

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

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**FORM 10-Q**

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

For the quarterly period ended March 31, 2017

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 1-36313

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**TIMKENSTEEL CORPORATION**

(Exact name of registrant as specified in its charter)

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**Ohio**

(State or other jurisdiction of  
incorporation or organization)

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

(Address of principal executive offices)

**46-4024951**

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

**44706**

(Zip Code)

**330.471.7000**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

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

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

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

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

Class	Outstanding at April 15, 2017
Common Shares, without par value	44,373,990

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## PART I. FINANCIAL INFORMATION

## ITEM I. FINANCIAL STATEMENTS

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

	Three Months Ended March 31,	
	2017	2016
(Dollars in millions, except per share data)		
Net sales	\$309.4	\$217.9
Cost of products sold	292.4	212.5
<b>Gross Profit</b>	<b>17.0</b>	<b>5.4</b>
Selling, general and administrative expenses	22.9	22.1
Impairment and restructuring charges	—	—
<b>Operating Loss</b>	<b>(5.9)</b>	<b>(16.7)</b>
Interest expense	3.6	2.0
Other income, net	(4.5)	(2.6)
<b>Loss Before Income Taxes</b>	<b>(5.0)</b>	<b>(16.1)</b>
Provision (benefit) for income taxes	0.3	(6.4)
<b>Net Loss</b>	<b>(\$5.3)</b>	<b>(\$9.7)</b>
<b>Per Share Data:</b>		
<b>Basic loss per share</b>	<b>(\$0.12)</b>	<b>(\$0.22)</b>
<b>Diluted loss per share</b>	<b>(\$0.12)</b>	<b>(\$0.22)</b>
<b>Dividends per share</b>	<b>\$—</b>	<b>\$—</b>

See accompanying Notes to Unaudited Consolidated Financial Statements.

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

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2017</b>	<b>2016</b>
(Dollars in millions)		
Net loss	(\$5.3)	(\$9.7)
Other comprehensive (loss) income, net of tax:		
Foreign currency translation adjustments	0.2	(0.5)
Pension and postretirement liability adjustments	0.3	1.0
Other comprehensive (loss) income, net of tax	0.5	0.5
<b>Comprehensive Loss, net of tax</b>	<b>(\$4.8)</b>	<b>(\$9.2)</b>

See accompanying Notes to Unaudited Consolidated Financial Statements.

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

	March 31, 2017	December 31, 2016
(Dollars in millions)		
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$20.6	\$25.6
Accounts receivable, net of allowances (2017 - \$2.7 million; 2016 - \$2.1 million)	147.9	91.6
Inventories, net	190.9	164.2
Deferred charges and prepaid expenses	3.1	2.8
Other current assets	7.6	6.2
<b>Total Current Assets</b>	<b>370.1</b>	<b>290.4</b>
<b>Property, Plant and Equipment, Net</b>	<b>727.3</b>	<b>741.9</b>
<b>Other Assets</b>		
Pension assets	8.4	6.2
Intangible assets, net	23.6	25.0
Other non-current assets	6.1	6.4
<b>Total Other Assets</b>	<b>38.1</b>	<b>37.6</b>
<b>Total Assets</b>	<b>\$1,135.5</b>	<b>\$1,069.9</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable, trade	\$126.4	\$87.0
Salaries, wages and benefits	26.4	20.3
Accrued pension and postretirement costs	3.0	3.0
Other current liabilities	17.9	20.4
<b>Total Current Liabilities</b>	<b>173.7</b>	<b>130.7</b>
<b>Non-Current Liabilities</b>		
Convertible notes, net	67.3	66.4
Other long-term debt	95.2	70.2
Accrued pension and postretirement costs	193.2	192.1
Deferred income taxes	0.3	—
Other non-current liabilities	12.6	13.1
<b>Total Non-Current Liabilities</b>	<b>368.6</b>	<b>341.8</b>
<b>Shareholders' Equity</b>		
Preferred shares, without par value; authorized 10.0 million shares, none issued	—	—
Common shares, without par value; authorized 200.0 million shares; issued 2017 and 2016 - 45.7 million shares	—	—
Additional paid-in capital	841.4	845.6
Retained deficit	(199.5)	(193.9)
Treasury shares - 2017 - 1.4 million; 2016 - 1.5 million	(39.8)	(44.9)
Accumulated other comprehensive loss	(8.9)	(9.4)
<b>Total Shareholders' Equity</b>	<b>593.2</b>	<b>597.4</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$1,135.5</b>	<b>\$1,069.9</b>

See accompanying Notes to Unaudited Consolidated Financial Statements.

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

	Three Months Ended March 31,	
	2017	2016
(Dollars in millions)		
<b>CASH PROVIDED (USED)</b>		
<b>Operating Activities</b>		
Net loss	(\$5.3)	(\$9.7)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	18.9	18.7
Amortization of deferred financing and debt discount	1.2	0.2
Loss on sale or disposal of assets	—	0.8
Deferred income taxes	0.3	(8.7)
Stock-based compensation expense	1.6	1.5
Pension and postretirement expense	0.8	0.6
Pension and postretirement contributions and payments	(1.6)	(1.9)
Reimbursement from postretirement plan assets	—	13.3
Changes in operating assets and liabilities:		
Accounts receivable, net	(56.3)	(14.1)
Inventories, net	(26.7)	13.0
Accounts payable, trade	39.4	6.6
Other accrued expenses	2.9	(10.7)
Deferred charges and prepaid expenses	(0.3)	7.0
Other, net	(1.2)	3.5
<b>Net Cash (Used) Provided by Operating Activities</b>	<b>(26.3)</b>	<b>20.1</b>
<b>Investing Activities</b>		
Capital expenditures	(2.7)	(8.5)
Proceeds from disposals of property, plant and equipment	—	—
<b>Net Cash Used by Investing Activities</b>	<b>(2.7)</b>	<b>(8.5)</b>
<b>Financing Activities</b>		
Proceeds from exercise of stock options	0.2	—
Shares surrendered for employee taxes on stock compensation	(1.2)	—
Credit agreement repayments	—	(15.0)
Credit agreement borrowings	25.0	—
Issuance costs related to credit agreement	—	(1.5)
<b>Net Cash Provided (Used) by Financing Activities</b>	<b>24.0</b>	<b>(16.5)</b>
Effect of exchange rate changes on cash	—	—
<b>Decrease In Cash and Cash Equivalents</b>	<b>(5.0)</b>	<b>(4.9)</b>
Cash and cash equivalents at beginning of period	25.6	42.4
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$20.6</b>	<b>\$37.5</b>

See accompanying Notes to Unaudited Consolidated Financial Statements.

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

## Note 1 - Company and Basis of Presentation

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

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

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

### Presentation

Certain items previously reported in specific financial statement captions have been reclassified to conform to the fiscal 2017 presentation.

### Change in Accounting Principle

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

These changes have been applied retrospectively to prior periods beginning with the formation of the TimkenSteel pension and postretirement benefit plans during the second quarter of 2014. The cumulative effect of the change in accounting principles resulted in a reduction of additional paid in capital of \$ 229.4 million as of the date of establishment of the TimkenSteel pension and other postretirement plans. For further information refer to our Annual Report on Form 10-K for the year ended December 31, 2016 filed with the SEC.

## Note 2 - Recent Accounting Pronouncements

### Adoption of New Accounting Standards

The Company adopted the following Accounting Standard Updates (ASU) during three months ended March 31, 2017. With the exception of ASU 2017-07, which is discussed below, the adoption of these standards did not have a material impact on the Unaudited Consolidated Financial Statements or the related Notes to the Unaudited Consolidated Financial Statements.

Standard	Effective Date
2015-11 Inventory: Simplifying the Measurement of Inventory (Topic 330)	January 1, 2017
2016-15 Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments (a Consensus of the Emerging Issues Task Force)	January 1, 2017
2016-16 Accounting for Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory (Topic 740)	January 1, 2017
2017-07 Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (Topic 715)	January 1, 2018

In the first quarter of 2017, the FASB issued and the Company early adopted ASU 2017-07, "Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (Topic 715)." This ASU is effective for annual periods beginning after December 31, 2018, with early adoption permitted. This ASU requires entities to present non-service cost components of net periodic benefit cost in a caption below operating loss and provides that only service cost is eligible to be capitalized in inventory or construction of an asset. This ASU requires retrospective application of the change in the statement of operations and prospective application for the capitalization of service cost in assets. This ASU permits previously disclosed components of net benefit costs as an estimation basis for applying the retrospective presentation as a practical expedient. Utilizing the practical expedient based on amounts previously disclosed, the Company reclassified non-service components of net periodic benefit cost \$3.1 million and \$0.3 million from cost of products sold and selling, general and administrative expenses, respectively, into other income, net on the Unaudited Consolidated Statements of Operation for the three months ended March 31, 2016.

### Accounting Standards Issued But Not Yet Adopted

In January 2017, the FASB issued ASU 2017-01, "Business Combinations - Clarifying the Definition of a Business." This guidance clarifies the definition of a business when evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. It is effective for annual periods beginning after December 31,

2017. TimkenSteel will apply this ASU to business combinations effective after January 1, 2018, as applicable.

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

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

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," which provides guidance for revenue recognition and will supersede Topic 605, "Revenue Recognition," and most industry-specific guidance. Under ASU 2014-09 and the subsequently issued amendments, the core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to

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be entitled in exchange for those goods or services. Additional disclosures will be required about the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers. This standard is effective for annual reporting periods after December 15, 2017. TimkenSteel is currently reviewing its significant customer pricing agreements and associated revenue streams, accounting policies, systems and related internal controls in anticipation of adopting ASU 2014-09 as of January 1, 2018. Based on the analysis completed to date, the Company's preliminary expectation is that this standard will not materially impact the amount or timing of revenue recognized. TimkenSteel anticipates adopting this standard using the modified retrospective approach.

**Note 3 - Inventories**

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

	March 31, 2017	December 31, 2016
Inventories, net:		
Manufacturing supplies	\$36.2	\$37.9
Raw materials	26.4	16.2
Work in process	88.6	58.6
Finished products	48.0	59.6
Subtotal	199.2	172.3
Allowance for surplus and obsolete inventory	(8.3)	(8.1)
Total Inventories, net	\$190.9	\$164.2

Inventories are valued at the lower of cost or market, with approximately 64% valued by the LIFO method, and the remaining inventories, including manufacturing supplies inventory as well as international (outside the United States) inventories, valued by FIFO, average cost or specific identification methods.

An actual valuation of the inventory under the LIFO method can be made only at the end of each year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations must be based on management's estimates of expected year-end inventory levels and costs. Because these calculations are subject to many factors beyond management's control, annual results may differ from interim results as they are subject to the final year-end LIFO inventory valuation.

The LIFO reserve as of March 31, 2017 and December 31, 2016 was \$46.5 million and \$44.6 million, respectively. TimkenSteel projects that its LIFO reserve will increase for the year ending December 31, 2017 due primarily to higher anticipated manufacturing costs and inventory quantities.

**Note 4 - Property, Plant and Equipment**

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

	March 31, 2017	December 31, 2016
Property, Plant and Equipment, net:		
Land	\$13.4	\$13.3
Buildings and improvements	421.5	420.6
Machinery and equipment	1,361.5	1,352.0
Construction in progress	55.2	63.9
Subtotal	1,851.6	1,849.8
Less allowances for depreciation	(1,124.3)	(1,107.9)
Property, Plant and Equipment, net	\$727.3	\$741.9

Total depreciation expense was \$17.1 million for the three months ended March 31, 2017 and 2016. TimkenSteel recorded capitalized interest related to construction projects of \$0.2 million for the three months ended March 31, 2017 and 2016. There were no impairment charges recorded during three months ended March 31, 2017 and 2016.

## Note 5 - Intangible Assets

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

	March 31, 2017			December 31, 2016		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible Assets Subject to Amortization:						
Customer relationships	\$6.3	\$3.8	\$2.5	\$6.3	\$3.7	\$2.6
Technology use	9.0	5.5	3.5	9.0	5.2	3.8
Capitalized software	59.3	41.7	17.6	58.9	40.3	18.6
<b>Total Intangible Assets</b>	<b>\$74.6</b>	<b>\$51.0</b>	<b>\$23.6</b>	<b>\$74.2</b>	<b>\$49.2</b>	<b>\$25.0</b>

Intangible assets subject to amortization are amortized on a straight-line method over their legal or estimated useful lives. Amortization expense for intangible assets for the three months ended March 31, 2017 and 2016 was \$1.8 million and \$1.6 million, respectively.

## Note 6 - Financing Arrangements

### Convertible Notes

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

Maturity Date: June 1, 2021 unless repurchased or converted earlier

Interest Rate: 6.0% cash interest per year

Interest Payments Dates: **June 1** and **December 1** of each year, beginning on December 1, 2016

Initial Conversion Price: Approximately \$12.58 per common share of the Company

Initial Conversion Rate: **79.5165** common shares per \$1,000 principal amount of Notes

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

The components of the Convertible Notes as of March 31, 2017 and December 31, 2016 were as follows:

	March 31, 2017	December 31, 2016
Principal	\$86.3	\$86.3
Less: Debt issuance costs, net of amortization	(2.0)	(2.1)
Less: Debt discount, net of amortization	(17.0)	(17.8)
Convertible notes, net	\$67.3	\$66.4

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

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

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The following table sets forth total interest expense recognized related to the Convertible Notes for the three months ended March 31, 2017 :

Contractual interest expense	<b>\$1.3</b>
Amortization of debt issuance costs	<b>0.1</b>
Amortization of debt discount	<b>0.8</b>
Total	<b>\$2.2</b>

The fair value of the Convertible Notes was approximately \$143.7 million as of March 31, 2017 . The fair value of the Convertible Notes, which falls within Level 1 of the fair value hierarchy, is based on the last price traded in March 2017.

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

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

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

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

#### ***Other Long-Term Debt***

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

	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Variable-rate State of Ohio Water Development Revenue Refunding Bonds, maturing on November 1, 2025 (0.70% as of March 31, 2017)	<b>\$12.2</b>	\$12.2
Variable-rate State of Ohio Air Quality Development Revenue Refunding Bonds, maturing on November 1, 2025 (0.70% as of March 31, 2017)	<b>9.5</b>	9.5
Variable-rate State of Ohio Pollution Control Revenue Refunding Bonds, maturing on June 1, 2033 (0.70% as of March 31, 2017)	<b>8.5</b>	8.5
Amended Credit Agreement, due 2019 (LIBOR plus applicable spread)	<b>65.0</b>	40.0
Total Other Long-Term Debt	<b>\$95.2</b>	\$70.2

#### ***Amended Credit Agreement***

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

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

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

Borrowings under the Amended Credit Agreement bear interest based on the daily balance outstanding at LIBOR (with no rate floor), plus an applicable margin (varying from 3.00% to 3.50%) and an additional 0.75% on the machinery and equipment component or, in certain cases, an alternate base rate (based on certain lending institutions' Prime Rate or as otherwise specified in the Amended and Restated Credit Agreement, with no rate floor), plus an applicable margin (varying from 2.00% to 2.50%). The Amended Credit Agreement also carries a commitment fee equal to the unused borrowings multiplied by an applicable margin of 0.50%. The applicable margins are calculated quarterly and vary based on TimkenSteel's average quarterly availability as set forth in the Amended Credit Agreement. The interest rate under the Amended Credit Agreement was 4.6% as of March 31, 2017. The amount available under the Amended Credit Agreement as of March 31, 2017 was \$153.2 million net, after reducing for the block on availability of \$33.1 million.

### ***Revenue Refunding Bonds***

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

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

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

### ***Advanced Quench-and-Temper Facility***

In the second quarter of 2015, TimkenSteel entered into a lease arrangement with the Stark County Port Authority in connection with the construction of a new advanced quench-and-temper facility in Perry Township, Ohio and the issuance of an Industrial Revenue Bond. The bond is held 100% by TimkenSteel Material Services, LLC (a wholly-owned subsidiary of TimkenSteel) and, accordingly, the obligation under the lease agreement and investment in the Industrial Revenue Bond, as well as the related interest income and expense, are eliminated in the Unaudited Consolidated Financial Statements. As of March 31, 2017, \$38.6 million has been spent on the new advanced quench-and-temper facility and is reported in property, plant and equipment, net in the Unaudited Consolidated Balance Sheets. Of this amount, \$11.8 million has been financed through the lease arrangement described above.

## Note 7 - Accumulated Other Comprehensive Loss

Changes in accumulated other comprehensive loss for the three months ended March 31, 2017 and 2016 by component are as follows:

	Foreign Currency Translation Adjustments	Pension and Postretirement Liability Adjustments	Total
Balance at December 31, 2016	(\$7.0)	(\$2.4)	(\$9.4)
Other comprehensive (loss) income before reclassifications, before income tax	0.2	—	0.2
Amounts reclassified from accumulated other comprehensive loss, before income tax	—	0.3	0.3
Income tax benefit	—	—	—
Net current period other comprehensive (loss) income, net of income taxes	0.2	0.3	0.5
<b>Balance at March 31, 2017</b>	<b>(\$6.8)</b>	<b>(\$2.1)</b>	<b>(\$8.9)</b>

  

	Foreign Currency Translation Adjustments	Pension and Postretirement Liability Adjustments	Total
Balance at December 31, 2015	(\$5.0)	(\$2.9)	(\$7.9)
Other comprehensive (loss) income before reclassifications, before income tax	(0.5)	—	(0.5)
Amounts reclassified from accumulated other comprehensive loss, before income tax	—	0.5	0.5
Income tax benefit	—	(0.1)	(0.1)
Net current period other comprehensive (loss) income, net of income taxes	(0.5)	0.4	(0.1)
<b>Balance at March 31, 2016</b>	<b>(\$5.5)</b>	<b>(\$2.5)</b>	<b>(\$8.0)</b>

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

## Note 8 - Changes in Shareholders' Equity

Changes in the components of shareholders' equity for the three months ended March 31, 2017 were as follows:

	Total	Additional Paid-in Capital	Retained Deficit	Treasury Shares	Accumulated Other Comprehensive Loss
Balance at December 31, 2016	\$597.4	\$845.6	(\$193.9)	(\$44.9)	(\$9.4)
Net loss	(5.3)	—	(5.3)	—	—
Pension and postretirement adjustment, net of tax	0.3	—	—	—	0.3
Foreign currency translation adjustments	0.2	—	—	—	0.2
Stock-based compensation expense	1.6	1.6	—	—	—
Stock option activity	0.2	0.2	—	—	—
Issuance of treasury shares	—	(6.0)	(0.3)	6.3	—
Shares surrendered for taxes	(1.2)	—	—	(1.2)	—
<b>Balance at March 31, 2017</b>	<b>\$593.2</b>	<b>\$841.4</b>	<b>(\$199.5)</b>	<b>(\$39.8)</b>	<b>(\$8.9)</b>

## Note 9 - Retirement and Postretirement Plans

The components of net periodic benefit cost for the three months ended March 31, 2017 and 2016 were as follows:

Components of net periodic benefit cost:	Three Months Ended March 31, 2017		Three Months Ended March 31, 2016	
	Pension	Postretirement	Pension	Postretirement
Service cost	\$4.6	\$0.4	\$4.2	\$0.4
Interest cost	12.2	2.1	13.1	2.3
Expected return on plan assets	(17.5)	(1.4)	(17.8)	(1.5)
Amortization of prior service cost	0.1	0.3	0.2	0.3
<b>Net Periodic Benefit Cost</b>	<b>(\$0.6)</b>	<b>\$1.4</b>	<b>(\$0.3)</b>	<b>\$1.5</b>

The service cost component is included in cost of products sold and selling, general and administrative expenses. The non-service cost components of net periodic benefit costs are included in other income, net in the Unaudited Consolidated Statements of Operations. In accordance with the adoption of ASU 2017-07, the Company reclassified \$ 3.1 million and \$ 0.3 million from cost of products sold and selling, general and administrative expenses, respectively, into other income, net on the Unaudited Consolidated Statements of Operation for the three months ended March 31, 2016 .

## Note 10 - Earnings Per Share

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

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

The following table sets forth the reconciliation of the numerator and the denominator of basic and diluted loss per share for the three months ended March 31, 2017 and 2016 :

	Three Months Ended March 31,	
	2017	2016
<b>Numerator:</b>		
Net loss for basic and diluted earnings per share	(\$5.3)	(\$9.7)
<b>Denominator:</b>		
Weighted average shares outstanding, basic	44,300,396	44,206,837
Dilutive effect of stock-based awards	—	—
Weighted average shares outstanding, diluted	44,300,396	44,206,837
<b>Basic loss per share</b>	<b>(\$0.12)</b>	<b>(\$0.22)</b>
<b>Diluted loss per share</b>	<b>(\$0.12)</b>	<b>(\$0.22)</b>

**Note 11 - Income Taxes**

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

	Three Months Ended March 31,	
	2017	2016
Provision (benefit) for income taxes	\$0.3	(\$6.4)
Effective tax rate	(6.0)%	39.8%

For the three months ended March 31, 2017 and the year ended December 31, 2016, operating losses generated in the U.S. resulted in a decrease in the carrying value of the Company's U.S. deferred tax liability to the point that would result in a net U.S. deferred tax asset at March 31, 2017 and December 31, 2016. In light of TimkenSteel's recent operating performance in the U.S. and current industry conditions, the Company assessed, based upon all available evidence, and concluded that it was more likely than not that it would not realize its U.S. deferred tax assets. As a result, in the fourth quarter of 2016, the Company recorded full valuation allowance on its net U.S. deferred tax asset of \$ 15.6 million. Going forward, the need to maintain valuation allowances against deferred tax assets in the U.S. and other affected countries will cause variability in the Company's effective tax rate. The Company will maintain a full valuation allowance against its deferred tax assets in the U.S. and applicable foreign countries until sufficient positive evidence exists to eliminate them.

**Note 12 - Contingencies**

TimkenSteel has a number of loss exposures incurred in the ordinary course of business, such as environmental claims, product warranty claims, and litigation. Establishing loss reserves for these matters requires management's estimate and judgment regarding risk exposure and ultimate liability or realization. These loss reserves are reviewed periodically and adjustments are made to reflect the most recent facts and circumstances. As of March 31, 2017 and December 31, 2016, TimkenSteel had contingency reserves related to loss exposures incurred in the ordinary course of business of \$0.2 million.

**Environmental Matters**

From time to time, TimkenSteel may be a party to lawsuits, claims or other proceedings related to environmental matters and/or may receive notices of potential violations of environmental laws and regulations from the U.S. Environmental Protection Agency (EPA) and similar state or local authorities. Accruals related to such environmental matters represent management's best estimate of the fees and costs associated with these matters. Although it is not possible to predict with certainty the outcome of such matters, management believes that their ultimate dispositions should not have a material adverse effect on TimkenSteel's financial position, cash flows, or results of operations. As of March 31, 2017 and December 31, 2016, TimkenSteel had a \$0.6 million reserve for such environmental matters as other current and non-current liabilities on the Unaudited Consolidated Balance Sheets.

The following is a rollforward of the accrual related to environmental matters for the three months ended March 31, 2017 and 2016:

	Three Months Ended March 31,	
	2017	2016
Beginning Balance, January 1	\$0.6	\$0.8
Expenses	—	—
Payments	—	(0.1)
<b>Ending Balance, March 31</b>	<b>\$0.6</b>	<b>\$0.7</b>

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

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

### Business Overview

TimkenSteel Corporation (we, us, our, the Company or TimkenSteel) was incorporated in Ohio on October 24, 2013, and became an independent, publicly traded company as the result of a spinoff from The Timken Company (Timken) on June 30, 2014 .

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

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

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

### Capital Investments

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

On July 17, 2014, we began investing in additional advanced quench-and-temper heat-treat capacity. The \$40 million facility will perform quench-and-temper heat-treat operations and, we believe, will have capacity for up to 50,000 process-tons annually of 4-inch to 13-inch bars and tubes. This facility will be located in Perry Township, Ohio on the site of our Gambrinus Steel Plant near three existing thermal treatment facilities. This facility will be larger than each of our three existing thermal treatment facilities in Canton, Ohio. The Company anticipates commissioning this facility in the fourth quarter of 2017.

### Impact of Raw Material Prices and LIFO

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

We value some of our inventory utilizing the LIFO inventory valuation method. Changes in the cost of raw materials and production activities are recognized in cost of products sold in the current period even though these materials and other costs may have been incurred in different periods at significantly different values due to the length of time of our production cycle. In a period of rising raw material prices, cost of products sold recognized under LIFO is generally higher than the cash costs incurred

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to acquire the inventory sold. Conversely, in a period of declining raw material prices, cost of products sold recognized under LIFO is generally lower than cash costs incurred to acquire the inventory sold. In periods of rising inventories and deflating raw material prices, the likely result will be a positive impact to net income. Conversely, in periods of rising inventories and increasing raw materials prices, the likely result will be a negative impact to net income.

**Results of Operations**

	Three Months Ended March 31,			
	2017	2016	Increase (Decrease)	% Change
Net sales	\$309.4	\$217.9	\$91.5	42.0%
Net sales, excluding surcharges	251.1	202.4	48.7	24.1%
Gross profit	17.0	5.4	11.6	214.8%
Gross margin	5.5%	2.5%	NM	300 bps
Selling, general and administrative expenses	22.9	22.1	0.8	3.6%
Net loss	(5.3)	(9.7)	(4.4)	(45.4)%
Average scrap index per ton (30 day lag)	312	177	135	76.3%
Average selling price per ton, including surcharges	\$1,105	\$1,171	(\$66)	(5.6)%
Shipments (in tons)	279,904	186,152	93,752	50.4%
Melt utilization	71%	47%	NM	24 pp

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

**Net Sales**

Net sales for the first quarter of 2017 were \$309.4 million, an increase of \$91.5 million compared to the first quarter of 2016. Excluding surcharges, net sales increased \$48.7 million, or 24.1%. The increase was due to higher volumes of \$107 million and favorable raw material spread of \$43 million, partially offset by price/mix of approximately \$58 million. For the three months ended March 31, 2017, ship tons increased 93.7 thousand tons, or 50% compared to the same period in 2016, due primarily to market penetration and sales initiatives, including 48.7 thousand tons of new billet business related to the tube manufacturers supplying the OCTG market.

**Gross Profit**

Gross profit for the first quarter of 2017 was \$17.0 million, an increase of \$ 11.6 million, or 214.8%, compared to gross profit of \$5.4 million for the first quarter of 2016. The increase was driven primarily by higher volumes of approximately \$18 million and favorable raw material spread of approximately \$16 million and production efficiencies of approximately \$12 million as a result of increased melt utilization of 71% for the first quarter of 2017 from 47% for the first quarter of 2016, partially offset by price/mix of approximately \$30 million and lower LIFO income of approximately \$4 million.

Our surcharge mechanism is designed to mitigate the impact of increases or decreases in raw material costs, although generally with a lag effect. This timing effect can result in raw material costs being over- or under-recovered in certain periods. For the three months ended March 31, 2017, the surcharge favorably impacted gross margin as a percent of sales.

**Selling, General and Administrative Expenses**

Selling, general and administrative (SG&A) expenses increased \$ 0.8 million, or 3.6%, for the first quarter of 2017 compared to the first quarter of 2016, due primarily to increased variable compensation costs.

**Interest Expense**

	Three Months Ended March 31,		
	2017	2016	\$ Change
Cash interest paid	\$0.5	\$1.5	(\$1.0)
Accrued interest	1.9	0.3	1.6
Amortization of convertible notes discount and deferred financing	1.2	0.2	1.0
<b>Total Interest Expense</b>	<b>\$3.6</b>	<b>\$2.0</b>	<b>\$1.6</b>

Interest expense for the first quarter of 2017 was \$3.6 million, an increase of \$1.6 million, compared to \$2.0 million for the first quarter of 2016. The increase was primarily due to the issuance of the 6.00% Convertible Senior Notes due in 2021 (Convertible Notes) issued in May 2016.

**Provision (Benefit) for Income Taxes**

	Three Months Ended March 31,			
	2017	2016	\$ Change	% Change
Provision (benefit) for income taxes	\$0.3	(\$6.4)	(\$6.7)	(104.7)%
Effective tax rate	(6.0)%	39.8%	NM	(4580) bps

For the year ended December 31, 2016, operating losses generated in the U.S. resulted in a decrease in the carrying value of our U.S. deferred tax liability to the point that would result in a net U.S. deferred tax asset at December 31, 2016. In light of our recent operating performance in the U.S. and current industry conditions, we assessed, based upon all available evidence, and concluded that it was more likely than not that we would not realize our U.S. deferred tax assets. As a result, in the first quarter of 2017 and in the fourth quarter of 2016, we recorded full valuation allowance on our net U.S. deferred tax asset. Going forward, the need to maintain valuation allowances against deferred tax assets in the U.S. and other affected countries will cause variability in our effective tax rate. We will maintain a full valuation allowance against our deferred tax assets in the U.S. and applicable foreign countries until sufficient positive evidence exists to eliminate them.

**Net Sales, Excluding Surcharges**

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

**Net Sales adjusted to exclude surcharges**
*(Tons in thousands)*

	Three Months Ended March 31,									
	2017					2016				
	Mobile	Industrial	Energy	Other	Total	Mobile	Industrial	Energy	Other	Total
Tons	114.9	99.4	16.9	48.7	279.9	107.2	72.1	6.9	—	186.2
Net Sales	\$136.6	\$110.6	\$23.7	\$38.5	\$309.4	\$121.3	\$82.3	\$10.0	\$4.3	\$217.9
Less: Surcharges	22.9	20.4	2.9	12.1	58.3	8.8	6.1	0.6	—	15.5
Base Sales	\$113.7	\$90.2	\$20.8	\$26.4	\$251.1	\$112.5	\$76.2	\$9.4	\$4.3	\$202.4
Net Sales / Ton	\$1,189	\$1,113	\$1,402	\$791	\$1,105	\$1,132	\$1,141	\$1,449	N/A	\$1,170
Base Sales / Ton	\$990	\$907	\$1,231	\$542	\$897	\$1,049	\$1,057	\$1,362	N/A	\$1,087

**Balance Sheet**

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

<b>Current Assets</b>	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Cash and cash equivalents	\$20.6	\$25.6
Accounts receivable, net	147.9	91.6
Inventories, net	190.9	164.2
Deferred charges and prepaid expenses	3.1	2.8
Other current assets	7.6	6.2
<b>Total Current Assets</b>	<b>\$370.1</b>	<b>\$290.4</b>

Refer to the Liquidity and Capital Resources section of this Management's Discussion and Analysis of Financial Condition and Results of Operations for a discussion of the change in cash and cash equivalents. Accounts receivable, net increased \$56.3 million as of March 31, 2017 compared to December 31, 2016 , due to an increase in net sales of \$94.7 million in the first quarter of 2017 compared to the fourth quarter of 2016. Inventories, net increased \$26.7 million as of March 31, 2017 compared to December 31, 2016 primarily due to efforts to align inventories with anticipated sales volumes.

<b>Property, Plant and Equipment</b>	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Property, plant and equipment, net	\$727.3	\$741.9

Property, plant and equipment, net decreased \$14.6 million as of March 31, 2017 compared to December 31, 2016 . The decrease was primarily due to depreciation expense of approximately \$17.1 million , partially offset by capital expenditures of \$2.7 million , during the three months ended March 31, 2017 .

<b>Other Assets</b>	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Pension assets	\$8.4	\$6.2
Intangible assets, net	23.6	25.0
Other non-current assets	6.1	6.4
<b>Total Other Assets</b>	<b>\$38.1</b>	<b>\$37.6</b>

Pension assets increased \$ 2.2 million as of March 31, 2017 compared to December 31, 2016 , primarily driven by an annual pension contribution made in the first quarter of 2017 to the Company's U.K. pension plan. Intangible assets, net decreased \$1.4 million as of March 31, 2017 compared to December 31, 2016 , primarily due to amortization expense recognized in the three months ended March 31, 2017 .

<b>Liabilities and Shareholders' Equity</b>	<b>March 31, 2017</b>	<b>December 31, 2016</b>
<b>Current liabilities</b>	<b>\$173.7</b>	<b>\$130.7</b>
Convertible notes, net	67.3	66.4
Other long-term debt	95.2	70.2
Accrued pension and postretirement costs - long-term	193.2	192.1
Deferred income taxes	0.3	—
Other non-current liabilities	12.6	13.1
<b>Total shareholders' equity</b>	<b>593.2</b>	<b>597.4</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$1,135.5</b>	<b>\$1,069.9</b>

Current liabilities increased \$43.0 million as of March 31, 2017 compared to December 31, 2016 , primarily due to an increase in accounts payable of approximately \$39.4 million from increased inventory levels and higher benefit accruals.

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

Other long-term debt increased due to borrowings of \$25 million on the Amended Credit Agreement primarily to fund net operating cash flows.

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

**Liquidity and Capital Resources**

**Convertible Notes**

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

**Credit Agreement**

During the third quarter of 2015, we projected that at December 31, 2015, we would not be in compliance with the interest coverage ratio covenant contained in our then-existing revolving credit facility, due to a steeper-than-expected drop in industrial demand driven by depressed commodity prices. Accordingly, on December 21, 2015, we amended and restated our existing revolving credit facility, effectively converting it from a cash flow-based facility to an asset-based facility in order to eliminate various financial covenants that are customary in cash flow-based facilities, including the interest coverage ratio covenant.

On February 26, 2016, we entered into Amendment No. 1 (the Amendment) to the Amended and Restated Credit Agreement dated as of December 21, 2015 (as amended by the Amendment, the Amended Credit Agreement) in order to provide more flexibility with respect to the amount and form of financing we could obtain to enhance our liquidity.

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

The Amended Credit Agreement has a term of five years through June 30, 2019. The following represents a summary of key liquidity measures as of March 31, 2017 and December 31, 2016:

	March 31, 2017	December 31, 2016
Cash and cash equivalents	\$20.6	\$25.6
<b>Amended Credit Agreement:</b>		
Maximum availability	\$252.9	\$194.4
Amount borrowed	65.0	40.0
Letter of credit obligations	1.6	1.6
Availability not borrowed	186.3	152.8
Availability block	33.1	33.1
Net availability	\$153.2	\$119.7
<b>Total liquidity</b>	<b>\$173.8</b>	<b>\$145.3</b>

Our principal sources of liquidity are cash and cash equivalents, cash flows from operations and available borrowing capacity under our Amended Credit Agreement. We currently expect that our cash and cash equivalents on hand, expected cash flows from operations and borrowings available under the Amended Credit Agreement will be sufficient to meet liquidity needs; however, these plans rely on certain underlying assumptions and estimates that may differ from actual results. Such assumptions include improvements in operating results and cash flows driven by the restructuring and cost reduction activities taken during 2015 that streamlined our organizational structure, lowered operating costs and increased liquidity.

As of March 31, 2017, taking into account the foregoing, as well as our view of industrial, energy, and automotive market demands for our products, our 2017 operating plan and our long-range plan, we believe that our cash balance as of March 31, 2017 of \$20.6 million, projected cash generated from operations, and borrowings available under the Amended Credit Agreement will be sufficient to satisfy our working capital needs, capital expenditures and other liquidity requirements associated with our operations, including servicing our debt obligations, for at least the next twelve months and through June 30, 2019, the maturity date of our Amended Credit Agreement.

To the extent our liquidity needs prove to be greater than expected or cash generated from operations are less than anticipated, and cash on hand or credit availability is insufficient, we would seek additional financing to provide additional liquidity. We regularly evaluate our potential access to the equity and debt capital markets as sources of liquidity and we believe that additional financing would likely be available if necessary, although we can make no assurance as to the form or terms of any such financing. We would also consider additional cost reductions and further reductions of capital expenditures. Regardless, we will continue to evaluate additional financing or may seek to refinance outstanding borrowings under the Amended Credit Agreement to provide us with additional flexibility and liquidity. Any additional financing beyond that incurred to refinance existing debt would increase our overall debt and could increase interest expense. For additional discussion regarding risk factors related to our business and our debt, see Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2016.

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

#### Cash Flows

The following table reflects the major categories of cash flows for the three months ended March 31, 2017 and 2016. For additional details, please see the Unaudited Consolidated Statements of Cash Flows contained elsewhere in this quarterly report.

Cash Flows	Three Months Ended March 31,	
	2017	2016
Net cash (used) provided by operating activities	(\$26.3)	\$20.1
Net cash used by investing activities	(2.7)	(8.5)
Net cash provided (used) by financing activities	24.0	(16.5)
<b>Decrease in Cash and Cash Equivalents</b>	<b>(\$5.0)</b>	<b>(\$4.9)</b>

*Operating activities*

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Net cash used by operating activities for the three months ended March 31, 2017 was \$26.3 million compared to cash provided by operating activities of \$20.1 million for the three months ended March 31, 2016 . The \$46.4 million decrease was primarily due to cash used by working capital of \$41.0 million for the three months ended March 31, 2017 compared to cash provided by working capital of \$1.8 million for the three months ended March 31, 2016 . Refer to the Unaudited Consolidated Statements of Cash Flows for additional information.

### *Investing activities*

Net cash used by investing activities for the three months ended March 31, 2017 and 2016 was \$2.7 million and \$8.5 million , respectively. Cash used for investing activities primarily relates to capital investments in our production processes. Capital spending decreased \$ 5.8 million due to lower spending compared to the three months ended March 31, 2016 , as a result of targeted strategic capital allocations due to certain restrictions in our Amended Credit Agreement.

Our business sometimes requires capital investments to maintain our plants and equipment to remain competitive and ensure we can implement strategic initiatives. Our \$55 million construction in progress balance as of March 31, 2017 includes: (a) \$40 million relating to growth initiatives (i.e., new product offerings, additional capacity and new capabilities) and continuous improvement projects; and (b) \$15 million relating primarily to routine capital costs to maintain the reliability, integrity and safety of our manufacturing equipment and facilities. We expect to incur approximately \$34 million of additional costs including approximately \$23 million relating to additional growth initiatives and continuous improvement and approximately \$11 million of additional costs to complete other remaining projects. These additional costs are expected to be incurred during the next one to three years.

### *Financing activities*

Net cash provided by financing activities for the three months ended March 31, 2017 was \$24.0 million compared to net cash used by financing activities of \$16.5 million for the three months ended March 31, 2016 . The change was mainly due to borrowings of \$25 million on the Amended Credit Agreement during the three months ended March 31, 2017 compared to repayments of \$15 million on the Amended Credit Agreement during the three months ended March 31, 2016 .

### **Covenant Compliance**

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

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

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

### **Dividends and Share Repurchases**

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

### **Critical Accounting Policies and Estimates**

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

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

### **New Accounting Guidance**

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

**Forward-Looking Statements**

Certain statements in this Annual Report on Form 10-K (including our forecasts, beliefs and expectations) that are not historical in nature are “forward-looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995. In particular, Management’s Discussion and Analysis of Financial Condition and Results of Operations contains numerous forward-looking statements. Forward-looking statements generally will be accompanied by words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “forecast,” “outlook,” “intend,” “may,” “plan,” “possible,” “potential,” “predict,” “project,” “seek,” “should,” “target,” “would,” or other similar words, phrases or expressions that convey the uncertainty of future events or outcomes. You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K. We caution readers that actual results may differ materially from those expressed or implied in forward-looking statements made by or on behalf of us due to a variety of factors, such as:

- deterioration in world economic conditions, or in economic conditions in any of the geographic regions in which we conduct business, including additional adverse effects from global economic slowdown, terrorism or hostilities. This includes: political risks associated with the potential instability of governments and legal systems in countries in which we or our customers conduct business, and changes in currency valuations;
- the effects of fluctuations in customer demand on sales, product mix and prices in the industries in which we operate. This includes: our ability to respond to rapid changes in customer demand; the effects of customer bankruptcies or liquidations; the impact of changes in industrial business cycles; and whether conditions of fair trade exist in the U.S. markets;
- competitive factors, including changes in market penetration; increasing price competition by existing or new foreign and domestic competitors; the introduction of new products by existing and new competitors; and new technology that may impact the way our products are sold or distributed;
- changes in operating costs, including the effect of changes in our manufacturing processes; changes in costs associated with varying levels of operations and manufacturing capacity; availability of raw materials and energy; our ability to mitigate the impact of fluctuations in raw materials and energy costs and the effectiveness of our surcharge mechanism; changes in the expected costs associated with product warranty claims; changes resulting from inventory management, cost reduction initiatives and different levels of customer demands; the effects of unplanned work stoppages; and changes in the cost of labor and benefits;
- the success of our operating plans, announced programs, initiatives and capital investments (including the jumbo bloom vertical caster and advanced quench-and-temper facility); the ability to integrate acquired companies; the ability of acquired companies to achieve satisfactory operating results, including results being accretive to earnings; and our ability to maintain appropriate relations with unions that represent our associates in certain locations in order to avoid disruptions of business;
- unanticipated litigation, claims or assessments, including claims or problems related to intellectual property, product liability or warranty, and environmental issues and taxes, among other matters;
- the availability of financing and interest rates, which affect: our cost of funds and/or ability to raise capital; our pension obligations and investment performance; and/or customer demand and the ability of customers to obtain financing to purchase our products or equipment that contain our products; and the amount of any dividend declared by our Board of Directors on our common shares; and
- those items identified under Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2016 .

You are cautioned that it is not possible to predict or identify all of the risks, uncertainties and other factors that may affect future results and that the above list should not be considered to be a complete list. Except as required by the federal securities laws, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

#### Interest Rate Risk

Our borrowings include both fixed and variable-rate debt. The variable debt consists principally of borrowings under our Amended Credit Agreement. We are exposed to the risk of rising interest rates to the extent we fund our operations with these variable-rate borrowings. As of March 31, 2017, we have \$162.5 million of aggregate debt outstanding, of which \$95.2 million consists of debt with variable interest rates. Based on the amount of debt with variable-rate interest outstanding, a 1% rise in interest rates would result in an increase in interest expense of approximately \$1.0 million annually, with a corresponding increase in loss before income taxes of the same amount.

#### Foreign Currency Exchange Rate Risk

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

#### Commodity Price Risk

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

### ITEM 4. CONTROLS AND PROCEDURES

#### (a) Disclosure Controls and Procedures

As of the end of the period covered by this quarterly report, we carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)). Based upon that evaluation, the principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this quarterly report.

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

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

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

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

### Item 1A. Risk Factors

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

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

None.

**Item 6. Exhibits**

<b>Exhibit Number</b>	<b>Exhibit Description</b>
10.1*	Form of Nonqualified Stock Option Agreement.
10.2*	Form of Time-Based Restricted Stock Unit Agreement (Cliff Vesting).
10.3*	Form of Time-Based Restricted Stock Unit Agreement (Ratable Vesting)
10.4*	Form of Performance-Based Restricted Stock Unit Agreement.
12.1*	Computation of Ratio of Earnings to Fixed Charges.
31.1*	Certification of the Chief Executive Officer pursuant to Rule 13a-14 of the Exchange Act, as adopted, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Chief Financial Officer pursuant to Rule 13a-14 of the Exchange Act, as adopted, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document

\* 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: April 27, 2017

/s/ Christopher J. Holding

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

**INDEX TO EXHIBITS**

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TRANSFERABLE

**TIMKENSTEEL CORPORATION**  
**Nonqualified Stock Option Agreement**

WHEREAS, \_\_\_\_\_ (the “Optionee”) is an employee of TimkenSteel Corporation (the “Company”); and

WHEREAS, the grant of Option Rights evidenced hereby was authorized by a resolution of the Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) of the Company that was duly adopted on February 15, 2017 (the “Date of Grant”), and the execution of an Option Rights agreement in the form hereof (this “Agreement”) was authorized by a resolution of the Committee duly adopted on February 15, 2017; and

WHEREAS, the Option Rights evidenced hereby are intended to be nonqualified Option Rights and shall not be treated as Incentive Stock Options.

NOW, THEREFORE, pursuant to the Company’s Amended and Restated 2014 Equity and Incentive Compensation Plan (the “Plan”), the Company hereby grants to the Optionee (i) nonqualified Option Rights (the “Option”) to purchase \_\_\_ Common Shares at the exercise price of \$ \_\_\_ per Common Share (the “Option Price”) which represents the Market Value per Share on the Date of Grant. If applicable, the Company agrees to cause certificates for any Common Shares purchased hereunder to be delivered to the Optionee upon payment of the Option Price in full, subject to the terms and conditions of the Plan, in addition to the terms and conditions of this Agreement.

1. Four-Year Vesting of Option.

(a) Normal Vesting: Unless terminated as hereinafter provided, the Option shall be exercisable to the extent of one-fourth (1/4th) of the Common Shares covered by the Option on the first anniversary of the Date of Grant so long as the Optionee shall have been in the continuous employ of the Company or a Subsidiary on such date and to the extent of an additional one-fourth (1/4th) of the Common Shares covered by the Option on each of the second, third and fourth anniversaries of the Date of Grant so long as the Optionee shall have been in the continuous employ of the Company or a Subsidiary on each such date. For the purposes of this Agreement, the continuous employment of the Optionee with the Company or a Subsidiary shall not be deemed to have been interrupted, and the Optionee shall not be deemed to have ceased to be an employee of the Company or a Subsidiary, by reason of the transfer of his employment among the Company and its Subsidiaries.

(b) Vesting Upon Retirement with Consent: If the Optionee should retire with the Company’s consent before the fourth anniversary of the Date of Grant, then the Optionee’s Option shall become nonforfeitable in accordance with the terms and conditions of Section 1(a) as if the Optionee had remained in the continuous employ of the Company or a Subsidiary from the Date of Grant until the fourth anniversary of the Date of Grant or the occurrence of an event referenced in Section 2, whichever occurs first.

For purposes of this Agreement, retirement “with the Company’s consent” shall mean: (i) the retirement of the Optionee prior to age 62 under a retirement plan of the Company or a Subsidiary, if the Board or the Committee determines that his retirement is for the convenience of the Company or a Subsidiary, or (ii) the retirement of the Optionee at or after age 62 under a retirement plan of the Company or a Subsidiary.

(c) To the extent that the Option shall have become exercisable in accordance with the terms of this Agreement, it may be exercised in whole or in part from time to time thereafter.

2. Accelerated Vesting of Option. Notwithstanding the provisions of Sections 1(a) and 1(b) hereof, the Option may become exercisable earlier than the time provided in such sections if any of the following circumstances apply:

(a) Death or Disability: The Option shall become immediately exercisable in full if the Optionee should die or become permanently disabled while in the employ of the Company or any Subsidiary. For purposes of this Agreement, “permanently disabled” shall mean that the Optionee has qualified for long-term disability benefits under a disability plan or program of the Company or a Subsidiary or, in the absence of a disability plan or program of the Company or a Subsidiary, under a government-sponsored disability program.

(b) Change in Control:

(i) Upon a Change in Control occurring on or before the fourth anniversary of the Date of Grant while the Optionee is an employee of the Company or a Subsidiary, to the extent the Option has not been forfeited, the Option shall become immediately exercisable in full, except to the extent that a Replacement Award is provided to the Optionee for such Option.

(ii) For purposes of this Agreement, a “Replacement Award” means an award (A) of stock options, (B) that have a value at least equal to the value of the Option, (C) that relates to publicly traded equity securities of the Company or its successor in the Change in Control (or another entity that is affiliated with the Company or its successor following the Change in Control), (D) the tax consequences of which, under the Code, if the Optionee is subject to U.S. federal income tax under the Code, are not less favorable to the Optionee than the tax consequences of the Option, (E) that vests in full upon a termination of the Optionee’s employment with the Company or a Subsidiary or

their successors in the Change in Control (or another entity that is affiliated with the Company or a Subsidiary or their successors following the Change in Control) (as applicable, the "Successor") for Good Reason by the Optionee or without Cause by such employer, or upon the death of the Optionee or the Optionee becoming permanently disabled, within a period of two years after the Change in Control, and (F) the other terms and conditions of which are not less favorable to the Optionee than the terms and conditions of the Option (including the provisions that would apply in the event of a subsequent Change in Control). Without limiting the generality of the foregoing, the Replacement Award may take the form of a continuation of the Option if the requirements of the preceding sentence are satisfied. The determination of whether the conditions of this Section 2(b)(ii) are satisfied will be made by the Committee, as constituted immediately before the Change in Control, in its sole discretion.

(iii) For purposes of Section 2(b)(ii), "Cause" will be defined not less favorably with respect to Optionee than: any intentional act of fraud, embezzlement or theft in connection with the Optionee's duties with the Successor, any intentional wrongful disclosure of secret processes or confidential information of the Successor, or any intentional wrongful engagement in any competitive activity that would constitute a material breach of Optionee's duty of loyalty to the Successor, and no act, or failure to act, on the part of Optionee shall be deemed "intentional" unless done or omitted to be done by Optionee not in good faith and without reasonable belief that Optionee's action or omission was in or not opposed to the best interest of the Successor; provided, that for any Optionee who is party to an individual severance or employment agreement defining Cause, "Cause" will have the meaning set forth in such agreement. For purposes of Section 2(b)(ii), "Good Reason" will be defined to mean: a material reduction in the nature or scope of the responsibilities, authorities or duties of Optionee attached to Optionee's position held immediately prior to the Change in Control, a change of more than 60 miles in the location of Optionee's principal office immediately prior to the Change in Control, or a material reduction in Optionee's remuneration upon or after the Change in Control; provided, that no later than 90 days following an event constituting Good Reason Grantee gives notice to the Successor of the occurrence of such event and the Successor fails to cure the event within 30 days following the receipt of such notice.

(c) Divestiture: The Option shall become immediately exercisable in full if the Optionee's employment with the Company or a Subsidiary terminates as the result of a divestiture. For the purposes of this Agreement, the term "divestiture" shall mean a permanent disposition to a Person other than the Company or any Subsidiary of a plant or other facility or property at which the Optionee performs a majority of Optionee's services whether such disposition is effected by means of a sale of assets, a sale of Subsidiary stock or otherwise.

(d) Layoff: If (i) the Optionee's employment with the Company or a Subsidiary terminates as the result of a layoff and (ii) the Optionee is entitled to receive severance pay pursuant to the terms of any severance pay plan of the Company in effect at the time of Optionee's termination of employment that provides for severance pay calculated by multiplying the Optionee's base compensation by a specified severance period, then the Option shall be exercisable with respect to the total number of Common Shares that would have been exercisable under the provisions of Section 1(a) hereof if the Optionee had remained in the employ of the Company through the end of the severance period.

For purposes of this Agreement, a "layoff" shall mean the involuntary termination by the Company or any Subsidiary of Optionee's employment with the Company or any Subsidiary due to (i) a reduction in force leading to a permanent downsizing of the salaried workforce, (ii) a permanent shutdown of the plant, department or subdivision in which Optionee works, or (iii) an elimination of position.

3. Termination of Option. The Option shall terminate automatically and without further notice on the earliest of the following dates:

(a) thirty days after the date upon which the Optionee ceases to be an employee of the Company or a Subsidiary, unless (i) the cessation of his employment (A) is a result of his death, permanent disability, retirement with the Company's consent, or early retirement or (B) follows a Change in Control, a divestiture, or a layoff; or (ii) the Optionee continues to serve as a director of the Company following the cessation of his employment;

(b) three years after the date upon which the Optionee ceases to be an employee of the Company or a Subsidiary following (i) a Change in Control, (ii) a divestiture, or (iii) a layoff;

(c) three years after the date upon which the Optionee ceases to be an employee of the Company or Subsidiary as a result of early retirement. For purposes of this Agreement, "early retirement" shall mean the retirement of the Optionee prior to age 62 under a retirement plan of the Company or a Subsidiary when such retirement is not a retirement with the Company's consent;

(d) five years after the date upon which the Optionee ceases to be an employee of the Company or a Subsidiary (i) as a result of his death, or (ii) as a result of his permanent disability;

(e) five years after the date upon which the Optionee ceases to be a director of the Company if he continues to serve as a director of the Company following the cessation of his employment other than as a result of his retirement with the Company's consent;

(f) ten years after the Date of Grant. (By way of illustration, if (i) the Optionee remains an employee of the Company or a Subsidiary until the ten-year anniversary of the Date of Grant, or (ii) the Optionee ceases to be an employee of the Company or a Subsidiary as a result of his retirement with the Company's consent, the Option shall terminate automatically and without further notice ten years after the Date of Grant.)

In the event that the Optionee shall intentionally commit an act that the Committee determines to be materially adverse to the interests of the Company or a Subsidiary, the Option shall terminate at the time of that determination notwithstanding any other provision of this Agreement to the contrary.

4. Payment of Option Price. The Option Price shall be payable (a) in cash in the form of currency or check or other cash equivalent

acceptable to the Company, (b) by transfer to the Company of nonforfeitable, unrestricted Common Shares that have been owned by the Optionee for at least six months prior to the date of exercise, (c) subject to any conditions or limitations established by the Committee, the Company's withholding Common Shares otherwise issuable upon exercise of the Option pursuant to a "net exercise" arrangement, or (d) by any combination of the methods of payment described in Sections 4(a), 4(b) and 4(c) hereof. Nonforfeitable, unrestricted Common Shares that are transferred by the Optionee in payment of all or any part of the Option Price and Common Shares withheld by the Company shall be valued on the basis of their Market Value per Share. Subject to the terms and conditions of Section 7 hereof and Section 12 of the Plan, and subject to any deferral election the Optionee may have made pursuant to any plan or program of the Company, the Company shall cause certificates, if applicable, for any shares purchased hereunder to be delivered to the Optionee upon payment of the Option Price in full.

5. Compliance with Law. The Company shall make reasonable efforts to comply with all applicable federal and state securities laws; provided, however, notwithstanding any other provision of this Agreement, the Option shall not be exercisable if the exercise thereof would result in a violation of any such law. To the extent that the Ohio Securities Act shall be applicable to the Option, the Option shall not be exercisable unless the Common Shares or other securities covered by the Option are (a) exempt from registration thereunder, (b) the subject of a transaction that is exempt from compliance therewith, (c) registered by description or qualification thereunder or (d) the subject of a transaction that shall have been registered by description thereunder.

6. Transferability and Exercisability.

(a) Except as provided in Section 6(b) below, the Option, including any interest therein, shall not be transferable by the Optionee except by will or the laws of descent and distribution, and the Option shall be exercisable during the lifetime of the Optionee only by him or, in the event of his legal incapacity to do so, by his guardian or legal representative acting on behalf of the Optionee in a fiduciary capacity under state law and court supervision.

(b) Notwithstanding Section 6(a) above, the Option, may be transferable by the Optionee, without payment of consideration therefor, to any family member of the Optionee (as defined in Form S-8), or to one or more trusts established solely for the benefit of such members of the immediate family or to partnerships in which the only partners are such members of the immediate family of the Optionee; provided, however, that such transfer will not be effective until notice of such transfer is delivered to the Company; and provided, further, however, that any such transferee is subject to the same terms and conditions hereunder as the Optionee.

7. Adjustments. Subject to Section 13 of the Plan, the Committee shall make any adjustments in the Option Price and the number or kind of shares of stock or other securities covered by the Option, or in any other terms of the Option, that the Committee may determine to be equitably required to prevent any dilution or expansion of the Optionee's rights under this Agreement that otherwise would result from any (a) stock dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, (b) merger, consolidation, separation, reorganization or partial or complete liquidation involving the Company or (c) other transaction or event having an effect similar to any of those referred to in subsection (a) or (b) herein. Furthermore, in the event that any transaction or event described or referred to in the immediately preceding sentence shall occur, the Committee shall provide in substitution of any or all of the Optionee's rights under this Agreement such alternative consideration as the Committee may determine in good faith to be equitable under the circumstances.

8. Withholding Taxes. If the Company shall be required to withhold any federal, state, local or foreign tax in connection with any exercise of the Option, the Optionee shall pay the tax or make provisions that are satisfactory to the Company for the payment thereof. The Optionee may elect to satisfy all or any part of any such withholding obligation by surrendering to the Company a portion of the Common Shares that are issuable to the Optionee upon the exercise of the Option. If such election is made, the shares so surrendered by the Optionee shall be credited against any such withholding obligation at their Market Value per Share on the date of such surrender. In no event, however, shall the Company accept Common Shares for payment of taxes in excess of required tax withholding rates (unless such higher withholding amounts would not result in adverse accounting implications for the Company). Unless otherwise determined by the Committee at any time, the Optionee may surrender Common Shares owned for more than six months to satisfy any tax obligations resulting from any such transaction.

9. Detrimental Activity and Recapture.

(a) In the event that, as determined by the Committee, the Optionee shall engage in Detrimental Activity during employment with the Company or a Subsidiary, the Option will be forfeited automatically and without further notice at the time of that determination notwithstanding any other provision of this Agreement. For purposes of this Agreement, "Detrimental Activity" shall mean:

- (i) engaging in any activity, as an employee, principal, agent, or consultant for another entity that competes with the Company in any actual, researched, or prospective product, service, system, or business activity for which Grantee has had any direct responsibility during the last two years of his or her employment with the Company or a Subsidiary, in any territory in which the Company or a Subsidiary manufactures, sells, markets, services, or installs such product, service, or system, or engages in such business activity;
- (ii) soliciting any employee of the Company or a Subsidiary to terminate his or her employment with the Company or a Subsidiary;
- (iii) the disclosure to anyone outside the Company or a Subsidiary, or the use in other than the Company or a Subsidiary's business, without prior written authorization from the Company, of any confidential, proprietary or trade secret information or material relating to the business of the Company and its Subsidiaries, acquired by Grantee during his or her employment with the Company or its Subsidiaries or while acting as a director of or consultant for the Company or its Subsidiaries thereafter;

- (iv) the failure or refusal to disclose promptly and to assign to the Company upon request all right, title and interest in any invention or idea, patentable or not, made or conceived by Grantee during employment by the Company and any Subsidiary, relating in any manner to the actual or anticipated business, research or development work of the Company or any Subsidiary or the failure or refusal to do anything reasonably necessary to enable the Company or any Subsidiary to secure a patent where appropriate in the United States and in other countries;
- (v) activity that results in Termination for Cause. For the purposes of this subsection, "Termination for Cause" shall mean a termination: (A) due to Grantee's willful and continuous gross neglect of his or her duties for which he or she is employed; or (B) due to an act of dishonesty on the part of Grantee constituting a felony resulting or intended to result, directly or indirectly, in his or her gain for personal enrichment at the expense of the Company or a Subsidiary; or
- (vi) any other conduct or act determined to be injurious, detrimental or prejudicial to any significant interest of the Company or any Subsidiary unless Grantee acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company.

(b) If a Restatement occurs and the Committee determines that the Optionee is personally responsible for causing the Restatement as a result of the Optionee's personal misconduct or any fraudulent activity on the part of the Optionee, then the Committee has discretion to, based on applicable facts and circumstances and subject to applicable law, cause the Company to recover all or any portion (but no more than 100%) of the Option (and the Common Shares underlying the Option) awarded to the Optionee for some or all of the years covered by the Restatement. The amount of the Option (and the Common Shares underlying the Option) recovered by the Company shall be limited to the amount by which such Option (and the Common Shares underlying the Option) exceeded the amount that would have been awarded to the Optionee had the Company's financial statements for the applicable restated fiscal year or years been initially filed as restated, as reasonably determined by the Committee. The Committee shall also determine whether the Company shall effect any recovery under this Section 9(b) by: (i) seeking repayment from the Optionee; (ii) reducing, except with respect to any non-qualified deferred compensation under Section 409A of the Code, the amount that would otherwise be payable to the Optionee under any compensatory plan, program or arrangement maintained by the Company (subject to applicable law and the terms and conditions of such plan, program or arrangement); (iii) by withholding, except with respect to any non-qualified deferred compensation under Section 409A of the Code, payment of future increases in compensation (including the payment of any discretionary bonus amount) that would otherwise have been made to the Optionee in accordance with the Company's compensation practices; or (iv) by any combination of these alternatives. For purposes of this Agreement, "Restatement" means a restatement (made within 36 months of the publication of the financial statements that are required to be restated) of any part of the Company's financial statements for any fiscal year or years after 2016 due to material noncompliance with any financial reporting requirement under the U.S. securities laws applicable to such fiscal year or years.

10. No Right to Future Awards or Continued Employment. This Option is a voluntary, discretionary bonus being made on a one-time basis and it does not constitute a commitment to make any future awards. This Option and any payments made hereunder will not be considered salary or other compensation for purposes of any severance pay or similar allowance, except as otherwise required by law. Nothing in this Agreement will give the Optionee any right to continue employment with the Company or any Subsidiary, as the case may be, or interfere in any way with the right of the Company or a Subsidiary to terminate the employment of the Optionee.

11. Relation to Other Benefits. Any economic or other benefit to the Optionee under this Agreement or the Plan shall not be taken into account in determining any benefits to which the Optionee may be entitled under any profit-sharing, retirement or other benefit or compensation plan maintained by the Company or a Subsidiary and shall not affect the amount of any life insurance coverage available to any beneficiary under any life insurance plan covering employees of the Company or a Subsidiary.

12. Amendments. Any amendment to the Plan shall be deemed to be an amendment to this Agreement to the extent that the amendment is applicable hereto; provided, however, that no amendment shall adversely affect the rights of the Optionee with respect to the Option without the Optionee's consent.

13. Severability. If any provision of this Agreement or the application of any provision hereof to any person or circumstances is held invalid or unenforceable, the remainder of this Agreement and the application of such provision in any other person or circumstances shall not be affected, and the provisions so held to be invalid or unenforceable shall be reformed to the extent (and only to the extent) necessary to make it enforceable and valid.

14. Processing of Information. Information about the Optionee and the Optionee's participation in the Plan may be collected, recorded and held, used and disclosed for any purpose related to the administration of the Plan. The Optionee understands that such processing of this information may need to be carried out by the Company and its Subsidiaries and by third party administrators whether such persons are located within the Optionee's country or elsewhere, including the United States of America. The Optionee consents to the processing of information relating to the Optionee and the Optionee's participation in the Plan in any one or more of the ways referred to above.

15. Governing Law. This Agreement is made under, and shall be construed in accordance with, the internal substantive laws of the State of Ohio.

16. Relation to Plan. Capitalized terms used herein without definition shall have the meanings assigned to them in the Plan.

[SIGNATURES ON FOLLOWING PAGE]

This Agreement is executed by the Company on this \_\_\_ day of \_\_\_\_, \_\_\_\_.

TIMKENSTEEL CORPORATION

By \_\_\_\_\_

Frank DiPiero

Executive Vice President, General Counsel and Secretary

The undersigned Optionee hereby acknowledges receipt of an executed original of this Agreement and accepts the Option granted hereunder, subject to the terms and conditions of the Plan and the terms and conditions hereinabove set forth.

\_\_\_\_\_ Optionee  
Date: \_\_\_\_\_

## TIMKENSTEEL CORPORATION

Time-Based Restricted Stock Unit Agreement

WHEREAS, \_\_\_\_\_ (“Grantee”) is an employee of TimkenSteel Corporation (the “Company”) or a Subsidiary; and

WHEREAS, the grant of service-based Restricted Stock Units evidenced hereby was authorized by a resolution of the Compensation Committee (the “Committee”) of the Board that was duly adopted on February 15, 2017, and the execution of a Restricted Stock Unit Agreement in the form hereof (this “Agreement”) was authorized by a resolution of the Committee duly adopted on February 15, 2017.

NOW, THEREFORE, pursuant to the TimkenSteel Corporation Amended and Restated 2014 Equity and Incentive Compensation Plan (the “Plan”) and subject to the terms and conditions thereof and the terms and conditions hereinafter set forth, the Company hereby confirms to Grantee the grant, effective \_\_\_\_\_, \_\_\_\_ (the “Date of Grant”), of \_\_\_\_\_ Restricted Stock Units (the “RSUs”). All terms used in this Agreement with initial capital letters that are defined in the Plan and not otherwise defined herein shall have the meanings assigned to them in the Plan.

1. Payment of RSUs. The RSUs will become payable if the Restriction Period lapses and Grantee’s right to receive payment for the RSUs becomes nonforfeitable (“Vest,” “Vesting” or “Vested”) in accordance with Section 3 and Section 4 of this Agreement.
2. RSUs Not Transferrable. None of the RSUs nor any interest therein or in any Common Shares underlying such RSUs will be transferable prior to payment other than by will or the laws of descent and distribution.
3. Vesting of RSUs. Subject to the terms and conditions of Section 4 and Section 5 of this Agreement, the RSUs will Vest on the third anniversary of the Date of Grant if the Grantee shall have been in the continuous employ of the Company or a Subsidiary from the Date of Grant until the third anniversary of the Date of Grant. For purposes of this Agreement, the continuous employment of Grantee with the Company or a Subsidiary will not be deemed to have been interrupted, and Grantee shall not be deemed to have ceased to be an employee of the Company or a Subsidiary, by reason of the transfer of Grantee’s employment among the Company and its Subsidiaries.
4. Alternative Vesting of RSUs. Notwithstanding the provisions of Section 3 of this Agreement, and subject to the payment provisions of Section 6 hereof, the RSUs will Vest earlier than the time provided for in Section 3 under the following circumstances:
  - (a) Death or Disability: If Grantee should die or become permanently disabled while in the employ of the Company or a Subsidiary, then the RSUs will immediately Vest in full. If Grantee should die or become permanently disabled during the period that Grantee is deemed to be in the continuous employ of the Company or a Subsidiary pursuant to Section 4(b), 4(d) or 4(e), then the RSUs will immediately Vest in full, except that to the extent that Section 4(e) applies, the RSUs will immediately Vest only to the extent that the RSUs would have become Vested pursuant to Section 4(e). For purposes of this Agreement, “permanently disabled” means that Grantee has qualified for long-term disability benefits under a disability plan or program of the Company or a Subsidiary or, in the absence of a disability plan or program of the Company or a Subsidiary, under a government-sponsored disability program and is “disabled” within the meaning of Section 409A(a)(2)(C) of the Code.
  - (b) Retirement: If Grantee should retire with the Company’s consent, then Grantee shall Vest in the RSUs in accordance with the terms and conditions of Section 3 as if Grantee had remained in the continuous employ of the Company or a Subsidiary from the Date of Grant until the third anniversary of the Date of Grant as described in Section 3 or the occurrence of a circumstance referenced in Section 4(a) or Section 4(c), whichever occurs first. For purposes of this Agreement, “retire with the Company’s consent” means: (i) the retirement of Grantee prior to age 62 under a retirement plan of the Company or a Subsidiary, if the Board or the Committee determines that Grantee’s retirement is for the convenience of the Company or a Subsidiary; or (ii) the retirement of Grantee at or after age 62 under a retirement plan of the Company or a Subsidiary.
  - (c) Change in Control:
    - (i) Upon a Change in Control occurring during the Restriction Period while Grantee is an employee of the Company or a Subsidiary, to the extent the RSUs have not been forfeited, the RSUs will immediately Vest in full (except to the extent that a Replacement Award is provided to Grantee for the RSUs). If Grantee is deemed to be in the continuous employ of the Company or a Subsidiary pursuant to Section 4(b), 4(d) or 4(e), upon a Change in Control during the Restriction Period, then the RSUs will immediately Vest in full, except that to the extent that Section 4(e) applies, the RSUs will Vest only to the extent that the RSUs would have become Vested pursuant to Section 4(e).
    - (ii) For purposes of this Agreement, a “Replacement Award” means an award (A) of service-based restricted stock units, (B) that has a value at least equal to the value of the RSUs, (C) that relates to publicly traded equity securities of the Company or its successor in the Change in Control (or another entity that is affiliated with the Company or its successor following the Change in Control), (D) the tax consequences of which, under the Code, if Grantee is subject to U.S. federal income tax under the Code, are not less favorable to Grantee than the tax consequences of the RSUs, (E) that vests in full upon a termination of Grantee’s employment with Company or a Subsidiary or their successors in

the Change in Control (or another entity that is affiliated with the Company or a Subsidiary or their successors following the Change in Control) (as applicable, the “Successor”) for Good Reason by Grantee or without Cause by such Successor, or upon the death of Grantee or Grantee becoming permanently disabled, within a period of two years after the Change in Control, and (F) the other terms and conditions of which are not less favorable to Grantee than the terms and conditions of the RSUs (including the provisions that would apply in the event of a subsequent Change in Control). A Replacement Award may be granted only to the extent it conforms to the requirements of Treasury Regulation 1.409A-3(i)(5)(iv)(B) or otherwise does not result in the RSUs or Replacement Award failing to comply with or be exempt from Section 409A of the Code. Without limiting the generality of the foregoing, the Replacement Award may take the form of a continuation of the RSUs if the requirements of the preceding sentence are satisfied. The determination of whether the conditions of this Section 4(c)(ii) are satisfied will be made by the Committee, as constituted immediately before the Change in Control, in its sole discretion.

- (iii) For purposes of Section 4(c)(ii), “Cause” will be defined not less favorably with respect to Grantee than: any intentional act of fraud, embezzlement or theft in connection with the Grantee’s duties with the Successor, any intentional wrongful disclosure of secret processes or confidential information of the Successor, or any intentional wrongful engagement in any competitive activity that would constitute a material breach of Grantee’s duty of loyalty to the Successor, and no act, or failure to act, on the part of Grantee shall be deemed “intentional” unless done or omitted to be done by Grantee not in good faith and without reasonable belief that Grantee’s action or omission was in or not opposed to the best interest of the Successor; provided, that for any Grantee who is party to an individual severance or employment agreement defining Cause, “Cause” will have the meaning set forth in such agreement. For purposes of Section 4(c)(ii), “Good Reason” will be defined to mean a material reduction in the nature or scope of the responsibilities, authorities or duties of Grantee attached to Grantee’s position held immediately prior to the Change in Control, a change of more than 60 miles in the location of Grantee’s principal office immediately prior to the Change in Control, or a material reduction in Grantee’s remuneration upon or after the Change in Control; provided, that no later than 90 days following an event constituting Good Reason Grantee gives notice to the Successor of the occurrence of such event and the Successor fails to cure the event within 30 days following the receipt of such notice.
- (iv) If a Replacement Award is provided, notwithstanding anything in this Agreement to the contrary, any outstanding RSUs which at the time of the Change in Control are not subject to a “substantial risk of forfeiture” (within the meaning of Section 409A of the Code) will be deemed to be Vested at the time of such Change in Control.

(d) Divestiture: If Grantee’s employment with the Company or a Subsidiary terminates as the result of a divestiture, then Grantee shall Vest in the RSUs in accordance with the terms and conditions of Section 3 as if Grantee had remained in the continuous employ of the Company or a Subsidiary from the Date of Grant until the third anniversary of the Date of Grant as described in Section 3 or the occurrence of a circumstance referenced in Section 4(a) or Section 4(c), whichever occurs first. For the purposes of this Agreement, the term “divestiture” shall mean a permanent disposition to a Person other than the Company or any Subsidiary of a plant or other facility or property at which Grantee performs a majority of Grantee’s services whether such disposition is effected by means of a sale of assets, a sale of Subsidiary stock or otherwise.

(e) Layoff: If (i) Grantee’s employment with the Company or a Subsidiary terminates as the result of a layoff and (ii) Grantee is entitled to receive severance pay pursuant to the terms of any severance pay plan of the Company in effect at the time of Grantee’s termination of employment that provides for severance pay calculated by multiplying Grantee’s base compensation by a specified severance period, then Grantee shall Vest in a number of RSUs equal to the product of (x) the number of RSUs in which Grantee would have Vested in accordance with the terms and conditions of Section 3 if Grantee had remained in the continuous employ of the Company or a Subsidiary from the Date of Grant until the third anniversary of the Date of Grant or the occurrence of a circumstance referenced in Section 4(a) or Section 4(c), whichever occurs first, multiplied by (y) a fraction (in no case greater than 1), the numerator of which is the number of whole months from the Date of Grant through the end of the specified severance period and the denominator of which is 36. For purposes of this Agreement, a “layoff” shall mean the involuntary termination by the Company or any Subsidiary of Grantee’s employment with the Company or any Subsidiary due to (A) a reduction in force leading to a permanent downsizing of the salaried workforce, (B) a permanent shutdown of the plant, department or subdivision in which Grantee works, or (C) an elimination of position.

5. Forfeiture of RSUs. Any RSUs that have not Vested pursuant to Section 3 or Section 4 by the third anniversary of the Date of Grant will be forfeited automatically and without further notice on such date (or earlier if, and on such date that, Grantee ceases to be an employee of the Company or a Subsidiary prior to the third anniversary of the Date of Grant for any reason other than as described in Section 4).

6. Form and Time of Payment of RSUs.

(a) General: Subject to Section 5 and Section 6(b), payment for Vested RSUs will be made in cash or Common Shares (as determined by the Committee) within 10 days following the Vesting date specified in Section 3.

(b) Other Payment Events. Notwithstanding Section 6(a), to the extent that the RSUs are Vested on the dates set forth below, payment with respect to the RSUs will be made as follows:

(i) Change in Control. Upon a Change in Control, Grantee is entitled to receive payment for Vested RSUs in cash or Common Shares (as determined by the Committee) on the date of the Change in Control; provided, however, that if

such Change in Control would not qualify as a permissible date of distribution under Section 409A(a)(2)(A) of the Code, and the regulations thereunder, and where Section 409A of the Code applies to such distribution, Grantee is entitled to receive the corresponding payment on the date that would have otherwise applied pursuant to Sections 6(a) or 6(b)(ii) as though such Change in Control had not occurred.

- (ii) Death or Disability. On the date of Grantee's death or the date Grantee becomes permanently disabled, Grantee is entitled to receive payment for Vested RSUs in cash or Common Shares (as determined by the Committee) on such date.

7. Payment of Dividend Equivalents. With respect to each of the RSUs covered by this Agreement, Grantee shall be credited on the records of the Company with dividend equivalents in an amount equal to the amount per Common Share of any cash dividends declared by the Board on the outstanding Common Shares during the period beginning on the Date of Grant and ending either on the date on which Grantee receives payment for the RSUs pursuant to Section 6 hereof or at the time when the RSUs are forfeited in accordance with Section 5 of this Agreement. These dividend equivalents will accumulate without interest and, subject to the terms and conditions of this Agreement, will be paid at the same time, to the same extent and in the same manner, in cash or Common Shares (as determined by the Committee) as the RSUs for which the dividend equivalents were credited.

8. Detrimental Activity and Recapture.

- (a) In the event that, as determined by the Committee, Grantee shall engage in Detrimental Activity during employment with the Company or a Subsidiary, the RSUs will be forfeited automatically and without further notice at the time of that determination notwithstanding any other provision of this Agreement. For purposes of this Agreement, "Detrimental Activity" shall mean:
  - (i) engaging in any activity, as an employee, principal, agent, or consultant for another entity that competes with the Company in any actual, researched, or prospective product, service, system, or business activity for which Grantee has had any direct responsibility during the last two years of his or her employment with the Company or a Subsidiary, in any territory in which the Company or a Subsidiary manufactures, sells, markets, services, or installs such product, service, or system, or engages in such business activity;
  - (ii) soliciting any employee of the Company or a Subsidiary to terminate his or her employment with the Company or a Subsidiary;
  - (iii) the disclosure to anyone outside the Company or a Subsidiary, or the use in other than the Company or a Subsidiary's business, without prior written authorization from the Company, of any confidential, proprietary or trade secret information or material relating to the business of the Company and its Subsidiaries, acquired by Grantee during his or her employment with the Company or its Subsidiaries or while acting as a director of or consultant for the Company or its Subsidiaries thereafter;
  - (iv) the failure or refusal to disclose promptly and to assign to the Company upon request all right, title and interest in any invention or idea, patentable or not, made or conceived by Grantee during employment by the Company and any Subsidiary, relating in any manner to the actual or anticipated business, research or development work of the Company or any Subsidiary or the failure or refusal to do anything reasonably necessary to enable the Company or any Subsidiary to secure a patent where appropriate in the United States and in other countries;
  - (v) activity that results in Termination for Cause. For the purposes of this subsection, "Termination for Cause" shall mean a termination: (A) due to Grantee's willful and continuous gross neglect of his or her duties for which he or she is employed; or (B) due to an act of dishonesty on the part of Grantee constituting a felony resulting or intended to result, directly or indirectly, in his or her gain for personal enrichment at the expense of the Company or a Subsidiary; or
  - (vi) any other conduct or act determined to be injurious, detrimental or prejudicial to any significant interest of the Company or any Subsidiary unless Grantee acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company.
- (b) If a Restatement occurs and the Committee determines that Grantee is personally responsible for causing the Restatement as a result of Grantee's personal misconduct or any fraudulent activity on the part of Grantee, then the Committee has discretion to, based on applicable facts and circumstances and subject to applicable law, cause the Company to recover all or any portion (but no more than 100%) of the RSUs earned or payable to Grantee for some or all of the years covered by the Restatement. The amount of any earned or payable RSUs recovered by the Company shall be limited to the amount by which such earned or payable RSUs exceeded the amount that would have been earned by or paid to Grantee had the Company's financial statements for the applicable restated fiscal year or years been initially filed as restated, as reasonably determined by the Committee. The Committee shall also determine whether the Company shall effect any recovery under this Section 8(b) by: (i) seeking repayment from Grantee; (ii) reducing, except with respect to any non-qualified deferred compensation under Section 409A of the Code, the amount that would otherwise be payable to Grantee under any compensatory plan, program or arrangement maintained by the Company (subject to applicable law and the terms and conditions of such plan, program or arrangement); (iii) by withholding, except with respect to any non-qualified deferred compensation under Section 409A of the

Code, payment of future increases in compensation (including the payment of any discretionary bonus amount) that would otherwise have been made to Grantee in accordance with the Company's compensation practices; or (iv) by any combination of these alternatives. For purposes of this Agreement, "Restatement" means a restatement (made within 36 months of the publication of the financial statements that are required to be restated) of any part of the Company's financial statements for any fiscal year or years after 2016 due to material noncompliance with any financial reporting requirement under the U.S. securities laws applicable to such fiscal year or years.

9. Compliance with Law. The Company shall make reasonable efforts to comply with all applicable federal and state securities laws; provided, however, notwithstanding any other provision of this Agreement, the Company shall not be obligated to issue any of the Common Shares covered by this Agreement if the issuance thereof would result in violation of any such law.
10. Adjustments. Subject to Section 13 of the Plan, the Committee shall make any adjustments in the number of RSUs or kind of shares of stock or other securities underlying the RSUs covered by this Agreement, or in any other terms of this award, that the Committee may determine to be equitably required to prevent any dilution or expansion of Grantee's rights under this Agreement that otherwise would result from any (a) stock dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, (b) merger, consolidation, separation, reorganization or partial or complete liquidation involving the Company or (c) other transaction or event having an effect similar to any of those referred to in Section 10(a) or 10(b) hereof. Furthermore, in the event that any transaction or event described or referred to in the immediately preceding sentence shall occur, the Committee shall provide in substitution of any or all of Grantee's rights under this Agreement such alternative consideration as the Committee may determine in good faith to be equitable under the circumstances.
11. Withholding Taxes. If the Company is required to withhold federal, state, local, employment, or foreign taxes, or, to the extent permitted under Section 409A of the Code, any other applicable taxes, in connection with Grantee's right to receive Common Shares under this Agreement (regardless of whether Grantee is entitled to the delivery of any Common Shares at that time), and the amounts available to the Company for such withholding are insufficient, it shall be a condition to the receipt of any Common Shares or any other benefit provided for under this Agreement that Grantee make arrangements satisfactory to the Company for payment of the balance of the taxes. Grantee may satisfy such tax obligation by paying the Company cash via personal check. Alternatively, Grantee may elect that all or any part of such tax obligation be satisfied by the Company's retention of a portion of the Common Shares provided for under this Agreement or by Grantee's surrender of a portion of the Common Shares that he or she has owned for at least 6 months. In no event, however, shall the Company accept Common Shares for payment of taxes in excess of required tax withholding rates (unless such higher withholding amounts would not result in adverse accounting implications for the Company). If an election is made to satisfy Grantee's tax obligation with the release or surrender of Common Shares, the Common Shares shall be credited in the following manner: (a) at the Market Value per Share on the date of delivery if the tax obligations arise due to the delivery of Common Shares under this Agreement; or (b) at the Market Value per Share on the date the tax obligation arises, if for a reason other than the delivery of Common Shares under this Agreement.
12. Right to Terminate Employment. No provision of this Agreement will limit in any way whatsoever any right that the Company or a Subsidiary may otherwise have to terminate the employment of Grantee at any time.
13. Relation to Other Benefits. Any economic or other benefit to Grantee under this Agreement or the Plan will not be taken into account in determining any benefits to which Grantee may be entitled under any profit-sharing, retirement or other benefit or compensation plan maintained by the Company or a Subsidiary and will not affect the amount of any life insurance coverage available to any beneficiary under any life insurance plan covering employees of the Company or a Subsidiary.
14. Amendments. Any amendment to the Plan will be deemed to be an amendment to this Agreement to the extent that the amendment is applicable to this Agreement; provided, however, that no amendment will adversely affect the rights of Grantee with respect to the Common Shares or other securities covered by this Agreement without Grantee's consent. Notwithstanding the foregoing, the limitation requiring the consent of Grantee to certain amendments will not apply to any amendment that is deemed necessary by the Company to ensure compliance with Section 409A of the Code.
15. Severability. In the event that one or more of the provisions of this Agreement is invalidated for any reason by a court of competent jurisdiction, any provision so invalidated will be deemed to be separable from the other provisions of this Agreement, and the remaining provisions of this Agreement will continue to be valid and fully enforceable.
16. Governing Law. This Agreement is made under, and shall be construed in accordance with, the internal substantive laws of the State of Ohio.
17. Compliance with Section 409A of the Code. To the extent applicable, it is intended that this Agreement and the Plan comply with the provisions of Section 409A of the Code, so that the income inclusion provisions of Section 409A(a)(1) of the Code do not apply to Grantee. This Agreement and the Plan shall be administered in a manner consistent with this intent. Reference to Section 409A of the Code is to Section 409A of the Internal Revenue Code of 1986, as amended, and will also include any regulations or any other formal guidance promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service.

[SIGNATURES ON FOLLOWING PAGE]

The undersigned Grantee hereby acknowledges receipt of an executed original of this Agreement and accepts the award of RSUs covered

hereby, subject to the terms and conditions of the Plan and the terms and conditions herein above set forth.

\_\_\_\_\_  
Grantee

Date: \_\_\_\_\_

This Agreement is executed by the Company on this \_\_\_ day of \_\_\_\_, \_\_\_\_

TimkenSteel Corporation

By \_\_\_\_\_

Frank DiPiero

Executive Vice President, General Counsel and

Secretary

## TIMKENSTEEL CORPORATION

Time-Based Restricted Stock Unit Agreement

WHEREAS, \_\_\_\_\_ (“Grantee”) is an employee of TimkenSteel Corporation (the “Company”) or a Subsidiary; and

WHEREAS, the grant of Restricted Stock Units evidenced hereby was authorized by a resolution of the Compensation Committee (the “Committee”) of the Board that was duly adopted on February 15, 2017, and the execution of a Restricted Stock Unit Agreement in the form hereof (this “Agreement”) was authorized by a resolution of the Committee duly adopted on February 15, 2017.

NOW, THEREFORE, pursuant to the TimkenSteel Corporation Amended and Restated 2014 Equity and Incentive Compensation Plan (the “Plan”) and subject to the terms and conditions thereof and the terms and conditions hereinafter set forth, the Company hereby confirms to Grantee the grant, effective \_\_\_\_\_, \_\_\_\_ (the “Date of Grant”), of \_\_\_\_\_ Restricted Stock Units (the “RSUs”). All terms used in this Agreement with initial capital letters that are defined in the Plan and not otherwise defined herein shall have the meanings assigned to them in the Plan.

1. Payment of RSUs. The RSUs will become payable if the Restriction Period lapses and Grantee’s right to receive payment for the RSUs becomes nonforfeitable (“Vest,” “Vesting” or “Vested”) in accordance with Section 3 and Section 4 of this Agreement.
2. RSUs Not Transferrable. None of the RSUs nor any interest therein or in any Common Shares underlying such RSUs will be transferable prior to payment other than by will or the laws of descent and distribution.
3. Vesting of RSUs. Subject to the terms and conditions of Section 4 and Section 5 of this Agreement, the RSUs will Vest (a) to the extent of one-quarter (1/4) of the RSUs on the first anniversary of the Date of Grant if the Grantee shall have been in the continuous employ of the Company or a Subsidiary on such date and (b) to the extent of an additional one-quarter (1/4) of the RSUs on each of the second, third and fourth anniversaries of the Date of Grant so long as Grantee shall have been in the continuous employ of the Company or a Subsidiary on each such date. For purposes of this Agreement, the continuous employment of Grantee with the Company or a Subsidiary will not be deemed to have been interrupted, and Grantee shall not be deemed to have ceased to be an employee of the Company or a Subsidiary, by reason of the transfer of Grantee’s employment among the Company and its Subsidiaries.
4. Alternative Vesting of RSUs. Notwithstanding the provisions of Section 3 of this Agreement, and subject to the payment provisions of Section 6 hereof, the RSUs will Vest earlier than the times provided for in Section 3 under the following circumstances:
  - (a) Death or Disability: If Grantee should die or become permanently disabled while in the employ of the Company or a Subsidiary, then the RSUs will immediately Vest in full. If Grantee should die or become permanently disabled during the period that Grantee is deemed to be in the continuous employ of the Company or a Subsidiary pursuant to Section 4(b), 4(d) or 4(e), then the RSUs will immediately Vest in full, except that to the extent that Section 4(e) applies, the RSUs will immediately Vest only to the extent that the RSUs would have become Vested pursuant to Section 4(e). For purposes of this Agreement, “permanently disabled” means that Grantee has qualified for long-term disability benefits under a disability plan or program of the Company or, in the absence of a disability plan or program of the Company or a Subsidiary, under a government-sponsored disability program and is “disabled” within the meaning of Section 409A(a)(2)(C) of the Code.
  - (b) Retirement: If Grantee should retire with the Company’s consent, then Grantee shall Vest in the RSUs in accordance with the terms and conditions of Section 3 as if Grantee had remained in the continuous employ of the Company or a Subsidiary from the Date of Grant until the fourth anniversary of the Date of Grant or the occurrence of a circumstance referenced in Section 4(a) or Section 4(c), whichever occurs first. For purposes of this Agreement, “retire with the Company’s consent” means: (i) the retirement of Grantee prior to age 62 under a retirement plan of the Company or a Subsidiary, if the Board or the Committee determines that Grantee’s retirement is for the convenience of the Company or a Subsidiary; or (ii) the retirement of Grantee at or after age 62 under a retirement plan of the Company or a Subsidiary.
  - (c) Change in Control:
    - (i) Upon a Change in Control occurring during the Restriction Period while Grantee is an employee of the Company or a Subsidiary, to the extent the RSUs have not been forfeited, the RSUs will immediately Vest in full (except to the extent that a Replacement Award is provided to Grantee for the RSUs). If Grantee is deemed to be in the continuous employ of the Company or a Subsidiary pursuant to Section 4(b), 4(d) or 4(e), upon a Change in Control during the Restriction Period, then the RSUs will immediately Vest in full, except that to the extent that Section 4(e) applies, the RSUs will Vest only to the extent that the RSUs would have become Vested pursuant to Section 4(e).
    - (ii) For purposes of this Agreement, a “Replacement Award” means an award (A) of service-based restricted stock units, (B) that has a value at least equal to the value of the RSUs, (C) that relates to publicly traded equity securities of the Company or its successor in the Change in Control (or another entity that is affiliated with the Company or its successor following the Change in Control), (D) the tax consequences of which, under the Code, if Grantee is subject to U.S. federal income tax under the Code, are not less favorable to Grantee than the tax consequences of the RSUs,

(E) that vests in full upon a termination of Grantee's employment with Company or a Subsidiary or their successors in the Change in Control (or another entity that is affiliated with the Company or a Subsidiary or their successors following the Change in Control) (as applicable, the "Successor") for Good Reason by Grantee or without Cause by such Successor, or upon the death of Grantee or Grantee becoming permanently disabled, within a period of two years after the Change in Control, and (F) the other terms and conditions of which are not less favorable to Grantee than the terms and conditions of the RSUs (including the provisions that would apply in the event of a subsequent Change in Control). A Replacement Award may be granted only to the extent it conforms to the requirements of Treasury Regulation 1.409A-3(i)(5)(iv)(B) or otherwise does not result in the RSUs or Replacement Award failing to comply with or be exempt from Section 409A of the Code. Without limiting the generality of the foregoing, the Replacement Award may take the form of a continuation of the RSUs if the requirements of the preceding sentence are satisfied. The determination of whether the conditions of this Section 4(c)(ii) are satisfied will be made by the Committee, as constituted immediately before the Change in Control, in its sole discretion.

- (iii) For purposes of Section 4(c)(ii), "Cause" will be defined not less favorably with respect to Grantee than: any intentional act of fraud, embezzlement or theft in connection with the Grantee's duties with the Successor, any intentional wrongful disclosure of secret processes or confidential information of the Successor, or any intentional wrongful engagement in any competitive activity that would constitute a material breach of Grantee's duty of loyalty to the Successor, and no act, or failure to act, on the part of Grantee shall be deemed "intentional" unless done or omitted to be done by Grantee not in good faith and without reasonable belief that Grantee's action or omission was in or not opposed to the best interest of the Successor; provided, that for any Grantee who is party to an individual severance or employment agreement defining Cause, "Cause" will have the meaning set forth in such agreement. For purposes of Section 4(c)(ii), "Good Reason" will be defined to mean a material reduction in the nature or scope of the responsibilities, authorities or duties of Grantee attached to Grantee's position held immediately prior to the Change in Control, a change of more than 60 miles in the location of Grantee's principal office immediately prior to the Change in Control, or a material reduction in Grantee's remuneration upon or after the Change in Control; provided, that no later than 90 days following an event constituting Good Reason Grantee gives notice to the Successor of the occurrence of such event and the Successor fails to cure the event within 30 days following the receipt of such notice.
- (iv) If a Replacement Award is provided, notwithstanding anything in this Agreement to the contrary, any outstanding RSUs which at the time of the Change in Control are not subject to a "substantial risk of forfeiture" (within the meaning of Section 409A of the Code) will be deemed to be Vested at the time of such Change in Control.

(d) Divestiture: If Grantee's employment with the Company or a Subsidiary terminates as the result of a divestiture, then Grantee shall Vest in the RSUs in accordance with the terms and conditions of Section 3 as if Grantee had remained in the continuous employ of the Company or a Subsidiary from the Date of Grant until the fourth anniversary of the Date of Grant or the occurrence of a circumstance referenced in Section 4(a) or Section 4(c), whichever occurs first. For the purposes of this Agreement, the term "divestiture" shall mean a permanent disposition to a Person other than the Company or any Subsidiary of a plant or other facility or property at which Grantee performs a majority of Grantee's services whether such disposition is effected by means of a sale of assets, a sale of Subsidiary stock or otherwise.

(e) Layoff: If (i) Grantee's employment with the Company or a Subsidiary terminates as the result of a layoff and (ii) Grantee is entitled to receive severance pay pursuant to the terms of any severance pay plan of the Company in effect at the time of Grantee's termination of employment that provides for severance pay calculated by multiplying Grantee's base compensation by a specified severance period, then Grantee shall Vest in the RSUs in accordance with the terms and conditions of Section 3 as if Grantee had remained in the continuous employ of the Company or a Subsidiary from the Date of Grant until the end of the severance period or the occurrence of a circumstance referenced in Section 4(a) or Section 4(c), whichever occurs first. For purposes of this Agreement, a "layoff" shall mean the involuntary termination by the Company or any Subsidiary of Grantee's employment with the Company or any Subsidiary due to (A) a reduction in force leading to a permanent downsizing of the salaried workforce, (B) a permanent shutdown of the plant, department or subdivision in which Grantee works, or (C) an elimination of position.

5. Forfeiture of RSUs. Any RSUs that have not Vested pursuant to Section 3 or Section 4 prior to the fourth anniversary of the Date of Grant will be forfeited automatically and without further notice on such date (or earlier if, and on such date that, Grantee ceases to be an employee of the Company or a Subsidiary prior to the fourth anniversary of the Date of Grant for any reason other than as described in Section 4).

6. Form and Time of Payment of RSUs.

(a) General: Subject to Section 5 and Section 6(b), payment for Vested RSUs will be made in cash or Common Shares (as determined by the Committee) within 10 days following the applicable Vesting date specified in Section 3 for such Vested RSUs (to the extent payment for such Vested RSUs has not previously been made).

(b) Other Payment Events. Notwithstanding Section 6(a), to the extent that the RSUs are Vested on the dates set forth below, payment with respect to the RSUs will be made as follows (to the extent payment for such Vested RSUs has not previously been made):

- (i) Change in Control. Upon a Change in Control, Grantee is entitled to receive payment for Vested RSUs in cash or

Common Shares (as determined by the Committee) on the date of the Change in Control; provided, however, that if such Change in Control would not qualify as a permissible date of distribution under Section 409A(a)(2)(A) of the Code, and the regulations thereunder, and where Section 409A of the Code applies to such distribution, Grantee is entitled to receive the corresponding payment on the date that would have otherwise applied pursuant to Sections 6(a) or 6(b)(ii) as though such Change in Control had not occurred.

- (ii) Death or Disability. On the date of Grantee's death or the date Grantee becomes permanently disabled, Grantee is entitled to receive payment for Vested RSUs in cash or Common Shares (as determined by the Committee) on such date.

7. Payment of Dividend Equivalents. With respect to each of the RSUs covered by this Agreement, Grantee shall be credited on the records of the Company with dividend equivalents in an amount equal to the amount per Common Share of any cash dividends declared by the Board on the outstanding Common Shares during the period beginning on the Date of Grant and ending either on the date on which Grantee receives payment for the RSUs pursuant to Section 6 hereof or at the time when the RSUs are forfeited in accordance with Section 5 of this Agreement. These dividend equivalents will accumulate without interest and, subject to the terms and conditions of this Agreement, will be paid at the same time, to the same extent and in the same manner, in cash or Common Shares (as determined by the Committee) as the RSUs for which the dividend equivalents were credited.

8. Detrimental Activity and Recapture.

- (a) In the event that, as determined by the Committee, Grantee shall engage in Detrimental Activity during employment with the Company or a Subsidiary, the RSUs will be forfeited automatically and without further notice at the time of that determination notwithstanding any other provision of this Agreement. For purposes of this Agreement, "Detrimental Activity" shall mean:
  - (i) engaging in any activity, as an employee, principal, agent, or consultant for another entity that competes with the Company in any actual, researched, or prospective product, service, system, or business activity for which Grantee has had any direct responsibility during the last two years of his or her employment with the Company or a Subsidiary, in any territory in which the Company or a Subsidiary manufactures, sells, markets, services, or installs such product, service, or system, or engages in such business activity;
  - (ii) soliciting any employee of the Company or a Subsidiary to terminate his or her employment with the Company or a Subsidiary;
  - (iii) the disclosure to anyone outside the Company or a Subsidiary, or the use in other than the Company or a Subsidiary's business, without prior written authorization from the Company, of any confidential, proprietary or trade secret information or material relating to the business of the Company and its Subsidiaries, acquired by Grantee during his or her employment with the Company or its Subsidiaries or while acting as a director of or consultant for the Company or its Subsidiaries thereafter;
  - (iv) the failure or refusal to disclose promptly and to assign to the Company upon request all right, title and interest in any invention or idea, patentable or not, made or conceived by Grantee during employment by the Company and any Subsidiary, relating in any manner to the actual or anticipated business, research or development work of the Company or any Subsidiary or the failure or refusal to do anything reasonably necessary to enable the Company or any Subsidiary to secure a patent where appropriate in the United States and in other countries;
  - (v) activity that results in Termination for Cause. For the purposes of this subsection, "Termination for Cause" shall mean a termination: (A) due to Grantee's willful and continuous gross neglect of his or her duties for which he or she is employed; or (B) due to an act of dishonesty on the part of Grantee constituting a felony resulting or intended to result, directly or indirectly, in his or her gain for personal enrichment at the expense of the Company or a Subsidiary; or
  - (vi) any other conduct or act determined to be injurious, detrimental or prejudicial to any significant interest of the Company or any Subsidiary unless Grantee acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company.
- (b) If a Restatement occurs and the Committee determines that Grantee is personally responsible for causing the Restatement as a result of Grantee's personal misconduct or any fraudulent activity on the part of Grantee, then the Committee has discretion to, based on applicable facts and circumstances and subject to applicable law, cause the Company to recover all or any portion (but no more than 100%) of the RSUs earned or payable to Grantee for some or all of the years covered by the Restatement. The amount of any earned or payable RSUs recovered by the Company shall be limited to the amount by which such earned or payable RSUs exceeded the amount that would have been earned by or paid to Grantee had the Company's financial statements for the applicable restated fiscal year or years been initially filed as restated, as reasonably determined by the Committee. The Committee shall also determine whether the Company shall effect any recovery under this Section 8(b) by: (i) seeking repayment from Grantee; (ii) reducing, except with respect to any non-qualified deferred compensation under Section 409A of the Code, the amount that would otherwise be payable to Grantee under any compensatory plan, program or arrangement maintained by the Company (subject to applicable law and the terms and conditions of such plan, program or

arrangement); (iii) by withholding, except with respect to any non-qualified deferred compensation under Section 409A of the Code, payment of future increases in compensation (including the payment of any discretionary bonus amount) that would otherwise have been made to Grantee in accordance with the Company's compensation practices; or (iv) by any combination of these alternatives. For purposes of this Agreement, "Restatement" means a restatement (made within 36 months of the publication of the financial statements that are required to be restated) of any part of the Company's financial statements for any fiscal year or years after 2016 due to material noncompliance with any financial reporting requirement under the U.S. securities laws applicable to such fiscal year or years.

9. Compliance with Law. The Company shall make reasonable efforts to comply with all applicable federal and state securities laws; provided, however, notwithstanding any other provision of this Agreement, the Company shall not be obligated to issue any of the Common Shares covered by this Agreement if the issuance thereof would result in violation of any such law.
10. Adjustments. Subject to Section 13 of the Plan, the Committee shall make any adjustments in the number of RSUs or kind of shares of stock or other securities underlying the RSUs covered by this Agreement, or in any other terms of this award, that the Committee may determine to be equitably required to prevent any dilution or expansion of Grantee's rights under this Agreement that otherwise would result from any (a) stock dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, (b) merger, consolidation, separation, reorganization or partial or complete liquidation involving the Company or (c) other transaction or event having an effect similar to any of those referred to in Section 10(a) or 10(b) hereof. Furthermore, in the event that any transaction or event described or referred to in the immediately preceding sentence shall occur, the Committee shall provide in substitution of any or all of Grantee's rights under this Agreement such alternative consideration as the Committee may determine in good faith to be equitable under the circumstances.
11. Withholding Taxes. If the Company is required to withhold federal, state, local, employment, or foreign taxes, or, to the extent permitted under Section 409A of the Code, any other applicable taxes, in connection with Grantee's right to receive Common Shares under this Agreement (regardless of whether Grantee is entitled to the delivery of any Common Shares at that time), and the amounts available to the Company for such withholding are insufficient, it shall be a condition to the receipt of any Common Shares or any other benefit provided for under this Agreement that Grantee make arrangements satisfactory to the Company for payment of the balance of the taxes. Grantee may satisfy such tax obligation by paying the Company cash via personal check. Alternatively, Grantee may elect that all or any part of such tax obligation be satisfied by the Company's retention of a portion of the Common Shares provided for under this Agreement or by Grantee's surrender of a portion of the Common Shares that he or she has owned for at least 6 months. In no event, however, shall the Company accept Common Shares for payment of taxes in excess of required tax withholding rates (unless such higher withholding amounts would not result in adverse accounting implications for the Company). If an election is made to satisfy Grantee's tax obligation with the release or surrender of Common Shares, the Common Shares shall be credited in the following manner: (a) at the Market Value per Share on the date of delivery if the tax obligations arise due to the delivery of Common Shares under this Agreement; or (b) at the Market Value per Share on the date the tax obligation arises, if for a reason other than the delivery of Common Shares under this Agreement.
12. Right to Terminate Employment. No provision of this Agreement will limit in any way whatsoever any right that the Company or a Subsidiary may otherwise have to terminate the employment of Grantee at any time.
13. Relation to Other Benefits. Any economic or other benefit to Grantee under this Agreement or the Plan will not be taken into account in determining any benefits to which Grantee may be entitled under any profit-sharing, retirement or other benefit or compensation plan maintained by the Company or a Subsidiary and will not affect the amount of any life insurance coverage available to any beneficiary under any life insurance plan covering employees of the Company or a Subsidiary.
14. Amendments. Any amendment to the Plan will be deemed to be an amendment to this Agreement to the extent that the amendment is applicable to this Agreement; provided, however, that no amendment will adversely affect the rights of Grantee with respect to the Common Shares or other securities covered by this Agreement without Grantee's consent. Notwithstanding the foregoing, the limitation requiring the consent of Grantee to certain amendments will not apply to any amendment that is deemed necessary by the Company to ensure compliance with Section 409A of the Code.
15. Severability. In the event that one or more of the provisions of this Agreement is invalidated for any reason by a court of competent jurisdiction, any provision so invalidated will be deemed to be separable from the other provisions of this Agreement, and the remaining provisions of this Agreement will continue to be valid and fully enforceable.
16. Governing Law. This Agreement is made under, and shall be construed in accordance with, the internal substantive laws of the State of Ohio.
17. Compliance with Section 409A of the Code. To the extent applicable, it is intended that this Agreement and the Plan comply with the provisions of Section 409A of the Code, so that the income inclusion provisions of Section 409A(a)(1) of the Code do not apply to Grantee. This Agreement and the Plan shall be administered in a manner consistent with this intent. Reference to Section 409A of the Code is to Section 409A of the Internal Revenue Code of 1986, as amended, and will also include any regulations or any other formal guidance promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service.

[SIGNATURES ON FOLLOWING PAGE]

The undersigned Grantee hereby acknowledges receipt of an executed original of this Agreement and accepts the award of RSUs covered hereby, subject to the terms and conditions of the Plan and the terms and conditions herein above set forth.

\_\_\_\_\_

Grantee

Date: \_\_\_\_\_

This Agreement is executed by the Company on this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

TimkenSteel Corporation

By \_\_\_\_\_

Frank DiPiero

Executive Vice President, General Counsel and

Secretary

## TIMKENSTEEL CORPORATION

Performance-Based Restricted Stock Unit Agreement

WHEREAS, \_\_\_\_\_ (“*Grantee*”) is an employee of TimkenSteel Corporation (the “*Company*”) or a Subsidiary thereof; and

WHEREAS, the grant of performance-based Restricted Stock Units evidenced hereby was authorized by a resolution of the Compensation Committee (the “*Committee*”) of the Board that was duly adopted on February 15, 2017, and the execution of a performance-based Restricted Stock Unit Agreement in the form hereof (this “*Agreement*”) was authorized by a resolution of the Committee duly adopted on February 15, 2017.

NOW, THEREFORE, pursuant to the TimkenSteel Corporation Amended and Restated 2014 Equity and Incentive Performance Plan (the “*Plan*”) and subject to the terms and conditions thereof and the terms and conditions hereinafter set forth, the Company hereby confirms to Grantee the grant, effective \_\_\_\_\_, \_\_\_\_\_ (the “*Date of Grant*”), of \_\_\_\_\_ performance-based Restricted Stock Units (the “*PRSUs*”). Subject to the attainment of the Management Objectives described in **Section 3** of this Agreement, Grantee may earn between 0% and \_\_\_\_% of the PRSUs. All terms used in this Agreement with initial capital letters that are defined in the Plan and not otherwise defined herein shall have the meanings assigned to them in the Plan.

1. **Payment of PRSUs.** The PRSUs will become payable in accordance with the provisions of **Section 6** of this Agreement if the Restriction Period lapses and Grantee’s right to receive payment for the PRSUs becomes nonforfeitable (“*Vest*,” “*Vesting*” or “*Vested*”) in accordance with **Section 3** and **Section 4** of this Agreement.
2. **PRSUs Not Transferrable.** None of the PRSUs nor any interest therein or in any Common Shares underlying such PRSUs will be transferable prior to payment other than by will or the laws of descent and distribution.
3. **Vesting of PRSUs.**
  - (a) Subject to the terms and conditions of **Section 4** and **Section 5** of this Agreement, the PRSUs will Vest on the basis of the relative achievement of the Management Objective or Management Objectives approved by the Committee on or before the Date of Grant (the “*Performance Metrics*”) for the period from **January 1, 2017 through December 31, 2018** (the “*Performance Period*”) as follows:
    - (i) The applicable percentage of the PRSUs that shall be earned by Grantee for the Performance Period shall be determined by reference to the Performance Matrix for the Performance Period approved by the Committee on or before the Date of Grant (the “*Performance Matrix*”);
    - (ii) In the event that the Company’s achievement with respect to one of the Performance Metrics is between the performance levels specified in the Performance Matrix, the applicable percentage of the PRSUs that shall be earned by Grantee for the Performance Period shall be determined by the Committee using straight-line interpolation; and
    - (iii) The Vesting of the PRSUs pursuant to this **Section 3** or pursuant to **Section 4** shall be contingent upon a determination of the Committee that the Performance Metrics, as described in this **Section 3**, have been satisfied.
  - (b) If the Committee determines that a change in the business, operations, corporate structure or capital structure of the Company, the manner in which it conducts business or other events or circumstances render the Performance Metrics specified in this **Section 3** to be unsuitable, the Committee may modify such Performance Metrics or any related minimum acceptable level of achievement, in whole or in part, as the Committee deems appropriate; provided, however, that no such action may result in the loss of the otherwise available exemption of the PRSUs under Section 162(m) of the Code.
  - (c) All determinations involving the Performance Metrics set forth in this **Section 3** shall be calculated based on U.S. Generally Accepted Accounting Principles in effect at the time the Performance Metrics are established without regard to any change in accounting standards that may be required by the Financial Accounting Standards Board after the Performance Metrics are established.
  - (d) Subject to **Section 3(a)**, **Section 3(b)** and **Section 3(c)**, the PRSUs earned with respect to the Performance Period will Vest if Grantee is in the continuous employ of the Company or a Subsidiary thereof from the Date of Grant through the last day of the Performance Period. For purposes of this Agreement, the continuous employment of Grantee with the Company or a Subsidiary thereof will not be deemed to have been interrupted, and Grantee shall not be deemed to have ceased to be an employee of the Company or a Subsidiary thereof, by reason of the transfer of Grantee’s employment among the Company and its Subsidiaries.
4. **Alternative Vesting of PRSUs.** Notwithstanding the provisions of **Section 3** of this Agreement, and subject to the payment provisions of **Section 6** hereof, Grantee shall Vest in some or all of the PRSUs under the following circumstances:
  - (a) **Death or Disability:** If Grantee should die or become permanently disabled while in the employ of the Company or a

Subsidiary thereof, then Grantee shall Vest in a number of PRSUs equal to the product of (i) the number of PRSUs in which Grantee would have Vested in accordance with the terms and conditions of **Section 3** if Grantee had remained in the continuous employ of the Company or a Subsidiary thereof from the Date of Grant until the end of the Performance Period or the occurrence of a Change in Control to the extent a Replacement Award is not provided, whichever occurs first, multiplied by (ii) a fraction (in no case greater than 1) the numerator of which is the number of whole months from **January 1, 2017** through the date of such death or permanent disability and the denominator of which is 24. PRSUs that Vest in accordance with this **Section 4(a)** will be paid as provided for in **Section 6(a)** of this Agreement. For purposes of this Agreement, “permanently disabled” means that Grantee has qualified for long-term disability benefits under a disability plan or program of the Company or a Subsidiary thereof or, in the absence of a disability plan or program of the Company or a Subsidiary thereof, under a government-sponsored disability program and is “disabled” within the meaning of Section 409A(a)(2)(C) of the Code.

- (b) **Retirement**: If Grantee should retire with the Company’s consent, then Grantee shall Vest in a number of PRSUs equal to the product of (i) the number of PRSUs in which Grantee would have Vested in accordance with the terms and conditions of **Section 3** if Grantee had remained in the continuous employ of the Company or a Subsidiary thereof from the Date of Grant until the end of the Performance Period or the occurrence of a Change in Control to the extent a Replacement Award is not provided, whichever occurs first, multiplied by (ii) a fraction (in no case greater than 1) the numerator of which is the number of whole months from **January 1, 2017** through the date of such retirement and the denominator of which is 24. PRSUs that Vest in accordance with this **Section 4(b)** will be paid as provided for in **Section 6(a)** of this Agreement. For purposes of this Agreement, “retire with the Company’s consent” means: (i) the retirement of Grantee prior to age 62 under a retirement plan of the Company or a Subsidiary thereof, if the Board or the Committee determines that his retirement is for the convenience of the Company or a Subsidiary thereof; or (ii) the retirement of Grantee at or after age 62 under a retirement plan of the Company or a Subsidiary thereof.
- (c) **Change in Control**:
- (i) Upon a Change in Control occurring during the Restriction Period while Grantee is an employee of the Company or a Subsidiary thereof or during the period that Grantee is deemed to be in the continuous employ of the Company or a Subsidiary thereof pursuant to **Section 4(a), 4(b), 4(d) or 4(e)**, to the extent the PRSUs have not been forfeited, the PRSUs will Vest (except to the extent that a Replacement Award is provided to Grantee for the PRSUs) as follows: the Performance Period will terminate and the Committee as constituted immediately before the Change in Control will determine and certify the Vested PRSUs based on actual performance through the most recent date prior to the Change in Control for which achievement of the Performance Metrics can reasonably be determined; provided, that the number of PRSUs in which Grantee shall so Vest shall be equal to the product of (A) the number of PRSUs in which Grantee would have Vested based on actual performance in accordance with the terms and conditions of this Section 4(c)(i), multiplied by (B) a fraction (in no case greater than 1) the numerator of which is the number of whole months from January 1, 2017 through the date of such performance determination and the denominator of which is 24. PRSUs that Vest in accordance with this **Section 4(c)(i)** will be paid as provided for in **Section 6(b)** of this Agreement.
- (ii) For purposes of this Agreement, a “**Replacement Award**” means an award (A) of performance-based restricted stock units, (B) that has a value at least equal to the value of the PRSUs, (C) that relates to publicly traded equity securities of the Company or its successor in the Change in Control (or another entity that is affiliated with the Company or its successor following the Change in Control), (D) the tax consequences of which, under the Code, if Grantee is subject to U.S. federal income tax under the Code, are not less favorable to Grantee than the tax consequences of the PRSUs, (E) that vests upon a termination of Grantee’s employment with the Company or a Subsidiary thereof or their successors in the Change in Control (or another entity that is affiliated with the Company or a Subsidiary thereof or their successors following the Change in Control) (as applicable, the “**Successor**”) for Good Reason by Grantee or without Cause by such employer, or upon the death of Grantee or Grantee becoming permanently disabled, within a period of two years after the Change in Control based on actual performance through the date of the Change in Control; provided, that the number of PRSUs in which Grantee shall so vest shall be equal to the product of (X) the number of PRSUs in which Grantee would have vested based on actual performance in accordance with the terms and conditions of this Section 4(c)(ii)(E), multiplied by (Y) a fraction (in no case greater than 1) the numerator of which is the number of whole months from January 1, 2017 through the date of such termination, death or permanent disability and the denominator of which is 24, and (F) the other terms and conditions of which are not less favorable to Grantee than the terms and conditions of the PRSUs (including the provisions that would apply in the event of a subsequent Change in Control). A Replacement Award may be granted only to the extent it conforms to the requirements of Treasury Regulation 1.409A-3(i)(5)(iv)(B) or otherwise does not result in the PRSUs or Replacement Award failing to comply with or be exempt from Section 409A of the Code. Without limiting the generality of the foregoing, the Replacement Award may take the form of a continuation of the PRSUs if the requirements of the preceding sentence are satisfied. The determination of whether the conditions of this **Section 4(c)(ii)** are satisfied will be made by the Committee, as constituted immediately before the Change in Control, in its sole discretion.
- (iii) For purposes of **Section 4(c)(ii)**, “**Cause**” will be defined not less favorably with respect to Grantee than: any intentional act of fraud, embezzlement or theft in connection with the Grantee’s duties with the Successor, any intentional wrongful disclosure of secret processes or confidential information of the Successor, or any intentional

wrongful engagement in any competitive activity that would constitute a material breach of Grantee's duty of loyalty to the Successor, and no act, or failure to act, on the part of Grantee shall be deemed "intentional" unless done or omitted to be done by Grantee not in good faith and without reasonable belief that Grantee's action or omission was in or not opposed to the best interest of the Successor; provided, that for any Grantee who is party to an individual severance or employment agreement defining Cause, "Cause" will have the meaning set forth in such agreement. For purposes of **Section 4(c)(ii)**, "**Good Reason**" will be defined to mean: a material reduction in the nature or scope of the responsibilities, authorities or duties of Grantee attached to Grantee's position held immediately prior to the Change in Control, a change of more than 60 miles in the location of Grantee's principal office immediately prior to the Change in Control, or a material reduction in Grantee's remuneration upon or after the Change in Control; provided, that no later than 90 days following an event constituting Good Reason Grantee gives notice to the Successor of the occurrence of such event and the Successor fails to cure the event within 30 days following the receipt of such notice.

- (iv) If a Replacement Award is provided, notwithstanding anything in this Agreement to the contrary, any outstanding PRSUs which at the time of the Change in Control are not subject to a "substantial risk of forfeiture" (within the meaning of Section 409A of the Code) will be deemed to be Vested at the time of such Change in Control and will be paid as provided for in **Section 6(b)** of this Agreement.
  - (d) **Divestiture**: If Grantee's employment with the Company or a Subsidiary thereof terminates as the result of a divestiture, then Grantee shall Vest in a number of PRSUs equal to the product of (i) the number of PRSUs in which Grantee would have Vested in accordance with the terms and conditions of **Section 3** if Grantee had remained in the continuous employ of the Company or a Subsidiary thereof from the Date of Grant until the end of the Performance Period or the occurrence of a Change in Control to the extent a Replacement Award is not provided, whichever occurs first, multiplied by (ii) a fraction (in no case greater than 1) the numerator of which is the number of whole months from **January 1, 2017** through the date of such termination and the denominator of which is 24. PRSUs that Vest in accordance with this **Section 4(d)** will be paid as provided for in **Section 6(a)** of this Agreement. For the purposes of this Agreement, the term "divestiture" shall mean a permanent disposition to a Person other than the Company or any Subsidiary thereof of a plant or other facility or property at which Grantee performs a majority of Grantee's services whether such disposition is effected by means of a sale of assets, a sale of Subsidiary stock or otherwise.
  - (e) **Layoff**: If (i) Grantee's employment with the Company or a Subsidiary thereof terminates as the result of a layoff and (ii) Grantee is entitled to receive severance pay pursuant to the terms of any severance pay plan of the Company in effect at the time of Grantee's termination of employment that provides for severance pay calculated by multiplying Grantee's base compensation by a specified severance period, then Grantee shall Vest in a number of PRSUs equal to the product of (x) the number of PRSUs in which Grantee would have Vested in accordance with the terms and conditions of **Section 3** if Grantee had remained in the continuous employ of the Company or a Subsidiary thereof from the Date of Grant until the end of the Performance Period or the occurrence of a Change in Control to the extent a Replacement Award is not provided, whichever occurs first, multiplied by (y) a fraction (in no case greater than 1) the numerator of which is the number of whole months from **January 1, 2017** through the end of the specified severance period and the denominator of which is 24. PRSUs that Vest in accordance with this **Section 4(e)** will be paid as provided for in **Section 6(a)** of this Agreement. For purposes of this Agreement, a "layoff" shall mean the involuntary termination by the Company or any Subsidiary thereof of Grantee's employment with the Company or any Subsidiary thereof due to (A) a reduction in force leading to a permanent downsizing of the salaried workforce, (B) a permanent shutdown of the plant, department or subdivision in which Grantee works, or (C) an elimination of position.
5. **Forfeiture of PRSUs**. Any PRSUs that have not Vested pursuant to **Section 3** or **Section 4** at the end of the Performance Period will be forfeited automatically and without further notice after the end of the Performance Period (or earlier if, and on such date that, Grantee ceases to be an employee of the Company or a Subsidiary thereof prior to the end of the Performance Period for any reason other than as described in **Section 4**).
6. **Form and Time of Payment of PRSUs**.
- (a) **General**. Subject to **Section 5** and **Section 6(b)**, payment for Vested PRSUs will be made in cash or Common Shares (as determined by the Committee) between January 1, 2019 and March 15, 2019.
  - (b) **Other Payment Event**. Notwithstanding **Section 6(a)**, to the extent that the PRSUs are Vested on the date of a Change in Control, Grantee will receive payment for Vested PRSUs in cash or Common Shares (as determined by the Committee) on the date of the Change in Control; provided, however, that if such Change in Control would not qualify as a permissible date of distribution under Section 409A(a)(2)(A) of the Code, and the regulations thereunder, and where Section 409A of the Code applies to such distribution, Grantee is entitled to receive the corresponding payment on the date that would have otherwise applied pursuant to **Section 6(a)**.
7. **No Dividend Equivalents**. No dividend equivalents will accrue, be credited or be paid or payable with respect to the PRSUs.
8. **Detrimental Activity and Recapture**.
- (a) Notwithstanding anything in this Agreement to the contrary, in the event that, as determined by the Committee, Grantee shall

engage in Detrimental Activity during employment with the Company or a Subsidiary thereof, the PRSUs will be forfeited automatically and without further notice at the time of that determination notwithstanding any other provision of this Agreement. For purposes of this Agreement, “**Detrimental Activity**” shall mean:

- (i) engaging in any activity, as an employee, principal, agent, or consultant for another entity that competes with the Company in any actual, researched, or prospective product, service, system, or business activity for which Grantee has had any direct responsibility during the last two years of his or her employment with the Company or a Subsidiary thereof, in any territory in which the Company or a Subsidiary thereof manufactures, sells, markets, services, or installs such product, service, or system, or engages in such business activity;
  - (ii) soliciting any employee of the Company or a Subsidiary thereof to terminate his or her employment with the Company or a Subsidiary thereof;
  - (iii) the disclosure to anyone outside the Company or a Subsidiary thereof, or the use in other than the Company’s or one of its Subsidiary’s business, without prior written authorization from the Company, of any confidential, proprietary or trade secret information or material relating to the business of the Company and its Subsidiaries, acquired by Grantee during his or her employment with the Company or its Subsidiaries or while acting as a director of or consultant for the Company or its Subsidiaries thereafter;
  - (iv) the failure or refusal to disclose promptly and to assign to the Company upon request all right, title and interest in any invention or idea, patentable or not, made or conceived by Grantee during employment by the Company and any Subsidiary thereof, relating in any manner to the actual or anticipated business, research or development work of the Company or any Subsidiary thereof or the failure or refusal to do anything reasonably necessary to enable the Company or any Subsidiary thereof to secure a patent where appropriate in the United States and in other countries;
  - (v) activity that results in Termination for Cause. For the purposes of this subsection, “**Termination for Cause**” shall mean a termination: (A) due to Grantee’s willful and continuous gross neglect of his or her duties for which he or she is employed; or (B) due to an act of dishonesty on the part of Grantee constituting a felony resulting or intended to result, directly or indirectly, in his or her gain for personal enrichment at the expense of the Company or a Subsidiary thereof; or
  - (vi) any other conduct or act determined to be injurious, detrimental or prejudicial to any significant interest of the Company or any Subsidiary thereof unless Grantee acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company.
- (b) If a Restatement occurs and the Committee determines that Grantee is personally responsible for causing the Restatement as a result of Grantee’s personal misconduct or any fraudulent activity on the part of Grantee, then the Committee has discretion to, based on applicable facts and circumstances and subject to applicable law, cause the Company to recover all or any portion (but no more than 100%) of the PRSUs earned or payable to Grantee for some or all of the years covered by the Restatement. The amount of any earned or payable PRSUs recovered by the Company shall be limited to the amount by which such earned or payable PRSUs exceeded the amount that would have been earned by or paid to Grantee had the Company’s financial statements for the applicable restated fiscal year or years been initially filed as restated, as reasonably determined by the Committee. The Committee shall also determine whether the Company shall effect any recovery under this **Section 8(b)** by: (i) seeking repayment from Grantee; (ii) reducing, except with respect to any non-qualified deferred compensation under Section 409A of the Code, the amount that would otherwise be payable to Grantee under any compensatory plan, program or arrangement maintained by the Company (subject to applicable law and the terms and conditions of such plan, program or arrangement); (iii) by withholding, except with respect to any non-qualified deferred compensation under Section 409A of the Code, payment of future increases in compensation (including the payment of any discretionary bonus amount) that would otherwise have been made to Grantee in accordance with the Company’s compensation practices; or (iv) by any combination of these alternatives. For purposes of this Agreement, “**Restatement**” means a restatement (made within 24 months of the publication of the financial statements that are required to be restated) of any part of the Company’s financial statements for any fiscal year or years after 2016 due to material noncompliance with any financial reporting requirement under the U.S. securities laws applicable to such fiscal year or years. Notwithstanding anything in this Agreement to the contrary, Grantee acknowledges and agrees that this Agreement and the award described herein (and any settlement thereof) are subject to the terms and conditions of the Company’s clawback policy (if any) as may be in effect from time to time specifically to implement Section 10D of the Exchange Act and any applicable rules or regulations promulgated thereunder (including applicable rules and regulations of any national securities exchange on which the Common Shares may be traded) (the “**Compensation Recovery Policy**”), and that this **Section 8** shall be deemed superseded by and subject to the terms and conditions of the Compensation Recovery Policy from and after the effective date thereof.
9. **Compliance with Law.** The Company shall make reasonable efforts to comply with all applicable federal and state securities laws; provided, however, notwithstanding any other provision of this Agreement, the Company shall not be obligated to issue any of the Common Shares covered by this Agreement if the issuance thereof would result in violation of any such law.
10. **Adjustments.** Subject to **Section 13** of the Plan, the Committee shall make any adjustments in the number of PRSUs or kind of shares of stock or other securities underlying the PRSUs covered by this Agreement, or in any other terms of this award, that the

Committee determines to be equitably required to prevent any dilution or enlargement of Grantee's rights under this Agreement that otherwise would result from any (a) stock dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, (b) merger, consolidation, separation, reorganization or partial or complete liquidation involving the Company or (c) other transaction or event having an effect similar to any of those referred to in **Section 10(a)** or **10(b)** hereof. Furthermore, in the event that any transaction or event described or referred to in the immediately preceding sentence shall occur, or in the event of a Change in Control, the Committee shall provide in substitution of any or all of Grantee's rights under this Agreement such alternative consideration (including cash) as the Committee determines in good faith to be equitable under the circumstances.

11. Withholding Taxes. If the Company is required to withhold federal, state, local, employment, or foreign taxes, or, to the extent permitted under Section 409A of the Code, any other applicable taxes, in connection with Grantee's right to receive Common Shares under this Agreement (regardless of whether Grantee is entitled to the delivery of any Common Shares at that time), and the amounts available to the Company for such withholding are insufficient, it shall be a condition to the receipt of any Common Shares or any other benefit provided for under this Agreement that Grantee make arrangements satisfactory to the Company for payment of the balance of the taxes. Grantee may satisfy such tax obligation by paying the Company cash via personal check. Alternatively, Grantee may elect that all or any part of such tax obligation be satisfied by the Company's retention of a portion of the Common Shares provided for under this Agreement or by Grantee's surrender of a portion of the Common Shares that he or she has owned for at least 6 months. In no event, however, shall the Company accept Common Shares for payment of taxes in excess of required tax withholding rates (unless such higher withholding amounts would not result in adverse accounting implications for the Company). If an election is made to satisfy Grantee's tax obligation with the release or surrender of Common Shares, the Common Shares shall be credited in the following manner: (a) at the Market Value per Share on the date of delivery if the tax obligations arise due to the delivery of Common Shares under this Agreement; or (b) at the Market Value per Share on the date the tax obligation arises, if for a reason other than the delivery of Common Shares under this Agreement.
12. Right to Terminate Employment. No provision of this Agreement will limit in any way whatsoever any right that the Company or a Subsidiary thereof may otherwise have to terminate the employment of Grantee at any time.
13. Relation to Other Benefits. Any economic or other benefit to Grantee under this Agreement or the Plan will not be taken into account in determining any benefits to which Grantee may be entitled under any profit-sharing, retirement or other benefit or compensation plan maintained by the Company or a Subsidiary thereof and will not affect the amount of any life insurance coverage available to any beneficiary under any life insurance plan covering employees of the Company or a Subsidiary thereof.
14. Amendments. Any amendment to the Plan will be deemed to be an amendment to this Agreement to the extent that the amendment is applicable to this Agreement; provided, however, that (a) no amendment will adversely affect the rights of Grantee with respect to the Common Shares or other securities covered by this Agreement without Grantee's consent and (b) Grantee's consent shall not be required to an amendment that is deemed necessary by the Company to ensure compliance with Section 10D of the Exchange Act. Notwithstanding the foregoing, the limitation requiring the consent of Grantee to certain amendments will not apply to any amendment that is deemed necessary by the Company to ensure compliance with Section 409A of the Code.
15. Severability. In the event that one or more of the provisions of this Agreement is invalidated for any reason by a court of competent jurisdiction, any provision so invalidated will be deemed to be separable from the other provisions of this Agreement, and the remaining provisions of this Agreement will continue to be valid and fully enforceable.
16. Governing Law. This Agreement is made under, and shall be construed in accordance with, the internal substantive laws of the State of Ohio.
17. Compliance with Section 409A of the Code. To the extent applicable, it is intended that this Agreement and the Plan comply with the provisions of Section 409A of the Code, so that the income inclusion provisions of Section 409A(a)(1) of the Code do not apply to Grantee. This Agreement and the Plan shall be administered in a manner consistent with this intent. Reference to Section 409A of the Code is to Section 409A of the Internal Revenue Code of 1986, as amended, and will also include any regulations or any other formal guidance promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service.

**[SIGNATURES ON FOLLOWING PAGE]**

The undersigned Grantee hereby acknowledges receipt of an executed original of this Agreement and accepts the award of PRSUs covered hereby, subject to the terms and conditions of the Plan and the terms and conditions herein above set forth.

\_\_\_\_\_  
Grantee

Date: \_\_\_\_\_

This Agreement is executed by the Company on this \_\_\_ day of \_\_\_\_\_, 20\_\_.

TimkenSteel Corporation

By \_\_\_\_\_  
Frank DiPiero  
Executive Vice President, General Counsel & Secretary

## TIMKENSTEEL CORPORATION

Deferred Shares Agreement

WHEREAS, \_\_\_\_\_ (“Grantee”) is an employee of TimkenSteel Corporation (the “Company”) or a Subsidiary; and

WHEREAS, the grant of Deferred Shares evidenced hereby was authorized by a resolution of the Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) of the Company that was duly adopted on February 15, 2017 (the “Date of Grant”), and the execution of a Deferred Shares Agreement in the form hereof (this “Agreement”) was authorized by a resolution of the Committee duly adopted on February 15, 2017.

NOW, THEREFORE, pursuant to the Company’s Amended and Restated 2014 Equity and Incentive Compensation Plan (the “Plan”) and subject to the terms and conditions thereof, in addition to the terms and conditions of this Agreement, the Company confirms to Grantee the grant of the right to receive (i) \_\_\_\_\_ Common Shares and (ii) dividend equivalents payable in cash on a deferred basis (the “Deferred Cash Dividends”) with respect to the Common Shares covered by this Agreement. All terms used in this Agreement with initial capital letters that are defined in the Plan and not otherwise defined herein shall have the meanings assigned to them in the Plan.

1. Five-Year Vesting of Awards.

- (a) Normal Vesting: Subject to the terms and conditions of Sections 2 and 3 hereof, Grantee’s right to receive the Common Shares covered by this Agreement and any Deferred Cash Dividends accumulated with respect thereto shall become nonforfeitable on the fifth anniversary of the Date of Grant if Grantee has been in the continuous employ of the Company or a Subsidiary from the Date of Grant until the date of said fifth anniversary.

For purposes of this Agreement, Grantee’s continuous employment with the Company or a Subsidiary shall not be deemed to have been interrupted, and Grantee shall not be deemed to have ceased to be an employee of the Company or a Subsidiary, by reason of any transfer of employment among the Company and its Subsidiaries.

- (b) Vesting Upon Retirement with Consent: In the event Grantee should retire with the Company’s consent prior to the fifth anniversary of the Date of Grant, then, subject to the payment provisions of Section 5 hereof, Grantee’s right to receive the Common Shares covered by this Agreement, along with any Deferred Cash Dividends accumulated with respect thereto, shall become nonforfeitable in accordance with the terms and conditions of Section 1(a) as if Grantee had remained in the continuous employ of the Company or a Subsidiary from the Date of Grant until the date of the fifth anniversary of the Date of Grant or the occurrence of an event referenced in Section 2, whichever occurs first.

For purposes of this Agreement, retirement “with the Company’s consent” shall mean: (i) the retirement of Grantee prior to age 62 under a retirement plan of the Company or a Subsidiary, if the Board or the Committee determines that his retirement is for the convenience of the Company or a Subsidiary, or (ii) the retirement of Grantee at or after age 62 under a retirement plan of the Company or a Subsidiary.

2. Alternative Vesting of Awards.

Notwithstanding the provisions of Section 1 hereof, and subject to the payment provisions of Section 5 hereof, Grantee’s right to receive the Common Shares covered by this Agreement and any Deferred Cash Dividends then accumulated with respect thereto may become nonforfeitable if any of the following circumstances apply:

- (a) Death or Disability: Grantee’s right to receive the Common Shares covered by this Agreement and any Deferred Cash Dividends then accumulated with respect thereto shall immediately become nonforfeitable if Grantee should die or become permanently disabled while in the employ of the Company or any Subsidiary. If Grantee should die or become permanently disabled during the period that Grantee is deemed to be in the continuous employ of the Company or a Subsidiary pursuant to Section 1(b), 2(c) or 2(d), then the Common Shares covered by this Agreement and any Deferred Cash Dividends then accumulated with respect thereto will immediately become nonforfeitable, except that to the extent that Section 2(d) applies, the Common Shares covered by this Agreement and any Deferred Cash Dividends then accumulated with respect thereto will immediately become nonforfeitable only to the extent that the Common Shares covered by this Agreement and any Deferred Cash Dividends then accumulated with respect thereto would have become nonforfeitable during the severance period.

For purposes of this Agreement, “permanently disabled” shall mean that Grantee has qualified for long-term disability benefits under a disability plan or program of the Company or a Subsidiary that defines disability in accordance with Section 409A of the Code and its corresponding regulations, or, in the absence of a disability plan or program of the Company or a Subsidiary, under a government-sponsored disability program that defines disability in accordance with Section 409A of the Code and its corresponding regulations.

- (b) Change in Control:

- (i) Upon a Change in Control occurring during the five-year period described in Section 1(a) above while Grantee is an employee of the Company or a Subsidiary, to the extent the Common Shares covered by this Agreement and any Deferred

Cash Dividends accumulated with respect thereto have not been forfeited, the Common Shares covered by this Agreement and any Deferred Cash Dividends accumulated with respect thereto shall immediately become nonforfeitable (except to the extent that a Replacement Award is provided to Grantee for such Common Shares and Deferred Cash Dividends). If Grantee is deemed to be in the continuous employ of the Company or a Subsidiary pursuant to Section 1(b), 2(c) or 2(d), upon a Change in Control prior to the fifth anniversary of the Date of Grant, then the Common Shares covered by this Agreement and any Deferred Cash Dividends then accumulated with respect thereto will immediately become nonforfeitable, except that to the extent that Section 2(d) applies, the Common Shares covered by this Agreement and any Deferred Cash Dividends then accumulated with respect thereto will immediately become nonforfeitable only to the extent that the Common Shares covered by this Agreement and any Deferred Cash Dividends then accumulated with respect thereto would have become nonforfeitable during the severance period.

- (ii) For purposes of this Agreement, a “Replacement Award” means an award (A) of service-based deferred shares, (B) that has a value at least equal to the value of the Common Shares covered by this Agreement and any Deferred Cash Dividends accumulated with respect thereto, (C) that relates to publicly traded equity securities of the Company or its successor in the Change in Control (or another entity that is affiliated with the Company or its successor following the Change in Control), (D) the tax consequences of which, under the Code, if Grantee is subject to U.S. federal income tax under the Code, are not less favorable to Grantee than the tax consequences of the Common Shares covered by this Agreement and any Deferred Cash Dividends accumulated with respect thereto, (E) that vests in full upon a termination of Grantee’s employment with the Company or a Subsidiary or their successors in the Change in Control (or another entity that is affiliated with the Company or a Subsidiary or their successors following the Change in Control) (as applicable, the “Successor”) for Good Reason by Grantee or without Cause by such Successor, or upon the death of Grantee or Grantee becoming permanently disabled, within a period of two years after the Change in Control, and (F) the other terms and conditions of which are not less favorable to Grantee than the terms and conditions of the Common Shares covered by this Agreement and any Deferred Cash Dividends then accumulated with respect thereto (including the provisions that would apply in the event of a subsequent Change in Control). A Replacement Award may be granted only to the extent it conforms to the requirements of Treasury Regulation 1.409A-3(i)(5)(iv)(B) or otherwise does not result in the Common Shares covered by this Agreement and any Deferred Cash Dividends then accumulated with respect thereto, or Replacement Award, failing to comply with or be exempt from Section 409A of the Code. Without limiting the generality of the foregoing, the Replacement Award may take the form of a continuation of the Common Shares covered by this Agreement and any Deferred Cash Dividends then accumulated with respect thereto if the requirements of the preceding sentence are satisfied. The determination of whether the conditions of this Section 2(b)(ii) are satisfied will be made by the Committee, as constituted immediately before the Change in Control, in its sole discretion.
  - (iii) For purposes of Section 2(b)(ii), “Cause” will be defined not less favorably with respect to Grantee than: any intentional act of fraud, embezzlement or theft in connection with the Grantee’s duties with the Successor, any intentional wrongful disclosure of secret processes or confidential information of the Successor, or any intentional wrongful engagement in any competitive activity that would constitute a material breach of Grantee’s duty of loyalty to the Successor, and no act, or failure to act, on the part of Grantee shall be deemed “intentional” unless done or omitted to be done by Grantee not in good faith and without reasonable belief that Grantee’s action or omission was in or not opposed to the best interest of the Successor; provided, that for any Grantee who is party to an individual severance or employment agreement defining Cause, “Cause” will have the meaning set forth in such agreement. For purposes of Section 2(b)(ii), “Good Reason” will be defined to mean a material reduction in the nature or scope of the responsibilities, authorities or duties of Grantee attached to Grantee’s position held immediately prior to the Change in Control, a change of more than 60 miles in the location of Grantee’s principal office immediately prior to the Change in Control, or a material reduction in Grantee’s remuneration upon or after the Change in Control; provided, that no later than 90 days following an event constituting Good Reason Grantee gives notice to the Successor of the occurrence of such event and the Successor fails to cure the event within 30 days following the receipt of such notice.
  - (iv) If a Replacement Award is provided, notwithstanding anything in this Agreement to the contrary, any outstanding Common Shares covered by this Agreement and any Deferred Cash Dividends then accumulated with respect thereto which at the time of the Change in Control are not subject to a “substantial risk of forfeiture” (within the meaning of Section 409A of the Code) will be deemed to be nonforfeitable at the time of such Change in Control.
- (c) Divestiture: If Grantee’s employment with the Company or a Subsidiary terminates as the result of a divestiture, then the Common Shares covered by this Agreement and any Deferred Cash Dividends then accumulated with respect thereto shall become nonforfeitable in accordance with the terms and conditions of Section 1(a) as if Grantee had remained in the continuous employ of the Company or a Subsidiary from the Date of Grant until the fifth anniversary of the Date of Grant or the occurrence of a circumstance referenced in Section 2(a) or 2(b), whichever occurs first.

For the purposes of this Agreement, the term “divestiture” shall mean a permanent disposition to a Person other than the Company or any Subsidiary of a plant or other facility or property at which Grantee performs a majority of Grantee’s services whether such disposition is effected by means of a sale of assets, a sale of Subsidiary stock or otherwise.

- (d) Layoff: If (i) Grantee’s employment with the Company or a Subsidiary terminates as the result of a layoff and (ii) Grantee is entitled to receive severance pay pursuant to the terms of any severance pay plan of the Company in effect at the time of Grantee’s termination of employment that provides for severance pay calculated by multiplying Grantee’s base compensation by a specified

severance period, then Grantee's right to receive the Common Shares covered by this Agreement and any Deferred Cash Dividends then accumulated with respect thereto shall become nonforfeitable in accordance with the terms and conditions of Section 1(a) as if Grantee had remained in the continuous employ of the Company or a Subsidiary from the Date of Grant until the end of the severance period or the occurrence of a circumstance referenced in Section 2(a) or 2(b), whichever occurs first. Notwithstanding the foregoing, in the event Grantee's employment is terminated as a result of layoff after Grantee becomes eligible for retirement at or after age 62 under a retirement plan of the Company or a Subsidiary, then Section 1(b) shall govern.

For purposes of this Agreement, a "layoff" shall mean the involuntary termination by the Company or any Subsidiary of Grantee's employment with the Company or any Subsidiary due to (i) a reduction in force leading to a permanent downsizing of the salaried workforce, (ii) a permanent shutdown of the plant, department or subdivision in which Grantee works, or (iii) an elimination of position.

3. Forfeiture of Awards. Grantee's right to receive the Common Shares covered by this Agreement and any Deferred Cash Dividends accumulated with respect thereto shall be forfeited automatically and without further notice on the date that Grantee ceases to be an employee of the Company or a Subsidiary prior to the fifth anniversary of the Date of Grant for any reason other than as described in Sections 1 or 2 hereof. In the event that Grantee shall intentionally commit an act that the Committee determines to be materially adverse to the interests of the Company or a Subsidiary, Grantee's right to receive the Common Shares covered by this Agreement and any Deferred Cash Dividends accumulated with respect thereto shall be forfeited at the time of that determination notwithstanding any other provision of this Agreement to the contrary.
4. Crediting of Deferred Cash Dividends. With respect to each of the Common Shares covered by this Agreement, Grantee shall be credited on the records of the Company with Deferred Cash Dividends in an amount equal to the amount per share of any cash dividends declared by the Board on the outstanding Common Shares during the period beginning on the Date of Grant and ending on the date on which Grantee receives payment of the Common Shares covered by this Agreement pursuant to Section 5 hereof or at the time when the Common Shares covered by this Agreement are forfeited in accordance with Section 3 of this Agreement. The Deferred Cash Dividends shall accumulate without interest.
5. Payment of Awards.
  - (a) General: Subject to Section 3 and Section 5(b), payment for the Common Shares covered by this Agreement that are nonforfeitable and any Deferred Cash Dividends accumulated with respect thereto will be made within 10 days following the fifth anniversary of the Date of Grant.
  - (b) Other Payment Events: Notwithstanding Section 5(a), to the extent that the Common Shares covered by this Agreement are nonforfeitable on the dates set forth below, payment with respect to the Common Shares covered by this Agreement that have become nonforfeitable and any Deferred Cash Dividends accumulated with respect thereto will be made as follows:
    - (i) Change in Control. Upon a Change in Control, Grantee is entitled to receive payment for the Common Shares covered by this Agreement that are nonforfeitable and any Deferred Cash Dividends accumulated with respect thereto on the date of the Change in Control; provided, however, that if such Change in Control would not qualify as a permissible date of distribution under Section 409A(a)(2)(A) of the Code, and the regulations thereunder, and where Section 409A of the Code applies to such distribution, Grantee is entitled to receive the corresponding payment on the date that would have otherwise applied pursuant to Sections 5(a) or 5(b)(ii) as though such Change in Control had not occurred.
    - (ii) Death or Disability. On the date of Grantee's death or the date Grantee becomes permanently disabled, Grantee is entitled to receive payment for the Common Shares covered by this Agreement that are nonforfeitable and any Deferred Cash Dividends accumulated with respect thereto on such date.
6. Compliance with Law. The Company shall make reasonable efforts to comply with all applicable federal and state securities laws; provided, however, notwithstanding any other provision of this Agreement, the Company shall not be obligated to issue any of the Common Shares covered by this Agreement or pay any Deferred Cash Dividends accumulated with respect thereto if the issuance or payment thereof would result in violation of any such law. To the extent that the Ohio Securities Act shall be applicable to this Agreement, the Company shall not be obligated to issue any of the Common Shares or other securities covered by this Agreement or pay any Deferred Cash Dividends accumulated with respect thereto unless such Common Shares and Deferred Cash Dividends are (a) exempt from registration thereunder, (b) the subject of a transaction that is exempt from compliance therewith, (c) registered by description or qualification thereunder or (d) the subject of a transaction that shall have been registered by description thereunder.
7. Transferability. Neither Grantee's right to receive the Common Shares covered by this Agreement nor his right to receive any Deferred Cash Dividends shall be transferable by Grantee except by will or the laws of descent and distribution. Any purported transfer in violation of this Section 7 shall be null and void, and the purported transferee shall obtain no rights with respect to such Shares.
8. Compliance with Section 409A of the Code. To the extent applicable, it is intended that this Agreement and the Plan comply with the provisions of Section 409A of the Code. This Agreement and the Plan shall be administered in a manner consistent with this intent, and any provision that would cause the Agreement or the Plan to fail to satisfy Section 409A of the Code shall have no force and effect until amended to comply with Section 409A of the Code (which amendment may be retroactive to the extent permitted by Section 409A of the Code and may be made by the Company without the consent of Grantee).

9. Adjustments. Subject to Section 13 of the Plan, the Committee shall make any adjustments in the number or kind of shares of stock or other securities covered by this Agreement, or in any other terms of this award, that the Committee may determine to be equitably required to prevent any dilution or expansion of Grantee's rights under this Agreement that otherwise would result from any (a) stock dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, (b) merger, consolidation, separation, reorganization or partial or complete liquidation involving the Company or (c) other transaction or event having an effect similar to any of those referred to in subsection (a) or (b) herein. Furthermore, in the event that any transaction or event described or referred to in the immediately preceding sentence shall occur, the Committee shall provide in substitution of any or all of Grantee's rights under this Agreement such alternative consideration as the Committee may determine in good faith to be equitable under the circumstances.
10. Withholding Taxes. To the extent that the Company is required to withhold federal, state, local or foreign taxes in connection with any delivery of Common Shares to Grantee, and the amounts available to the Company for such withholding are insufficient, it shall be a condition to the receipt of such delivery that Grantee make arrangements satisfactory to the Company for payment of the balance of such taxes required to be withheld. Grantee may elect that all or any part of such withholding requirement be satisfied by retention by the Company of a portion of the Common Shares delivered to Grantee. If such election is made, the shares so retained shall be credited against such withholding requirement at the Market Value per Share on the date of such delivery.
11. Detrimental Activity and Recapture.
- (a) In the event that, as determined by the Committee, Grantee shall engage in Detrimental Activity during employment with the Company or a Subsidiary, the Common Shares covered by this Agreement and any Deferred Cash Dividends accumulated with respect thereto will be forfeited automatically and without further notice at the time of that determination notwithstanding any other provision of this Agreement. For purposes of this Agreement, "Detrimental Activity" shall mean:
- (i) engaging in any activity, as an employee, principal, agent, or consultant for another entity that competes with the Company in any actual, researched, or prospective product, service, system, or business activity for which Grantee has had any direct responsibility during the last two years of his or her employment with the Company or a Subsidiary, in any territory in which the Company or a Subsidiary manufactures, sells, markets, services, or installs such product, service, or system, or engages in such business activity;
  - (ii) soliciting any employee of the Company or a Subsidiary to terminate his or her employment with the Company or a Subsidiary;
  - (iii) the disclosure to anyone outside the Company or a Subsidiary, or the use in other than the Company or a Subsidiary's business, without prior written authorization from the Company, of any confidential, proprietary or trade secret information or material relating to the business of the Company and its Subsidiaries, acquired by Grantee during his or her employment with the Company or its Subsidiaries or while acting as a director of or consultant for the Company or its Subsidiaries thereafter;
  - (iv) the failure or refusal to disclose promptly and to assign to the Company upon request all right, title and interest in any invention or idea, patentable or not, made or conceived by Grantee during employment by the Company and any Subsidiary, relating in any manner to the actual or anticipated business, research or development work of the Company or any Subsidiary or the failure or refusal to do anything reasonably necessary to enable the Company or any Subsidiary to secure a patent where appropriate in the United States and in other countries;
  - (v) activity that results in Termination for Cause. For the purposes of this subsection, "Termination for Cause" shall mean a termination: (A) due to Grantee's willful and continuous gross neglect of his or her duties for which he or she is employed; or (B) due to an act of dishonesty on the part of Grantee constituting a felony resulting or intended to result, directly or indirectly, in his or her gain for personal enrichment at the expense of the Company or a Subsidiary; or
  - (vi) any other conduct or act determined to be injurious, detrimental or prejudicial to any significant interest of the Company or any Subsidiary unless Grantee acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company.
- (b) If a Restatement occurs and the Committee determines that Grantee is personally responsible for causing the Restatement as a result of Grantee's personal misconduct or any fraudulent activity on the part of Grantee, then the Committee has discretion to, based on applicable facts and circumstances and subject to applicable law, cause the Company to recover all or any portion (but no more than 100%) of the Common Shares covered by this Agreement and any Deferred Cash Dividends accumulated with respect thereto earned or payable to Grantee for some or all of the years covered by the Restatement. The amount of any earned or payable Common Shares covered by this Agreement and any Deferred Cash Dividends accumulated with respect thereto recovered by the Company shall be limited to the amount by which such earned or payable Common Shares and Deferred Cash Dividends exceeded the amount that would have been earned by or paid to Grantee had the Company's financial statements for the applicable restated fiscal year or years been initially filed as restated, as reasonably determined by the Committee. The Committee shall also determine whether the Company shall effect any recovery under this Section 11(b) by: (i) seeking repayment from Grantee; (ii) reducing, except with respect to any non-qualified deferred compensation under Section 409A of the Code, the amount that would otherwise be payable to Grantee under any compensatory plan, program or arrangement maintained by the Company (subject to applicable law and the terms and conditions of such plan, program or arrangement); (iii) by withholding, except with respect to any non-qualified deferred compensation under Section 409A of the Code, payment of future increases in compensation (including the payment of any

discretionary bonus amount) that would otherwise have been made to Grantee in accordance with the Company's compensation practices; or (iv) by any combination of these alternatives. For purposes of this Agreement, "Restatement" means a restatement (made within 36 months of the publication of the financial statements that are required to be restated) of any part of the Company's financial statements for any fiscal year or years after 2016 due to material noncompliance with any financial reporting requirement under the U.S. securities laws applicable to such fiscal year or years.

12. No Right to Future Awards or Employment. This award is a voluntary, discretionary bonus being made on a one-time basis and it does not constitute a commitment to make any future awards. This award and any payments made hereunder will not be considered salary or other compensation for purposes of any severance pay or similar allowance, except as otherwise required by law. No provision of this Agreement shall limit in any way whatsoever any right that the Company or a Subsidiary may otherwise have to terminate Grantee's employment at any time.
13. Relation to Other Benefits. Any economic or other benefit to Grantee under this Agreement or the Plan shall not be taken into account in determining any benefits to which Grantee may be entitled under any profit-sharing, retirement or other benefit or compensation plan maintained by the Company or a Subsidiary and shall not affect the amount of any life insurance coverage available to any beneficiary under any life insurance plan covering employees of the Company or a Subsidiary.
14. Processing of Information. Information about Grantee and Grantee's award of Common Shares and Deferred Cash Dividends may be collected, recorded and held, used and disclosed for any purpose related to the administration of the award. Grantee understands that such processing of this information may need to be carried out by the Company and its Subsidiaries and by third party administrators whether such persons are located within Grantee's country or elsewhere, including the United States of America. Grantee consents to the processing of information relating to Grantee and Grantee's receipt of the Common Shares and Deferred Cash Dividends in any one or more of the ways referred to above.
15. Amendments. Any amendment to the Plan shall be deemed to be an amendment to this Agreement to the extent that the amendment is applicable hereto; provided, however, that subject to the provisions of Section 8 hereof no amendment shall adversely affect the rights of Grantee with respect to either the Common Shares or other securities covered by this Agreement or the Deferred Cash Dividends without Grantee's consent.
16. Severability. If any provision of this Agreement or the application of any provision hereof to any person or circumstances is held invalid or unenforceable, the remainder of this Agreement and the application of such provision in any other person or circumstances shall not be affected, and the provisions so held to be invalid or unenforceable shall be reformed to the extent (and only to the extent) necessary to make it enforceable and valid.
17. Governing Law. This Agreement is made under, and shall be construed in accordance with, the internal substantive laws of the State of Ohio.

**[SIGNATURES ON FOLLOWING PAGE]**

This Agreement is executed by the Company on this \_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

TimkenSteel Corporation

By:  
Frank DiPiero  
Executive Vice President, General  
Counsel and Secretary

The undersigned Grantee hereby acknowledges receipt of an executed original of this Agreement and accepts the right to receive the Common Shares or other securities covered hereby and any Deferred Cash Dividends accumulated with respect thereto, subject to the terms and conditions of the Plan and the terms and conditions herein above set forth.

Grantee

Date:

**COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES**  
(Dollars in millions, except ratio amounts)

	Three Months Ended March 31,		Year Ended December 31,			
	2017	2016	2015 Adjusted	2014 Adjusted	2013	2012
Income (loss) before income taxes	\$ (5.0)	\$ (142.0)	\$ (71.7)	\$ 68.7	\$ 127.6	\$ 234.3
Plus:						
Fixed charges	4.1	13.4	5.5	8.9	12.0	5.8
Amortization of capitalized interest	0.5	1.9	1.7	0.7	0.6	0.6
Less:						
Interest capitalized	0.2	0.7	1.0	6.9	10.8	4.5
<b>Earnings (loss)</b>	<b>(0.6)</b>	<b>(127.4)</b>	<b>(65.5)</b>	<b>71.4</b>	<b>129.4</b>	<b>236.2</b>
Interest (A)	3.4	10.6	3.9	7.1	11.0	4.8
Amortization of deferred financing costs	0.4	1.5	0.5	0.9	0.1	0.2
Interest portion of rental expense	0.3	1.3	1.1	0.9	0.9	0.8
<b>Fixed Charges</b>	<b>\$ 4.1</b>	<b>\$ 13.4</b>	<b>\$ 5.5</b>	<b>\$ 8.9</b>	<b>\$ 12.0</b>	<b>\$ 5.8</b>
<b>Ratio of Earnings to Fixed Charges</b>	<b>(B)</b>	<b>(B)</b>	<b>(B)</b>	<b>8.02</b>	<b>10.78</b>	<b>40.72</b>

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

(B) For the quarter ended March 31, 2017, there was a deficiency of earnings to cover the fixed charges of \$3.2 million. For the year ended December 31, 2016, there was a deficiency of earnings to cover the fixed charges of \$114.2 million. For the year ended December 31, 2015, there was a deficiency of earnings to cover the fixed charges of \$60.0 million. Accordingly, the ratios for these periods have not been presented.

## CERTIFICATION

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

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

Date: April 27, 2017

/s/ Ward J. Timken, Jr.

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

## CERTIFICATION

I, Christopher J. Holding, certify that:

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

Date: April 27, 2017

/s/ Christopher J. Holding

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

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

In connection with the Quarterly Report of TimkenSteel Corporation (the "Company") on Form 10-Q for the period ended March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

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

Date: April 27, 2017

/s/ Ward J. Timken, Jr.

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

Date: April 27, 2017

/s/ Christopher J. Holding

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