

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

FORM 10-Q

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

For the quarterly period ended September 30, 2021

OR

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

For the transition period from ____ to ____

Commission file number: 1-36313



TIMKENSTEEL CORPORATION

(Exact name of registrant as specified in its charter)

Ohio

(State or other jurisdiction of
incorporation or organization)

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)

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class

Trading symbol

Name of exchange in which registered

Common shares

TMST

New York Stock Exchange

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 every Interactive Data File required to be submitted 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 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"/>	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 31, 2021
Common Shares, without par value	46,208,470

TimkenSteel Corporation
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Part I. Financial Information**Item 1. Financial Statements**

TimkenSteel Corporation
Consolidated Statements of Operations (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<i>(Dollars in millions, except per share data)</i>				
Net sales	\$ 343.7	\$ 205.9	\$ 944.6	\$ 619.5
Cost of products sold	277.0	208.3	780.0	618.1
Gross Profit	66.7	(2.4)	164.6	1.4
Selling, general and administrative expenses	19.9	17.9	60.4	58.1
Restructuring charges	0.4	0.7	2.0	1.6
Loss on sale of consolidated subsidiary	1.1	—	1.1	—
Loss (gain) on sale or disposal of assets, net	0.1	0.2	0.5	(3.0)
Impairment charges	—	—	8.2	—
Interest expense	1.2	3.0	4.7	9.2
Other (income) expense, net	(6.6)	(10.6)	(28.3)	(16.0)
Income (Loss) Before Income Taxes	50.6	(13.6)	116.0	(48.5)
Provision (benefit) for income taxes	0.5	0.3	2.1	0.6
Net Income (Loss)	\$ 50.1	\$ (13.9)	\$ 113.9	\$ (49.1)
Per Share Data:				
Basic earnings (loss) per share	\$ 1.08	\$ (0.31)	\$ 2.49	\$ (1.09)
Diluted earnings (loss) per share	\$ 0.94	\$ (0.31)	\$ 2.12	\$ (1.09)

See accompanying Notes to the unaudited Consolidated Financial Statements.

TimkenSteel Corporation
Consolidated Statement of Comprehensive Income (Loss) (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<i>(Dollars in millions)</i>				
Net income (loss)	\$ 50.1	\$ (13.9)	\$ 113.9	\$ (49.1)
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments	(0.1)	1.4	0.3	(0.3)
Pension and postretirement liability adjustments	(1.4)	(1.7)	(4.3)	(4.2)
Other comprehensive income (loss), net of tax	(1.5)	(0.3)	(4.0)	(4.5)
Comprehensive Income (Loss), net of tax	\$ 48.6	\$ (14.2)	\$ 109.9	\$ (53.6)

See accompanying Notes to the unaudited Consolidated Financial Statements.

TimkenSteel Corporation
Consolidated Balance Sheets (Unaudited)

	September 30, 2021	December 31, 2020
<i>(Dollars in millions)</i>		
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 172.0	\$ 102.8
Accounts receivable, net of allowances (2021 - \$2.0 million; 2020 - \$1.3 million)	130.1	63.3
Inventories, net	214.4	178.4
Deferred charges and prepaid expenses	5.1	4.0
Assets held for sale	4.5	0.3
Other current assets	3.3	8.8
Total Current Assets	529.4	357.6
Property, plant and equipment, net	522.5	569.8
Operating lease right-of-use assets	16.1	21.0
Pension assets	38.8	33.5
Intangible assets, net	7.3	9.3
Other non-current assets	2.3	2.8
Total Assets	\$ 1,116.4	\$ 994.0
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 131.8	\$ 89.5
Salaries, wages and benefits	38.1	29.4
Accrued pension and postretirement costs	6.3	2.3
Current operating lease liabilities	6.1	7.5
Current convertible notes, net	44.8	38.9
Other current liabilities	15.4	13.4
Total Current Liabilities	242.5	181.0
Non-current convertible notes, net	—	39.3
Credit Agreement	—	—
Non-current operating lease liabilities	10.1	13.5
Accrued pension and postretirement costs	232.0	240.7
Deferred income taxes	0.9	1.0
Other non-current liabilities	10.3	11.0
Total Liabilities	495.8	486.5
Shareholders' Equity		
Preferred shares, without par value; authorized 10.0 million shares, none issued	—	—
Common shares, without par value; authorized 200.0 million shares; issued 2021 - 46.2 million shares; issued 2020 - 45.7 million shares	—	—
Additional paid-in capital	829.5	843.4
Retained deficit	(245.3)	(363.4)
Treasury shares - 2021 - None; 2020 - 0.6 million shares	—	(12.9)
Accumulated other comprehensive income (loss)	36.4	40.4
Total Shareholders' Equity	620.6	507.5
Total Liabilities and Shareholders' Equity	\$ 1,116.4	\$ 994.0

See accompanying Notes to the unaudited Consolidated Financial Statements.

TimkenSteel Corporation
Consolidated Statements of Shareholders' Equity (Unaudited)

(Dollars in millions)

	Common Shares Outstanding	Additional Paid-in Capital	Retained Deficit	Treasury Shares	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2020	45,164,308	\$ 843.4	\$ (363.4)	\$ (12.9)	\$ 40.4	\$ 507.5
Net income (loss)	—	—	9.8	—	—	9.8
Other comprehensive income (loss)	—	—	—	—	(1.4)	(1.4)
Adoption of new accounting standard	—	(10.6)	4.2	—	—	(6.4)
Stock-based compensation expense	—	1.8	—	—	—	1.8
Stock option activity	—	2.5	—	—	—	2.5
Issuance of treasury shares	580,248	(12.4)	—	12.4	—	—
Shares surrendered for taxes	(72,174)	—	—	(0.5)	—	(0.5)
Balance at March 31, 2021	45,672,382	\$ 824.7	\$ (349.4)	\$ (1.0)	\$ 39.0	\$ 513.3
Net income (loss)	—	—	54.0	—	—	54.0
Other comprehensive income (loss)	—	—	—	—	(1.1)	(1.1)
Stock-based compensation expense	178,886	1.8	—	—	—	1.8
Stock option activity	66,615	0.7	—	—	—	0.7
Issuance of treasury shares	57,845	(1.0)	—	1.0	—	—
Convertible notes settlement	113,226	1.3	—	—	—	1.3
Balance at June 30, 2021	46,088,954	\$ 827.5	\$ (295.4)	\$ —	\$ 37.9	\$ 570.0
Net income (loss)	—	—	50.1	—	—	50.1
Other comprehensive income (loss)	—	—	—	—	(1.5)	(1.5)
Stock-based compensation expense	93,350	1.9	—	—	—	1.9
Stock option activity	25,940	0.1	—	—	—	0.1
Balance at September 30, 2021	46,208,244	\$ 829.5	\$ (245.3)	\$ —	\$ 36.4	\$ 620.6

	Common Shares Outstanding	Additional Paid-in Capital	Retained Deficit	Treasury Shares	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2019	44,820,153	\$ 844.8	\$ (301.5)	\$ (24.9)	\$ 44.7	\$ 563.1
Net income (loss)	—	—	(19.9)	—	—	(19.9)
Other comprehensive income (loss)	—	—	—	—	(2.9)	(2.9)
Stock-based compensation expense	—	2.0	—	—	—	2.0
Issuance of treasury shares	215,708	(5.7)	—	5.7	—	—
Shares surrendered for taxes	(70,033)	—	—	(0.2)	—	(0.2)
Balance at March 31, 2020	44,965,828	\$ 841.1	\$ (321.4)	\$ (19.4)	\$ 41.8	\$ 542.1
Net income (loss)	—	—	(15.3)	—	—	(15.3)
Other comprehensive income (loss)	—	—	—	—	(1.3)	(1.3)
Stock-based compensation expense	—	1.6	—	—	—	1.6
Issuance of treasury shares	75,689	(2.0)	—	2.0	—	—
Shares surrendered for taxes	(5,341)	—	—	(0.1)	—	(0.1)
Balance at June 30, 2020	45,036,176	\$ 840.7	\$ (336.7)	\$ (17.5)	\$ 40.5	\$ 527.0
Net income (loss)	—	—	(13.9)	—	—	(13.9)
Other comprehensive income (loss)	—	—	—	—	(0.3)	(0.3)
Stock-based compensation expense	—	1.6	—	—	—	1.6
Issuance of treasury shares	258	—	—	—	—	—
Shares surrendered for taxes	(110)	—	—	—	—	—
Balance at September 30, 2020	45,036,324	\$ 842.3	\$ (350.6)	\$ (17.5)	\$ 40.2	\$ 514.4

See accompanying Notes to the unaudited Consolidated Financial Statements.

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

Note 1 - Basis of Presentation

The accompanying unaudited Consolidated Financial Statements have been prepared by TimkenSteel Corporation (the “Company” or “TimkenSteel”) 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, 2020.

Certain items previously reported in specific financial statement captions have been reclassified to conform with current year presentation.

Note 2 - Recent Accounting Pronouncements**Adoption of New Accounting Standards**

The Company adopted the following Accounting Standard Updates (“ASU”) in the first quarter of 2021.

Standard Adopted	Description	Date of Adoption	Impact
ASU 2019-12, Income Taxes (Topic 740)	The standard simplifies the accounting for income taxes by removing various exceptions.	January 1, 2021	The adoption of this standard had an immaterial impact on the Company’s tax provision.
ASU 2020-06, Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity’s Own Equity (Subtopic 815-40)	The standard simplifies the accounting for convertible instruments, as well as the diluted net income per share calculation. The standard also removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception.	January 1, 2021	The Company early adopted this standard as of January 1, 2021 using the modified retrospective method of transition. The standard had a material impact on the Consolidated Financial Statements. See below for additional information.

Upon adoption of ASU 2020-06 prospectively as of January 1, 2021, all outstanding Convertible Notes were fully classified as a liability, there was no longer a separate equity component and the Convertible Notes no longer have a debt discount that is amortized. This resulted in a decrease of \$10.6 million to additional paid-in capital and an increase of \$1.1 million and \$5.3 million to current convertible notes, net and non-current convertible notes, net, respectively, on the Consolidated Balance Sheets as of January 1, 2021. Additionally, retained deficit was reduced by \$4.2 million in the Consolidated Balance Sheets as of January 1, 2021 to remove amortization expense recognized in prior periods. The adoption of this standard did not have an effect on the Company’s cash flows, liquidity, or the methodology used for the earnings per share calculation. Refer to “Note 10 – Financing Arrangements” for additional information on the Company’s Convertible Notes.

There are no current ASUs issued, but not adopted, that are expected to have an impact on the Company.

Legislation related to the COVID-19 Pandemic**Coronavirus Aid, Relief, and Economic Security Act**

On March 27, 2020, the President of the United States signed the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, an economic stimulus package intended to provide support, principally in the form of tax benefits, to companies and individuals negatively impacted by the COVID-19 pandemic. Although the majority of the provisions included in the CARES Act did not immediately benefit the Company from a cash tax perspective due to its significant net operating losses, the Company took advantage of the deferral of the employer share (6.2% of employee wages) of Social Security payroll taxes that would otherwise have been owed from the date of enactment of the legislation through December 31, 2020, as afforded by the CARES Act. During the year ended December 31, 2020, the Company had deferred \$6.4 million in cash payments and recorded reserves for such deferred payroll taxes in salaries, wages and benefits on the Consolidated Balance Sheets. The deferred amount of payments is to be paid in two equal installments at December 31, 2021 and December 31, 2022.

The CARES Act also provided for an employee retention credit (“Employee Retention Credit”), which is a refundable tax credit against certain employment taxes of up to five thousand dollars per employee for eligible employers. The tax credit is equal to 50% of qualified

wages paid to employees during a quarter, capped at ten thousand dollars of qualified wages per employee throughout the year. The Company qualified for the tax credit in the second and third quarters of 2020 and accrued a benefit of \$2.3 million in the fourth quarter of 2020 related to the Employee Retention Credit in other (income) expense, net on the Company's Consolidated Statements of Operations. The Company filed for this credit in the second quarter of 2021 and awaits receipt of the cash proceeds.

Consolidated Appropriations Act, 2021

On December 27, 2020, the President of the United States signed the Consolidated Appropriation Act, 2021 ("CAA"). The CAA includes additional COVID-19 relief that expands upon the relief provided in the CARES Act, including, but not limited to, the extension of tax deductions, credits, and incentives. The Company has evaluated the CAA for any potential impact. While it was determined that the CAA revised and extended the Employee Retention Credit into 2021, the CAA is not expected to have an impact on the Company as employee furloughs related to the COVID-19 pandemic ceased in 2020. Furthermore, the Company does not expect any of the other provisions within the CAA to provide a benefit.

American Rescue Plan Act of 2021

On March 11, 2021, the President of the United States signed the American Rescue Plan Act of 2021 ("ARPA"). The ARPA strengthens and extends certain programs enacted through the CARES Act and establishes new relief programs aimed at mitigating the financial impact of the COVID-19 pandemic. The provisions within the ARPA have been evaluated and at this time one provision, which offers funding relief for single-employer defined benefit pension plans, is expected to materially impact the Company.

Specifically, the ARPA provides enhanced interest rate stabilization, as well as extended amortization of funding shortfalls. The Company has evaluated and made final the elections permitted by the ARPA related to the required contributions for our domestic defined benefit pension plans. At this time based on current assumptions, the elections made under ARPA and expected asset returns, we believe that required Company contributions have been delayed until 2030. However, these estimates are subject to significant uncertainty.

Note 3 - Revenue Recognition

The following table provides the major sources of revenue by end-market sector for the three and nine months ended September 30, 2021 and 2020:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Mobile	\$ 133.5	\$ 103.1	\$ 400.0	\$ 236.9
Industrial	182.0	90.7	480.3	302.0
Energy	20.4	7.0	41.4	46.8
Other (1)	7.8	5.1	22.9	33.8
Total Net Sales	\$ 343.7	\$ 205.9	\$ 944.6	\$ 619.5

(1) "Other" sales by end-market sector includes the Company's scrap and oil country tubular goods ("OCTG") billet sales.

The following table provides the major sources of revenue by product type for the three and nine months ended September 30, 2021 and 2020:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Bar	\$ 238.0	\$ 118.5	\$ 636.5	\$ 379.3
Tube	43.8	21.6	120.8	77.6
Manufactured components (3)	54.1	61.4	164.3	149.8
Other (2)	7.8	4.4	23.0	12.8
Total Net Sales	\$ 343.7	\$ 205.9	\$ 944.6	\$ 619.5

(2) "Other" sales by product type includes the Company's scrap sales.

(3) Formerly known as the "Value-add" product type.

Note 4 - Restructuring Charges

Over the past several years, TimkenSteel has made numerous organizational changes to enhance profitable and sustainable growth. These company-wide actions included the restructuring of its business support functions, the reduction of management layers throughout the organization and other domestic and international actions to further improve the Company's overall cost structure. Restructuring charges totalled \$0.4 million and \$2.0 million for the three and nine months ended September 30, 2021, respectively.

Restructuring charges for the three months ended September 30, 2021 were \$0.4 million related to severance and employee-related benefits as a result of organizational changes. Charges for the nine months ended September 30, 2021 were \$2.0 million, of which \$1.7 million related to severance and employee-related benefits as a result of continued organizational changes. Approximately 15 salaried positions were eliminated through restructuring actions in 2021. The remaining \$0.3 million of charges for the nine months ended September 30, 2021 related to the transition of customers to other TimkenSteel manufacturing equipment due to the discontinuation of specific small-diameter seamless mechanical tube manufacturing and the indefinite idling of our Harrison melt and casting activities (refer to "Note 5 – Disposition of Non-Core Assets" for additional information).

TimkenSteel recorded reserves for such restructuring charges as other current liabilities on the Consolidated Balance Sheets. The reserve balance at September 30, 2021 is expected to be substantially used in the next twelve months.

The following is a summary of the restructuring reserve for the three months ended September 30, 2021 and 2020:

Balance at December 31, 2020	\$	1.5
Expenses		2.0
Payments		(2.9)
Balance at September 30, 2021	\$	0.6
Balance at December 31, 2019	\$	6.0
Expenses		1.6
Payments		(7.1)
Balance at September 30, 2020	\$	0.5

Note 5 - Disposition of Non-Core Assets***TimkenSteel Material Services Facility***

During the first quarter of 2020, management completed its previously announced plan to close the Company's TimkenSteel Material Services ("TMS") facility in Houston and began selling the assets at the facility. Accelerated depreciation and amortization on TMS assets of \$1.6 million was recorded in the first quarter of 2020 to reduce the net book value of the machinery and equipment to its expected fair value. Subsequent to the closure, certain assets were sold and a gain on sale of \$0.5 million and \$4.7 million was recognized for the three and nine months ended September 30, 2020, respectively.

At the time of the announcement, a reserve was established to record inventory at its net realizable value. An additional reserve of \$3.1 million was recorded in the second quarter of 2020 due to market conditions at the time. No additional reserves have been established since the second quarter of 2020. Remaining inventory at September 30, 2021 with a net realizable value of \$1.7 million is expected to be substantially disposed of within the next twelve months, either through sale of the material or use as scrap raw materials in our operations.

During the first quarter of 2021, the remaining associated machinery and equipment that was classified as held for sale was fully impaired as there was no longer an expected market value for these assets. This resulted in impairment charges of \$0.3 million. No further impairment charges have been incurred during the remainder of the year.

The land and buildings associated with TMS are classified as assets held for sale on the Consolidated Balance Sheets as of September 30, 2021, as it is probable that these assets will be sold within the next 12 months.

Small-Diameter Seamless Mechanical Tubing Machinery and Equipment

In the third quarter of 2020, TimkenSteel informed customers that as of December 31, 2020 the Company would discontinue the commercial offering of specific small-diameter seamless mechanical tubing products. As a result, the Company recognized accelerated depreciation of \$1.5 million for the three months ended March 31, 2021 in alignment with the ramp down of the machinery and equipment used in the manufacturing of these specific products, which was completed in the first quarter of 2021. Spare parts related to this machinery and equipment of \$0.5 million were also written down in the first quarter of 2021, as management determined there was no alternative use.

Harrison Melt and Casting Assets

On February 16, 2021, management announced a plan to indefinitely idle its Harrison melt and casting assets, which was completed in the first quarter of 2021. Going forward, all of the Company's melt and casting activities will take place at the Faircrest location. The Company worked collaboratively with employees, suppliers and a number of customers to ensure a well-organized and efficient transition. The Company's rolling and finishing operations at Harrison were not impacted by this action.

The Company recognized non-cash charges of \$9.5 million related to the write-down of the associated Harrison melt and casting assets in the first quarter of 2021. These charges include \$7.9 million related to the impairment of the associated machinery and equipment, which is classified as impairment charges on the Consolidated Statements of Operations, as well as a write-down of spare parts of \$1.6 million, as management determined there was no alternative use. The Company did not incur any cash expenditures related to these charges.

TimkenSteel (Shanghai) Corporation Limited

On March 31, 2021, the Company entered into an agreement pursuant to which Daido Steel (Shanghai) Co., Ltd. agreed to acquire all of the Company's ownership interest in TimkenSteel (Shanghai) Corporation Limited in an all-cash transaction. The sale closed on July 30, 2021 and net cash proceeds of \$6.2 million were received in the third quarter of 2021. As a result of this transaction, a loss on sale of consolidated subsidiary of \$1.1 million was recognized on the Consolidated Statements of Operations during the third quarter of 2021. TimkenSteel's consolidated financial statements include activity for TimkenSteel (Shanghai) Corporation Limited through July 30, 2021.

Note 6 – Other (Income) Expense, net

The following table provides the components of other (income) expense, net for the three and nine months ended September 30, 2021 and 2020:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Pension and postretirement non-service benefit (income) loss	\$ (9.2)	\$ (6.7)	\$ (28.0)	\$ (19.7)
Loss (gain) from remeasurement of benefit plans	2.7	(4.1)	2.2	3.5
Foreign currency exchange loss (gain)	—	(0.1)	—	0.3
Sales and use tax refund	—	—	(2.5)	—
Miscellaneous (income) expense	(0.1)	0.3	—	(0.1)
Total other (income) expense, net	\$ (6.6)	\$ (10.6)	\$ (28.3)	\$ (16.0)

Non-service related pension and other postretirement benefit income, for all years, consists of the interest cost, expected return on plan assets and amortization components of net periodic cost.

The TimkenSteel Corporation Retirement Plan ("Salaried Plan") has a provision that permits employees to elect to receive their pension benefits in a lump sum upon retirement. In the first quarter of 2021, the cumulative cost of all lump sum payments exceeded the sum of the service cost and interest cost components of net periodic pension cost for the Salaried Plan. As a result, the Company completed a full remeasurement of its pension obligations and plan assets associated with the Salaried Plan during each quarter of 2021. A full remeasurement of the pension obligations and plan assets associated with the Salaried Plan was also required throughout each quarter of 2020. For more details on the remeasurement refer to "Note 11 - Retirement and Postretirement Plans".

During the second quarter of 2021, TimkenSteel received a refund from the State of Ohio related to an overpayment of sales and use taxes for the period of October 1, 2016 through September 30, 2019. This resulted in a gain recognized of \$2.5 million, net of related professional fees, for the nine months ended September 30, 2021.

Note 7 - Income Tax Provision

TimkenSteel's provision 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,	
	2021	2020	2021	2020
Provision (benefit) for incomes taxes	\$ 0.5	\$ 0.3	\$ 2.1	\$ 0.6
Effective tax rate	1.0%	(2.2)%	1.8%	(1.2)%

Income tax expense for the three and nine months ended September 30, 2021 was calculated using forecasted multi-jurisdictional annual effective tax rates to determine a blended annual effective tax rate. The effective tax rate is lower than the U.S. federal statutory rate of 21% primarily due to the valuation allowance the Company has on deferred tax assets in the U.S. This is partially offset by foreign, state, and local taxes.

Due to TimkenSteel's historical operating performance in the U.S., the Company assessed its U.S. deferred tax assets and concluded, based upon all available evidence, that it was more likely than not that it would not realize the assets. As a result, the Company maintains 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. Going forward, the need to maintain valuation allowances against deferred tax assets in the U.S. and other affected countries may cause variability in the Company's effective tax rate. The majority of TimkenSteel's income taxes are derived from foreign operations.

The effective tax rate of 1.0% and 1.8% for the three and nine months ended September 30, 2021 was higher than the rate of (2.2)% and (1.2)% for the three and nine months ended September 30, 2020, primarily due to the projected increase in earnings in international jurisdictions with relatively higher tax rates and increased projected income in the U.S., causing higher state and local tax expenses.

During the second and third quarters of 2021, TimkenSteel (Shanghai) Corporation Limited declared and paid a dividend, net of withholding taxes, of \$0.8 million and \$0.4 million, respectively, to TimkenSteel.

Note 8 - Earnings (Loss) 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 method or if-converted method. For the Convertible Notes, the Company utilizes the if-converted method to calculate diluted earnings (loss) per share. Under the if-converted method, the Company adjusts net earnings to add back interest expense (including amortization of debt issuance costs) 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, if any, is excluded from the denominator in calculating both basic and diluted earnings (loss) per share.

Equity-based Awards

Common share equivalents for shares issuable for equity-based awards amounted to 4.7 million shares and 4.9 million shares for the three and nine months ended September 30, 2021, respectively. For the three and nine months ended September 30, 2021, 1.6 million shares and 2.0 million shares, respectively, were primarily related to options with exercise prices more than the average market price of our common shares (i.e., "underwater" options) and were excluded from the computation of diluted earnings (loss) per share because the effect of their inclusion would have been anti-dilutive. The difference between the remaining 3.1 million shares and 1.3 million shares assumed purchased and the 2.9 million shares and 1.3 million shares assumed purchased with potential proceeds for the three and nine months ended September 30, 2021, respectively, were included in the denominator of the diluted earnings (loss) per share calculation.

Common share equivalents for shares issuable for equity-based awards amounted to 4.9 million shares and 4.6 million shares for the three and nine months ended September 30, 2020, respectively. All common share equivalents for shares issuable for equity-based awards were excluded from the computation of diluted earnings (loss) per share for the three and nine months ended September 30, 2020, because the effect of their inclusion would have been anti-dilutive.

Convertible Notes

Common share equivalents for shares issuable upon the conversion of outstanding convertible notes were included in the computation of diluted earnings (loss) per share for the three and nine months ended September 30, 2021 as these shares would be dilutive. Common share equivalents for shares issuable upon the conversion of outstanding convertible notes were excluded from the computation of diluted earnings (loss) per share for the three and nine months ended September 30, 2020, 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 earnings (loss) per share for the three and nine months ended September 30, 2021 and 2020:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Numerator:				
Net income (loss), basic	\$ 50.1	\$ (13.9)	\$ 113.9	\$ (49.1)
Add convertible notes interest	0.8	—	3.3	—
Net income (loss), diluted	\$ 50.9	\$ (13.9)	\$ 117.2	\$ (49.1)
Denominator:				
Weighted average shares outstanding, basic	46.2	45.0	45.8	45.0
Dilutive effect of equity-based awards	1.8	—	1.6	—
Dilutive effect of convertible notes	5.9	—	7.8	—
Weighted average shares outstanding, diluted	53.9	45.0	55.2	45.0
Basic earnings (loss) per share	\$ 1.08	\$ (0.31)	\$ 2.49	\$ (1.09)
Diluted earnings (loss) per share	\$ 0.94	\$ (0.31)	\$ 2.12	\$ (1.09)

Note 9 - Inventories

The components of inventories, net of reserves as of September 30, 2021 and December 31, 2020 were as follows:

	September 30, 2021	December 31, 2020
Manufacturing supplies	\$ 27.7	\$ 37.6
Raw materials	22.8	20.0
Work in process	107.1	79.1
Finished products	58.2	55.6
Gross inventory	215.8	192.3
Allowance for inventory reserves	(1.4)	(13.9)
Total inventories, net	\$ 214.4	\$ 178.4

The allowance for inventory reserves decreased in 2021 due to sales of TMS inventory, as well as scrapping of aged inventory.

Note 10 - Financing Arrangements

For a detailed discussion of the Company's long-term debt and credit arrangements, refer to "Note 14 - Financing Arrangements" in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

The following table summarizes the current and non-current debt as of September 30, 2021 and December 31, 2020.

	September 30, 2021	December 31, 2020
Credit Agreement	\$ —	\$ —
Convertible Senior Notes due 2021	—	38.9
Convertible Senior Notes due 2025	44.8	39.3
Total debt	\$ 44.8	\$ 78.2
Less current portion of debt	44.8	38.9
Total non-current portion of debt	\$ —	\$ 39.3

Amended Credit Agreement

On October 15, 2019, the Company, as borrower, and certain domestic subsidiaries of the Company, as subsidiary guarantors, entered into a Third Amended and Restated Credit Agreement (the "Amended Credit Agreement"), with JP Morgan Chase Bank, N.A., as administrative agent (the "Administrative Agent"), Bank of America, N.A., as syndication agent, and the other lenders party thereto (collectively, the "Lenders"), which further amended and restated the Company's Second Amended and Restated Credit Agreement dated as of January 26, 2018. As of September 30, 2021, the amount available under the Amended Credit Agreement was \$272.4

million, reflective of the Company's asset borrowing base with no outstanding borrowings. Additionally, the Company is in compliance with all covenants outlined in the Amended Credit Agreement.

Convertible Senior Notes due 2021

The components of the Convertible Senior Notes due 2021 as of September 30, 2021 and December 31, 2020 were as follows:

	September 30, 2021		December 31, 2020	
Principal	\$	—	\$	40.2
Less: Debt issuance costs, net of amortization		—		(0.1)
Less: Debt discount, net of amortization		—		(1.2)
Convertible Senior Notes due 2021, net	\$	—	\$	38.9

There is no outstanding principal amount for the Convertible Senior Notes due 2021 as of September 30, 2021, as the Convertible Senior Notes due 2021 matured on June 1, 2021. The Convertible Senior Notes due 2021 were settled with cash payment of \$38.9 million and issuance of shares of 0.1 million, as most noteholders exercised the conversion option prior to the date of maturity. For details regarding method of settlement for noteholders who exercised their conversion option prior to maturity, refer to the Indenture for the Convertible Senior Notes due 2021 filed as an exhibit to a Form 8-K on May 31, 2016 and incorporated by reference in our most recent 10-K filing. The final cash payment for interest was also made to noteholders on June 1, 2021 in the amount of \$1.2 million.

Convertible Senior Notes due 2025

The components of the Convertible Senior Notes due 2025 as of September 30, 2021 and December 31, 2020 were as follows:

	September 30, 2021		December 31, 2020	
Principal	\$	46.0	\$	46.0
Less: Debt issuance costs, net of amortization		(1.2)		(1.3)
Less: Debt discount, net of amortization		—		(5.4)
Convertible Senior Notes due 2025, net	\$	44.8	\$	39.3

The principal amount of the Convertible Senior Notes due 2025 as of September 30, 2021 is \$46.0 million. Transaction costs related to the Convertible Senior Notes due 2025 incurred upon issuance were \$1.5 million. These costs are amortized to interest expense over the term of the notes. The Convertible Senior Notes due 2025 mature on December 1, 2025. The Convertible Senior Notes due 2025 are convertible at the option of holders in certain circumstances and during certain periods into the Company's common shares, cash, or a combination thereof, at the Company's election.

The Indenture for the Convertible Senior Notes due 2025 provides that notes will become convertible during a quarter when the share price for 20 trading days during the final 30 trading days of the immediately preceding quarter was greater than 130% of the conversion price. This criterion was met during the third quarter of 2021 and as such the notes can be converted at the option of the holders beginning October 1 through December 31, 2021. Whether the notes will be convertible following such period will depend on if this criterion, or another conversion condition, is met in the future. As such, the Convertible Senior Notes due 2025 are classified as a current liability in the Consolidated Balance Sheets as of September 30, 2021.

For details regarding all conversion mechanics and methods of settlement, refer to the Indenture for the Convertible Senior Notes due 2025 filed as an exhibit to a Form 8-K on December 15, 2020 and incorporated by reference in our most recent 10-K filing.

Convertible Notes Interest Expense

The following table sets forth total interest expense recognized related to the Convertible Notes:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Contractual interest expense	\$ 0.7	\$ 1.3	\$ 3.0	\$ 3.9
Amortization of debt issuance costs	0.1	0.1	0.3	0.3
Amortization of debt discount	—	1.1	—	3.3
Total	\$ 0.8	\$ 2.5	\$ 3.3	\$ 7.5

Fair Value Measurement

The fair value of the Convertible Senior Notes due 2025 was approximately \$87.4 million as of September 30, 2021. The fair value of the Convertible Senior Notes due 2025, which falls within Level 2 of the fair value hierarchy as defined by applicable accounting guidance, is based on a valuation model primarily using observable market inputs and requires a recurring fair value measurement on a quarterly basis.

TimkenSteel's Credit Facility is variable-rate debt. As such, any outstanding carrying value is a reasonable estimate of fair value as interest rates on these borrowings approximate current market rates. This valuation falls within Level 2 of the fair value hierarchy and is based on quoted prices for similar assets and liabilities in active markets that are observable either directly or indirectly. There were no outstanding borrowings on the Credit Facility as of September 30, 2021.

Cash Interest Paid

The total cash interest paid for the nine months ended September 30, 2021 and 2020 was \$3.4 million and \$4.5 million, respectively.

Note 11 - Retirement and Postretirement Plans

The components of net periodic benefit cost (income) for the three and nine months ended September 30, 2021 and 2020 were as follows:

	Three Months Ended September 30, 2021		Three Months Ended September 30, 2020	
	Pension	Postretirement	Pension	Postretirement
Service cost	\$ 4.4	\$ 0.3	\$ 4.8	\$ 0.3
Interest cost	8.9	0.9	10.5	1.0
Expected return on plan assets	(16.8)	(0.8)	(16.1)	(0.9)
Amortization of prior service cost	0.1	(1.5)	0.1	(1.5)
Net remeasurement (gains) losses	2.7	—	(4.1)	—
Net Periodic Benefit Cost (Income)	\$ (0.7)	\$ (1.1)	\$ (4.8)	\$ (1.1)

	Nine Months Ended September 30, 2021		Nine Months Ended September 30, 2020	
	Pension	Postretirement	Pension	Postretirement
Service cost	\$ 13.1	\$ 0.9	\$ 14.5	\$ 0.9
Interest cost	27.2	2.5	32.2	3.1
Expected return on plan assets	(50.7)	(2.6)	(48.3)	(2.7)
Amortization of prior service cost	0.2	(4.5)	0.3	(4.5)
Net remeasurement (gains) losses	2.2	—	3.5	—
Net Periodic Benefit Cost (Income)	\$ (8.0)	\$ (3.7)	\$ 2.2	\$ (3.2)

The Salaried Plan has a provision that permits employees to elect to receive their pension benefits in a lump sum upon retirement. In the first quarter of 2021, the cumulative cost of all lump sum payments exceeded the sum of the service cost and interest cost components of net periodic pension cost for the Salaried Plan. As a result, the Company completed a full remeasurement of its pension obligations and plan assets associated with the Salaried Plan during each quarter of 2021. A full remeasurement of the pension obligations and plan assets associated with the Salaried Plan was also required throughout each quarter of 2020.

Note 12 - Stock-Based Compensation

During the nine months ended September 30, 2021 the Board of Directors granted 938,995 time-based restricted stock units and 651,240 performance-based restricted stock units, which primarily includes the annual grant to our employees and Board of Directors, as well as the inducement grant made upon the hiring of our new CEO in January 2021. There have been no stock option grants in 2021.

Time-based restricted stock units are issued with the fair value equal to the closing market price of TimkenSteel common shares on the date of grant. These restricted stock units do not have any performance conditions for vesting. Expense is recognized over the service period, adjusted for any forfeitures that should occur during the vesting period. The weighted average fair value of the restricted stock units granted during the nine months ended September 30, 2021 was \$7.70 per share.

Performance-based restricted stock units issued in 2021 vest based on achievement of a total shareholder return (“TSR”) metric. The TSR metric is considered a market condition, which requires TimkenSteel to reflect it in the fair value on grant date using an advanced option-pricing model. The fair value of each performance share was therefore determined using a Monte Carlo valuation model, a generally accepted lattice pricing model under ASC 718 – Stock-based Compensation. The Monte Carlo valuation model, among other factors, uses commonly-accepted economic theory underlying all valuation models, estimates fair value using simulations of future share prices based on stock price behavior and considers the correlation of peer company returns in determining fair value. The weighted average fair value of the performance-based restricted stock units granted during the nine months ended September 30, 2021 was \$7.57 per share.

TimkenSteel recognized stock-based compensation expense of \$1.9 million and \$5.5 million for the three and nine months ended September 30, 2021, compared to \$1.6 million and \$5.2 million for the same periods in 2020, respectively. Future stock-based compensation expense related to the unvested portion of all awards is approximately \$11.9 million. The future expense is expected to be recognized over the remaining vesting periods through 2024.

Note 13 - Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) for the nine months ended September 30, 2021 and 2020 by component were as follows:

	Foreign Currency Translation Adjustments		Pension and Postretirement Liability Adjustments		Total
Balance as of December 31, 2020	\$	(5.4)	\$	45.8	\$ 40.4
Other comprehensive income (loss) before reclassifications, before income tax		0.3		—	0.3
Amounts reclassified from accumulated other comprehensive income (loss), before income tax		—		(4.3)	(4.3)
Tax effect		—		—	—
Net current period other comprehensive income (loss), net of income taxes		0.3		(4.3)	(4.0)
Balance as of September 30, 2021	\$	(5.1)	\$	41.5	\$ 36.4

	Foreign Currency Translation Adjustments		Pension and Postretirement Liability Adjustments		Total
Balance at December 31, 2019	\$	(6.8)	\$	51.5	\$ 44.7
Other comprehensive income (loss) before reclassifications, before income tax		(0.3)		—	(0.3)
Amounts reclassified from accumulated other comprehensive income (loss), before income tax		—		(4.3)	(4.3)
Tax effect		—		0.1	0.1
Net current period other comprehensive income (loss), net of income taxes		(0.3)		(4.2)	(4.5)
Balance as of September 30, 2020	\$	(7.1)	\$	47.3	\$ 40.2

The amount reclassified from accumulated other comprehensive income (loss) in the nine months ended September 30, 2021 and 2020 for the pension and postretirement liability adjustment was included in other (income) expense, net in the unaudited Consolidated Statements of Operations.

Note 14 - 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. Accruals related to environmental claims represent management’s best estimate of the fees and costs associated with these claims. Although it is not possible to predict with certainty the outcome of such claims, management believes that their ultimate dispositions should not have a material adverse effect on our financial position, cash flows or results of operations. As of September 30, 2021 and December 31, 2020, TimkenSteel had a \$2.3 million and a \$1.0 million contingency reserve, respectively, related to loss exposures incurred in the ordinary course of business.

Note 15 – Subsequent Events

In October 2021, the Company further refined its organizational structure and offered a voluntary exit incentive to certain U.S.-based salaried non-operative employees who will be eligible for retirement by December 31, 2023. As a result of this program, the Company anticipates recording a restructuring charge of approximately \$4 million in the fourth quarter of 2021, with cash severance payments expected primarily in 2022.

On October 29, 2021, the United Steelworkers (USW) Local 1123 voted to ratify a new four-year contract (the “Contract”). The Contract is in effect until September 27, 2025 and covers approximately 1,180 bargaining employees at the Company’s Canton, Ohio operations. A contract ratification bonus will be paid to bargaining employees during the fourth quarter of 2021 at a cost of approximately \$2 million.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

(dollars in millions, except per share data)

Business Overview

We manufacture alloy steel, as well as carbon and micro-alloy steel. Our portfolio includes special bar quality ("SBQ") bars, seamless mechanical tubing ("tubes"), manufactured components (formerly known as value-added solutions) such as precision steel components, and billets. In addition, we supply machining and thermal treatment services and manage raw material recycling programs, which are also 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: automotive; oil and gas; industrial equipment; mining; construction; rail; defense; heavy truck; agriculture; power generation; and oil country tubular goods ("OCTG").

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. 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.

The SBQ bar, tube, and billet production processes take place at our Canton, Ohio manufacturing location. This location accounts for all of the SBQ bars, seamless mechanical tubes and billets we produce and includes three manufacturing facilities: the Faircrest, Harrison, and Gambrinus facilities. Our production of manufactured components takes place at two downstream manufacturing facilities: Tryon Peak (Columbus, North Carolina) and St. Clair (Eaton, Ohio). 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 lead time for our products varies based on product type and specifications. As of the date of this filing, lead times for SBQ bars and tubes extend into the second quarter of 2022.

On February 16, 2021, management announced a plan to indefinitely idle our Harrison melt and casting assets, which was completed in the first quarter of 2021. All of our melt and casting activities are now taking place at the Faircrest location. We worked collaboratively with employees, suppliers and a number of customers to ensure a well-organized and efficient transition. Our rolling and finishing operations at Harrison were not impacted by this action. For additional details regarding this matter please refer to "Note 5 – Disposition of Non-Core Assets".

Prior to indefinitely idling these assets, we had an annual melt capacity of approximately 2 million tons and shipment capacity of 1.5 million tons. After indefinitely idling these assets, our annual melt capacity is approximately 1.2 million tons and our shipment capacity is approximately 0.9 million tons.

On October 29, 2021, the United Steelworkers (USW) Local 1123 voted to ratify a new four-year contract (the "Contract"). The Contract, which is in effect until September 27, 2025, offers TimkenSteel's Canton-based bargaining employees increases to base wages every year, competitive healthcare and retirement benefits for all members, and a continued focus on employee wellbeing as well as safe and sustainable operations. The Contract covers approximately 1,180 bargaining employees at the Company's Canton, Ohio operations.

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

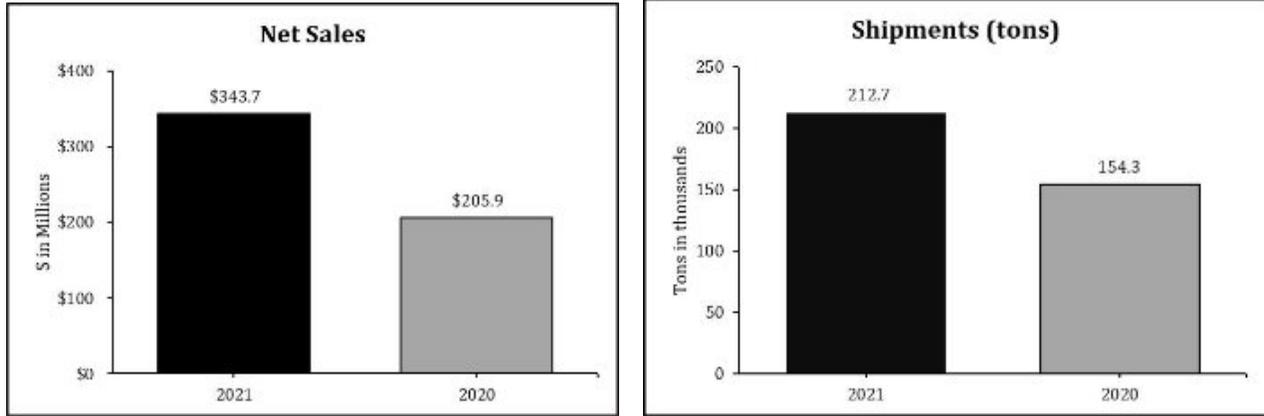
Impact of Raw Material Prices

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 when pricing products to our customers, which is designed to mitigate the impact of increases or decreases in raw material costs, although generally with a one-month 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.

Results of Operations

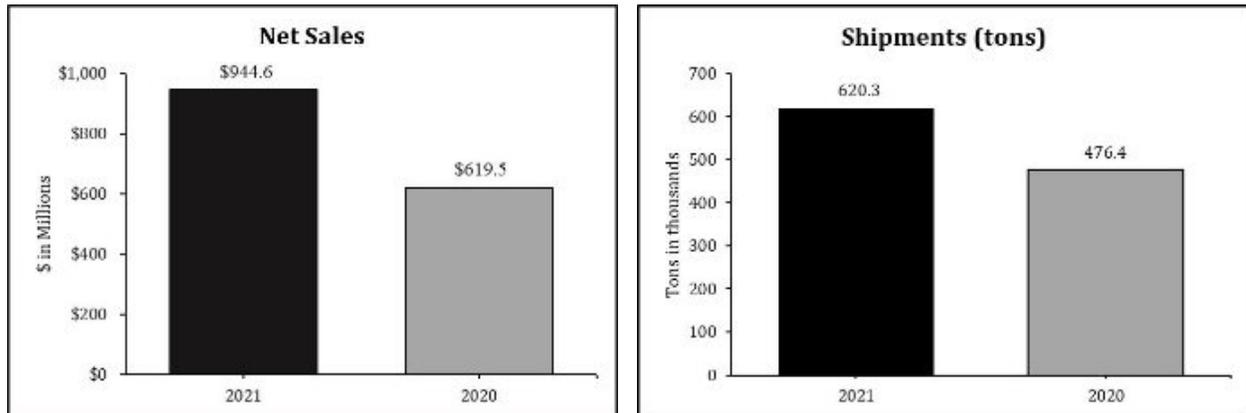
Net Sales

The charts below present net sales and shipments for the three months ended September 30, 2021 and 2020.



Net sales for the three months ended September 30, 2021 were \$343.7 million, an increase of \$137.8 million, or 66.9% compared with the three months ended September 30, 2020. The increase in net sales was driven by an increase in surcharges and higher volumes, partially offset by unfavorable price/mix. The increase in surcharges of \$89.9 million was across all end-market sectors due to higher market prices for scrap and alloy. Higher volumes of approximately 58 thousand ship tons resulted in an increase of \$70.6 million primarily due to higher customer demand in the industrial and energy end-market sectors, partially offset by a decrease in ship tons in the mobile end-market sector due to an approximately 15 thousand ton decrease in expected ship tons as a result of the ongoing semiconductor chip shortage. Unfavorable price/mix of \$22.7 million was driven by unfavorable mix within the industrial end-market sector. Excluding surcharges, net sales increased \$47.9 million or 27.4%.

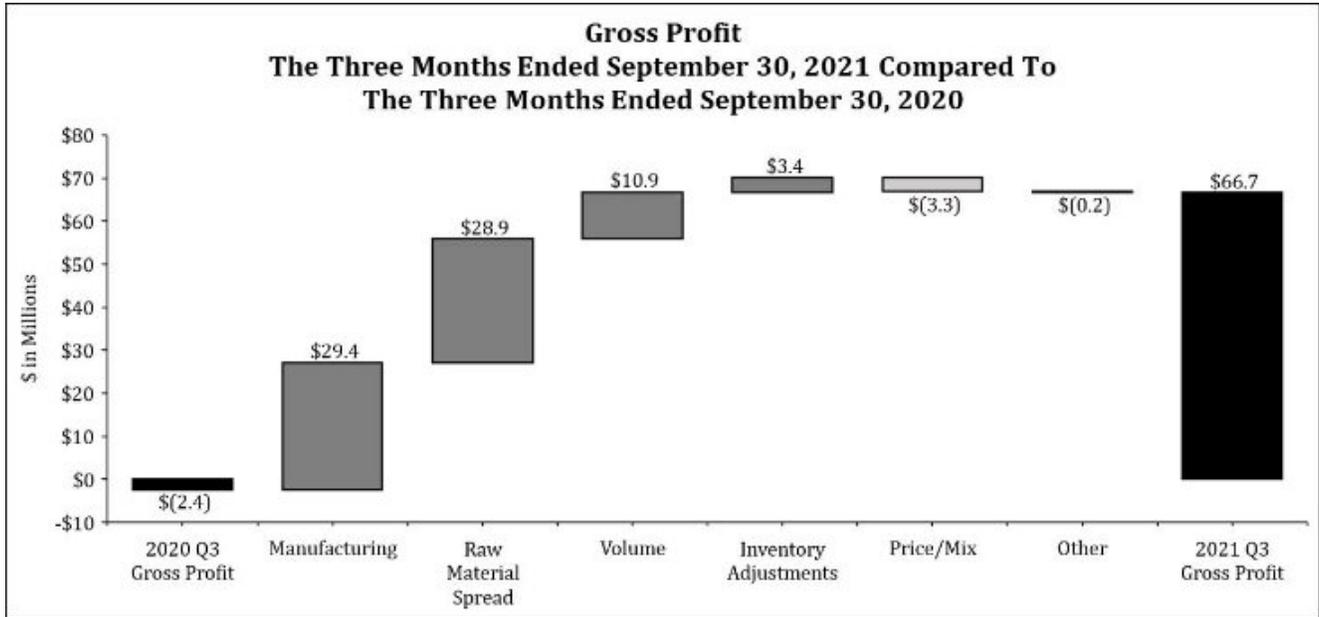
The charts below present net sales and shipments for the nine months ended September 30, 2021 and 2020.



Net sales for the nine months ended September 30, 2021 were \$944.6 million, an increase of \$325.1 million, or 52.5% compared with the nine months ended September 30, 2020. The increase in sales was driven by an increase in surcharges and higher volumes, partially offset by unfavorable price/mix. The increase in surcharges of \$191.2 million was due to higher market prices for scrap and alloy in the industrial and mobile end-market sectors. Higher volumes of approximately 144 thousand ship tons resulted in an increase of \$179.5 million primarily due to higher customer demand in the mobile and industrial end-market sectors, despite an approximate 33 thousand ton decrease in expected ship tons for the nine months ended September 30, 2021 due to the semiconductor chip shortage in the mobile end-market sector. This was partially offset by lower energy and no OCTG billet shipments during 2021. Unfavorable price/mix of \$45.6 million was driven by unfavorable mix within the industrial end-market sector, as well as higher sales volume in the mobile end-market sector for the nine months ended September 30, 2021 compared with higher sales volume in the energy end-market sector for the nine months ended September 30, 2020. Excluding surcharges, net sales increased \$133.9 million or 25.8%.

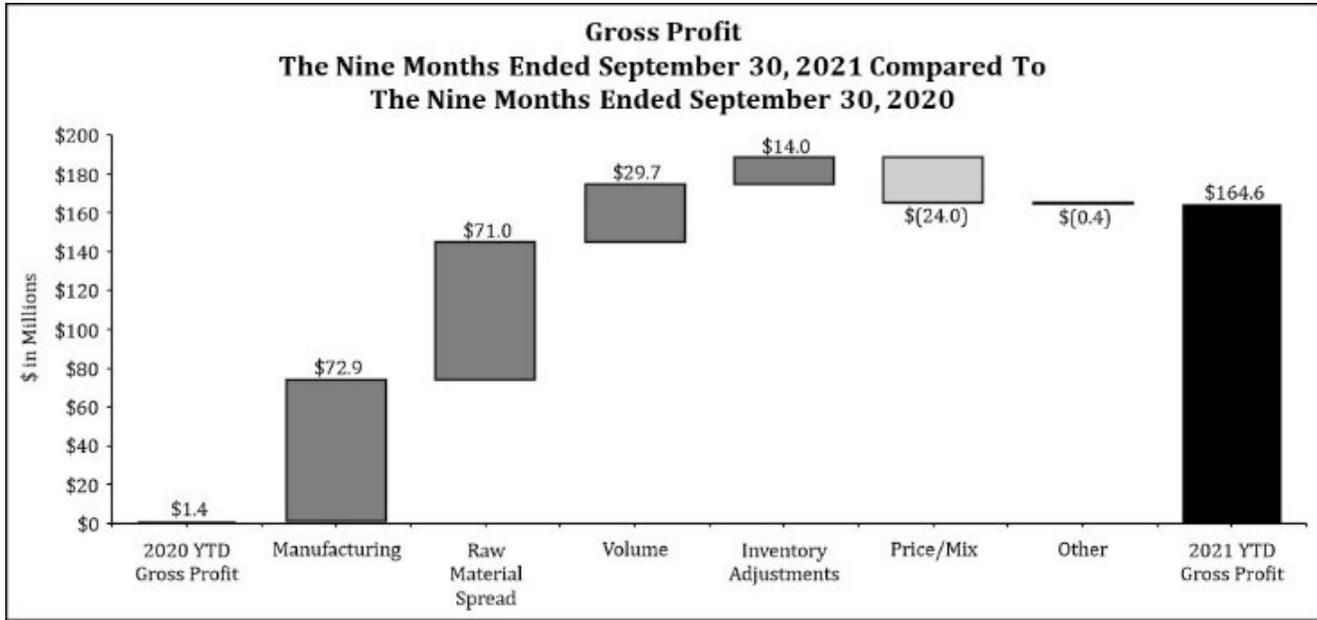
Gross Profit

The chart below presents the drivers of the gross profit variance from the three months ended September 30, 2020 to September 30, 2021.



Gross profit for the three months ended September 30, 2021 increased \$69.1 million compared with the three months ended September 30, 2020. The increase was driven by favorable manufacturing costs, raw material spread and increased volume. Favorable manufacturing costs were primarily due to improved fixed cost leverage and improved labor productivity on higher production volumes, partially offset by higher variable compensation costs. Raw material spread was favorable due to higher scrap and alloy spreads. The primary driver of the increase in volume was higher customer demand in the industrial and energy end-market sectors.

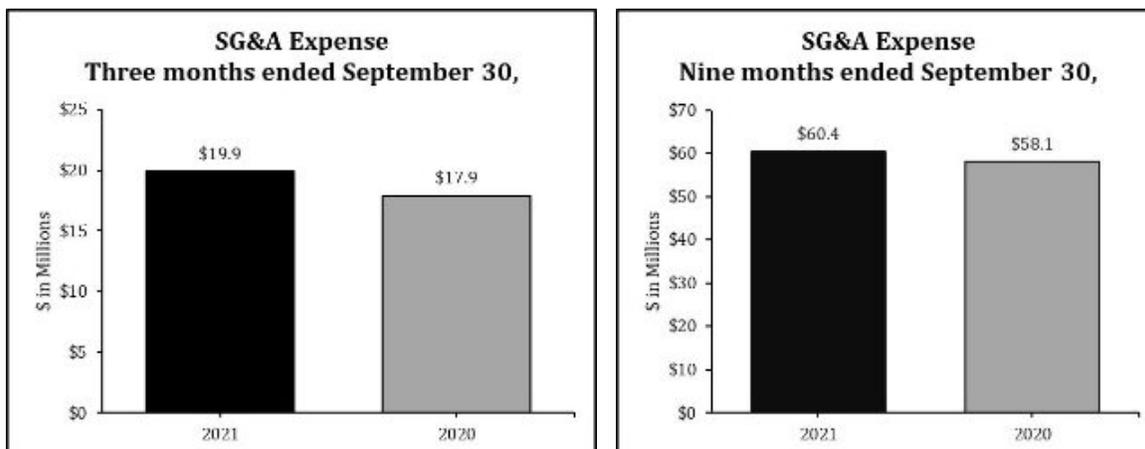
The chart below presents the drivers of the gross profit variance from the nine months ended September 30, 2020 to September 30, 2021.



Gross profit for the nine months ended September 30, 2021 increased \$163.2 million compared with the nine months ended September 30, 2020. The increase was driven by favorable manufacturing costs, raw material spread, increased volume, and inventory adjustments, partially offset by unfavorable price/mix. Favorable manufacturing costs were primarily due to the Company's significant cost reduction actions and a favorable impact of higher production levels on fixed cost leverage, partially offset by higher variable compensation costs. Raw material spread was favorable due to higher scrap and alloy spreads. The primary driver of the increase in volume was higher customer demand in the industrial and mobile end-market sectors, partially offset by lower energy and no OCTG billet shipments for the nine months ended 2021. Inventory adjustments were also favorable as additional reserves were recorded during the nine months ended September 30, 2020 due to market conditions at the time, specifically in the energy end-market sector. These increases were partially offset by unfavorable price/mix, driven by unfavorable mix within the industrial end-market sector, as well as higher sales volume in the mobile end-market sector for the nine months ended September 30, 2021 compared with higher sales volume in the energy end-market sector for the nine months ended September 30, 2020.

Selling, General and Administrative Expenses

The charts below present selling, general and administrative (“SG&A”) expense for the three and nine months ended September 30, 2021 and 2020.



SG&A expense for the three and nine months ended September 30, 2021 increased by \$2.0 million, or 11.2%, and \$2.3 million, or 4.0%, respectively, compared with the same periods in 2020. These increases are primarily due to higher variable compensation in the current year, partially offset by lower wages and benefits expense as a result of a reduction in employee headcount following the Company’s restructuring actions.

Restructuring Charges

Over the past several years, TimkenSteel has made numerous organizational changes to enhance profitable and sustainable growth. These company-wide actions included the restructuring of its business support functions, the reduction of management layers throughout the organization and other domestic and international actions to further improve the Company’s overall cost structure. Restructuring charges totaled \$0.4 million and \$2.0 million for the three and nine months ended September 30, 2021, respectively. Approximately 15 salaried positions were eliminated through restructuring actions in 2021.

During this period of organizational changes, the Company has eliminated approximately 230 salaried positions through restructuring actions and recognized restructuring charges of \$13.7 million. The Company expects to realize ongoing annual savings of approximately \$30 million as a result of these actions.

In October 2021, the Company further refined its organizational structure and offered a voluntary exit incentive to certain U.S.-based salaried non-operative employees who will be eligible for retirement by December 31, 2023. As a result of this program, the Company anticipates recording a restructuring charge of approximately \$4 million in the fourth quarter of 2021, with cash severance payments expected primarily in 2022. Annual savings are estimated to be approximately \$5 million as a result of this action.

Refer to “Note 4 - Restructuring Charges” and “Note 15 – Subsequent Events” in the Notes to the unaudited Consolidated Financial Statements for additional information.

Interest Expense

Interest expense for the three and nine months ended September 30, 2021 was \$1.2 million and \$4.7 million, a decrease of \$1.8 million and \$4.5 million, respectively, compared with the three and nine months ended September 30, 2020. The decrease in interest expense for both periods was primarily due to the adoption of the Accounting Standard Update 2020-06 on January 1, 2021, which caused the Convertible Notes to no longer have a debt discount that is amortized. The remaining decrease is driven by a reduction in outstanding borrowings. Refer to “Note 10 - Financing Arrangements” in the Notes to the unaudited Consolidated Financial Statements for additional information.

Other (Income) Expense, net

	Three Months Ended September 30,		
	2021	2020	\$ Change
Pension and postretirement non-service benefit (income) loss	\$ (9.2)	\$ (6.7)	\$ (2.5)
Loss (gain) from remeasurement benefit plan	2.7	(4.1)	6.8
Foreign currency exchange loss (gain)	—	(0.1)	0.1
Miscellaneous (income) expense	(0.1)	0.3	(0.4)
Total other (income) expense, net	\$ (6.6)	\$ (10.6)	\$ 4.0

	Nine Months Ended September 30,		
	2021	2020	\$ Change
Pension and postretirement non-service benefit (income) loss	\$ (28.0)	\$ (19.7)	\$ (8.3)
Loss (gain) from remeasurement benefit plan	2.2	3.5	(1.3)
Foreign currency exchange loss (gain)	—	0.3	(0.3)
Sales and use tax refund	(2.5)	—	(2.5)
Miscellaneous (income) expense	—	(0.1)	0.1
Total other (income) expense, net	\$ (28.3)	\$ (16.0)	\$ (12.3)

Non-service related pension and other postretirement benefit income, for all years, consists of the interest cost, expected return on plan assets and amortization components of net periodic cost.

The TimkenSteel Corporation Retirement Plan (“Salaried Plan”) has a provision that permits employees to elect to receive their pension benefits in a lump sum upon retirement. In the first quarter of 2021, the cumulative cost of all lump sum payments exceeded the sum of the service cost and interest cost components of net periodic pension cost for the Salaried Plan. As a result, the Company completed a full remeasurement of its pension obligations and plan assets associated with the Salaried Plan during each quarter of 2021. A full remeasurement of the pension obligations and plan assets associated with the Salaried Plan was also required throughout each quarter of 2020. For more details on the remeasurement refer to “Note 11 - Retirement and Postretirement Plans”.

During the second quarter of 2021, TimkenSteel received a refund from the State of Ohio related to an overpayment of sales and use taxes for the period of October 1, 2016 through September 30, 2019. This resulted in a gain recognized of \$2.5 million, net of related professional fees, during the second quarter of 2021.

Provision for Income Taxes

	Three Months Ended September 30,		
	2021	2020	\$ Change
Provision (benefit) for income taxes	\$ 0.5	\$ 0.3	\$ 0.2
Effective tax rate	1.0%	(2.2)%	NM ⁽¹⁾

	Nine Months Ended September 30,		
	2021	2020	\$ Change
Provision (benefit) for income taxes	\$ 2.1	\$ 0.6	\$ 1.5
Effective tax rate	1.8%	(1.2)%	NM ⁽¹⁾

(1) “NM” represents data that is not meaningful.

The majority of the Company’s income tax expense is derived from foreign, state, and local taxes. The Company remains in a full valuation for the U.S. jurisdiction for the three and nine months ended September 30, 2021 and 2020.

Non-GAAP Financial Measures
Net Sales, Excluding Surcharges

The table below presents net sales by end-market sector, adjusted to exclude surcharges, which represents a financial measure that has not been determined in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). We believe presenting net sales by end-market sector adjusted to exclude surcharges provides additional insight into key drivers of net sales such as base price and product mix.

(dollars in millions, tons in thousands)

	Three Months Ended September 30, 2021				
	Mobile	Industrial	Energy	Other	Total
Tons	88.8	111.0	12.9	—	212.7
Net Sales	\$ 133.5	\$ 182.0	\$ 20.4	\$ 7.8	\$ 343.7
Less: Surcharges	47.0	66.6	7.4	—	121.0
Base Sales	\$ 86.5	\$ 115.4	\$ 13.0	\$ 7.8	\$ 222.7
Net Sales / Ton	\$ 1,503	\$ 1,640	\$ 1,581	\$ —	\$ 1,616
Surcharges / Ton	\$ 529	\$ 600	\$ 573	\$ —	\$ 569
Base Sales / Ton	\$ 974	\$ 1,040	\$ 1,008	\$ —	\$ 1,047

	Three Months Ended September 30, 2020				
	Mobile	Industrial	Energy	Other	Total
Tons	90.3	59.3	4.7	0.0	154.3
Net Sales	\$ 103.1	\$ 90.7	\$ 7.0	\$ 5.1	\$ 205.9
Less: Surcharges	17.0	13.0	1.1	0.0	31.1
Base Sales	\$ 86.1	\$ 77.7	\$ 5.9	\$ 5.1	\$ 174.8
Net Sales / Ton	\$ 1,142	\$ 1,530	\$ 1,489	\$ —	\$ 1,334
Surcharges / Ton	\$ 189	\$ 220	\$ 234	\$ —	\$ 201
Base Sales / Ton	\$ 953	\$ 1,310	\$ 1,255	\$ —	\$ 1,133

	Nine Months Ended September 30, 2021				
	Mobile	Industrial	Energy	Other	Total
Tons	285.9	307.3	27.1	—	620.3
Net Sales	\$ 400.0	\$ 480.3	\$ 41.4	\$ 22.9	\$ 944.6
Less: Surcharges	121.5	156.9	14.1	—	292.5
Base Sales	\$ 278.5	\$ 323.4	\$ 27.3	\$ 22.9	\$ 652.1
Net Sales / Ton	\$ 1,399	\$ 1,563	\$ 1,528	\$ —	\$ 1,523
Surcharges / Ton	\$ 425	\$ 511	\$ 521	\$ —	\$ 472
Base Sales / Ton	\$ 974	\$ 1,052	\$ 1,007	\$ —	\$ 1,051

	Nine Months Ended September 30, 2020				
	Mobile	Industrial	Energy	Other	Total
Tons	211.8	203.7	32.2	28.7	476.4
Net Sales	\$ 236.9	\$ 302.0	\$ 46.8	\$ 33.8	\$ 619.5
Less: Surcharges	40.3	46.4	7.5	7.1	101.3
Base Sales	\$ 196.6	\$ 255.6	\$ 39.3	\$ 26.7	\$ 518.2
Net Sales / Ton	\$ 1,119	\$ 1,483	\$ 1,453	\$ 1,178	\$ 1,300
Surcharges / Ton	\$ 191	\$ 228	\$ 233	\$ 248	\$ 212
Base Sales / Ton	\$ 928	\$ 1,255	\$ 1,220	\$ 930	\$ 1,088

Liquidity and Capital Resources

Amended Credit Agreement

On October 15, 2019, the Company entered into a Third Amended and Restated Credit Agreement (the “Amended Credit Agreement”) with JP Morgan Chase Bank, N.A., as administrative agent, Bank of America, N.A., as syndication agent, and the other lenders party thereto, which further amended and restated the Company’s Second Amended and Restated Credit Agreement dated as of January 26, 2018.

For additional details regarding the Amended Credit Agreement please refer to “Note 14 - Financing Arrangements” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020.

Convertible Notes

In May 2016, the Company issued \$75.0 million aggregate principal amount of Convertible Senior Notes due 2021, plus an additional \$11.3 million principal amount to cover over-allotments. The Convertible Senior Notes due 2021 matured on June 1, 2021 and were settled with a combination of cash (\$38.9 million) and shares (0.1 million shares), as most noteholders exercised their conversion option prior to maturity. The final cash payment for interest was also made to noteholders on June 1, 2021 in the amount of \$1.2 million.

In December 2020, the Company entered into separate, privately negotiated exchange agreements with a limited number of holders of the Company’s previously outstanding Convertible Senior Notes due 2021. Pursuant to the exchange agreements, the Company exchanged \$46.0 million aggregate principal amount of Convertible Senior Notes due 2021 for \$46.0 million aggregate principal amount of its new Convertible Senior Notes due 2025. The Company did not receive any cash proceeds from the issuance of the Convertible Senior Notes due 2025.

The Convertible Senior Notes due 2025 bear cash interest at a rate of 6.0% per year, payable semiannually on June 1 and December 1, beginning on June 1, 2021. The Convertible Senior Notes due 2025 will mature on December 1, 2025, unless earlier repurchased or converted. The net amount of this exchange was \$44.5 million, after deducting the initial underwriters’ fees and paying other transaction costs.

The Convertible Senior Notes due 2025 are convertible at the option of holders in certain circumstances and during certain periods into the Company’s common shares, cash, or a combination thereof, at the Company’s election. The Indenture for the Convertible Senior Notes due 2025 provides that notes will become convertible during a quarter when the share price for 20 trading days during the final 30 trading days of the immediately preceding quarter was greater than 130% of the conversion price. This criterion was met during the third quarter of 2021 and as such the notes can be converted at the option of the holders beginning October 1 through December 31, 2021. Whether the notes will be convertible following such period will depend on if this criterion, or another conversion condition, is met in the future. To date, no holders have elected to convert their notes during this optional fourth quarter of 2021 conversion period.

For additional details regarding the Convertible Notes please refer to “Note 14 - Financing Arrangements” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020.

Additional Liquidity Considerations

The following represents a summary of key liquidity measures under the Amended Credit Agreement as of September 30, 2021 and December 31, 2020:

	September 30, 2021	December 31, 2020
Cash and cash equivalents	\$ 172.0	\$ 102.8
Credit Agreement:		
Maximum availability	\$ 400.0	\$ 400.0
Suppressed availability ⁽¹⁾	(122.2)	(183.2)
Availability	277.8	216.8
Amount borrowed	—	—
Letter of credit obligations	(5.4)	(5.5)
Availability not borrowed	\$ 272.4	\$ 211.3
Total liquidity	\$ 444.4	\$ 314.1

(1) As of September 30, 2021, and December 31, 2020, TimkenSteel had less than \$400 million in collateral assets to borrow against.

Our principal sources of liquidity are cash and cash equivalents, cash flows from operations and available borrowing capacity under our credit agreement. As of September 30, 2021, taking into account our view of mobile, industrial, and energy end-market demands for our products, and our 2021 operating and long-range plan, we believe that our cash balance as of September 30, 2021, 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 and pension and postretirement benefit obligations, for at least the next twelve months.

To the extent our liquidity needs prove to be greater than expected or cash generated from operations is 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 additional financing would likely be available if necessary, although we can make no assurance as to the form or terms of any such financing.

For additional details regarding the Amended Credit Agreement and the Convertible Notes please refer to “Note 14 - Financing Arrangements” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020.

Coronavirus Aid, Relief, and Economic Security Act

On March 27, 2020, the President of the United States signed the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, an economic stimulus package intended to provide support, principally in the form of tax benefits, to companies and individuals negatively impacted by the COVID-19 pandemic. Although the majority of the provisions included in the CARES Act did not immediately benefit the Company from a cash tax perspective due to its significant net operating losses, the Company took advantage of the deferral of the employer share (6.2% of employee wages) of Social Security payroll taxes that would otherwise have been owed from the date of enactment of the legislation through December 31, 2020, as afforded by the Act. During the year ended December 31, 2020, the Company had deferred \$6.4 million in cash payments and recorded reserves for such deferred payroll taxes in salaries, wages and benefits on the Consolidated Balance Sheets. The deferred amount of payments is to be paid in two equal installments at December 31, 2021 and December 31, 2022.

The CARES Act also provided for an employee retention credit (“Employee Retention Credit”), which is a refundable tax credit against certain employment taxes of up to five thousand dollars per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at ten thousand dollars of qualified wages per employee throughout the year. The Company qualified for the tax credit in the second and third quarters of 2020 and accrued a benefit of \$2.3 million in the fourth quarter of 2020 related to the Employee Retention Credit in other (income) expense, net on the Company’s Consolidated Statements of Operations. The Company filed for this credit in the second quarter of 2021 and awaits receipt of the cash proceeds.

Consolidated Appropriations Act, 2021

On December 27, 2020, the President of the United States signed the Consolidated Appropriation Act, 2021 (“CAA”). The CAA includes additional COVID-19 relief that expands upon the relief provided in the CARES Act, including, but not limited to, the extension of tax deductions, credits, and incentives. The Company has evaluated the CAA for any potential impact. While it was determined that the CAA revised and extended the Employee Retention Credit into 2021, the CAA is not expected to have an impact on the Company as

employee furloughs related to the COVID-19 pandemic ceased in 2020. Furthermore, the Company does not expect any of the other provisions within the CAA to provide a benefit.

American Rescue Plan Act of 2021

On March 11, 2021, the President of the United States signed the American Rescue Plan Act of 2021 (“ARPA”). The ARPA strengthens and extends certain programs enacted through the CARES Act and establishes new relief programs aimed at mitigating the financial impact of the COVID-19 pandemic. The provisions within the ARPA have been evaluated and at this time one provision, which offers funding relief for single-employer defined benefit pension plans, is expected to materially impact the Company.

Specifically, the ARPA provides enhanced interest rate stabilization, as well as extended amortization of funding shortfalls. The Company has evaluated and made final the elections permitted by the ARPA related to the required contributions for our domestic defined benefit pension plans. At this time based on current assumptions, the elections made under ARPA and expected asset returns, we believe that required Company contributions have been delayed until 2030. However, these estimates are subject to significant uncertainty. Prior to the ARPA, we had expected to make required pension contributions for our domestic defined benefit pension plans beginning in 2022.

Cash Flows

The following table reflects the major categories of cash flows for the nine months ended September 30, 2021 and 2020. For additional details, please refer to the unaudited Consolidated Statements of Cash Flows included in this quarterly report.

	Nine Months Ended September 30,	
	2021	2020
Net cash provided (used) by operating activities	\$ 106.2	\$ 121.0
Net cash provided (used) by investing activities	(0.9)	(3.0)
Net cash provided (used) by financing activities	(36.1)	(70.3)
Increase (Decrease) in Cash and Cash Equivalents	\$ 69.2	\$ 47.7

Operating activities

Net cash provided by operating activities for the nine months ended September 30, 2021 was \$106.2 million compared to net cash provided of \$121.0 million for the nine months ended September 30, 2020. The decrease in net cash provided by operating activities is due to an increase in working capital, principally inventory, during the nine months ended September 31, 2021 to support increasing customer demand and production levels, as compared to a drawdown of working capital based on economic conditions during the nine months ended September 30, 2020.

Investing activities

Net cash used by investing activities for the nine months ended September 30, 2021 was \$0.9 million compared to net cash used of \$3.0 million for the nine months ended September 30, 2020. The change was primarily due to lower capital expenditures, as well as proceeds from the sale of TimkenSteel (Shanghai) Corporation Limited in the third quarter of 2021, partially offset by lower proceeds on disposals of property, plant and equipment.

Financing activities

Net cash used by financing activities for the nine months ended September 30, 2021 was \$36.1 million compared to net cash used of \$70.3 million for the nine months ended September 30, 2020. The change was primarily due to lower repayments on outstanding borrowings and increased proceeds from the exercise of stock options during the nine months ended September 30, 2021 compared to the same period of 2020.

Critical Accounting Policies and Estimates

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

New Accounting Guidance

See “Note 2 - Recent Accounting Pronouncements” in the Notes to the unaudited Consolidated Financial Statements.

Forward-Looking Statements

Certain statements set forth in this Quarterly Report on 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,” “will,” “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;
- climate-related risks, including environmental and severe weather caused by climate changes, and legislative and regulatory initiatives addressing global climate change or other environmental concerns;
- 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 including but not limited to changes in customer operating schedules due to supply chain constraints; 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;
- the potential impact of the COVID-19 pandemic on our operations and financial results, including cash flows and liquidity;
- 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; 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, including our ability to refinance and/or repay prior to or at maturity the Convertible Notes; 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;
- the overall impact of the pension and postretirement mark-to-market accounting;

- the effects of the conditional conversion feature of the Convertible Senior Notes due 2025, which, if triggered, entitles holders to convert the notes at any time during specified periods at their option and therefore could result in potential dilution if the holder elects to convert and the company elects to satisfy a portion or all of the conversion obligation by delivering common shares instead of cash; and
- those items identified under the caption Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2020.

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 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, 2021, we have \$46.0 million of aggregate debt outstanding. None of our outstanding debt as of September 30, 2021 has variable interest rates, thus a rise in interest rates would not impact our interest expense at this point in time.

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 financial instruments to hedge a portion of our exposure to commodity price risk. 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 are 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, 2020 filed with the SEC.

Item 6. Exhibits

Exhibit Number	Exhibit Description
31.1*	Certification of the Chief Executive Officer pursuant to Rule 13a-14 of the Exchange Act, as adopted, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Chief Financial Officer pursuant to Rule 13a-14 of the Exchange Act, as adopted, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* 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: November 4, 2021

/s/Kristopher R. Westbrook

Kristopher R. Westbrook

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION

I, Michael S. Williams, certify that:

I have reviewed this quarterly report on Form 10-Q of TimkenSteel Corporation;

1. 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;
2. 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;
3. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
4. 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: November 4, 2021

/s/ Michael S. Williams

Michael S. Williams
Chief Executive Officer and President
(Principal Executive Officer)

CERTIFICATION

I, Kristopher R. Westbrooks, certify that:

I have reviewed this quarterly report on Form 10-Q of TimkenSteel Corporation;

1. 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;
2. 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;
3. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
4. 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: November 4, 2021

/s/ Kristopher R. Westbrooks

Kristopher R. Westbrooks
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, 2021, 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: November 4, 2021

/s/ Michael S. Williams

Michael S. Williams
Chief Executive Officer and President
(Principal Executive Officer)

Date: November 4, 2021

/s/ Kristopher R. Westbrook

Kristopher R. Westbrook
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)