 2016. Inventories, net increased approximately \$55 million as of September 30, 2017 compared to December 31, 2016 primarily due to efforts to align inventories with anticipated sales volumes as well as increased costs.

	September 30, 2017	December 31, 2016
<b>Property, Plant and Equipment</b>		
Property, plant and equipment, net	\$701.6	\$741.9

Property, plant and equipment, net decreased approximately \$40 million as of September 30, 2017 compared to December 31, 2016 . The decrease was primarily due to depreciation expense of approximately \$51 million , partially offset by capital expenditures of approximately \$12 million , during the nine months ended September 30, 2017 .

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<b>Other Assets</b>	<b>September 30, 2017</b>	<b>December 31, 2016</b>
Pension assets	\$9.8	\$6.2
Intangible assets, net	20.9	25.0
Other non-current assets	6.0	6.4
Total Other Assets	\$36.7	\$37.6

Pension assets increased approximately \$ 4 million as of September 30, 2017 compared to December 31, 2016 , primarily driven by an annual pension contribution made in the first quarter of 2017 to the Company's U.K. pension plan. Intangible assets, net decreased approximately \$4 million as of September 30, 2017 compared to December 31, 2016 , primarily due to amortization expense of \$5 million recognized in the nine months ended September 30, 2017 .

<b>Liabilities and Shareholders' Equity</b>	<b>September 30, 2017</b>	<b>December 31, 2016</b>
Current liabilities	<b>\$188.6</b>	\$130.7
Convertible notes, net	<b>69.2</b>	66.4
Other long-term debt	<b>95.2</b>	70.2
Accrued pension and postretirement costs - long-term	<b>196.2</b>	192.1
Deferred income taxes	<b>0.7</b>	—
Other non-current liabilities	<b>13.2</b>	13.1
Total shareholders' equity	<b>592.7</b>	597.4
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$1,155.8</b>	\$1,069.9

Current liabilities increased approximately \$58 million as of September 30, 2017 compared to December 31, 2016 , primarily due to an increase in accounts payable of approximately \$47 million from increased inventory levels, and higher compensation related accruals.

See Note 6 - Financing Arrangements in the Notes to Unaudited Consolidated Financial Statements for a discussion of the change in the Convertible Notes.

Other long-term debt increased due to borrowings of \$25 million on the Amended Credit Agreement primarily to fund working capital.

Refer to Note 8 - Changes in Shareholders' Equity in the Notes to Unaudited Consolidated Financial Statements for details of the decrease in 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.

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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.

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 Unaudited 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 September 30, 2017 and December 31, 2016:

	September 30, 2017	December 31, 2016
Cash and cash equivalents	\$25.8	\$25.6
<b>Amended Credit Agreement:</b>		
Maximum availability	\$265.0	\$194.4
Amount borrowed	65.0	40.0
Letter of credit obligations	2.6	1.6
Availability not borrowed	197.4	152.8
Availability block	33.1	33.1
Net availability	\$164.3	\$119.7
Total liquidity	\$190.1	\$145.3

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, expected cash flows from operations and borrowings available under the Amended Credit Agreement 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 growing market demand and maintaining the benefits to our operating results and cash flows driven by the restructuring and cost reduction activities taken during 2015 that streamlined our organizational structure, lowered operating costs and increased liquidity.

As of September 30, 2017, 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 September 30, 2017 of \$25.8 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 additional discussion regarding risk factors related to our business and our debt, see Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2016.

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

[Table of Contents](#)**Cash Flows**

The following table reflects the major categories of cash flows for the nine months ended September 30, 2017 and 2016 . For additional details, please see the Unaudited Consolidated Statements of Cash Flows contained elsewhere in this quarterly report.

<b>Cash Flows</b>	<b>Nine Months Ended September 30,</b>	
	<b>2017</b>	<b>2016</b>
Net cash (used) provided by operating activities	<b>(\$11.7)</b>	\$55.5
Net cash used by investing activities	<b>(11.9)</b>	(26.1)
Net cash provided (used) by financing activities	<b>23.8</b>	(48.5)
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$0.2</b>	(\$19.1)

*Operating activities*

Net cash used by operating activities for the nine months ended September 30, 2017 was approximately \$12 million compared to cash provided by operating activities of approximately \$56 million for the nine months ended September 30, 2016 . The \$68 million decrease was primarily due to cash used by working capital of \$68 million for the nine months ended September 30, 2017 compared to cash provided by working capital of \$18 million during the same period in 2016 . Refer to the Unaudited Consolidated Statements of Cash Flows for additional information.

*Investing activities*

Net cash used by investing activities for the nine months ended September 30, 2017 and 2016 was approximately \$12 million and \$26 million , respectively. Cash used for investing activities primarily relates to capital investments in our production processes. Capital spending decreased approximately \$ 14 million due to lower spending compared to the nine months ended September 30, 2016 , as a result of targeted strategic capital allocations.

Our business sometimes requires capital investments to maintain our plants and equipment to remain competitive and ensure we can implement strategic initiatives. Our \$52 million construction in progress balance as of September 30, 2017 includes: (a) \$42 million relating to growth initiatives (i.e., new product offerings, additional capacity and new capabilities) and continuous improvement projects; and (b) \$10 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 \$31 million of additional costs including approximately \$23 million relating to additional growth initiatives and continuous improvement and approximately \$8 million of additional costs to complete other remaining projects. These additional costs are expected to be incurred during the next one to three years.

*Financing activities*

Net cash provided by financing activities for the nine months ended September 30, 2017 was approximately \$24 million compared to net cash used by financing activities of approximately \$49 million for the nine months ended September 30, 2016 . The change was mainly due to borrowings of \$30 million on the Amended Credit Agreement during the nine months ended September 30, 2017 compared to repayments of \$130 million on the Amended Credit Agreement, partially offset by the proceeds of \$86.3 million from the issuance of the Convertible Notes during the nine months ended September 30, 2016 .

**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 to fixed charges. Fixed charges include, among other things, cash interest, scheduled principal payments, cash taxes, dividends, capital expenditures, and capital lease obligation payments. As of September 30, 2017 , we were in compliance with this covenant throughout the term of the Amended Credit Agreement.

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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.

For additional discussion regarding risk factors related to our business and our debt, see Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2016.

**Dividends and Share Repurchases**

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

**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.

There have been no material changes to these policies during the nine months ended September 30, 2017 . For a summary of the critical accounting policies and estimates that we used in the preparation of our Unaudited Consolidated Financial Statements, see our Annual Report on Form 10-K for the year ended December 31, 2016 .

**New Accounting Guidance**

See Note 2 - Recent Accounting Pronouncements to our Unaudited Consolidated Financial Statements for a discussion of recently issued accounting pronouncements.

### ***Forward-Looking Statements***

Certain statements set forth in this Form 10-Q (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 Form 10-Q. 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 Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2016 .

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 3. 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 September 30, 2017, we have \$164.4 million of aggregate debt outstanding, of which \$95.2 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 \$1 million annually, with a corresponding increase in 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 United States. 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 4. CONTROLS AND PROCEDURES

#### (a) Disclosure Controls and Procedures

As of the end of the period covered by this quarterly report, we carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our 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 our disclosure controls and procedures were effective as of the end of the period covered by this quarterly report.

#### (b) Changes in Internal Control Over Financial Reporting

During the Company's most recent fiscal quarter, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. 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 1A. Risk Factors

We are subject to various risks and uncertainties in the course of our business. The discussion of such risks and uncertainties may be found under Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2016 filed with the SEC. There have been no material changes to such risk factors.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

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**Item 6. Exhibits**

<b>Exhibit Number</b>	<b>Exhibit Description</b>
10.1*	<a href="#">Form of Severance Agreement between TimkenSteel and Certain Executive Officers</a>
12.1*	<a href="#">Computation of Ratio of Earnings to Fixed Charges.</a>
31.1*	<a href="#">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.</a>
31.2*	<a href="#">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.</a>
32.1**	<a href="#">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.</a>
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

\* Filed herewith.

\*\* Furnished herewith.

**SIGNATURES**

Pursuant to the requirements 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: October 26, 2017

/s/ Christopher J. Holding

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

**INDEX TO EXHIBITS**

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101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

**FORM SEVERANCE AGREEMENT**

This Severance Agreement (the “Agreement”) is dated as of the \_\_day of \_\_\_\_, \_\_\_\_, between TimkenSteel Corporation, an Ohio corporation (the “Company”), and **Employee** (the “Employee”).

Recitals

WHEREAS, the Employee is a key employee of the Company and has made and is expected to continue to make major contributions to the profitability, growth and financial strength of the Company;

WHEREAS, the Company wishes to induce its key employees to remain in the employment of the Company and to assure itself of stability and continuity of operations by providing severance protection to those key employees who are expected to make major contributions to the success of the Company. In addition, the Company recognizes that a termination of employment may occur following a change in control in circumstances where the Employee should receive additional compensation for services theretofore rendered and for other good reasons, the appropriate amount of which would be difficult to ascertain. Hence, the Company has agreed to provide special severance in the event of a change in control of the Company ;

NOW, THEREFORE, in consideration of the premises provided for in this Agreement, including the Release provided for in Section 7 hereof, the Company and the Employee agree as follows:

1. Definitions :

1.1 Base Salary: The term “Base Salary” shall mean the Employee’s annual base salary as in effect on the date this Agreement becomes operative, as the same may be increased from time to time.

1.2 Board: The term “Board” shall mean the Board of Directors of the Company.

1.3 Change in Control: “Change in Control” means the occurrence during the Term of any of the following events:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a “Person”) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% or more of either: (i) the then-outstanding Common Shares; or (ii) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (“Voting Shares”); provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change in Control: (A) any acquisition directly from the Company; (B) any acquisition by the Company; (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its Subsidiaries; or (D) any acquisition by any Person pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c); or

(b) Individuals who, as of the date hereof, constitute the Board (the “Incumbent Board”) cease for any reason (other than death or disability) to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company’s shareholders, was approved by a vote or the approval of at least a majority of the directors then comprising the Incumbent Board (either by a specific vote or written action or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination) shall be considered as though such individual were a member of the Incumbent Board, but excluding for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(c) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or

substantially all of the assets of the Company (a “Business Combination”), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Common Shares and Voting Shares immediately prior to such Business Combination beneficially own, directly or indirectly, more than 66-2/3% of, respectively, the then-outstanding common shares and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions relative to each other as their ownership, immediately prior to such Business Combination, of the Common Shares and Voting Shares of the Company, as the case may be, (ii) no Person (excluding any entity resulting from such Business Combination or any employee benefit plan (or related trust) sponsored or maintained by the Company or such entity resulting from such Business Combination) beneficially owns, directly or indirectly, 30% or more of, respectively, the then-outstanding common shares of the entity resulting from such Business Combination, or the combined voting power of the then-outstanding voting securities of such entity except to the extent that such ownership existed prior to the Business Combination, and (iii) at least a majority of the members of the board of directors of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(d) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

The Company shall give the Employee written notice, delivered to the Employee in the manner specified in Section 9 hereof, of the occurrence of any event constituting a Change in Control as promptly as practical, and in no case later than 10 calendar days, after the occurrence of such event.

1.4 CIC Severance Amount : The term “CIC Severance Amount” shall mean an amount equal to the sum of:

(a) **One and one-half** the greater of (i) the Employee’s Base Salary in effect immediately prior to the Employee’s Termination of Employment or (ii) the Employee’s Base Salary in effect immediately prior to the Change in Control;

(b) **One and one-half** the greater of (i) the Employee’s Incentive Pay for the year in which the Employee’s employment is terminated or (ii) the Employee’s Incentive Pay for the year in which the Change in Control occurred;

(c) The Enhanced Supplemental Pension Benefit; and

(d) The Supplemental SIP Plan Benefit.

1.5 Code : The term “Code” shall mean the Internal Revenue Code of 1986, as amended.

1.6 Common Shares : The term “Common Shares” means the common shares, without par value, of the Company.

1.7 Company Termination Event : The term “Company Termination Event” shall mean the Termination of Employment of the Employee by the Company or otherwise in any of the following events and prior to any Employee Termination Event:

(a) The Employee’s death;

(b) If the Employee shall become eligible to receive and begins actually to receive long-term disability benefits under the Long Term Disability Program of TimkenSteel Corporation or any successor plan; or

(c) For Cause. Termination of Employment shall be deemed to be for “Cause” only if based on the fact that the Employee has done any of the following:

(i) An intentional act of fraud, embezzlement or theft in connection with his duties with the

Company;

(ii) Intentional wrongful disclosure of secret processes or confidential information of the Company or a Company subsidiary; or

(iii) Intentional wrongful engagement in any Competitive Activity which would constitute a material breach of the Employee's duty of loyalty to the Company.

For purposes of this Agreement, no act, or failure to act, on the part of the Employee shall be deemed "intentional" unless done or omitted to be done, by the Employee not in good faith and without reasonable belief that his action or omission was in or not opposed to the best interest of the Company.

1.8 Competitive Activity: The term "Competitive Activity" shall mean the Employee's participation, without the written consent of an officer of the Company, in the management of any business enterprise if such enterprise engages in substantial and direct competition with the Company and such enterprise's sales of any product or service competitive with any product or service of the Company amounted to 25% of such enterprise's net sales for its most recently completed fiscal year and if the Company's net sales of said product or service amounted to 25% of the Company's net sales for its most recently completed fiscal year. "Competitive Activity" shall not include (a) the mere ownership of securities in any enterprise and exercise of rights appurtenant thereto or (b) participation in management of any enterprise or business operation thereof other than in connection with the competitive operation of such enterprise.

1.9 Employee Termination Event: The term "Employee Termination Event" shall mean the Termination of Employment of the Employee (including a decision to retire if eligible under the TimkenSteel Corporation Retirement Plan, or any successor plan (the "Retirement Plan")) by the Employee in any of the following events:

(a) A determination by the Employee made in good faith that upon or after the occurrence of a Change in Control: (i) a material reduction in the nature or scope of the responsibilities, authorities or duties of the Employee attached to the Employee's position held immediately prior to the Change in Control has occurred; or (ii) a change of more than 60 miles has occurred in the location of the Employee's principal office immediately prior to the Change in Control;

(b) A material reduction by the Company in the Employee's Base Salary upon or after the occurrence of a Change in Control;

For purposes of this Agreement, the amount of any reduction in annual base salary elected by the Employee pursuant to any qualified or non-qualified salary reduction arrangement maintained by the Company, including, without limitation, the TimkenSteel Corporation Savings and Investment Pension Plan (the "SIP Plan") and the TimkenSteel Corporation 2014 Deferred Compensation Plan (the "Deferred Compensation Plan"), shall be included in the determination of Base Salary; or

(c) An action or inaction that constitutes a material breach by the Company of this Agreement (including, but not limited to, a breach of Section 8.1 hereof) upon or after the occurrence of a Change in Control.

Notwithstanding the foregoing, no Termination of Employment by the Employee will be an Employee Termination Event unless (x) the Employee gives the Company notice of the existence of a condition described in subsection (a), (b), or (c), above within 90 days of the initial existence of such condition, and (y) the Company does not remedy such condition described in clause (a), (b), or (c) above, as applicable, within 30 days of receiving the notice described in the preceding clause (x), and (z) the Employee terminates employment within 2 years after the initial existence of a condition described in subsection (a), (b), or (c), above.

1.10 Enhanced Supplemental Pension Benefit: The term "Enhanced Supplemental Pension Benefit" shall mean (a) less (b), where:

(a) is the Primary Supplemental Pension Benefit determined by assuming (i) the Employee was credited

with additional service with the Company equal to the period of time between the Termination Date and the first to occur of either (A) the end of the Limited Period or (B) the end of the Severance Period, provided that for purposes of the Retirement Plan, the Excess Agreement and the Supplemental Plan the Employee will only be credited with such additional service if the Employee was being credited with service for benefit accrual purposes under such plans immediately prior to the Termination Date, and (ii) the Employee's compensation for purposes of benefit calculation under the Retirement Plan, the Excess Agreement and the Supplemental Plan included a period of the Employee's full-time employment with the Company equal to the period of time between the Termination Date and the first to occur of either (A) the end of the Limited Period or (B) the end of the Severance Period during which the Employee had Base Salary equal to the greater of (1) his Base Salary for the calendar year in which the Employee's employment is terminated or (2) his Base Salary for the calendar year in which the Change in Control occurred, and Incentive Pay equal to the greater of (I) the Employee's Incentive Pay for the calendar year in which the Termination Date occurs or (II) the Employee's Incentive Pay for the calendar year in which the Change in Control occurs; and

(b) is the Primary Supplemental Pension Benefit.

The calculations of the Enhanced Supplemental Pension Benefit (and its actuarial equivalence) shall be made, as of the Termination Date, by Towers Watson or such other independent actuary appointed by the administrator of the Retirement Plan and acceptable to the Employee (the "Actuary"). The lump sum of actuarial equivalence shall be calculated using the applicable mortality table promulgated by the Internal Revenue Service ("IRS") under Section 417(e)(3) of the Code as in effect on the Termination Date and the applicable interest rates promulgated by the IRS under Section 417(e)(3) of the Code for the month third preceding the month in which the Termination Date occurs, and if the IRS ceases to promulgate such interest rates, an interest rate determined by the Actuary.

1.11 Exchange Act: The term "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, as such law, rules and regulations may be amended from time to time.

1.12 Incentive Pay: The term "Incentive Pay" shall mean an annual amount equal to the target annual amount of Incentive Payments payable to the Employee. However, for purposes of Section 4.2 for a Termination of Employment other than in the Limited Period, Incentive Pay shall mean an amount equal to the annual incentive amount actually paid, based on the attainment of pre-established goals, and subject to the generally applicable terms of the TimkenSteel Corporation Senior Executive Management Performance Plan, or similar or successor plan, for the calendar year in which the Termination Date occurs.

1.13 Incentive Payments: The term "Incentive Payments" shall mean any cash incentive compensation paid based on an annual performance period (whether pursuant to the TimkenSteel Corporation Senior Executive Management Performance Plan or any successor similar plan or through any other means), without regard to any reduction thereof elected by the Employee pursuant to any qualified or non-qualified salary reduction arrangement maintained by the Company, including, without limitation, the SIP Plan and the Deferred Compensation Plan.

1.14 Incentive Payout Percentage: The term "Incentive Payout Percentage" shall mean, for a given year, (a) the amount of Incentive Payments paid to the Employee, divided by (b) the corresponding amount of Incentive Pay, expressed as a percentage, but in no event exceeding one hundred percent (100%).

1.15 Limited Period: The term "Limited Period" shall mean that period of time commencing on the date of a Change in Control and continuing for a period of three years.

1.16 Notice of Termination: The term "Notice of Termination" shall mean a written notice delivered to the Employee in the manner specified in Section 9 of this Agreement, which notice indicates the specific termination provision in this Agreement relied upon and sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Employee's employment.

1.17 Primary Supplemental Pension Benefit: The term "Primary Supplemental Pension Benefit" shall mean (a) less (b), where:

(a) is the sum of the accrued pension benefits (converted to a lump sum of actuarial equivalence as of the Termination Date) which the Employee would have been entitled to receive at or after the Termination Date under (i) the Retirement Plan, (ii) any annuity distributed to the Employee as a result of the termination on October 31, 1984 of the Retirement Plan for Salaried Employees of The Timken Company (the “Terminated Pension Plan”), (iii) any Employee Excess Benefits Agreement (“Excess Agreement”), and (iv) the Supplemental Pension Plan of TimkenSteel Corporation (“Supplemental Plan”), assuming for purposes of this calculation that (A) the Employee’s benefits under the Retirement Plan, the Excess Agreement and the Supplemental Plan were vested and non-forfeitable, (B) the Employee satisfied any other condition under the Retirement Plan, the Excess Agreement and the Supplemental Plan to his receipt of benefits thereunder, (C) the Employee’s compensation for purposes of the Retirement Plan, the Excess Agreement and the Supplemental Plan was determined without regard to any reduction in compensation elected by the Employee pursuant to any qualified or non-qualified salary reduction arrangement maintained by the Company, including without limitation, the SIP Plan and the Deferred Compensation Plan, (D) solely for purposes of determining the time at which the Employee would receive benefits under the Retirement Plan, the Terminated Pension Plan, the Excess Agreement and the Supplemental Plan, the Employee had continued his employment with the Company until such time Employee would have received such benefits, and (E) the Employee commenced receiving benefits from the Retirement Plan, the Terminated Pension Plan, the Excess Agreement and the Supplemental Plan at the point in time when the total of the lump sums of actuarial equivalence under the Retirement Plan, the Terminated Pension Plan, the Excess Agreement and the Supplemental Plan is the greatest; and

(b) is the sum of the accrued pension benefits (converted to a lump sum of actuarial equivalence as of the Termination Date) which the Employee is entitled to receive at or after the Termination Date under (i) the Retirement Plan, and (ii) any annuity distributed to the Employee as a result of the termination on October 31, 1984 of the Terminated Pension Plan.

The calculations of the Primary Supplemental Pension Benefit (and its actuarial equivalence) shall be made, as of the Termination Date, by the Actuary. The lump sum of actuarial equivalence shall be calculated using the applicable mortality table promulgated by the IRS under Section 417(e)(3) of the Code as in effect on the Termination Date and the applicable interest rate promulgated by the IRS under Section 417(e)(3) of the Code for the month third preceding the month in which the Termination Date occurs, and if the IRS ceases to promulgate such interest rates, an interest rate determined by the Actuary.

1.18 Sale Termination: The term “Sale Termination” shall mean a Termination of Employment with the Company or a Subsidiary of the Company in connection with:

- (a) a sale by the Company or a Subsidiary of the Company of a plant or other facility or property or assets;
- or
- (b) a sale of the ownership of the Company or a Subsidiary of the Company,

when the acquirer in such sale described in subsection (a) or (b) or its affiliate makes an offer of employment to the Employee in connection with such sale. Notwithstanding the foregoing, a Termination of Employment shall not be a Sale Termination if such Termination of Employment occurs during the Limited Period or during the 90 days prior to a Change in Control under the circumstances described in Section 4.1(a).

1.19 Severance Amount: The term “Severance Amount” shall mean an amount equal to the sum of:

- (a) **One** times the Employee’s Base Salary in effect immediately prior to the Employee’s Termination of Employment; and
- (b) **One** times an amount equal to (x) the Employee’s highest Incentive Payout Percentage during the five years immediately preceding the year in which the Employee’s employment is terminated, multiplied by (y) the amount of the Incentive Pay for the year in which Employee's employment is terminated.

1.20 Severance Period: The term “Severance Period” shall mean the period beginning on the Employee’s Termination Date and ending on the **First** anniversary of the Termination Date.

1.21 Subsidiary: The term “Subsidiary” means a corporation, partnership, joint venture, unincorporated association or other entity in which the Company directly or indirectly beneficially owns 50% or more ownership or other equity interest.

1.22 Supplemental SIP Plan Benefit: The “Supplemental SIP Plan Benefit” shall mean the sum of (a) and (b), where:

(a) Is equal to:

(i) The amount of the Company Matching Contributions and Core Contributions (as such terms are defined in the SIP Plan) that would have been made to the SIP Plan by the Company and allocated to the Employee’s account thereunder as if the Employee had remained in the full-time employment of the Company until the earlier of (A) the end of the Limited Period or (B) the end of the Severance Period, at the greater of (I) his Base Salary for the calendar year in which the Employee’s employment is terminated, or (II) his Base Salary immediately prior to the Change in Control, and the greater of (y) the Employee’s Incentive Pay for the calendar year in which the Termination Date occurs and (z) the Employee’s Incentive Pay for the calendar year in which the Change in Control occurred, and assuming the Employee’s salary deferral was at the maximum permissible level; less

(ii) The amount of the Company Matching Contributions and Core Contributions made to the SIP Plan by the Company and allocated to the Employee’s account thereunder as of the Termination Date; and

(b) Is equal to the sum of (i) and (ii), where:

(i) Is equal to the sum of Excess Deferrals and Excess Company Contributions attributable to the Employee as of the Termination Date, to the extent the Employee has not elected to defer his Excess Deferrals and Excess Company Contributions to the Deferred Compensation Plan, and

(ii) Is equal to the amount of Excess Deferrals and Excess Company Contributions that would have been attributable to the Employee after the Termination Date if the Employee had remained in the full-time employment of the Company until the earlier of (A) end of the Limited Period or (B) the end of the Severance Period at the greater of (I) his Base Salary and Incentive Pay for the calendar year in which the Employee’s employment is terminated, or (II) his Base Salary and Incentive Pay for the calendar year in which the Change in Control occurred, and assuming the Employee’s contributions to the SIP Plan following the Termination Date had been at the highest rate at which such contributions had been made at any time during the three-year period ending on the Termination Date; and where

(iii) “Excess Deferrals” means the amount of the Employee’s salary reduction contributions to the SIP Plan in excess of the limits imposed by Section 402(g) of the Code, if his elections for the SIP Plan (including catch-up contributions authorized by and subject to the limitations of Section 414(v) of the Code) place his salary reduction contributions under the SIP Plan in excess of the amount permitted under Section 402(g) or to the extent of his elective deferral contributions on compensation in excess of the limitation under Section 401(a)(17) of the Code; and

(iv) “Excess Company Contributions” means the amount of the company contributions that would be made for his benefit to the SIP Plan with respect to his Excess Deferrals, based on his elections under the SIP Plan, or on the basis of his compensation in excess of the limitation under Section 401(a)(17) of the Code.

1.23 Termination Date: The term “Termination Date” shall mean the effective date of the Employee’s Termination of Employment with the Company.

1.24 Termination of Employment: The term “Termination of Employment” means termination of employment

within the meaning of Treasury Regulation Section 1.409A-1(h)(1)(ii).

2. Operation of Agreement : This Agreement shall be effective immediately upon its execution.

3. Conditions During the Limited Period : During the Limited Period:

(a) the Employee shall remain in the same or better office and position in the Company (or a successor thereto) or any Subsidiary that the Employee held immediately prior to the Change in Control;

(b) if the Employee was a Director of the Company or a Subsidiary immediately prior to a Change in Control, the Employee shall remain a Director of the Company (or a successor thereto) or a Director of such Subsidiary;

(c) Employee shall be entitled to receive Incentive Payments equal to or in excess the Employee's average Incentive Pay for the previous three calendar years; and such amounts will be paid in the calendar year following the calendar year in which the amounts are earned but in no event later than 2 ½ months after the end of the calendar year following the calendar year in which such amounts are earned;

(d) (i) the Company shall continue in effect without a material negative change to any compensation or benefit plan in which the Employee participated immediately prior to the Change in Control and, as applicable, the Company shall continue Employee's participation in any such compensation or benefit plan; (ii) neither the Company nor its Subsidiaries shall take any action that would directly or indirectly materially reduce any of the benefits of any compensation or benefit plan enjoyed by the Employee at the time of the Change in Control; (iii) the Employee shall continue to be entitled to no less than the same number of paid vacation days to which the Employee was entitled immediately prior to the Change in Control, based on years of service with the Company or its Subsidiaries in accordance with the normal vacation policy, in effect immediately prior to the Change in Control, of the Company or any of its Subsidiaries that employ Employee immediately prior to the Change in Control, and (iv) neither the Company nor any of its Subsidiaries shall take any other action which would materially adversely change the conditions or prerequisites of the Employee's employment as in effect immediately prior to the Change in Control; and

(e) the termination of Employee's employment by the Company or its Subsidiaries shall only be effected pursuant to a Notice of Termination satisfying the requirements of Section 1.16 of this Agreement.

Employee acknowledges that if the Company fails to fulfill any of its obligations under this Section 3, Employee's only recourse is to cause such failure to be considered an Employee Termination Event if the breach is considered a material breach of this Agreement and Employee's damages will be limited to the payments provided for in Section 4, as applicable.

4. Severance Compensation :

4.1 Severance Compensation:

(a) If the Employee experiences a Termination of Employment during the Limited Period because the Company terminated the Employee's employment during the Limited Period other than pursuant to a Company Termination Event, or because the Employee voluntarily terminated his employment during the Limited Period pursuant to an Employee Termination Event, then the Company shall pay as severance compensation to the Employee a lump sum cash payment in the amount of the CIC Severance Amount. Anything in this Agreement to the contrary notwithstanding, if a Change in Control occurs and not more than 90 days prior to the date on which the Change in Control occurs, the Employee experiences a Termination of Employment because the Company terminated the Employee's employment, such Termination of Employment will be deemed to be a Termination of Employment during the Limited Period for purposes of this Agreement if the Employee has reasonably demonstrated that such Termination of Employment (A) was at the request of a third party who has taken steps reasonably calculated to effect a Change in Control, or (B) otherwise arose in connection with or in anticipation of a Change in Control. In the

event the Employee is entitled to the benefits under this Agreement as a result of the preceding sentence, then the 60-calendar-day period specified in Section 4.1(c) shall be deemed to commence on the date on which the Employee receives the notice contemplated by the last sentence of Section 1.3 hereof.

(b) If the Employee experiences a Termination of Employment because the Company has terminated the Employee's employment, the Company shall pay as severance compensation to the Employee a lump sum cash payment in the amount of the Severance Amount unless the Termination of Employment occurs:

- (i) during the Limited Period, or
- (ii) pursuant to a Company Termination Event, or
- (iii) for reasons of (A) criminal activity or (B) willful misconduct or gross negligence in the performance of the Employee's duties, or
- (iv) pursuant to a Sale Termination.

(c) The payment of the Severance Amount or the CIC Severance Amount required by this Section 4.1 shall, subject to Section 19.2 and to the execution and delivery by the Employee of the Release described in Section 7 hereof, and the expiration of all applicable rights of the Employee to revoke the Release or any provision thereof, be made to the Employee within 60 calendar days after the Termination Date. In no event will the Employee have a right to designate the taxable year of any such payment.

4.2 Compensation through Termination: If the Employee experiences a Termination of Employment, the Company shall pay the Employee any Base Salary that has accrued but is unpaid through the Termination Date. If the Employee experiences a Termination of Employment because his employment is terminated by the Company other than for Cause and other than pursuant to a Sale Termination, the Company shall pay the Employee an amount equivalent to the Incentive Pay for the calendar year in which the Termination Date occurs multiplied by a fraction, the numerator of which is the number of days in the calendar year in which the Termination Date occurs that have expired prior to the Termination Date and the denominator of which is three hundred sixty-five. Such payment shall be made, in the case of a Termination of Employment during the Limited Period, in accordance with the provisions governing payment of the Severance Amount or CIC Severance Amount under Section 4.1(c), and in the case of a Termination of Employment other than during the Limited Period, in the year following the year in which the Termination Date occurs but no later than March 15th of such year.

4.3 Offset: To the full extent permitted by applicable law, the Company retains the right to offset against the Severance Amount otherwise due to the Employee hereunder any amounts then owing and payable by such Employee to the Company or any of its affiliates.

4.4 Interest on Overdue Payments: Without limiting the rights of the Employee at law or in equity, if the Company fails to make any payment required to be made under this Agreement on a timely basis, the Company shall pay interest on the amount thereof at an annualized rate of interest equal to the "prime rate" as set forth from time to time during the relevant period in The Wall Street Journal, plus 1%.

4.5 Adjustments of Payments and Benefits: Notwithstanding any provision of this Agreement to the contrary, if any payment or benefit to be paid or provided hereunder or under any other plan or agreement would be an "Excess Parachute Payment," within the meaning of Section 280G of the Code, or any successor provision thereto, but for the application of this sentence, then the payments and benefits to be paid or provided hereunder shall be reduced to the minimum extent necessary (but in no event to less than zero) so that no portion of any such payment or benefit, as so reduced, constitutes an Excess Parachute Payment; provided, however, that the foregoing reduction shall be made only if and to the extent that such reduction would result in an increase in the aggregate payments and benefits to be provided, determined on an after-tax basis (taking into account the excise tax imposed pursuant to Section 4999 of the Code, or any successor provision thereto, any tax imposed by any comparable provision of state law, and any applicable federal, state and local income taxes). The determination of whether any reduction in such payments or benefits to be provided hereunder is required pursuant to the preceding sentence shall be made at the expense of the Company, if requested by Employee or the Company, by the Company's independent accountants or a nationally recognized law firm chosen by

the Company. The fact that Employee's right to payments or benefits may be reduced by reason of the limitations contained in this Section shall not of itself limit or otherwise affect any other rights of Employee under this Agreement. In the event that any payment or benefit intended to be provided hereunder is required to be reduced pursuant to this Section, then the reduction shall occur in the following order: (a) reduction of the portion of the CIC Severance Amount described under Section 1.4(a); (b) reduction of the portion of the CIC Severance Amount described under Section 1.4(b); (c) reduction of the Enhanced Supplemental Pension Benefit; (d) Reduction of the Supplemental SIP Plan Benefit; and (e) reduction of the cash reimbursements described in Section 4.6(a).

#### 4.6 Continuation of Certain Benefits.

(a) If the Company terminates the Employee's employment during the Limited Period other than pursuant to a Company Termination Event, or if the Employee voluntarily terminates his employment during the Limited Period pursuant to an Employee Termination Event, then the Employee, and the Employee's eligible dependents, shall be entitled to continue to participate in the Company's medical, dental, vision and life insurance plans for which the Employee was eligible immediately prior to the Employee's Termination Date, until the earlier of (i) Employee's eligibility for any such coverage under another employer's or any other medical plan or (ii) **18 months** following the termination of Employee's employment (the "CIC Benefit Continuation Period"). The Employee's continued participation in the Company's life insurance plans shall be on the terms (including access fees) not less favorable than those in effect for actively employed key employees of the Company. The Employee's continued participation in the Company's medical, dental, and vision plans shall be on the terms not less favorable than those in effect for actively employed key employees of the Company but only if the Employee makes a payment to the Company in an amount equal to the monthly premium payments (both the employee and employer portion) required to maintain such coverage on the first day of each calendar month during the CIC Benefit Continuation Period commencing with the first calendar month following the Termination Date. Subject to Section 19.2, the Company shall reimburse the Employee on an after-tax basis for the amount of such premiums paid by the Employee pursuant to the preceding sentence, if any, in excess of any employee contributions (access fees) necessary to maintain such coverage during the CIC Benefit Continuation Period (the "CIC Reimbursement Payments"), and such CIC Reimbursement Payments shall be paid to the Employee on the 15<sup>th</sup> day of each calendar month during the CIC Benefit Continuation Period commencing with the calendar month in which the Employee's first premium payment is due pursuant to the preceding sentence or, if later, the calendar month following the calendar month in which the release provided for in Section 7 becomes irrevocable. Each CIC Reimbursement Payment shall be considered a separate payment and not one of a series of payments for purposes of Section 409A. Employee agrees that the period of coverage under such plan shall count against the medical plan's obligation to provide continuation coverage pursuant to Part 6 of Subtitle B of Title I of the Employee Retirement Income Security Act of 1974, as amended ("COBRA").

(b) If the Company terminates the Employee's employment other than during the Limited Period and other than (i) pursuant to a Company Termination Event; (ii) for reasons of (A) criminal activity or (B) willful misconduct or gross negligence in the performance of the Employee's duties; or (iii) pursuant to a Sale Termination, then the Employee, and the Employee's eligible dependents, shall be entitled to continue to participate in the Company's medical, dental, vision and life insurance plans for which the Employee was eligible immediately prior to the Employee's Termination Date, until the earlier of (x) Employee's eligibility for any such coverage under another employer's or any other medical plan or (y) **one year** following the termination of Employee's employment (the "Severance Benefit Continuation Period"). The Employee's continued participation in the Company's life insurance plans shall be on the terms (including access fees) not less favorable than those in effect for actively employed key employees of the Company. The Employee's continued participation in the Company's medical, dental, and vision plans shall be on the terms not less favorable than those in effect for actively employed key employees of the Company but only if the Employee makes a payment to the Company in an amount equal to the monthly premium payments (both the employee and employer portion) required to maintain such coverage on the first day of each calendar month during the Severance Benefit Continuation Period commencing with the first calendar month following the Termination Date. Subject to Section 19.2, the Company shall reimburse the Employee on an after-tax basis for the amount of such premiums paid by the Employee pursuant to the preceding sentence, if any, in excess of

any employee contributions (access fees) necessary to maintain such coverage during the Benefit Continuation Period (the “ Severance Reimbursement Payments”), and such Severance Reimbursement Payments shall be paid to the Employee on the 15<sup>th</sup> day of each calendar month during the Severance Benefit Continuation Period commencing with the calendar month in which the Employee’s first premium payment is due pursuant to the preceding sentence or, if later, the calendar month following the calendar month in which the release provided for in Section 7 becomes irrevocable. Each Severance Reimbursement Payment shall be considered a separate payment and not one of a series of payments for purposes of Section 409A. Employee agrees that the period of coverage under such plan shall count against the medical plan’s obligation to provide continuation coverage pursuant to COBRA.

5. No Obligation to Mitigate Damages : The Employee shall not be required to mitigate damages or the amount of any payment provided for under this Agreement by seeking other employment or otherwise, nor, except as provided in Sections 4.6(a) and 4.6(b), shall the amount of any payment or benefit provided for under this Agreement be reduced by any compensation earned by the Employee as the result of employment by another employer after the Termination Date, or otherwise.

6. Confidential Information; Non-Disparagement; Covenant Not To Compete :

6.1 The Employee acknowledges that all trade secrets, customer lists and other confidential business information are the exclusive property of the Company. The Employee shall not (following the execution of this Agreement, during the Limited Period, or at any time thereafter) disclose such trade secrets, customer lists, or confidential business information without the prior written consent of the Company.

6.2 The Employee also shall not (following the execution of this Agreement, during the Limited Period, or at any time thereafter) directly or indirectly, or by acting in concert with others, employ or attempt to employ or solicit for any employment competitive with the Company any person(s) employed by the Company.

6.3 For a period of time beginning upon the Termination Date and ending upon the first anniversary of the Termination Date, the Employee shall not (a) engage or participate, directly or indirectly, in any Competitive Activity, as defined in Section 1.8 or (b) solicit or cause to be solicited on behalf of a competitor any person or entity which was a customer of the Company during the term of this Agreement, if the Employee had any direct or indirect responsibility for such customer while employed by the Company.

6.4 The Employee agrees to refrain from communicating, directly or indirectly, (following the execution of this Agreement, during the Limited Period, or at any time thereafter) whether in writing, orally or electronically (a) any defamatory comment concerning the Company or (b) any other comment that could reasonably be expected to be detrimental to the business or financial prospects of the Company.

6.5 The Employee recognizes that any violation of this Section 6. is likely to result in immediate and irreparable harm to the Company for which money damages are likely to be inadequate. Accordingly, the Employee consents to the entry of injunctive and other appropriate equitable relief by a court of competent jurisdiction, after notice and hearing and the court’s finding of irreparable harm and the likelihood of prevailing on a claim alleging violation of this Section 6, in order to protect the Company’s rights under this Section. Such relief shall be in addition to any other relief to which the Company may be entitled at law or in equity. The Employee agrees that the state and federal courts located in the State of Ohio shall have jurisdiction in any action, suit or proceeding against Employee based on or arising out of this Agreement and Employee hereby: (a) submits to the personal jurisdiction of such courts; (b) consents to service of process in connection with any action, suit or proceeding against Employee; and (c) waives any other requirement (whether imposed by statute, rule of court or otherwise) with respect to personal jurisdiction, venue or service of process.

6.6 Nothing in this Agreement prevents the Employee from providing, without prior notice to the Company, information to governmental authorities regarding possible legal violations or otherwise testifying or participating in any investigation or proceeding by any governmental authorities regarding possible legal violations.

7. Release :

Payment of the severance payments set forth in Section 4 hereof is conditioned upon the Employee executing and delivering a full and complete release of all claims satisfactory to the Company within 50 days of the Employee's Termination Date.

8. Successors, Binding Agreement and Complete Agreement :

8.1 Successors : The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company, by agreement in form and substance satisfactory to the Employee, to assume and agree to perform this Agreement.

8.2 Binding Agreement : This Agreement shall inure to the benefit of and be enforceable by the Employee's personal or legal representative, executor, administrators, successors, heirs, distributees and legatees. This Agreement shall be binding upon and inure to the benefit of the Company and any successor of or to the Company, including, without limitation, any person acquiring directly or indirectly all or substantially all of the assets of the Company whether by merger, consolidation, sale or otherwise (and such successor shall thereafter be deemed "the Company" for the purposes of this Agreement), but shall not otherwise be assignable by the Company.

8.3 Complete Agreement . This Agreement embodies the complete agreement and understanding between the parties with respect to the subject matter hereof and effective as of its date supersedes and preempts any prior understandings, agreements or representations by or between the parties, written or oral, which may have related to the subject matter hereof in any way.

9. Notices : For the purpose of this Agreement, all communications provided for herein shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed as indicated below, or to such other address as any party may have furnished to the other in writing and in accordance herewith, except that notices of change of address shall be effective only upon receipt.

If to the Company: TimkenSteel Corporation  
1835 Dueber Avenue, S.W.  
Canton, Ohio 44706

If to the Employee: **Employee**  
**Street Address** **City, ST, Zip**

10. Governing Law : The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Ohio, without giving effect to the principles of conflict of laws of such State.

11. Miscellaneous : No provision of this Agreement may be amended, modified, waived or discharged unless such amendment, waiver, modification or discharge is agreed to in writing signed by the Employee and the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, expressed or implied with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement. If the Employee files a claim for benefits under this Agreement with the Company, the Company will follow the claims procedures set out in 29 C.F.R. Section 2560.503-1.

12. Validity : The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement which shall remain in full force and effect.

13. Counterparts : This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same Agreement.

14. Employment Rights : Nothing expressed or implied in this Agreement shall create any right or duty on the part of the Company or the Employee to have the Employee remain in the employment of the Company.

15. Withholding of Taxes: The Company may withhold from any amount payable under this Agreement all federal, state, city or other taxes as shall be required pursuant to any law or government regulation or ruling.

16. Nonassignability: This Agreement is personal in nature and neither of the parties hereto shall, without the consent of the other, assign or transfer this Agreement or any rights or obligations, hereunder, except as provided in Sections 8.1 and 8.2 above. Without limiting the foregoing, the Employee's right to receive payments hereunder shall not be assignable or transferable, whether by pledge, creation of a security interest or otherwise, other than by a transfer by his will or by the laws of descent and distribution and in the event of any attempted assignment or transfer contrary to this Section the Company shall have no liability to pay any amounts so attempted to be assigned or transferred.

17. Termination of Agreement: The term of this Agreement (the "Term") shall commence as of the date hereof and shall expire on the close of business on December 31, 2016; provided, however, that (i) commencing on January 1, 2017 and each January 1 thereafter, the term of this Agreement will automatically be extended for an additional year unless, not later than September 30 of the immediately preceding year, the Company or the Employee shall have given notice that it or the Employee, as the case may be, does not wish to have the Term extended; (ii) if a Change in Control occurs during the Term, the Term will expire on the last day of the Limited Period; and (iii) subject to Section 4.1, if the Employee ceases for any reason to be a key employee of the Company or any Subsidiary, thereupon without further action the Term shall be deemed to have expired and this Agreement will immediately terminate and be of no further effect. For purposes of this Section 17, the Employee shall not be deemed to have ceased to be an employee of the Company or any Subsidiary by reason of the transfer of Employee's employment between the Company and any Subsidiary, or among any Subsidiaries.

18. Indemnification of Legal Fees and Expenses; Security for Payment:

18.1 Indemnification of Legal Fees. It is the intent of the Company that in the case of a Change in Control, the Employee not be required to incur the expenses associated with the enforcement of his rights under this Agreement by litigation or other legal action because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Employee hereunder. Accordingly, after a Change in Control, if it should appear to the Employee that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes any action to declare this Agreement void or unenforceable, or institutes any litigation designed to deny, or to recover from, the Employee the benefits intended to be provided to the Employee hereunder, the Company irrevocably authorizes the Employee from time to time to retain counsel of his choice, at the expense of the Company as hereafter provided, to represent the Employee in connection with the initiation or defense of any litigation or other legal action, whether by or against the Company or any Director, officer, stockholder or other person affiliated with the Company, in any jurisdiction. The Company shall pay or cause to be paid and shall be solely responsible for any and all attorneys' and related fees and expenses incurred by the Employee after a Change in Control and as a result of the Company's failure to perform this Agreement or any provision hereof or as a result of the Company or any person contesting the validity or enforceability of this Agreement or any provision hereof as aforesaid.

If the Employee is entitled to reimbursement pursuant to this Section 18.1, this Section shall apply to any such eligible costs and expenses incurred during the Employee's lifetime. Subject to Section 19.2, any amounts the Company owes to the Employee pursuant to this Section 18.1 will be paid to the Employee by the Company within 30 days following the Company's receipt of a statement or statements prepared by Employee or Employee's legal counsel that sets forth the amount of such costs and expenses eligible for reimbursement but in no event will such amounts be paid later than December 31 of the year following the year in which Employee incurs such expenses. In no event will the costs and expenses paid by the Company pursuant to this Section 18.1 in one year affect the amount of costs and expenses the Company is obligated to pay pursuant to this Section 18.1 in any other taxable year.

18.2 Trust Agreements. To ensure that the provisions of this Agreement can be enforced by the Employee, two agreements (the "Trust Agreement" and the "Trust Agreement No. 2"), as they may be amended, have been established with a Trustee selected by the members of the Compensation Committee of the Board or any officer (the "Trustee") and the Company. The Trust Agreement sets forth the terms and conditions relating to payment pursuant to the Trust Agreement of the CIC Severance Amount and Primary Supplemental Pension Benefit owed by the Company, and Trust Agreement No. 2 sets forth the terms and

conditions relating to payment pursuant to Trust Agreement No. 2 of attorneys' and related fees and expenses pursuant to Section 18.1 owed by the Company. Employee shall make demand on the Company for any payments due Employee pursuant to Section 18.1 prior to making demand therefor on the Trustee under Trust Agreement No. 2. Payments by such Trustee shall discharge the Company's liability under Section 18.1 only to the extent that trust assets are used to satisfy such liability.

18.3 Obligation of the Company to Fund Trusts. Upon the earlier to occur of (x) a Change in Control that involves a transaction that was not approved by the Board, and was not recommended to the Company's shareholders by the Board, (y) a declaration by the Board that the trusts under the Trust Agreement and Trust Agreement No. 2 should be funded in connection with a Change in Control that involves a transaction that was approved by the Board, or was recommended to shareholders by the Board, or (z) a declaration by the Board that a Change in Control is imminent, the Company shall promptly to the extent it has not previously done so, and in any event within five (5) business days:

(a) transfer to the Trustee to be added to the principal of the trust under the Trust Agreement a sum equal to the aggregate value on the date of the Change in Control of the CIC Severance Amount and Primary Supplemental Pension Benefit, which could become payable to the Employee under the provisions of Section 4.1 hereof or pursuant to the terms of any Excess Agreement or Supplemental Plan. The payment of any CIC Severance Amount, Primary Supplemental Pension Benefit, or other payment by the Trustee pursuant to the Trust Agreement shall, to the extent thereof, discharge the Company's obligation to pay the CIC Severance Amount, Primary Supplemental Pension Benefit, or other payment hereunder, it being the intent of the Company that assets in such Trust Agreement be held as security for the Company's obligation to pay the CIC Severance Amount, Primary Supplemental Pension Benefit, and other payments under this Agreement; and

(b) transfer to the Trustee to be added to the principal of the trust under Trust Agreement No. 2 the sum authorized by the members of the Compensation Committee from time to time.

Any payments of attorneys' and related fees and expenses, which are the obligation of the Company under Section 18.1, by the Trustee pursuant to Trust Agreement No. 2 shall, to the extent thereof, discharge the Company's obligation hereunder, it being the intent of the Company that such assets in such Trust Agreement No. 2 be held as security for the Company's obligation under Section 18.1.

Notwithstanding any provision of this Agreement to the contrary, no amounts shall be transferred to the Trustee with respect to the Trust Agreement or the Trust Agreement No. 2 for payments of any amount under this Agreement if, pursuant to Section 409A(b)(3)(A) of the Code, such amount would, for purposes of Section 83 of the Code, be treated as property transferred in connection with the performance of services.

## 19. Code Section 409A of the Code.

19.1 General. To the extent applicable, it is intended that this Agreement comply with the provisions of Section 409A of the Code, so that the income inclusion provisions of Section 409A(a)(1) of the Code do not apply to the Employee. This Agreement shall be administered and interpreted in a manner consistent with this intent.

19.2 Delayed Payments. Notwithstanding any provision of this Agreement to the contrary, if the Employee is a "specified employee," determined pursuant to procedures adopted by the Company in compliance with Section 409A of the Code, on his Termination Date and if any portion of the payments or benefits to be received by the Employee upon Termination of Employment would constitute a "deferral of compensation" subject to Section 409A, then to the extent necessary to comply with Section 409A, amounts that would otherwise be payable pursuant to this Agreement during the six-month period immediately following the Employee's Termination Date will instead be paid or made available on the earlier of (i) the first business day of the seventh month after Employee's Termination Date, or (ii) the Employee's death.

19.3 Amendments. Notwithstanding any provision of this Agreement to the contrary, in light of the uncertainty with respect to the proper application of Section 409A of the Code, the Company reserves the right to make amendments to this Agreement as the Company deems necessary or desirable to avoid the imposition of taxes or penalties under Section 409A of the Code. In any case, Employee shall be solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed

on Employee in connection with this Agreement (including any taxes and penalties under Section 409A of the Code), and neither the Company nor any of its affiliates shall have any obligation to indemnify or otherwise hold Employee harmless from any or all of such taxes or penalties.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered as of the date first set forth above.

By: \_\_

Employee

**TIMKENSTEEL CORPORATION**

By: \_\_

Its:

## COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Dollars in millions, except ratio amounts)

	Nine Months Ended September 30,		Year Ended December 31,			
	2017	2016	2015 Adjusted	2014 Adjusted	2013	2012
(Loss) income before income taxes	\$ (8.7)	\$ (142.0)	\$ (71.7)	\$ 68.7	\$ 127.6	\$ 234.3
Plus:						
Fixed charges	12.4	13.4	5.5	8.9	12.0	5.8
Amortization of capitalized interest	1.3	1.9	1.7	0.7	0.6	0.6
Less:						
Interest capitalized	0.5	0.7	1.0	6.9	10.8	4.5
<b>Earnings (loss)</b>	<b>4.5</b>	<b>(127.4)</b>	<b>(65.5)</b>	<b>71.4</b>	<b>129.4</b>	<b>236.2</b>
Interest (A)	10.3	10.6	3.9	7.1	11.0	4.8
Amortization of deferred financing costs	1.2	1.5	0.5	0.9	0.1	0.2
Interest portion of rental expense	0.9	1.3	1.1	0.9	0.9	0.8
<b>Fixed Charges</b>	<b>\$ 12.4</b>	<b>\$ 13.4</b>	<b>\$ 5.5</b>	<b>\$ 8.9</b>	<b>\$ 12.0</b>	<b>\$ 5.8</b>
<b>Ratio of Earnings to Fixed Charges</b>	<b>0.36</b>	<b>(B)</b>	<b>(B)</b>	<b>8.02</b>	<b>10.78</b>	<b>40.72</b>

(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.

## CERTIFICATION

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

1. I have reviewed this quarterly report on Form 10-Q 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 officers 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: October 26, 2017

/s/ Ward J. Timken, Jr.

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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 quarterly report on Form 10-Q 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 officers 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: October 26, 2017

/s/ Christopher J. Holding

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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 Quarterly Report of TimkenSteel Corporation (the "Company") on Form 10-Q for the period ended September 30, 2017, 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: October 26, 2017

/s/ Ward J. Timken, Jr.

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

Date: October 26, 2017

/s/ Christopher J. Holding

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