

TOMORROW'S STEEL
STARTS TODAY.



2020 Proxy Statement & Notice of Annual Meeting
2019 Annual Report on Form 10-K

Shaping our future is part inspiration, part determination. Our industry has changed, and the promise of tomorrow is built on the hard work and commitment of today.

At TimkenSteel, our team is focused on driving value and profitability. With safety, quality, customer engagement and sustainability at our core, we're streamlining operations, simplifying the organization and improving efficiencies to position this company for success.





Dear Shareholders,

TimkenSteel invites you to attend its 2020 annual meeting of shareholders at 10 a.m. local time on May 6, 2020, at our corporate headquarters in Canton, Ohio. We will consider matters that are important to our company and to you, our investors.

The past year was one of significant change for TimkenSteel. During the fourth quarter of 2019, Tim Timken stepped down from his position as Chairman, Chief Executive Officer and President and as a member of the Board of Directors. Jack Reilly assumed the role of Chairman of the Board and Terry Dunlap was named Interim Chief Executive Officer and President.

Earlier in the year, we implemented an aggressive profitability improvement plan that helped to partially offset weak end market demand and is expected to benefit the company in the years to come. These actions included:

- refinancing of our asset-based revolving credit facility;
- reduction of salaried workforce by 14 percent;
- freezing of certain salaried long-term benefit plans;
- the closure of our TimkenSteel Material Services facility in Houston, Texas and the divestiture of our scrap processing facility in Akron, Ohio, both in the first quarter of 2020.

In total, these and other actions resulted in realized savings of approximately \$40 million in 2019, with expected annualized savings of \$70 million going forward.

While the company improved working capital and generated positive free cash flow for the year, TimkenSteel's net sales and profitability fell short of expectations. For full-year 2019, net sales were \$1.2 billion with a net loss of \$110 million. In comparison, full-year 2018 net sales were \$1.6 billion with a net loss of \$10 million. In light of this performance, none of our executive officers received variable pay for 2019, validating that our pay-for-performance compensation plans operated as intended.

We operate in challenging and competitive markets and we know there is much more work to be done to realize the company's potential. We are aligned in our efforts to operate safely, improve profitability and cash flow generation and serve our customers. We intend to capture the significant opportunities ahead and appreciate your ongoing support.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jack Reilly', written over a horizontal line.

Jack Reilly
Chairman of the Board

A handwritten signature in black ink, appearing to read 'Terry Dunlap', written over a horizontal line.

Terry Dunlap
Interim Chief Executive Officer and President

March 19, 2020

Enclosure

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Notice of annual meeting of shareholders

Annual meeting information

Date: May 6, 2020

Time: 10 a.m. Eastern time

Place: 1835 Dueber Ave., S.W., Canton, Ohio 44706

Record date: February 28, 2020

Agenda

1. Election of the following directors to serve a three-year term expiring at the 2023 annual meeting: Randall H. Edwards, Leila L. Vespoli and Randall A. Wotring
2. Ratification of the selection of Ernst & Young LLP as the company's independent auditor for the fiscal year ending December 31, 2020
3. Approval, on an advisory basis, of the compensation of the company's named executive officers
4. Approval of the TimkenSteel Corporation 2020 Equity and Incentive Compensation Plan

Admission to the meeting

Only holders of TimkenSteel common shares or the holders' authorized representatives may attend the meeting.

If your shares are held through a broker, bank or some other nominee, you will need to present proof of your ownership as of the record date, February 28, 2020, for your admission to the meeting. Proof of ownership could include a proxy card or a letter from your bank or broker.

This proxy statement and the accompanying proxy card are being made available to shareholders beginning on or about March 19, 2020.

March 19, 2020

Frank A. DiPiero

Executive Vice President, General Counsel and Secretary

Your vote is important

Please vote as soon as possible.

Whether or not you plan to attend the 2020 annual meeting of shareholders in person, please sign and date the enclosed proxy card and return it in the postage-paid envelope provided, or vote your shares electronically on the internet or by telephone.

How to vote:



Online: www.cesvote.com



Phone: 1-888-693-8683



Mail: Sign, date and return your proxy card in the enclosed envelope



In-person: Attend the annual meeting and vote in person

Additional voting instructions are provided in this proxy statement and on the accompanying proxy card.

Important notice regarding the availability of proxy materials for the 2020 annual meeting of shareholders to be held on May 6, 2020: This proxy statement and our 2019 annual report to shareholders are available free of charge on the following website: www.ReadMaterial.com/TMST. Directions to the annual meeting are posted on the investor page of our website at <http://investors.timkensteel.com>.

Proxy summary

This summary highlights information contained elsewhere in this proxy statement and contains only a portion of the information you should consider. You should read the entire proxy statement carefully before voting.

Our annual meeting

Date and time	Record date	Place	Who can vote
May 6, 2020 10 a.m. Eastern time	February 28, 2020	TimkenSteel Corporation 1835 Dueber Ave., S.W., Canton, Ohio 44706	Shareholders of record of common shares at the close of business on February 28, 2020

Item	Proposals	Board vote recommendations	Page #
1	Election of three directors to serve a three-year term expiring at the 2023 annual meeting	✓ FOR each director nominee	8
2	Ratification of the selection of Ernst & Young LLP as the company's independent auditor for the fiscal year ending December 31, 2020	✓ FOR	25
3	Approval, on an advisory basis, of the compensation of the company's named executive officers	✓ FOR	27
4	Approval of the TimkenSteel Corporation 2020 Equity and Incentive Compensation Plan	✓ FOR	59

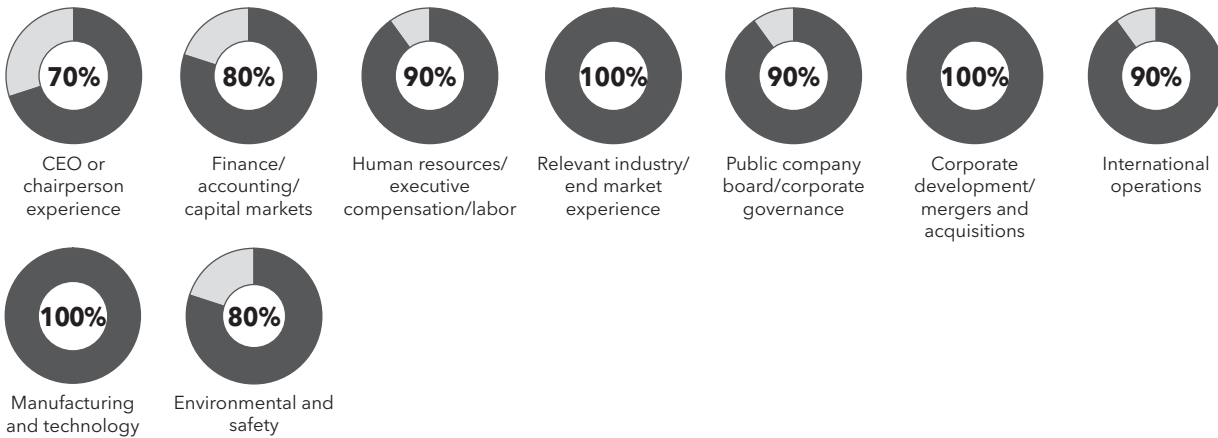
Director nominees – term to expire in 2023

Name	Age	Director since	Principal occupation	Independent	Current committee memberships			Other public company boards
					Audit	Compensation	Nominating and Corporate Governance	
Randall H. Edwards	61	2015	President and Chief Executive Officer of Premier Pipe, LLC	•	•			0
Leila L. Vespoli	60	2019	Retired Executive Vice President of Corporate Strategy, Regulatory Affairs and Chief Legal Officer of FirstEnergy Corp.	•	•			0
Randall A. Wotring	63	2014	Chief Operating Officer of AECOM Technology Corporation	•	•	•		0

Diverse board skills and composition

Members of TimkenSteel’s Board of Directors possess a broad and diverse mix of executive leadership, strategic, financial, human resources and industry experience and skills that enable them to effectively oversee the management of the business and drive strategy that creates long-term, sustainable shareholder value.

Director qualifications

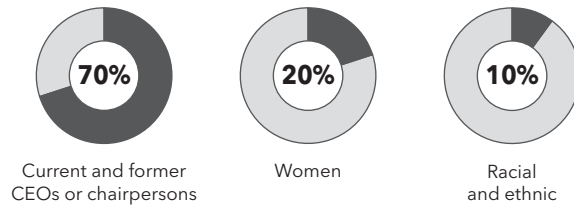


Director tenure

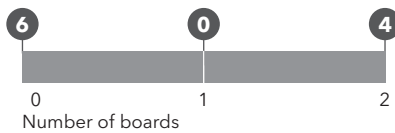


Average = 4.5 years

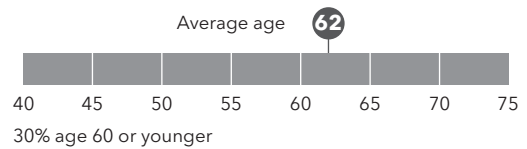
Diversity of background



Current number of public company boards (other than TimkenSteel)



Director age



Commitment to ethics and corporate governance

TimkenSteel's Board of Directors is committed to good corporate governance, as it promotes the long-term interests of shareholders, strengthens Board and management accountability and builds public trust in the company. The "Corporate governance" section of this proxy statement describes our governance framework, which includes the following highlights:

✓ Non-executive Chairman of the Board	✓ Anti-hedging and anti-pledging policies
✓ All directors, other than Mr. Dunlap, are independent	✓ Comprehensive director and employee code of conduct and ethics and compliance program
✓ Independent Audit, Compensation and Nominating and Corporate Governance Committees	✓ Commitment to safety, sustainability and the community
✓ Annual Board and committee evaluations	✓ Robust share ownership and holding requirements for executive officers and directors
✓ Regular executive sessions of independent directors at Board and committee meetings	✓ Majority voting policy in uncontested elections of directors
✓ Risk oversight by the full Board of Directors and its committees, under Audit Committee guidance	✓ Related-party transactions approval policy
✓ Two designated financial experts on Board of Directors*	✓ Annual review by Board of Directors of succession plans for CEO and key executives

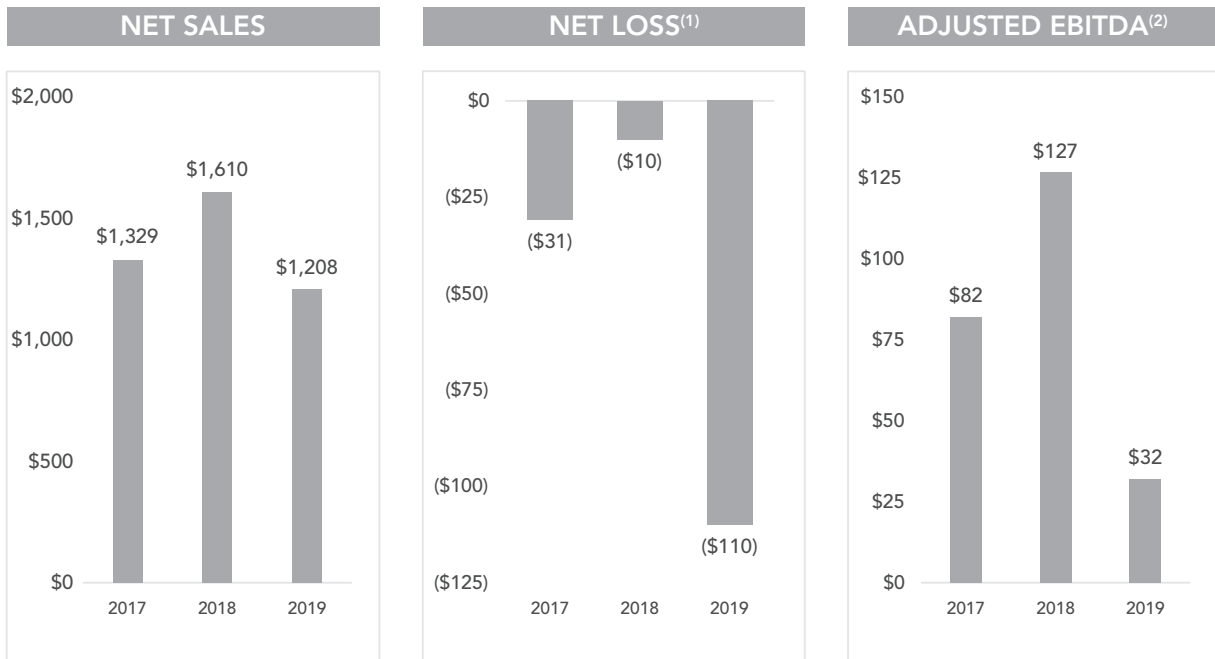
* Mr. Dunlap is one of two designated financial experts on the Board of Directors. He served on the Audit Committee of the Board of Directors until his appointment as Interim CEO and President on October 8, 2019, at which time he became a non-independent director and, accordingly, stepped down from the Audit Committee. Please see "Board of directors information – Audit Committee" for additional information.

2019 performance

Improved working capital management resulted in approximately **\$70M** of operating cash flow and **\$32M** of free cash flow

Record on-time delivery of **94%** at year end

Company drove **\$40M** in savings from **profitability improvement** actions



* Dollars in millions

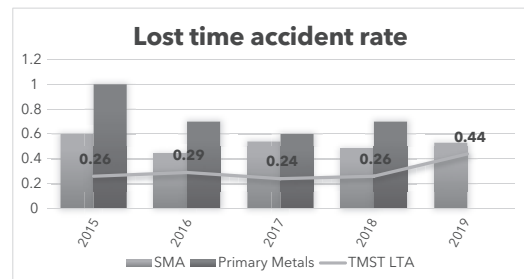
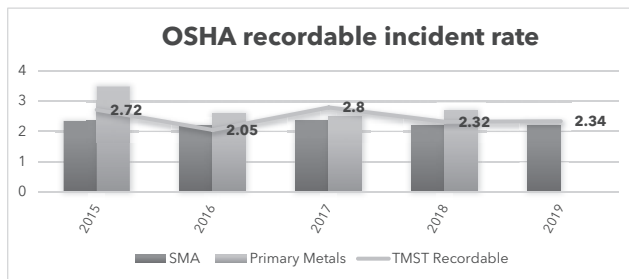
(1) Net loss includes a loss \$21.8M in 2017, \$43.5M in 2018 and \$40.6M in 2019 from the remeasurement of benefit plans.

(2) Adjusted EBITDA is a non-GAAP financial measure. Please see appendix for a reconciliation of this financial measure to the most comparable GAAP financial measures.

Corporate sustainability

At TimkenSteel, we focus on creating long-term shareholder value by employing sustainable practices. Our commitment to operating responsibly helps ensure we create and maintain a safe and healthy workplace, look after our environmental resources and develop sustainable technologies and business practices that contribute to economic growth and prosperity.

- ✓ TimkenSteel ranks in the top 15% of the lowest-emitting EAF steel plants according to the World Steel Association
- ✓ 1,074,695 tons of 100% recycled scrap were delivered to TimkenSteel melt shops in 2019



Aligning pay with performance

Our compensation objectives and philosophy

At TimkenSteel, our executive compensation program is designed to align our executives’ interests with those of our shareholders; to reward leaders for strong business results; and to attract, retain and motivate the best talent in the industry.

Our executive compensation philosophy embodies the following principles:

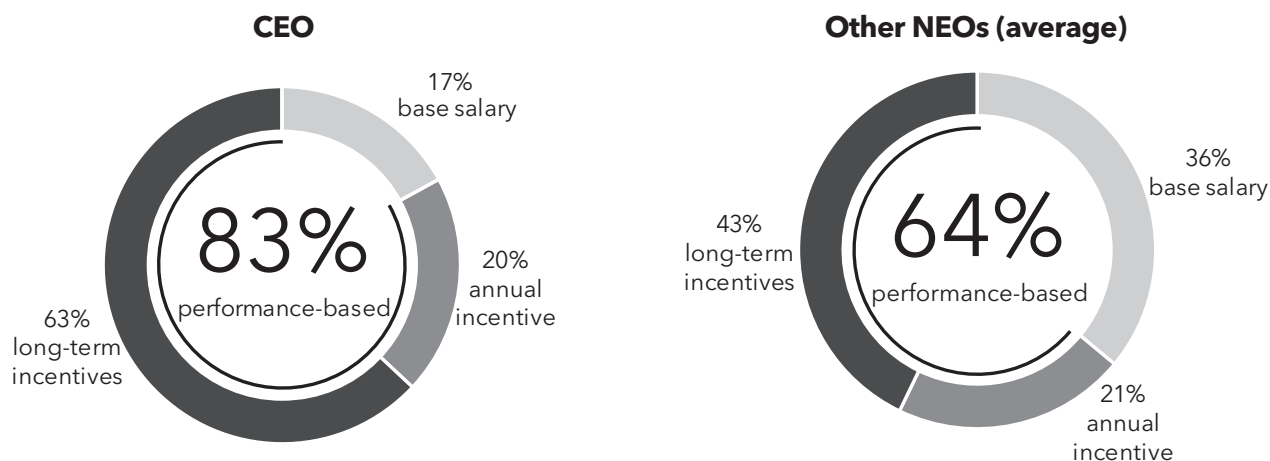
- ✓ Recognizes people are our strongest asset
- ✓ Rewards results linked to short- and long-term performance (pay-for-performance)
- ✓ Positions pay affordably and competitively in the marketplace
- ✓ Drives a focus on increasing shareholder value

Named executive officer	Title
Ward J. “Tim” Timken, Jr.*	Former Chairman, CEO and President
Terry L. Dunlap	Interim CEO and President
Kristopher R. Westbrook	Executive Vice President and Chief Financial Officer
Frank A. DiPiero	Executive Vice President, General Counsel and Secretary
William P. Bryan	Executive Vice President, Manufacturing and Supply Chain
Thomas D. Moline	Executive Vice President, Commercial Operations

*Mr. Timken’s employment with the company ended on October 8, 2019, at which time Mr. Dunlap was appointed Interim CEO and President.

2019 target pay mix

In support of our pay-for-performance philosophy, a substantial majority of the target total direct compensation for our former CEO, Mr. Timken, and our other named executive officers (“NEOs”) (not including Mr. Dunlap) was performance-based in 2019.



Upon the appointment of Mr. Dunlap as Interim CEO and President in October 2019, the Compensation Committee approved a new compensation package for Mr. Dunlap for his service in this temporary position. Under this compensation package (which we expect to remain materially unchanged for the duration of Mr. Dunlap’s service as our Interim CEO and President), Mr. Dunlap receives a cash payment of \$115,000 per month, guaranteed for a minimum period of one year from his appointment unless Mr. Dunlap is terminated for cause. Mr. Dunlap also received a special award of restricted stock units (“RSUs”) at the time of his appointment, which RSUs will generally vest on the first anniversary of the grant date. Mr. Dunlap is not eligible for annual incentive payments. While Mr. Dunlap’s pay mix is less performance-based than that of the former (or any permanent) CEO, the committee believes that this compensation structure is appropriate for Mr. Dunlap’s service in the temporary position as Interim CEO and President. Further, the award of RSUs as part of Mr. Dunlap’s compensation structure closely aligns his interests with those of our shareholders and incentivizes shareholder value creation.

Mr. Dunlap’s service as Interim CEO and President is currently expected to be temporary in nature, and the compensation package provided to Mr. Dunlap, including the amount of base salary, the form of long-term incentives, and the performance-based mix, was not intended to be and is not indicative of the ongoing compensation structure that the committee would expect to provide to a permanent CEO in the future. For a permanent CEO, the committee currently expects to revert to a compensation structure that is competitive with the market and best practices and, like the compensation program for our previous CEO, weighted significantly toward performance-based compensation.

See “Compensation discussion and analysis – Analysis of 2019 compensation – Compensation for Interim CEO” and “Compensation discussion and analysis – Analysis of 2019 compensation – Long-term incentives awarded to Interim CEO” for additional information.

Pay and performance at a glance

We pay for performance, and our incentive compensation plans operated as intended across the organization in 2019. Performance was well below threshold requirements, resulting in no payouts under the annual incentive plan. Additionally, participants in our long-term incentive plan forfeited the outstanding performance shares scheduled to vest for the 2018-2019 performance period due to average return on invested capital (“ROIC”) and base sales falling below threshold performance requirements.

2019 Annual incentive plan			
	EBIT/BIC	Cash flow	Key process path sales
Weighting	70%	15%	15%
Performance target	10.9%	\$106M	\$765M
Result	-4.0%	\$35M	\$567M
Metric performance	0%	0%	0%
Payout percentage	0%	0%	0%

2018-2019 Performance shares		
	Average ROIC	Base sales
Weighting	50%	50%
Performance target	10%	\$2.495B
Result	-1.1%	\$2.070B
Metric performance	0%	0%
Payout percentage	0%	0%

Total realizable compensation

The actual realizable compensation as compared to target compensation for our NEOs reflects performance that did not meet the thresholds for 2019, resulting in no payout on our 2019 annual incentive plan and the cancellation of all performance shares scheduled to vest for the 2018-2019 performance period.

Named executive officer	Title	2019 Target compensation	2019 Realizable compensation**	Percent of target realizable
Ward J. "Tim" Timken, Jr.*	Former Chairman, CEO and President	\$4,362,591	\$6,004,465	138%
Terry L. Dunlap ^	Interim CEO and President	-	\$1,708,853	-
Kristopher R. Westbrooks	EVP and Chief Financial Officer	\$1,307,413	\$728,783	56%
Frank A. DiPiero	EVP, General Counsel and Secretary	\$1,092,345	\$790,655	72%
William P. Bryan	EVP, Manufacturing and Supply Chain	\$711,059	\$516,983	73%
Thomas D. Moline	EVP, Commercial Operations	\$711,059	\$531,217	75%

*Mr. Timken's employment with the company ended on October 8, 2019.

** Realizable compensation for 2019 includes base salary paid and long-term incentives, which include in-the-money stock options, unvested restricted stock units and performance shares assuming target performance for the performance shares granted for the 2019-2021 performance period. The value of long-term incentives is based on the closing price on December 31, 2019 of \$7.86 per share.

For Mr. Timken, realizable compensation includes compensation earned through the termination of his employment with the company, as well as compensation paid in accordance with the terms of a severance agreement previously entered into by Mr. Timken and the company. See "Compensation of executive officers – Potential payments upon termination or change in control" for additional information.

^Mr. Dunlap was appointed Interim CEO and President on October 8, 2019. Due to the temporary nature of his appointment, a target compensation level was not established by the committee. See "Compensation Discussion and Analysis – Analysis of 2019 Compensation – Compensation for Interim CEO" for additional information.

Looking ahead in 2020

In 2019, shareholders approved the compensation of our NEOs with approximately 91% of votes cast in favor of our "say-on-pay" proposal. Our Compensation Committee considered the results of this vote, shareholder feedback received in previous years, the changes made to executive compensation programs for 2019 and market data in its annual review of executive compensation plans. Based on this evaluation, the Compensation Committee determined to make modest changes to the company's executive compensation plans for 2020, including simplifying the annual incentive plan with a focus on safety, profitability and cash flow generation, as well as making certain changes to the performance shares utilized as part of the company's long-term incentive program. For 2020, the metric used to determine whether (and how many) performance shares are earned will be relative total shareholder return measured over a three-year performance cycle. See "Compensation discussion and analysis – Executive summary – 2019 say-on-pay vote and 2020 executive compensation changes" for additional information.

Seeking approval for a new equity compensation plan

At the 2020 annual meeting of shareholders, we will seek shareholders' approval for a new equity plan, the TimkenSteel Corporation 2020 Equity and Incentive Compensation Plan (the "2020 Plan"). The 2020 Plan, which will replace the previously approved equity plan, authorizes the Compensation Committee to provide cash awards and equity-based compensation in the form of stock options, stock appreciation rights, restricted shares, restricted share units, performance shares, performance units, dividend equivalents, and certain other awards for the primary purpose of providing our employees, officers and directors incentives and rewards for service and/or performance. We believe our future success depends in part on our ability to attract, motivate and retain high-quality employees and directors and that the ability to provide equity-based and incentive-based awards under the 2020 Plan is critical to achieving this success. The use of common shares as part of our compensation program also is important because equity-based awards are an essential component of our compensation program for key employees, as they help link compensation with long-term shareholder value creation and reward participants based on service and/or performance. See "Proposal 4 – Approval of the TimkenSteel Corporation Amended and Restated 2020 Equity and Incentive Compensation Plan" for additional information.

Proposal 1

Election of directors

The company has 10 members on its Board of Directors. Our Board is divided into three classes for purposes of election, with three-year terms of office ending in successive years.

The Board of Directors has nominated the following individuals for election as directors at the 2020 annual meeting of shareholders, to serve for a term of three years expiring at the 2023 annual meeting of shareholders (or until their respective successors are elected and qualified): Randall H. Edwards, Leila L. Vespoli and Randall A. Wotring. Each of the nominees currently serves as a director and has agreed to continue his or her service if elected. Biographical information on each of the nominees and a description of his or her qualifications to serve as a director, as well as similar information about the other directors, is provided in the pages that follow.

If any of the nominees is unable to stand for election, the Board of Directors may designate a substitute. Shares represented by proxies may be voted for the substitute but will not be voted for more than three nominees.

Directors are elected by a plurality of the votes cast. The three nominees receiving the greatest number of votes will be elected.

Pursuant to the majority voting policy of the Board of Directors, any director who receives a greater number of "withhold" votes than votes "for" his or her election in an uncontested election will submit his or her resignation to the Board of Directors promptly after the certification of the election results. The Nominating and Corporate Governance Committee and the Board of Directors will then consider the tendered resignation in light of any factors they consider appropriate, including the director's qualifications and contributions to the Board of Directors, as well as any reasons given by shareholders regarding why they withheld votes from the director. The Board of Directors is required to determine whether to accept or reject the tendered resignation within 90 days following the election and to promptly disclose its decision, as well as the reasons for rejecting any tendered resignation, if applicable.

Holders of TimkenSteel common shares are entitled to cast one vote for each share held on the record date for up to three nominees for director. A shareholder may not cumulate his or her shares in voting for director nominees. For example, a shareholder who owns 100 TimkenSteel common shares may vote 100 shares for each of the three nominees. The shareholder may not, however, vote more than 100 shares for any one nominee, or vote for more than three nominees.










Shares represented by proxy will be voted FOR these nominees unless specified otherwise in the voting instructions.



**Your Board of Directors recommends a vote
for these nominees.**

Our knowledgeable Board of Directors

Members of the TimkenSteel Board of Directors have diverse skills, qualifications and experiences that enable them to effectively oversee the management of the company's business and affairs. These directors represent the interests of TimkenSteel's stakeholders and help to drive strategic decisions for the company's long-term success.

	 CEO or chairperson experience	 Finance/ accounting/ capital markets	 Human resources/ executive compensation/ labor	 Relevant industry/end market experience	 Public company board and corporate governance	 Corporate development/ mergers and acquisitions	 International operations	 Manufacturing and technology	 Environmental and safety
Joseph A. Carrabba	•		•	•	•	•	•	•	•
Diane C. Creel	•	•	•	•	•	•	•	•	•
Terry L. Dunlap	•	•	•	•	•	•	•	•	•
Randall H. Edwards	•		•	•		•	•	•	
Donald T. Misheff	•	•		•	•	•	•	•	
John P. Reilly	•	•	•	•	•	•	•	•	•
Ronald A. Rice		•	•	•	•	•	•	•	•
Marvin A. Riley	•	•	•	•	•	•	•	•	•
Leila L. Vespoli		•	•	•	•	•		•	•
Randall A. Wotring		•	•	•	•	•	•	•	•

Biographical information for each of the nominees for election and the other continuing directors with unexpired terms of office is provided on the following pages. All information is as of March 2, 2020, unless otherwise indicated.

Nominees for election to serve a three-year term expiring at the 2023 annual meeting of shareholders



Randall H. Edwards

Age: 61

Term: Expires in 2020; director since 2015

Committee: Audit

Other public company boards: None

Business experience: Mr. Edwards has been President and Chief Executive Officer of Premier Pipe, LLC (a leader in the supply and management of engineered premium oil country tubular goods) since 2015. Previously, he served as President and Chief Operating Officer of Premier Pipe from 2014 to 2015. From 1999 to 2014, Mr. Edwards held various positions with NOV Grant Prideco (a leading supplier of oil field drill stem components), including President of NOV Grant Prideco from 2008 to 2014. He began his career at Wilson Supply, where he managed Wilson's oil country tubular goods and its drill pipe product line.



Leila L. Vespoli

Age: 60

Term: Expires in 2020; director since 2019

Committee: Audit

Other public company boards: None

Business experience: Ms. Vespoli retired from her position as Executive Vice President of Corporate Strategy, Regulatory Affairs and Chief Legal Officer of FirstEnergy Corp. (an electric utility headquartered in Akron, Ohio, whose subsidiaries are involved in the transmission, distribution and generation of electricity) in April 2019, a position which she had held since May 2016. Prior to that, she served as Executive Vice President, Markets and Chief Legal Officer from January 2014 through May 2016. She began her career with Ohio Edison, a predecessor company of FirstEnergy, in 1984 and served since 2000 in numerous executive leadership roles at FirstEnergy with a broad range of responsibilities in a highly complex and regulated industry.



Randall A. Wotring

Age: 63

Term: Expires in 2020; director since 2014

Committees: Compensation; Nominating and Corporate Governance

Other public company boards: None

Business experience: Mr. Wotring is Chief Operating Officer of AECOM Technology Corporation (a premier, fully integrated infrastructure and support services firm and the largest engineering design firm in the world), a position he has held since July 2017. He previously served as President, Technical and Operational Services of AECOM from July 2016 until July 2017; as President, Management Services of AECOM from October 2014 until July 2016; and as Corporate Vice President and President of the Federal Services division of URS Corporation from 2004 until October 2014 when URS was acquired by AECOM.





Joseph A. Carrabba

Age: 67

Term: Expires in 2021; director since 2014

Committees: Compensation; Nominating and Corporate Governance

Other public company boards: Mr. Carrabba has been a director of Aecon Group Inc. since 2013 and Niocorp Developments Ltd. since 2014. Mr. Carrabba formerly was a director of Cliffs Natural Resources; KeyBank Corporation, Lithium X Energy Corp, Fura Gems Inc. and Newmont Mining Corporation.

Business experience: Mr. Carrabba is President and Chief Executive Officer of Bond Resources Inc. (a Canada-based mineral exploration company), a position he has held since November 2019. He also is Executive Chairman of Winston Gold Corp. (a mining company focused on advancing high grade, low-cost mining opportunities), a position he has held since July 2019. Previously, Mr. Carrabba served as President and Chief Executive Officer of Ram River Coal Corporation (a Canadian company holding a 100% interest in property that contains two well-defined metallurgical coal deposits in Alberta, Canada) from 2017 until September 2018, and as Chief Executive Officer and President of Irati Energy Corporation (an oil and gas exploration company focused on southern Brazil oil shale development projects) from 2016 until April 2018. Mr. Carrabba also previously served as Chairman, Chief Executive Officer and President of Cliffs Natural Resources Inc. (an international mining and natural resources company) from 2005 until his retirement in 2013. Prior to joining Cliffs Natural Resources in 2005, Mr. Carrabba served for more than 20 years in a variety of leadership capacities at Rio Tinto, a global mining company, at locations worldwide, including the United States, Asia, Australia, Canada and Europe.



Diane C. Creel

Age: 71

Term: Expires in 2022; director since 2014

Committee: Compensation (Chairperson)

Other public company boards: Ms. Creel has been Chair of the Board of Allegheny Technologies Incorporated (ATI) since 2019, a director of ATI since 1996 and a director of EnPro Industries, Inc. since 2009. She was formerly a director of Goodrich Corporation, URS Corporation and The Timken Company.

Business experience: Ms. Creel served as Chairman, Chief Executive Officer and President of Ecovation Inc., a subsidiary of Ecolab Inc. (a waste stream technology company using patented technologies), until her retirement in 2008. Prior to Ecovation, Ms. Creel was Chairman, Chief Executive Officer and President of Earth Tech, Inc. from 1992 to 2003.





Terry L. Dunlap

Age: 60

Term: Expires in 2021; director since 2015

Committee: None

Other public company boards: Mr. Dunlap has been a director of Matthews International Corporation since 2015 and a director of Ampco-Pittsburgh Corporation since 2019.

Business experience: Mr. Dunlap is the Interim Chief Executive Officer and President of TimkenSteel Corporation, a position he has held since October 2019. Previously, Mr. Dunlap spent 31 years with Allegheny Technologies Incorporated (ATI) (a diversified specialty metals producer), where he held numerous positions in sales, marketing, manufacturing, supply chain, logistics and information technology. He served as Executive Vice President of ATI's flat-rolled products group from 2011 until his retirement in December 2014. He also was President of ATI Allegheny Ludlum from 2002 to 2014 and served on the boards of two ATI joint venture companies.



Donald T. Misheff

Age: 63

Term: Expires in 2022; director since 2014

Committee: Audit (Chairperson)

Other public company boards: Mr. Misheff has been Non-Executive Chairman of the Board of FirstEnergy Corp. since 2018 and a director since 2012. He has been a director of Trinseo S.A. since 2015.

Business experience: Mr. Misheff was Managing Partner of the Northeast Ohio offices of Ernst & Young LLP (a public accounting firm), from 2003 until his retirement in 2011. He began his career at Ernst & Young in 1978 and has more than 30 years of experience in taxation and in performing, reviewing and overseeing financial statement audits for a wide range of public companies and advising those companies on financial and corporate governance issues.



John P. Reilly

Age: 76

Term: Expires in 2021; director since 2014

Committees: Audit; Nominating and Corporate Governance (Chairperson)

Other public company boards: Mr. Reilly was formerly a director of The Timken Company, Exide Technologies and Material Sciences Corporation.

Business experience: Mr. Reilly has been Chairman of the Board of Directors of TimkenSteel Corporation since October 2019. Prior to his appointment as Chairman, he served as the company's lead independent director since 2014. Previously, Mr. Reilly served as Chairman, President and Chief Executive Officer of Figgie International (an international diversified operating company) from 1995 until 1998. He has more than 30 years of experience in the automotive industry, where he served as President and Chief Executive Officer of several automotive suppliers, including Stant Corporation and Tenneco Automotive. He also held leadership positions at Chrysler Corporation and Navistar International and served as President of Brunswick Corporation.





Ronald A. Rice

Age: 57



Term: Expires in 2022; director since 2015

Committees: Compensation; Nominating and Corporate Governance

Other public company boards: None

Business experience: Mr. Rice retired in 2018 from his position as President and Chief Operating Officer of RPM International Inc. (a manufacturer of specialty coatings, sealants and building materials and provider of related services for industrial and consumer markets globally), a position he had held since 2008. Previously, Mr. Rice held a variety of increasingly responsible positions with RPM from 1995 to 2008. He began his career with The Wyatt Company, an actuarial consulting firm, known today as Willis Towers Watson, in 1985.



Marvin A. Riley

Age: 45



Term: Expires in 2022; director since 2018

Committee: Audit

Other public company boards: None

Business experience: Mr. Riley is President and Chief Executive Officer of EnPro Industries (a leader in sealing products, metal polymer and filament-wound bearings, components and service for reciprocating compressors, diesel and dual-fuel engines and other engineered products used in critical applications in industries worldwide), a position he has held since July 2019. Prior to his current role, Mr. Riley was Chief Operating Officer of EnPro from July 2017 through June 2019. Previously, Mr. Riley served in various leadership positions at EnPro, including as President of its Fairbanks Morse division, focused on marine engines and power generation; Vice President of its manufacturing function; Vice President of Americas; and head of global operations for its GGB Bearing Technology division. Prior to joining EnPro, Mr. Riley served in leadership roles at General Motors Corporation, working within the vehicle manufacturing group.



CEO or chairperson experience



Finance/accounting/capital markets



Human resources/executive compensation/labor



Relevant industry/end market experience



Public company board and corporate governance



Corporate development/mergers and acquisitions



International operations



Manufacturing and technology



Environmental and safety

Board of directors information

Meetings and committees

The standing committees of the Board of Directors consist of the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee. During the 2019 fiscal year, there were ten meetings of the Board of Directors, seven meetings of the Audit Committee, four meetings of the Compensation Committee and four meetings of the Nominating and Corporate Governance Committee. All directors attended 75% or more of the aggregate number of meetings of the Board and its committees on which they served. It is our policy that all members of the Board of Directors should attend the annual meeting of shareholders, and all directors attended the 2019 annual meeting of shareholders. The independent directors met separately in executive session without management present at least quarterly in conjunction with regularly scheduled meetings of the Board in 2019, and intend to meet separately in executive sessions without management present at least quarterly in conjunction with regularly scheduled meetings of the Board of Directors in 2020 and thereafter.

Audit committee

The Audit Committee has oversight responsibility with respect to the company's independent auditor and the integrity of its financial statements. The Audit Committee currently is composed of Donald T. Misheff (chairperson), Randall H. Edwards, John P. Reilly, Marvin A. Riley and Leila L. Vespoli. Philip R. Cox served on the Audit Committee until his retirement from the Board on August 31, 2019, and Terry L. Dunlap served on the Audit Committee until his appointment as Interim CEO and President on October 8, 2019. Our Board of Directors has determined that each current or former member of the Audit Committee named above is financially literate and, during the term of their service on the Audit Committee, independent as defined in the listing standards of the New York Stock Exchange ("NYSE") and the rules of the Securities and Exchange Commission ("SEC"). Our Board of Directors also has determined that Donald T. Misheff qualifies as an audit committee financial expert. Previously, the Board had determined that Terry L. Dunlap also qualified as an audit committee financial expert. As noted previously, Mr. Dunlap became a non-independent director upon his appointment as Interim CEO and President and, accordingly, stepped down from the Audit Committee.

The Board of Directors has adopted a written Audit Committee charter, which is reviewed and reassessed annually. A current copy of the Audit Committee charter is available on the company's website at www.timkensteel.com.

Audit committee report

The Audit Committee has reviewed and discussed with management and the company's independent auditor the audited financial statements contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019. The Audit Committee also has discussed with our independent auditor the matters required to be discussed by the applicable requirements of the Public Company Accounting Oversight Board ("PCAOB") and the SEC.

The Audit Committee has received and reviewed the written disclosure and the letter from our independent auditor required by applicable requirements of the PCAOB regarding the independent accountant's communications with the Audit Committee concerning independence, has discussed with our independent auditor such independent auditor's independence, and has considered the compatibility of non-audit services with the auditor's independence.

Based on the review and discussions referred to above, the Audit Committee recommended to our Board of Directors that the audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, filed with the SEC.

Donald T. Misheff (Chairperson)
Randall H. Edwards
John P. Reilly
Marvin A. Riley
Leila L. Vespoli

Compensation committee

The Compensation Committee establishes and administers our policies, programs and procedures for compensating our senior management and Board of Directors. Members of the Compensation Committee are Diane C. Creel (chairperson), Joseph A. Carrabba, Ronald A. Rice and Randall A. Wotring. Our Board of Directors has determined that all members of the Compensation Committee are independent as defined in the listing standards of the New York Stock Exchange, and that no member of the Compensation Committee has any relationship to the company that is material to his or her ability to be independent from management in connection with the duties of a member of the Compensation Committee. Each member of the committee is also a "non-employee director" for purposes of Section 16 of the Securities Exchange Act of 1934 (the "Exchange Act").

The Compensation Committee has adopted a written charter, which is reviewed and reassessed annually. A current copy of the Compensation Committee charter is available on the company's website at www.timkensteel.com.

With the guidance and approval of the Compensation Committee, the company has developed compensation programs for its executive officers, including the Interim CEO and the other executive officers named in the summary compensation table, that are intended to align the interests of our executives and shareholders; reward executives for sustained, strong business and financial results; and enable us to attract, retain and motivate the best talent.

The agenda for meetings of the Compensation Committee is determined by its chairperson with the assistance of the Executive Vice President, Human Resources and Corporate Relations and the Vice President, Total Rewards. The meetings are regularly attended by the Interim CEO and President (and previously by the former Chairman, CEO and President), the Executive Vice President and Chief Financial Officer, the Executive Vice President and General Counsel, the Executive Vice President, Human Resources and Corporate Relations and the Vice President, Total Rewards. The Compensation Committee meets in executive session at each of its meetings, and the chairperson reports the committee's actions regarding compensation of executive officers to the full Board of Directors. Our human resources department supports the Compensation Committee in its duties and the committee may delegate to the human resources department and to our General Counsel certain administrative duties in connection with the company's compensation programs.

The Compensation Committee has the sole authority to retain and terminate compensation consultants to assist in the evaluation of director and executive officer compensation and the sole authority to approve the fees and other retention terms of any compensation consultants. The committee has selected Meridian Compensation Partners, LLC, to serve as its independent compensation consultant. The Compensation Committee has engaged Meridian to analyze our executive compensation structure and plan designs, to assess whether the compensation program is competitive and supports the Compensation Committee's goal to align the interests of executive officers with those of shareholders and, from time to time, to review the total compensation of directors. Meridian also provides market data directly to the Compensation Committee, which the committee references when determining compensation for executive officers. Additional information regarding the committee's engagement of Meridian, including a discussion of the committee's assessment of the independence of Meridian, is available in the "Compensation discussion and analysis" ("CD&A") section of this proxy statement under the caption "Determining compensation for 2019 – Role of the compensation consultant."

The Compensation Committee also plays an active role in our executive officer succession planning process by meeting regularly with senior management to ensure an effective succession process is in place and to discuss potential successors for executive officers.

Compensation committee interlocks and insider participation

No member of the Compensation Committee is, or was during 2019, an officer or employee of the company or was formerly an officer or employee of the company. Further, during 2019, no member of the Compensation Committee had a relationship that is required to be disclosed under SEC rules regarding related-party transactions. Finally, no executive officer of the company serves or served on the compensation committee or board of directors of any company where any member of the Compensation Committee or the TimkenSteel Corporation Board of Directors is, or was during 2019, an executive officer.

Compensation committee report

The Compensation Committee has reviewed and discussed with our management the CD&A for the year ended December 31, 2019. Following and based on that review and discussion, the Compensation Committee recommended to our Board of Directors, and our Board approved, the inclusion of the CD&A in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, and its inclusion in this proxy statement for filing with the SEC.

Diane C. Creel (Chairperson)
Joseph A. Carrabba
Ronald A. Rice
Randall A. Wotring

Nominating and corporate governance committee

The Nominating and Corporate Governance Committee is responsible for, among other things, evaluating new director candidates and incumbent directors and recommending directors to serve as members of our Board's standing committees. Members of the Nominating and Corporate Governance Committee are John P. Reilly (chairperson), Joseph A. Carrabba, Ronald A. Rice and Randall A. Wotring. Our Board of Directors has determined that all members of the Nominating and Corporate Governance Committee are independent as defined in the listing standards of the New York Stock Exchange.

Director candidates recommended by our shareholders will be considered in accordance with the criteria outlined below. In order for a shareholder to submit a recommendation, the shareholder must deliver a communication by registered mail or in person to the Nominating and Corporate Governance Committee, c/o TimkenSteel Corporation, Attn: Secretary, 1835 Dueber Ave. S.W., Canton, Ohio 44706. Such communication should include the proposed candidate's qualifications, any relationship between the shareholder and the proposed candidate, and any other information that the shareholder would consider useful for the Nominating and Corporate Governance Committee to consider in evaluating such candidate.

A shareholder who wishes to nominate a person for election as a director must provide written notice to the company's secretary in accordance with the procedures specified in Article I, Sections 13 and 14 of our Code of Regulations. In general, to be timely, the written notice must be received by our secretary at our principal executive offices not less than 90 nor more than 120 days prior to the first anniversary of the date on which the company held the preceding year's annual meeting of shareholders. If the date of the annual meeting of shareholders is scheduled for a date more than 30 days prior to or more than 30 days after the first anniversary of the preceding year's annual meeting of shareholders, then a shareholder's notice must be delivered to our secretary at our principal executive offices not later than the close of business on the later of the 90th day prior to the annual meeting of shareholders or the 10th day following the day on which public announcement of the date of the annual meeting of shareholders is first made. The notice must provide certain information required by the Code of Regulations, including but not limited to (a) biographical and share ownership information of the shareholder (and certain affiliates), (b) descriptions of any material interests of the shareholder (and certain affiliates) in the nomination and any arrangements between the shareholder (and certain affiliates) and another person or entity with respect to the nomination, (c) biographical and employment information of each nominee, and (d) a brief description of any arrangement or understanding between each individual proposed as a nominee and any other person pursuant to which the individual was proposed as a nominee.

The Nominating and Corporate Governance Committee has utilized and expects to utilize a variety of sources to identify possible director candidates, including professional associations and Board member recommendations. In recommending candidates, the Nominating and Corporate Governance Committee considers the qualifications of candidates such as business experience and other attributes and skills, including high standards of integrity and ethical behavior, which qualify the candidate to serve as a director of the company in light of the company's business and structure. The Nominating and Corporate Governance Committee also may consider such other elements as it deems appropriate, consistent with the factors in the company's Corporate Governance Guidelines, including whether the candidate enhances the diversity of the Board. Such diversity includes professional background and capabilities, knowledge of specific industries and geographic experience, as well as the more traditional diversity concepts of race, gender and national origin. The Nominating and Corporate Governance Committee also is responsible for reviewing the qualifications of, and making recommendations to the Board of Directors regarding, director nominations submitted by our shareholders. The committee will consider all potential candidates in the same manner regardless of the source of recommendation.

The Nominating and Corporate Governance Committee will periodically review the appropriate size of the Board and plans for director succession. In the event vacancies are anticipated or arise, the committee will consider potential director candidates. As part of this process, the committee will assess the skills and attributes of our Board as a whole and of each individual director and evaluate whether prospective candidates possess complementary and supplementary skills and attributes that would strengthen our Board.

The Nominating and Corporate Governance Committee has adopted a written charter, which is reviewed and reassessed annually. A current copy of the Nominating and Corporate Governance Committee charter is available on the company's website at **www.timkensteel.com**.

Director compensation

The compensation program under which non-employee directors were compensated for their services as directors during 2019 is summarized below. As noted previously, this program is reviewed periodically by the Compensation Committee and the Board to ensure that director compensation remains appropriate and competitive.

Cash compensation

Each non-employee director is paid an annual cash retainer for services as a director. For 2019, the annual cash retainer paid to each non-employee director was \$80,000. An additional annual fee of \$20,000 was paid to the lead director. Further, the following additional annual fees were paid to the chairperson of each standing committee of our Board of Directors:

Committee	Chairperson fee
Audit	\$ 15,000
Compensation	\$ 10,000
Nominating and Corporate Governance	\$ 10,000

Any director also employed by the company is not paid any compensation for serving as a director.

With the resignation of Mr. Timken as Chairman, CEO and President on October 8, 2019, and the appointment of Mr. Reilly as non-executive Chairman of the Board, the annual fee payable to Mr. Reilly for his service as lead director was increased from \$20,000 to \$90,000 in recognition of the increased responsibilities associated with the role of Chairman. For 2019, the increase was prorated to reflect the period of time during which Mr. Reilly served as Chairman of the Board. At the same time, with the appointment of Mr. Dunlap as Interim CEO and President, the annual cash retainer payable to him as a non-employee director was discontinued effective October 9, 2019.

Stock compensation

Each non-employee director serving at the time of our annual meeting of shareholders will receive a grant of our common shares following the meeting. The common shares are granted as deferred shares that vest on the first anniversary of the grant date, provided the director continues to serve as a non-employee director on that date. For 2019, the approximate target value of the grant was \$120,000. A non-employee director who is first elected to the Board after the date of the annual meeting will receive a grant of common shares at the time of his or her election to the Board.

The company requires that the common shares granted to a non-employee director be held for as long as the director remains on the TimkenSteel Board. In addition, the Compensation Committee of the Board of Directors has adopted stock ownership guidelines that require non-employee directors to own common shares with a value equal to five times the director's annual cash retainer. The company considers all shares owned by the director, plus unvested deferred shares, in determining whether the director has met the ownership guidelines. As of March 2, 2020, each of the non-employee directors, with the exception of Mr. Riley who joined the Board in August 2018 and Ms. Vespoli who joined the Board in November 2019, had achieved at least 50% of his or her ownership requirement.

Compensation deferral

Any non-employee director may elect to defer the receipt of all or a specified portion of his or her cash and/or stock compensation in accordance with the provisions of the Amended and Restated TimkenSteel Corporation Director Deferred Compensation Plan. Pursuant to the plan, cash fees can be deferred and paid at a future date requested by the director. The amount will be adjusted based on investment crediting options, which include interest earned quarterly at a rate based on the prime rate plus one percent or the total shareholder return of our common shares, with amounts paid in cash either in a lump sum or in installments. Stock compensation can be deferred to a future date and paid either in a lump sum or installments and is payable in shares plus an amount representing dividend equivalents, if any dividends are declared during the deferral period.

2019 Director compensation table

The following table provides details of non-employee director compensation in 2019:

Name ⁽¹⁾	Fees earned or paid in cash ⁽²⁾	Stock awards ^{(3) (4)}	Total
Joseph A. Carrabba	\$ 80,000	\$ 115,120	\$ 195,120
Phillip R. Cox	\$ 60,000	\$ 115,120	\$ 175,120
Diane C. Creel	\$ 90,000	\$ 115,120	\$ 205,120
Randall H. Edwards	\$ 80,000	\$ 115,120	\$ 195,120
Donald T. Misheff	\$ 95,000	\$ 115,120	\$ 210,120
John P. Reilly	\$ 125,978	\$ 115,120	\$ 241,099
Ronald A. Rice	\$ 80,000	\$ 115,120	\$ 195,120
Marvin A. Riley	\$ 80,000	\$ 115,120	\$ 195,120
Leila L. Vespoli	\$ 20,000	\$ 110,415	\$ 130,415
Randall A. Wotring	\$ 80,000	\$ 115,120	\$ 195,120

⁽¹⁾ Ward J. "Tim" Timken, Jr., Former Chairman, Chief Executive Officer and President, is not included in this table as he was an employee of the company and received no additional compensation for his services as a director. Compensation paid to Terry L. Dunlap for his service as a non-employee director prior to his appointment as Interim Chief Executive Officer and President on October 8, 2019 is included in the Summary compensation table of this proxy statement.

⁽²⁾ Mr. Cox retired from the Board of Directors effective August 31, 2019. Ms. Vespoli was appointed as a director effective November 13, 2019. The amounts shown for Mr. Cox and Ms. Vespoli reflect the annual cash retainer payable to non-employee directors, prorated to reflect the calendar quarters during which each of them, respectively, served as a director during 2019.

⁽³⁾ The amount shown for each director, other than Ms. Vespoli, is the grant date fair value of 11,735 deferred shares awarded on May 7, 2019, as computed in accordance with Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") Topic 718. With respect to Ms. Vespoli, the amount shown is the grant date fair value of 18,810 deferred shares awarded on November 13, 2019, the date she was appointed as a director, as computed in accordance with FASB ASC Topic 718. These awards have a one-year vesting period.

⁽⁴⁾ As of December 31, 2019, each director other than Mr. Cox and Ms. Vespoli held 11,735 unvested deferred shares, which are scheduled to vest on May 7, 2020. In connection with Mr. Cox's retirement on August 31, 2019, 8,801 of the 11,735 unvested deferred shares awarded to him on May 7, 2019, were canceled. The remaining 2,934 unvested deferred shares will vest on May 7, 2020. As of December 31, 2019, Ms. Vespoli held 18,810 unvested deferred shares, which are scheduled to vest on November 13, 2020. No director had any outstanding company stock options.

Corporate governance

Corporate governance guidelines

The Board of Directors has adopted the TimkenSteel Corporation Corporate Governance Guidelines. These guidelines outline the responsibilities of the Board of Directors, director selection criteria and procedures, board composition criteria and various policies and procedures designed to ensure effective and responsive governance. The TimkenSteel Corporation Corporate Governance Guidelines are reviewed annually by the Nominating and Corporate Governance Committee and are available on our website at www.timkensteel.com.

Code of Conduct

Each of our employees and directors is required to comply with the TimkenSteel Corporation Code of Conduct, a code of business conduct and ethics adopted by the company. Ethics and integrity, defined by the principles of honesty, fairness, respect and responsibility, are core values of the company. The TimkenSteel Corporation Code of Conduct sets forth policies covering a broad range of subjects, including antitrust and competition, corruption and bribery, conflicts of interest, inside information, accurate financial records, harassment, environmental health and safety and intellectual property, among other matters, and requires strict adherence to laws and regulations applicable to the company's business. Any waiver of the Code of Conduct for executive officers or directors may be made only by the Board of Directors or its Nominating and Corporate Governance Committee and will be disclosed promptly in accordance with applicable law and rules of the New York Stock Exchange. The TimkenSteel Corporation Code of Conduct is reviewed periodically by the Nominating and Corporate Governance Committee and is available on our website at www.timkensteel.com.

Director independence

The Board of Directors has adopted the independence standards of the New York Stock Exchange listing requirements for determining the independence of directors. After consideration of all relevant facts and circumstances, including each individual's commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships with the company, the Board has determined that the following directors meet those independence standards and that each of these individuals is independent and free of any material relationships with the company other than as established through his or her service as a director of the company: Joseph A. Carrabba, Phillip R. Cox (prior to his retirement effective August 31, 2019), Diane C. Creel, Terry L. Dunlap (prior to his appointment as Interim CEO and President on October 8, 2019), Randall H. Edwards, Donald T. Misheff, John P. Reilly, Ronald A. Rice, Marvin A. Riley, Leila L. Vespoli and Randall A. Wotring. When Mr. Dunlap was appointed to the role of Interim CEO and President in October 2019, he became a non-independent director and stepped down from the Audit Committee of the Board.

Board leadership structure

The Board of Directors believes it is important to retain flexibility to allocate the responsibilities of the offices of the chairman and chief executive officer in a manner that is in the best interests of the company's shareholders. When Ward J. "Tim" Timken, Jr. stepped down as Chairman, Chief Executive Officer and President on October 8, 2019, the Board of Directors separated the positions of chairman and chief executive officer and appointed John P. Reilly as its non-executive chairman. As non-executive chairman, among other duties, Mr. Reilly presides over all meetings of the Board of Directors (including executive sessions of the independent directors), provides direction and input on agendas, schedules, and materials for Board meetings, acts as the Board of Directors' liaison to senior management and is available for consultation and direct communications with major shareholders as appropriate.

At this time, the Board of Directors believes that the separation of the chairman and chief executive officer positions is in the best interests of shareholders because it allows Mr. Dunlap, the company's Interim CEO and President, to focus his time and energy on driving the company's business, strategy, and performance, while allowing Mr. Reilly to lead the Board of Directors in its fundamental role of providing advice, counsel and oversight to management regarding the company's business, strategy and performance.

Risk oversight

The Board of Directors, in close coordination with its standing committees, oversees the company's management of risk, including the company's processes for identifying, reporting and mitigating risks. The Audit Committee reviews and discusses the guidelines, policies and processes by which the CEO and senior management of the company assess and manage risks and discusses the company's major financial risk exposures and the steps management has taken to monitor and control these exposures. Where the Board of Directors, directly or through another committee of the Board, has processes in place to manage non-financial risks, the Audit Committee will review such risk management processes in a general manner. The Board believes that this approach, supported by our senior leadership structure, provides appropriate checks and balances against undue risk-taking.

Related-party transactions approval policy

As noted, our directors and employees, including our executive officers, are subject to the TimkenSteel Corporation Code of Conduct, which requires employees and directors to act in the best interests of the company and to avoid actual or potential conflicts of interest. To fulfill this duty, employees and directors must avoid situations in which their actions or loyalties are, or may appear to be, divided. While not every situation can be identified in a written policy, our Code of Conduct specifically prohibits the following situations:

- holding a significant financial interest or directorship in any of our customers, competitors or suppliers;
- entering into personal transactions with our customers or suppliers on terms other than those generally available to the public or our company's employees;
- investing in customers, suppliers or competitors that are not publicly traded;
- making or receiving a loan or credit from any of the company's customers, competitors or suppliers or from a director, officer or employee of a customer, competitor or supplier, other than in the ordinary course of our company's business;
- giving or receiving gifts, gratuities or entertainment except to the extent they are customary, of nominal value and not intended to influence a business decision;
- taking personal advantage of corporate opportunities that the company might be interested in pursuing;
- using the company's assets for personal gain;
- using the company's property other than in connection with our business; and
- conducting business with or supervising family members or friends.

Pursuant to the Code of Conduct, employees' requests for waivers of the Code of Conduct, including but not limited to waivers of any potential or actual conflict of interest, must be submitted to and approved by the General Counsel. Any requested waivers of the Code of Conduct for directors or executive officers can be made only by the Board of Directors or the Nominating and Corporate Governance Committee of the Board. Any such waivers for directors or executive officers will be disclosed promptly in accordance with applicable law and the rules of the New York Stock Exchange. There were no requests for, or grants of, waivers of the Code of Conduct for any of our executive officers or directors in 2019.

The Nominating and Corporate Governance Committee also is responsible for reviewing and, if appropriate, approving or ratifying any related-party transaction required to be disclosed under Item 404(a) of Regulation S-K of the Securities Act of 1933. In this regard, during 2019, the company purchased approximately \$3,641,922 in products from, and sold approximately \$13,055,148 in products to, various companies affiliated with Ellwood Group, Inc. ("Ellwood"). As of March 2, 2020 and throughout 2019, Ellwood owned more than 5% of the company's outstanding common shares and therefore constituted a "related party" for purposes of Item 404(a). The purchases and sales between the company and affiliates of Ellwood were made in the ordinary course of business and on an arms-length basis and have been approved by the Nominating and Corporate Governance Committee.

Anti-hedging policy

Our insider trading policies prohibit all employees (including our executive officers) and directors from engaging in any speculative transactions involving company stock or securities, including short sales; the purchase or sale of puts, calls or listed options; and other hedging transactions such as zero-cost collars and forward contracts. Additionally, certain employees (including our executive officers) and directors are prohibited from holding company securities in a margin account or pledging company securities as collateral for a loan.

Our commitment to corporate sustainability

At TimkenSteel, operating responsibly and sustainably is as important to us as making the world's cleanest steel.

Guided by our core values of ethics and integrity, quality, innovation and independence, we focus on creating long-term shareholder value by employing sustainable practices throughout the company. TimkenSteel's commitment to operating responsibly helps us create and maintain a safe and healthy workplace, look after our environmental resources and develop sustainable technologies and business practices that contribute to economic growth and prosperity.

Serving as the foundation of our sustainability program are business ethics and stakeholder engagement. We are committed to operating in accordance with the highest standards of ethics and integrity and maintaining robust compliance programs. In addition, we believe that communicating regularly and transparently with stakeholders and responding to feedback is key to our overall success.



Built on that foundation are the pillars of **social and cultural leadership**, **environmental stewardship** and **economic impact**, comprised of the following nine areas in which we are focusing our sustainability efforts:

- safety and health
- total wellbeing
- community impact
- resource conservation
- sound environmental management
- continuous improvement in environmental practices
- shareholder value
- corporate governance
- risk management

Corporate sustainability committee

Our cross-functional corporate sustainability committee oversees TimkenSteel's corporate responsibility objectives and regularly monitors our progress toward achieving them. Progress reports are provided to the company's leadership team and the Board of Directors periodically.

TimkenSteel's Corporate Sustainability Policy and more information on our corporate sustainability program can be found at www.timkensteel.com/corporatesustainability. Please note, however, that information contained on the website is not incorporated by reference in this proxy statement or considered to be a part of this document.

Beneficial ownership of common stock

The following table shows, as of March 2, 2020, the beneficial ownership of our common shares by each director, nominee for director and NEO, and by all directors, nominees for director and executive officers as a group.

Name	Number of shares of common stock beneficially owned ⁽¹⁾⁽²⁾	Percent of class ⁽³⁾
Joseph A. Carrabba	39,079	*
Diane C. Creel	35,996	*
Randall H. Edwards	30,835	*
Donald T. Misheff	30,587	*
John P. Reilly	47,428	*
Ronald A. Rice	58,448	*
Marvin A. Riley	8,715	*
Randall A. Wotring	61,094	*
Leila L. Vespoli	—	
Terry L. Dunlap	29,650	*
William P. Bryan	64,954	*
Frank A. DiPiero	98,260	*
Thomas D. Moline	75,264	*
Kristopher R. Westbrooks	17,385	*
Ward J. "Tim" Timken, Jr. ⁽⁴⁾	3,667,736	8.0%
All directors, nominees for director and executive officers as a group ⁽²⁾⁽⁵⁾ (14 individuals)	597,695	1.3%

* Percent of class is less than 1%.

⁽¹⁾ Except as otherwise indicated below, for the purposes of this table beneficial ownership of our common shares is based on the sole or shared power to vote or direct the voting or to dispose or direct the disposition of our common shares. Beneficial ownership as determined in this manner does not necessarily bear on the economic incidents of ownership of our common shares. None of the shares owned by directors, nominees or the named executive officers have been pledged as security.

⁽²⁾ The following table provides additional details regarding beneficial ownership of our common shares:

Name	Outstanding options ^(a)	Deferred common shares ^(b)
Joseph A. Carrabba	0	39,079
Diane C. Creel	0	0
Terry L. Dunlap	0	0
Randall H. Edwards	0	0
Donald T. Misheff	0	29,987
John P. Reilly	0	3,401
Ronald A. Rice	0	0
Marvin A. Riley	0	8,715
Randall A. Wotring	0	49,534
Leila L. Vespoli	0	0
William P. Bryan	39,160	0
Frank A. DiPiero	74,560	0
Thomas D. Moline	46,925	0
Kristopher R. Westbrooks	10,035	0
Ward J. "Tim" Timken, Jr.	992,660	0

- (a) Includes shares that the individual named in the table has the right to acquire on or before May 2, 2020, through the exercise of stock options pursuant to the TimkenSteel Corporation Amended and Restated 2014 Equity and Incentive Compensation Plan. Including those listed (but not including Mr. Timken), all directors, nominees for director, and executive officers as a group have the right to acquire 170,680 shares on or before May 2, 2020, through the exercise of stock options pursuant to the TimkenSteel Corporation Amended and Restated 2014 Equity and Incentive Compensation Plan. These shares have been treated as outstanding for the purpose of calculating the percentage of the class beneficially owned by such individual or group, but not for the purpose of calculating the percentage of the class owned by any other person.
- (b) Acquired through deferrals of directors' cash or equity compensation; these shares will not be issued until a later date under the TimkenSteel Corporation Director Deferred Compensation Plan.
- (3) Calculated using 44,938,082 shares as the number of common shares outstanding.
- (4) Includes 362,823 shares over which Mr. Timken exercises sole voting and investment authority, 2,312,253 shares with respect to which Mr. Timken shares voting and investment discretion, and 992,660 shares which Mr. Timken has the right to acquire as discussed above. Of the shares reported, Mr. Timken disclaims beneficial ownership of 2,269,149 shares, including 1,405 shares held by his spouse, 3,000 shares held by the Ward J. Timken Trust FBO Grandchildren, and 2,264,744 shares held by The Timken Foundation of Canton.
- (5) Shares beneficially owned by Mr. Timken are not included in the shares beneficially owned by all directors, nominees for director and executive officers as a group, as Mr. Timken's service as an executive officer and director of the company ended on October 8, 2019.

The following table provides information known to us about each beneficial owner of more than 5% of our common shares as of March 2, 2020, unless otherwise indicated below.

Beneficial owner	Amount	Percent of class ⁽⁶⁾
BlackRock Inc. ⁽¹⁾ 55 East 52nd Street New York, NY 10022	6,622,417	14.7%
Timken family ⁽²⁾	5,130,914	11.4%
Ellwood Group, Inc. ⁽³⁾ 1105 N. Market Street P.O. Box 8985, Suite 1300 Wilmington, DE 19810	4,285,026	9.5%
Dimensional Fund Advisors LP ⁽⁴⁾ Building One 6300 Bee Cave Road Austin, TX 78746	3,644,170	8.1%
The Vanguard Group Inc. ⁽⁵⁾ 100 Vanguard Blvd. Malvern, PA 19355	2,786,480	6.2%

- (1) Pursuant to a Schedule 13G/A filed with the SEC on February 4, 2020, BlackRock Inc. reported it is the beneficial owner of, and has sole dispositive power over, 6,622,417 of our common shares, with respect to which it has sole voting power over 6,520,066 shares and shared voting power over no shares.
- (2) Members of the Timken family, including Ward J. "Tim" Timken, Jr., have in the aggregate sole or shared voting and dispositive power with respect to 5,130,914 of our common shares, which includes 992,660 shares that Ward J. "Tim" Timken, Jr. has the right to acquire on or before May 2, 2020. The Timken Foundation of Canton (the "Foundation"), 200 Market Avenue North, Suite 210, Canton, Ohio 44702, holds 2,264,744 of these shares, representing 5.0% of our outstanding common shares. Ward J. Timken, Joy A. Timken, Ward J. "Tim" Timken, Jr., William R. Timken, Jr. and Mark Scheffler are trustees of the Foundation and share the voting and investment power with respect to such shares. There are no voting agreements or other arrangements among the members of the Timken family or the Foundation and its trustees regarding the 5,130,914 common shares and, accordingly, the members of the Timken family are not a "group" for purposes of Rule 13d-3 under the Exchange Act with respect to such shares. Further, each member of the Timken family disclaims beneficial ownership of any of the company's common shares as to which such member does not have sole or shared voting or investment power.
- (3) Pursuant to a Schedule 13D/A filed with the SEC on January 5, 2016, Ellwood Group, Inc. and its wholly-owned subsidiary, Ellwood Group Investment Corp., reported it is the beneficial owner of, and has sole voting and dispositive power with respect to, 4,285,026 of our common shares.
- (4) Pursuant to a Schedule 13G/A filed with the SEC on February 12, 2020, Dimensional Fund Advisors LP reported it is the beneficial owner of, and has sole dispositive power over, 3,644,170 of our common shares, with respect to which it has sole voting power over 3,472,600 shares and shared voting power over no shares. Dimensional Fund Advisors LP disclaims beneficial ownership of the shares reported in the Schedule 13G as all such shares are owned by investment companies and other commingled funds, group trusts and separate accounts for which Dimensional Fund Advisors provides investment advice or serves as investment manager or sub-adviser.
- (5) Pursuant to a Schedule 13G/A filed with the SEC on February 12, 2020, The Vanguard Group Inc. reported it is the beneficial owner of 2,786,480 of our common shares, with respect to which it has sole voting power over 38,009 shares, shared voting power over 3,035 shares, sole dispositive power over 2,749,831 shares and shared dispositive power over 36,649 shares.
- (6) Calculated using 44,938,082 shares as the number of common shares outstanding.

Proposal 2

Ratification of appointment of independent auditor

Appointment of independent auditor for 2020

The Audit Committee of the Board of Directors has selected Ernst & Young LLP, an independent registered public accounting firm, to perform the audit of the company's financial statements and our internal control over financial reporting for the 2020 fiscal year. Ernst & Young has served as TimkenSteel's independent auditor since 2012.

The selection of Ernst & Young as our independent auditor is not required to be submitted to a vote of our shareholders for ratification, but our Board of Directors believes obtaining shareholder ratification is a sound governance practice. If our shareholders fail to vote in favor of the selection of Ernst & Young, the Audit Committee will reconsider whether to retain Ernst & Young and may retain that firm or another firm without resubmitting the matter to our shareholders. Even if the shareholders ratify this appointment, the Audit Committee may, in its discretion, direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the company's best interest.

Representatives of Ernst & Young are expected to be present at the 2020 annual meeting of shareholders. They will have an opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

Ratification of the appointment of Ernst & Young as the company's independent auditor for the 2020 fiscal year requires the affirmative vote of a majority of the votes cast on the proposal.

Shares represented by proxy will be voted FOR this proposal unless you specify otherwise in your voting instructions.



Your Board of Directors recommends a vote for the ratification of the selection of Ernst & Young LLP as the independent auditor for the 2020 fiscal year.

Services of independent auditor for 2019

Set forth below are the aggregate fees billed by Ernst & Young for professional services rendered to the company for the fiscal years ended December 31, 2018 and 2019:

	2019	2018
Audit fees ^(a)	\$ 1,273,585	\$ 1,096,300
Audit-related fees ^(b)	233,479	–
Tax fees	–	–
All other fees	–	–
Total fees	\$ 1,507,064	\$ 1,096,300

^(a) Audit fees consist of fees for professional services rendered for the audit of our annual consolidated financial statements and internal control over financial reporting, and the statutory audit performed in the UK. For 2019, audit fees also include professional services provided in connection with changes in accounting and accounting and financial reporting associated with non-recurring transactions.

^(b) Audit-related fees consist of fees for transaction advisory services provided in connection with sell-side due diligence related to the company's divestiture of its City Scrap & Salvage operations, and a working capital project performed during the third quarter of 2019.

Audit committee pre-approval policies and procedures

The Audit Committee annually approves the scope of services and fees payable for the year-end audit and statutory audits to be performed by the independent auditor for the next fiscal year. In addition, the Audit Committee has adopted a pre-approval policy pursuant to which the committee annually approves certain audit, audit-related and tax services which may be provided by the independent auditor, along with the associated fees for such services, during the upcoming fiscal year. Other than services pre-approved in connection with the annual engagement of the independent auditor or pursuant to the pre-approval policy, all services to be provided by the independent auditor must be pre-approved by the Audit Committee. Requests for pre-approval must contain sufficient detail to ensure the Audit Committee knows precisely what services it is being asked to pre-approve so that it can make a well-reasoned assessment of the impact of the service on the auditor's independence. With certain specified limitations, the Audit Committee has delegated its pre-approval authority to its chairperson, who must report any pre-approval decisions to the full Audit Committee at its next scheduled meeting. All of the services described above were approved by the Audit Committee in accordance with the foregoing policies and procedures.

Proposal 3

Approval, on an advisory basis, of named executive officer compensation

At the 2019 annual meeting of shareholders, the advisory vote to approve the compensation of the company's named executive officers passed with approximately 91% of the votes cast in favor of the company's "say-on-pay" proposal. Our Compensation Committee considered the results of this vote, shareholder feedback received in previous years, the changes made to executive compensation programs for 2019 and market data in its review of executive compensation plans for 2020. Based on this evaluation, the Compensation Committee determined to make modest changes to the company's executive compensation plans for 2020, including simplifying the annual incentive plan metrics and, for the long-term incentive plan, implementing a relative total shareholder return calculation over a three-year performance cycle as the metric used to determine whether (and how many) performance shares are earned. Please see "Executive summary - 2019 say-on-pay vote and 2020 executive compensation changes" in the CD&A for additional information.

We believe the compensation programs for our named executive officers:

- align the interests of our executives with those of our shareholders;
- reward executives for sustained, strong business and financial results; and
- enable us to attract, retain and motivate the best talent.

As required under the Dodd-Frank Wall Street Reform and Consumer Protection Act and Section 14A of the Exchange Act, we are asking you to approve, on an advisory (non-binding) basis, the following resolution at our 2020 annual meeting of shareholders:

RESOLVED, that the compensation of the named executive officers as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the compensation discussion and analysis, the compensation tables and any related material disclosed in this proxy statement, is hereby APPROVED.

We encourage you to carefully review the compensation discussion and analysis, the compensation tables, and related disclosures included in this proxy statement. The Board recommends that shareholders indicate their support for the compensation of the company's named executive officers as described in this proxy statement by voting "FOR" approval of this proposal at the annual meeting.

As an advisory vote, this resolution is not binding. Nonetheless, the Compensation Committee, which is responsible for designing and administering our executive compensation program, values the opinions expressed by our shareholders with respect to this proposal. The Compensation Committee will consider the affirmative vote of a majority of the votes cast on this proposal as approval of the compensation paid to the company's executive officers. If there are a significant number of negative votes, the Compensation Committee will seek to understand and consider the concerns that influenced such votes in making future decisions about executive compensation programs.

Shares represented by proxy will be voted FOR this proposal unless you specify otherwise in your voting instructions.



**Your Board of Directors recommends a vote for
advisory approval of the compensation of our
named executive officers.**

Compensation discussion and analysis

This Compensation Discussion and Analysis (“CD&A”) provides an overview of our executive compensation philosophy and practices, and the factors considered by the Compensation Committee in granting and delivering executive compensation for 2019.

This CD&A focuses on the following individuals, whom we have determined to be the named executive officers (“NEOs”) of TimkenSteel for 2019.

Named executive officer	Title
Ward J. “Tim” Timken, Jr.*	Former Chairman, CEO and President
Terry L. Dunlap	Interim CEO and President
Kristopher R. Westbrook	Executive Vice President and Chief Financial Officer
Frank A. DiPiero	Executive Vice President, General Counsel and Secretary
William P. Bryan	Executive Vice President, Manufacturing and Supply Chain
Thomas D. Moline	Executive Vice President, Commercial Operations

*Mr. Timken’s employment with the company ended on October 8, 2019, at which time Mr. Dunlap was appointed as Interim CEO and President.

Executive summary

2019 developments

On October 8, 2019, Mr. Timken stepped down from his position as Chairman, CEO and President and as a member of the Board of Directors, on which date the Board of Directors appointed director Terry L. Dunlap as Interim CEO and President. Due to the temporary nature of his appointment, Mr. Dunlap did not receive an annual incentive or long-term incentive target pursuant to the company’s incentive compensation programs described more fully below, but instead the Compensation Committee approved a cash payment of \$115,000 per month and a special award of time-vested RSUs at the time of his appointment. Please see “Analysis of 2019 compensation - Compensation for Interim CEO” and “Analysis of 2019 compensation - Long-term incentives awarded to Interim CEO” in this CD&A for additional information.

Our 2019 business performance

During 2019, the company implemented an aggressive profitability improvement plan which included new leadership, organizational restructuring, debt repayment, refinancing of our revolving credit facility and the sale and/or closure of non-core assets. Although these efforts resulted in savings of approximately \$40 million for 2019, they did not offset declines in volume and, therefore, net sales and profitability fell short of expectations.

Operating cash flow for the year was \$70 million. The company improved working capital and generated positive free cash flow⁽³⁾ of \$32 million for the year.

Our pay-for-performance compensation plans operated as intended. Performance on all metrics was below threshold, resulting in no variable compensation plans paying out.

2019 Net sales \$1.21B Net loss \$(110.0M)⁽²⁾ Adjusted EBITDA⁽³⁾ \$32.4M	as compared with	2018⁽¹⁾ Net sales \$1.61B Net loss \$(9.9M)⁽²⁾ Adjusted EBITDA⁽³⁾ \$127.0M
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(1) Financials have been restated for 2018 due to the retrospective adoption of a change in accounting principles. During the fourth quarter of 2019, the company elected to change its method of accounting for inventories from the last-in, first-out (“LIFO”) to the first-in, first-out (“FIFO”) method.

(2) Net loss includes a loss of \$43.5M in 2018 and \$40.6M in 2019 from the remeasurement of benefit plans.

(3) Free cash flow and Adjusted EBITDA are non-GAAP financial measures. Please see appendix for a reconciliation of these financial measures to the most comparable GAAP financial measures.

Pay for performance

At TimkenSteel, we believe in rewarding employees, including our NEOs, for helping us achieve our corporate goals, deliver exceptional performance and build shareholder value. In this spirit, we designed our executive compensation program to:

Objectives:	
✓	Align the interests of our executives and shareholders
✓	Reward executives for strong business and financial results
✓	Attract, retain and motivate the best talent

The compensation of our NEOs during 2019 reflects our financial results and demonstrates that our compensation plans pay for performance as intended.

- The metrics established for our annual performance award plan (“APA plan”) for 2019 were based on (i) percentage of earnings before interest and taxes to beginning invested capital (“EBIT/BIC”), (ii) cash flow and (iii) sales of the company’s most profitable products or, as we call them, “key process path sales.”
- There were no payouts awarded to our executives under the APA plan for 2019, as performance was below threshold on all metrics, driven primarily by weak end markets.
- Since 2015, our executives have received, in the aggregate, annual incentive payments equal to 23% of target, reflecting the company’s performance during that challenging business cycle.
- Cumulative base sales and average return on invested capital achieved over the 2018-2019 performance period were below threshold requirements for the 2018-2019 performance share cycle. As a result, the 2018-2019 performance share grants did not vest.
- Since 2015, all performance shares granted to our NEOs have been forfeited, as the threshold performance requirements have not been met.
- As a result, our NEOs’ aggregate realizable compensation for 2019, as in prior years, was significantly lower than established target compensation.

2019 say-on-pay vote and 2020 executive compensation changes

In 2019, shareholders approved the compensation of our NEOs with approximately 91% of votes cast in favor of our “say-on-pay” proposal. Our Compensation Committee considered the results of this vote, shareholder feedback received in previous years, the changes made to executive compensation programs for 2019 and market data during its annual review of executive compensation plans. Based on this evaluation, the Compensation Committee determined to make modest changes to the company’s executive compensation plans for 2020, including:

- Simplifying the annual incentive plan by utilizing two commonly understood key performance metrics, earnings before interest, tax, depreciation and amortization (“EBITDA”) and operating cash flow with a performance modifier if certain safety objectives are achieved.

- Implementing a relative total shareholder return calculation over a three-year performance cycle as the metric used to determine whether (and how many) performance shares are earned.

With respect to the annual incentive plan, the safety modifier supports our focus on safety as the company's top priority and will be measured by our performance on OSHA recordables and lost-time incidents.

With respect to the long-term incentive plan, beginning in 2020 the metric used to determine whether (and how many) performance shares are earned will be based on total shareholder return over a three-year period as compared to an identified peer group of steel companies. The committee believes this change to the performance share metric, more precisely focused on share price appreciation, will further align the interests of management with the interests of the company's shareholders.

Executive compensation highlights

What we do

- ✓ Pay for performance
- ✓ Establish target pay based on market norms
- ✓ Deliver total direct compensation primarily through variable pay
- ✓ Set challenging short- and long-term incentive award goals
- ✓ Provide strong oversight that ensures adherence to incentive grant regulations and limits
- ✓ Maintain robust stock ownership requirements
- ✓ Include double-trigger vesting in the event of a change in control
- ✓ Adhere to an incentive compensation recoupment "clawback" policy
- ✓ Maintain anti-hedging and anti-pledging policies with respect to company stock
- ✓ Offer market-competitive benefits
- ✓ Consult with an independent advisor on pay

What we don't do

- ✗ Provide tax gross-ups
- ✗ Re-price stock options
- ✗ Pay current dividends on performance-based restricted stock units
- ✗ Provide excessive perquisites
- ✗ Reward executives without a link to performance or creation of shareholder value

Our compensation philosophy

At TimkenSteel, our executive compensation program is designed to align our executives' interests with those of our shareholders, to reward leaders for strong business results, and to attract, retain and motivate the best talent in the industry.

Our executive compensation philosophy embodies the following principles:

- ✓ Recognizes people are our strongest asset
- ✓ Rewards results linked to short- and long-term performance (pay-for-performance)
- ✓ Positions pay affordably and competitively in the marketplace
- ✓ Drives a focus on increasing shareholder value

Rewarding performance

TimkenSteel's success depends largely on the contributions by motivated, focused and energized people working together to achieve our strategic objectives. This understanding shapes our approach to providing a competitive total rewards package to our CEO and the other NEOs.

As noted above, pay-for-performance is one of the four principles of our executive compensation philosophy. To ensure we are adhering to this principle, we regularly evaluate our incentive compensation plans to ensure that the opportunities and metrics drive desired business results, including for 2019:

- EBIT/BIC;
- Cash flow;
- Key process path sales;
- Average return on invested capital; and
- Base sales.

The Compensation Committee uses a comprehensive process to assess company performance. We believe the metrics used in our incentive compensation plans focus management on the appropriate objectives for creating both short- and long-term shareholder value.

Performance-based pay comprised 83% of the target total direct compensation for Mr. Timken and between 58% and 70% of the target total direct compensation for the other NEOs (other than Mr. Dunlap). Although Mr. Dunlap's pay mix is less performance-based than that of the former CEO, the Compensation Committee believes that this compensation structure is appropriate for Mr. Dunlap's position as Interim CEO and President.

Determining compensation for 2019

Role of the Compensation Committee: Deciding on compensation

The Compensation Committee determines the appropriate level of compensation for all executive officers, including the CEO and other NEOs. The committee reviews all compensation components and determines whether each individual's total compensation is reasonable and consistent with the company's compensation philosophy. In making this determination, the committee may consider:

- With respect to all NEOs other than the CEO, the CEO's recommendations;
- Market data provided by the committee's external compensation consultant; and
- Additional factors such as the executive's operating responsibilities, experience level, retention risk, tenure and performance in the position.

In light of these considerations, the Compensation Committee may make adjustments to a particular element of an executive's compensation. The committee then approves, with any modifications it deems appropriate, base salary ranges, target annual performance award opportunities and long-term incentive opportunities and grants for the company's NEOs. With respect to the CEO, the committee determines the compensation package for the CEO and then presents its recommendation to the independent members of the Board of Directors for approval during executive session.

The amount of past compensation realized or potentially realizable does not directly impact the level at which current and long-term pay opportunities are set, although the Compensation Committee does consider this information in its deliberations.

The company's approach to rewarding performance

Annual incentive

- Reward achievement of short-term corporate and individual performance goals

Restricted stock units and stock options

- Reward long-term value creation
- Reinforce ownership in the company
- Support retention of executives

Performance shares

- Reward achievement of long-term financial results that drive value creation
- Link compensation to building long-term shareholder value
- Reinforce ownership in the company
- Support executive retention

The Compensation Committee considers whether the company's compensation programs encourage unnecessary or excessive risk-taking and has determined that they do not.

Role of the CEO and management: Providing compensation recommendations

The CEO, working with human resources leadership and the compensation consultant, prepares compensation recommendations for the NEOs (other than the CEO) and presents them to the Compensation Committee. These recommendations are based on:

- The CEO's personal review of the other NEOs' performance, job responsibilities and importance to the company's overall business strategy; and
- The company's compensation philosophy.

In preparing compensation recommendations for the NEOs, the CEO and human resources leadership together consider market data for the key elements of NEO compensation and evaluate the total compensation package in relation to the target established for the position, taking into account the scope of responsibilities for the particular position. The CEO, human resources leadership and compensation consultant also evaluate total direct compensation (base salary, annual incentives and long-term incentive grants) in relation to total compensation of comparable positions derived from general market data as well as internal equity considerations.

Although these recommendations are given significant weight, the committee retains full discretion when determining compensation.

Role of the compensation consultant: Advising the Compensation Committee

The Compensation Committee retains the authority to approve and monitor all compensation and benefit programs (other than broad-based welfare benefit programs). The committee engages the services of a compensation consultant to add rigor in the review process and to provide insight into market trends. The consultant analyzes the company's executive compensation structure and plan designs and assesses whether the compensation program is competitive and supports the goal of aligning the interests of NEOs with those of shareholders. The consultant also provides market data directly to the Compensation Committee for its use in determining compensation for NEOs and assessing board compensation.

The committee retained Meridian Compensation Partners, LLC as its compensation consultant.

In 2019 Meridian's primary areas of assistance were:

- Gathering information related to current trends and practices in board of directors and executive compensation;
- Reviewing information developed by management for the Compensation Committee and providing its input to the committee;
- Attending and participating in meetings with the Compensation Committee, as well as briefings with the committee chairperson and management between regularly scheduled meetings;
- Advising the committee with respect to compensation matters related to the separation from employment of Mr. Timken and the appointment of Mr. Dunlap as the company's Interim CEO and President;
- Assisting the CEO and human resources leadership in determining compensation recommendations for the NEOs (other than the CEO); and
- Reviewing with management and the Compensation Committee materials to be used in the company's proxy statement.

While the consultant reports directly to the Compensation Committee, the committee has authorized the consultant to interact with company management, as needed, on the committee's behalf. The Compensation Committee has the sole authority to approve the independent compensation consultant's fees and terms of the engagement. Thus, the committee annually reviews its relationship with its consultant - including services provided, quality of services and associated fees - to ensure executive compensation consulting independence.

Elements of our executive compensation program

TimkenSteel's executive compensation program is designed to align the interests of our executives with those of our shareholders and to encourage the personal and collective growth of our executives to foster improved company performance. The company uses a balance of short- and long-term incentives as well as cash and non-cash compensation to meet its executive compensation program objectives. The company's incentive compensation programs for executives are designed to link compensation with the full spectrum of the company's short- and long-term business goals. Our executive compensation program for 2019 consisted of the following elements:

	Compensation element	Link to program objectives
SHORT-TERM (ANNUAL)	Base salary	Provides a stable source of income and is a standard element in executive compensation packages.
	Annual incentive	Encourages executives to focus on specific corporate performance goals. Target incentive opportunity is set as a percentage of base salary and awards are earned after threshold performance levels are met. Metrics for 2019 include: <ul style="list-style-type: none"> • EBIT/BIC • Cash flow • Key process path sales of our most profitable products
LONG-TERM	Nonqualified stock options	Helps ensure executive pay is directly linked to value created for shareholders. Four-year vesting promotes retention, and NEOs holding nonqualified stock options will receive greater value if the stock price rises.
	Performance shares	Links executive compensation to building long-term shareholder value, balances short-term operating focus, and aligns executive management's long-term financial interests with those of our shareholders, as value is linked to the stock price. For shares awarded in 2019, performance is scored and the number of shares earned is determined at the end of a two-year performance period based on attainment of specific goals: <ul style="list-style-type: none"> • Base sales • Return on invested capital Shares vest following an additional one-year holding period; the final value of the award is determined by the share price on the last day of the holding period.
	Restricted stock units	Rewards long-term shareholder value creation. Three-year cliff vesting promotes retention and enhances executive stock ownership.
BENEFITS	Retirement and savings	Helps attract and retain executive talent. NEOs receive retirement benefits through several plans: <ul style="list-style-type: none"> • Qualified and nonqualified defined contribution plans; • Qualified and nonqualified defined benefit plans; and • Deferred compensation plan.
	Other benefits	Helps attract and retain executive talent. NEOs are eligible to participate in the benefit plans available to salaried employees including medical and dental benefits and life, accidental death and disability insurance. Perquisites are limited in amount and are not grossed up for taxes, and the Compensation Committee limits eligibility and use.
	Severance and change in control agreements	Helps ensure NEOs remain focused on creating sustainable performance. Agreements protect the company and the NEOs from risks by providing: <ul style="list-style-type: none"> • Economic stability; • Death or disability payments; and • Payments and benefits in the event of a change in control.

Analysis of 2019 compensation

The following factors guided compensation decisions for 2019:

- Executive compensation program objectives and philosophy;
- Expected and actual financial performance;
- Recommendations of the former Chairman, CEO and President for the other NEOs;
- Assessment of risk associated with our compensation plans, including avoiding unnecessary or excessive risk-taking;
- Advice of an independent compensation consultant; and
- Market pay practices as reflected by a newly adopted compensation peer group as well as external executive compensation data, studies and trends.

Introduction of a compensation peer group

In 2018, the Compensation Committee approved the adoption of a compensation peer group to serve as the primary benchmark in setting target compensation for the CEO and CFO beginning in 2019. The peer group consists of 18 steel and related-industry companies that are generally within an appropriate revenue and market capitalization range.

2019 Peer group companies	
Allegheny Technologies Incorporated	L.B. Foster Corporation
Actuant Corporation	Materion Corporation
Barnes Group	NN, Incorporated
Carpenter Technology Corporation	Olympic Steel, Incorporated
Century Aluminum Corporation	Ryerson Holding Corporation
Columbus McKinnon Corporation	Schnitzer Steel Industries, Incorporated
Harsco Corporation	SunCoke Energy, Incorporated
Haynes International Inc.	TriMas Corporation
Kaiser Aluminum Corporation	Worthington Industries, Incorporated

Guidelines for CEO and CFO base salaries, annual incentives and long-term incentive grants are initially based on the 50th percentile of peer group data for those roles.

With respect to the other NEOs, external general industry surveys of compensation practices for positions with similar levels of responsibilities remains the primary benchmark for setting target compensation, with guidelines for salaries, annual incentives, long-term incentives and target total direct compensation for these NEOs initially based on the 50th percentile of general industry data.

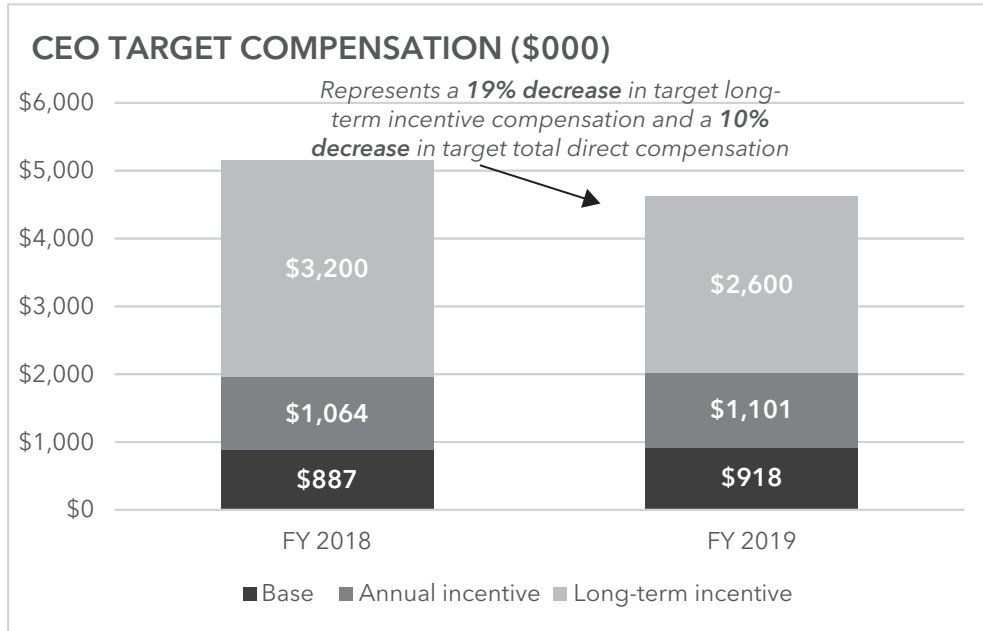
The company may provide target compensation above or below the 50th percentile for a particular position, based on factors such as the executive's operating responsibilities, experience level, retention risk, tenure and performance in the position.

The company establishes compensation levels in this way for two reasons:

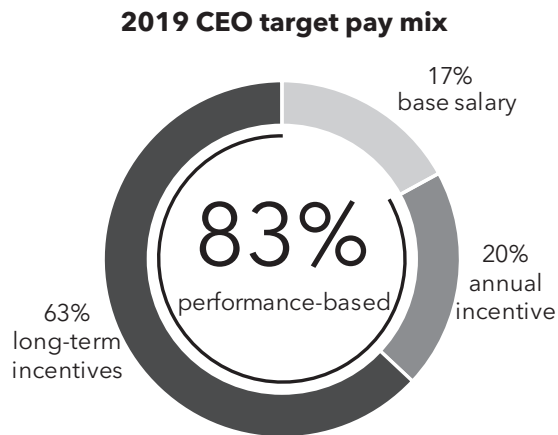
- First, this approach sets fair and reasonable pay levels needed to attract and retain qualified executives; and
- Second, it requires excellent individual performance and company performance for pay that is higher than that indicated in the peer group or general industry data, as applicable, for comparable roles.

Compensation for former CEO

In setting Mr. Timken’s target pay for 2019, the Compensation Committee reviewed compensation information for the CEO positions within our peer group. As a result of this review, the committee concluded that target pay for Mr. Timken should be reduced to better align with the market data. As such, the committee reduced Mr. Timken’s long-term incentive opportunity, resulting in a 10% decrease in total target direct compensation. The Compensation Committee believed the reduced target compensation was better aligned with market practices while still acknowledging Mr. Timken’s unique experience and qualifications.



In support of our pay-for-performance philosophy, a substantial majority of the target total direct compensation for Mr. Timken was performance-based in 2019.



Compensation for Interim CEO

Upon the appointment of Mr. Dunlap as Interim CEO and President in October 2019, the Compensation Committee approved a new compensation package for Mr. Dunlap for his service in this temporary position. In determining the appropriate compensation package for Mr. Dunlap, the Compensation Committee considered peer group data, the former CEO's compensation package, and information provided by Meridian regarding interim CEO compensation practices, including form and amount of compensation relative to both market and outgoing CEO compensation levels. Under this compensation package (which we expect to remain materially unchanged for the duration of Mr. Dunlap's service in the temporary position as our Interim CEO and President), Mr. Dunlap receives a cash payment of \$115,000 per month, guaranteed for a minimum period of one year from the date of his appointment unless Mr. Dunlap is terminated for cause. At the time of his appointment, Mr. Dunlap also received a special award of restricted stock units, which will generally vest on the first anniversary of the grant date. Mr. Dunlap is not eligible for annual incentive payments. While Mr. Dunlap's pay mix is less performance-based than that of the former (or any permanent) CEO, the committee believes that this compensation structure is appropriate for Mr. Dunlap's service in the temporary position as Interim CEO and President. Further, the award of RSUs as part of Mr. Dunlap's compensation structure closely aligns his interests with those of our shareholders and incentivizes shareholder value creation.

Mr. Dunlap's service as Interim CEO and President is currently expected to be temporary in nature, and the compensation package provided to Mr. Dunlap, including the amount of base salary, the form of long-term incentives, and the performance-based mix, was not intended to be and is not indicative of the ongoing compensation structure that the committee would expect to provide to a permanent CEO in the future. For a permanent CEO, the committee currently expects to revert to a compensation structure that is competitive with the market and best practices and, like the compensation program for our previous CEO, weighted significantly toward performance-based compensation.

Please see "Analysis of 2019 compensation - Long-term incentives awarded to Interim CEO" in this CD&A for additional information.

Base salary

Base salaries for the remaining NEOs are intended to be competitive and reflect the scope of their responsibilities, the length of their experience performing those responsibilities and their performance. The Compensation Committee initially determines base salary ranges for the CEO and CFO using the compensation peer group, and external surveys of salary practices for positions with similar levels of responsibility for the remaining NEOs. The committee also reviews the NEOs' base salaries annually in light of each officer's performance, experience, leadership, current salary and position in the salary range.

Base salaries for all NEOs (with the exception of Mr. Dunlap who joined the company in October 2019) were increased at the market rate for executives in 2019.

2019 Base salary decisions

	Base salary (annualized)		
	2018 Salary	2019 Salary	Percent change
Ward J. "Tim" Timken, Jr.*	\$891,156	\$917,891	3%
Terry L. Dunlap	-	\$1,380,000	-
Kristopher R. Westbrook	\$391,850	\$403,798	3%
Frank A. DiPiero	\$382,459	\$393,933	3%
William P. Bryan	\$290,151	\$298,856	3%
Thomas D. Moline	\$290,151	\$298,856	3%

*Mr. Timken's employment with the company ended on October 8, 2019. For actual salary paid to Mr. Timken during 2019, please see "Compensation of executive officers - 2019 Summary compensation table."

Annual incentive

The company's annual incentive provides the NEOs (other than Mr. Dunlap, who does not participate in the annual incentive plan) the opportunity to earn rewards based on achieving corporate performance goals established in advance by the Compensation Committee. It is intended to focus the NEOs on specific performance goals in the current year. For the NEOs, the annual incentive is delivered through the APA plan.

The Compensation Committee determined target award opportunity levels for the NEOs based on our compensation peer group for the CEO and CFO and external surveys for positions with similar levels of responsibility for the remaining NEOs. The actual awards could be higher or lower than the target opportunity based on the results for each performance measure, consideration of individual performance and the extent to which the committee uses discretion to adjust the awards. Performance measures factor the award between zero and 200% and individual performance further indexes the award by a factor ranging from 70% to 130%, providing an absolute range from zero to 260% of the target award.

Linking pay to performance

The Compensation Committee established corporate EBIT/BIC as the primary performance measure under the annual incentive plan because it believes this measure is closely correlated with the creation of shareholder value.

	Annual incentive Target opportunity as a percent of base salary
Ward J. "Tim" Timken, Jr.*	120%
Terry L. Dunlap ^	-
Kristopher R. Westbrooks	70%
Frank A. DiPiero	60%
William P. Bryan	50%
Thomas D. Moline	50%

*Mr. Timken's employment with the company ended on October 8, 2019. For actual annual incentives paid to Mr. Timken during 2019, please see "Compensation of executive officers - 2019 Summary compensation table."

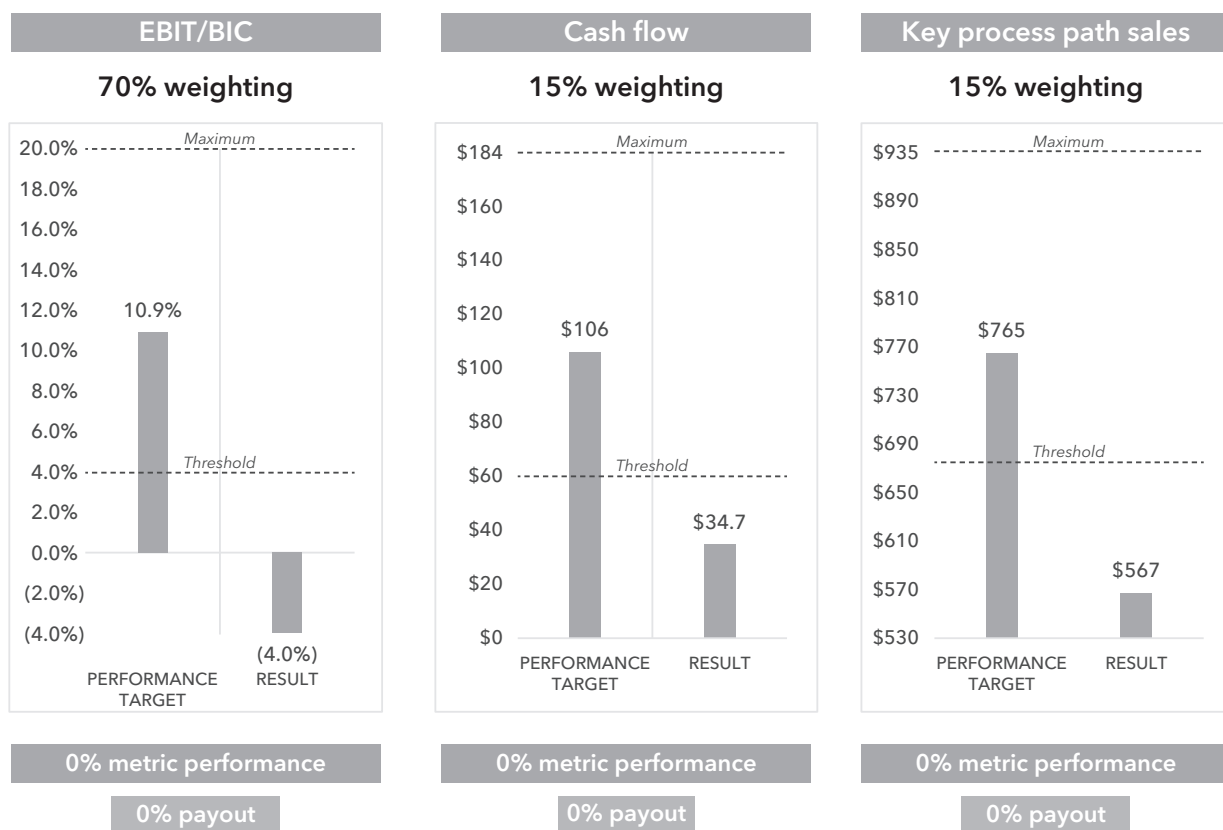
^Mr. Dunlap is not a participant in the annual incentive plan.

2019 Annual performance award decisions

Payouts under the APA plan are determined by the following factors:

- Earnings measured by EBIT/BIC;
- Cash flow;
- Key process path sales; and
- Individual performance.

The following charts show performance targets and actual performance levels for each metric in the 2019 APA plan.



Dollars in millions. Payout percentage is expressed as the percent of target opportunity.

Actual performance on the EBIT/BIC measure of -4.0%, cash flow of \$35 million and key process path sales of \$567 million each were below the threshold performance requirement. Therefore, there was no payout under the 2019 APA plan.

For the 2019 APA plan, the EBIT/BIC metric was defined as EBIT/BIC excluding mark-to-market remeasurement gains or losses; the effect of changes in tax law, accounting principles or other laws or provisions affecting reported results; LIFO charges or credits incremental to the approved business plan; and the effects of any recapitalization, restructuring, reorganization, merger, acquisition, divestiture, consolidation, spinoff, split-up, combination, liquidation, facility shutdown, dissolution, sale of assets, stock or debt refinancing, impairment, goodwill or other similar transaction. The operating cash flow metric was defined as net cash flow for the year ended December 31, 2019, excluding cash provided or used by financing activity; changes in applicable accounting principles, tax laws or regulations; Board-approved capital investments incremental to the annual plan; and the effects of any recapitalization, restructuring, reorganization, merger, acquisition, divestiture, consolidation, spinoff, split-up, combination, liquidation, facility shutdown, dissolution, sale of assets, stock or debt refinancing, impairment, goodwill or other similar transaction. The key process path sales metric was defined as base sales of the company's most profitable products. Base sales is net sales excluding raw material surcharges and excluding the effects of acquisition and/or divestiture efforts.

	2019 Annual incentive payouts	
	Target opportunity as a percent of base salary	2019 Award
Ward "Tim" J. Timken, Jr.	120%	\$0
Terry L. Dunlap	-	-
Kristopher R. Westbrooks	70%	\$0
Frank A. DiPiero	60%	\$0
William P. Bryan	50%	\$0
Thomas D. Moline	50%	\$0

For information about annual incentive opportunities awarded to each of the NEOs in 2019, see the “2019 Grants of plan-based awards table.”

Long-term incentives

In 2019, consistent with prior years, three different types of long-term incentive grants were used for the NEOs (other than Mr. Dunlap):

- Nonqualified stock options, which vest 25% per year over four years and are intended to provide value to the holder only if shareholders receive additional value (in the form of share price appreciation) after the date of grant;
- Restricted stock units, which cliff-vest at the end of a three-year period and have a value that changes based on changes in the company’s stock price; and
- Performance shares, which are performance-based restricted stock units designed to reward executives for attainment of specified two-year corporate performance goals and which vest following an additional one-year holding period, with the final value of the award determined by the share price on the last day of the holding period.

For the participating NEOs, the Compensation Committee approved a mix of performance shares, stock options and restricted stock units to address retention while keeping the majority of the NEOs’ long-term incentives performance-based. With respect to Mr. Timken, to better align his long-term incentive opportunity with market practice, the Compensation Committee reduced his long-term incentive opportunity in 2019 and, at the same time, adjusted the mix to include restricted stock units. Previously, Mr. Timken’s long-term incentive opportunity included only stock options and performance shares.

	Long-term incentive mix		
	Performance-based		Time-based
	Performance shares	Stock options	Restricted stock units
Former chief executive officer	55%	20%	25%
Other NEOs	25%	30%	45%

The Compensation Committee believes these grants, in total, provide a balanced emphasis on shareholder value creation and retention of executive management over the course of a full business cycle. These grants also serve to balance the short-term operating focus of the company and align executive management’s long-term financial interests with those of the company’s shareholders.

The value of the entire long-term incentive grant is linked directly to the price of the company’s common stock. For nonqualified stock options, the recipient recognizes value only to the extent the stock price rises above the market price of the stock at the time the option is granted. For restricted stock units, value rises or falls depending on stock price performance. For performance shares, the value is tied to both the company’s stock price and the achievement of financial objectives.

The size of the long-term incentive grants and the allocation of grant value among the long-term incentive grant types are based on a combination of market practice, internal equity considerations and the relative importance of the objectives underlying each of the grant types.

2019 Long-term incentive decisions

	Long-term incentives**							Total value of award
	Target grant opportunity*	Number of stock options	Value of stock options	Number of restricted stock units	Value of restricted stock units	Number of performance shares	Value of performance shares (at target)	
Ward J. "Tim" Timken, Jr. ^	325%	92,200	\$510,788	51,100	\$636,195	112,300	\$1,398,135	\$2,545,118
Kristopher R. Westbrooks	135%	33,100	\$183,374	22,000	\$273,900	12,200	\$151,890	\$609,164
Frank A. DiPiero	120%	24,600	\$136,284	16,400	\$204,180	9,100	\$113,295	\$453,759
William P. Bryan	85%	14,000	\$77,560	9,300	\$115,785	5,200	\$64,740	\$258,085
Thomas D. Moline	85%	14,000	\$77,560	9,300	\$115,785	5,200	\$64,740	\$258,085

* As a percentage of base salary midpoint.

^ Mr. Timken's employment ended on October 8, 2019. Please see "2019 Grants of plan-based awards table" for additional information about the long-term incentives awarded to Mr. Timken in 2019 and the impact of the termination of his employment on these awards.

** Mr. Dunlap is not included in this table as the long-term incentives awarded to him are discussed below.

The target value for each grant is converted to a number of options or shares based on a calculated average stock price over a defined period prior to the grant. The Compensation Committee used the average closing price over the five trading days immediately preceding the grant date in determining the number of shares granted in 2019.

The Compensation Committee typically makes long-term incentive grants at its first regularly scheduled meeting of each year, when the committee determines all elements of the NEOs' compensation for the year. Board and committee meetings are generally scheduled at least a year in advance.

Long-term incentive award to Interim CEO

As part of the compensation package awarded to Mr. Dunlap in connection with his appointment as Interim CEO and President on October 8, 2019, the committee determined to award Mr. Dunlap \$1 million in value of restricted stock units in order to closely align his interests with those of our shareholders and to incentivize long-term shareholder value creation. The committee intended that the number of restricted stock units to be awarded would be based on the closing market price on October 9, 2019 (\$5.37 per share), after news of the change in leadership had been absorbed by the markets and reflected in the company's stock price. This would have resulted in a grant of 186,219 restricted stock units. On October 8, 2019, the date of Mr. Dunlap's appointment as Interim CEO and President, an initial grant of 165,600 restricted stock units was made. In the compensation tables below, this grant has a grant date fair value of \$970,416. To fulfill the committee's original intention, on March 2, 2020, the committee awarded Mr. Dunlap an additional 20,619 restricted stock units. This grant had a grant date fair value of \$108,456. These restricted stock units will generally vest on the first anniversary of their respective grant dates.

Stock options

In 2019, our key employees (including all NEOs other than Mr. Dunlap) received nonqualified stock options that:

- have an exercise price equal to the closing price of the stock on the date of grant;
- generally will vest over a four-year period in equal amounts each year; and
- generally will expire ten years after the date of grant.

The Compensation Committee believes these awards help the company retain executives and focus their attention on the company's longer-term performance. Stock options are an effective motivational tool because they have value only to the extent the stock price on the date of exercise exceeds the exercise price set on the grant date. For information about stock options awarded to the NEOs in 2019, see the "2019 Grants of plan-based awards table."

Restricted stock units

Restricted stock units represent an interest in TimkenSteel stock and are issued as shares pursuant to a three-year vesting schedule. Restricted stock units serve to both reward and retain executives, as the value of the shares is linked to the stock price when the shares vest, generally on the third anniversary of the grant. For information about service-based restricted stock units awarded to the NEOs in 2019, see the "2019 Grants of plan-based awards table."

Performance shares

Performance shares are performance-based restricted stock units, with vesting and the number of shares received contingent upon the achievement of specified performance objectives. The performance objectives are closely tied to the company's long-range plan. Performance is scored and the number of shares earned is determined at the end of a two-year performance period. Shares vest following an additional one-year holding period; the final value of the award is determined by the company's share price on the last day of the holding period. Performance shares serve to both reward and retain executives, as the receipt of a payout is linked to performance, and the value of the payout is linked to the share price when the shares vest.

The performance objectives for performance shares granted in 2019 are average return on invested capital and cumulative base sales for the 2019-2020 performance period. The Compensation Committee selected these metrics because it believes both metrics align to growth tactics. Base sales growth aligns with commercial execution of the strategy to grow the company, while return on invested capital is an indicator of the profitability of that growth as it relates to productivity and throughput. Actual performance for the ROIC metric is calculated excluding mark-to-market remeasurement gains or losses; calculated assuming a planning income tax rate of 1.3%, excluding cash and cash equivalents, long-term debt, non-current pension liability, non-current deferred tax liability and accrued interest; and the effects of any recapitalization, restructuring, reorganization, merger, acquisition, divestiture, consolidation, spinoff, split-up, combination, liquidation, facility shutdown, dissolution, sale of assets, stock or debt refinancing, impairment, goodwill or other similar corporate transaction. Actual performance for the base sales metric is calculated excluding the impact of any actions related to the company's restructuring efforts and/or acquisition, divestiture or asset impairment. At the time the specific performance targets for the metrics were established, the Compensation Committee believed the target for the performance shares granted in 2019 was very challenging, but achievable.

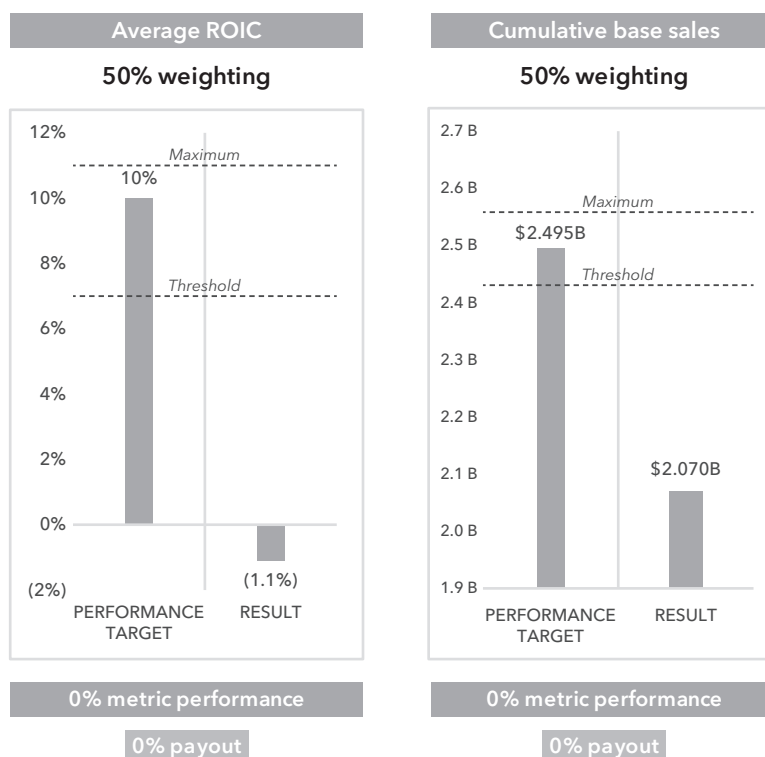
In order for any performance shares awarded for the 2019-2021 performance share cycle to be earned, actual performance must achieve at least the threshold performance level for average return on invested capital. If the threshold performance level for that measure is not attained, then no award will be earned, even if base sales exceeds threshold. Average return on invested capital and base sales metrics are weighted equally at 50%. If an award is payable, the number of shares earned could range from 50% to 150% of target based upon actual performance over the two-year performance period. Shares vest following an additional one-year holding period. The value of a share is equal to the share price when the shares vest. Final awards are settled in cash or in company shares, as follows:

- NEOs who have met their share ownership requirement at the time of grant receive the value of any final award in cash; and
- NEOs who have not met their share ownership requirement at the time of grant receive the value of any final award in shares.

For information about performance shares awarded to the NEOs in 2019, see the "2019 Grants of plan-based awards table."

2018-2019 Performance shares canceled

In 2018, the NEOs (other than Messrs. Dunlap and Westbrooks) received awards of performance shares for the 2018-2019 performance period. The performance objective for shares granted in 2018 was average ROIC and base sales for the two-year period. The Compensation Committee selected these metrics because it believed both aligned to growth tactics. Actual performance for the ROIC metric was calculated excluding mark-to-market remeasurement gains or losses; effects of changes in tax laws or accounting principles; and the effects of any recapitalization, restructuring, reorganization, merger, acquisition, divestiture, consolidation, spinoff, split-up, combination, liquidation, facility shutdown, dissolution, sale of assets, stock or debt refinancing, impairment, goodwill or other similar corporate transaction. Actual performance for the base sales metric was calculated excluding the impact of any actions related to the company's restructuring efforts and/or acquisition, divestiture or asset impairment. Because actual performance fell below both threshold requirements of -1.1% for average ROIC and \$2.070 billion for base sales, the 2018-2019 performance share awards were canceled.



	Number of canceled performance shares*
	2018-2019
Ward J. "Tim" Timken Jr.	115,000
Frank A. DiPiero	7,600
Thomas D. Moline	4,300
William P. Bryan	4,300

*Mr. Westbrooks is not included in this table as he was not awarded performance shares for the 2018-2019 performance share cycle when he was appointed Executive Vice President and Chief Financial Officer of the company effective September 24, 2018. Mr. Dunlap is not included in this table as he was not awarded performance shares in connection with his appointment as Interim CEO and President on October 8, 2019.

Retirement and other benefits

Retirement income programs

The company's retirement income programs are an important retention tool. The company maintains both qualified and nonqualified retirement income programs. The NEOs participate in qualified plans on the same terms and conditions as all other salaried employees, and they also participate in the company's nonqualified retirement income programs. The company currently provides retirement income through several types of plans:

The company's retirement income programs support an additional component of the retention strategy of our executive compensation program objectives.

- Qualified and nonqualified defined contribution plans provide for savings based on each executive's contributions, company matching contributions and core defined contributions. The nonqualified defined contribution arrangement in which the NEOs participate is the post-tax savings benefit. This benefit is primarily intended to restore benefits that would be provided under the qualified retirement plans were it not for limits on benefits and compensation imposed by the Internal Revenue Code.
- Qualified and nonqualified defined benefit plans provide for a targeted percentage of salary and annual incentive income that will continue through retirement. The nonqualified defined benefit plan in which Messrs. Bryan, Moline and Timken participate is the supplemental executive retirement program for executive officers ("SERP"). The SERP provides for a benefit based on final average earnings with offsets for benefits provided under the company's other retirement programs. Messrs. DiPiero, Dunlap and Westbrooks are not eligible to participate in the defined benefit plans. Their retirement savings are provided solely through the defined contribution plans.

Although the policies and procedures underlying the company's retirement income programs are the same for all participants, the age and length of service (including service as an officer of the company) of each participant can have a significant effect on an individual's benefit calculation because the programs have changed over time. In addition, because benefits under the company's defined benefit plans are based on final average earnings (base salary and cash annual incentive compensation for the five highest non-consecutive years out of the final ten years), pension values can increase significantly as salary and cash annual incentive compensation increase. Pension values also are influenced by external factors and actuarial assumptions. See "Compensation of executive officers -- Pension benefits" for additional information.

The value of the nonqualified retirement income programs is quantified each year and these programs are periodically reviewed for their competitiveness. The value of these programs has not had a significant impact on decisions regarding salary, annual incentive awards or long-term incentive grants.

In November 2019, the qualified and nonqualified defined benefit plans in which certain of the NEOs participate, as described above, were amended to provide that additional benefit accruals for any remaining active participants will cease effective December 31, 2020.

Deferred compensation

The company maintains a deferred compensation plan that allows certain employees, including the NEOs, to defer receipt of all or a portion of their salary, employee contributions and company matching contributions that would otherwise be paid out post-tax, and incentive compensation payable in cash, until a specified point in the future. Cash deferrals earn interest quarterly at a rate based on the prime rate plus one percent. In 2019, none of the NEOs earned "above-market" interest as defined by the Securities and Exchange Commission.

The deferred compensation plan is not funded by the company, and participants have an unsecured contractual commitment by the company to pay the amounts due under the plan. When such payments are due, they will be distributed from the company's general assets. In the event of a change in control of the company, as defined in the plan, participants are entitled to receive deferred amounts immediately. The Compensation Committee believes that providing employees with tax deferral opportunities aids in the attraction and retention of such employees. The value of the deferred compensation program is quantified each year and the program is reviewed periodically for its competitiveness. The value of deferred compensation has not had a significant impact on decisions regarding salary, annual incentive awards or long-term incentive grants for our NEOs.

Other benefits

The company's executive officers, including the NEOs, are eligible to participate in a number of broad-based benefit programs including health, disability and life insurance programs.

The NEOs also may receive certain perquisites including term life insurance coverage (although this program is closed to new entrants), financial counseling and tax preparation assistance, executive physicals, access to corporate country club memberships (although personal expenses are not reimbursed), spousal travel benefits and home security systems (although this program is closed to new entrants). The value of these benefits is reflected in the "All other compensation" column in the "2019 Summary compensation table."

The company does not provide tax gross-ups for these benefits to executives. These benefits are intended to provide executives with a competitive perquisite program that is reasonable and consistent with the company's overall approach to executive compensation. The total cost of these benefits is a small percentage of each NEO's total compensation.

The financial counseling and tax preparation assistance, country club memberships, home security system and spousal travel benefits are being discontinued at various dates on or before March 31, 2020.

Severance agreements

In addition to retirement payments, the company provides termination-related payments to individual executives through severance agreements, in the event of involuntary termination without cause and involuntary termination without cause following a change in control. Severance agreements are provided based on competitive market practice and the company's desire to ensure some level of income continuity should an executive's employment be terminated without cause. The company believes providing for such income continuity results in greater management stability and less unwanted and disruptive management turnover.

The level of severance benefits reflects the company's perception of competitive market practice for the NEOs' positions, based on assessments conducted by the Compensation Committee's consultant. Severance pay was established as a multiple of base salary and actual annual incentive compensation. The committee did not target specific dollar values. The amounts of potential payouts are outlined in the "Termination scenarios table" below.

Other compensation program features

Stock ownership guidelines

Stock ownership guidelines have been established for all senior executives and are intended to align the interests of executive management with those of our shareholders. The Compensation Committee has established guidelines of six-times base salary for the company's CEO, three-times base salary for the CFO and two-times base salary for the other NEOs.

Linking compensation to stock performance

Stock ownership guidelines align the interests of the NEOs with those of our shareholders, given that the increase or decrease in our stock price impacts the value of the NEOs' personal holdings.

In determining whether the executive has met the applicable ownership targets, the company considers all shares owned by the executive plus deferred shares and restricted stock units still subject to forfeiture, but not shares that are subject to unexercised options or performance shares still subject to forfeiture. As of March 2, 2020, none of the NEOs met the established guidelines. Each NEO is required to retain shares (net of tax withholding) earned under the company's long-term incentive plan until the ownership target is achieved.

Anti-pledging and anti-hedging policy

The company prohibits pledging company stock or hedging the economic risk related to such stock ownership. Please see "Corporate governance - Anti-hedging policy" for additional information.

Clawback provisions

The company maintains specific policies regarding the recovery ("clawback") of awards to deter certain types of conduct, including conduct that could affect the accuracy of the company's financial statements. These provisions apply to both short- and long-term incentive programs whereby, if personal misconduct or any fraudulent activity on the part of the executive leads to the restatement of company financial results, the company can clawback all or part

of an award. In such cases, the Compensation Committee has discretion, based on applicable facts and circumstances, to cause the company to recover all or any portion of the incentive paid or payable to the executive for some or all of the years covered by the restatement.

Tax accounting rules and regulations

Section 162(m) of the Internal Revenue Code generally disallows a federal income tax deduction to publicly traded companies for compensation paid to certain executives (and, beginning in 2018, certain former executive officers) to the extent such compensation exceeds \$1 million per executive in any fiscal year. Effective for tax years beginning after December 31, 2017, the exemption for performance-based compensation from the deduction limitation of Section 162(m) was repealed, unless certain transition relief for certain compensation arrangements in place as of November 2, 2017 is available. As such, certain compensation paid to covered individuals in excess of \$1 million may not be deductible.

The Compensation Committee retains the flexibility to award compensation that is consistent with the company's objectives and philosophy even if it does not qualify for a tax deduction. The Compensation Committee believes the tax deduction limitation should not be permitted to compromise the company's ability to design and maintain executive compensation arrangements that will attract and retain the executive talent we need to compete successfully. Accordingly, achieving the desired flexibility in the design and delivery of compensation may result in compensation that in certain cases is not deductible for federal income tax purposes.

Compensation of executive officers

2019 Summary compensation table

The following table sets forth information concerning compensation for our NEOs for the fiscal years ending December 31, 2019, 2018 and 2017:

Name and principal position	Year	Salary	Stock awards ⁽³⁾	Option awards ⁽⁴⁾	Non-equity incentive plan compensation ⁽⁵⁾	Change in pension value and nonqualified deferred compensation earnings ⁽⁶⁾	All other compensation ⁽⁷⁾	Total
Ward J. "Tim" Timken, Jr. Former Chairman, CEO and President ⁽¹⁾	2019	\$ 703,917	\$ 2,034,330	\$ 510,788	\$ 0	\$ 4,521,000	\$ 4,145,813	\$ 11,915,848
	2018	\$ 886,830	\$ 1,905,550	\$ 1,508,412	\$ 309,870	\$ 0	\$ 125,358	\$ 4,736,020
	2017	\$ 865,200	\$ 1,882,824	\$ 1,455,360	\$ 358,395	\$ 1,441,000	\$ 105,126	\$ 6,107,905
Terry L. Dunlap Interim CEO and President ⁽²⁾	2019	\$ 376,739	\$ 1,085,536	\$ 0	\$ 0	\$ 0	\$ 15,519	\$ 1,477,794
Kristopher R. Westbrooks Executive Vice President and Chief Financial Officer	2019	\$ 401,807	\$ 425,790	\$ 183,374	\$ 0	\$ 0	\$ 24,130	\$ 1,035,101
	2018	\$ 106,126	\$ 106,116	\$ 45,619	\$ 44,992	\$ 0	\$ 3,076	\$ 305,929
Frank A. DiPiero Executive Vice President, General Counsel and Secretary	2019	\$ 392,021	\$ 317,475	\$ 136,284	\$ 0	\$ 0	\$ 30,470	\$ 876,250
	2018	\$ 380,602	\$ 351,284	\$ 145,470	\$ 138,307	\$ 0	\$ 47,234	\$ 1,062,897
	2017	\$ 369,517	\$ 286,344	\$ 119,808	\$ 76,533	\$ 0	\$ 39,134	\$ 891,336
William P. Bryan Executive Vice President, Manufacturing and Supply Chain	2019	\$ 297,405	\$ 180,525	\$ 77,560	\$ 0	\$ 275,000	\$ 22,644	\$ 853,134
	2018	\$ 288,743	\$ 198,840	\$ 82,806	\$ 92,483	\$ 0	\$ 26,090	\$ 688,962
	2017	\$ 263,970	\$ 143,172	\$ 59,904	\$ 43,031	\$ 154,000	\$ 20,604	\$ 684,681
Thomas D. Moline Executive Vice President, Commercial Operations	2019	\$ 297,405	\$ 180,525	\$ 77,560	\$ 0	\$ 270,000	\$ 15,699	\$ 841,189
	2018	\$ 288,743	\$ 198,840	\$ 82,806	\$ 87,438	\$ 0	\$ 20,759	\$ 678,586
	2017	\$ 271,758	\$ 190,314	\$ 79,872	\$ 46,905	\$ 157,000	\$ 20,760	\$ 766,609

(1) Mr. Timken's employment with the company ended on October 8, 2019. The amount reported as 2019 salary for Mr. Timken includes all salary compensation paid to him in 2019.

(2) The amount reported as salary for Mr. Dunlap reflects the sum of (a) amounts received as a non-employee director for his service as a member of the Board of Directors prior to his appointment as Interim CEO and President on October 8, 2019 and (b) amounts earned as Interim CEO and President from October 9, 2019 through December 31, 2019. Of the total salary amount, \$61,739 is attributable to non-employee director fees and \$315,000 is attributable to monthly salary earned as Interim CEO and President. Of the total stock awards, \$115,120 is attributable to the award of 11,735 deferred shares to Mr. Dunlap in May 2019 for his service as a non-employee director, and \$970,416 is attributable to the grant of 165,600 restricted stock units in connection with his appointment as Interim CEO and President.

(3) The amounts shown in this column represent, for 2019, the grant date fair value (calculated in accordance with FASB ASC Topic 718) of (a)(i) restricted stock units granted to Messrs. Timken, Westbrooks, DiPiero, Bryan and Moline on March 1, 2019 and to Mr. Dunlap on October 8, 2019 and (ii) deferred shares granted to Mr. Dunlap on May 7, 2019 for his service as a non-employee director, disregarding in each case estimates for forfeitures; and (b) performance shares (subject to being earned based upon achievement of the established performance objectives) granted to Messrs. Timken, Westbrooks, DiPiero, Bryan and Moline on March 1, 2019, assuming target achievement of the established performance objectives, which was the probable outcome on the grant date. Should performance equal or exceed the maximum goals for these 2019 performance shares, the grant date fair value for such awards would be as follows: Mr. Timken – \$2,097,203; Mr. Westbrooks – \$227,835; Mr. DiPiero – \$169,943; Mr. Bryan – \$97,110 and Mr. Moline – \$97,110.

The restricted stock units granted to Messrs. Westbrooks, DiPiero, Bryan and Moline will vest in full on March 1, 2022, provided the named executive officer remains continuously employed by the company through that date. For Mr. Dunlap, the grant of deferred shares will vest in full on May 7, 2020 and the grant of restricted stock units will vest in full on October 8, 2020, provided he remains continuously in the service of the company through those respective dates. As a result of Mr. Timken's employment with the company ending on October 8, 2019, 7,097 of the 51,100 restricted stock units awarded to him in 2019 were canceled. The remaining 41,313 restricted stock units will vest on March 1, 2022.

The performance shares granted in 2019 to Messrs. Timken, Westbrooks, DiPiero, Bryan and Moline were awarded to track performance for the 2019-2021 cycle with a one-year holding period applied to allow for share price to impact the final award. On December 31, 2020, achievement of the established performance objectives for the 2019-2020 performance period will be scored and the portion of the performance shares which have been earned by each NEO, if any, will be determined, with any earned shares vesting on December 31, 2021. As a result of Mr. Timken's employment with the company ending on October 8, 2019, 9,358 of the 112,300 performance shares awarded to Mr. Timken were canceled. Any portion of the remaining 102,942 performance shares which are earned by Mr. Timken (based on achievement of the established performance objectives for the 2019-2020 performance period) will vest on December 31, 2021. Based

on assessment of ownership levels at the time of grant, the settlement for any 2019 performance shares earned will be in cash for Mr. Timken and in shares for Messrs. Westbrooks, DiPiero, Bryan and Moline.

- (4) The amounts shown in this column represent, for each year, the grant date fair value of nonqualified stock options (calculated in accordance with FASB ASC Topic 718) using the Black-Scholes model. All stock options vest at a rate of 25% per year. Assumptions used to determine the value of these nonqualified stock options are described in Note 16 of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2019. As a result of Mr. Timken's employment with the company ending on October 8, 2019, 46,100 options granted to Mr. Timken on March 1, 2019 and 50,550 options granted to Mr. Timken on February 14, 2018 were canceled and all remaining unvested options granted in 2017, 2018 and 2019 were vested.
- (5) The amounts shown in this column for 2019 represent cash payouts earned under the TimkenSteel Corporation Annual Performance Award plan for Messrs. Timken, Westbrooks, DiPiero, Bryan and Moline. Because the company's performance failed to meet threshold performance requirements in 2019, no APA payouts were earned for 2019. Mr. Dunlap does not participate in the Annual Performance Award plan. For additional information, see "Analysis of 2019 compensation – Annual incentive – 2019 Annual performance award decisions" in the Compensation Discussion and Analysis section of this proxy statement.
- (6) The amounts shown in this column for 2019 represent the difference between the amounts shown in the "2019 Pension benefits table" as of December 31, 2019, and those amounts calculated as of December 31, 2018. The amounts were calculated using the same assumptions used in 2018 and included in the footnotes of the "2019 Pension benefits table," except that the calculations as of December 31, 2019 utilized (a) a discount rate of 3.51% (while a discount rate of 4.40% was used for the calculation as of December 31, 2018) and (b) updated mortality statistics consistent with the 2019 mortality projection scale of the Society of Actuaries. The increase in value of \$4.521 million for Mr. Timken is comprised of an increase of \$1.692 million from the use of the lower discount rate and an increase of \$2.905 million from other assumption changes due to Mr. Timken's employment ending, offset by a decrease of \$76,000 from the use of the updated mortality projection scale. The increase in value of \$275,000 for Mr. Bryan is comprised of an increase of \$146,000 from the use of the lower discount rate and an increase of \$137,000 from the accrual of additional benefit service, offset by a decrease of \$8,000 from the use of the updated mortality projection scale. The increase in value of \$270,000 for Mr. Moline is comprised of an increase of \$165,000 from the use of the lower discount rate and an increase of \$112,000 from the accrual of additional benefit service, offset by a decrease of \$7,000 from the use of the updated mortality projection scale. Messrs. Dunlap, Westbrooks and DiPiero are not eligible for company-paid pension benefits. For additional information, please see "2019 Pension benefits table" in this proxy statement.

Liabilities were determined assuming no probability of termination, retirement, death or disability before age 62 (the earliest age unreduced pension benefits are payable from the plans) except for Mr. Timken, for whom a commencement age of 55 was used. None of the NEOs earned above-market earnings in a deferred compensation plan. For additional information, see the discussion below under "Pension benefits."

- (7) The amounts shown in this column for 2019 are broken down in detail in the following table ^(a):

Name	Annual company contribution to SIP plan and core DC program ^(b)	Annual company contribution to post-tax savings benefit ^(c)	Annual life insurance premium (company paid)	Executive physicals (company recommended)	Financial planning reimbursement	Home security	Personal use of company's country club memberships ^(d)	Spousal travel ^(e)	Life insurance ^(f)	Other ^(g)
Ward J. "Tim" Timken Jr.	\$ 25,200	\$ 75,168	\$ 2,937	\$ 1,374	\$ 0	\$ 378	\$ 99	\$ 0	\$ 1,937	\$ 4,038,721
Terry L. Dunlap	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,633	\$ 12,886
Kristopher R. Westbrooks	\$ 18,200	\$ 1,317	\$ 0	\$ 2,828	\$ 1,375	\$ 0	\$ 0	\$ 0	\$ 410	\$ 0
Frank A. DiPiero	\$ 23,800	\$ 0	\$ 0	\$ 2,063	\$ 1,970	\$ 0	\$ 0	\$ 0	\$ 2,637	\$ 0
William P. Bryan	\$ 12,600	\$ 0	\$ 0	\$ 1,743	\$ 5,000	\$ 0	\$ 1,392	\$ 0	\$ 1,909	\$ 0
Thomas D. Moline	\$ 12,600	\$ 0	\$ 0	\$ 0	\$ 1,855	\$ 0	\$ 0	\$ 0	\$ 1,244	\$ 0

- (a) The company does not provide tax gross-ups for executive benefits.
- (b) The "SIP plan" refers to the Savings and Investment Pension Plan, which is the company's qualified defined contribution plan for salaried employees. "Core DC program" refers to the core defined contribution program for salaried employees hired on or after January 1, 2004, as well as for salaried employees whose age plus years of service with The Timken Company (the company's former parent company) equaled less than 50 as of December 31, 2003. In 2019, Messrs. Timken, Westbrooks and DiPiero received core DC program contributions.
- (c) The "Post-tax savings benefit" is the company's non-tax qualified restoration benefit for salaried employees whose contributions and benefits in qualified retirement plans are limited by Section 415 of the Internal Revenue Code.
- (d) The amounts shown for Messrs. Timken and Bryan represent compensation attributable to personal use of country club memberships during 2019. Amounts shown for personal use of country club memberships include pro-rated amounts of company-paid annual membership dues attributed to the personal use of country clubs by the NEO. There are no incremental costs to the company for other personal expenses associated with such personal use, as all such costs are borne by the executive.
- (e) None of the NEOs received compensation attributable to spousal travel during 2019. If an NEO had received compensation in the form of spousal travel benefits, amounts shown for spousal travel would have included actual incremental travel expenses.
- (f) The amounts shown represent imputed income for the cost of pre-tax term life insurance (which is provided by the company for all salaried employees equal to one times their annual salary) for the portion that exceeds the IRS pre-tax limit of \$50,000.
- (g) The amount shown for Mr. Timken represents payments made as a result of his separation from the company on October 8, 2019 and in accordance with the severance agreement previously entered into between Mr. Timken and the company. Pursuant to this agreement, Mr. Timken received severance pay equal to two times his current base salary plus two times his target annual cash incentive opportunity. For additional information, see "Potential payments upon termination or change in control." The amount shown for Mr. Dunlap represents personal benefits received as a result of his appointment as Interim CEO and President on October 8, 2019, including rental payments for his apartment in Canton and mileage reimbursement for commutes to his primary residence.

2019 Grants of plan-based awards table

The following table sets forth information concerning potential awards payable to our NEOs with respect to the short-term and long-term incentive award opportunities granted in 2019:

Name	Grant date	Estimated future payouts under non-equity incentive plan awards			Estimated future payouts under equity incentive plan awards			All other stock awards: number of shares of stock or units	All other option awards: number of securities underlying options	Exercise or base price of option awards (\$/share)	Grant date fair value of stock and option awards ⁽⁶⁾
		Threshold	Target	Maximum	Threshold	Target	Maximum				
Ward J. "Tim" Timken, Jr.	03/01/2019 APA ⁽¹⁾ 03/01/2019 RSUs ⁽²⁾ 03/01/2019 NQSOs ⁽³⁾ 03/01/2019 Perf RSUs ⁽⁴⁾	\$ 0	\$844,700	\$ 1,689,400				51,100	92,200	\$ 12.45	\$ 636,195 \$ 510,788 \$ 1,398,135
Terry L. Dunlap	05/07/2019 Def. Shares ⁽⁵⁾ 10/08/2019 RSUs ⁽²⁾							11,735 165,600			\$ 115,120 \$ 970,416
Kristopher R. Westbrooks	03/01/2019 APA ⁽¹⁾ 03/01/2019 RSUs ⁽²⁾ 03/1/2019 NQSO ⁽³⁾ 03/01/2019 Perf RSUs ⁽⁴⁾	\$ 0	\$281,265	\$ 562,529				22,000	33,100	\$ 12.45	\$ 273,900 \$ 183,374 \$ 151,890
Frank A. DiPiero	03/01/2019 APA ⁽¹⁾ 03/01/2019 RSUs ⁽²⁾ 03/01/2019 NQSOs ⁽³⁾ 03/01/2019 Perf RSUs ⁽⁴⁾	\$ 0	\$235,212	\$ 470,425				16,400	24,600	\$ 12.45	\$ 204,180 \$ 136,284 \$ 113,295
William P. Bryan	03/01/2019 APA ⁽¹⁾ 03/01/2019 RSUs ⁽²⁾ 03/01/2019 NQSOs ⁽³⁾ 03/01/2019 Perf RSUs ⁽⁴⁾	\$ 0	\$148,703	\$ 297,405				9,300	14,000	\$ 12.45	\$ 115,785 \$ 77,560 \$ 64,740
Thomas D. Moline	03/01/2019 APA ⁽¹⁾ 03/01/2019 RSUs ⁽²⁾ 03/01/2019 NQSOs ⁽³⁾ 03/01/2019 Perf RSUs ⁽⁴⁾	\$ 0	\$148,703	\$ 297,405				9,300	14,000	\$ 12.45	\$ 115,785 \$ 77,560 \$ 64,740

(1) "APA" reflects the annual incentive opportunity available to each of the NEOs under the TimkenSteel Corporation Annual Performance Award plan at threshold, target and maximum performance levels for the 2019 performance period. Mr. Dunlap does not participate in the Annual Performance Award plan.

(2) "RSUs" refers to restricted stock units granted to each of the NEOs on the grant date indicated. Restricted stock units reported in this table for Messrs. Westbrooks, DiPiero, Bryan and Moline will vest in full on March 1, 2022 provided the executive maintains continuous employment with the company through that date. For Mr. Dunlap, the restricted stock units reported in this table reflect the grant received upon his appointment as Interim CEO and President on October 8, 2019, which will vest in full on October 8, 2020 provided he remains in the continuous service of the company through that date. For Mr. Timken, because his employment ended on October 8, 2019, 7,097 of the 51,100 restricted stock units awarded to him were canceled. The remaining 41,313 of Mr. Timken's restricted stock units will vest on March 1, 2022. For additional information, see "Analysis of 2019 compensation - Long-term incentives" in the Compensation discussion and analysis section of this proxy statement. For additional information regarding vesting of equity in the event of a change in control or other termination scenarios, see "Potential payments upon termination or change in control."

(3) "NQSOs" refers to the nonqualified stock options granted to each of the NEOs (except Mr. Dunlap, who was not awarded nonqualified stock options) on the grant date indicated. Each grant of NQSOs reported in the table has an exercise price equal to the fair market value (as defined in the plan) on the date of grant, has a ten-year term and will become exercisable over four years in 25% increments on the anniversary of the grant date. As a result of Mr. Timken's employment with the company ending on October 8, 2019, 46,100 options granted to Mr. Timken on March 1, 2019 were canceled and the remaining 46,100 options were vested. For additional information, see "Analysis of 2019 Compensation - Long-term incentives" in the Compensation discussion and analysis section of this proxy statement. For additional information regarding vesting of equity in the event of a change in control or other termination scenarios, see "Potential payments upon termination or change in control."

(4) The "Perf RSUs" amounts reported in this table indicate threshold, target and maximum award opportunities for the performance shares granted to the NEOs (except Mr. Dunlap, who was not awarded performance shares) on March 1, 2019. The performance shares granted in 2019 were awarded to track performance for the 2019-2021 cycle with a one-year holding period applied to allow for share price to impact the final award. On December 31, 2020, achievement of the established performance objectives for the 2019-2020 performance period will be scored and the portion of the performance shares which have been earned by each NEO, if any, will be determined, with any shares earned vesting on December 31, 2021. As a result of Mr. Timken's employment with the company ending on October 8, 2019, 9,358 of the 112,300 performance shares awarded to Mr. Timken were canceled. Any portion of the remaining 102,942 performance shares which are earned by Mr. Timken (based on achievement of the established performance objectives for the 2019-2020 performance period) will vest on December 31, 2021. For additional information, see "Analysis of 2019 Compensation - Long-term incentives" in the Compensation discussion and analysis section of this proxy statement. For additional information regarding vesting of equity in the event of a change in control or other termination scenarios, see "Potential payments upon termination or change in control."

(5) "Def. Shares" refers to deferred shares awarded to Mr. Dunlap on May 7, 2019, for his service as a non-employee director. These deferred shares will vest in full on May 7, 2020, provided Mr. Dunlap remains in the continuous service of the company through that date.

(6) The amounts shown in this column reflect the fair value on the date of grant of RSUs, deferred shares, stock options and performance shares granted in 2019, computed in accordance with FASB ASC Topic 718. The fair value of RSUs and deferred shares is equal to the closing price of TimkenSteel common shares on the date of grant multiplied by the number of RSUs or deferred shares granted. The fair value of stock options is determined using the Black-Scholes model. The fair value of performance shares is equal to the closing price of TimkenSteel common shares on the date of grant multiplied by the target number of performance shares granted, which was the probable outcome on the grant date.

Outstanding equity awards at 2019 year-end table

The following table sets forth information concerning unexercised stock options and stock awards that have not yet vested for each of our NEOs as of December 31, 2019:

Name	Option awards ⁽¹⁾					Stock awards ⁽²⁾				
	Grant date	Number of securities underlying unexercised options exercisable	Number of securities underlying unexercised options unexercisable	Option exercise price (\$/share)	Option expiration date	Grant date	Number of shares or units of stock that have not vested	Market value of shares or units of stock that have not vested	Equity incentive plan awards: number of unearned shares, units or other rights that have not vested	Equity incentive plan awards: market or payout value of unearned shares, units or other rights that have not vested
Ward J. "Tim" Timken, Jr. ⁽³⁾	02/08/2010	52,300	0	\$ 13.61	02/08/2020	03/01/2019	41,313	\$ 324,720	51,471	\$ 404,562
	02/08/2011	53,000	0	\$ 29.95	02/08/2021					
	02/09/2012	45,100	0	\$ 31.06	02/09/2022					
	02/07/2013	46,450	0	\$ 33.76	10/08/2022					
	02/13/2014	46,000	0	\$ 34.26	10/08/2022					
	01/29/2015	95,000	0	\$ 29.00	10/08/2022					
	02/17/2016	319,960	0	\$ 7.46	10/08/2022					
	02/15/2017	189,500	0	\$ 17.46	10/08/2022					
	02/14/2018	151,650	0	\$ 16.57	10/08/2022					
	03/01/2019	46,100	0	\$ 12.45	10/08/2022					
Terry L. Dunlap						05/07/2019	11,735	\$ 92,237		
						10/08/2019	165,600	\$ 1,301,616		
Kristopher R. Westbrooks	09/24/2018	1,760	5,280	\$ 14.34	09/24/2028	09/24/2018	7,400	\$ 58,164	6,100	\$ 47,946
	03/01/2019	0	33,100	\$ 12.45	03/01/2029	03/01/2019	22,000	\$ 172,920		
Frank A. DiPiero	08/05/2014	8,700	0	\$ 46.08	08/05/2024	02/15/2017 02/14/2018 03/01/2019	10,500 13,600 16,400	\$ 82,530 \$ 106,896 \$ 128,904	4,550	\$ 35,763
	01/29/2015	9,000	0	\$ 29.00	01/29/2025					
	02/17/2016	21,945	7,315	\$ 7.46	02/17/2026					
	02/15/2017	7,800	7,800	\$ 17.46	02/15/2027					
	02/14/2018	4,875	14,625	\$ 16.57	02/14/2028					
	03/01/2019	0	24,600	\$ 12.45	03/01/2029					
William P. Bryan	02/08/2011	1,300	0	\$ 29.95	02/08/2021	02/15/2017 02/14/2018 03/01/2019	5,300 7,700 9,300	\$ 41,658 \$ 60,522 \$ 73,098	2,600	\$ 20,436
	02/09/2012	1,800	0	\$ 31.06	02/09/2022					
	02/07/2013	1,800	0	\$ 33.76	02/07/2023					
	02/13/2014	1,600	0	\$ 34.26	02/13/2024					
	01/29/2015	5,500	0	\$ 29.00	01/29/2025					
	02/17/2016	8,570	3,690	\$ 7.46	02/17/2026					
	02/15/2017	3,900	3,900	\$ 17.46	02/15/2027					
	02/14/2018	2,775	8,325	\$ 16.57	02/14/2028					
	03/01/2019	0	14,000	\$ 12.45	03/01/2029					
	Thomas. D Moline	02/08/2011	2,800	0	\$ 29.95					
02/09/2012		2,150	0	\$ 31.06	02/09/2022					
02/07/2013		2,250	0	\$ 33.76	02/07/2023					
02/13/2014		1,750	0	\$ 34.26	02/13/2024					
01/29/2015		5,500	0	\$ 29.00	01/29/2025					
02/17/2016		10,750	4,875	\$ 7.46	02/17/2026					
02/15/2017		5,200	5,200	\$ 17.46	02/15/2027					
02/14/2018		2,775	8,325	\$ 16.57	02/14/2028					
03/01/2019		0	14,000	\$ 12.45	03/01/2029					

(1) All option awards reported in this table are nonqualified stock options that vest ratably 25% per year over the four-year period from the date of grant.

(2) Stock awards reported in this table include, for Messrs. Timken, DiPiero, Bryan and Moline, performance shares and restricted stock units; and, for Mr. Dunlap, deferred shares and restricted stock units. Performance shares (reported under the Equity incentive plan awards column) were granted on March 1, 2019, with performance against the established objectives measured over a two-year performance period ending on December 31, 2020, and with any earned shares vesting following an additional one-year holding period to allow for share price to impact the value of the final award. The number of shares reported for the performance shares granted on March 1, 2019 reflects the number of shares that would be earned by each respective NEO assuming threshold performance is achieved under the established performance objectives. The settlement for any performance shares earned will be in cash for Mr. Timken and in shares for Messrs. Westbrooks, DiPiero, Bryan and Moline.

Restricted stock units were granted to Messrs. DiPiero, Bryan and Moline on February 15, 2017, February 14, 2018 and March 1, 2019; to Mr. Westbrooks on September 24, 2018 and March 1, 2019; and to Mr. Timken on March 1, 2019. Each of these grants of RSUs vests on the third anniversary of their respective grant dates.

Deferred shares were granted to Mr. Dunlap on May 7, 2019 as compensation for his service as a non-employee director, and restricted stock units were granted to Mr. Dunlap on October 8, 2019 in connection with his appointment as Interim CEO and President. Each of Mr. Dunlap's stock awards will vest on the first anniversary of grant date.

The market value of all shares and awards reported in this table was determined based upon the closing price of TimkenSteel's common shares on December 31, 2019, the last trading day of the year, which was \$7.86.

(3) As a result of Mr. Timken's employment with the company ending on October 8, 2019, 46,100 options granted to Mr. Timken on March 1, 2019 and 50,550 options granted to Mr. Timken on February 14, 2018 were canceled and the remaining 321,940 unvested options granted in 2016, 2017, 2018 and 2019 were immediately vested. As a result of Mr. Timken's employment with the company ending, all outstanding options remain exercisable for three years. Additionally, 7,097 of the 51,100 restricted stock units awarded to Mr. Timken in 2019 were canceled, and 2,690 of the restricted stock units awarded in 2019 were withheld to satisfy tax withholding requirements as the awards are no longer subject to a substantial risk of forfeiture. Finally, 9,358 of the 112,300 performance shares awarded to Mr. Timken on March 1, 2019 were canceled.

2019 Option exercises and stock vested table

The following table sets forth information with respect to the exercise of stock options by and vesting of stock-based awards for our NEOs during 2019.

Name	Option awards ⁽¹⁾		Stock awards ⁽²⁾	
	Number of shares acquired on exercise	Value realized on exercise	Number of shares acquired on vesting	Value realized on vesting
Ward J. "Tim" Timken, Jr.	0	0	0	\$0
Terry L. Dunlap ⁽³⁾	0	0	7,155	\$76,201
Kristopher R. Westbrook	0	0	0	\$0
Frank A. DiPiero	0	0	14,750	\$183,638
William P. Bryan	0	0	7,500	\$93,375
Thomas D. Moline	0	0	10,000	\$124,500

⁽¹⁾ There were no exercises of stock options by any of our NEOs during 2019.

⁽²⁾ The value realized on vesting for stock awards is calculated by multiplying the number of shares acquired on vesting by the fair market value of TimkenSteel common shares on the vesting date. For purposes of this calculation, the fair market value of restricted stock units which vest is equal to the closing price of our common shares on the vesting date. The value shown in the table does not include performance shares granted for the 2018-2019 cycle, as performance results for the cycle fell below threshold requirements. Accordingly, all performance shares granted for the 2018-2019 performance cycle were canceled without a payout.

⁽³⁾ The value realized on vesting of stock awards for Mr. Dunlap reflects the vesting of deferred shares granted to Mr. Dunlap in 2018 for his service as a non-employee director. These shares vested on May 7, 2019, prior to his appointment as Interim CEO and President.

Pension benefits

Qualified Plan

In connection with the spinoff of TimkenSteel from The Timken Company on June 30, 2014, TimkenSteel adopted a tax-qualified defined benefit retirement plan (the "Qualified Plan") which is substantially similar to the defined benefit retirement plan maintained by The Timken Company prior to spinoff. Years of service with The Timken Company prior to spinoff count toward years of service under the Qualified Plan.

Pursuant to the Qualified Plan, salaried employees whose age plus years of service equaled or exceeded 50 as of December 31, 2003, participate in a defined benefit plan with a formula of 0.75% per year of service times average earnings, including base salary and cash annual incentive compensation, for the highest five non-consecutive years of the ten years preceding retirement ("Final Average Earnings"). For all employees in a defined benefit plan as of December 31, 2003, the formula in effect at the time of service, using Final Average Earnings at retirement, is applied to such service.

The benefit is generally payable beginning at age 65 for the lifetime of the employee, with alternative forms of payment available with actuarial adjustments. Participants may retire early for purposes of the Qualified Plan if they meet any of the following eligibility requirements:

- Age 62 and 15 years of service;
- Age 60 and 25 years of service; or
- Any age and 30 years of service.

In addition, participants age 55 with at least 15 years of service may retire and receive the portion of their Qualified Plan benefit attributable to service earned after 2003.

Benefits for service after December 31, 1991, are reduced for early commencement at a rate of 3% per year before the age of 60 for the portion of the benefit attributable to service earned between 1992 and 2003, and 4% per year before age 62 for the portion of the benefit attributable to service earned after 2003.

Benefits for a NEO who dies while actively employed are payable to the surviving spouse from the defined benefit pension plans at the NEO's normal retirement date (or on a reduced basis at an early retirement date) if the NEO had at least five years of service. The benefit is equal to 50% of the benefit payable if the NEO had terminated employment on the date of his death, survived to the payment date (as elected by his spouse), elected the 50% joint and survivor form of payment and died the next day. If the NEO had at least 15 years of service at the time of his death, the benefit is equal to 50% of the accrued benefit at time of death payable immediately, but with any applicable early commencement reduction.

Supplemental Pension Plan

In connection with the spinoff, the company also adopted the Supplemental Pension Plan of TimkenSteel Corporation (effective June 30, 2014), or the TimkenSteel SERP, which is substantially similar to the supplemental pension plan maintained by The Timken Company prior to the spinoff. Supplemental retirement income benefits under the TimkenSteel SERP are calculated using a target benefit of 60% of Final Average Earnings, offset by any defined benefit plan payments provided by the company and the aggregate earnings opportunity provided by any company contributions under the core defined contribution program (the TimkenSteel Corporation Savings and Investment Pension Plan) and the post-tax savings benefit. The supplemental benefit will vest after five years of service as an officer of the company, with normal retirement being considered as of age 62. Early retirement at age 55 with at least 15 years of company service is available, but if benefits are commenced early, they will be reduced by 4% per year for each year of early commencement prior to age 62.

For both the Qualified Plan and the TimkenSteel SERP, only actual years of service with TimkenSteel and, prior to the spinoff, The Timken Company, are counted in calculating pension benefits, except in the case of involuntary termination without cause, in which case up to two additional years of service will be credited.

In November 2019, the Qualified Plan and the SERP were each amended to provide that additional benefit accruals for any remaining active participants will cease effective December 31, 2020.

2019 Pension benefits table

The following table sets forth the number of years of credited service and actuarial value of the defined benefit pension plans for our NEOs as of December 31, 2019:

Name	Plan name	Number of years of credited service	Present value of accumulated benefit ⁽¹⁾
Ward J. "Tim" Timken, Jr. ⁽²⁾	Supplemental Plan	27.6	\$ 13,055,000
	Qualified Plan	11.6	\$ 227,000
Terry L. Dunlap ⁽³⁾	Supplemental Plan	N/A	\$ -
	Qualified Plan	N/A	\$ -
Kristopher R. Westbrooks ⁽³⁾	Supplemental Plan	N/A	\$ 0
	Qualified Plan	N/A	\$ 0
Frank A. DiPiero ⁽³⁾	Supplemental Plan	N/A	\$ 0
	Qualified Plan	N/A	\$ 0
William P. Bryan	Supplemental Plan	42.5	\$ 335,000
	Qualified Plan	42.5	\$ 1,107,000
Thomas D. Moline	Supplemental Plan	35.5	\$ 301,000
	Qualified Plan	35.5	\$ 1,007,000

⁽¹⁾ The "Present Value of Accumulated Benefit" is the present value, as of December 31, 2019. Age 62 is the earliest age an unreduced benefit is payable from the plans. The assumptions used to determine the present value include a 3.51% discount rate and updated mortality statistics consistent with the 2019 Society of Actuaries revised mortality projection scale. Benefits for the applicable NEOs were determined assuming no probability of termination, retirement, death or disability before age 62, except for Mr. Timken for whom a commencement age of 55 was used.

⁽²⁾ Because Mr. Timken did not have a combination of age and service that equaled or exceeded 50 as of December 31, 2003, he did not accumulate any service under the Qualified Plan after December 31, 2003.

⁽³⁾ Because Messrs. Dunlap, Westbrooks and DiPiero were hired after January 1, 2004, they do not accumulate any service under either the Supplemental or Qualified Plan.

2019 Nonqualified deferred compensation table

The table below sets forth information regarding contributions, earnings and withdrawals during 2019 and the account balances as of December 31, 2019, for the NEOs under the TimkenSteel Corporation Deferred Compensation Plan:

Name	Executive contributions in 2019 ⁽¹⁾	Company contributions in 2019 ⁽¹⁾	Aggregate earnings in 2019 ⁽²⁾	Aggregate withdrawals/distributions in 2019	Aggregate balance at December 31, 2019 ⁽³⁾
Ward J. "Tim" Timken, Jr.	\$ 35,827	\$ 75,168	\$ 206,263	\$ -	\$ 2,802,387
Terry L. Dunlap	\$ -	\$ -	\$ -	\$ -	\$ -
Kristopher R. Westbrooks	\$ -	\$ 1,317	\$ -	\$ -	\$ 1,317
Frank A. DiPiero	\$ -	\$ -	\$ -	\$ -	\$ -
William P. Bryan	\$ -	\$ -	\$ -	\$ -	\$ -
Thomas D. Moline	\$ -	\$ -	\$ -	\$ -	\$ -

⁽¹⁾ Amounts shown as executive contributions or company contributions in 2019 are reported in the 2019 Summary compensation table.

⁽²⁾ This amount includes interest earned from cash deferrals. Earnings during this year and previous years were not above market or preferential; therefore, these amounts are not included in the 2019 Summary compensation table.

⁽³⁾ Amounts included in the aggregate balances that previously were reported as compensation in the Summary compensation table for previous years (or would have been had the recipient been identified as a NEO for such years) are as follows: Mr. Timken, \$1,776,608.

Potential payments upon termination or change in control

The company has entered into severance agreements with each of its NEOs (other than Mr. Dunlap) that provide for compensation in the event of termination of employment under certain circumstances (the "Severance Agreements"). In addition, our NEOs are entitled to post-termination payments or benefits under award agreements entered into under the TimkenSteel Amended and Restated 2014 Equity and Incentive Compensation Plan and, under certain circumstances, under our retirement and benefit plans. The following circumstances would trigger post-termination payments to our named executive officers: change in control followed by certain events described below; involuntary termination without cause; retirement; permanent disability; and death. For purposes of calculating the payments that would be due to each of our NEOs, the termination scenarios described below assume a December 31, 2019 termination date.

Change in control

Under the Severance Agreements with our NEOs, when certain events occur, such as a reduction in responsibilities or termination of employment without cause, following a change in control of the company (as defined in the Severance Agreements), the NEO is entitled to receive a cash severance payment in an amount equal to a multiple of three times the sum of his annual base salary and the greater of: (1) his target annual amount of incentive compensation for the year in which he terminates employment; or (2) his target annual amount of incentive compensation for the year in which the change in control occurs. The form of Severance Agreement does not contain an excise tax gross-up provision. Rather, the agreements provide that the NEO can choose the "best net" benefit of either: (1) paying all excise taxes incurred with respect to the change in control benefits, without a gross-up by the company; or (2) accepting aggregate change in control benefits that do not exceed the excise tax threshold. In the event of a change in control, the amounts payable under the Severance Agreements would become secured by a trust arrangement.

In addition, the NEO would receive a lump sum amount representing the SERP benefit. The lump sum amount is determined by calculating the benefit under the Qualified Plan and the SERP assuming the NEO continued to earn service for three additional years with annual earnings during those three years equal to the compensation described above. This lump sum is determined based on mortality tables and interest rates promulgated by the IRS under Section 417(e)(3) of the Internal Revenue Code and would be reduced by the lump sum equivalent of the benefit payable from the Qualified Plan.

Under the terms of the agreements pursuant to which equity is awarded to our NEOs, if following a change in control there would be a loss of equity by the NEO because (a) the equity of the company is not continued and the value of the equity award is not replaced with an equivalent equity instrument of the surviving entity or (b) the NEO's employment is involuntarily terminated or voluntarily terminated with good cause (as defined in the agreement), then in those circumstances any unvested equity-based grants would vest and become nonforfeitable and the NEO would have three years to exercise all stock options.

Finally, the NEO would be entitled to continuation of health and welfare benefits for three years and career outplacement services.

Voluntary termination

In the case of a voluntary termination of employment by an NEO, the NEO is not entitled to receive, and the company will not make any cash severance, retirement benefits or other perquisite payments, and unvested equity-based grants will not vest.

Involuntary termination with cause

The company provides no cash severance, retirement benefits, other perquisite payments or vesting of any equity-based grants when an NEO is terminated by the company with cause. As used in the Severance Agreements, termination with "cause" means the commission of an intentional act of fraud, embezzlement or theft in connection with the NEO's duties with the company; an intentional wrongful disclosure of secret processes or confidential information of the company or a company subsidiary; or an intentional wrongful engagement in any competitive activity (as defined in the Severance Agreements) which would constitute a material breach of the officer's duty of loyalty to the company.

If the company terminates the NEO's employment for cause, any benefit payable from a qualified plan will be forfeited.

Involuntary termination without cause

The Severance Agreements with our NEOs provide that, in the case of an involuntary termination without cause, the NEO is entitled to severance equal to 1.5 times the sum of his base salary and highest annual incentive compensation during the preceding five years (not to exceed target), except that the agreement with our former Chairman, CEO and President entitled him to severance of 2 times the sum of his base salary and highest annual incentive compensation during the preceding five years (not to exceed target). Each NEO also is entitled to continuation of health and welfare benefits through the severance period and career outplacement services. In consideration for providing severance benefits, the company receives confidentiality and non-compete covenants from the NEOs, as well as a release of liability for all claims against the company.

Retirement

"Retirement" means either: (1) retirement of the NEO prior to age 62, if the Compensation Committee of the Board of Directors determines that such retirement is for the convenience of the company; or (2) retirement of the NEO on or after age 62.

In addition to retirement benefits shown in the "2019 Pension benefits table" (which are not shown in the following table of termination scenarios), NEOs who retire under the circumstances described above will be entitled to receive prorated payouts of performance shares and continued normal vesting of other unvested equity awards as if the officer had remained in the continuous employ of the company for the remainder of the vesting period.

Death or permanent disability

"Permanent Disability" occurs if the NEO qualifies for permanent disability benefits under a disability plan or program of the company or, in the absence of a disability plan or program of the company, under a government-sponsored disability program.

All equity-based awards immediately vest in the event of death or permanent disability except performance shares, which are prorated and then vest at the end of the performance period. In the case of disability, the NEO has up to five years to exercise stock options. In the case of the NEO's death, the NEO's beneficiary will have one year following the death to exercise stock options.

Termination scenarios for NEOs

Mr. Timken ⁽⁷⁾						
	Voluntary resignation	Termination with cause	Retirement ⁽⁶⁾	Death and disability	Termination without cause	Change in control
Cash severance	\$ 0	\$ 0	\$ 0	\$ 0	\$4,038,721	\$ 0
Equity	\$ 0	\$ 0	\$ 0	\$ 0	\$1,261,828	\$ 0
Retirement benefits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other benefits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50,000	\$ 0
Excise tax gross-up ⁽⁵⁾						\$ 0
Total	\$ 0	\$ 0	\$ 0	\$ 0	\$5,350,549	\$ 0
Mr. Dunlap ⁽⁸⁾						
	Voluntary resignation	Termination with cause	Retirement ⁽⁶⁾	Death and disability	Termination without cause	Change in control
Cash severance	\$ 0	\$ 0		\$1,035,000	\$1,035,000	\$1,035,000
Equity	\$ 0	\$ 0		\$1,393,853	\$ 314,128	\$1,393,853
Retirement benefits	\$ 0	\$ 0		\$ 0	\$ 0	\$ 0
Other benefits	\$ 0	\$ 0		\$ 0	\$ 0	\$ 0
Excise tax gross-up ⁽⁵⁾						\$ 0
Total	\$ 0	\$ 0	\$ 0	\$2,428,853	\$1,349,128	\$2,428,853
Mr. Westbrook						
	Voluntary resignation	Termination with cause	Retirement ⁽⁶⁾	Death and disability	Termination without cause	Change in control
Cash severance ⁽¹⁾	\$ 0	\$ 0		\$ 0	\$1,029,685	\$2,059,370
Equity ⁽²⁾	\$ 0	\$ 0		\$ 263,048	\$ 262,390	\$ 236,976
Retirement benefits ⁽³⁾	\$ 0	\$ 0		\$ 0	\$ 0	\$ 97,000
Other benefits ⁽⁴⁾	\$ 0	\$ 0		\$ 0	\$ 42,500	\$ 65,000
Excise tax gross-up ⁽⁵⁾						\$ 0
Total	\$ 0	\$ 0	\$ 0	\$ 263,048	\$1,334,575	\$2,458,346
Mr. DiPiero						
	Voluntary resignation	Termination with cause	Retirement ⁽⁶⁾	Death and disability	Termination without cause	Change in control
Cash severance ⁽¹⁾	\$ 0	\$ 0		\$ 0	\$ 945,439	\$1,890,878
Equity ⁽²⁾	\$ 0	\$ 0		\$ 316,456	\$ 352,217	\$ 364,140
Retirement benefits ⁽³⁾	\$ 0	\$ 0		\$ 0	\$ 0	\$ 115,000
Other benefits ⁽⁴⁾	\$ 0	\$ 0		\$ 0	\$ 42,500	\$ 65,000
Excise tax gross-up ⁽⁵⁾						\$ 0
Total	\$ 0	\$ 0	\$ 0	\$ 316,456	\$1,340,156	\$2,435,018
Mr. Bryan						
	Voluntary resignation	Termination with cause	Retirement ⁽⁶⁾	Death and disability	Termination without cause	Change in control
Cash severance ⁽¹⁾	\$ 0	\$ 0		\$ 0	\$ 672,426	\$1,344,852
Equity ⁽²⁾	\$ 0	\$ 0		\$ 147,131	\$ 194,565	\$ 201,379
Retirement benefits ⁽³⁾	\$ 0	\$ 0	\$ 72,000	\$ 0	\$ 0	\$ 268,000
Other benefits ⁽⁴⁾	\$ 0	\$ 0		\$ 0	\$ 42,500	\$ 65,000
Excise tax gross-up ⁽⁵⁾						\$ 0
Total	\$ 0	\$ 0	\$ 72,000	\$ 147,131	\$ 909,491	\$1,879,231
Mr. Moline						
	Voluntary resignation	Termination with cause	Retirement ⁽⁶⁾	Death and disability	Termination without cause	Change in control
Cash severance ⁽¹⁾	\$ 0	\$ 0		\$ 0	\$ 672,426	\$1,344,852
Equity ⁽²⁾	\$ 0	\$ 0		\$ 187,967	\$ 208,401	\$ 215,215
Retirement benefits ⁽³⁾	\$ 0	\$ 0	\$148,000	\$ 0	\$ 0	\$ 277,000
Other benefits ⁽⁴⁾	\$ 0	\$ 0		\$ 0	\$ 42,500	\$ 65,000
Excise tax gross-up ⁽⁵⁾						\$ 0
Total	\$ 0	\$ 0	\$148,000	\$ 187,967	\$ 923,327	\$1,902,067

- (1) "Cash severance" refers to amounts payable to each NEO (other than Messrs. Timken and Dunlap) under the Severance Agreements.
- (2) "Equity" includes the value of restricted stock units, performance shares and stock option grants which the NEO will be entitled to receive under the termination scenarios described in the table. As discussed above, equity-based grants immediately vest in the event of a change in control (as defined in the Severance Agreements) followed by an involuntary termination of employment or a termination of employment for good cause, or at the time of death or permanent disability. In the case of an involuntary termination without cause, equity-based grants will continue to vest through the period of time represented by the cash severance multiple. For purposes of calculating the value of equity reflected in this table, all full-share awards are valued at the closing price of our common shares on December 31, 2019, which was \$7.86. As of December 31, 2019, all outstanding stock options, with the exception of the February 17, 2016 grant, were below the exercise price, resulting in minimal value in the table. Our equity grant agreements include a double-trigger vesting requirement for awards in the event of a change in control.
- (3) "Retirement Benefits" represent the value of additional benefits earned under the qualified and supplemental plans as a result of a change in control.
- (4) "Other Benefits" includes the value of health and welfare benefits through the applicable severance period, with an estimated value of \$15,000 per year, plus outplacement services with an estimated value of \$20,000.
- (5) "Excise Tax Gross-Up" will not be triggered for any of the NEOs, as each of them has entered into an agreement that excludes the payment of tax gross-up amounts.
- (6) Values are shown under the retirement scenario only for those NEOs who were eligible for normal retirement or early retirement as of December 31, 2019.
- (7) The "cash severance" and "other benefits" amounts reflect the amounts paid to Mr. Timken as a result of his termination of employment with the company on October 8, 2019, in accordance with the terms of the Severance Agreement previously entered into between Mr. Timken and the company. The value reflected under "equity" for Mr. Timken includes the value as of December 31, 2019 of 319,960 nonqualified stock options granted on February 17, 2016, which were above the grant price of \$7.46; 41,313 restricted stock units that will vest on March 1, 2022 and are no longer subject to any risk of forfeiture; and 102,942 performance shares, which will vest on December 31, 2021, subject to satisfaction of the performance objectives established in March 2019. All other stock options held by Mr. Timken were underwater and had no value as of December 31, 2019.
- (8) The "cash severance" amount shown for Mr. Dunlap reflects the value of the monthly cash payments remaining to be paid at December 31, 2019, in accordance with the terms of the compensation package awarded Mr. Dunlap upon his appointment as Interim CEO and President. This compensation package guaranteed him pay of \$115,000 per month for a minimum of one year from the date of his appointment, except in the event of a voluntary resignation or termination for cause. Values shown under "equity" for Mr. Dunlap in the event of a change-in-control or death and disability include the value as of December 31, 2019 of 165,600 restricted stock units awarded Mr. Dunlap upon his appointment as Interim CEO and President and 11,735 deferred shares awarded him in May 2019 as compensation for his service as a non-employee director. The value shown under involuntary termination includes the prorated value of these restricted stock units and deferred shares assuming a termination date of December 31, 2019. For purposes of calculating the value of equity reflected in this table, all full-share awards (including restricted stock units and deferred shares) are valued at the closing price of our common shares on December 31, 2019, which was \$7.86.

CEO pay ratio

For 2019, the ratio of the annual total CEO compensation to the median of the annual total compensation of all of our employees and those of our consolidated subsidiaries (other than the CEO) as described below (“Median Annual Compensation”) was approximately 51 to 1. We note that, due to our permitted use of reasonable estimates and assumptions in preparing this CEO pay ratio disclosure, the disclosure may involve a degree of imprecision, and thus this CEO pay ratio disclosure is a reasonable estimate calculated in a manner consistent with Item 402(u) of Regulation S-K using the data and assumptions described below. In this summary, we refer to the employee who received the Median Annual Compensation as the “Median Employee.” For purposes of this disclosure, the date used to identify the Median Employee was December 31, 2017 (the “Determination Date”). For 2019, we elected to use the same Median Employee that we identified in 2017 as there have been no significant changes in our employee population or compensation arrangements that we believe would significantly impact our pay ratio disclosure.

For purposes of calculating the CEO pay ratio, the CEO compensation for 2019 was determined to be \$4,673,724, which matches Mr. Timken’s and Mr. Dunlap’s combined total compensation for their service as Chairman, CEO and President and Interim CEO and President, respectively, as reflected in the 2019 Summary compensation table, plus Mr. Timken’s company-paid health care benefit costs of \$16,663; but does not include the severance payment made to Mr. Timken. In the case of Mr. Dunlap, we used the amount shown in the “Total” column of the Summary compensation table, minus the amounts that were paid to Mr. Dunlap for his service as a non-employee director through October 8, 2019. With respect to the Median Employee, the Median Annual Compensation was calculated using the same methodology the company uses to calculate compensation for the named executive officers as set forth in the 2019 Summary compensation table included in this proxy statement, and then adjusted to add the value of company-paid health care benefit costs. The Median Annual Compensation for 2019 was determined to be \$92,369.

In terms of our selection of the Median Employee, on December 31, 2017, the company employed a total of 2,829 employees (including 2,789 employees based in the United States). The company determined the Median Employee as of December 31, 2017 by identifying total cash compensation for the period beginning on January 1, 2017 and ending on December 31, 2017 for 2,788 employees who were employed by the company on that date. This group of employees included all full- and part-time employees but excluded Mr. Timken and 40 non-U.S. employees (consisting of 22 employees in Mexico, 14 employees in China, 2 employees in the United Kingdom and 2 employees in Poland). This group of employees did not include any independent contractors or “leased” workers and did not exclude any employees of businesses acquired by us or combined with us. Further, we did not utilize any statistical sampling or cost-of-living adjustments for purposes of this CEO pay ratio disclosure. A portion of our employee workforce (full-time and part-time) identified above worked for less than the full fiscal year due to commencing employment after January 1, 2017. In determining the Median Employee, we annualized the total compensation for such individuals (but avoided creating full-time equivalencies) based on reasonable assumptions and estimates relating to our employee compensation program, including base salary, bonus payments, equity compensation and any imputed income.

Proposal 4

Approval of the TimkenSteel Corporation 2020 Equity and Incentive Compensation Plan

General

On February 12, 2020, upon recommendation by the Compensation Committee, the Board of Directors approved and adopted, subject to the approval of the company's shareholders at the annual meeting, the TimkenSteel Corporation 2020 Equity and Incentive Compensation Plan (the "2020 Plan") to succeed the TimkenSteel Corporation 2014 Equity and Incentive Compensation Plan, including as amended or amended and restated (the "2014 Plan" or the "Predecessor Plan").

You are being asked to approve the 2020 Plan. The 2020 Plan will continue to afford the Compensation Committee the ability to design compensatory awards that are responsive to the company's needs and authorizes a variety of award types designed to advance the interests and long-term success of the company by encouraging stock ownership among employees (including officers), non-employee directors and certain consultants or other service providers of the company and its subsidiaries.

Shareholder approval of the 2020 Plan would make available for issuance as awards under the 2020 Plan up to 2,000,000 new common shares, without par value, of the company ("Common Shares"), as described below and in the 2020 Plan, with such amount subject to adjustment, including under the share counting rules.

The Board recommends that you vote to approve the 2020 Plan. If the 2020 Plan is approved by shareholders at the annual meeting, it will be effective as of the day of the annual meeting, and no further grants will be made on or after such date under the Predecessor Plan. Outstanding awards under the Predecessor Plan, however, will continue in effect in accordance with their terms. If the 2020 Plan is not approved by our shareholders, no awards will be made under the 2020 Plan, and the Predecessor Plan will remain in effect.

The actual text of the 2020 Plan is attached to this proxy statement as Appendix B. The following description of the 2020 Plan is only a summary of its principal terms and provisions and is qualified by reference to the actual text as set forth in Appendix B.

Why we believe you should vote for this proposal

The 2020 Plan authorizes the Compensation Committee to provide cash awards and equity-based compensation in the form of stock options, stock appreciation rights ("SARs"), restricted shares, restricted share units ("RSUs"), performance shares, performance units, dividend equivalents, and certain other awards, including those denominated or payable in, or otherwise based on, Common Shares, for the purpose of providing incentives and rewards for service and/or performance to our employees (including our officers), non-employee directors and certain consultants and other service providers of the company and its subsidiaries. Some of the key features of the 2020 Plan that reflect our commitment to effective management of equity and incentive compensation are set forth below.

We believe our future success depends in part on our ability to attract, motivate and retain high quality employees and directors and that the ability to provide equity-based and incentive-based awards under the 2020 Plan is critical to achieving this success. We would be at a severe competitive disadvantage if we could not use share-based awards to recruit and compensate our employees and directors. The use of Common Shares as part of our compensation program is important because equity-based awards are an essential component of our compensation

program for key employees, as they help link compensation with long-term shareholder value creation and reward participants based on service and/or performance.

As of March 2, 2020, only 735 Common Shares remained available for issuance under the 2014 Plan. If the 2020 Plan is not approved, we may be compelled to increase significantly the cash component of our employee and director compensation. This approach may not necessarily align employee and director compensation interests with the investment interests of our shareholders. Replacing equity awards with cash also would increase cash compensation expense and use cash that could be better utilized if reinvested in our business or returned to our shareholders.

The following includes aggregated information regarding our view of the overhang and dilution associated with the Predecessor Plan and the potential dilution associated with the 2020 Plan. This information is as of March 2, 2020. As of that date, there were approximately 44,938,082 Common Shares outstanding.

Common Shares subject to outstanding awards and available for future awards under the 2014 Plan:

Total Common Shares subject to outstanding awards (stock options, time-based RSUs, deferred shares and performance-based RSUs assuming maximum performance): 4,864,689 shares (approximately 10.83% of our outstanding Common Shares)

Total Common Shares available for future awards under the 2014 Plan: 735 shares (approximately 0.00% of our outstanding Common Shares) (however, as noted above, no further grants will be made under the 2014 Plan upon the effective date of the 2020 Plan)

In summary, the total number of Common Shares subject to outstanding awards (4,864,689 shares), plus the total number of Common Shares available for future awards under the 2014 Plan (735 shares), represents a current overhang percentage of 9.76% (in other words, the potential dilution of our shareholders represented by the Predecessor Plan).

Proposed Common Shares available for awards under the 2020 Plan:

2,000,000 new shares (approximately 4.45% of our outstanding Common Shares, which percentage reflects the simple dilution of our shareholders that would occur if the 2020 Plan is approved), subject to adjustment, including under the share counting rules of the 2020 Plan.

The total Common Shares subject to outstanding awards as of March 2, 2020 (4,864,689 shares), plus the proposed Common Shares available for future awards under the 2020 Plan (up to 2,000,000 shares), represent a total overhang of 6,864,689 shares (13.25%) under the 2020 Plan.

Based on the closing price on the NYSE for our Common Shares on March 2, 2020 of \$5.26 per share, the aggregate market value as of March 2, 2020 of the up to 2,000,000 Common Shares requested under the 2020 Plan was \$10,520,000.

In fiscal years 2017, 2018, and 2019, we granted awards (including stock options, restricted stock units, performance-based restricted stock units and deferred shares) under the 2014 Plan covering 676,940 shares, 746,606 shares, and 1,090,838 shares, respectively. Based on our basic weighted average Common Shares outstanding for those three fiscal years of 44,445,747, 44,584,668, and 44,820,153, respectively, for the three-fiscal-year period 2017-2019, our average burn rate, not taking into account forfeitures, was 1.88%. (Our individual years' burn rates were 1.52% for fiscal 2017, 1.67% for fiscal 2018 and 2.43% for fiscal 2019.)

In determining the number of shares to request for approval under the 2020 Plan, our management team worked with the Compensation Committee to evaluate a number of factors, including our recent share usage and criteria expected to be utilized by institutional proxy advisory firms in evaluating our proposal for the 2020 Plan.

If the 2020 Plan is approved, we intend to utilize the shares authorized under the 2020 Plan to continue our practice of incentivizing key individuals through equity grants. We currently anticipate that the shares requested in connection with the approval of the 2020 Plan will last for about two years, based on our historic grant rates, new hiring and the approximate current share price, but could last for a different period of time if actual practice does not match recent rates or our share price changes materially. As noted below, our Compensation Committee retains full discretion under the 2020 Plan to determine the number and amount of awards to be granted under the 2020 Plan, subject to the terms of the 2020 Plan. Future benefits that may be received by participants under the 2020 Plan are not determinable at this time.

We believe that we have demonstrated a commitment to sound equity compensation practices in recent years. We recognize that equity compensation awards dilute shareholders' equity, so we have carefully managed our equity incentive compensation. Our equity compensation practices are intended to be competitive and consistent with market practices, and we believe our historical share usage has been responsible and mindful of shareholder interests, as described above.

In evaluating this proposal, shareholders should consider all of the information in this proposal.

2020 Plan highlights

Reasonable 2020 Plan limits

Generally, awards under the 2020 Plan are limited to 2,000,000 Common Shares, plus Common Shares subject to any forfeitures (or similar events) that occur under the 2014 Plan or the 2020 Plan after the effective date of the 2020 Plan. These shares may be shares of original issuance or treasury shares, or a combination of the two.

The 2020 Plan also provides that, subject as applicable to adjustment and the applicable Common Shares counting provisions as described in the 2020 Plan:

- the aggregate number of Common Shares actually issued or transferred upon the exercise of incentive stock options will not exceed 2,000,000 Common Shares;
- the number of Common Shares subject to awards granted under the 2020 Plan other than stock options or SARs (after taking into account any applicable share recycling provisions under the 2020 Plan) will not, during the life of the 2020 Plan, in the aggregate exceed 1,800,000 Common Shares; and
- no non-employee director will be granted, in any one calendar year, compensation for such service having an aggregate maximum value (measured at the date of grant and calculating the value of any awards based on the grant date fair value for financial reporting purposes) in excess of \$500,000.

Limited share recycling provisions

Subject to certain exceptions described in the 2020 Plan, if any award granted under the 2020 Plan (in whole or in part) is canceled or forfeited, expires, is settled for cash, or is unearned, the Common Shares subject to such award, to the extent of such cancellation, forfeiture, expiration, cash settlement, or unearned amount, will again be available under the 2020 Plan. Additionally, if after the effective date of the 2020 Plan, any Common Shares subject to an award granted under the Predecessor Plan are forfeited, or an award granted under the Predecessor Plan (in whole or in part) is canceled or forfeited, expires, is settled for cash, or is unearned, the Common Shares subject to such award will, to the extent of such cancellation, forfeiture, expiration, cash settlement, or unearned amount, be available for awards under the 2020 Plan. The following Common Shares will not be added (or added back, as applicable) to the aggregate share limit under the 2020 Plan: (1) Common Shares withheld by us, tendered or otherwise used in payment of the exercise price of a stock option granted under the 2020 Plan, and (2) Common Shares reacquired by the company on the open market or otherwise using cash proceeds from the exercise of stock options granted under the 2020 Plan. Further, none of the Common Shares covered by share-settled SARs that are exercised and settled in shares, whether or not all Common Shares covered by the SARs are actually issued to the participant upon exercise, will be added back to the aggregate number of shares available under the 2020 Plan. In addition, Common Shares withheld by us, tendered or otherwise used to satisfy tax withholding with respect to stock options or SARs will not be added (or added back, as applicable) to the aggregate share limit under the 2020 Plan. However, Common Shares withheld by us, tendered or otherwise used to satisfy tax withholding with respect to awards other than stock options or SARs will be added back to the aggregate number of Common Shares available under the 2020 Plan, but only for a period not to exceed 10 years from the effective date of the 2020 Plan. If a participant elects to give up the right to receive compensation in exchange for Common Shares based on fair market value, such Common Shares will not count against the aggregate number of shares available under the 2020 Plan.

Any Common Share that becomes available under the 2020 Plan as described above will be added (or added back, as applicable) as (A) one Common Share if such Common Share was subject to an award granted under the 2020 Plan or a stock option or stock appreciation right granted under the Predecessor Plan, (B) 2.46 Common Shares if such Common Share was subject to an award granted under the Predecessor Plan prior to April 28, 2016 other than a stock option or stock appreciation right, and (C) 2.50 Common Shares if such Common Share was subject to an award granted under the Predecessor Plan on or after April 28, 2016 other than a stock option or stock appreciation right.

No repricing without shareholder approval

Outside of certain corporate transactions or adjustment events described in the 2020 Plan or in connection with a “change in control,” the exercise or base price of stock options and SARs cannot be reduced, and “underwater” stock options or SARs cannot be canceled in exchange for cash or replaced with other awards with a lower exercise or base price, without shareholder approval under the 2020 Plan.

Change in control definition

The 2020 Plan includes a non-liberal definition of “change in control,” which is described below.

Default change in control treatment

The 2020 Plan includes the following “default” treatment for awards in the event of a change in control:

- Unless otherwise determined by the Compensation Committee, each applicable evidence of award will provide that, in the event of a change in control, for outstanding awards under the 2020 Plan that vest, are earned or become exercisable (as applicable) based solely on employment, service or the passage of time (as opposed to the achievement of one or more management objectives), such awards will accelerate and vest, be earned or become exercisable, as applicable, where either (A) within a specified period the participant’s employment or service is involuntarily terminated for reasons other than for cause, the participant terminates his or her employment or service for good reason or the participant’s employment or service is terminated due to the participant’s death or disability, or (B) such awards are not assumed or converted into replacement awards in a manner described in the evidence of award.
- Unless otherwise determined by the Compensation Committee, each applicable evidence of award will provide that, in the event of a change in control, for outstanding awards under the 2020 Plan that vest, are earned or become exercisable (as applicable) based on the achievement of one or more management objectives (as opposed to only employment, service or the passage of time), such awards will accelerate and vest, be earned or become exercisable, as applicable, based on the greater of (A) target performance or (B) actual performance (or the Common Share price relating to the change in control, if applicable) determined as of the date of the change in control, where either (1) within a specified period the participant’s employment or service is involuntarily terminated for reasons other than for cause, the participant terminates his or her employment or service for good reason or the participant’s employment or service is terminated due to the participant’s death or disability, or (2) such awards are not assumed or converted into replacement awards in a manner described in the evidence of award.

Exercise or base price limitation

The 2020 Plan also provides that, except with respect to certain converted, assumed or substituted awards as described in the 2020 Plan, no stock options or SARs will be granted with an exercise or base price less than the fair market value of a Common Share on the date of grant.

Minimum vesting periods

Awards granted under the 2020 Plan will vest no earlier than after a minimum one-year vesting period or one-year performance period, as applicable. However, an aggregate of up to 5% of the Common Shares available for awards under the 2020 Plan, as may be adjusted under the terms of the 2020 Plan, may be used for awards that do not at grant comply with such minimum vesting requirement. Further, the minimum vesting requirement does not preclude the committee, in its sole discretion, from (1) providing for continued vesting or accelerated vesting for any award under the 2020 Plan, including in connection with or following the retirement, death, disability or termination of employment or service of a participant or (2) exercising its discretionary vesting authority under the 2020 Plan at any time following the grant of an award.

Summary of other material terms of the 2020 Plan

Administration

The 2020 Plan will generally be administered by the Compensation Committee (or its successor), or any other committee of the Board of Directors designated by the Board to administer the 2020 Plan; provided, however, that notwithstanding anything in the 2020 Plan to the contrary, the Board may grant awards under the 2020 Plan to non-employee directors and administer the 2020 Plan with respect to such awards. References to the “committee” in this proposal generally refer to the Compensation Committee or such other committee designated by the Board, or the Board, as applicable. The committee may from time to time delegate all or any part of its authority under the

2020 Plan to a subcommittee. Any interpretation, construction and determination by the committee of any provision of the 2020 Plan, or of any agreement, notification or document evidencing the grant of awards under the 2020 Plan, will be final and conclusive. To the extent permitted by applicable law, the committee may delegate to one or more of its members or to one or more officers, or to one or more agents or advisors of the company, such administrative duties or powers as it deems advisable. In addition, the committee may by resolution, subject to certain restrictions set forth in the 2020 Plan, authorize one or more officers of the company to (1) designate employees to be recipients of awards under the 2020 Plan and (2) determine the size of such awards. The committee may not, however, delegate such responsibilities to officers for awards granted to non-employee directors or certain officers who are subject to the reporting requirements of Section 16 of the Securities Exchange Act of 1934, as amended. The committee is authorized to take appropriate action under the 2020 Plan subject to the express limitations contained in the 2020 Plan.

Eligibility

Any person who is selected by the committee to receive benefits under the 2020 Plan and who is at that time an officer or other employee of the company or any of its subsidiaries (including a person who has agreed to commence serving in such capacity within 90 days of the date of grant) is eligible to participate in the 2020 Plan. In addition, non-employee directors of the company and certain persons (including consultants) who provide services to the company or any of its subsidiaries that are equivalent to those typically provided by an employee (provided that such persons satisfy the Form S-8 definition of "employee") may also be selected by the committee to participate in the 2020 Plan. As of March 2, 2020, there were approximately 74 employees, nine non-employee directors and no consultants of the company eligible to participate in the 2020 Plan. The basis for participation in the 2020 Plan by eligible persons is the selection of such persons for participation by the committee (or its proper delegate) in its discretion.

Shares available for awards under the 2020 Plan

Subject to adjustment as described in the 2020 Plan and the 2020 Plan share counting rules, the number of Common Shares available under the 2020 Plan for awards of stock options or SARs, restricted shares, RSUs, performance shares or performance units, other stock-based awards under the 2020 Plan, or dividend equivalents paid with respect to awards under the 2020 Plan will not exceed, in the aggregate, 2,000,000 Common Shares, plus Common Shares that become available under the 2020 Plan as a result of forfeiture, cancellation, expiration, cash settlement or less-than-maximum earning of 2020 Plan awards (or, as described, Predecessor Plan awards), after the effective date of the 2020 Plan.

Share counting

Generally, the aggregate number of Common Shares available under the 2020 Plan will be reduced by one Common Share for every one Common Share subject to an award granted under the 2020 Plan.

Types of awards under the 2020 Plan

Pursuant to the 2020 Plan, the company may grant cash awards and stock options (including stock options intended to be "incentive stock options" as defined in Section 422 of the Internal Revenue Code (the "Code"), SARs, restricted shares, RSUs, performance shares, performance units, and certain other awards based on or related to our Common Shares.

Generally, each grant of an award under the 2020 Plan will be evidenced by an award agreement, certificate, resolution or other type or form of writing or other evidence approved by the committee (an "Evidence of Award"), which will contain such terms and provisions as the committee may determine, consistent with the 2020 Plan. A brief description of the types of awards which may be granted under the 2020 Plan is set forth below.

Stock options: A stock option is a right to purchase Common Shares upon exercise of the stock option. Stock options granted to an employee under the 2020 Plan may consist of either an incentive stock option, a non-qualified stock option that is not intended to be an incentive stock option under Section 422 of the Code, or a combination of both. Incentive stock options may only be granted to employees of the company or certain of our related corporations. Except with respect to awards issued in substitution for, in conversion of, or in connection with an assumption of stock options held by awardees of an entity engaging in a corporate acquisition or merger with us or any of our subsidiaries, stock options must have an exercise price per share that is not less than the fair market value of a Common Share on the date of grant. The term of a stock option may not extend more than 10 years from the date of grant. The committee may provide in an Evidence of Award for the automatic exercise of a stock option.

Each grant of a stock option will specify the applicable terms of the stock option, including the number of Common Shares subject to the stock option and the required period or periods of the participant's continuous service, if any, before any stock option or portion of a stock option will become exercisable. Stock options may provide for continued vesting or the earlier exercise of the stock options, including in the event of retirement, death, disability or termination of employment or service of the participant or in the event of a change in control.

Any grant of stock options may specify management objectives regarding the vesting of the stock options. Each grant will specify whether the consideration to be paid in satisfaction of the exercise price will be payable: (1) in cash, by check acceptable to the company, or by wire transfer of immediately available funds; (2) by the actual or constructive transfer to the company of Common Shares owned by the participant with a value at the time of exercise that is equal to the total exercise price; (3) subject to any conditions or limitations established by the committee, by a net exercise arrangement pursuant to which the company will withhold Common Shares otherwise issuable upon exercise of a stock option; (4) by a combination of the foregoing methods; or (5) by such other methods as may be approved by the committee. To the extent permitted by law, any grant may provide for deferred payment of the exercise price from the proceeds of a sale through a bank or broker of some or all of the shares to which the exercise relates. Stock options granted under the 2020 Plan may not provide for dividends or dividend equivalents.

SARs: The committee may, from time to time and upon such terms and conditions as it may determine, authorize the granting of SARs. A SAR is a right to receive from us an amount equal to 100%, or such lesser percentage as the committee may determine, of the spread between the base price and the value of our Common Shares on the date of exercise.

Each grant of SARs will specify the period or periods of continuous service, if any, by the participant with the company or any subsidiary that is necessary before the SARs or installments of such SARs will become exercisable. SARs may provide for continued vesting or earlier exercise, including in the case of retirement, death, disability or termination of employment or service of the participant or in the event of a change in control. Any grant of SARs may specify management objectives regarding the vesting of such SARs. A SAR may be paid in cash, Common Shares or any combination of the two.

Except with respect to awards issued in substitution for, in conversion of, or in connection with an assumption of SARs held by awardees of an entity engaging in a corporate acquisition or merger with us or any of our subsidiaries, the base price of a SAR may not be less than the fair market value of a Common Share on the date of grant. The term of a SAR may not extend more than 10 years from the date of grant. The committee may provide in an Evidence of Award for the automatic exercise of a SAR. SARs granted under the 2020 Plan may not provide for dividends or dividend equivalents.

Restricted shares: Restricted shares constitute an immediate transfer of the ownership of Common Shares to the participant in consideration of the performance of services, entitling such participant to voting, dividend and other ownership rights (subject in particular to certain dividend provisions in the 2020 Plan), subject to the substantial risk of forfeiture and restrictions on transfer determined by the committee for a period of time determined by the committee or until certain management objectives specified by the committee are achieved. Each such grant or sale of restricted shares may be made without additional consideration or in consideration of a payment by the participant that is less than the fair market value per Common Share on the date of grant.

Any grant of restricted shares may specify management objectives regarding the vesting of the restricted shares. Any grant of restricted shares may require that any and all dividends or distributions paid on restricted shares that remains subject to a substantial risk of forfeiture be automatically deferred and/or reinvested in additional restricted shares, which will be subject to the same restrictions as the underlying restricted shares, but any such dividends or other distributions on restricted shares must be deferred until, and paid contingent upon, the vesting of such restricted shares. Restricted shares may provide for continued vesting or the earlier vesting of such restricted shares, including in the event of retirement, death, disability or termination of employment or service of the participant or in the event of a change in control. Each grant of restricted shares will be evidenced by an Evidence of Award. Each Evidence of Award will be subject to the 2020 Plan and will contain such terms and provisions, consistent with the 2020 Plan, as the committee may approve.

RSUs: RSUs awarded under the 2020 Plan constitute an agreement by the company to deliver Common Shares, cash, or a combination of the two, to the participant in the future in consideration of the performance of services, but subject to the fulfillment of such conditions (which may include achievement regarding management objectives)

during the restriction period as the committee may specify. Each grant or sale of RSUs may be made without additional consideration or in consideration of a payment by the participant that is less than the fair market value of our Common Shares on the date of grant.

RSUs may provide for continued vesting or the earlier lapse or other modification of the restriction period, including in the event of retirement, death, disability or termination of employment or service of the participant or in the event of a change in control. During the restriction period applicable to RSUs, the participant will have no right to transfer any rights under the award and will have no rights of ownership in the Common Shares deliverable upon payment of the RSUs and no right to vote them. Rights to dividend equivalents may be extended to and made part of any RSU award at the discretion of and on the terms determined by the committee, on a deferred and contingent basis, based upon the vesting of such RSUs. Each grant or sale of RSUs will specify the time and manner of payment of the RSUs that have been earned. An RSU may be paid in cash, Common Shares or any combination of the two.

Performance shares, performance units and cash incentive awards: Performance shares, performance units and cash incentive awards may also be granted to participants under the 2020 Plan. A performance share is a bookkeeping entry that records the equivalent of one Common Share, and a performance unit is a bookkeeping entry that records a unit equivalent to \$1.00 or such other value as determined by the committee. Each grant will specify the number or amount of performance shares or performance units, or the amount payable with respect to a cash incentive award being awarded, which number or amount may be subject to adjustment to reflect changes in compensation or other factors.

Each grant of a cash incentive award, performance shares or performance units will specify management objectives regarding the earning of the award. Each grant will specify the time and manner of payment of performance shares, performance units or a cash incentive award that have been earned.

Any grant of performance shares or performance units may provide for the payment of dividend equivalents in cash or in additional Common Shares, which dividend equivalents will be subject to deferral and payment on a contingent basis based on the participant's earning and vesting of the performance shares or performance units, as applicable, with respect to which such dividend equivalents are paid.

The performance period with respect to each grant of performance shares or performance units or cash incentive award will be a period of time determined by the committee and within which the management objectives relating to such award are to be achieved. The performance period may be subject to continued vesting or earlier lapse or modification, including in the event of retirement, death, disability or termination of employment or service of the participant or in the event of a change in control.

Other awards: Subject to applicable law and applicable share limits under the 2020 Plan, the committee may grant to any participant Common Shares or such other awards ("Other Awards") that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Common Shares or factors that may influence the value of such Common Shares, including, without limitation, convertible or exchangeable debt securities; other rights convertible or exchangeable into Common Shares; purchase rights for Common Shares; awards with value and payment contingent upon performance of the company or specified subsidiaries, affiliates or other business units or any other factors designated by the committee; and awards valued by reference to the book value of the Common Shares or the value of securities of, or the performance of, the subsidiaries, affiliates or other business units of the company. The terms and conditions of any such awards will be determined by the committee. Common Shares delivered under such an award in the nature of a purchase right granted under the 2020 Plan will be purchased for such consideration, paid for at such time, by such methods, and in such forms, including, without limitation, Common Shares, other awards, notes or other property, as the committee determines.

In addition, the committee may grant cash awards, as an element of or supplement to any other awards granted under the 2020 Plan. The committee may also authorize the grant of Common Shares as a bonus or may authorize the grant of Other Awards in lieu of obligations of the company or a subsidiary to pay cash or deliver other property under the 2020 Plan or under other plans or compensatory arrangements, subject to terms determined by the committee in a manner that complies with Section 409A of the Code.

Other Awards may provide for the earning or vesting of, or earlier elimination of restrictions applicable to, such award, including in the event of the retirement, death, disability or termination of employment or service of the participant or in the event of a change in control. The committee may provide for the payment of dividends or dividend equivalents on Other Awards on a deferred and contingent basis, in cash or in additional Common Shares, based upon the earning and vesting of such awards.

Change in control

The 2020 Plan includes a definition of “change in control.” In general, except as may be otherwise prescribed by the committee in an Evidence of Award, a change in control shall be deemed to have occurred upon the occurrence of any of the following events (subject to certain exceptions and limitations and as further described in the 2020 Plan): (1) any individual, entity or group is or becomes the beneficial owner of 30% or more of the combined voting power of the then-outstanding Common Shares or voting shares of the company (subject to certain exceptions); (2) a majority of the Board ceases to be comprised of incumbent directors; (3) a consummation of a reorganization, merger or consolidation, or sale or other disposition of all or substantially all of the assets of the company, as described in the 2020 Plan (subject to certain exceptions); or (4) approval by the shareholders of the company of a complete liquidation or dissolution of the company (subject to certain exceptions).

Management objectives

The 2020 Plan generally provides that any of the awards set forth above may be granted subject to the achievement of specified management objectives. Management objectives are defined as the measurable performance objective or objectives established pursuant to the 2020 Plan for participants who have received grants of performance shares, performance units or cash incentive awards or, when so determined by the committee, stock options, SARs, restricted shares, RSUs, dividend equivalents or Other Awards.

Additionally, if the committee determines that a change in the business, operations, corporate structure or capital structure of the company, or the manner in which it conducts its business, or other events or circumstances render the management objectives unsuitable, the committee may in its discretion modify such management objectives or the goals or actual levels of achievement, in whole or in part, as the committee deems appropriate and equitable.

Transferability of awards

Except as otherwise provided by the committee, and subject to the terms of the 2020 Plan with respect to Section 409A of the Code, no stock option, SAR, restricted share, RSU, performance share, performance unit, cash incentive award, Other Award or dividend equivalents paid with respect to awards made under the 2020 Plan will be transferrable by a participant except by will or the laws of descent and distribution. In no event will any such award granted under the 2020 Plan be transferred for value. Except as otherwise determined by the committee, stock options and SARs will be exercisable during the participant’s lifetime only by him or her or, in the event of the participant’s legal incapacity to do so, by his or her guardian or legal representative acting on behalf of the participant in a fiduciary capacity under state law or court supervision.

The committee may specify on the grant date that all or part of the Common Shares that are subject to awards under the 2020 Plan will be subject to further restrictions on transfer.

Adjustments

The committee will make or provide for such adjustments in: (1) the number and kind of Common Shares covered by outstanding stock options, SARs, restricted shares, RSUs, performance shares and performance units granted under the 2020 Plan; (2) if applicable, the number and kind of Common Shares covered by Other Awards granted pursuant to the 2020 Plan; (3) the exercise price or base price provided in outstanding stock options and SARs, respectively; (4) cash incentive awards; and (5) other award terms, as the committee in its sole discretion, exercised in good faith, determines to be equitably required in order to prevent dilution or enlargement of the rights of participants that otherwise would result from (a) any extraordinary cash dividend, stock dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the company; (b) any merger, consolidation, spin-off, spin-out, split-off, split-up, reorganization, partial or complete liquidation or other distribution of assets, issuance of rights or warrants to purchase securities; or (c) any other corporate transaction or event having an effect similar to any of the foregoing.

In the event of any such transaction or event, or in the event of a change in control of the company, the committee may provide in substitution for any or all outstanding awards under the 2020 Plan such alternative consideration (including cash), if any, as it may in good faith determine to be equitable under the circumstances and will require in connection therewith the surrender of all awards so replaced in a manner that complies with Section 409A of the Code. In addition, for each stock option or SAR with an exercise price or base price, respectively, greater than the consideration offered in connection with any such transaction or event or change in control of the company, the committee may in its discretion elect to cancel such stock option or SAR without any payment to the person holding such stock option or SAR. The committee will make or provide for such adjustments to the numbers of Common Shares available under the 2020 Plan and the share limits of the 2020 Plan as the committee in its sole discretion

may in good faith determine to be appropriate to reflect such transaction or event. Any adjustment to the limit on the number of Common Shares that may be issued upon exercise of Incentive Stock Options, however, will be made only if and to the extent such adjustment would not cause any stock option intended to qualify as an Incentive Stock Option to fail to so qualify.

Prohibition on repricing

Except in connection with certain corporate transactions or changes in the capital structure of the company or in connection with a change in control, the terms of outstanding awards may not be amended to (1) reduce the exercise price or base price of outstanding stock options or SARs, respectively, or (2) cancel outstanding "underwater" stock options or SARs in exchange for cash, other awards or stock options or SARs with an exercise price or base price, as applicable, that is less than the exercise price or base price of the original stock options or SARs, as applicable, without shareholder approval. The 2020 Plan specifically provides that this provision is intended to prohibit the repricing of "underwater" stock options and SARs and that it may not be amended without approval by our shareholders.

Detrimental activity and recapture

Any Evidence of Award may reference a clawback policy of the company or provide for the cancellation or forfeiture of an award, or forfeiture and repayment to us of any gain related to an award, or other provisions intended to have a similar effect, upon such terms and conditions as may be determined by the committee from time to time, if any participant, either during employment or other service with us or a subsidiary or within a specified period after such employment or service, engages in any detrimental activity, as described in the applicable Evidence of Award or such clawback policy. In addition, any Evidence of Award or such clawback policy may provide for cancellation or forfeiture of an award or the forfeiture and repayment of any Common Shares issued under and/or any other benefit related to an award, or other provisions intended to have a similar effect, including upon such terms and conditions as may be required by the committee or under Section 10D of the Securities Exchange Act of 1934 and any applicable rules and regulations promulgated by the Securities and Exchange Commission or any national securities exchange or national securities association on which the Common Shares may be traded.

Grants to non-U.S. based participants

In order to facilitate the making of any grant or combination of grants under the 2020 Plan, the committee may provide for such special terms for awards to participants who are foreign nationals, who are employed by the company or any of its subsidiaries outside of the United States of America or who provide services to the company or any of its subsidiaries under an agreement with a foreign nation or agency, as the committee may consider necessary or appropriate to accommodate differences in local law, tax policy or custom. The committee may approve such supplements to, or amendments, restatements or alternative versions of, the 2020 Plan (including sub-plans) (to be considered part of the 2020 Plan) as it may consider necessary or appropriate for such purposes, provided that no such special terms, supplements, amendments or restatements will include any provisions that are inconsistent with the terms of the 2020 Plan as then in effect unless the 2020 Plan could have been amended to eliminate such inconsistency without further approval by our shareholders.

Withholding

To the extent the company is required to withhold federal, state, local or foreign taxes or other amounts in connection with any payment made or benefit realized by a participant or other person under the 2020 Plan, and the amounts available to us for such withholding are insufficient, it will be a condition to the receipt of such payment or the realization of such benefit that the participant or such other person make arrangements satisfactory to the company for payment of the balance of such taxes or other amounts required to be withheld, which arrangements, in the discretion of the committee, may include relinquishment of a portion of such benefit. If a participant's benefit is to be received in the form of Common Shares, and such participant fails to make arrangements for the payment of taxes or other amounts, then, unless otherwise determined by the committee, we will withhold Common Shares having a value equal to the amount required to be withheld. When a participant is required to pay the company an amount required to be withheld under applicable income, employment, tax or other laws, the participant may elect, unless otherwise determined by the committee, to satisfy the obligation, in whole or in part, by having withheld, from the shares required to be delivered to the participant, Common Shares having a value equal to the amount required to be withheld or by delivering to us other Common Shares held by such participant. The Common Shares used for tax or other withholding will be valued at an amount equal to the fair market value of such Common Shares on the date the benefit is to be included in the participant's income. In no event will the fair market value of the Common Shares to be withheld and delivered pursuant to the 2020 Plan exceed the minimum amount required to be withheld, unless (1) an additional amount can be withheld and not result in adverse accounting consequences,

(2) such additional withholding amount is authorized by the committee, and (3) the total amount withheld does not exceed the participant's estimated tax obligations attributable to the applicable transaction. Participants will also make such arrangements as the company may require for the payment of any withholding tax or other obligation that may arise in connection with the disposition of Common Shares acquired upon the exercise of stock options.

No right to continued employment

The 2020 Plan does not confer upon any participant any right with respect to continuance of employment or service with the company or any of its subsidiaries.

Effective date of the 2020 Plan

The 2020 Plan will become effective on the date it is approved by the company's shareholders. No grants will be made under the Predecessor Plan on or after the date on which our shareholders approve the 2020 Plan, provided that outstanding awards granted under the Predecessor Plan will continue unaffected following such date.

Amendment and termination of the 2020 Plan

The Board of Directors generally may amend the 2020 Plan from time to time in whole or in part. If any amendment, however, for purposes of applicable stock exchange rules (and except as permitted under the adjustment provisions of the 2020 Plan) (1) would materially increase the benefits accruing to participants under the 2020 Plan, (2) would materially increase the number of securities which may be issued under the 2020 Plan, (3) would materially modify the requirements for participation in the 2020 Plan or (4) must otherwise be approved by our shareholders in order to comply with applicable law or the rules of the NYSE, or, if the Common Shares are not traded on the NYSE, the principal national securities exchange upon which the Common Shares are traded or quoted, all as determined by the Board, then such amendment will be subject to shareholder approval and will not be effective unless and until such approval has been obtained.

Further, subject to the 2020 Plan's prohibition on repricing, the committee generally may amend the terms of any award prospectively or retroactively. Except in the case of certain adjustments permitted under the 2020 Plan, no such amendment may be made that would materially impair the rights of any participant without his or her consent. If permitted by Section 409A of the Code and subject to certain other limitations set forth in the 2020 Plan, including in the case of termination of employment or service, or in the case of unforeseeable emergency or other circumstances or in the event of a change in control, the committee may provide for continued vesting or accelerate the vesting of certain awards granted under the 2020 Plan or waive any other limitation or requirement under any such award.

The Board may, in its discretion, terminate the 2020 Plan at any time. Termination of the 2020 Plan will not affect the rights of participants or their successors under any awards outstanding and not exercised in full on the date of termination. No grant will be made under the 2020 Plan on or after the tenth anniversary of the effective date of the 2020 Plan, but all grants made prior to such date will continue in effect thereafter subject to their terms and the terms of the 2020 Plan.

Allowances for conversion awards and assumed plans

Common Shares issued or transferred under awards granted under the 2020 Plan in substitution for or conversion of, or in connection with an assumption of, stock options, SARs, restricted shares, RSUs, or other stock or stock-based awards held by awardees of an entity engaging in a corporate acquisition or merger transaction with us or any of our subsidiaries will not count against (or be added to) the aggregate share limit or other 2020 Plan limits described above. Additionally, shares available under certain plans that we or our subsidiaries may assume in connection with corporate transactions from another entity may be available for certain awards under the 2020 Plan, under circumstances further described in the 2020 Plan, but will not count against the aggregate share limit or other 2020 Plan limits described above.

New plan benefits

It is not possible to determine the specific amounts and types of awards that may be awarded in the future under the 2020 Plan because the grant and actual settlement of awards under the 2020 Plan are subject to the discretion of the plan administrator.

U.S. federal income tax consequences

The following is a brief summary of certain of the federal income tax consequences of certain transactions under the 2020 Plan based on federal income tax laws in effect. This summary, which is presented for the information of shareholders considering how to vote on this proposal and not for 2020 Plan participants, is not intended to be complete and does not describe federal taxes other than income taxes (such as Medicare and social security taxes), or state, local or foreign tax consequences.

Tax consequences to participants

Restricted shares: The recipient of restricted shares generally will be subject to tax at ordinary income rates on the fair market value of the restricted shares (reduced by any amount paid by the recipient for such restricted shares) at such time as the restricted shares are no longer subject to forfeiture or restrictions on transfer for purposes of Section 83 of the Code ("Restrictions"). However, a recipient who so elects under Section 83(b) of the Code within 30 days of the date of transfer of the shares will have taxable ordinary income on the date of transfer of the shares equal to the excess of the fair market value of such shares (determined without regard to the Restrictions) over the purchase price, if any, of such restricted shares. If a Section 83(b) election has not been made, any dividends received with respect to restricted shares that are subject to the Restrictions generally will be treated as compensation that is taxable as ordinary income to the recipient.

Performance shares, performance units and cash incentive awards: No income generally will be recognized upon the grant of performance shares, performance units or cash incentive awards. Upon payment in respect of the earn-out of performance shares, performance units or cash incentive awards, the recipient generally will be required to include as taxable ordinary income in the year of receipt an amount equal to the amount of cash received and the fair market value of any unrestricted Common Shares received.

Nonqualified stock options: In general, no income will be recognized by an optionee at the time a non-qualified stock option is granted. At the time of exercise of a non-qualified stock option, ordinary income will be recognized by the optionee in an amount equal to the difference between the option price paid for the shares and the fair market value of the shares, if unrestricted, on the date of exercise. At the time of sale of shares acquired pursuant to the exercise of a non-qualified stock option, appreciation (or depreciation) in value of the shares after the date of exercise will be treated as either short-term or long-term capital gain (or loss) depending on how long the shares have been held.

Incentive stock options: No income generally will be recognized by an optionee upon the grant or exercise of an "incentive stock option" as defined in Section 422 of the Code. If Common Shares are issued to the optionee pursuant to the exercise of an incentive stock option, and if no disqualifying disposition of such shares is made by such optionee within two years after the date of grant or within one year after the transfer of such shares to the optionee, then upon sale of such shares, any amount realized in excess of the option price will be taxed to the optionee as a long-term capital gain and any loss sustained will be a long-term capital loss.

If Common Shares acquired upon the exercise of an incentive stock option are disposed of prior to the expiration of either holding period described above, the optionee generally will recognize ordinary income in the year of disposition in an amount equal to the excess (if any) of the fair market value of such shares at the time of exercise (or, if less, the amount realized on the disposition of such shares if a sale or exchange) over the exercise price paid for such shares. Any further gain (or loss) realized by the participant generally will be taxed as short-term or long-term capital gain (or loss) depending on the holding period.

SARs: No income will be recognized by a participant in connection with the grant of a SAR. When the SAR is exercised, the participant normally will be required to include as taxable ordinary income in the year of exercise an amount equal to the amount of cash received and the fair market value of any unrestricted Common Shares received on the exercise.

RSUs: No income generally will be recognized upon the award of RSUs. The recipient of an RSU award generally will be subject to tax at ordinary income rates on the fair market value of unrestricted Common Shares on the date that such shares are transferred to the participant under the award (reduced by any amount paid by the participant for such RSUs), and the capital gains/loss holding period for such shares will also commence on such date.

Tax consequences to the company or its subsidiaries

To the extent that a participant recognizes ordinary income in the circumstances described above, the company or the subsidiary for which the participant performs services will be entitled to a corresponding deduction from any applicable federal income tax, provided that, among other things, the income meets the test of reasonableness, is an ordinary and necessary business expense, is not an “excess parachute payment” within the meaning of Section 280G of the Code and is not disallowed by the \$1.0 million limitation on certain executive compensation under Section 162(m) of the Code.

Code Section 162(m)

Section 162(m) of the Code generally disallows a deduction for certain compensation paid to certain executive officers (and, beginning in 2018, certain former executive officers) to the extent that compensation to a covered employee exceeds \$1.0 million for such year. Compensation qualifying for a performance-based exception as “qualified performance-based compensation” under Section 162(m) of the Code has historically not been subject to the deduction limit if the compensation satisfies the requirements of Section 162(m) of the Code. This exception has now been repealed, effective for taxable years beginning after December 31, 2017, unless certain transition relief for certain compensation arrangements in place as of November 2, 2017 is available. Currently, the company does not anticipate that it will be able to make any future grants under the 2020 Plan that will be intended to qualify for the performance-based exception. To be clear, shareholders are not being asked to approve the 2020 Plan (or any of its provisions) for purposes of Section 162(m) of the Code or the performance-based exception.

Registration with the SEC

We intend to file a Registration Statement on Form S-8 relating to the issuance of Common Shares under the 2020 Plan with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended, as soon as practicable after approval of the 2020 Plan by our shareholders.



Your Board of Directors recommends a vote for approval of the TimkenSteel Corporation 2020 Equity and Incentive Compensation Plan.

Equity compensation plan information

The following table sets forth certain information as of December 31, 2019, regarding the only equity compensation plan maintained by us on that date, the TimkenSteel Corporation Amended and Restated 2014 Equity and Incentive Compensation Plan (the "Equity Plan").

Plan category	(a)	(b)	(c)
	Number of securities to be issued upon exercise of outstanding options, warrants and rights ⁽¹⁾	Weighted-average exercise price of outstanding options, warrants and rights ⁽²⁾	Number of securities remaining available for future issuance under equity compensation plans reflected in column (a) ⁽³⁾
Equity compensation plans approved by security holders ⁽⁴⁾	3,850,330	\$20.64	2,430,868
Equity compensation plans not approved by security holders	—	—	—
Total	3,850,330	\$20.64	2,430,868

⁽¹⁾ The amount shown in column (a) includes the following: nonqualified stock options - 2,641,570; deferred shares - 181,759; performance-based restricted stock units - 105,273; and time-based restricted stock units - 921,728 (which includes 658,642 cliff-vested restricted stock units).

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

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

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

Annual meeting information

Questions and answers

What is the purpose of this proxy statement?

This proxy statement and the accompanying proxy card are being made available to shareholders beginning on or about March 19, 2020, in connection with the company's solicitation of proxies for the 2020 annual meeting of shareholders to be held on May 6, 2020, at 10 a.m. local time at the corporate offices of the company (1835 Dueber Ave. S.W., Canton, Ohio 44706), and at any adjournments and postponements thereof, for the purpose of considering and acting upon the matters specified in the notice accompanying this proxy statement.

What is a proxy?

A proxy is your legal appointment of another person to vote the shares you own in accordance with your instructions. The person you appoint to vote your shares also is called a proxy. On the proxy card, you will find the names of the persons designated by the company to act as proxies to vote your shares at the annual meeting. The designated proxies are required to vote your shares in the manner you instruct.

Who can vote?

Record holders of TimkenSteel Corporation common stock at the close of business on February 28, 2020 (the "Record Date") are entitled to vote at the meeting. Shareholders are entitled to one vote for each full share held on the Record Date. On that date, there were 44,938,082 of our common shares outstanding.

How do I vote?

Registered holders. If your shares are registered in your name, you may vote in person at the meeting or by proxy. If you decide to vote by proxy, you may do so in any **ONE** of the following three ways:

By telephone. After reading the proxy materials, you may call the toll-free number 1-888-693-8683. You will be prompted to enter your control number, which you can find on your notice of internet availability or your proxy card. This number will identify you and the company. Then you can follow the simple instructions that will be given to you to record your vote. Telephone voting will be available until 6 a.m. EDT on May 6, 2020.

Over the internet. After reading the proxy materials, you may use a computer to access the website **www.cesvote.com**. You will be prompted to enter your control number, which you can find on your notice of internet availability or your proxy card. This number will identify you and the company. Then you can follow the simple instructions that will be given to you to record your vote. Internet voting will be available until 6 a.m. EDT on May 6, 2020.

By mail. After reading the proxy materials, you may vote your shares by marking, signing, dating and returning your proxy card to the company's tabulation agent, Corporate Election Services, Inc. ("Corporate Election Services" or "CES"), in the postage-paid envelope provided, or return it to Corporate Election Services, P.O. Box 1150, Pittsburgh, PA 15230. Proxy cards returned by mail must be received by CES by 6 a.m. EDT on May 6, 2020, in order for your vote to be recorded.

The internet and telephone voting procedures have been set up for your convenience and have been designed to authenticate your identity, allow you to give voting instructions and confirm that those instructions have been recorded properly.

Whether you choose to vote in person, by telephone, over the internet or by mail, you can specify whether your shares should be voted for all, some or none of the nominees for director. You also can specify whether you want to vote for or against, or abstain from voting on, the ratification of the selection of our independent auditor, the approval, on an advisory basis, of the compensation of the company's named executive officers and the approval of the TimkenSteel Corporation 2020 Equity and Incentive Compensation Plan.

Shares represented by properly executed proxy cards, online instructions, or telephone instructions will be voted as you direct. If you provide a properly-executed proxy card or properly-submitted online or telephone instructions but do not specify how you want to vote your shares, your shares will be voted according to the Board's recommendations as set forth below and, as to any other business as may be properly brought before the 2020 annual meeting of shareholders and any adjournments or postponements thereof, in the discretion of the proxy holders:

	Proposal	Board recommendation
1.	Election of the Board's three nominees as directors	✓ For
2.	Ratification of the selection of Ernst & Young LLP as the company's independent auditor for the fiscal year ending December 31, 2020	✓ For
3.	Approval, on an advisory basis, of the compensation of the company's named executive officers	✓ For
4.	Approval of the TimkenSteel Corporation 2020 Equity and Incentive Compensation Plan	✓ For

401(k) Plan participants. If you participate in a 401(k) plan sponsored by the company, including the TimkenSteel Corporation Savings and Investment Pension Plan, the TimkenSteel Corporation Bargaining Savings and Investment Pension Plan, the TimkenSteel Corporation Voluntary Investment Pension Plan, or the TimkenSteel Corporation Savings Plan for Certain Bargaining Employees, any shares held for your account in the TimkenSteel Stock Fund of the plan will be voted by the trustee for the plan, Bank of America Merrill Lynch, according to confidential voting instructions provided by you. You may give your voting instructions to the plan trustee in any **ONE** of the three ways set forth above; however, your instructions must be received no later than 6 a.m. EDT on May 4, 2020. If you do not provide timely voting instructions, your shares will be voted by the plan trustee in the same proportion as it votes plan shares for which it did receive timely instructions.

Beneficial owners/nominee shares. If your shares are held by a broker, bank, or some other nominee, that entity will give you information on how you can vote your shares. As the beneficial owner, you have the right to direct your broker, bank or nominee how to vote. Your broker, bank or nominee will provide you with a voting instruction card or some other means for you to use in directing the broker, bank or nominee regarding how to vote your shares. If you do not provide the broker, bank or other nominee with your voting instructions, the broker, bank or other nominee will determine if it has the discretionary authority to vote on the particular matter. Under applicable New York Stock Exchange rules, brokers have the discretion to vote only on any matters deemed by the New York Stock Exchange to be routine, such as the ratification of the selection of the company's independent auditor (Proposal 2 in this proxy statement). All other matters identified above (Proposals 1, 3 and 4 in this proxy statement) are not considered to be routine matters and your broker will not have discretion to vote on those matters. If you do not provide voting instructions to your broker, your shares will not be voted on any matter for which your broker does not have discretionary authority. When the broker does not vote on a proposal because it is a non-routine item and the broker's customer has not provided voting instructions, this is referred to as a "broker non-vote."

In-person voting. Registered shareholders and beneficial owners of shares held in street name also may vote in person at the annual meeting. If you are a registered shareholder and attend the meeting, you may deliver your completed proxy card in person. Additionally, written ballots will be available for any shareholder who wishes to vote in person at the meeting. Beneficial owners of shares held in street name who wish to vote at the meeting will need to obtain a legal proxy from the institution that holds their shares as record owner.

May I change my vote?

You may change your vote after you submit your proxy by:

- sending a written notice addressed to the secretary of the company and received prior to the close of business on May 5, 2020, stating that you want to revoke your proxy;
- submitting another completed proxy card to the secretary of the company that is received prior to the close of business on May 5, 2020, that has a later date than the previously submitted proxy card;
- entering later-dated telephone or internet voting instructions prior to 6 a.m. EDT on May 6, 2020, which will automatically revoke the earlier proxy; or
- attending the annual meeting and voting in person. The mere presence of a shareholder at the meeting will not automatically revoke any proxy previously given.

Who counts the votes?

Corporate Election Services will be responsible for tabulating the results of shareholder voting. CES will submit a total vote only, keeping all individual votes confidential. A representative of CES will serve as the inspector of election for the 2020 annual meeting of shareholders.

What is a "quorum"?

A quorum is necessary to hold a valid meeting of shareholders. A quorum exists if the holders of record of shares entitled to exercise not less than 50% of the voting power of the company in respect of any one of the purposes for which the meeting is called are present in person or by proxy. If you vote - including by internet, telephone, or proxy card - your shares will be counted toward the quorum for the annual meeting. Withhold votes for election of directors, proxies marked as abstentions, and broker non-votes also are treated as present for purposes of determining a quorum.

What vote is necessary to pass the items of business at the annual meeting?

If a quorum is present at the annual meeting, the three nominees for election as directors will be elected if they receive a plurality of the votes cast. If you vote, your shares will be voted for election of all of the Board's director nominees unless you give instructions to "withhold" your vote for one or more of the nominees. Withhold votes and broker non-votes will not count either in favor of or against the election of a nominee.

The affirmative vote of a majority of the votes cast on the proposal is required for Proposal 2, ratification of the selection of Ernst & Young LLP as the company's independent auditor, and Proposal 4, approval of the TimkenSteel Corporation 2020 Equity and Incentive Compensation Plan. In determining whether each of these proposals has received the affirmative vote of a majority of the votes cast on the proposal, abstentions and broker non-votes are not considered votes cast and, therefore, will not count either in favor of or against the proposal.

The shareholder vote on Proposal 3, approval of the compensation of the company's named executive officers, is advisory in nature and therefore not binding on the company. Although this is an advisory vote, the Board of Directors and the Compensation Committee will consider the affirmative vote of a majority of the votes cast on this proposal as approval of the compensation paid to the company's named executive officers. Abstentions and broker non-votes are not considered votes cast and, therefore, will not count either in favor of or against the proposal.

How will voting on any other business be conducted?

The company does not know of any business or proposals to be considered at the annual meeting other than the items described in this proxy statement. If any other business is properly brought before the meeting, the properly submitted proxies received from you and other shareholders give the persons voting the proxies the authority to vote on the matter according to their judgment.

Who is soliciting proxies?

The enclosed proxy is being solicited by the Board of Directors of the company, and the company will pay the cost of the solicitation.

We have retained Innisfree M&A Incorporated to assist in the solicitation of proxies for a fee of \$17,500, plus reasonable out-of-pocket expenses. Solicitations may be made by any means of communication. It is anticipated that the solicitations will consist primarily of requests to brokers, banks, trustees, nominees and fiduciaries to forward the soliciting material to the beneficial owners of shares held of record by those persons. The company will reimburse brokers and other persons holding shares for others for their reasonable expenses in sending soliciting material to the beneficial owners.

In addition, certain officers and other employees of the company may, without extra remuneration, solicit the return of proxies. Solicitations may be made by any means of communication, including by telephone, letter, personal visit, electronic mail or other electronic means.

When are shareholder proposals due for the next annual meeting?

We must receive by November 19, 2020, any proposal of our shareholders intended to be presented at the 2021 annual meeting of shareholders and to be included in our proxy materials related to the 2021 annual meeting of shareholders pursuant to Rule 14a-8 under the Exchange Act. Such proposals should be submitted by certified mail, return receipt requested.

A shareholder submitting a proposal outside the processes of Rule 14a-8 in connection with the 2020 annual meeting of shareholders (“Non-Rule 14a-8 Proposals”) must submit written notice of such proposal in accordance with Article I, Sections 12 and 14 of our Code of Regulations. In general, to be timely, a shareholder’s notice must be delivered to or mailed and received by our secretary at our principal executive offices not less than 90 nor more than 120 days prior to the first anniversary of the date on which the company held the preceding year’s annual meeting of shareholders. If the date of the 2021 annual meeting of shareholders is scheduled for a date more than 30 days prior to or more than 30 days after the first anniversary of the 2020 annual meeting of shareholders, then a shareholder’s notice must be delivered to our secretary at our principal executive offices not later than the close of business on the later of the 90th day prior to the 2021 annual meeting of shareholders or the 10th day following the day on which public announcement of the date of the 2021 annual meeting of shareholders is first made. Our proxy related to the 2021 annual meeting of shareholders will give discretionary authority to the proxy holders to vote with respect to all Non-Rule 14a-8 Proposals received by us after February 5, 2021.

How can a shareholder or other interested party communicate with the Board of Directors?

Shareholders or interested parties may send communications to the Board of Directors, to any standing committee of the Board, or to any director, in writing c/o TimkenSteel Corporation, Attn: Secretary, 1835 Dueber Ave. S.W., Canton, Ohio 44706. Shareholders or interested parties also may submit questions, concerns or reports of misconduct through the TimkenSteel HelpLine at 1-855-754-2921 (anonymously, if so desired). Communications received may be reviewed by the office of the General Counsel to ensure appropriate and careful consideration of the matter.

General information

The SEC permits companies to send a single set of annual disclosure documents to any household at which two or more shareholders reside, unless contrary instructions have been received, but only if the companies provide advance notice and follow certain procedures. In such cases, such shareholders continue to receive a separate notice of the meeting and proxy card. This “householding” process reduces the volume of duplicate information and reduces printing and mailing expenses. TimkenSteel has not instituted householding for shareholders of record; however, a number of brokerage firms may have instituted householding for beneficial owners of our common shares held through such brokerage firms. If your family has multiple accounts holding common shares, you already may have received a householding notification from your broker. Please contact your broker directly if you have any questions or require additional copies of the annual disclosure documents. The broker will arrange for delivery of a separate copy of this proxy statement or our Annual Report on Form 10-K for the year ended December 31, 2019, promptly upon your request. You may decide at any time to revoke your decision to household and thereby receive multiple copies.



Unless you specify otherwise in your voting instructions, the proxy holders will vote for each of the nominees named in Proposal 1, and for Proposals 2, 3 and 4.

Appendix A

Non-GAAP financial measures

This proxy statement includes references to Adjusted EBITDA and free cash flow, which are non-GAAP financial measures as defined by the Securities and Exchange Commission. Adjusted EBITDA is an important financial measure used in the management of the business, including decisions concerning the allocation of resources and assessment of performance. Management believes that reporting Adjusted EBITDA is useful to investors as this measure is representative of the company's performance and provides improved comparability of results. Free cash flow is also an important financial measure used in the management of the business. Management believes that free cash flow is useful to investors because it is a meaningful indicator of cash generated from operating activities available for the execution of its business strategy.

Non-GAAP financial measures should be viewed as additions to, and not as alternatives for, TimkenSteel's results prepared in accordance with GAAP. In addition, the non-GAAP measures TimkenSteel uses may differ from non-GAAP measures used by other companies, and other companies may not define the non-GAAP measures TimkenSteel uses in the same way. See the following table for a definition of the non-GAAP financial measures referred to above and a reconciliation of these non-GAAP financial measures to the most comparable GAAP financial measures.

Reconciliation of Earnings (Loss) Before Interest and Taxes (EBIT) ⁽¹⁾, Adjusted EBIT⁽³⁾, Earnings (Loss) Before Interest, Taxes, Depreciation and Amortization (EBITDA)⁽²⁾ and Adjusted EBITDA ⁽⁴⁾ to GAAP Net Income (Loss):

This reconciliation is provided as additional relevant information about the company's performance. EBIT, Adjusted EBIT, EBITDA and Adjusted EBITDA are important financial measures used in the management of the business, including decisions concerning the allocation of resources and assessment of performance. Management believes that reporting EBIT, Adjusted EBIT, EBITDA and Adjusted EBITDA is useful to investors as these measures are representative of the company's performance. Management also believes that it is appropriate to compare GAAP net income (loss) to EBIT, Adjusted EBIT, EBITDA and Adjusted EBITDA.

(Dollars in millions)	Year Ended December 31,		
	2019	2018 Adjusted ⁽⁵⁾	2017 Adjusted ⁽⁵⁾
Net income (loss)	\$ (110.0)	\$ (10.0)	\$ (31.3)
Provision (benefit) for income taxes	(16.1)	1.8	1.5
Interest expense	15.7	17.1	14.8
Earnings Before Interest and Taxes (EBIT) ⁽¹⁾	\$ (110.4)	\$ 8.9	\$ (15.0)
EBIT Margin ⁽¹⁾	(9.1)%	0.6%	(1.1)%
Depreciation and amortization	73.5	73.0	74.9
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)⁽²⁾	\$ (36.9)	\$ 81.9	\$ 59.9
EBITDA Margin ⁽²⁾	(3.1)%	5.1%	4.5%
Executive severance and transition costs	(5.6)	(1.7)	–
Impairment charges and loss on sale or disposal of assets	(8.9)	–	–
Restructuring charges	(8.9)	–	–
Loss from remeasurement of benefit plans	(40.6)	(43.5)	(21.8)
Facility phase down: Inventory write-down	(4.8)	–	–
Accelerated depreciation and amortization (EBIT only)	(2.8)	–	–
Business transformation costs	(0.5)	–	–
Adjusted EBIT ⁽³⁾	\$ (38.3)	\$ 54.1	\$ 6.8
Adjusted EBIT Margin ⁽³⁾	(3.2)%	3.4%	0.5%
Adjusted EBITDA ⁽⁴⁾	\$ 32.4	\$ 127.1	\$ 81.7
Adjusted EBITDA Margin ⁽⁴⁾	2.7%	7.9%	6.1%

⁽¹⁾ EBIT is defined as net income (loss) before interest expense and income taxes. EBIT Margin is EBIT as a percentage of net sales.

⁽²⁾ EBITDA is defined as net income (loss) before interest expense, income taxes, depreciation and amortization. EBITDA Margin is EBITDA as a percentage of net sales.

⁽³⁾ Adjusted EBIT is defined as EBIT excluding, as applicable, executive severance and transition costs, the loss from remeasurement of benefit plans, restructuring charges, impairment charges and loss on sale or disposal of assets, facility phase down: inventory write-down, accelerated depreciation and amortization and business transformation costs. Adjusted EBIT Margin is Adjusted EBIT as a percentage of net sales.

⁽⁴⁾ Adjusted EBITDA is defined as EBITDA excluding, as applicable, executive severance and transition costs, the loss from remeasurement of benefit plans, restructuring charges, impairment charges and loss on sale or disposal of assets, facility phase down: inventory write-down and business transformation costs. Adjusted EBITDA Margin is Adjusted EBITDA as a percentage of net sales.

⁽⁵⁾ The company changed its inventory valuation method for the majority of its inventory from the last in, first out (LIFO) method to the first in, first out (FIFO) method effective as of December 31, 2019. The company has retrospectively applied this change to its prior year financial statements and denoted impacted prior year columns in the above table as "Adjusted".

Reconciliation of Free Cash Flow⁽¹⁾ to GAAP Net Cash Provided (Used) by Operating Activities:

This reconciliation is provided as additional relevant information about the Company's financial position. Free cash flow is an important financial measure used in the management of the business. Management believes that free cash flow is useful to investors because it is a meaningful indicator of cash generated from operating activities available for the execution of its business strategy.

(Dollars in millions)	Year Ended December 31, 2019	
Net Cash Provided (Used) by Operating Activities	\$	70.3
Less: Capital expenditures		(38.0)
Free Cash Flow	\$	32.3

⁽¹⁾ Free Cash Flow is defined as net cash provided (used) by operating activities less capital expenditures.

Appendix B

TimkenSteel Corporation 2020

Equity and Incentive

Compensation Plan

1. Purpose. The purpose of this Plan is to permit award grants to non-employee Directors, officers and other employees of the Company and its Subsidiaries, and certain consultants to the Company and its Subsidiaries, and to provide to such persons incentives and rewards for service and/or performance.

2. Definitions. As used in this Plan:

(a) "Appreciation Right" means a right granted pursuant to **Section 5** of this Plan.

(b) "Base Price" means the price to be used as the basis for determining the Spread upon the exercise of an Appreciation Right.

(c) "Board" means the Board of Directors of the Company.

(d) "Cash Incentive Award" means a cash award granted pursuant to **Section 8** of this Plan.

(e) "Change in Control" has the meaning set forth in **Section 12** of this Plan.

(f) "Code" means the Internal Revenue Code of 1986, as amended from time to time, and the regulations thereunder, as such law and regulations may be amended from time to time.

(g) "Committee" means the Compensation Committee of the Board (or its successor(s)), or any other committee of the Board designated by the Board to administer this Plan pursuant to **Section 10** of this Plan.

(h) "Common Shares" means the common shares, without par value per share, of the Company or any security into which such common shares may be changed by reason of any transaction or event of the type referred to in **Section 11** of this Plan.

(i) "Company" means TimkenSteel Corporation, an Ohio corporation, and its successors.

(j) "Date of Grant" means the date provided for by the Committee on which a grant of Option Rights, Appreciation Rights, Performance Shares, Performance Units, Cash Incentive Awards, or other awards contemplated by **Section 9** of this Plan, or a grant or sale of Restricted Shares, Restricted Share Units, or other awards contemplated by **Section 9** of this Plan, will become effective (which date will not be earlier than the date on which the Committee takes action with respect thereto).

(k) "Director" means a member of the Board.

(l) "Effective Date" means the date this Plan is approved by the Shareholders.

(m) "Evidence of Award" means an agreement, certificate, resolution or other type or form of writing or other evidence approved by the Committee that sets forth the terms and conditions of the awards granted under this Plan. An Evidence of Award may be in an electronic medium, may be limited to notation on the books and records of the Company and, unless otherwise determined by the Committee, need not be signed by a representative of the Company or a Participant.

(n) "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, and the rules and regulations thereunder, as such law, rules and regulations may be amended from time to time.

(o) "Incentive Stock Option" means an Option Right that is intended to qualify as an "incentive stock option" under Section 422 of the Code or any successor provision.

(p) "Management Objectives" means the measurable performance objective or objectives established pursuant to this Plan for Participants who have received grants of Performance Shares, Performance Units or Cash Incentive Awards or, when so determined by the Committee, Option Rights, Appreciation Rights, Restricted Shares, Restricted Share Units, dividend equivalents or other awards pursuant to this Plan. If the Committee determines that a change in the business, operations, corporate structure or capital structure of the Company, or the manner in which it conducts its business, or other events or circumstances render the Management Objectives unsuitable, the Committee may in its discretion modify such Management Objectives or the goals or actual levels of achievement regarding the Management Objectives, in whole or in part, as the Committee deems appropriate and equitable.

(q) "Market Value per Share" means, as of any particular date, the closing price of a Common Share as reported for that date on the New York Stock Exchange or, if the Common Shares are not then listed on the New York Stock Exchange, on any other national securities exchange on which the Common Shares are listed, or if there are no sales on such date, on the next preceding trading day during which a sale occurred. If there is no regular public trading market for the Common Shares, then the Market Value per Share shall be the fair market value as determined in good faith by the Committee. The Committee is authorized to adopt another fair market value pricing method provided such method is stated in the applicable Evidence of Award and is in compliance with the fair market value pricing rules set forth in Section 409A of the Code.

(r) "Optionee" means the optionee named in an Evidence of Award evidencing an outstanding Option Right.

(s) "Option Price" means the purchase price payable on exercise of an Option Right.

(t) "Option Right" means the right to purchase Common Shares upon exercise of an award granted pursuant to **Section 4** of this Plan.

(u) "Participant" means a person who is selected by the Committee to receive benefits under this Plan and who is at the time (i) a non-employee Director, (ii) an officer or other employee of the Company or any Subsidiary, including a person who has agreed to commence serving in such capacity within 90 days of the Date of Grant, or (iii) a person, including a consultant, who provides services to the Company or any Subsidiary that are equivalent to those typically provided by an employee (provided that such person satisfies the Form S-8 definition of an "employee").

(v) "Performance Period" means, in respect of a Cash Incentive Award, Performance Share or Performance Unit, a period of time established pursuant to **Section 8** of this Plan within which the Management Objectives relating to such Cash Incentive Award, Performance Share or Performance Unit are to be achieved.

(w) "Performance Share" means a bookkeeping entry that records the equivalent of one Common Share awarded pursuant to **Section 8** of this Plan.

(x) "Performance Unit" means a bookkeeping entry awarded pursuant to **Section 8** of this Plan that records a unit equivalent to \$1.00 or such other value as is determined by the Committee.

(y) "Plan" means this TimkenSteel Corporation 2020 Equity and Incentive Compensation Plan, as may be amended or amended and restated from time to time.

(z) "Predecessor Plan" means the TimkenSteel Corporation 2014 Equity and Incentive Compensation Plan, in each case including as amended or amended and restated.

(aa) "Restricted Shares" means Common Shares granted or sold pursuant to **Section 6** of this Plan as to which neither the substantial risk of forfeiture nor the prohibition on transfers has expired.

(bb) "Restricted Share Units" means an award made pursuant to **Section 7** of this Plan of the right to receive Common Shares, cash or a combination thereof at the end of the applicable Restriction Period.

(cc) "Restriction Period" means the period of time during which Restricted Share Units are subject to restrictions, as provided in **Section 7** of this Plan.

(dd) "Shareholder" means an individual or entity that owns one or more Common Shares.

(ee) "Spread" means the excess of the Market Value per Share on the date when an Appreciation Right is exercised over the Base Price provided for with respect to the Appreciation Right.

(ff) "Subsidiary" means a corporation, company or other entity (i) more than 50% of whose outstanding shares or securities (representing the right to vote for the election of directors or other managing authority) are, or (ii) which does not have outstanding shares or securities (as may be the case in a partnership, joint venture, limited liability company, unincorporated association or other similar entity), but more than 50% of whose ownership interest representing the right generally to make decisions for such other entity is, now or hereafter, owned or controlled, directly or indirectly, by the Company; provided, however, that for purposes of determining whether any person may be a Participant for purposes of any grant of Incentive Stock Options, "Subsidiary" means any corporation in which the Company at the time owns or controls, directly or indirectly, more than 50% of the total combined Voting Power represented by all classes of stock issued by such corporation.

(gg) "Voting Power" means, at any time, the combined voting power of the then-outstanding securities entitled to vote generally in the election of Directors in the case of the Company or members of the board of directors or similar body in the case of another entity.

3. Shares Available Under this Plan.

(a) Maximum Shares Available Under this Plan.

(i) Subject to adjustment as provided in **Section 11** of this Plan and the share counting rules set forth in **Section 3(b)** of this Plan, the number of Common Shares available under this Plan for awards of (A) Option Rights or Appreciation Rights, (B) Restricted Shares, (C) Restricted Share Units, (D) Performance Shares or Performance Units, (E) awards contemplated by **Section 9** of this Plan, or (F) dividend equivalents paid with respect to awards made under this Plan will not exceed in the aggregate 2,000,000 Common Shares, plus the Common Shares that are subject to awards granted under this Plan or the Predecessor Plan that are added (or added back, as applicable) to the aggregate number of Common Shares available under this **Section 3(a)(i)** pursuant to the share counting rules of this Plan. Such shares may be shares of original issuance or treasury shares or a combination of the foregoing.

(ii) Subject to the share counting rules set forth in **Section 3(b)** of this Plan, the aggregate number of Common Shares available under **Section 3(a)(i)** of this Plan will be reduced by one Common Share for every one Common Share subject to an award granted under this Plan.

(b) Share Counting Rules.

(i) Except as provided in **Section 22** of this Plan, if any award granted under this Plan (in whole or in part) is canceled or forfeited, expires, is settled for cash, or is unearned, the Common Shares subject to such award will, to the extent of such cancellation, forfeiture, expiration, cash settlement, or unearned amount, again be available under **Section 3(a)(i)** above in accordance with **Section 3(b)(v)** below.

(ii) If, after the Effective Date, any Common Shares subject to an award granted under the Predecessor Plan are forfeited, or an award granted under the Predecessor Plan (in whole or in part) is canceled or forfeited, expires, is settled for cash, or is unearned, the Common Shares subject to such award will, to the extent of such cancellation, forfeiture, expiration, cash settlement, or unearned amount, be available for awards under this Plan in accordance with **Section 3(b)(v)** below.

(iii) Notwithstanding anything to the contrary contained in this Plan: (A) Common Shares withheld by the Company, tendered or otherwise used in payment of the Option Price of an Option Right will not be added (or added back, as applicable) to the aggregate number of Common Shares available under **Section 3(a)(i)** of this Plan; (B) Common Shares withheld by the Company, tendered or otherwise used to satisfy tax withholding with respect to Option Rights or Appreciation Rights (or option rights or appreciation rights granted under the Predecessor Plan) will not be added (or added back, as applicable) to the aggregate number of Common Shares available under **Section 3(a)(i)** of this Plan; (C) Common Shares withheld by the Company, tendered or otherwise used to satisfy tax withholding with respect to awards other than Option Rights and Appreciation Rights (or option rights or appreciation rights granted under the Predecessor Plan) will be added back to the aggregate number of Common Shares available under **Section 3(a)(i)** of this Plan in accordance with **Section 3(b)(v)** below, but only for a period not to exceed 10 years from the Effective Date; (D) Common Shares subject to a share-settled Appreciation Right that are not actually issued in connection with the settlement of such Appreciation Right on the exercise thereof will not be added back to the aggregate number of Common Shares available under **Section 3(a)(i)** of this Plan; and (E) Common Shares reacquired by the Company on the open market or otherwise using cash proceeds from the exercise of Option Rights will not be added (or added back, as applicable) to the aggregate number of Common Shares available under **Section 3(a)(i)** of this Plan.

(iv) If, under this Plan, a Participant has elected to give up the right to receive compensation in exchange for Common Shares based on fair market value, such Common Shares will not count against the aggregate limit under **Section 3(a)(i)** of this Plan.

(v) Any Common Share that becomes available under this Plan under this **Section 3(b)** will be added (or added back, as applicable) as (A) one Common Share if such Common Share was subject to an award granted under this Plan or a stock option or stock appreciation right granted under the Predecessor Plan, (B) 2.46 Common Shares if such Common Share was subject to an award granted under the Predecessor Plan prior to April 28, 2016 other than a stock option or stock appreciation right, and (C) as 2.50 Common Shares if such Common share was subject to an award granted under the Predecessor Plan on or after April 28, 2016 other than a stock option or stock appreciation right.

(c) Limit on Incentive Stock Options; Full Value Award Limit. Notwithstanding anything to the contrary contained in this Plan, and subject to adjustment as provided in **Section 11** of this Plan, (i) the aggregate number of Common Shares actually issued or transferred by the Company upon the exercise of Incentive Stock Options will not exceed 2,000,000 Common Shares; and (ii) the number of Common Shares subject to awards granted under this Plan other than Option Rights or Appreciation Rights (after taking into account any applicable share recycling under **Section 3(b)**) will not, during the life of this Plan, in the aggregate exceed 1,800,000 Common Shares.

(d) Non-Employee Director Compensation Limit. Notwithstanding anything to the contrary contained in this Plan, in no event will any non-employee Director in any one calendar year be granted compensation for such service having an aggregate maximum value (measured at the Date of Grant as applicable, and calculating the value of any awards based on the grant date fair value for financial reporting purposes) in excess of \$500,000.

(e) Minimum Vesting. Notwithstanding anything in this Plan (outside of this **Section 3(e)**) to the contrary, awards granted under this Plan shall vest no earlier than after a minimum one-year vesting period or one-year performance period, as applicable; provided, however, that, notwithstanding the foregoing, an aggregate of up to 5% of the Common Shares available for awards under this Plan under **Section 3(a)(i)**, as may be adjusted under **Section 11** of this Plan, may be used for awards that do not at grant comply with such minimum vesting requirement. Nothing in this **Section 3(e)** or otherwise in this Plan shall preclude the Committee, in its sole discretion, from (i) providing for continued vesting or accelerated vesting for any award under the Plan, including in connection with or following the retirement, death, disability or termination of employment or service of a Participant, or (ii) exercising its authority under **Section 18(c)** at any time following the grant of an award.

4. Option Rights. The Committee may, from time to time and upon such terms and conditions as it may determine, authorize the granting to Participants of Option Rights. Each such grant may utilize any or all of the authorizations, and will be subject to all of the requirements, contained in the following provisions:

(a) Each grant will specify the number of Common Shares to which it pertains subject to the limitations set forth in **Section 3** of this Plan.

(b) Each grant will specify an Option Price per Common Share, which Option Price (except with respect to awards under **Section 22** of this Plan) may not be less than the Market Value per Share on the Date of Grant.

(c) Each grant will specify whether the Option Price will be payable (i) in cash, by check acceptable to the Company or by wire transfer of immediately available funds, (ii) by the actual or constructive transfer to the Company of Common Shares owned by the Optionee having a value at the time of exercise equal to the total Option Price, (iii) subject to any conditions or limitations established by the Committee, by the withholding of Common Shares otherwise issuable upon exercise of an Option Right pursuant to a "net exercise" arrangement (it being understood that, solely for purposes of determining the number of treasury shares held by the Company, the Common Shares so withheld will not be treated as issued and acquired by the Company upon such exercise), (iv) by a combination of such methods of payment, or (v) by such other methods as may be approved by the Committee.

(d) To the extent permitted by law, any grant may provide for deferred payment of the Option Price from the proceeds of sale through a bank or broker on a date satisfactory to the Company of some or all of the Common Shares to which such exercise relates.

(e) Each grant will specify the period or periods of continuous service by the Optionee with the Company or any Subsidiary, if any, that is necessary before any Option Rights or installments thereof will vest. Option Rights may provide for continued vesting or the earlier vesting of such Option Rights, including in the event of the retirement, death, disability or termination of employment or service of a Participant or in the event of a Change in Control.

(f) Any grant of Option Rights may specify Management Objectives regarding the vesting of such rights.

(g) Option Rights granted under this Plan may be (i) options, including Incentive Stock Options, that are intended to qualify under particular provisions of the Code, (ii) options that are not intended to so qualify, or (iii) combinations of the foregoing. Incentive Stock Options may only be granted to Participants who meet the definition of "employees" under Section 3401(c) of the Code.

(h) No Option Right will be exercisable more than 10 years from the Date of Grant. The Committee may provide in any Evidence of Award for the automatic exercise of an Option Right upon such terms and conditions as established by the Committee.

(i) Option Rights granted under this Plan may not provide for any dividends or dividend equivalents thereon.

(j) Each grant of Option Rights will be evidenced by an Evidence of Award. Each Evidence of Award will be subject to this Plan and will contain such terms and provisions, consistent with this Plan, as the Committee may approve.

5. Appreciation Rights.

(a) The Committee may, from time to time and upon such terms and conditions as it may determine, authorize the granting to any Participant of Appreciation Rights. An Appreciation Right will be the right of the Participant to receive from the Company an amount determined by the Committee, which will be expressed as a percentage of the Spread (not exceeding 100%) at the time of exercise.

(b) Each grant of Appreciation Rights may utilize any or all of the authorizations, and will be subject to all of the requirements, contained in the following provisions:

(i) Each grant may specify that the amount payable on exercise of an Appreciation Right will be paid by the Company in cash, Common Shares or any combination thereof.

(ii) Each grant will specify the period or periods of continuous service by the Participant with the Company or any Subsidiary, if any, that is necessary before the Appreciation Rights or installments thereof will vest. Appreciation Rights may provide for continued vesting or the earlier vesting of such Appreciation Rights, including in the event of the retirement, death, disability or termination of employment or service of a Participant or in the event of a Change in Control.

(iii) Any grant of Appreciation Rights may specify Management Objectives regarding the vesting of such Appreciation Rights.

(iv) Appreciation Rights granted under this Plan may not provide for any dividends or dividend equivalents thereon.

(v) Each grant of Appreciation Rights will be evidenced by an Evidence of Award. Each Evidence of Award will be subject to this Plan and will contain such terms and provisions, consistent with this Plan, as the Committee may approve.

(c) Also, regarding Appreciation Rights:

(i) Each grant will specify in respect of each Appreciation Right a Base Price, which (except with respect to awards under **Section 22** of this Plan) may not be less than the Market Value per Share on the Date of Grant; and

(ii) No Appreciation Right granted under this Plan may be exercised more than 10 years from the Date of Grant. The Committee may provide in any Evidence of Award for the automatic exercise of an Appreciation Right upon such terms and conditions as established by the Committee.

6. Restricted Shares. The Committee may, from time to time and upon such terms and conditions as it may determine, authorize the grant or sale of Restricted Shares to Participants. Each such grant or sale may utilize any or all of the authorizations, and will be subject to all of the requirements, contained in the following provisions:

(a) Each such grant or sale will constitute an immediate transfer of the ownership of Common Shares to the Participant in consideration of the performance of services, entitling such Participant to voting, dividend and other ownership rights (subject in particular to **Section 6(g)** of this Plan), but subject to the substantial risk of forfeiture and restrictions on transfer hereinafter described.

(b) Each such grant or sale may be made without additional consideration or in consideration of a payment by such Participant that is less than the Market Value per Share on the Date of Grant.

(c) Each such grant or sale will provide that the Restricted Shares covered by such grant or sale will be subject to a "substantial risk of forfeiture" within the meaning of Section 83 of the Code for a period to be determined by the Committee on the Date of Grant or until achievement of Management Objectives referred to in **Section 6(e)** of this Plan.

(d) Each such grant or sale will provide that during or after the period for which such substantial risk of forfeiture is to continue, the transferability of the Restricted Shares will be prohibited or restricted in the manner and to the extent prescribed by the Committee on the Date of Grant (which restrictions may include rights of repurchase or first refusal of the Company or provisions subjecting the Restricted Shares to a continuing substantial risk of forfeiture while held by any transferee).

(e) Any grant of Restricted Shares may specify Management Objectives regarding the vesting of such Restricted Shares.

(f) Notwithstanding anything to the contrary contained in this Plan, Restricted Shares may provide for continued vesting or the earlier vesting of such Restricted Shares, including in the event of the retirement, death, disability or termination of employment or service of a Participant or in the event of a Change in Control.

(g) Any such grant or sale of Restricted Shares may require that any and all dividends or other distributions paid thereon during the period of such restrictions be automatically deferred and/or reinvested in

additional Restricted Shares, which will be subject to the same restrictions as the underlying award. For the avoidance of doubt, any such dividends or other distributions on Restricted Shares will be deferred until, and paid contingent upon, the vesting of such Restricted Shares.

(h) Each grant or sale of Restricted Shares will be evidenced by an Evidence of Award. Each Evidence of Award will be subject to this Plan and will contain such terms and provisions, consistent with this Plan, as the Committee may approve. Unless otherwise directed by the Committee, (i) all certificates representing Restricted Shares will be held in custody by the Company until all restrictions thereon will have lapsed, together with a stock power or powers executed by the Participant in whose name such certificates are registered, endorsed in blank and covering such shares or (ii) all Restricted Shares will be held at the Company's transfer agent in book entry form with appropriate restrictions relating to the transfer of such Restricted Shares.

7. Restricted Share Units. The Committee may, from time to time and upon such terms and conditions as it may determine, authorize the granting or sale of Restricted Share Units to Participants. Each such grant or sale may utilize any or all of the authorizations, and will be subject to all of the requirements, contained in the following provisions:

(a) Each such grant or sale will constitute the agreement by the Company to deliver Common Shares or cash, or a combination thereof, to the Participant in the future in consideration of the performance of services, but subject to the fulfillment of such conditions (which may include achievement regarding Management Objectives) during the Restriction Period as the Committee may specify.

(b) Each such grant or sale may be made without additional consideration or in consideration of a payment by such Participant that is less than the Market Value per Share on the Date of Grant.

(c) Notwithstanding anything to the contrary contained in this Plan, Restricted Share Units may provide for continued vesting or the earlier lapse or other modification of the Restriction Period, including in the event of the retirement, death, disability or termination of employment or service of a Participant or in the event of a Change in Control.

(d) During the Restriction Period, the Participant will have no right to transfer any rights under his or her award and will have no rights of ownership in the Common Shares deliverable upon payment of the Restricted Share Units and will have no right to vote them, but the Committee may, at or after the Date of Grant, authorize the payment of dividend equivalents on such Restricted Share Units on a deferred and contingent basis, either in cash or in additional Common Shares; provided, however, that dividend equivalents or other distributions on Common Shares underlying Restricted Share Units shall be deferred until and paid contingent upon the vesting of such Restricted Share Units.

(e) Each grant or sale of Restricted Share Units will specify the time and manner of payment of the Restricted Share Units that have been earned. Each grant or sale will specify that the amount payable with respect thereto will be paid by the Company in Common Shares or cash, or a combination thereof.

(f) Each grant or sale of Restricted Share Units will be evidenced by an Evidence of Award. Each Evidence of Award will be subject to this Plan and will contain such terms and provisions, consistent with this Plan, as the Committee may approve.

8. Cash Incentive Awards, Performance Shares and Performance Units. The Committee may, from time to time and upon such terms and conditions as it may determine, authorize the granting of Cash Incentive Awards, Performance Shares and Performance Units. Each such grant may utilize any or all of the authorizations, and will be subject to all of the requirements, contained in the following provisions:

(a) Each grant will specify the number or amount of Performance Shares or Performance Units, or amount payable with respect to a Cash Incentive Award, to which it pertains, which number or amount may be subject to adjustment to reflect changes in compensation or other factors.

(b) The Performance Period with respect to each Cash Incentive Award or grant of Performance Shares or Performance Units will be such period of time as will be determined by the Committee, which may be subject to continued vesting or earlier lapse or other modification, including in the event of the retirement, death, disability or termination of employment or service of a Participant or in the event of a Change in Control.

(c) Each grant of a Cash Incentive Award, Performance Shares or Performance Units will specify Management Objectives regarding the earning of the award.

(d) Each grant will specify the time and manner of payment of a Cash Incentive Award, Performance Shares or Performance Units that have been earned.

(e) The Committee may, on the Date of Grant of Performance Shares or Performance Units, provide for the payment of dividend equivalents to the holder thereof either in cash or in additional Common Shares, which dividend equivalents will be subject to deferral and payment on a contingent basis based on the Participant's earning and vesting of the Performance Shares or Performance Units, as applicable, with respect to which such dividend equivalents are paid.

(f) Each grant of a Cash Incentive Award, Performance Shares or Performance Units will be evidenced by an Evidence of Award. Each Evidence of Award will be subject to this Plan and will contain such terms and provisions, consistent with this Plan, as the Committee may approve.

9. Other Awards.

(a) Subject to applicable law and the applicable limits set forth in **Section 3** of this Plan, the Committee may authorize the grant to any Participant of Common Shares or such other awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Common Shares or factors that may influence the value of such shares, including, without limitation, convertible or exchangeable debt securities, other rights convertible or exchangeable into Common Shares, purchase rights for Common Shares, awards with value and payment contingent upon performance of the Company or specified Subsidiaries, affiliates or other business units thereof or any other factors designated by the Committee, and awards valued by reference to the book value of the Common Shares or the value of securities of, or the performance of specified Subsidiaries or affiliates or other business units of the Company. The Committee will determine the terms and conditions of such awards. Common Shares delivered pursuant to an award in the nature of a purchase right granted under this **Section 9** will be purchased for such consideration, paid for at such time, by such methods, and in such forms, including, without limitation, Common Shares, other awards, notes or other property, as the Committee determines.

(b) Cash awards, as an element of or supplement to any other award granted under this Plan, may also be granted pursuant to this **Section 9**.

(c) The Committee may authorize the grant of Common Shares as a bonus, or may authorize the grant of other awards in lieu of obligations of the Company or a Subsidiary to pay cash or deliver other property under this Plan or under other plans or compensatory arrangements, subject to such terms as will be determined by the Committee in a manner that complies with Section 409A of the Code.

(d) The Committee may, at or after the Date of Grant, authorize the payment of dividends or dividend equivalents on awards granted under this **Section 9** on a deferred and contingent basis, either in cash or in additional Common Shares, based upon the earning and vesting of such awards.

(e) Each grant of an award under this **Section 9** will be evidenced by an Evidence of Award. Each such Evidence of Award will be subject to this Plan and will contain such terms and provisions, consistent with this Plan, as the Committee may approve, and will specify the time and terms of delivery of the applicable award.

(f) Notwithstanding anything to the contrary contained in this Plan, awards under this **Section 9** may provide for the earning or vesting of, or earlier elimination of restrictions applicable to, such award, including in the event of the retirement, death, disability or termination of employment or service of a Participant or in the event of a Change in Control.

10. Administration of this Plan.

(a) This Plan will be administered by the Committee; provided, however, that notwithstanding anything in this Plan to the contrary, the Board may grant awards under this Plan to non-employee Directors and administer this Plan with respect to such awards. The Committee may from time to time delegate all or any part of its authority under this Plan to a subcommittee thereof. To the extent of any such delegation, references in this Plan to the Committee will be deemed to be references to such subcommittee.

(b) The interpretation and construction by the Committee of any provision of this Plan or of any Evidence of Award (or related documents) and any determination by the Committee pursuant to any provision of this Plan or of any such agreement, notification or document will be final and conclusive. No member of the Committee shall be liable for any such action or determination made in good faith. In addition, the Committee is authorized to take any action it determines in its sole discretion to be appropriate subject only to the express limitations contained in this Plan, and no authorization in any Plan section or other provision of this Plan is intended or may be deemed to constitute a limitation on the authority of the Committee.

(c) To the extent permitted by law, the Committee may delegate to one or more of its members, to one or more officers of the Company, or to one or more agents or advisors, such administrative duties or powers as it may deem advisable, and the Committee, the subcommittee, or any person to whom duties or powers have been delegated as aforesaid, may employ one or more persons to render advice with respect to any responsibility the Committee, the subcommittee or such person may have under this Plan. The Committee may, by resolution, authorize one or more officers of the Company to do one or both of the following on the same basis as the Committee: (i) designate employees to be recipients of awards under this Plan; and (ii) determine the size of any such awards; provided, however, that (A) the Committee will not delegate such responsibilities to any such officer for awards granted to an employee who is an officer (for purposes of Section 16 of the Exchange Act), Director, or more than 10% "beneficial owner" (as such term is defined in Rule 13d-3 promulgated under the Exchange Act) of any class of the Company's equity securities that is registered pursuant to Section 12 of the Exchange Act, as determined by the Committee in accordance with Section 16 of the Exchange Act; (B) the resolution providing for such authorization shall set forth the total number of Common Shares such officer(s) may grant; and (C) the officer(s) will report periodically to the Committee regarding the nature and scope of the awards granted pursuant to the authority delegated.

11. Adjustments. The Committee shall make or provide for such adjustments in the number of and kind of Common Shares covered by outstanding Option Rights, Appreciation Rights, Restricted Shares, Restricted Share Units, Performance Shares and Performance Units granted hereunder and, if applicable, in the number of and kind of Common Shares covered by other awards granted pursuant to **Section 9** of this Plan, in the Option Price and Base Price provided in outstanding Option Rights and Appreciation Rights, respectively, in Cash Incentive Awards, and in other award terms, as the Committee, in its sole discretion, exercised in good faith, determines is equitably required to prevent dilution or enlargement of the rights of Participants that otherwise would result from (a) any extraordinary cash dividend, stock dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, (b) any merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation or other distribution of assets, issuance of rights or warrants to purchase securities, or (c) any other corporate transaction or event having an effect similar to any of the foregoing. Moreover, in the event of any such transaction or event or in the event of a Change in Control, the Committee may provide in substitution for any or all outstanding awards under this Plan such alternative consideration (including cash), if any, as it, in good faith, may determine to be equitable in the circumstances and shall require in connection therewith the surrender of all awards so replaced in a manner that complies with Section 409A of the Code. In addition, for each Option Right or Appreciation Right with an Option Price or Base Price, respectively, greater than the consideration offered in connection with any such transaction or event or Change in Control, the Committee may in its discretion elect to cancel such Option Right or Appreciation Right without any payment to the person holding such Option Right or Appreciation Right. The Committee shall also make or provide for such adjustments in the number of Common Shares specified in **Section 3** of this Plan as the Committee in its sole discretion, exercised in good faith, determines is appropriate to reflect any transaction or event described in this **Section 11**; provided, however, that any such adjustment to the Incentive Stock Option limitation specified in **Section 3(c)** of this Plan will be made only if and to the extent that such adjustment would not cause any Option Right intended to qualify as an Incentive Stock Option to fail to so qualify.

12. Change in Control.

(a) Definition. For purposes of this Plan, except as may be otherwise prescribed by the Committee in an Evidence of Award made under this Plan, a "Change in Control" will be deemed to have occurred upon the occurrence (after the Effective Date) of any of the following events:

- (i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "**Person**") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% or more of either: (A) the then-outstanding Common

Shares; or (B) the combined voting power of the then-outstanding voting securities of the Corporation entitled to vote generally in the election of directors ("Voting Shares"); provided, however, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change in Control: (1) any acquisition directly from the Corporation; (2) any acquisition by the Corporation; (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Corporation or any of its Subsidiaries; or (4) any acquisition by any Person pursuant to a transaction which complies with clauses (A), (B) and (C) of subsection (iii);

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

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

(iv) Approval by the shareholders of the Corporation of a complete liquidation or dissolution of the Corporation.

(b) Treatment of Awards Upon a Change in Control.

(i) Unless otherwise determined by the Committee, each applicable Evidence of Award will provide that, in the event of a Change in Control, for outstanding awards under this Plan that vest, are earned or become exercisable (as applicable) based solely on employment, service or the passage of time (as opposed to the achievement of one or more Management Objectives), such awards will accelerate and vest, be earned or become exercisable, as applicable, where either (A) within a specified period the Participant's employment or service is involuntarily terminated for reasons other than for cause, the Participant terminates his or her employment or service for good reason or the Participant's employment or service is terminated due to the Participant's death or disability, or (B) such awards are not assumed or converted into replacement awards in a manner described in the Evidence of Award.

(ii) Unless otherwise determined by the Committee, each applicable Evidence of Award will provide that, in the event of a Change in Control, for outstanding awards under this Plan that vest, are earned or become exercisable (as applicable) based on the achievement of one or more Management Objectives (as opposed to only employment, service or the passage of time), such awards will accelerate and vest, be earned or become exercisable, as applicable, based on the greater of (A) target performance or (B) actual performance (or the Common Share price relating to the Change in Control, if applicable) determined as of the date of the Change in Control, where either (I) within a specified period the Participant's employment or service is involuntarily terminated for reasons other than for cause, the Participant terminates his or her employment or service for good reason or the Participant's employment or service is terminated due to the Participant's death or disability, or (II) such awards are not assumed or converted into replacement awards in a manner described in the Evidence of Award.

13. Detrimental Activity and Recapture Provisions. Any Evidence of Award may reference a clawback policy of the Company or provide for the cancellation or forfeiture of an award or the forfeiture and repayment to the Company of any gain related to an award, or other provisions intended to have a similar effect, upon such terms and conditions as may be determined by the Committee from time to time, if a Participant, either (a) during employment or other service with the Company or a Subsidiary, or (b) within a specified period after termination of such employment or service, engages in any detrimental activity, as described in the applicable Evidence of Award or such clawback policy. In addition, notwithstanding anything in this Plan to the contrary, any Evidence of Award or such clawback policy may also provide for the cancellation or forfeiture of an award or the forfeiture and repayment to the Company of any Common Shares issued under and/or any other benefit related to an award, or other provisions intended to have a similar effect, including upon such terms and conditions as may be required by the Committee or under Section 10D of the Exchange Act and any applicable rules or regulations promulgated by the Securities and Exchange Commission or any national securities exchange or national securities association on which the Common Shares may be traded.

14. Non-U.S. Participants. In order to facilitate the making of any grant or combination of grants under this Plan, the Committee may provide for such special terms for awards to Participants who are foreign nationals or who are employed by the Company or any Subsidiary outside of the United States of America or who provide services to the Company or any Subsidiary under an agreement with a foreign nation or agency, as the Committee may consider necessary or appropriate to accommodate differences in local law, tax policy or custom. Moreover, the Committee may approve such supplements to or amendments, restatements or alternative versions of this Plan (including sub-plans) (to be considered part of this Plan) as it may consider necessary or appropriate for such purposes, without thereby affecting the terms of this Plan as in effect for any other purpose, and the secretary or other appropriate officer of the Company may certify any such document as having been approved and adopted in the same manner as this Plan. No such special terms, supplements, amendments or restatements, however, will include any provisions that are inconsistent with the terms of this Plan as then in effect unless this Plan could have been amended to eliminate such inconsistency without further approval by the Shareholders.

15. Transferability.

(a) Except as otherwise determined by the Committee, and subject to compliance with **Section 17(b)** of this Plan and Section 409A of the Code, no Option Right, Appreciation Right, Restricted Share, Restricted Share Unit, Performance Share, Performance Unit, Cash Incentive Award, award contemplated by **Section 9** of this Plan or dividend equivalents paid with respect to awards made under this Plan will be transferable by the Participant except by will or the laws of descent and distribution. In no event will any such award granted under this Plan be transferred for value. Where transfer is permitted, references to "Participant" shall be construed, as the Committee deems appropriate, to include any permitted transferee to whom such award is transferred. Except as otherwise determined by the Committee, Option Rights and Appreciation Rights will be exercisable during the Participant's lifetime only by him or her or, in the event of the Participant's legal incapacity to do so, by his or her guardian or legal representative acting on behalf of the Participant in a fiduciary capacity under state law or court supervision.

(b) The Committee may specify on the Date of Grant that part or all of the Common Shares that are (i) to be issued or transferred by the Company upon the exercise of Option Rights or Appreciation Rights, upon the termination of the Restriction Period applicable to Restricted Share Units or upon payment under any grant of Performance Shares or Performance Units or (ii) no longer subject to the substantial risk of forfeiture and restrictions on transfer referred to in **Section 6** of this Plan, will be subject to further restrictions on transfer, including minimum holding periods.

16. Withholding Taxes. To the extent that the Company is required to withhold federal, state, local or foreign taxes or other amounts in connection with any payment made or benefit realized by a Participant or other person under this Plan, and the amounts available to the Company for such withholding are insufficient, it will be a condition to the receipt of such payment or the realization of such benefit that the Participant or such other person make arrangements satisfactory to the Company for payment of the balance of such taxes or other amounts required to be withheld, which arrangements (in the discretion of the Committee) may include relinquishment of a portion of such benefit. If a Participant's benefit is to be received in the form of Common Shares, and such Participant fails to make arrangements for the payment of taxes or other amounts, then, unless otherwise determined by the Committee, the Company will withhold Common Shares having a value equal to the amount required to be withheld. Notwithstanding the foregoing, when a Participant is required to pay the Company an amount required to be withheld under applicable income, employment, tax or other laws, the Participant may elect, unless otherwise determined by the Committee, to satisfy the obligation, in whole or in part, by having withheld, from the Common Shares required to be delivered to the Participant, Common Shares having a value equal to the amount required to be withheld or by delivering to the Company other Common Shares held by such Participant. The Common Shares used for tax or other withholding will be valued at an amount equal to the fair market value of such Common Shares on the date the benefit is to be included in Participant's income. In no event will the fair market value of the Common Shares to be withheld and delivered pursuant to this **Section 16** exceed the minimum amount required to be withheld, unless (i) an additional amount can be withheld and not result in adverse accounting consequences, (ii) such additional withholding amount is authorized by the Committee, and (iii) the total amount withheld does not exceed the Participant's estimated tax obligations attributable to the applicable transaction. Participants will also make such arrangements as the Company may require for the payment of any withholding tax or other obligation that may arise in connection with the disposition of Common Shares acquired upon the exercise of Option Rights.

17. Compliance with Section 409A of the Code.

(a) To the extent applicable, it is intended that this Plan and any grants made hereunder comply with the provisions of Section 409A of the Code, so that the income inclusion provisions of Section 409A(a)(1) of the Code do not apply to the Participants. This Plan and any grants made hereunder will be administered in a manner consistent with this intent. Any reference in this Plan to Section 409A of the Code 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.

(b) Neither a Participant nor any of a Participant's creditors or beneficiaries will have the right to subject any deferred compensation (within the meaning of Section 409A of the Code) payable under this Plan and grants hereunder to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A of the Code, any deferred compensation (within the meaning of Section 409A of the Code) payable to a Participant or for a Participant's benefit under this Plan and grants hereunder may not be reduced by, or offset against, any amount owed by a Participant to the Company or any of its Subsidiaries.

(c) If, at the time of a Participant's separation from service (within the meaning of Section 409A of the Code), (i) the Participant will be a specified employee (within the meaning of Section 409A of the Code and using the identification methodology selected by the Company from time to time) and (ii) the Company makes a good faith determination that an amount payable hereunder constitutes deferred compensation (within the meaning of Section 409A of the Code) the payment of which is required to be delayed pursuant to the six-month delay rule set forth in Section 409A of the Code in order to avoid taxes or penalties under Section 409A of the Code, then the Company will not pay such amount on the otherwise scheduled payment date but will instead pay it, without interest, on the tenth business day of the seventh month after such separation from service.

(d) Solely with respect to any award that constitutes nonqualified deferred compensation subject to Section 409A of the Code and that is payable on account of a Change in Control (including any installments or stream of payments that are accelerated on account of a Change in Control), a Change in Control shall occur only if such event also constitutes a "change in the ownership," "change in effective control," and/or a "change in the ownership of a substantial portion of assets" of the Company as those terms are defined under Treasury Regulation §1.409A-3(i)(5), but only to the extent necessary to establish a time and form of payment that complies with Section 409A of the Code, without altering the definition of Change in Control for any purpose in respect of such award.

(e) Notwithstanding any provision of this Plan and grants hereunder to the contrary, in light of the uncertainty with respect to the proper application of Section 409A of the Code, the Company reserves the right to make amendments to this Plan and grants hereunder as the Company deems necessary or desirable to avoid the imposition of taxes or penalties under Section 409A of the Code. In any case, a Participant will be solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on a Participant or for a Participant's account in connection with this Plan and grants hereunder (including any taxes and penalties under Section 409A of the Code), and neither the Company nor any of its affiliates will have any obligation to indemnify or otherwise hold a Participant harmless from any or all of such taxes or penalties.

18. Amendments.

(a) The Board may at any time and from time to time amend this Plan in whole or in part; provided, however, that if an amendment to this Plan, for purposes of applicable stock exchange rules and except as permitted under **Section 11** of this Plan, (i) would materially increase the benefits accruing to Participants under this Plan, (ii) would materially increase the number of securities which may be issued under this Plan, (iii) would materially modify the requirements for participation in this Plan, or (iv) must otherwise be approved by the Shareholders in order to comply with applicable law or the rules of the New York Stock Exchange or, if the Common Shares are not traded on the New York Stock Exchange, the principal national securities exchange upon which the Common Shares are traded or quoted, all as determined by the Board, then, such amendment will be subject to Shareholder approval and will not be effective unless and until such approval has been obtained.

(b) Except in connection with a corporate transaction or event described in **Section 11** of this Plan or in connection with a Change in Control, the terms of outstanding awards may not be amended to reduce the Option Price of outstanding Option Rights or the Base Price of outstanding Appreciation Rights, or cancel outstanding "underwater" Option Rights or Appreciation Rights (including following a Participant's voluntary surrender of "underwater" Option Rights or Appreciation Rights) in exchange for cash, other awards or Option Rights or Appreciation Rights with an Option Price or Base Price, as applicable, that is less than the Option Price of the original Option Rights or Base Price of the original Appreciation Rights, as applicable, without Shareholder approval. This **Section 18(b)** is intended to prohibit the repricing of "underwater" Option Rights and Appreciation Rights and will not be construed to prohibit the adjustments provided for in **Section 11** of this Plan. Notwithstanding any provision of this Plan to the contrary, this **Section 18(b)** may not be amended without approval by the Shareholders.

(c) If permitted by Section 409A of the Code, but subject to the paragraph that follows, including in the case of termination of employment or service, or in the case of unforeseeable emergency or other circumstances or in the event of a Change in Control, to the extent a Participant holds an Option Right or Appreciation Right not immediately exercisable in full, or any Restricted Shares as to which the substantial risk of forfeiture or the prohibition or restriction on transfer has not lapsed, or any Restricted Share Units as to which the Restriction Period has not been completed, or any Cash Incentive Awards, Performance Shares or Performance Units which have not been fully earned, or any dividend equivalents or other awards made pursuant to **Section 9** of this Plan subject to any vesting schedule or transfer restriction, or who holds Common Shares subject to any transfer restriction imposed pursuant to **Section 15(b)** of this Plan, the Committee may, in its sole discretion, provide for continued vesting or accelerate the time at which such Option Right, Appreciation Right or other award may vest or be exercised or the time at which such substantial risk of forfeiture or prohibition or restriction on transfer will lapse or the time when such Restriction Period will end or the time at which such Cash Incentive Awards, Performance Shares or Performance Units will be deemed to have been earned or the time when such transfer restriction will terminate or may waive any other limitation or requirement under any such award.

(d) Subject to **Section 18(b)** of this Plan, the Committee may amend the terms of any award theretofore granted under this Plan prospectively or retroactively. Except for adjustments made pursuant to **Section 11** of this Plan, no such amendment will materially impair the rights of any Participant without his or her consent. The Board may, in its discretion, terminate this Plan at any time. Termination of this Plan will not affect the rights of Participants or their successors under any awards outstanding hereunder and not exercised in full on the date of termination.

19. Governing Law. This Plan and all grants and awards and actions taken hereunder will be governed by and construed in accordance with the internal substantive laws of the State of Ohio.

20. Effective Date/Termination. This Plan will be effective as of the Effective Date. No grants will be made on or after the Effective Date under the Predecessor Plan, provided that outstanding awards granted under the

Predecessor Plan will continue unaffected following the Effective Date. No grant will be made under this Plan on or after the tenth anniversary of the Effective Date, but all grants made prior to such date will continue in effect thereafter subject to the terms thereof and of this Plan. For clarification purposes, the terms and conditions of this Plan shall not apply to or otherwise impact previously granted and outstanding awards under the Predecessor Plan, as applicable.

21. Miscellaneous Provisions.

(a) The Company will not be required to issue any fractional Common Shares pursuant to this Plan. The Committee may provide for the elimination of fractions or for the settlement of fractions in cash.

(b) This Plan will not confer upon any Participant any right with respect to continuance of employment or other service with the Company or any Subsidiary, nor will it interfere in any way with any right the Company or any Subsidiary would otherwise have to terminate such Participant's employment or other service at any time.

(c) Except with respect to **Section 21(e)** of this Plan, to the extent that any provision of this Plan would prevent any Option Right that was intended to qualify as an Incentive Stock Option from qualifying as such, that provision will be null and void with respect to such Option Right. Such provision, however, will remain in effect for other Option Rights and there will be no further effect on any provision of this Plan.

(d) No award under this Plan may be exercised by the holder thereof if such exercise, and the receipt of cash or shares thereunder, would be, in the opinion of counsel selected by the Company, contrary to law or the regulations of any duly constituted authority having jurisdiction over this Plan.

(e) Absence on leave approved by a duly constituted officer of the Company or any of its Subsidiaries will not be considered interruption or termination of service of any employee for any purposes of this Plan or awards granted hereunder.

(f) No Participant will have any rights as a Shareholder with respect to any Common Shares subject to awards granted to him or her under this Plan prior to the date as of which he or she is actually recorded as the holder of such Common Shares upon the share records of the Company.

(g) The Committee may condition the grant of any award or combination of awards authorized under this Plan on the surrender or deferral by the Participant of his or her right to receive a cash bonus or other compensation otherwise payable by the Company or a Subsidiary to the Participant.

(h) Except with respect to Option Rights and Appreciation Rights, the Committee may permit Participants to elect to defer the issuance of Common Shares under this Plan pursuant to such rules, procedures or programs as it may establish for purposes of this Plan and which are intended to comply with the requirements of Section 409A of the Code. The Committee also may provide that deferred issuances and settlements include the crediting of dividend equivalents or interest on the deferral amounts.

(i) If any provision of this Plan is or becomes invalid or unenforceable in any jurisdiction, or would disqualify this Plan or any award under any law deemed applicable by the Committee, such provision will be construed or deemed amended or limited in scope to conform to applicable laws or, in the discretion of the Committee, it will be stricken and the remainder of this Plan will remain in full force and effect. Notwithstanding anything in this Plan or an Evidence of Award to the contrary, nothing in this Plan or in an Evidence of Award prevents a Participant from providing, without prior notice to the Company, information to governmental authorities regarding possible legal violations or otherwise testifying or participating in any investigation or proceeding by any governmental authorities regarding possible legal violations, and for purpose of clarity a Participant is not prohibited from providing information voluntarily to the Securities and Exchange Commission pursuant to Section 21F of the Exchange Act.

22. Share-Based Awards in Substitution for Awards Granted by Another Company. Notwithstanding anything in this Plan to the contrary:

(a) Awards may be granted under this Plan in substitution for or in conversion of, or in connection with an assumption of, stock options, stock appreciation rights, restricted shares, restricted share units or other share or share-based awards held by awardees of an entity engaging in a corporate acquisition or merger transaction with

the Company or any Subsidiary. Any conversion, substitution or assumption will be effective as of the close of the merger or acquisition, and, to the extent applicable, will be conducted in a manner that complies with Section 409A of the Code. The awards so granted may reflect the original terms of the awards being assumed or substituted or converted for and need not comply with other specific terms of this Plan, and may account for Common Shares substituted for the securities covered by the original awards and the number of shares subject to the original awards, as well as any exercise or purchase prices applicable to the original awards, adjusted to account for differences in stock prices in connection with the transaction.

(b) In the event that a company acquired by the Company or any Subsidiary or with which the Company or any Subsidiary merges has shares available under a pre-existing plan previously approved by shareholders and not adopted in contemplation of such acquisition or merger, the shares available for grant pursuant to the terms of such plan (as adjusted, to the extent appropriate, to reflect such acquisition or merger) may be used for awards made after such acquisition or merger under this Plan; provided, however, that awards using such available shares may not be made after the date awards or grants could have been made under the terms of the pre-existing plan absent the acquisition or merger, and may only be made to individuals who were not employees or directors of the Company or any Subsidiary prior to such acquisition or merger.

(c) Any Common Shares that are issued or transferred by, or that are subject to any awards that are granted by, or become obligations of, the Company under **Sections 22(a)** or **22(b)** of this Plan will not reduce the Common Shares available for issuance or transfer under this Plan or otherwise count against the limits contained in **Section 3** of this Plan. In addition, no Common Shares subject to an award that is granted by, or becomes an obligation of, the Company under **Sections 22(a)** or **22(b)** of this Plan, will be added to the aggregate limit contained in **Section 3(a)(i)** of this Plan.

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

FORM 10-K

- Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2019 OR
- Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____
Commission file number: 1-36313



TIMKENSTEEL CORPORATION
(Exact name of registrant as specified in its charter)

Ohio (State or other jurisdiction of incorporation or organization) **46-4024951** (I.R.S. Employer Identification No.)
1835 Dueber Avenue SW, Canton, OH **44706**
(Address of principal executive offices) (Zip Code)

330.471.7000 (Registrant's telephone number, including area code)

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

Title of each class	Trading symbol	Name of exchange in which registered
Common shares	TMST	New York Stock Exchange

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

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this Chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

As of June 30, 2019, the aggregate market value of the registrant's common stock held by non-affiliates was \$337,525,844 based on the closing sale price as reported on the New York Stock Exchange for that date.

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

Class	Outstanding at February 15, 2020
Common Shares, without par value	44,821,588

DOCUMENTS INCORPORATED BY REFERENCE

Document	Parts Into Which Incorporated
Proxy Statement for the 2020 Annual Meeting of Shareholders	Part III

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TimkenSteel Corporation
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Part I.

Item 1. Business

Overview

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

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), value-added solutions such as precision steel components, and billets. In addition, we supply machining and thermal treatment services, and we 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: automotive; oil and gas; industrial equipment; mining; construction; rail; defense; heavy truck; agriculture; power generation; and oil country tubular goods (OCTG).

SBQ steel is made to restrictive chemical compositions and high internal purity levels and is used in critical mechanical applications. We make these products from nearly 100% recycled steel, using our expertise in raw materials to create custom steel products. We focus on creating tailored products and services for our customers' most demanding applications. Our engineers are experts in both materials and applications, so we can work closely with each customer to deliver flexible solutions related to our products as well as to their applications and supply chains.

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

In the fourth quarter of 2019, our Board of Directors approved a plan to close our TimkenSteel Material Services facility during the first quarter of 2020. See "Note 6 - Disposition of Non-Core Assets" in the Notes to the Consolidated Financial Statements for additional information.

Operating Segments

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

Industry Segments and Geographical Financial Information

Information required by this Item is incorporated herein by reference to “Note 3 - Segment Information” in the Notes to the Consolidated Financial Statements.

Strengths and Strategy

Our customers depend on us to be the leader in solving their industries’ constantly evolving challenges. Our team, including engineers and experienced manufacturing professionals in both materials and applications, works closely with customers to deliver flexible solutions related to our products as well as our customers’ applications and supply chains.

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

- Deep and experienced management and technical team.
- Close and trusted working relationship with customers across diverse end markets.
- Leadership position in niche markets with differentiated products.
- Track record of innovation rooted in a deep technical knowledge of steel materials, manufacturing processes and a focus on end-user applications. Our research and development efforts focus on creating solutions for our customers’ toughest challenges.

Major Customers

We sell products and services that are used in a range of demanding applications around the world. We have over 400 diverse customers in the following market sectors: automotive; oil and gas; industrial equipment; mining; construction; rail; defense; heavy truck; agriculture; power generation; and OCTG.

Products

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

SBO Steel Bar, Seamless Mechanical Steel Tubes, and Billets. Our focus is on alloy steel, although in total we manufacture more than 700 grades of high-performance carbon, micro-alloy and alloy steel, sold as ingots, bars, tubes and billets. These products are custom-made in a variety of chemistries, lengths and finishes. Our metallurgical expertise and what we believe to be unique operational capabilities drive high-value solutions for industrial, energy and mobile customers. Our specialty steels are featured in a wide variety of end products including: gears; hubs; axles; crankshafts and connecting rods; oil country drill pipe; bits and collars; bearing races and rolling elements; bushings; fuel injectors; wind energy shafts; anti-friction bearings; and other demanding applications where mechanical power transmission is critical to the end customer.

Value-added Precision Products and Services. In addition to our customized steels, we also custom-make precision components that provide us with the opportunity to further expand our market for bar and tube products and capture additional sales. These products provide customers, especially those in the automotive industry, with ready-to-finish components that simplify vendor management, streamline supply chains and often cost less than other alternatives. We also customize products and services for the industrial and energy market sectors.

Sales and Distribution

Our sales force is made up largely of engineers that are backed by a team of metallurgists and other technical experts. While most of our products are sold directly to original equipment (OE) manufacturers, a portion of our sales are made through authorized distributors and steel service centers, representing approximately 19% of net sales during 2019. The majority of our customers are served through individually negotiated price agreements.

Competition

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

Backlog

The backlog of orders for our operations is estimated to have been approximately 198,000 and 314,000 tons at December 31, 2019 and 2018, respectively.

Virtually our entire backlog at December 31, 2019 is scheduled for delivery in the succeeding 12 months. Actual shipments depend upon customers' production schedules and may not be a meaningful indicator of future sales. Accordingly, we do not believe our backlog data, or comparisons thereof as of different dates, reliably indicate future sales or shipments.

Raw Materials

The principal raw materials that we use to manufacture steel are recycled scrap metal, chrome, nickel, molybdenum oxide, vanadium and other alloy materials. Raw materials comprise a significant portion of the steelmaking cost structure and are subject to price and availability changes due to global demand fluctuations and local supply limitations. Proper selection and management of raw materials can have a significant impact on procurement cost, flexibility to supply changes, steelmaking energy costs and mill productivity. In addition to accessing scrap and alloys through the open market, we have established a scrap return supply chain with many of our customers. This part of our business leverages our knowledge of the raw material supply industry and an extensive network of relationships that result in steady, reliable supply from our raw material sources. We previously operated a scrap processing facility as an additional source of raw materials; however, during the fourth quarter of 2019 we marketed and subsequently entered into an agreement to dispose of the assets associated with the operation. The disposal was completed in January 2020. See "Note 6 - Disposition of Non-Core Assets" in the Notes to the Consolidated Financial Statements for additional information.

Research and Development

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

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

Our research and development expense for the years ended December 31, 2019, 2018 and 2017 were \$4.1 million, \$8.1 million and \$8.0 million, respectively.

Environmental Matters

We consider compliance with environmental regulations and environmental sustainability a key strategic focus area and integral to our responsibility as a good corporate citizen. All of our domestic steel making and processing operations and our water treatment plant have obtained and maintain ISO 14001 certification.

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

We and certain of our subsidiaries located in the U.S. have been identified as potentially responsible parties under the Toxic Substances Control Act (TSCA), Resource Conservation and Recovery Act (RCRA), CAA and CWA, as well as other laws. In general, certain cost allocations for investigation and remediation have been asserted by us against other entities, which are believed to be financially solvent and are expected to substantially fulfill their proportionate share of any obligations.

From time to time, we may be a party to lawsuits, claims or other proceedings related to environmental matters and/or receive notices of potential violations of environmental laws and regulations from the EPA and similar state or local authorities. As of December 31, 2019 and 2018, we recorded reserves for such environmental matters of \$1.2 million and \$0.8 million, respectively. Accruals related to such environmental matters represent management's best estimate of the fees and costs associated with these matters. Although it is not possible to predict with certainty the outcome of such matters, management believes the ultimate disposition of these matters should not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

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.

Canton, Ohio U.S. EPA Notice of Violation

The EPA issued two related Notices of Violation (NOV) to TimkenSteel on August 5, 2014 and November 2, 2015. The EPA alleges violations under the CAA based on purported violations of permitted emission limits and engineering requirements at TimkenSteel's Faircrest and Harrison facilities in Canton, Ohio. TimkenSteel disputes many of EPA's allegations but is working cooperatively with the EPA and the U.S. Department of Justice to resolve the government's claims. Negotiations to resolve the NOVs are ongoing, but it is not anticipated that the ultimate resolution of the NOVs will have a material adverse effect on our consolidated financial position, results of operations or cash flows. For additional information, please refer to "Note 18 - Contingencies" in the Notes to the Consolidated Financial Statements.

Patents, Trademarks and Licenses

While we own a number of U.S. and foreign patents, trademarks, licenses and copyrights, none are material to our products and production processes.

Employment

At December 31, 2019, we had approximately 2,500 employees, with about 58% of our employees covered under one of two collective bargaining agreements that expire in September 2021 and December 2022. The collective bargaining agreement that expires in September 2021 covers approximately 57% of our employees. The collective bargaining agreement expiring in December 2022 related to the scrap processing facility that was disposed of in January 2020.

Available Information

We use our Investor Relations website at <http://investors.timkensteel.com>, as a channel for routine distribution of important information, including news releases, analyst presentations and financial information. We post filings (including our annual, quarterly and current reports on Forms 10-K, 10-Q and 8-K, respectively; our proxy statements; and any amendments to those reports or statements) as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission (SEC). All such postings and filings are available on our website free of charge. In addition, our website allows investors and other interested persons to sign up to automatically receive e-mail alerts when we post news releases and financial information on our website. The SEC also maintains a website, www.sec.gov, which contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. The content on any website referred to in this Annual Report on Form 10-K is not incorporated by reference into this Annual Report unless expressly noted.

Item 1A. Risk Factors

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

Risks Relating to Our Industry and Our Business

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

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

In an effort to protect the domestic steel industry, the United States government implemented tariffs, duties and quotas for certain steel products imported from a number of countries into the United States. If these tariffs, duties and quotas expire or are repealed, it could result in substantial imports of foreign steel and create pressure on United States steel prices and the overall industry. This could have a material adverse effect on our operations.

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

We require substantial amounts of raw materials, including scrap metal and alloys, electricity and natural gas, to operate our business. Many of our customer agreements contain surcharge pricing provisions that are designed to enable us to recover raw material cost increases. The surcharges are generally tied to a market index for that specific raw material. Historically, many raw material market indices have reflected significant fluctuations. Any change in a raw material market index could materially affect our revenues. Any change in the relationship between the market indices and our underlying costs could materially affect our earnings.

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

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

Steel producers like us consume large amounts of energy. We rely on third parties for the supply of energy resources we consume in our steelmaking activities. The prices for and availability of

electricity, natural gas, oil and other energy resources are also subject to volatile market conditions, often affected by weather conditions as well as political and economic factors beyond our control. Any increase in the prices for electricity, natural gas, oil and other energy resources could materially affect our costs and therefore our earnings and cash flows.

As a large consumer of electricity and gas, we must have dependable delivery in order to operate. Accordingly, we are at risk in the event of an energy disruption. Prolonged black-outs or brown-outs or disruptions caused by natural disasters or governmental action would substantially disrupt our production.

Moreover, many of our finished steel products are delivered by truck. Unforeseen fluctuations in the price of fuel would also have a negative impact on our costs or on the costs of many of our customers.

In addition, changes in certain environmental laws and regulations, including those that may impose output limitations or higher costs associated with climate change or greenhouse gas emissions, could substantially increase the cost of manufacturing and raw materials, such as energy, to us and other U.S. steel producers.

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

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

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

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

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

We are dependent on our key customers.

As a result of our dependence on our key customers, we could experience a material adverse effect on our business, financial condition and results of operations if any of the following, among other things, were to occur: (a) a loss of any key customer, or a material amount of business from such key customer; (b) the insolvency or bankruptcy of any key customer; (c) a declining market in which customers reduce orders; or (d) a strike or work stoppage at a key customer facility, which could affect both its suppliers and customers. For the year ended December 31, 2019, sales to our 10 largest customers accounted for approximately 42% of our net sales. Additionally, customers continue to demand stronger and lighter products, among other adaptations to traditional products. We may not be successful in meeting these technological challenges and there may be increased liability exposure connected with the supply of additional products and services.

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

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

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

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

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

We have significant retiree health care and pension plan costs, which may negatively affect our results of operations and cash flows.

We maintain retiree health care and defined benefit pension plans covering many of our domestic employees and former employees upon their retirement. These benefit plans have significant liabilities that are not fully funded, which will require additional cash funding in future years. Minimum contributions to domestic qualified pension plans are regulated under the Employee Retirement Income Security Act of 1974 (ERISA) and the Pension Protection Act of 2006 (PPA).

The level of cash funding for our defined benefit pension plans in future years depends upon various factors, including voluntary contributions that we may make, future pension plan asset performance, actual interest rates, union negotiated benefit changes, future government regulations, and other factors, many of which are not within our control. In addition, assets held by the trusts for our pension plan and our trust for retiree health care and life insurance benefits are subject to the risks, uncertainties and variability of the financial markets. See "Note 15 - Retirement and Postretirement Plans" in the Notes to the Consolidated Financial Statements for a discussion of assumptions and further information associated with these benefit plans.

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

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

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

Changes in business or economic conditions, or our business strategy, may result in actions that require us to incur restructuring and impairment charges in the future, which could have a material adverse effect on our earnings. For additional information on current restructuring and impairment charges, refer to "Note 5 - Restructuring Charges" and "Note 6 - Disposition of Non-Core Assets" in the Notes to Consolidated Financial Statements.

If our internal controls are found to be ineffective, our financial results or our stock price may be adversely affected.

Our most recent evaluation resulted in our conclusion that, as of December 31, 2019, our internal control over financial reporting was effective. We believe that we currently have adequate internal control procedures in place for future periods. However, if our internal control over financial reporting is found to be ineffective, investors may lose confidence in the reliability of our financial statements, which may adversely affect our stock price.

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

We are subject to extensive federal, state, and local environmental, health and safety laws and regulations concerning matters such as worker health and safety, air emissions, wastewater discharges, hazardous material and solid and hazardous waste use, generation, handling, treatment

and disposal and the investigation and remediation of contamination. We are subject to the risk of substantial liability and limitations on our operations due to such laws and regulations. The risks of substantial costs and liabilities related to compliance with these laws and regulations, which tend to become more stringent over time, are an inherent part of our business, and future conditions may develop, arise or be discovered that create substantial environmental compliance or remediation or other liabilities and costs.

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

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

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

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

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

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

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

We rely on information technology systems to process, transmit and store electronic information and manage and operate our business. We face the challenge of supporting our older systems and

implementing upgrades when necessary. Additionally, a breach in security could expose us and our customers and suppliers to risks of misuse of confidential information, manipulation and destruction of data, production downtimes and operations disruptions, which in turn could adversely affect our reputation, competitive position, business or results of operations. While we have taken reasonable steps to protect the Company from cybersecurity risks and security breaches (including enhancing our firewall, workstation, email security and network monitoring and alerting capabilities, and training employees around phishing, malware and other cybersecurity risks), and we have policies and procedures to prevent or limit the impact of systems failures, interruptions, and security breaches, there can be no assurance that such events will not occur or that they will be adequately addressed if they do. Although we rely on commonly used security and processing systems to provide the security and authentication necessary to effect the secure transmission of data, these precautions may not protect our systems from all potential compromises or breaches of security.

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

A work stoppage at one or more of our facilities could have a material adverse effect on our business, financial condition and results of operations. As of December 31, 2019, approximately 58% of our employees were covered under two collective bargaining agreements. The agreement that expires in September 2021 covers approximately 57% of our employees. The collective bargaining agreement expiring in December 2022 related to the scrap processing facility that was divested in January 2020. Any failure to negotiate and conclude new collective bargaining agreements with the unions when the existing agreements expire could cause work interruptions or stoppages. Also, if one or more of our customers were to experience a work stoppage, that customer may halt or limit purchases of our products, which could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

Our business substantially depends on the continued service of key members of our management. The loss of the services of a significant number of members of our management could have a material adverse effect on our business. Modern steel-making uses specialized techniques and advanced equipment that requires experienced engineers and skilled laborers. Our future success

will depend on our ability to attract and retain such highly skilled personnel, as well as finance, marketing and senior management professionals. Competition for these employees is intense, and we could experience difficulty from time to time in hiring and retaining the personnel necessary to support our business. If we do not succeed in retaining our current employees and attracting new high-quality employees, our business could be materially adversely affected.

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

We may seek to grow, in part, through strategic acquisitions and joint ventures, which are intended to complement or expand our businesses. These acquisitions could involve challenges and risks. In the event that we do not successfully integrate these acquisitions into our existing operations so as to realize the expected return on our investment, our results of operations, cash flows or financial condition could be adversely affected.

We may not be able to execute successfully on our business strategies or achieve the intended results.

Our business strategy includes driving organizational changes to reduce costs and enhance profitable and sustainable growth. We have taken company-wide actions including the restructuring of the business support functions and the evaluation of non-core assets. If we are unsuccessful in executing on our business strategies, it could negatively impact profitability and liquidity, requiring us to alter our strategy.

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

As of December 31, 2019, we have loss carryforwards totaling \$370.1 million (of which \$314.9 million relates to the U.S. and \$55.2 million relates to various non-U.S. jurisdictions), having various expiration dates, as well as certain credit carryforwards. The majority of the non-U.S. loss carryforwards represent local country net operating losses for entities treated as branches of TimkenSteel under U.S. tax law. As of December 31, 2019, TimkenSteel had a gross deferred tax asset for disallowed business interest in the U.S. of \$25.2 million, which carries forward indefinitely. 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 of a net U.S. deferred tax asset at December 31, 2016. At that time, we assessed, based upon operating performance in the U.S. and industry conditions that it was more likely than not we would not realize a portion of our U.S. deferred tax assets. The Company recorded a valuation allowance in 2016 and remained in a valuation allowance position in 2019. 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 valuation allowance against our deferred tax assets in the U.S. and applicable foreign countries until sufficient positive evidence exists to eliminate them. Our ability to utilize our net operating loss, interest, and credit carryforwards is dependent upon our ability to generate taxable income in future periods and may be limited due to restrictions imposed on utilization of net operating loss, interest, and credit carryforwards under federal and state laws upon a change in ownership. Refer to "Note 8 - Income Tax Provision" in the Notes to the Consolidated Financial Statements for more information.

Section 382 and Section 383 of the Internal Revenue Code of 1986, as amended (the Code), provide an annual limitation on our ability to utilize our U.S. net operating loss and credit carryforwards against future U.S. taxable income in the event of a change in ownership, as defined in the Code, which could result from one or more transactions involving our shares, including transactions that are outside of our control, as well as the issuance of shares upon conversion of our 6.00% Convertible Senior Notes due 2021 (Convertible Notes). Accordingly, such transactions could

adversely impact our ability to offset future tax liabilities and, therefore, adversely affect our financial condition, net income and cash flow. Refer to “Note 14 - Financing Arrangements” in the Notes to the Consolidated Financial Statements for more information.

Risks related to our debt

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

We have substantial debt and, as a result, we have significant debt service obligations. As of December 31, 2019, we had outstanding debt of approximately \$168.6 million. Our debt may:

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

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

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

On October 15, 2019, the Company, as borrower, and certain domestic subsidiaries of the Company, as subsidiary guarantors, entered into a Third Amended and Restated Credit Agreement

(the Amended Credit Agreement), with JP Morgan Chase Bank, N.A., as administrative agent (the Administrative Agent), Bank of America, N.A., as syndication agent, and the other lenders party thereto (collectively, the Lenders), which further amended and restated the Company's existing Credit Agreement dated as of January 26, 2018.

A breach of any of our covenants in the agreements governing our indebtedness could result in a default, which could allow the lenders to declare all amounts outstanding under the applicable debt immediately due and payable and which may affect the market price of our common shares. We may also be prevented from taking advantage of business opportunities that arise because of the limitations imposed on us by the restrictive covenants under our indebtedness. Refer to "Note 14 - Financing Arrangements" in the Notes to the Consolidated Financial Statements for more detail on the Amended Credit Agreement.

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

In the event the conditional conversion feature of the Convertible Notes (refer to "Note 14 - Financing Arrangements" in the Notes to the Consolidated Financial Statements) is triggered, holders of Convertible Notes will be entitled to convert the Convertible Notes at any time during specified periods at their option. If one or more holders elect to convert their Convertible Notes, unless we elect to satisfy our conversion obligation by delivering solely our common shares (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, under certain circumstances, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Convertible Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

Risks related to our common shares

The price of our common shares may fluctuate significantly.

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

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

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

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

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

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

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

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

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

We are also subject to Section 1701.831 of the Ohio Revised Code, which requires the prior authorization of the shareholders of certain corporations in order for any person to acquire, either directly or indirectly, shares of that corporation that would entitle the acquiring person to exercise or direct the exercise of 20% or more of the voting power of that corporation in the election of

directors or to exceed specified other percentages of voting power. The acquiring person may complete the proposed acquisition only if the acquisition is approved by the affirmative vote of the holders of at least a majority of the voting power of all shares entitled to vote in the election of directors represented at the meeting, excluding the voting power of all "interested shares." Interested shares include any shares held by the acquiring person and those held by officers and directors of the corporation.

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

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

Our articles of incorporation authorize us to issue, without the approval of our shareholders, one or more classes or series of preferred shares having such designation, powers, preferences and relative, participating, optional and other special rights, including preferences over our common shares respecting dividends and distributions, as our board of directors generally may determine. The terms of one or more classes or series of preferred shares could dilute the voting power or reduce the value of our common shares. For example, we could grant holders of preferred shares the right to elect some number of our directors in all events or on the happening of specified events or the right to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences we could assign to holders of preferred shares could affect the residual value of the common shares.

Risks relating to the spinoff

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

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

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

Under the tax sharing agreement with The Timken Company, we are responsible generally for all taxes paid after the spinoff attributable to us or any of our subsidiaries, whether accruing before, on

or after the spinoff. We also have agreed to be responsible for, and to indemnify The Timken Company with respect to, all taxes arising as a result of the spinoff (or certain internal restructuring transactions) failing to qualify as transactions under Sections 368(a) and 355 of the Code for U.S. federal income tax purposes (which could result, for example, from a merger or other transaction involving an acquisition of our shares) to the extent such tax liability arises as a result of any breach of any representation, warranty, covenant or other obligation by us or certain affiliates made in connection with the issuance of the tax opinion relating to the spinoff or in the tax sharing agreement. As described above, such tax liability would be calculated as though The Timken Company (or its affiliate) had sold its common shares of our Company in a taxable sale for their fair market value, and The Timken Company (or its affiliate) would recognize taxable gain in an amount equal to the excess of the fair market value of such shares over its tax basis in such shares. That tax liability could have a material adverse effect on our Company. As of December 31, 2019, there are no known or recorded liabilities associated with the spinoff.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

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

We have manufacturing facilities at multiple locations in the U.S. These manufacturing facilities are located in Akron, Canton and Eaton, Ohio; Houston, Texas; and Columbus, North Carolina. In addition to these manufacturing facilities, we own or lease warehouses and distribution facilities in the U.S., Mexico and China. The aggregate floor area of these facilities is 3.8 million square feet, of which approximately 290,000 square feet is leased and the rest is owned in fee. The buildings occupied by us are principally made of brick, steel, reinforced concrete and concrete block construction.

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

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

Item 3. Legal Proceedings

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

Canton, Ohio U.S. EPA Notice of Violation

The U.S. Environmental Protection Agency (EPA) issued two related Notices of Violation (NOV) to TimkenSteel on August 5, 2014 and November 2, 2015. The EPA alleges violations under the Clean Air Act based on purported violations of permitted emission limits and engineering requirements at TimkenSteel's Faircrest and Harrison facilities in Canton, Ohio. TimkenSteel disputes many of EPA's allegations but is working cooperatively with EPA and the U.S. Department of Justice to resolve the government's claims. Negotiations to resolve the NOVs are ongoing, but it is not anticipated that the ultimate resolution of the NOVs will have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Item 4A. Executive Officers of the Registrant

The executive officers of our Company as of February 25, 2020, are as follows:

Name	Age	Current Position
Terry L. Dunlap	60	Interim Chief Executive Officer and President
Kristopher R. Westbrooks	41	Executive Vice President and Chief Financial Officer
Frank A. DiPiero	63	Executive Vice President, General Counsel and Secretary
Thomas D. Moline	57	Executive Vice President, Commercial Operations
William P. Bryan	60	Executive Vice President, Manufacturing, Supply Chain and Information Technology

Terry L. Dunlap is the interim Chief Executive Officer and President. Mr. Dunlap's experience covers many aspects of the metals industry, including sales, marketing, manufacturing, supply chain, logistics, procurement and information technology. Mr. Dunlap has been the principal at Sweetwater LLC, a consulting and investing business with a focus on manufacturing and technology, since 2015. Prior to founding Sweetwater LLC, Mr. Dunlap spent 31 years with Allegheny Technologies Inc., a diversified specialty metals producer, serving in various positions, most recently as executive vice president of ATI's flat-rolled products group from 2011 until his retirement in December 2014. He earned his bachelor's degree in Marketing from Indiana University of Pennsylvania.

Kristopher R. Westbrooks is Executive Vice President and Chief Financial Officer. Previously, Mr. Westbrooks served from April 2015 until August 2018 as Vice President, Corporate Controller and Chief Accounting Officer at A. Schulman, Inc., a global supplier of high-performance plastic compounds, composites and powders. From 2011 until his appointment as Chief Accounting Officer in 2015, Mr. Westbrooks held various finance roles of increasing responsibility at A. Schulman, Inc. He earned his bachelor's of science degree in business and master's degree in accountancy from Miami University in Ohio and is a certified public accountant.

Frank A. DiPiero is Executive Vice President, General Counsel and Secretary. Mr. DiPiero joined The Timken Company in 2014. Previously, Mr. DiPiero was Associate General Counsel, UTC Aerospace Systems of United Technologies Corporation, a provider of technology products and services to the

global aerospace and building systems industries; Vice President, Corporate Secretary and Segment Counsel, Electronic Systems of Goodrich Corporation; and Segment Counsel, Actuation and Landing Systems of Goodrich Corporation. Mr. DiPiero earned his bachelor's degree from Youngstown State University and J.D. from The University of Toledo College of Law.

Thomas D. Moline is Executive Vice President of Commercial Operations. Prior to assuming his current role in 2017, Mr. Moline served as Executive Vice President of Manufacturing, where he led steel plant operations. Since joining The Timken Company in 1984, Mr. Moline held a variety of leadership positions, including as an engineer on the team that built the Faircrest facility. He earned his bachelor's degree in manufacturing engineering from Miami University in Ohio.

William P. Bryan is Executive Vice President of Manufacturing, Supply Chain and Information Technology. In 2017, Mr. Bryan assumed responsibility for manufacturing operations in addition to his then existing role as Executive Vice President, Supply Chain and Information Technology. Since joining The Timken Company in 1977, Mr. Bryan served in various positions related to supply chain, economics and information technology in both the U.S. and Europe. He holds bachelor's and master's degrees in business administration from Kent State University. Mr. Bryan also completed the Executive Development for Global Excellence (EDGE) program at the University of Virginia's Darden School of Business.

Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Quarterly Common Stock Prices and Cash Dividends Per Share:

Our common shares are traded on the New York Stock Exchange (NYSE) under the symbol "TMST." The estimated number of record holders of our common shares at December 31, 2019 was 3,559.

Our Amended Credit Agreement places certain limitations on the payment of cash dividends. Please refer to "Note 14 - Financing Arrangements" in the Notes to the Consolidated Financial Statements and the Results of Operations for additional discussion.

Issuer Purchases of Common Shares:

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

Securities Authorized for Issuance Under Equity Compensation Plans:

The following table sets forth certain information as of December 31, 2019, regarding the only equity compensation plan maintained by us on that date, the TimkenSteel Corporation Amended and Restated 2014 Equity and Incentive Compensation Plan (the Equity Plan).

Plan Category	(a)	(b)	(c)
	Number of securities to be issued upon exercise of outstanding options, warrants and rights ⁽¹⁾	Weighted-average exercise price of outstanding options, warrants and rights ⁽²⁾	Number of securities remaining available for future issuance under equity compensation plans reflected in column (a) ⁽³⁾
Equity compensation plans approved by security holders ⁽⁴⁾	3,850,330	\$20.64	2,430,868
Equity compensation plans not approved by security holders	—	—	—
Total	3,850,330	\$20.64	2,430,868

⁽¹⁾ The amount shown in column (a) includes the following: nonqualified stock options - 2,641,570; deferred shares - 181,759; performance-based restricted stock units - 105,273; and time-based restricted stock units - 921,728 (which includes 658,642 cliff-vested restricted stock units).

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

⁽³⁾ The amount shown in column (c) represents common shares remaining available under the Equity Plan, under which the Compensation Committee is authorized to make awards of option rights, appreciation rights, restricted shares, restricted stock units, deferred shares, performance shares, performance units and cash incentive awards. Awards may be credited with dividend equivalents payable in the form of common shares. Under the Equity Plan, for any award that is not an option right or a stock appreciation right, 2.46 common

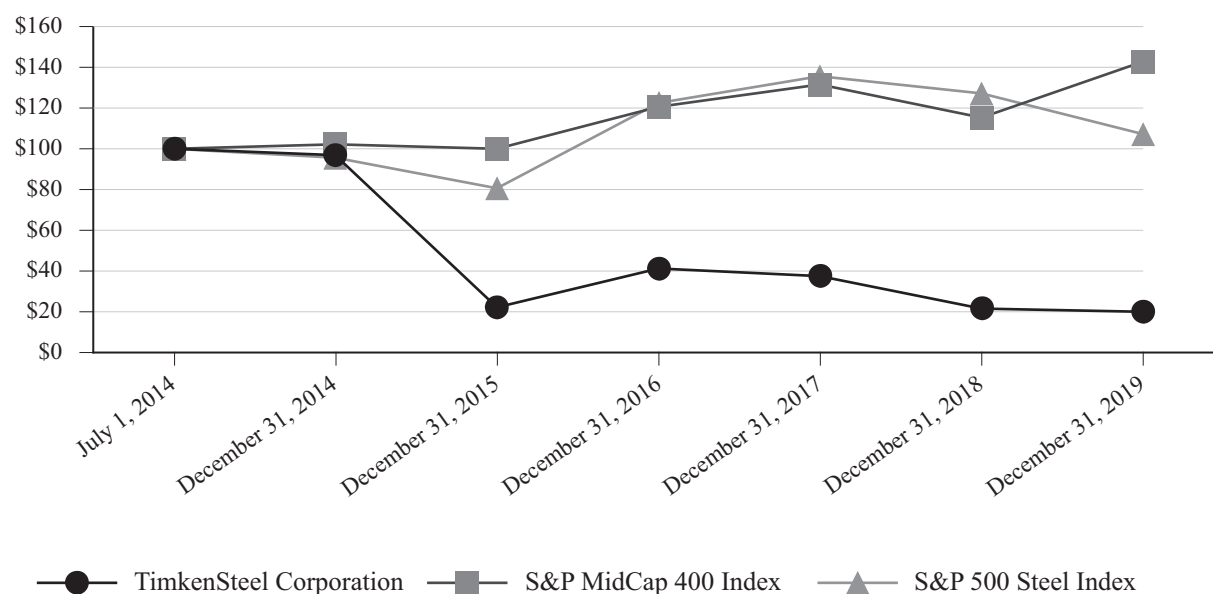
shares for awards granted before April 28, 2016 and 2.50 common shares for awards granted on or after April 28, 2016, are subtracted from the maximum number of common shares available under the plan for every common share issued under the award. For awards of option rights and stock appreciation rights, however, only one common share is subtracted from the maximum number of common shares available under the plan for every common share granted.

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

Performance Graph:

The following graph compares the cumulative total return of our common shares with the cumulative total return of the Standard & Poor's (S&P) MidCap 400 Index and S&P Steel Group Index, assuming \$100 was invested and that cash dividends were reinvested for the period from July 1, 2014 through December 31, 2019.

COMPARISON OF CUMULATIVE TOTAL RETURN



Date	TimkenSteel Corporation	S&P MidCap 400 Index	S&P 500 Steel Index
July 1, 2014	\$100.00	\$100.00	\$100.00
December 31, 2014	\$96.71	\$102.11	\$95.49
December 31, 2015	\$22.29	\$99.89	\$80.49
December 31, 2016	\$41.18	\$120.61	\$122.43
December 31, 2017	\$37.59	\$131.51	\$135.49
December 31, 2018	\$21.63	\$115.08	\$127.04
December 31, 2019	\$19.95	\$142.75	\$107.22

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

Item 6. Selected Financial Data

	Year Ended December 31,				
<i>(dollars and shares in millions, except per share data)</i>	2019	2018 ⁽³⁾	2017 ⁽³⁾	2016 ⁽³⁾	2015 ⁽³⁾
Statement of Operations Data:					
Net sales	\$1,208.8	\$1,610.6	\$1,329.2	\$869.5	\$1,106.2
Net (loss) income	(110.0)	(10.0)	(31.3)	(105.5)	(45.0)
Earnings (loss) per share ⁽¹⁾ :					
Basic	(\$2.46)	(\$0.22)	(\$0.70)	(\$2.39)	(\$1.01)
Diluted	(\$2.46)	(\$0.22)	(\$0.70)	(\$2.39)	(\$1.01)
Cash dividends declared per share	\$-	\$-	\$-	\$-	\$0.42
Weighted average shares outstanding, diluted	44.8	44.6	44.4	44.2	44.5
Balance Sheet Data:					
Total assets	\$1,085.2	\$1,275.3	\$1,212.6	\$1,069.9	\$1,142.5
Long-term debt	168.6	189.1	165.3	136.6	200.2
Total shareholders' equity	563.1	612.9	616.7	597.4	682.0
Other Data:					
Book value per share ⁽²⁾	\$12.57	\$13.74	\$13.89	\$13.52	\$15.33

⁽¹⁾ See "Note 9 - Earnings (Loss) Per Share" in the Notes to the Consolidated Financial Statements for additional information.

⁽²⁾ Book value per share is calculated by dividing total shareholders' equity (as of the period end) by the weighted average shares outstanding, diluted.

⁽³⁾ The table reflects the change in accounting principle from the last-in, first-out method to the first-in, first-out method of accounting for inventory for 2018 and 2017. The years 2016 and 2015 have not been adjusted to reflect the change and therefore are not comparable. See "Note 1 - Basis of Presentation" in the Notes to the Consolidated Financial Statements for additional information.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

(dollars in millions, except per share data)

Business Overview

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

SBQ steel is made to restrictive chemical compositions and high internal purity levels and is used in critical mechanical applications. We make these products from nearly all recycled steel, using our expertise in raw materials to create custom steel products. We focus on creating tailored products and services for our customers’ most demanding applications. Our engineers are experts in both materials and applications, so we can work closely with each customer to deliver flexible solutions related to our products as well as to their applications and supply chains.

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

In the fourth quarter of 2019, our Board of Directors approved a plan to close our TimkenSteel Material Services facility during the first quarter of 2020. See “Note 6 - Disposition of Non-Core Assets” in the Notes to the Consolidated Financial Statements for additional information.

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

Markets We Serve

We sell products and services that are used in a diverse range of demanding applications around the world. No one customer accounted for 10% or more of net sales in 2019.

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

Impact of Raw Material Prices

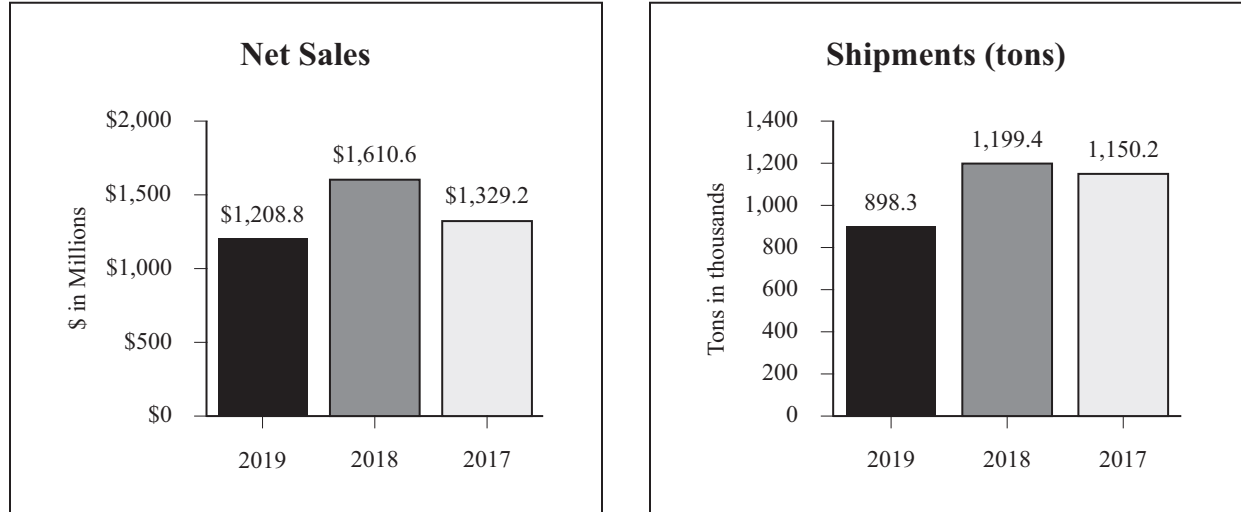
In the ordinary course of business, we are exposed to the volatility of the costs of our raw materials. Whenever possible, we manage our exposure to commodity risks primarily through the use of supplier pricing agreements that enable us to establish the purchase prices for certain inputs that are used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

Results of Operations

During the fourth quarter of 2019, TimkenSteel elected to change its method for valuing its inventories that previously used the last-in, first-out (LIFO) method to the first-in, first-out (FIFO) method. Total inventories accounted for under the LIFO method represented approximately 70% of the Company's total inventories prior to this change in method. The Company believes that the FIFO method is preferable as it improves comparability with our peers, more closely resembles the physical flow of our inventory, and aligns with how the Company internally manages the business. The effects of the change in accounting principle have been retrospectively applied to all periods presented in Item 7. Refer to "Note 1 - Basis of Presentation" in the Notes to the Consolidated Financial Statements.

Net Sales

The charts below present net sales and shipments for the years ended December 31, 2019, 2018 and 2017.



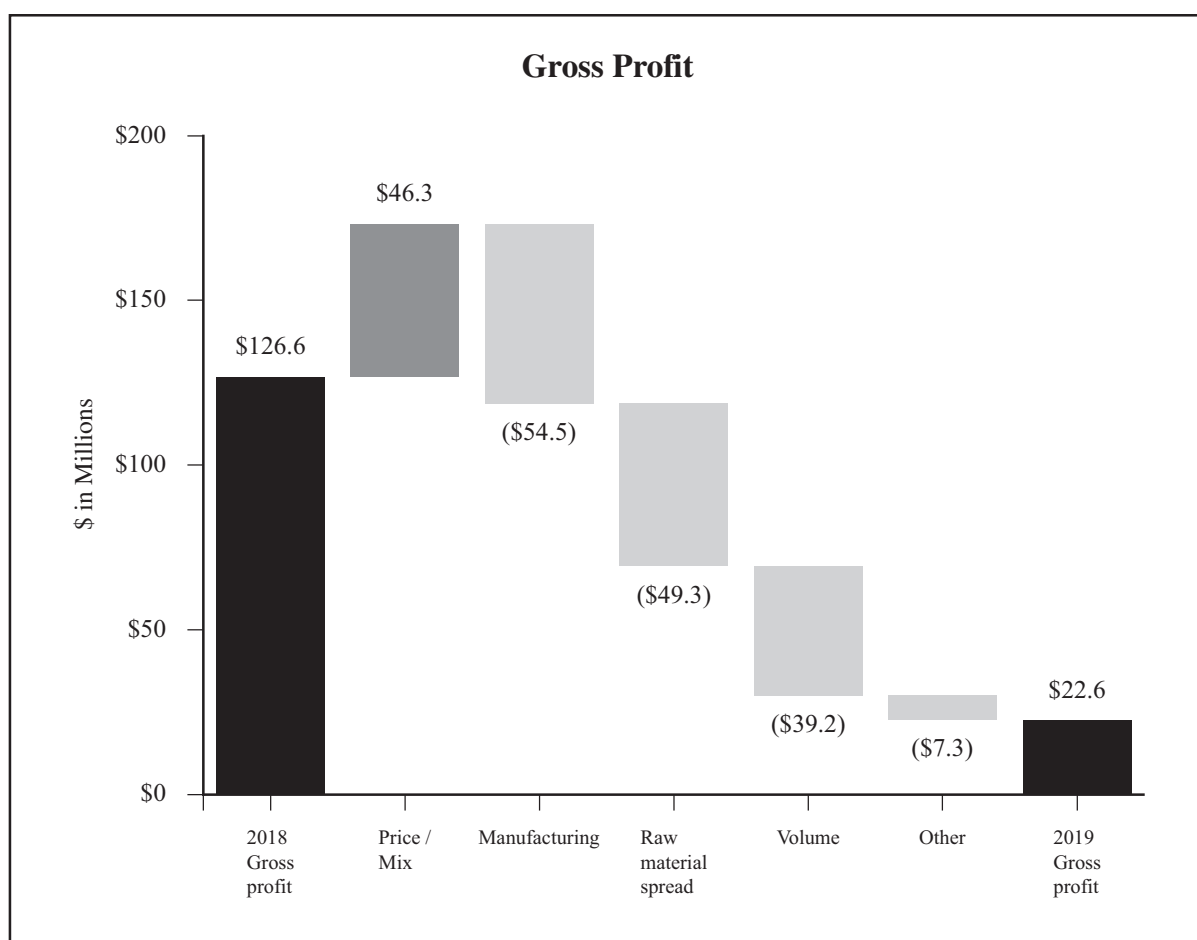
Net sales for the year ended December 31, 2019 were \$1,208.8 million, a decrease of \$401.8 million, or 24.9%, compared to the year ended December 31, 2018. The decrease was due to a reduction in volume of 301 thousand ship tons, resulting in a decrease in net sales of \$311.9 million and lower raw material surcharge revenue of \$151.9 million. The primary driver in the decrease in volume was lower customer demand across all key end markets. We also experienced a loss in sales of approximately \$10 million due to a strike at one of our automotive customers. The decrease in surcharges was primarily due to lower volumes and decreasing scrap prices throughout 2019. These decreases were partially offset by favorable price/mix of \$60.9 million, as the Company

realized the benefit of previous price increases and lower billet product shipments. Excluding surcharges, net sales decreased \$249.9 million, or 20.7%.

Net sales for the year ended December 31, 2018 were \$1,610.6 million, an increase of \$281.4 million or 21.2% compared to the year ended December 31, 2017. Excluding surcharges, net sales increased \$167.4 million, or 16.1%. The increase was due to favorable price/mix of \$107.0 million and higher volumes of \$61.0 million, as we focused efforts to sell our higher margin products. This resulted in net sales per ton increasing 16.2% from 2017. For the year ended December 31, 2018, ship tons increased by 49 thousand tons, or 4.3%, compared to the year ended December 31, 2017, due primarily to higher demand in industrial and energy end markets, partially offset by a reduction in billet shipments.

Gross Profit

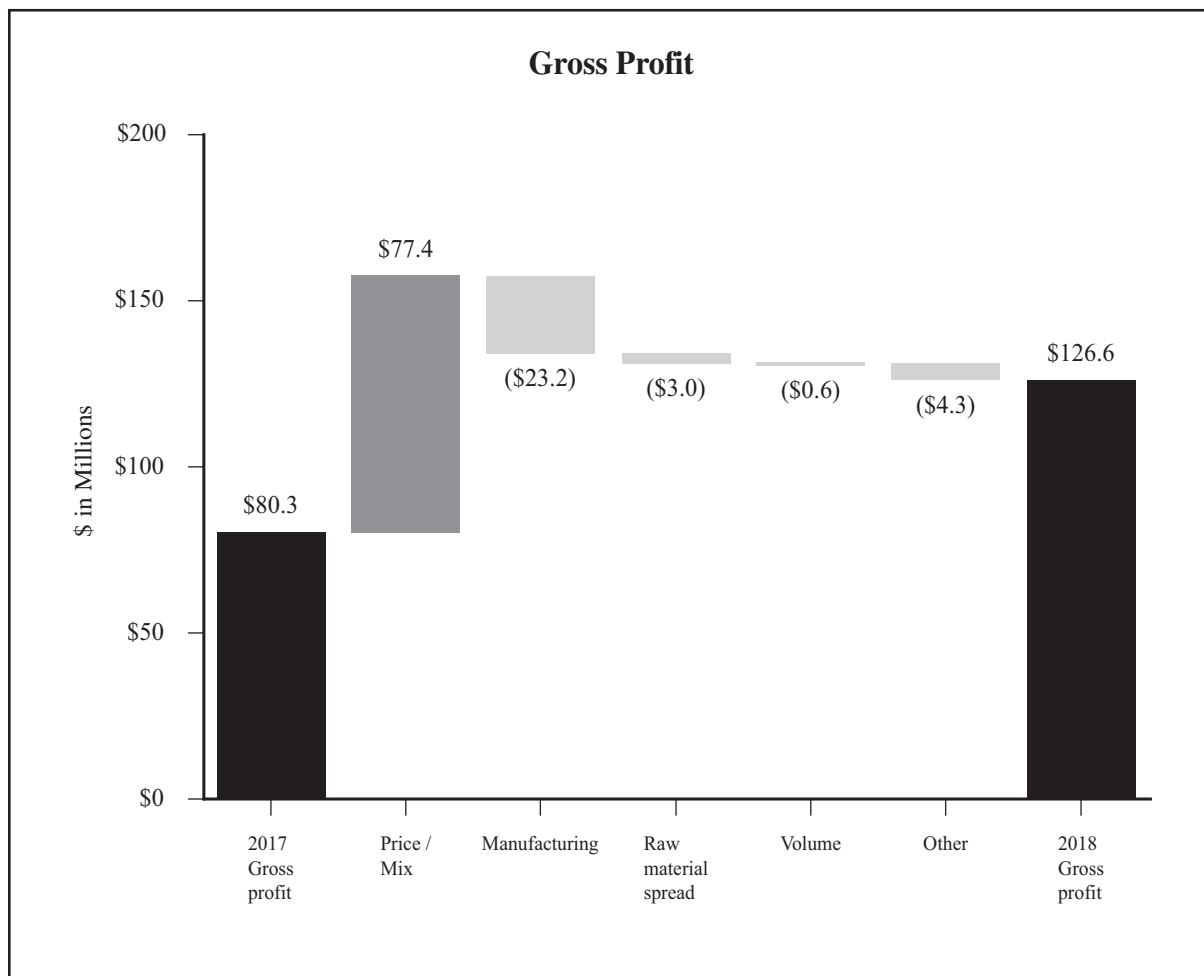
The chart below presents the drivers of the gross profit variance from the year ended December 31, 2019 to December 31, 2018.



Gross profit for the year ended December 31, 2019 decreased \$104.0 million, or 82.1%, compared with the year ended December 31, 2018. The decrease was driven primarily by unfavorable manufacturing costs, raw material spread, lower volumes and a facility phase down. Higher manufacturing costs as a percentage of sales in 2019 were primarily driven by a decline in melt utilization to 50% from 74% in 2018, resulting in unfavorable fixed-cost leverage. Raw material spread was a headwind due to a decline in the No.1 Busheling scrap index and lower volumes

during the year ended December 31, 2019 compared with the year end December 31, 2018. Volume was a decrease for the year ended December 31, 2019 primarily due to weaker demand across all end markets, compared with December 31, 2018. The other category includes the non-cash accounting implications of the Company's announced closure of its Houston, Texas facility during the fourth quarter of 2019, as a result of which we recorded a \$4.8 million charge to write-down inventory and \$2.8 million of accelerated depreciation. The facility was subsequently closed in the first quarter of 2020. These decreases were partially offset by improved price/mix. Price/mix was favorable due to increased pricing in 2019 compared with 2018, and a reduction in billet shipments.

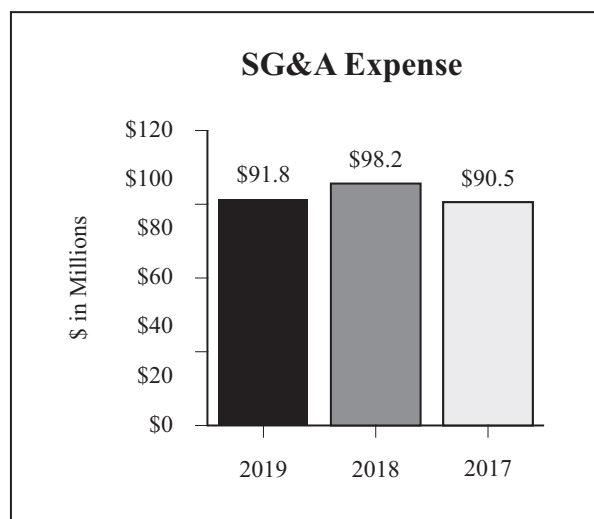
The chart below presents the drivers of the gross profit variance from the year ended December 31, 2018 to December 31, 2017.



Gross profit for the year ended December 31, 2018 increased \$46.3 million, or 57.7%, compared to the year ended December 31, 2017. The increase was driven primarily by favorable price/mix due to higher demand in our end markets, and our focus on selling higher margin products. The favorable price/mix was partially offset by increased manufacturing costs. Higher manufacturing costs in 2018 were driven primarily by consumables inflation and higher maintenance costs, partially offset by improved fixed-cost leverage and the benefit of continuous improvement activities. The favorable impact of higher volume was more than offset by an increase in freight expense. Melt utilization for the year ended December 31, 2018 was 74% compared to 73% as of year ended December 31, 2017.

Selling, General and Administrative Expenses

The charts below present selling, general and administrative (SG&A) expense for the years ended December 31, 2019, 2018 and 2017.



SG&A expense for the year ended December 31, 2019 decreased by \$6.4 million, or 6.5%, compared with the year ended December 31, 2018. The decline in 2019 is primarily the result of the Company's profitability improvement plans that targeted, among other areas, a reduction in salaried employees, as well as lower professional services fees and post-retirement benefit costs. These reductions were partially offset by executive severance of \$5.6 million. Additionally, variable compensation decreased in 2019.

SG&A expense for the year ended December 31, 2018 increased \$7.7 million, or 8.5%, compared to the year ended December 31, 2017. The increase was due primarily to an increase in variable compensation of \$1.5 million and executive severance of \$1.7 million.

Restructuring Charges

During 2019, TimkenSteel made organizational changes to enhance profitable and sustainable growth. These company-wide actions included the restructuring of its business support functions, the reduction of management layers throughout the organization, the announced closure of the TimkenSteel Material Services (TMS) facility in Houston, Texas (See "Note 6 - Disposition of Non-Core Assets"), and other actions to further improve the Company's overall cost structure. Through these restructuring efforts, the Company eliminated approximately 15% of its salaried workforce, or approximately 150 salaried positions. As a result of the headcount reduction, TimkenSteel recognized restructuring charges of \$8.6 million, consisting of severance and employee-related benefits. The Company expects to realize annual savings of approximately \$18 million beginning in 2020 as a result of these actions. Refer to "Note 5 - Restructuring Charges" in the Notes to the Consolidated Financial Statements for additional information. There were no restructuring charges during the years ended December 31, 2018 and 2017.

Interest Expense

Interest expense for the year ended December 31, 2019 was \$15.7 million, a decrease of \$1.4 million, compared with the year ended December 31, 2018. The decrease in interest expense

was primarily due to a reduction in outstanding borrowings under the credit facility and a lower borrowing cost following the October 2019 credit agreement refinancing. Interest expense for the year ended December 31, 2018 was \$17.1 million, an increase of \$2.3 million from 2017. The increase was primarily due to higher average outstanding revolver debt and the write-off of deferred financing costs of \$0.7 million associated with amending the previous credit agreement and redeeming the revenue refunding bonds. Refer to "Note 14 - Financing Arrangements" in the Notes to the Consolidated Financial Statements for additional information.

Other Income (Expense), net

	Year Ended December 31,		
	2019	2018	\$ Change
Pension and postretirement non-service benefit income	\$17.5	\$25.2	(\$7.7)
Loss from remeasurement of benefit plans	(40.6)	(43.5)	2.9
Foreign currency exchange gain (loss)	–	(0.2)	0.2
Miscellaneous income (expense)	(0.2)	(0.1)	(0.1)
Total other income (expense), net	(\$23.3)	(\$18.6)	(\$4.7)

	Year Ended December 31,		
	2018	2017	\$ Change
Pension and postretirement non-service benefit income	\$25.2	\$17.5	\$7.7
Loss from remeasurement of benefit plans	(43.5)	(21.8)	(21.7)
Foreign currency exchange gain (loss)	(0.2)	0.3	(0.5)
Miscellaneous income (expense)	(0.1)	(0.1)	–
Total other income (expense), net	(\$18.6)	(\$4.1)	(\$14.5)

Non-service benefit income is derived from our pension and other postretirement plans. In the years ended December 31, 2019, 2018 and 2017, expected return on assets exceeded the interest cost component resulting in income, which more than offset the annual benefit plan remeasurement loss. For more details on the remeasurement, refer to "Note 15 - Retirement and Postretirement Plans" in the Notes to Consolidated Financial Statements.

Provision for Income Taxes

	Year Ended December 31,		
	2019	2018	\$ Change
Provision (benefit) for income taxes	(\$16.1)	\$ 1.8	(\$17.9)
Effective tax rate	12.8%	(5.9)%	NM

	Year Ended December 31,		
	2018	2017	\$ Change
Provision (benefit) for income taxes	\$ 1.8	\$ 1.5	\$ 0.3
Effective tax rate	(5.9)%	(3.7)%	NM

The majority of the Company's tax expense is derived from foreign operations. The Company remains in a full valuation for the U.S. jurisdiction for the years ended December 31, 2019, 2018 and

2017. For the year ended December 31, 2019, the Company recorded an intraperiod tax allocation adjustment between continuing operations and other categories of comprehensive income. In periods in which the Company has a pre-tax loss from continuing operations and pre-tax income in other categories of comprehensive income, the Company must consider that income in determining the amount of tax benefit that results from a loss in continuing operations and that will be allocated to continuing operations. As a result of the intraperiod tax allocation for the year ended December 31, 2019, income tax expense of \$16.7 million was recorded within other comprehensive income and a corresponding benefit was recorded to continuing operations.

Non-GAAP Financial Measures

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 accounting principles generally accepted in the United States (U.S. GAAP). We believe presenting net sales by end market sector adjusted to exclude raw material surcharges provides additional insight into key drivers of net sales such as base price and product mix.

Net Sales adjusted to exclude surcharges

(dollars in millions, tons in thousands)

	2019				
	Mobile	Industrial	Energy	Other	Total
Tons	397.6	348.2	90.6	61.9	898.3
Net Sales	\$479.3	\$486.3	\$166.4	\$76.8	\$1,208.8
Less: Surcharges	104.1	99.9	32.8	16.7	253.5
Base Sales	\$375.2	\$386.4	\$133.6	\$60.1	\$955.3
Net Sales / Ton	\$1,205	\$1,397	\$1,837	\$1,241	\$1,346
Base Sales / Ton	\$944	\$1,110	\$1,475	\$971	\$1,063

	2018				
	Mobile	Industrial	Energy	Other	Total
Tons	428.3	462.7	152.8	155.6	1,199.4
Net Sales	\$553.9	\$637.5	\$265.6	\$153.6	\$1,610.6
Less: Surcharges	134.4	161.5	61.2	48.3	405.4
Base Sales	\$419.5	\$476.0	\$204.4	\$105.3	\$1,205.2
Net Sales / Ton	\$1,293	\$1,378	\$1,738	\$987	\$1,343
Base Sales / Ton	\$979	\$1,029	\$1,338	\$677	\$1,005

	2017				
	Mobile	Industrial	Energy	Other	Total
Tons	428.1	413.4	97.0	211.7	1,150.2
Net Sales	\$528.6	\$486.4	\$141.7	\$172.5	\$1,329.2
Less: Surcharges	105.1	106.6	23.5	56.1	291.3
Base Sales	\$423.5	\$379.8	\$118.2	\$116.4	\$1,037.9
Net Sales / Ton	\$1,235	\$1,177	\$1,461	\$815	\$1,156
Base Sales / Ton	\$989	\$919	\$1,219	\$550	\$902

Liquidity and Capital Resources

Credit Agreement

On January 26, 2018, the Company, as borrower, and certain domestic subsidiaries, as subsidiary guarantors, entered into the Second Amended and Restated Credit Agreement (Credit Agreement), with JP Morgan Chase Bank, N.A., as administrative agent, Bank of America, N.A., as syndication agent, and the other lenders party thereto, which amended and restated the Company's credit agreement dated as of February 26, 2016.

Amended Credit Agreement

On October 15, 2019, the Company, entered into a Third Amended and Restated Credit Agreement (the Amended Credit Agreement), with JP Morgan Chase Bank, N.A. which further amends and restates the Company's Second Amended and Restated Credit Agreement dated as of January 26, 2018.

The Amended Credit Agreement increased capacity to \$400 million compared to \$300 million in the previous facility and extended the maturity date to October 15, 2024. Furthermore, the Amended Credit Agreement included an enhanced asset base with reappraised fixed assets and investment grade foreign accounts receivable collateral in the borrowing base, improved interest rate spread pricing of 50 basis points, and reduced the unused commitment fee to a fixed 25 basis points from the previous 37.5 to 50 basis point range.

Refer to "Note 14 - Financing Arrangements" in the Notes of the Consolidated Financial Statements for additional information.

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 paying the offering expenses. We used the net proceeds to repay a portion of the amounts outstanding under our credit agreement.

Revenue Refunding Bonds

On January 23, 2018, we redeemed in full \$12.2 million of Ohio Water Development Revenue Refunding Bonds (originally due on November 1, 2025), \$9.5 million of Ohio Air Quality Development Revenue Refunding Bonds (originally due on November 1, 2025), and \$8.5 million of Ohio Pollution Control Revenue Refunding Bonds (originally due on June 1, 2033).

Additional Liquidity Considerations

The following represents a summary of key liquidity measures under the credit agreement in effect as of December 31, 2019 and December 31, 2018:

	December 31, 2019	December 31, 2018
Cash and cash equivalents	\$27.1	\$21.6
Credit Agreement:		
Maximum availability	\$400.0	\$300.0
Suppressed availability ⁽¹⁾	(103.0)	–
Availability	297.0	300.0
Credit facility amount borrowed	(90.0)	(115.0)
Letter of credit obligations	(3.8)	(2.6)
Availability not borrowed	203.2	182.4
Total liquidity	\$230.3	\$204.0

⁽¹⁾As of December 31, 2019, TimkenSteel had less than \$400 million in collateral assets to borrow against.

Our principal sources of liquidity are cash and cash equivalents, cash flows from operations and available borrowing capacity under our credit agreement. As of December 31, 2019, taking into account our view of automotive, industrial, and energy market demands for our products, our 2020 operating and long-range plan, we believe that our cash balance as of December 31, 2019, 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 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 is less than anticipated, and cash on hand or credit availability is insufficient, we would seek additional financing to provide additional liquidity. We regularly evaluate our potential access to the equity and debt capital markets as sources of liquidity and we believe additional financing would likely be available if necessary, although we can make no assurance as to the form or terms of any such financing. We would also consider additional cost reductions and restructuring, changes in working capital management 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 details regarding the Credit Agreement, the Amended Credit Agreement and the Convertible Notes, please refer to "Note 14 - Financing Arrangements" in the Notes to the Consolidated Financial Statements, and for our discussion regarding risk factors related to our business and our debt, see Risk Factors in this Annual Report on Form 10-K.

Cash Flows

The following table reflects the major categories of cash flows for the years ended December 31, 2019 and 2018. For additional details, please refer to the Consolidated Statements of Cash Flows included in Item 8 - Financial Statements and Supplemental Data of this Annual Report.

	Year Ended December 31,		
	2019	2018	2017
Net cash provided (used) by operating activities	\$70.3	\$18.5	\$8.1
Net cash provided (used) by investing activities	(38.0)	(39.0)	(33.0)
Net cash provided (used) by financing activities	(26.8)	17.6	23.8
Increase (Decrease) in Cash and Cash Equivalents	\$5.5	(\$2.9)	(\$1.1)

Operating activities

Net cash provided by operating activities for the year ended December 31, 2019 was \$70.3 million compared with net cash provided of \$18.5 million for the same period 2018. The increase in cash provided by operating activities of \$51.8 million was primarily due to an increase in cash provided from working capital, partially offset by a net loss of \$110.0 million and lower accrued liabilities, primarily due to lower variable compensation.

The improvement in cash used for working capital between periods was due to inventories and accounts receivable, partially offset by accounts payable. The increase in cash provided for inventory was driven by the impact of declining scrap prices combined with a lower quantity of inventory on hand during the year ended December 31, 2019 as compared to the opposite trend during the same period in the prior year. The increase in cash provided by accounts receivable was primarily due to declining sales for the year ended December 31, 2019, which resulted in collections exceeding billings, as compared to increasing sales in the same period in the prior year. Accounts payable offset these increases due to lower production and declining scrap prices. Refer to the Consolidated Statements of Cash Flows in the Consolidated Financial Statements for additional information.

Net cash provided by operating activities for the years ended December 31, 2018 and 2017 was \$18.5 million and \$8.1 million, respectively. The improvement in net cash provided by operating activities was primarily due to an increase in gross profit partially offset by benefit payments for our domestic pension plans and an increased use of cash for working capital to support customer demand.

Investing activities

Net cash used by investing activities for the years ended December 31, 2019, 2018 and 2017 was \$38.0 million, \$39.0 million, and \$33.0 million, respectively. In 2019, we focused our capital investment spend on enhancing our value-added components capabilities as well as ongoing investments to support our steel manufacturing operation.

Net cash used by investing activities for the years ended December 31, 2018 and 2017 was \$39.0 million and \$33.0 million, respectively. Cash used for investing activities primarily relates to capital investments in our manufacturing facilities. Capital spending in 2018 increased \$7.0 million from 2017 due to an increase in strategic spending on our capital investments.

Our business requires capital investments to maintain our plants and equipment to remain competitive and ensure we can implement strategic initiatives. Our construction in progress balance

of approximately \$31 million as of December 31, 2019 includes: (a) approximately \$16 million relating to growth initiatives (new product offerings and new capabilities) and continuous improvement projects; and (b) approximately \$15 million relating primarily to routine capital costs to maintain the reliability, integrity and safety of our manufacturing equipment and facilities. In the next one to three years, we expect to spend approximately \$17 million to complete existing ongoing projects (made up of approximately \$11 million relating to additional growth initiatives and approximately \$6 million related to continuous improvement).

Financing activities

Net cash used by financing activities for the year ended December 31, 2019 was \$26.8 million compared to net cash provided by financing activities of \$17.6 million for the year ended December 31, 2018. The change was mainly due to net repayments of debt of \$25.0 million during the year ended December 31, 2019 as compared to net borrowings of \$19.8 million during the year ended December 31, 2018. With the additional cash generated by operating activities in 2019, we focused on paying down our credit facility.

Net cash provided by financing activities for the year ended December 31, 2018 was approximately \$17.6 million compared to \$23.8 million for the year ended December 31, 2017. The change was mainly due to lower net borrowings on the Credit Agreement during the year ended December 31, 2018 compared to the prior year.

Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2019:

Contractual Obligations	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Convertible notes and other long-term debt	\$176.3	\$–	\$86.3	\$90.0	\$–
Interest payments	24.9	8.2	13.4	3.3	–
Operating leases	15.4	6.8	6.8	1.8	–
Purchase commitments	143.0	33.6	28.7	27.4	53.3
Retirement benefits	171.1	3.2	24.8	67.7	75.4
Total	\$530.7	\$51.8	\$160.0	\$190.2	\$128.7

The caption Convertible notes and other long-term debt includes the outstanding Convertible Notes principal balance of \$86.3 million and the Amended Credit Agreement of \$90 million. Interest payments include interest on the Convertible Notes and estimated interest payments on variable rate debt computed using the assumption that the outstanding balance interest rate at December 31, 2019 is in effect for the remaining term of the variable rate debt. Actual interest could vary. See Item 7A - Quantitative and Qualitative Disclosures about Market Risk of this Annual Report on Form 10-K for further discussion.

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

Retirement benefits are paid from plan assets and our operating cash flow. The table above includes payments to meet minimum funding requirements of our defined benefit pension plans, estimated benefit payments for our unfunded supplemental executive retirement pension, and postretirement plans. The retirement benefit funding requirements included in the table above are estimated required contributions and are significantly affected by asset returns and several other variables. These amounts are subject to change year to year. These amounts are based on Company estimates and current funding laws, actual future payments may be different. Refer to "Note 15 - Retirement and Postretirement Plans" in the Notes to the Consolidated Financial Statements for further information related to the total pension and other postretirement benefit plans and expected benefit payments.

Critical Accounting Policies and Estimates

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

New Accounting Guidance

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

Revenue Recognition

We recognize revenue from contracts at a point in time when we have satisfied our performance obligation and the customer obtains control of the goods, at the amount that reflects the consideration we expect to receive for those goods. We receive and acknowledge purchase orders from our customers, which define the quantity, pricing, payment and other applicable terms and conditions. In some cases, we receive a blanket purchase order from our customer, which includes pricing, payment and other terms and conditions, with quantities defined at the time the customer issues periodic releases from the blanket purchase order. Certain contracts contain variable consideration, which primarily consists of rebates that are accounted for in net sales and accrued based on the estimated probability of the requirements being met.

Inventory

During the fourth quarter of 2019, we elected to change our method for valuing our inventories that previously used the last-in, first-out (LIFO) method to the first-in, first-out (FIFO) method. Total inventories accounted for under the LIFO method represented approximately 70% of the Company's total inventories prior to this change in method. We believe that the FIFO method is preferable as it improves comparability with our peers, more closely resembles the physical flow of our inventory, and aligns with how we internally manage the business.

The effects of the change in accounting principle from LIFO to FIFO have been retrospectively applied to all periods presented. As a result of the retrospective application of the change in accounting principle, certain financial statement line items in the Company's consolidated balance sheets as of December 31, 2019 and 2018 and consolidated statements of operations and consolidated statements of cash flows for 2019, 2018, and 2017 were adjusted as necessary. Refer to "Note 1 - Basis of Presentation" in the Notes to the Consolidated Financial Statements for further information.

Long-lived Assets

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

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

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

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

As the result of the discontinued use of certain assets, we recorded impairment charges and loss on sale or disposal of assets of \$9.3 million, \$0.9 million and \$0.7 million for the years ended December 31, 2019, 2018 and 2017, respectively.

Income Taxes

We are subject to income taxes in the U.S. and numerous non-U.S. jurisdictions, and we account for income taxes in accordance with Financial Accounting Standards Board Accounting Standard Codification Topic 740, "Income Taxes" (ASC 740). Deferred tax assets and liabilities are recorded for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases, as well as net operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. We record valuation allowances against deferred tax assets by tax jurisdiction when it is more likely than not that such assets will not be realized. In determining the need for a valuation allowance, the historical and projected financial performance of the entity recording the net deferred tax asset is considered along with any other pertinent information. Net deferred tax assets relate primarily to net operating losses and pension and other postretirement benefit obligations in the U.S., which we believe are more likely than not to result in future tax benefits. As of December 31, 2019, we have recorded a valuation allowance on our net deferred tax assets in the U.S., as we do not believe it is more likely than not that a portion of our U.S. deferred tax assets will be realized.

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

During the year ended December 31, 2018, the Company made the accounting policy election to treat taxes related to Global Intangible Low-Taxed Income as a current period expense when incurred.

Benefit Plans

We recognize an overfunded status or underfunded status (i.e., the difference between the fair value of plan assets and the benefit obligations) as either an asset or a liability for our defined benefit pension and other postretirement benefit plans on the Consolidated Balance Sheets. We recognize actuarial gains and losses immediately through net periodic benefit cost in the Consolidated Statements of Operations upon the annual remeasurement at December 31, or on an interim basis as triggering events warrant remeasurement. In addition, we use fair value to account for the value of plan assets.

As of December 31, 2019, our projected benefit obligations related to our pension and other postretirement benefit plans were \$1,311.4 million and \$126.2 million, respectively, and the underfunded status of our pension and other postretirement benefit obligations were \$156.0 million and \$43.9 million, respectively. These benefit obligations were valued using a weighted average discount rate of 3.42% for pension benefit plans and other postretirement benefit plans. The determination of the discount rate is generally based on an index created from a hypothetical bond portfolio consisting of high-quality fixed income securities with durations that match the timing of expected benefit payments. Changes in the selected discount rate could have a material impact on our projected benefit obligations and the unfunded status of our pension and other postretirement benefit plans.

For the year ended December 31, 2019, net periodic pension benefit cost was \$35.9 million, and net periodic other postretirement benefit cost was \$5.7 million. In 2019, net periodic pension and other postretirement benefit costs were calculated using a variety of assumptions, including a weighted average discount rate of 4.30% and 4.34%/3.94% (The discount rate for the postretirement plans was adjusted after the second quarter 2019 amendment. To calculate benefit costs, the discount rate of 4.34% was used for January to April and the discount rate of 3.94% was used for May to December), respectively, and an expected return on plan assets of 6.41% and 5.00%, respectively. The expected return on plan assets is determined based on several factors, including adjusted historical returns, historical risk premiums for various asset classes and target asset allocations within the portfolio. Adjustments made to the historical returns are based on recent return experience in the equity and fixed income markets and the belief that deviations from historical returns are likely over the relevant investment horizon.

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

	Hypothetical Rate Increase	
	0.25%	(0.25)%
Discount Rate		
Net periodic benefit cost, prior to annual remeasurement gains or losses	\$1.0	\$1.1
Benefit obligation	(\$39.5)	\$41.5
Return on plan assets		
Net periodic benefit cost, prior to annual remeasurement gains or losses	(\$2.7)	\$2.7

Aggregate net periodic pension and other postretirement benefit income for 2020 is forecasted to be \$1.3 million and \$4.3 million, respectively. This estimate is based on a weighted average discount rate of 3.42% for the pension benefit plans and other postretirement benefit plans, as well as an expected return on assets of 5.80% for the pension benefit plans and 4.50% for the other postretirement benefit plans. Actual cost also is dependent on various other factors related to the employees covered by these plans. Adjustments to our actuarial assumptions could have a material adverse impact on our operating results.

Please refer to "Note 15 - Retirement and Postretirement Plans" in the Notes to the Consolidated Financial Statements for further information related to our pension and other postretirement benefit plans.

Other Loss Reserves

We have a number of loss exposures that are incurred in the ordinary course of business, such as environmental claims, product liability claims, product warranty claims, litigation and accounts receivable reserves. Establishing loss reserves for these matters requires management's estimate and judgment with regard to risk exposure and ultimate liability or realization. These loss reserves are reviewed periodically, and adjustments are made to reflect the most recent facts and circumstances. These other loss reserves have an immaterial impact on the Consolidated Financial Statements.

Forward-Looking Statements

Certain statements set forth 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," "will," "would," or other similar words, phrases or expressions that convey the uncertainty of future events or outcomes. You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this Form 10-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; 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;
- The overall impact of the pension and postretirement mark-to-market accounting; and
- Those items identified under the caption Risk Factors in this Annual Report on Form 10-K.

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

Our borrowings include both fixed and variable-rate debt. The variable debt consists principally of borrowings under our credit agreement. We are exposed to the risk of rising interest rates to the extent we fund our operations with these variable-rate borrowings. As of December 31, 2019, we have \$168.6 million of aggregate debt outstanding, of which \$90.0 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 \$0.9 million annually.

Foreign Currency Exchange Rate Risk

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

Commodity Price Risk

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

Item 8. Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of TimkenSteel Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of TimkenSteel Corporation (the Company) as of December 31, 2019 and 2018, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and the financial statement schedule included at Item 15a (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2019 and 2018, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 25, 2020, expressed an unqualified opinion thereon.

Changes in Accounting Principles

As discussed in Note 1 to the consolidated financial statements, the Company elected to change its method of accounting for certain inventories to the first-in, first-out ("FIFO") method during the year ended December 31, 2019.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditors since 2012.

Cleveland, Ohio
February 25, 2020

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of TimkenSteel Corporation

Opinion on Internal Control over Financial Reporting

We have audited TimkenSteel Corporation's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, TimkenSteel Corporation (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and the financial statement schedule included at Item 15a and our report dated February 25, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

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

acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

/s/ Ernst & Young LLP

Cleveland, Ohio
February 25, 2020

TimkenSteel Corporation

Consolidated Statements of Operations

	Year Ended December 31,		
	2019	2018 ADJUSTED	2017 ADJUSTED
(Dollars in millions, except per share data)			
Net sales	\$1,208.8	\$1,610.6	\$1,329.2
Cost of products sold	1,186.2	1,484.0	1,248.9
Gross Profit	22.6	126.6	80.3
Selling, general and administrative expenses	91.8	98.2	90.5
Restructuring charges	8.6	–	–
Impairment charges and loss on sale or disposal of assets	9.3	0.9	0.7
Interest expense	15.7	17.1	14.8
Other income (expense), net	(23.3)	(18.6)	(4.1)
Income (Loss) Before Income Taxes	(126.1)	(8.2)	(29.8)
Provision (benefit) for income taxes	(16.1)	1.8	1.5
Net Income (Loss)	(\$110.0)	(\$10.0)	(\$31.3)
Per Share Data:			
Basic earnings (loss) per share	(\$2.46)	(\$0.22)	(\$0.70)
Diluted earnings (loss) per share	(\$2.46)	(\$0.22)	(\$0.70)

See accompanying Notes to the Consolidated Financial Statements.

TimkenSteel Corporation

Consolidated Statements of Comprehensive Income (Loss)

	Year Ended December 31,		
	2019	2018 ADJUSTED	2017 ADJUSTED
(Dollars in millions)			
Net income (loss)	(\$110.0)	(\$10.0)	(\$31.3)
Other comprehensive income (loss), net of tax of \$16.7 million in 2019:			
Foreign currency translation adjustments	0.5	(1.4)	1.1
Pension and postretirement liability adjustments	53.1	0.1	0.7
Other comprehensive income (loss), net of tax	53.6	(1.3)	1.8
Comprehensive Income (Loss), net of tax	(\$56.4)	(\$11.3)	(\$29.5)

See accompanying Notes to the Consolidated Financial Statements.

TimkenSteel Corporation

Consolidated Balance Sheets

	December 31,	
	2019	2018 ADJUSTED
(Dollars in millions)		
ASSETS		
Current Assets		
Cash and cash equivalents	\$27.1	\$21.6
Accounts receivable, net of allowances (2019 - \$1.5 million; 2018 - \$1.7 million)	77.5	163.4
Inventories, net	281.9	374.5
Deferred charges and prepaid expenses	3.3	3.5
Assets held for sale	4.1	-
Other current assets	7.8	6.1
Total Current Assets	401.7	569.1
Property, plant and equipment, net	626.4	674.4
Operating lease right-of-use assets	14.3	-
Pension assets	25.2	10.5
Intangible assets, net	14.3	17.8
Other non-current assets	3.3	3.5
Total Assets	\$1,085.2	\$1,275.3
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$69.3	\$160.6
Salaries, wages and benefits	13.9	36.8
Accrued pension and postretirement costs	3.0	3.0
Current operating lease liabilities	6.2	-
Other current liabilities	19.9	20.4
Total Current Liabilities	112.3	220.8
Convertible notes, net	78.6	74.1
Credit Agreement	90.0	115.0
Non-current operating lease liabilities	8.2	-
Accrued pension and postretirement costs	222.1	240.0
Deferred income taxes	0.9	0.8
Other non-current liabilities	10.0	11.7
Total Liabilities	522.1	662.4
Shareholders' Equity		
Preferred shares, without par value; authorized 10.0 million shares, none issued	-	-
Common shares, without par value; authorized 200.0 million shares; issued 2019 and 2018 - 45.7 million shares	-	-
Additional paid-in capital	844.8	846.3
Retained deficit	(301.5)	(191.5)
Treasury shares - 2019 - 0.9 million; 2018 - 1.1 million	(24.9)	(33.0)
Accumulated other comprehensive income (loss)	44.7	(8.9)
Total Shareholders' Equity	563.1	612.9
Total Liabilities and Shareholders' Equity	\$1,085.2	\$1,275.3

See accompanying Notes to the Consolidated Financial Statements.

TimkenSteel Corporation

Consolidated Statements of Shareholders' Equity

(Dollars in millions)	Common Shares Outstanding	Additional Paid-in Capital	Retained Deficit	Treasury Shares	Accumulated Other Comprehensive Income (Loss)	Total
Balance as of December 31, 2016	44,228,213	\$845.6	(\$193.9)	(\$44.9)	(\$9.4)	\$597.4
Cumulative effect of change in accounting principle (Note 1)	–	–	43.5	–	–	43.5
Net income (loss)	–	–	(31.3)	–	–	(31.3)
Other comprehensive income (loss)	–	–	–	–	1.8	1.8
Stock-based compensation expense	–	6.5	–	–	–	6.5
Stock option activity	–	0.2	–	–	–	0.2
Issuance of treasury shares	300,130	(8.6)	(0.3)	8.9	–	–
Shares surrendered for taxes	(82,596)	–	–	(1.4)	–	(1.4)
Balance as of December 31, 2017 ADJUSTED	44,445,747	\$843.7	(\$182.0)	(\$37.4)	(\$7.6)	\$616.7
Net income (loss)	–	–	(10.0)	–	–	(10.0)
Other comprehensive income (loss)	–	–	–	–	(1.3)	(1.3)
Adoption of new accounting standard (Note 2)	–	–	0.7	–	–	0.7
Stock-based compensation expense	–	7.3	–	–	–	7.3
Stock option activity	–	0.2	–	–	–	0.2
Issuance of treasury shares	176,454	(4.9)	(0.2)	5.1	–	–
Shares surrendered for taxes	(37,533)	–	–	(0.7)	–	(0.7)
Balance as of December 31, 2018 ADJUSTED	44,584,668	\$846.3	(\$191.5)	(\$33.0)	(\$8.9)	\$612.9
Net income (loss)	–	–	(110.0)	–	–	(110.0)
Other comprehensive income (loss)	–	–	–	–	53.6	53.6
Stock-based compensation expense	–	7.4	–	–	–	7.4
Stock option activity	–	0.2	–	–	–	0.2
Issuance of treasury shares	321,739	(9.1)	–	9.1	–	–
Shares surrendered for taxes	(86,254)	–	–	(1.0)	–	(1.0)
Balance at December 31, 2019	44,820,153	\$844.8	(\$301.5)	(\$24.9)	\$44.7	\$563.1

See accompanying Notes to the Consolidated Financial Statements.

TimkenSteel Corporation

Consolidated Statements of Cash Flows

Year Ended December 31,
2019 **2018** **2017**
ADJUSTED **ADJUSTED**

(Dollars in millions)			
CASH PROVIDED (USED)			
Operating Activities			
Net income (loss)	(\$110.0)	(\$10.0)	(\$31.3)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:			
Depreciation and amortization	73.5	73.0	74.9
Amortization of deferred financing fees and debt discount	5.1	5.5	4.0
Impairment charges and loss on sale or disposal of assets	9.3	0.9	1.6
Deferred income taxes	(16.6)	0.8	(0.3)
Stock-based compensation expense	7.4	7.3	6.5
Pension and postretirement expense (benefit), net	41.6	37.4	24.7
Pension and postretirement contributions and payments	(3.8)	(13.1)	(4.3)
Changes in operating assets and liabilities:			
Accounts receivable, net	85.9	(13.6)	(58.2)
Inventories, net	92.6	(94.5)	(72.3)
Accounts payable	(87.7)	24.4	45.7
Other accrued expenses	(26.0)	(3.8)	18.3
Deferred charges and prepaid expenses	0.2	0.4	(0.5)
Other, net	(1.2)	3.8	(0.7)
Net Cash Provided (Used) by Operating Activities	70.3	18.5	8.1
Investing Activities			
Capital expenditures	(38.0)	(40.0)	(33.0)
Proceeds from disposals of property, plant and equipment	–	1.0	–
Net Cash Provided (Used) by Investing Activities	(38.0)	(39.0)	(33.0)
Financing Activities			
Proceeds from exercise of stock options	0.2	0.2	0.2
Shares surrendered for employee taxes on stock compensation	(1.0)	(0.7)	(1.4)
Refunding Bonds repayments	–	(30.2)	–
Repayments on credit agreements	(65.0)	(105.0)	(5.0)
Borrowings on credit agreements	40.0	155.0	30.0
Debt issuance costs	(1.0)	(1.7)	–
Net Cash Provided (Used) by Financing Activities	(26.8)	17.6	23.8
Increase (Decrease) in Cash and Cash Equivalents	5.5	(2.9)	(1.1)
Cash and cash equivalents at beginning of period	21.6	24.5	25.6
Cash and Cash Equivalents at End of Period	\$27.1	\$21.6	\$24.5

See accompanying Notes to the Consolidated Financial Statements.

TimkenSteel Corporation

Notes to Consolidated Financial Statements

(dollars in millions, except per share data)

Note 1 - Basis of Presentation

TimkenSteel Corporation (the Company or TimkenSteel) manufactures alloy steel, as well as carbon and micro-alloy steel, with an annual melt capacity of approximately 2 million tons and shipment capacity of 1.5 million tons. TimkenSteel's portfolio includes special bar quality (SBQ) bars, seamless mechanical tubing (tubes), value-added solutions such as precision steel components, and billets. In addition, TimkenSteel supplies machining and thermal treatment services and 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: automotive; oil and gas; industrial equipment; mining; construction; rail; defense; heavy truck; agriculture; power generation; and oil country tubular goods (OCTG);.

The SBQ bar, tube, and billet production processes take place at the Company's Canton, Ohio manufacturing location. This location accounts for all of the SBQ bars, seamless mechanical tubes and billets the Company produces and includes three manufacturing facilities: the Faircrest, Harrison, and Gambinus facilities. TimkenSteel's value-added solutions production processes take place at three downstream manufacturing facilities: TimkenSteel Material Services (Houston, Texas), Tryon Peak (Columbus, North Carolina), and St. Clair (Eaton, Ohio). Many of the production processes are integrated, and the manufacturing facilities produce products that are sold in all of 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, not any specific aspect of the business. In the fourth quarter of 2019, our Board of Directors approved a plan to close our TimkenSteel Material Services facility during the first quarter of 2020.

Basis of Consolidation:

The Consolidated Financial Statements include the consolidated assets, liabilities, revenues and expenses related to TimkenSteel as of December 31, 2019, 2018 and 2017. All significant intercompany accounts and transactions within TimkenSteel have been eliminated in the preparation of the Consolidated Financial Statements.

Use of Estimates:

The preparation of these Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. These estimates and assumptions are reviewed and updated regularly to reflect recent experience.

Presentation:

Certain items previously reported in specific financial statement captions have been reclassified to conform to the fiscal 2019 presentation.

Change in Accounting Principle:

During the fourth quarter of 2019, TimkenSteel elected to change its method for valuing its inventories that previously used the last-in, first-out (LIFO) method to the first-in, first-out (FIFO)

method. Total inventories accounted for under the LIFO method represented approximately 70% of the Company's total inventories prior to this change in method. The Company believes that the FIFO method is preferable as it improves comparability with our peers, more closely resembles the physical flow of our inventory, and aligns with how the Company internally manages the business.

The effects of the change in accounting principle from LIFO to FIFO have been retrospectively applied to all periods presented. As a result of the retrospective application of the change in accounting principle, certain financial statement line items in the Company's consolidated balance sheets as of December 31, 2018 and the consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows for the years ended December 31, 2018 and 2017 were adjusted as necessary.

The following table reflects the effect of the change in the accounting principle on the 2019 Consolidated Financial Statements (dollars in million, except per share data):

For the Year Ended December 31, 2019	As Computed under LIFO	As Reported under FIFO	Effect of Change
Statement of Operations			
Cost of products sold	\$1,160.5	\$1,186.2	\$25.7
Gross profit	48.3	22.6	(25.7)
Income (loss) before income taxes	(100.4)	(126.1)	(25.7)
Net income (loss)	(84.3)	(110.0)	(25.7)

Per Share Data:			
Basic earnings (loss) per share	(1.89)	(2.46)	(0.57)
Diluted earnings (loss) per share	(1.89)	(2.46)	(0.57)

For the Year Ended December 31, 2019	As Computed under LIFO	As Reported under FIFO	Effect of Change
Statement of Comprehensive Income (Loss)			
Net (loss) income	(\$84.3)	(\$110.0)	(\$25.7)
Comprehensive income (loss), net of tax	(30.7)	(56.4)	(25.7)

As of December 31, 2019	As Computed under LIFO	As Reported under FIFO	Effect of Change
Balance Sheet			
Inventories, net	\$229.8	\$281.9	\$52.1
Retained deficit	(249.4)	(301.5)	(52.1)

For the Year Ended December 31, 2019	As Computed under LIFO	As Reported under FIFO	Effect of Change
Statement of Cash Flows			
Net (loss) income	(\$84.3)	(\$110.0)	(\$25.7)
Changes in operating assets and liabilities:			
Inventories, net	66.9	92.6	25.7

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

Consolidated Statement of Operations	2018			2017		
	As		As	As		As
	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted
Cost of products sold	\$ 1,505.7	\$ (21.7)	\$ 1,484.0	\$ 1,261.4	\$ (12.5)	\$ 1,248.9
Gross profit	104.9	21.7	126.6	67.8	12.5	80.3
Income (loss) before income taxes	(29.9)	21.7	(8.2)	(42.3)	12.5	(29.8)
Net income (loss)	(31.7)	21.7	(10.0)	(43.8)	12.5	(31.3)
Per Share Data:						
Basic earnings (loss) per share	\$ (0.71)	\$ 0.49	\$ (0.22)	\$ (0.99)	\$ 0.29	\$ (0.70)
Diluted earnings (loss) per share	\$ (0.71)	\$ 0.49	\$ (0.22)	\$ (0.99)	\$ 0.29	\$ (0.70)

Consolidated Statement of Comprehensive Income (Loss)	2018			2017		
	As		As	As		As
	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted
Net income (loss)	\$ (31.7)	\$ 21.7	\$ (10.0)	\$ (43.8)	\$ 12.5	\$ (31.3)
Comprehensive income (loss), net of tax	(33.0)	21.7	(11.3)	(42.0)	12.5	(29.5)

Consolidated Balance Sheet	2018		
	As		As
	Reported	Adjustments	Adjusted
Inventories, net	\$ 296.8	\$ 77.7	\$ 374.5
Retained deficit ⁽¹⁾	(269.2)	77.7	(191.5)

⁽¹⁾ As a result of the accounting change, retained deficit as of January 1, 2017 decreased from \$193.9 million, as originally reported using the LIFO method, to \$150.4 million using the FIFO method. The change of \$43.5 million is reflected as a cumulative change in accounting principle in the Consolidated Statements of Shareholders' Equity.

Consolidated Statement of Cash Flows	2018			2017		
	As		As	As		As
	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted
Net income (loss)	\$ (31.7)	\$ 21.7	\$ (10.0)	\$ (43.8)	\$ 12.5	\$ (31.3)
Changes in operating assets and liabilities:						
Inventories, net	(72.8)	(21.7)	(94.5)	(59.8)	(12.5)	(72.3)

Note 2 - Significant Accounting Policies

Revenue Recognition:

TimkenSteel recognizes revenue from contracts at a point in time when it has satisfied its performance obligation and the customer obtains control of the goods, at the amount that reflects the consideration the Company expects to receive for those goods. The Company receives and

acknowledges purchase orders from its customers, which define the quantity, pricing, payment and other applicable terms and conditions. In some cases, the Company receives a blanket purchase order from its customer, which includes pricing, payment and other terms and conditions, with quantities defined at the time the customer issues periodic releases from the blanket purchase order. Certain contracts contain variable consideration, which primarily consists of rebates that are accounted for in net sales and accrued based on the estimated probability of the requirements being met.

Cash Equivalents:

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

Allowance for Doubtful Accounts:

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

Inventories, Net:

At December 31, 2019, inventories were stated at the lower of cost or net realizable value. During the fourth quarter of 2019, the Company elected to change its method for valuing its inventories that previously used the LIFO method to the FIFO method. The Company believes that the FIFO method is preferable as it improves comparability with our peers, more closely resembles the physical flow of our inventory, and aligns with how the Company internally manages the business. The remaining inventories, including raw materials, manufacturing supplies inventory as well as international (outside the U.S.) inventories, will continue to be valued using the FIFO or average cost method.

The effects of the change in accounting principle from LIFO to FIFO have been retrospectively applied to all periods presented. Refer to "Note 1 - Basis of Presentation" for more information.

Property, Plant and Equipment, Net:

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

Intangible Assets, Net:

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

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 350-40, "Internal-Use Software," (ASC 350-40), TimkenSteel capitalizes certain costs incurred for computer software developed or obtained for internal use. TimkenSteel capitalizes substantially all external costs and qualifying internal costs related to the purchase and

implementation of software projects used for business operations. Capitalized software costs primarily include purchased software and external consulting fees. Capitalized software projects are amortized over the estimated useful lives of the software.

Long-lived Assets:

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

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

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

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

Refer to "Note 6 - Disposition of Non-Core Assets" and "Note 11 - Property, Plant and Equipment" for additional information.

Product Warranties:

TimkenSteel accrues liabilities for warranties based upon specific claim incidents in accordance with accounting rules relating to contingent liabilities. Should TimkenSteel become aware of a specific potential warranty claim for which liability is probable and reasonably estimable, a specific charge is recorded and accounted for accordingly. TimkenSteel had no significant warranty claims for the years ended December 31, 2019, 2018 or 2017.

Income Taxes:

Deferred tax assets and liabilities are recorded for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases, as well as net operating loss and tax credit carryforwards. TimkenSteel accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined on the basis of the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. TimkenSteel recognizes deferred tax assets to the extent TimkenSteel believes these assets are more likely than not to be realized. In making such a determination, TimkenSteel considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If TimkenSteel determines that it would be

able to realize deferred tax assets in the future in excess of their net recorded amount, TimkenSteel would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

TimkenSteel records uncertain tax positions in accordance with FASB ASC Topic 740, "Income Taxes" (ASC 740), on the basis of a two-step process whereby (1) TimkenSteel determines whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position, and (2) for those tax positions that meet the more-likely-than-not recognition threshold, TimkenSteel recognizes the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority.

TimkenSteel recognizes interest and penalties related to unrecognized tax benefits within the provision (benefit) for income taxes line in the accompanying Consolidated Statements of Operations. Accrued interest and penalties are included within the related tax liability line in the Consolidated Balance Sheets.

During the year ended December 31, 2018, the Company made the accounting policy election to treat taxes related to Global Intangible Low-Taxed Income (GILTI) as a current period expense when incurred.

Foreign Currency:

Assets and liabilities of subsidiaries are translated at the rate of exchange in effect on the balance sheet date. Income and expenses are translated at the average rates of exchange prevailing during the year. The related translation adjustments are reflected as a separate component of accumulated other comprehensive loss. Gains and losses resulting from foreign currency transactions are included in other expense, net in the Consolidated Statements of Operations. TimkenSteel realized a foreign currency exchange loss of \$0.2 million in 2018 and a gain of \$0.3 million in 2017. There were no foreign currency exchange gains or losses in 2019.

Pension and Other Postretirement Benefits:

TimkenSteel recognizes an overfunded status or underfunded status (e.g., the difference between the fair value of plan assets and the benefit obligations) as either an asset or a liability for its defined benefit pension and other postretirement benefit plans on the Consolidated Balance Sheets. The Company recognizes actuarial gains and losses immediately through net periodic benefit cost in the Consolidated Statements of Operations upon the annual remeasurement at December 31, or on an interim basis as triggering events warrant remeasurement. In addition, the Company uses fair value to account for the value of plan assets.

Stock-Based Compensation:

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

TimkenSteel recognizes all excess tax benefits and tax deficiencies as income tax expense or benefit in the Consolidated Statements of Operations. The excess tax benefits and tax deficiencies are

considered discrete items in the reporting period they occur and are not included in the estimate of an entity's annual effective tax rate.

Research and Development:

Expenditures for TimkenSteel research and development amounted to \$4.1 million for the year ended December 31, 2019, \$8.1 million for the year ended December 31, 2018 and \$8.0 million for the year ended December 31, 2017, and were recorded as a component of selling, general and administrative expenses in the Consolidated Statements of Operations. These expenditures may fluctuate from year to year depending on special projects and the needs of TimkenSteel and its customers.

Adoption of New Accounting Standards:

The Company adopted the following Accounting Standard Updates (ASU) in the first quarter of 2019, all of which were effective as of January 1, 2019. The adoption of these standards had no impact on the Consolidated Financial Statements or the related Notes to the Consolidated Financial Statements.

Standards Adopted	Description
ASU 2018-07, Compensation - Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting	The standard provides an expanded scope of Topic 718, to include share-based payment transactions for acquiring goods and services from nonemployees.
ASU 2018-02, Reporting Comprehensive Income: Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income	The standard permits entities to reclassify tax effects stranded in accumulated other comprehensive income as a result of tax reform to retained earnings.
ASU 2017-11, Distinguishing Liabilities from Equity; Derivatives and Hedging	The standard eliminates the requirement to consider "down round" features when determining whether certain equity-linked financial instruments or embedded features are indexed to an entity's own stock.

On January 1, 2019, the Company adopted ASU 2016-02, "Leases (Topics 842)," which requires lessees to recognize lease liabilities and right-of-use assets on the balance sheet for not only finance (previously capital) leases but also operating leases. The standard also requires additional quantitative and qualitative disclosures. The Company adopted the standard using the modified retrospective transition approach without adjusting comparative periods.

The Company elected certain of the practical expedients permitted under the transition guidance within the new standard as follows:

- A package of practical expedients to not reassess:
 - Whether a contract is or contains a lease
 - Lease classification
 - Initial direct costs
- A practical expedient to not reassess certain land easements

The Company has implemented internal controls and lease accounting software to enable the quantification of the expected impact on the Consolidated Balance Sheets and to facilitate the calculations of the related accounting entries and disclosures. Adoption of the lease standard resulted in recognition of right-to-use assets and lease liabilities of \$16.0 million as of January 1,

2019. Adoption of the lease standard had no impact on the Company's debt covenant compliance under its current agreements. Also, the standard did not materially affect the Company's results of operations or its cash flows. Refer to "Note 13 - Leases" for additional information.

Accounting Standards Issued But Not Yet Adopted

The Company has considered the recent ASUs issued by the Financial Accounting Standards Board summarized below:

Standard Pending Adoption	Description	Effective Date	Anticipated Impact
ASU 2018-15, Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40)	The standard aligns the requirements for capitalizing implementation costs in cloud computing software arrangements with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software.	January 1, 2020	The Company evaluated the impact of the adoption of this ASU on its results of operations and financial condition and determined that the impact is immaterial.
ASU 2018-14, Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20)	The standard eliminates, modifies and adds disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans.	January 1, 2021	The Company is currently evaluating the impact of the adoption of this ASU on its results of operations and financial condition.
ASU 2018-13, Fair Value Measurement (Topic 820)	The standard eliminates, modifies and adds disclosure requirements for fair value measurements.	January 1, 2020	The Company evaluated the impact of the adoption of this ASU on its results of operations and financial condition and determined that the impact is immaterial.
ASU 2016-13, Measurement of Credit Losses on Financial Instruments	The standard changes how entities will measure credit losses for most financial assets, including trade and other receivables and replaces the current incurred loss approach with an expected loss model.	January 1, 2020	The Company evaluated the impact of the adoption of this ASU on its results of operations and financial condition and determined that the impact is immaterial.
ASU 2019-12, Income Taxes (Topic 740)	The standard simplifies the accounting for income taxes by removing various exceptions.	January 1, 2021	The Company is currently evaluating the impact of the adoption of this ASU on its results of operations and financial condition.

Note 3 - Segment Information

We conduct our business activities and report financial results as one business segment. The presentation of financial results as one reportable segment is consistent with the way the Company operates its business and is consistent with the manner in which the Chief Operating Decision Maker

(CODM) evaluates performance and makes resource and operating decisions for the business as described above. Furthermore, the Company notes that monitoring financial results as one reportable segment helps the CODM manage costs on a consolidated basis, consistent with the integrated nature of the operations.

Geographic Information

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

	Year Ended December 31,		
	2019	2018	2017
Net Sales:			
United States	\$1,096.8	\$1,456.2	\$1,207.7
Foreign	112.0	154.4	121.5
	\$1,208.8	\$1,610.6	\$1,329.2
	December 31,		
	2019	2018	
Long-lived Assets, net:			
United States	\$654.8	\$692.0	
Foreign	0.2	0.2	
	\$655.0	\$692.2	

Note 4 - Revenue Recognition

The following table provides the major sources of revenue by end-market sector for the years ended December 31, 2019, 2018 and 2017:

	Year Ended December 31,		
	2019	2018	2017
Mobile	\$479.3	\$553.9	\$528.6
Industrial	486.3	637.5	486.4
Energy	166.4	265.6	141.7
Other ⁽¹⁾	76.8	153.6	172.5
Total Net Sales	\$1,208.8	\$1,610.6	\$1,329.2

⁽¹⁾ "Other" for sales by end market sector includes the Company's scrap and OCTG billet sales.

The following table provides the major sources of revenue by product type for the years ended December 31, 2019, 2018 and 2017:

	Year Ended December 31,		
	2019	2018	2017
Bar	\$783.0	\$1,030.7	\$850.0
Tube	151.8	254.7	176.9
Value-add	240.6	284.3	265.3
Other ⁽²⁾	33.4	40.9	37.0
Total Net Sales	\$1,208.8	\$1,610.6	\$1,329.2

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

Note 5 - Restructuring Charges

During 2019, TimkenSteel made organizational changes to enhance profitable and sustainable growth. These company-wide actions included the restructuring of its business support functions, the reduction of management layers throughout the organization, the announced closure of the TimkenSteel Material Services (TMS) facility in Houston, Texas (See "Note 6 - Disposition of Non-Core Assets"), and other actions to further improve the Company's overall cost structure. Through these restructuring efforts, the Company eliminated approximately 150 salaried positions and recognized restructuring charges of \$8.6 million, consisting of severance and employee-related benefits. TimkenSteel recorded reserves for such restructuring charges as other current liabilities on the Consolidated Balance Sheets. The reserve balance at December 31, 2019 is expected to be substantially used in the next twelve months.

The following is a summary of the restructuring reserve for the twelve months ended December 31, 2019:

Balance at December 31, 2018	\$-
Expenses ⁽¹⁾	8.6
Payments	(2.6)
Balance at December 31, 2019	\$6.0

⁽¹⁾ Expenses of \$8.6 million exclude stock compensation of \$0.3 million that was accelerated as a result of the Company's restructuring activities.

There were no restructuring charges for the years ended December 31, 2018 and 2017.

Note 6 - Disposition of Non-Core Assets

During the fourth quarter of 2019, management signed a letter of intent to dispose of the Company's scrap processing facility in Akron, Ohio for cash consideration of approximately \$4.0 million. This letter of intent and cash consideration were for the land, buildings, machinery and equipment associated with this facility.

As a result of the agreement to sell the scrap processing facility, the Company ceased depreciation of the assets and recorded them as assets held for sale on the Consolidated Balance Sheet as of December 31, 2019. This disposal does not represent a discontinued operation. Additionally, the Company recorded an impairment charge of \$7.3 million in the fourth quarter of 2019 which represents the cash consideration to be received less cost to sell the assets compared with the \$11.3 million carrying value of the assets being sold, including supplies inventory. The sale of the assets was completed in the first quarter of 2020.

Additionally, in the fourth quarter of 2019, the Board of Directors approved a plan to close the Company's TMS facility in Houston, Texas in the first quarter of 2020. The closure of the facility does not qualify as a discontinued operation. At December 31, 2019, the associated assets did not meet the criteria to be classified as held for sale. As a result of the plan, the Company recorded the following charges in the fourth quarter of 2019:

- Restructuring charges of approximately \$0.7 million, primarily related to severance and other employee termination charges;
- Inventory write-downs of \$4.8 million, which represents the difference between the expected selling price and carrying value of the related inventory. The expected selling price was based upon the Company's most recently published price lists related to this inventory;
- Accelerated depreciation and amortization on TMS assets of \$2.8 million in the fourth quarter of 2019, with an additional \$1.6 million of accelerated depreciation to be recorded in the first quarter of 2020. Accelerated depreciation was recorded to reduce the carrying value of the assets to expected liquidation value at the end of the phase-down period in the first quarter of 2020. The liquidation value was based on initial broker estimates of fair value obtained in conjunction with the plan to close this facility.

Note 7 - Other Income (Expense), net

The following table provides the components of other income (expense), net for the years ended December 31, 2019, 2018 and 2017:

	Year Ended December 31,		
	2019	2018	2017
Pension and postretirement non-service benefit income	\$17.5	\$25.2	\$17.5
Loss from rereasurement of benefit plans	(40.6)	(43.5)	(21.8)
Foreign currency exchange gain (loss)	-	(0.2)	0.3
Miscellaneous income (expense)	(0.2)	(0.1)	(0.1)
Total other income (expense), net	(\$23.3)	(\$18.6)	(\$4.1)

Non-service benefit income from all years is derived from the Company's pension and other postretirement plans. The Company has had a favorable return on assets for its benefit plans, resulting in a benefit for all years. The loss from rereasurement of benefit plans is due to the Company performing mark-to-market accounting on its pension and postretirement assets at year-end and upon the occurrence of certain triggering events, partially offset with curtailments of \$8.9 million due to the freezing of the salaried pension plan. For more details on the rereasurement and curtailments, refer to "Note 15 - Retirement and Postretirement Plans."

Note 8 - Income Tax Provision

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

	Years Ended December 31,		
	2019	2018 ADJUSTED	2017 ADJUSTED
United States	(\$130.8)	(\$10.1)	(\$37.0)
Non-United States	4.7	1.9	7.2
Loss from operations before income taxes	(\$126.1)	(\$ 8.2)	(\$29.8)

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

	Years Ended December 31,		
	2019	2018	2017
Current:			
Federal	\$-	\$-	\$1.1
State and local	0.1	0.3	0.1
Foreign	0.4	0.7	0.6
Total current tax expense (benefit)	\$0.5	\$1.0	\$1.8
Deferred:			
Federal	(\$14.4)	\$0.4	(\$0.4)
State and local	(2.0)	-	-
Foreign	(0.2)	0.4	0.1
Total deferred tax expense (benefit)	(16.6)	0.8	(0.3)
Provision (benefit) for incomes taxes	(\$16.1)	\$1.8	\$1.5

For the year ended December 31, 2019, TimkenSteel made \$0.6 million in foreign tax payments, \$0.2 million in state tax payments, and no U.S. federal payments, and had no refundable overpayments of state income taxes. For the year ended December 31, 2018, TimkenSteel made \$0.6 million in foreign tax payments, \$0.2 million in state tax payments, and no U.S. federal payments, and had no refundable overpayments of state income taxes.

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

	Years Ended December 31,		
	2019	2018	2017
Tax at the U.S. federal statutory rate	(\$26.5)	(\$6.3)	(\$14.8)
Adjustments:			
State and local income taxes, net of federal tax benefit	(1.3)	(0.5)	(0.7)
Foreign earnings taxed at different rates	–	0.2	(0.2)
U.S. research tax credit	0.2	(0.2)	(0.2)
Valuation allowance	10.2	7.5	6.3
Global intangible low-taxed income	0.2	0.5	–
Tax reform impact - transition tax and rate change	–	–	10.2
Permanent differences	1.3	0.8	0.3
Other items, net	(0.2)	(0.2)	0.6
Provision (benefit) for income taxes	(\$16.1)	\$1.8	\$1.5
Effective tax rate	12.8 %	(5.9)%	(3.7)%

Income tax expense includes U.S. and international income taxes. Except as required under U.S. tax law, U.S. income and foreign withholding taxes have not been recognized on the excess of the amount for financial reporting over the tax basis of investments in foreign subsidiaries that is indefinitely reinvested outside the U.S. This amount becomes taxable upon a repatriation of assets from the subsidiary or a sale or liquidation of the subsidiary. Undistributed earnings of foreign subsidiaries outside of the U.S. were \$6.5 million, \$5.5 million and \$2.9 million at December 31, 2019, 2018 and 2017, respectively. The 2017 cumulative earnings amounts were recognized through the transition tax calculation pursuant to the Tax and Jobs Act enacted on December 22, 2017. The Company has recognized a deferred tax liability in the amount of \$0.7 million and \$0.6 million at December 31, 2019 and 2018, respectively, for undistributed earnings at its TimkenSteel (Shanghai) Corporation Limited and TimkenSteel de Mexico S. de R.C. de C.V. subsidiaries, as those earnings are not permanently reinvested by the Company.

The effect of temporary differences giving rise to deferred tax assets and liabilities at December 31, 2019 and 2018 was as follows:

	December 31,	
	2019	2018
Deferred tax liabilities:		
Depreciation	(\$98.6)	(\$101.4)
Inventory	(24.3)	(9.9)
Convertible debt	(1.7)	(2.6)
Lease liability	(3.4)	–
Other, net	(0.7)	(0.7)
Deferred tax liabilities	(\$128.7)	(\$114.6)
Deferred tax assets:		
Pension and postretirement benefits	\$47.9	\$55.2
Other employee benefit accruals	7.2	7.1
Tax loss carryforwards	86.0	82.0
Intangible assets	1.1	1.1
Inventory	5.4	1.2
State decoupling	4.5	5.1
Leases - right-of-use asset	3.4	–
Interest limitation	6.0	3.2
Other, net	1.2	2.6
Deferred tax assets subtotal	\$162.7	\$157.5
Valuation allowances	(34.9)	(43.7)
Deferred tax assets	127.8	113.8
Net deferred tax assets (liabilities)	(\$0.9)	(\$0.8)

As of December 31, 2019 and 2018, the Company had a deferred tax liability of \$0.9 million and \$0.8 million, respectively, on the Consolidated Balance Sheets.

As of December 31, 2019, TimkenSteel had loss carryforwards in the U.S. and various non-U.S. jurisdictions totaling \$370.1 million (of which \$314.9 million relates to the U.S. and \$55.2 million relates to the UK jurisdiction), having various expiration dates. TimkenSteel has provided valuation allowances of \$34.9 million against these carryforwards. The majority of the non-U.S. loss carryforwards represent local country net operating losses for branches of TimkenSteel or entities treated as branches of TimkenSteel under U.S. tax law. Tax benefits have previously been recorded for these losses in the U.S. The related local country net operating loss carryforwards are offset fully by valuation allowances. As of December 31, 2019, TimkenSteel had a gross deferred tax asset for disallowed business interest in the U.S. of \$25.2 million, which carries forward indefinitely.

During the fourth quarter of 2019, TimkenSteel elected to change its method for valuing its inventories that previously used the LIFO method to the FIFO method. For tax purposes, prior to this change, the Company had a LIFO reserve of approximately \$130 million. The LIFO reserve will be

treated as taxable income over a four year period beginning in 2019. The Company expects this income to be fully offset by our net operating losses resulting in no cash tax liability. A deferred tax liability has been established for the future reversal amount and is included in the inventory line in the table above.

During 2016, operating losses generated in the U.S. resulted in a decrease in the carrying value of the Company's U.S. deferred tax liability to the point that would result in a net U.S. deferred tax asset at December 31, 2016. In light of TimkenSteel's 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 a portion of its U.S. deferred tax assets. The Company recorded a valuation allowance in 2016 and as a result of current year activity, the Company remained in a full valuation allowance position through 2019. 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 valuation allowance against its deferred tax assets in the U.S. and applicable foreign countries until sufficient positive evidence exists to eliminate them.

TimkenSteel records interest and penalties related to uncertain tax positions as a component of provision (benefit) for income taxes. As of December 31, 2019, 2018 and 2017, TimkenSteel had no total gross unrecognized tax benefits, and no amounts which represented unrecognized tax benefits that would favorably impact TimkenSteel's effective income tax rate in any future periods if such benefits were recognized. As of December 31, 2019, TimkenSteel does not anticipate a change in its unrecognized tax positions during the next 12 months. TimkenSteel had no accrued interest and penalties related to uncertain tax positions as of December 31, 2019, 2018 and 2017.

TimkenSteel does not have any unrecognized tax benefits as of years ended December 31, 2019, 2018, and 2017.

As of December 31, 2019, TimkenSteel is not subject to examination by the IRS. Pursuant to the Tax Sharing Agreement dated June 30, 2014 between TimkenSteel and The Timken Company, TimkenSteel may be subject to results from tax examinations for The Timken Company for federal, state and local and various foreign tax jurisdictions in various open audit periods.

Tax Cuts and Jobs Act Bill

On December 22, 2017, the Tax Cuts and Jobs Act (the Act) was signed into law, which resulted in significant changes to U.S. tax and related laws. Some of the provisions of the Act affecting corporations include, but are not limited to, a reduction in the federal corporate income tax rate from 35% to 21%, expensing the cost of acquired qualified property, the elimination of alternative minimum tax, a modification of the net operating loss deduction, and the creation of global intangible low-taxed income. Further, several changes and limitations to deductions were encompassed in the new law and were effective for TimkenSteel in 2018, including, interest expense, performance-based compensation, meals and entertainment expenses, transportation fringe benefits, and elimination of the domestic production activities deduction. We have evaluated the impact of the new tax law on TimkenSteel's financial condition and results of operations. We did not experience a significant reduction in our effective income tax rate or our net deferred federal income tax assets as a result of the income tax rate reduction or changes to U.S. tax law.

Note 9 - Earnings (Loss) Per Share

Basic loss per share is computed based upon the weighted average number of common shares outstanding. Diluted loss per share is computed based upon the weighted average number of common shares outstanding plus the dilutive effect of common share equivalents calculated using the treasury stock method or if-converted method. For the Convertible Notes, the Company utilizes

the if-converted method to calculate diluted 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 loss per share.

For the years ended December 31, 2019, 2018 and 2017, 3.7 million, 3.3 million, and 3.1 million shares issuable for equity-based awards, respectively, were excluded from the computation of diluted loss per share because the effect of their inclusion would have been anti-dilutive. In periods in which a net loss has occurred, as is the case for years ended December 31, 2019, 2018 and 2017, the dilutive effect of equity-based awards is not recognized and thus not utilized in the calculation of diluted loss per share, because the effect of their inclusion would have been anti-dilutive. The shares potentially issuable of 6.9 million related to the Convertible Notes were also anti-dilutive for the years ended December 31, 2019, 2018 and 2017.

The following table sets forth the reconciliation of the numerator and the denominator of basic and diluted loss per share for the years ended December 31, 2019, 2018 and 2017:

	Year Ended December 31,		
	2019	2018 ADJUSTED	2017 ADJUSTED
Numerator:			
Net income (loss)	(\$110.0)	(\$10.0)	(\$31.3)
Denominator:			
Weighted average shares outstanding, basic	44.8	44.6	44.4
Weighted average shares outstanding, diluted	44.8	44.6	44.4
Basic earnings (loss) per share	(\$2.46)	(\$0.22)	(\$0.70)
Diluted earnings (loss) per share	(\$2.46)	(\$0.22)	(\$0.70)

Note 10 - Inventories

The components of inventories as of December 31, 2019 and 2018 were as follows:

	December 31,	
	2019	2018 ADJUSTED
Manufacturing supplies	\$49.8	\$46.9
Raw materials	26.0	35.2
Work in process	123.7	155.7
Finished products	93.1	142.8
Gross inventory	292.6	380.6
Allowance for inventory reserves	(10.7)	(6.1)
Total inventories, net	\$281.9	\$374.5

Previously, the Company utilized the LIFO method to account for a substantial portion of its inventory. As described in Note 1, in the fourth quarter of 2019 the Company elected to change the

method of accounting for the inventory under the LIFO method to the FIFO method. The effects of this change in accounting principle have been retrospectively applied to all periods presented. The remaining inventories, including raw materials, manufacturing supplies inventory as well as international inventories, were not impacted by this change in accounting principle and continue to be valued by the average cost or FIFO methods.

In connection with the announced closure of TMS, the company recorded an additional reserve against inventory of \$4.8 million to state it at the lower of cost or net realizable value. See "Note 6 - Disposition of Non-Core Assets."

Note 11 - Property, Plant and Equipment

The components of property, plant and equipment, net as of December 31, 2019 and 2018 were as follows:

	December 31,	
	2019	2018
Land	\$13.3	\$14.1
Buildings and improvements	419.0	424.4
Machinery and equipment	1,404.6	1,404.2
Construction in progress	30.9	28.5
Subtotal	1,867.8	1,871.2
Less allowances for depreciation	(1,241.4)	(1,196.8)
Property, plant and equipment, net	\$626.4	\$674.4

Total depreciation expense was \$67.4 million, \$67.5 million, and \$68.3 million for the years ended December 31, 2019, 2018, and 2017 respectively. Depreciation expense in 2019 includes \$1.9 million of accelerated depreciation related to the announced closure of TMS. See "Note 6 - Disposition of Non-Core Assets" for additional information. For the year ended December 31, 2019, TimkenSteel recorded impairments and loss on disposal of assets of \$9.0 million primarily related to the abandonment of certain equipment and the impairment of assets held for sale. For the years ended December 31, 2018 and 2017, TimkenSteel recorded approximately \$0.5 million and \$0.7 million, respectively, of impairment charges and loss on sale or disposal of assets related to the discontinued use of certain assets.

Note 12 - Intangible Assets

The components of intangible assets, net as of December 31, 2019 and 2018 were as follows:

	December 31, 2019			December 31, 2018		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	\$6.3	\$5.0	\$1.3	\$6.3	\$4.6	\$1.7
Technology use	9.0	8.0	1.0	9.0	6.5	2.5
Capitalized software	61.1	49.1	12.0	61.6	48.0	13.6
Total intangible assets	\$76.4	\$62.1	\$14.3	\$76.9	\$59.1	\$17.8

Intangible assets subject to amortization are amortized on a straight-line method over their legal or estimated useful lives. The weighted average useful lives of the customer relationships, technology use and capitalized software are 15 years, 15 years and 6 years, respectively. The weighted average useful life of total intangible assets is 8 years. Amortization expense for intangible assets for the years ended December 31, 2019, 2018, and 2017 was \$6.1 million, \$5.5 million and \$6.6 million, respectively. Amortization expense in 2019 includes accelerated amortization of \$0.9 million related to the announced closure of TMS. See "Note 6 - Disposition of Non-Core Assets" for additional information. During the year ended December 31, 2019, TimkenSteel recorded a loss on disposal of \$0.1 million. For the year ended December 31, 2018, TimkenSteel recorded approximately \$0.4 million of impairment charges due to the discontinued use of certain capitalized software. No impairment charges were recorded for the year ended December 31, 2017.

Based upon the intangible assets subject to amortization as of December 31, 2019, TimkenSteel's estimated annual amortization for the five succeeding years is shown below (in millions):

Year	Amortization Expense
2020	\$3.3
2021	2.0
2022	1.8
2023	1.7
2024	0.8

Note 13 - Leases

The Company has operating leases for office space, warehouses, land, machinery and equipment, vehicles and certain information technology equipment. These leases have remaining lease terms of less than one year to six years, some of which may include options to extend the leases for one or more years. Certain leases also include options to purchase the leased property. As of December 31, 2019, the Company has no financing leases. The weighted average remaining lease term for our operating leases as of December 31, 2019 was 2.9 years.

Leases with an initial term of 12 months or less (short-term leases) are not recorded on the balance sheet; the Company recognizes lease expense for these leases on a straight-line basis over the lease term. For lease agreements entered into after the adoption of ASC 842, the Company combines lease and non-lease components. The Company's lease agreements do not contain material residual value guarantees or material restrictive covenants.

The Company recorded lease cost for the year ended December 31, 2019 as follows:

	Year Ended December 31, 2019
Operating lease cost	\$7.4
Short-term lease cost	1.9
Total lease cost	\$9.3

When available, the rate implicit in the lease is used to discount lease payments to present value; however, the Company's leases generally do not provide a readily determinable implicit rate. Therefore, the incremental borrowing rate to discount the lease payments is estimated using

market-based information available at lease commencement. The weighted average discount rate used to measure our operating lease liabilities as of December 31, 2019 was 4.5%.

Supplemental cash flow information related to leases was as follows:

	Year Ended December 31, 2019
Cash paid for amounts included in the measurement of operating lease liabilities	\$7.5
Right-of-use assets obtained in exchange for operating lease obligations	\$4.3

Future minimum lease payments under non-cancellable leases as of December 31, 2019 were as follows:

2020	\$6.8
2021	4.6
2022	2.2
2023	1.3
After 2023	0.5
Total future minimum lease payments	15.4
Less amount of lease payment representing interest	(1.0)
Total present value of lease payments	\$14.4

Future minimum lease payments under non-cancellable leases as of December 31, 2018 were as follows:

2019	\$6.3
2020	5.2
2021	3.3
2022	1.0
2023	0.6
After 2023	—
Total future minimum lease payments	\$16.4

As of December 31, 2019, we have additional operating leases that have not yet commenced for which the present value of lease payments over the respective lease terms totals approximately \$7.6 million. These leases are primarily manufacturing equipment to support the Company's mobile value-added powertrain component product sales. These operating leases will commence in the first half of 2020 with lease terms of three to four years. Accordingly, these leases are not recorded on the Consolidated Balance Sheet at December 31, 2019.

Note 14 - Financing Arrangements

Credit Agreement

On January 26, 2018, the Company, as borrower, and certain domestic subsidiaries, as subsidiary guarantors, entered into the Second Amended and Restated Credit Agreement (Credit Agreement), with JP Morgan Chase Bank, N.A., as administrative agent, Bank of America, N.A., as syndication agent, and the other lenders party thereto, which amended and restated the Company's credit agreement dated as of February 26, 2016.

Amended Credit Agreement

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

The Amended Credit Agreement provides for a \$400.0 million asset-based revolving credit facility (the Credit Facility), including a \$15.0 million sublimit for the issuance of commercial and standby letters of credit and a \$40.0 million sublimit for swingline loans. Pursuant to the terms of the Amended Credit Agreement, the Company is entitled, on up to two occasions and subject to the satisfaction of certain conditions, to request increases in the commitments under the Amended Credit Agreement in the aggregate principal amount of up to \$100.0 million, to the extent that existing or new lenders agree to provide such additional commitments. In addition to and independent of any increase described in the preceding sentence, the Company is entitled, subject to the satisfaction of certain conditions, to request a separate first-in, last-out (FILO) tranche in an aggregate principal amount of up to \$30.0 million with a separate borrowing base and interest rate margins, in each case, to be agreed upon among the Company, the Administrative Agent and the Lenders providing the incremental FILO tranche.

The availability of borrowings under the Credit Facility is subject to a borrowing base calculation based upon a valuation of the eligible accounts receivable, inventory and machinery and equipment of the Company and the subsidiary guarantors, each multiplied by an applicable advance rate. The availability of borrowings may be further modified by reserves established from time to time by the Administrative Agent in its permitted discretion.

The interest rate per annum applicable to loans under the Credit Facility will be, at the Company's option, equal to either (i) the alternate base rate plus the applicable margin or (ii) the relevant adjusted LIBO rate for an interest period of one, two, three or six months (as selected by the Company) plus the applicable margin. The base rate will be a fluctuating rate per annum equal to the greatest of (i) the prime rate as quoted in The Wall Street Journal, (ii) the effective Federal Reserve Bank of New York rate plus 0.50% and (iii) the adjusted LIBO rate for a one-month interest period on the applicable date, plus 1.00%. The adjusted LIBO rate will be equal to the applicable London interbank offered rate for the selected interest period, as adjusted for statutory reserve requirements for eurocurrency liabilities. The applicable margin will be determined by a pricing grid based on the Company's average quarterly availability. In addition, the Company will pay a 0.25% per annum commitment fee on the average daily unused amount of the Credit Facility. The interest rate under the Amended Credit Agreement was 3.3% as of December 31, 2019. The amount available under the Amended Credit Agreement as of December 31, 2019 was \$203.2 million.

All of the indebtedness under the Credit Facility is guaranteed by the Company's material domestic subsidiaries, as well as any other domestic subsidiary that the Company elects to make a party to the Amended Credit Agreement, and is secured by substantially all of the personal property of the Company and the subsidiary guarantors.

The Credit Facility matures on October 15, 2024. Prior to the maturity date, amounts outstanding are required to be repaid (without reduction of the commitments thereunder) from mandatory prepayment events from the proceeds of certain asset sales, equity or debt issuances or casualty events.

The Amended Credit Agreement contains certain customary covenants, including covenants that limit the ability of the Company and its subsidiaries 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, sale-leaseback transactions 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.

In addition, the Amended Credit Agreement requires the Company to (i) unless certain conditions are met, maintain certain minimum liquidity as specified in the Amended Credit Agreement during the period commencing on March 1, 2021 and ending on June 1, 2021 and (ii) maintain a minimum specified fixed charge coverage ratio on a springing basis if minimum availability requirements as specified in the Amended Credit Agreement are not maintained.

The Amended Credit Agreement contains certain customary events of default. If any event of default occurs and is continuing, the Lenders would be entitled to take various actions, including the acceleration of amounts due under the Amended Credit Agreement, and exercise other rights and remedies.

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 its revolving credit agreement.

The components of the Convertible Notes as of December 31, 2019 and December 31, 2018 were as follows:

	Year Ended December 31,	
	2019	2018
Principal	\$86.3	\$86.3
Less: Debt issuance costs, net of amortization	(0.7)	(1.2)
Less: Debt discount, net of amortization	(7.0)	(11.0)
Convertible notes, net	\$78.6	\$74.1

The initial value of the principal amount recorded as a liability at the date of issuance was \$66.9 million, using an effective interest rate of 12.0%. The remaining \$19.4 million of principal amount was allocated to the conversion feature and recorded as a component of shareholders'

equity at the date of issuance. This amount represents a discount to the debt to be amortized through interest expense using the effective interest method through the maturity of the Convertible Notes.

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

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

	Year Ended December 31,	
	2019	2018
Contractual interest expense	\$5.2	\$5.2
Amortization of debt issuance costs	0.4	0.4
Amortization of debt discount	4.0	3.6
Total	\$9.6	\$9.2

Revenue Refunding Bonds

On January 23, 2018, the Company redeemed in full \$12.2 million of Ohio Water Development Revenue Refunding Bonds (originally due on November 1, 2025), \$9.5 million of Ohio Air Quality Development Revenue Refunding Bonds (originally due on November 1, 2025) and \$8.5 million of Ohio Pollution Control Revenue Refunding Bonds (originally due on June 1, 2033).

Fair Value Measurement

The fair value of the Convertible Notes was approximately \$89.3 million as of December 31, 2019. The fair value of the Convertible Notes, which falls within Level 1 of the fair value hierarchy as defined by Accounting Standards Codification (ASC) 820, Fair Value Measurements, is based on the last price traded in December 2019.

TimkenSteel's Credit Facility is variable-rate debt. As such, the carrying value is a reasonable estimate of fair value as interest rates on these borrowings approximate current market rates. This valuation falls within Level 2 of the fair value hierarchy and is based on quoted prices for similar assets and liabilities in active markets that are observable either directly or indirectly.

Interest Paid

The total cash interest paid for the year ended December 31, 2019 and 2018 was \$11.5 million and \$11.8 million, respectively.

Note 15 - Retirement and Postretirement Plans

Eligible TimkenSteel employees, including certain employees in foreign countries, participate in the following TimkenSteel-sponsored plans: TimkenSteel Corporation Retirement Plan; TimkenSteel Corporation Bargaining Unit Pension Plan, Supplemental Pension Plan of TimkenSteel Corporation, TimkenSteel U.K. Pension Scheme, TimkenSteel Corporation Bargaining Unit Welfare Benefit Plan for Retirees, and TimkenSteel Corporation Welfare Benefit Plan for Retirees.

During the second quarter of 2019, the Company amended the TimkenSteel Corporation Bargaining Unit Welfare Plan for Retirees relating to moving Medicare-eligible retirees to an

individual plan on a Medicare healthcare exchange. The amendment reduced the postretirement liability by \$70.2 million, and required the Company to perform a full remeasurement of its obligation and plan assets as of April 30, 2019. The \$70.2 million reduction in the APBO was recognized in Other Comprehensive Income (Loss) and is being amortized as an offset to postretirement benefit cost over a period of 12 years (average remaining service period). In addition to the reduction of the APBO, the Company recognized a net remeasurement loss of \$4.4 million.

During the fourth quarter of 2019, the Company amended the Supplemental Pension Plan of TimkenSteel Corporation, which provides for the payment of nonqualified supplemental pension benefits to certain salaried participants in the TimkenSteel Corporation Retirement Plan. The amendment provides for the cessation of benefit accruals under the Supplemental Plan, effective as of December 31, 2020. Effective January 1, 2021, there will be no new accruals of benefits, including with respect to service accruals and the final average compensation determination. Certain of the Company's named executive officers are participants in the plan. Existing benefits under the plan, as of December 31, 2020, will otherwise continue in accordance with the terms of the plan. This amendment reduced the pension liability, resulting in a curtailment gain of \$0.8 million. This curtailment gain was recognized in Other Income (Expense) in the Consolidated Statement of Operations.

During the fourth quarter of 2019, the Company amended the TimkenSteel Corporation Retirement Plan, which provides payments of tax-qualified pension benefits to certain salaried employees of the Company and its subsidiaries, to cease benefit accruals under the Pension Plan for all remaining active participants, effective as of December 31, 2020. This plan amendment reduced the pension liability, resulting in a curtailment gain of \$8.1 million. This curtailment gain was recognized in Other Income (Expense) in the Consolidated Statement of Operations.

During the fourth quarter of 2019, the Company also amended the TimkenSteel Corporation Welfare Benefit Plan for Retirees, under which certain retired salaried employees of the Company and its subsidiaries are eligible to receive a Company contribution for their medical and prescription drug benefits under the retiree welfare plan. The amendment was to eliminate the retiree medical subsidy, effective as of December 31, 2019, for all remaining active salaried participants who retire after December 31, 2019 (provided, however, that participants who are laid off on or before March 31, 2020 and who otherwise qualify for the retiree medical subsidy under the terms of the retiree welfare plan remain entitled to receive the retiree medical subsidy). This plan amendment reduced the pension liability by \$2.3 million, was recognized in Other Comprehensive Income (Loss) and is being amortized as an offset to postretirement benefit cost in future periods.

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

The following tables set forth the change in benefit obligation, change in plan assets, funded status and amounts recognized on the Consolidated Balance Sheets for the defined benefit pension plans as of December 31, 2019 and 2018:

Change in benefit obligation:	Pension		Postretirement	
	2019	2018	2019	2018
Benefit obligation at the beginning of year	\$1,178.3	\$1,282.1	\$194.7	\$216.2
Service cost	17.4	17.2	1.1	1.6
Interest cost	48.9	45.6	5.9	7.6
Actuarial (gains) losses	145.7	(70.4)	11.4	(11.7)
Benefits paid	(72.3)	(92.4)	(14.4)	(19.0)
Plan amendment	(0.7)	0.5	(72.5)	–
Curtailments	(8.9)	–	–	–
Foreign currency translation adjustment	3.0	(4.3)	–	–
Benefit obligation at the end of year	\$1,311.4	\$1,178.3	\$126.2	\$194.7

Change in plan assets:	Pension		Postretirement	
	2019	2018	2019	2018
Fair value of plan assets at the beginning of year	\$1,054.4	\$1,186.6	\$86.1	\$104.0
Actual return on plan assets	167.7	(45.5)	8.9	(1.3)
Company contributions / payments	2.0	10.6	1.7	2.4
Benefits paid	(72.3)	(92.4)	(14.4)	(19.0)
Foreign currency translation adjustment	3.6	(4.9)	–	–
Fair value of plan assets at end of year	\$1,155.4	\$1,054.4	\$82.3	\$86.1
Funded status at end of year	(\$156.0)	(\$123.9)	(\$43.9)	(\$108.6)

The TimkenSteel Corporation Retirement Plan (Salaried Plan) has a provision that permits employees to elect to receive their pension benefits in a lump sum. In the fourth quarter 2018, the cumulative cost of all lump sums exceeded the sum of the service cost and interest cost components of net periodic pension cost for the Salaried Plan. For the year ended December 31, 2018 total settlements were \$26.0 million. These settlements are included in benefits paid in the tables above and in the net remeasurement losses (gains) as a component of net periodic benefit cost. The cumulative cost of all lump sums did not exceed service cost and interest cost components of net periodic pension cost for the year ended December 31, 2019.

For the years ended December 31, 2019 and 2018, the pension plan had administrative expenses of \$3.5 million and \$2.2 million, respectively. These expenses are included in benefits paid in the tables above.

The accumulated benefit obligation at December 31, 2019 exceeded the fair value of plan assets for two of the Company's pension plans. For these plans, the benefit obligation was \$998.5 million, the accumulated benefit obligation was \$983.6 million and the fair value of plan assets was \$817.3 million as of December 31, 2019.

The total pension accumulated benefit obligation for all plans was \$1,294.5 million and \$1,149.8 million as of December 31, 2019 and 2018, respectively.

Amounts recognized on the balance sheet at December 31, 2019 and 2018, for TimkenSteel's pension and postretirement benefit plans include:

	Pension		Postretirement	
	2019	2018	2019	2018
Non-current assets	\$25.2	\$10.5	\$-	\$-
Current liabilities	(0.6)	(0.6)	(2.4)	(2.4)
Non-current liabilities	(180.6)	(133.8)	(41.5)	(106.2)
Total	(\$156.0)	(\$123.9)	(\$43.9)	(\$108.6)

Included in accumulated other comprehensive loss at December 31, 2019 and 2018, were the following before-tax amounts that had not been recognized in net periodic benefit cost:

	Pension		Postretirement	
	2019	2018	2019	2018
Unrecognized prior service (benefit) cost	\$0.5	\$1.6	(\$67.8)	\$0.9

Amounts expected to be amortized from accumulated other comprehensive loss (income) and included in total net periodic benefit cost during the year ended December 31, 2020 are as follows:

	Pension	Postretirement
Prior service (benefit) cost	\$0.3	(\$6.0)

The weighted average assumptions used in determining benefit obligation as of December 31, 2019 and 2018 were as follows:

Assumptions:	Pension		Postretirement	
	2019	2018	2019	2018
Discount rate	3.42%	4.30%	3.42%	4.34%
Future compensation assumption	2.32%	2.36%	n/a	n/a

The weighted average assumptions used in determining benefit cost for the years ended December 31, 2019 and 2018 were as follows:

Assumptions:	Pension		Postretirement	
	2019	2018	2019	2018
Discount rate ⁽¹⁾	4.30%	3.68%	4.34% / 3.94%	3.66%
Future compensation assumption	2.36%	2.37%	n/a	n/a
Expected long-term return on plan assets	6.41%	6.45%	5.00%	5.00%

⁽¹⁾ The discount rate for the postretirement plans was adjusted after the second quarter 2019 amendment. To calculate benefit costs, the discount rate of 4.34% was used for January to April and the discount rate of 3.94% was used for May to December.

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

For measurement purposes, TimkenSteel assumed a weighted-average annual rate of increase in the per capita cost (health care cost trend rate) of 5.75% and 6.00% for 2019 and 2018, respectively. A one percentage point increase in the assumed health care cost trend rate would have increased the 2019 and 2018 postretirement benefit obligation by \$0.3 million and \$1.1 million, respectively and increased the total service and interest cost components by \$0.1 million in both the years ended December 31, 2019 and 2018. A one percentage point decrease would have decreased the 2019 and 2018 postretirement benefit obligation by \$0.2 million and \$1.0 million, respectively and decreased the total service and interest cost components by \$0.1 million in both the years ended December 31, 2019 and 2018.

The components of net periodic benefit cost (income) for the years ended December 31, 2019, 2018 and 2017 were as follows:

Components of net periodic benefit cost (income):	Pension			Postretirement		
	Years Ended December 31,			Years Ended December 31,		
	2019	2018	2017	2019	2018	2017
Service cost	\$17.4	\$17.2	\$18.2	\$1.1	\$1.6	\$1.6
Interest cost	48.9	45.6	49.1	5.9	7.6	8.4
Expected return on plan assets	(65.0)	(74.0)	(70.7)	(3.9)	(4.8)	(5.2)
Amortization of prior service cost	0.4	0.5	0.5	(3.8)	0.2	1.0
Curtailment	(8.9)	–	–	–	–	–
Net remeasurement losses (gains)	43.1	49.1	12.5	6.4	(5.6)	9.3
Net Periodic Benefit Cost (Income)	\$35.9	\$38.4	\$9.6	\$5.7	(\$1.0)	\$15.1

TimkenSteel recognizes its overall responsibility to ensure that the assets of its various defined benefit pension plans are managed effectively and prudently and in compliance with its policy guidelines and all applicable laws. Preservation of capital is important; however, TimkenSteel also recognizes that appropriate levels of risk are necessary to allow its investment managers to achieve satisfactory long-term results consistent with the objectives and the fiduciary character of the pension funds. Asset allocations are established in a manner consistent with projected plan liabilities, benefit payments and expected rates of return for various asset classes. The expected rate of return for the investment portfolios is based on expected rates of return for various asset classes, as well as historical asset class and fund performance. The target allocations for plan assets are 21% equity securities, 61% debt securities and 18% in all other types of investments.

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

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

The following table presents the fair value hierarchy for those investments of TimkenSteel's pension assets measured at fair value on a recurring basis as of December 31, 2019:

	Total	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	\$12.2	\$0.9	\$11.3	\$-
U.S. government and agency securities	250.3	246.1	4.2	-
Corporate bonds	102.7	-	102.7	-
Equity securities	49.8	49.8	-	-
Mutual fund - fixed income	56.4	56.4	-	-
Total Assets in the fair value hierarchy	\$471.4	\$353.2	\$118.2	\$-
Assets measured at net asset value (1)	684.0	-	-	-
Total Assets	\$1,155.4	\$353.2	\$118.2	\$-

(1) Certain assets that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. Such assets include common collective trusts that invest in equity securities and fixed income securities, limited partnerships, real estate partnerships, hedge funds, and risk parity investments. As of December 31, 2019, these assets are redeemable at net asset value within 90 days.

The following table presents the fair value hierarchy for those investments of TimkenSteel's pension assets measured at fair value on a recurring basis as of December 31, 2018:

	Total	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	\$22.5	\$0.6	\$21.9	\$-
U.S. government and agency securities	234.2	229.1	5.1	-
Corporate bonds	97.4	-	97.4	-
Equity securities	37.1	37.1	-	-
Mutual fund - fixed income	33.1	33.1	-	-
Mutual fund - real estate	7.7	7.7	-	-
Total Assets in the fair value hierarchy	\$432.0	\$307.6	\$124.4	\$-
Assets measured at net asset value (1)	622.4	-	-	-
Total Assets	\$1,054.4	\$307.6	\$124.4	\$-

(1) Certain assets that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. Such assets include common collective trusts that invest in equity securities and fixed income securities, limited partnerships, real estate partnerships, and risk parity investments. As of December 31, 2018, these assets were redeemable at net asset value within 90 days.

The following table presents the fair value hierarchy for those investments of TimkenSteel's postretirement assets measured at fair value on a recurring basis as of December 31, 2019:

	Total	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	\$3.0	\$3.0	\$-	\$-
Mutual fund - fixed income	15.8	15.8	-	-
Total Assets in the fair value hierarchy	\$18.8	\$18.8	\$-	\$-
Assets measured at net asset value (1)	63.5	-	-	-
Total Assets	\$82.3	\$18.8	\$-	\$-

(1) Certain assets that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. Such assets include common collective trusts that invest in equity securities and fixed income securities, limited partnerships, real estate partnerships, hedge funds, and risk parity investments. As of December 31, 2019, these assets are redeemable at net asset value within 90 days.

The following table presents the fair value hierarchy for those investments of TimkenSteel's postretirement assets measured at fair value on a recurring basis as of December 31, 2018:

	Total	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	\$5.6	\$5.6	\$-	\$-
Mutual fund - fixed income	8.9	8.9	-	-
Total Assets in the fair value hierarchy	\$14.5	\$14.5	\$-	\$-
Assets measured at net asset value (1)	71.6	-	-	-
Total Assets	\$86.1	\$14.5	\$-	\$-

(1) Certain assets that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. Such assets include common collective trusts that invest in equity securities and fixed income securities, limited partnerships, real estate partnerships, and risk parity investments. As of December 31, 2018, these assets were redeemable at net asset value within 90 days.

Future benefit payments are expected to be as follows:

Benefit Payments:	Pension	Postretirement
2020	\$78.8	\$11.9
2021	79.2	11.0
2022	85.6	10.3
2023	76.5	9.6
2024	76.0	9.0
2025-2029	374.3	39.3

The Company expects to make required contributions to its U.K. pension plan in 2020 of approximately \$1.3 million.

Defined Contribution Plans

The Company recorded expense primarily related to employer matching and non-discretionary contributions to these defined contribution plans of \$7.1 million in 2019, \$6.3 million in 2018, and \$5.4 million in 2017.

Note 16 - Stock-Based Compensation

Description of the Plan

On April 28, 2016, shareholders of TimkenSteel approved the TimkenSteel Corporation Amended and Restated 2014 Equity and Incentive Compensation Plan (TimkenSteel 2014 Plan), which authorizes the Compensation Committee of the TimkenSteel Board of Directors to grant non-qualified or incentive stock options, stock appreciation rights, stock awards (including restricted shares, restricted share unit awards, performance shares, performance units, deferred shares and common shares) and cash awards to TimkenSteel employees and non-employee directors. No more than 11.05 million TimkenSteel common shares may be delivered under the TimkenSteel 2014 Plan. The TimkenSteel 2014 Plan contains fungible share counting mechanics, which generally means that awards other than stock options and stock appreciation rights will be counted against the aggregate share limit as 2.50 common shares for every one common share that is actually issued or transferred under such awards. The TimkenSteel 2014 Plan authorized up to 3.0 million common shares for use in granting "replacement awards" to current holders of The Timken Company equity awards under The Timken Company's equity compensation plans at the time of the spinoff.

As of December 31, 2019, approximately 2.4 million shares of TimkenSteel common stock remained available for grants under the TimkenSteel 2014 Plan.

In connection with the spinoff, stock compensation awards granted under The Timken Company Long-Term Incentive Plan (Timken LTIP Plan) and The Timken Company 2011 Long-Term Incentive Plan (Timken 2011 Plan) were adjusted as follows:

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

Awards granted in connection with the adjustment of awards originally issued under The Timken Company LTIP Plan and the Timken 2011 Plan are referred to as replacement awards under the TimkenSteel 2014 Plan and, as noted above, reduce the maximum number of TimkenSteel common shares available for delivery under the TimkenSteel 2014 Plan. TimkenSteel recorded compensation expense for both TimkenSteel and The Timken Company common shares for awards held by TimkenSteel employees only.

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

	2019	2018	2017
Weighted-average fair value per option	\$5.54	\$7.46	\$7.68
Risk-free interest rate	2.63%	2.77%	2.21%
Dividend yield	–%	–%	–%
Expected stock volatility	41.36%	41.67%	43.23%
Expected life - years	6	6	6

The expected life of stock option awards granted is based on historical data and represents the period of time that options granted are expected to be held prior to exercise. Because of the absence of adequate stock price history of TimkenSteel common stock, expected volatility related to stock option awards granted subsequent to the spinoff is based on the historical volatility of a selected group of peer companies' stock. Expected annual dividend yield is estimated using the most recent dividend payment per share as of the grant date, of which no dividends were paid in these grant periods. The risk-free rate for periods within the expected life of the option is based on the U.S. Treasury yield curve in effect at the time of the grant.

The following summarizes TimkenSteel stock option activity from January 1, 2019 to December 31, 2019:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (millions)
Outstanding as of December 31, 2018	2,532,669	\$21.33		
Granted	329,720	\$12.45		
Exercised	(25,039)	\$ 8.83		
Canceled, forfeited or expired	(195,780)	\$17.33		
Outstanding as of December 31, 2019	2,641,570	\$20.64	5.27	\$0.2
Options expected to vest	403,774	\$13.43	8.30	\$–
Options exercisable	2,237,796	\$21.94	4.73	\$0.2

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

For stock options exercised during the period of January 1, 2019 to December 31, 2019, the total intrinsic value was \$0.1 million with cash proceeds of \$0.2 million. There was no tax benefit associated with these stock option exercises.

The following summarizes TimkenSteel stock-settled restricted share award activity from January 1, 2019 to December 31, 2019:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding as of December 31, 2018	817,884	\$14.15
Granted	833,220	\$9.86
Vested	(365,800)	\$10.23
Canceled, forfeited or expired	(111,635)	\$13.79
Outstanding as of December 31, 2019	1,173,669	\$11.94

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

TimkenSteel recognized stock-based compensation expense of \$7.4 million, \$7.3 million and \$6.5 million for the years ended December 31, 2019, 2018 and 2017, respectively, related to stock option awards and stock-settled restricted share awards.

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

As of December 31, 2019, unrecognized compensation cost related to stock option awards and stock-settled restricted stock units was \$7.3 million, which is expected to be recognized over a weighted average period of 1.4 years. The calculations of unamortized expense and weighted-average periods include awards based on both TimkenSteel and The Timken Company stock awards held by TimkenSteel employees.

Certain restricted stock units, including performance-based restricted stock units, are settled in cash and were adjusted and substituted as described above. TimkenSteel recognized a liability of \$0.1 million and \$0.8 million as of December 31, 2019 and 2018, respectively, for these awards which was included in salaries, wages and benefits, and other non-current liabilities on the Consolidated Balance Sheets. TimkenSteel paid \$0.1 million for cash-settled restricted stock units during 2018. There were no cash-settled restricted stock units during 2019.

Note 17 - Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) for the years ended December 31, 2019 and 2018 by component were as follows:

	Foreign Currency Translation Adjustments	Pension and Postretirement Liability Adjustments	Total
Balance as of December 31, 2018	(\$7.3)	(\$1.6)	(\$8.9)
Other comprehensive income before reclassifications, before income tax	0.5	–	0.5
Amounts reclassified from accumulated other comprehensive income (loss), before income tax	–	(2.4)	(2.4)
Amounts deferred to accumulated other comprehensive income (loss), before income tax	–	72.2	72.2
Tax effect	–	(16.7)	(16.7)
Net current period other comprehensive income, net of income taxes	0.5	53.1	53.6
Balance as of December 31, 2019	(\$6.8)	\$51.5	\$44.7

	Foreign Currency Translation Adjustments	Pension and Postretirement Liability Adjustments	Total
Balance as of December 31, 2017	(\$5.9)	(\$1.7)	(\$7.6)
Other comprehensive income before reclassifications, before income tax	(1.4)	(0.5)	(1.9)
Amounts reclassified from accumulated other comprehensive loss, before income tax	–	0.7	0.7
Tax effect	–	(0.1)	(0.1)
Net current period other comprehensive income, net of income taxes	(1.4)	0.1	(1.3)
Balance as of December 31, 2018	(\$7.3)	(\$1.6)	(\$8.9)

The amount reclassified from accumulated other comprehensive income (loss) in the year ended December 31, 2019 for the pension and postretirement liability adjustment was included in other income, net in the Consolidated Statements of Operations. The amount deferred to accumulated other comprehensive income in the year ended December 31, 2019, was a result of a plan amendment to the Company's postretirement benefit plan. These accumulated other comprehensive income (loss) components are components of net periodic benefit cost. See "Note 15 - Retirement and Postretirement Plans" for additional information.

Note 18 - Contingencies

TimkenSteel has a number of loss exposures incurred in the ordinary course of business, such as environmental claims, product warranty claims, and litigation. Establishing loss reserves for these matters requires management's estimate and judgment regarding risk exposure and ultimate liability or realization. These loss reserves are reviewed periodically and adjustments are made to reflect the most recent facts and circumstances. Accruals related to environmental claims represent management's best estimate of the fees and costs associated with these claims. Although it is not possible to predict with certainty the outcome of such claims, management believes that their ultimate dispositions should not have a material adverse effect on our financial position, cash flows

or results of operations. As of both December 31, 2019 and 2018, TimkenSteel had a \$1.5 million contingency reserve, related to loss exposures incurred in the ordinary course of business.

Note 19 - Relationships with The Timken Company and Related Entities

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

Transactions with The Timken Company

TimkenSteel sold finished goods to The Timken Company. During the years ended December 31, 2019, 2018 and 2017, revenues from related-party sales of products totaled \$26.1 million or 2.2% of net sales, \$43.2 million, or 2.7% of net sales, and \$48.5 million or 3.6% of net sales, respectively.

TimkenSteel did not purchase material from The Timken Company during the years ending December 31, 2019, 2018 or 2017. In addition, certain of TimkenSteel's third-party service providers were paid by The Timken Company on behalf of TimkenSteel. TimkenSteel would subsequently reimburse The Timken Company in cash for such payments.

Material Agreements Between TimkenSteel and The Timken Company

On June 30, 2014, TimkenSteel entered into a separation and distribution agreement and several other agreements with The Timken Company to effect the spinoff and to provide a framework for the relationship with The Timken Company. These agreements govern the relationship between TimkenSteel and The Timken Company subsequent to the completion of the spinoff and provide for the allocation between TimkenSteel and The Timken Company of assets, liabilities and obligations attributable to periods prior to the spinoff. Because these agreements were entered into in the context of a related party transaction, the terms may not be comparable to terms that would be obtained in a transaction between unaffiliated parties.

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

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

Employee Matters Agreement – TimkenSteel entered into an employee matters agreement with The Timken Company, which generally provides that TimkenSteel and The Timken Company each has responsibility for its own employees and compensation plans, subject to certain exceptions as described in the agreement. In general, prior to the spinoff, TimkenSteel employees participated in various retirement, health and welfare, and other employee benefit and compensation plans maintained by The Timken Company. Following the spinoff (or earlier, in the case of the tax-qualified defined benefit plans and retiree medical plans), pursuant to the employee matters agreement, TimkenSteel employees and former employees generally participate in similar plans and arrangements established and maintained by TimkenSteel. The employee matters agreement provides for the bifurcation of equity awards as described in Note 16 - Stock-Based Compensation. Among other things, the employee matters agreement also provides for TimkenSteel’s assumption of certain employment-related contracts that its employees originally entered into with The Timken Company, the allocation of certain employee liabilities and the cooperation between TimkenSteel and The Timken Company in the sharing of employee information.

Supplemental Data

Selected Quarterly Financial Data (Unaudited)

(dollars in millions, except per share data)

The following selected quarterly operating results for each quarter of fiscal 2019 and 2018 have been adjusted to reflect the change in accounting principle as described in "Note 1 - Basis of Presentation":

	Quarters ended			
	December 31, 2019	September 30, 2019		
		As Reported	Adjustments	As Adjusted
Net sales	\$226.9	\$274.2	\$-	\$274.2
Gross profit	(18.0)	13.2	(15.8)	(2.6)
Net income (loss)	(84.6)	(4.6)	(12.4)	(17.0)
Per share data:				
Basic earnings (loss) per share	(\$1.89)	(\$0.10)	(\$0.28)	(\$0.38)
Diluted earnings (loss) per share	(\$1.89)	(\$0.10)	(\$0.28)	(\$0.38)

	Quarters ended					
	June 30, 2019			March 31, 2019		
	As Reported	Adjustments	As Adjusted	As Reported	Adjustments	As Adjusted
Net sales	\$336.7	\$-	\$336.7	\$371.0	\$-	\$371.0
Gross profit	25.4	(10.6)	14.8	29.1	(0.7)	28.4
Net income (loss)	(4.4)	(7.5)	(11.9)	4.2	(0.7)	3.5
Per share data:						
Basic earnings (loss) per share	(\$0.10)	(\$0.17)	(\$0.27)	\$0.09	(\$0.01)	\$0.08
Diluted earnings (loss) per share	(\$0.10)	(\$0.17)	(\$0.27)	\$0.09	(\$0.01)	\$0.08

	Quarters ended					
	December 31, 2018			September 30, 2018		
	As Reported	Adjustments	As Adjusted	As Reported	Adjustments	As Adjusted
Net sales	\$406.4	\$-	\$406.4	\$409.9	\$-	\$409.9
Gross profit	27.1	10.2	37.3	24.6	3.8	28.4
Net income (loss)	(39.6)	10.2	(29.4)	1.4	3.8	5.2
Per share data:						
Basic earnings (loss) per share	(\$0.89)	\$0.23	(\$0.66)	\$0.03	\$0.09	\$0.12
Diluted earnings (loss) per share	(\$0.89)	\$0.23	(\$0.66)	\$0.03	\$0.09	\$0.12

	Quarters ended					
	June 30, 2018			March 31, 2018		
	As Reported	Adjustments	As Adjusted	As Reported	Adjustments	As Adjusted
Net sales	\$413.5	\$-	\$413.5	\$380.8	\$-	\$380.8
Gross profit	32.1	6.4	38.5	21.1	1.3	22.4
Net income (loss)	8.4	6.4	14.8	(1.9)	1.3	(0.6)
Per share data:						
Basic earnings (loss) per share	\$0.19	\$0.14	\$0.33	(\$0.04)	\$0.03	(\$0.01)
Diluted earnings (loss) per share	\$0.19	\$0.14	\$0.33	(\$0.04)	\$0.03	(\$0.01)

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Report of Management on Internal Control Over Financial Reporting

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

TimkenSteel management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2019. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment under COSO's "Internal Control-Integrated Framework (2013 framework)," management believes that, as of December 31, 2019, TimkenSteel's internal control over financial reporting is effective.

Ernst & Young LLP, an independent registered public accounting firm, has issued an audit report on our assessment of TimkenSteel's internal control over financial reporting as of December 31, 2019. Please refer to Item 8, "Reports of Independent Registered Public Accounting Firm."

Changes in Internal Controls

There have been no changes during the Company's fourth quarter of 2019 in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

Part III.

Item 10. Directors, Executive Officers and Corporate Governance

Required information will be set forth under the captions "Proposal 1: Election of directors" in the proxy statement to be filed within 120 days of December 31, 2019 in connection with the annual meeting of shareholders to be held on May 6, 2020, and is incorporated herein by reference. Information regarding the executive officers of the registrant is included in Part I hereof. Information regarding the Company's Audit Committee and its Audit Committee Financial Expert is set forth under the caption "Board of directors information - Audit committee" in the proxy statement filed in connection with the annual meeting of shareholders to be held on May 6, 2020, and is incorporated herein by reference.

The Company's Corporate Governance Guidelines and the charters of its Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee are available on the Company's website at www.timkensteel.com. The information on the Company's website is not incorporated by reference into this Annual Report on Form 10-K.

The Company has adopted a code of ethics that applies to all of its employees, including its principal executive officer, principal financial officer and principal accounting officer or controller, as well as to its directors. The Company's code of ethics, the TimkenSteel Code of Conduct, is available on its website at www.timkensteel.com. The Company intends to disclose any amendment to its code of ethics or waiver from its code of ethics that applies to its principal executive officer, principal financial officer, principal accounting officer or controller, or any director, by posting such amendment or waiver, as applicable, on its website at www.timkensteel.com.

Item 11. Executive Compensation

Required information will be set forth under the captions "Compensation discussion and analysis"; "2019 Summary compensation table"; "2019 Grants of plan-based awards table"; "Outstanding equity awards at 2019 year-end table"; "2019 Option exercises and stock vested table"; "Pension benefits"; "2019 Nonqualified deferred compensation table"; "Potential payments upon termination or change in control"; "Director compensation"; "CEO pay ratio"; "Board of directors information - Compensation committee"; "Board of directors information - Compensation committee interlocks and insider participation"; and "Board of directors information - Compensation committee report" in the proxy statement to be filed within 120 days of December 31, 2019 in connection with the annual meeting of shareholders to be held on May 6, 2020, and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Required information, including with respect to institutional investors owning more than 5% of the Company's common shares, will be set forth under the caption "Beneficial ownership of common stock" in the proxy statement to be filed within 120 days of December 31, 2019 in connection with the annual meeting of shareholders to be held on May 6, 2020, and is incorporated herein by reference. Required information regarding securities authorized for issuance under the Company's equity compensation plans is included in Item 5 of this Annual Report on Form 10-K and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Required information will be set forth under the captions "Corporate governance - Director independence" and "Corporate governance - Related-party transactions approval policy" in the proxy statement to be filed within 120 days of December 31, 2019 in connection with the annual meeting of shareholders to be held on May 6, 2020, and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

Required information regarding fees paid to and services provided by the Company's independent auditor during the years ended December 31, 2019 and 2018 and the pre-approval policies and procedures of the Audit Committee of the Company's Board of Directors will be set forth under the captions "Proposal 2: Ratification of appointment of independent auditors - Services of independent auditor for 2019" and "Proposal 2: Ratification of appointment of independent auditors - Audit committee pre-approval policies and procedures" in the proxy statement to be filed within 120 days of December 31, 2019 in connection with the annual meeting of shareholders to be held on May 6, 2020, and is incorporated herein by reference.

Part IV.

Item 15. Exhibits, Financial Statement Schedules

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

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

(a)(3) Listing of Exhibits

Exhibit Number	Exhibit Description
2.1†	Separation and Distribution Agreement, dated as of June 30, 2014, by and between TimkenSteel Corporation and The Timken Company.
3.1	Amended and Restated Articles of Incorporation of TimkenSteel Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on June 13, 2014, File No. 001-36313).
3.2	Code of Regulations of TimkenSteel Corporation (incorporated by reference to Exhibit 3.2 of Amendment No. 3 to the Company's Registration Statement on Form 10 filed on May 15, 2014, File No. 001-36313).
4.1	Indenture, dated May 31, 2016, by and between the Company and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on May 31, 2016, File No. 001-36313).
4.2	First Supplemental Indenture, dated May 31, 2016, by and between the Company and U.S. Bank National Association, as Trustee (including Form of Note) (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on May 31, 2016, File No. 001-36313).
4.3*	Description of Common Stock
10.1†	Tax Sharing Agreement, dated as of June 30, 2014, by and between TimkenSteel Corporation and The Timken Company.
10.2†	Employee Matters Agreement, dated as of June 30, 2014, by and between TimkenSteel Corporation and The Timken Company.
10.3	Form of Amended and Restated Employee Excess Benefits Agreement with TimkenSteel Corporation (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on June 13, 2014, File No. 001-36313).
10.4†	Trademark License Agreement, dated as of June 30, 2014, by and between TimkenSteel Corporation and The Timken Company.
10.5	TimkenSteel Corporation Amended and Restated 2014 Equity and Incentive Compensation Plan (incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-8 filed on October 28, 2016, Registration No. 333-214297).
10.6	TimkenSteel Corporation Amended and Restated Annual Performance Award Plan, effective January 1, 2018 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed April 26, 2018, File No. 001-36313).

Exhibit Number	Exhibit Description
10.7	Supplemental Pension Plan of TimkenSteel Corporation (Effective June 30, 2014) (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 13, 2014, File No. 001-36313).
10.8	Form of Severance Agreement with TimkenSteel Corporation (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on June 13, 2014, File No. 001-36313).
10.9††	Form of Director Indemnification Agreement.
10.10††	Form of Officer Indemnification Agreement.
10.11††	Form of Director and Officer Indemnification Agreement.
10.12	Form of Severance Agreement between TimkenSteel and Certain Executive Officers (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on October 26, 2017, File No. 001-36313).
10.13	Amended and Restated TimkenSteel Corporation 2014 Deferred Compensation Plan (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 11, 2015, File No. 001-36313).
10.14	Amended and Restated TimkenSteel Corporation Director Deferred Compensation Plan (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on May 11, 2015, File No. 001-36313).
10.15	Form of Nonqualified Stock Option Agreement (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on April 27, 2017, File No. 001-36313).
10.16	Form of Time-Based Restricted Stock Unit Agreement (Cliff Vesting) (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on April 27, 2017, File No. 001-36313).
10.17	Form of Time-Based Restricted Stock Unit Agreement (Ratable Vesting) (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on April 27, 2017, File No. 001-36313).
10.18	Form of Performance-Based Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed on April 27, 2017, File No. 001-36313).
10.19	Form of Nonqualified Stock Option Agreement (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 2, 2019, File No. 001-36313).
10.20	Form of Time-Based Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on May 2, 2019, File No. 001-36313).
10.21	Form of Time-Based Ratable Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on May 2, 2019, File No. 001-36313).
10.22	Form of Performance Shares Agreement (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed on May 2, 2019, File No. 001-36313).
10.23	Form of Deferred Shares Agreement (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on August 4, 2016, File No. 001-36313).

Exhibit Number	Exhibit Description
10.24	Third Amended and Restated Credit Agreement dated as of October 15, 2019, by and among TimkenSteel Corporation, the other loan parties and lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, Bank of America, N.A., as syndication agent, and BMO Harris Bank N.A. and U.S. Bank National Association, as co-documentation agents (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 17, 2019, File No. 001-36313).
18.1*	Letter of Independent Registered Public Accounting Firm Regarding Change in Accounting Principle
21.1*	A list of subsidiaries of the Registrant.
23.1*	Consent of Independent Registered Public Accounting Firm.
24.1*	Power of Attorney.
31.1*	Certification of the Chief Executive Officer pursuant to Rule 13a-14 of the Exchange Act, as adopted, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Chief Financial Officer pursuant to Rule 13a-14 of the Exchange Act, as adopted, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.

† Incorporated by reference to the exhibit filed under the corresponding Exhibit Number of the Company's Current Report on Form 8-K filed on July 3, 2014, File No. 001-36313.

†† Incorporated by reference to the exhibit filed under the corresponding Exhibit Number of Amendment No. 3 to the Company's Registration Statement on Form 10 filed on May 15, 2014, File No. 001-36313.

* Filed herewith.

** Furnished herewith.

Schedule II-Valuation and Qualifying Accounts

Allowance for uncollectible accounts:	2019	2018	2017
Balance at Beginning of Period	\$1.7	\$1.4	\$2.1
Additions:			
Charged to Costs and Expenses (1)	–	0.3	–
Deductions (2)	(0.2)	–	(0.7)
Balance at End of Period	\$1.5	\$1.7	\$1.4

Allowance for inventory reserves	2019	2018 Adjusted⁽⁸⁾	2017 Adjusted⁽⁸⁾
Balance at Beginning of Period	\$6.1	\$8.9	\$8.1
Additions:			
Charged to Costs and Expenses (3)	9.0	1.6	2.1
Deductions (4)	(4.4)	(4.4)	(1.3)
Balance at End of Period	\$10.7	\$6.1	\$8.9

Valuation allowance on deferred tax assets:	2019	2018	2017
Balance at Beginning of Period	\$43.7	\$36.6	\$24.4
Additions:			
Charged to Costs and Expenses (5)	–	7.1	12.2
Charged to Other Accounts (6)	16.7	–	–
Deductions (7)	(25.5)	–	–
Balance at End of Period	\$34.9	\$43.7	\$36.6

- (1) Provision for uncollectible accounts included in expenses.
- (2) Actual accounts written off against the allowance, net of recoveries.
- (3) Provisions for surplus and obsolete inventory and lower cost or net realizable value included in expenses.
- (4) Inventory items written off against the allowance.
- (5) Increase in valuation allowance is recorded as a component of the provision for income taxes.
- (6) Includes valuation allowances recorded against other comprehensive income/loss.
- (7) Amount primarily relates to the change in accounting principle from LIFO to FIFO and a net benefit recorded as a component of income tax.
- (8) As described on Note 1 - Basis of Presentation, the effects of the change in accounting principle from LIFO to FIFO have been retrospectively applied to all periods presented.

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: February 25, 2020

/s/ Kristopher R. Westbrooks

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

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

Signature	Title	Date
/s/ Terry L. Dunlap Terry L. Dunlap	Interim Chief Executive Officer and President (Principal Executive Officer)	February 25, 2020
/s/ Kristopher R. Westbrooks Kristopher R. Westbrooks	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 25, 2020
/s/ Nicholas A. Yacobozzi Nicholas A. Yacobozzi	Corporate Controller (Principal Accounting Officer)	February 25, 2020
* Joseph A. Carrabba	Director	February 25, 2020
* Leila L. Vespoli	Director	February 25, 2020
* Diane C. Creel	Director	February 25, 2020
* Randall H. Edwards	Director	February 25, 2020
* Donald T. Misheff	Director	February 25, 2020
* John P. Reilly	Director	February 25, 2020
* Ronald A. Rice	Director	February 25, 2020
* Marvin A. Riley	Director	February 25, 2020
* Randall A. Wotring	Director	February 25, 2020
*Signed by the undersigned as attorney-in-fact and agent for the directors indicated.		
/s/ Kristopher R. Westbrooks Kristopher R. Westbrooks	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 25, 2020

CERTIFICATION

I, Terry L. Dunlap, certify that:

I have reviewed this annual report on Form 10-K of TimkenSteel Corporation;

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

Date: February 25, 2020

/s/ Terry L. Dunlap

Terry L. Dunlap
Interim Chief Executive Officer and President
(Principal Executive Officer)

CERTIFICATION

I, Kristopher R. Westbrooks, certify that:

I have reviewed this annual report on Form 10-K of TimkenSteel Corporation;

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

Date: February 25, 2020

/s/ Kristopher R. Westbrooks

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

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

In connection with the Annual Report of TimkenSteel Corporation (the "Company") on Form 10-K for the period ended December 31, 2019, 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: February 25, 2020

/s/ Terry L. Dunlap

Terry L. Dunlap
Interim Chief Executive Officer and President
(Principal Executive Officer)

Date: February 25, 2020

/s/ Kristopher R. Westbrooks

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

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CORPORATE OFFICES

TimkenSteel Corporation
1835 Dueber Ave. SW, Canton, OH 44706-2728
telephone: 330-471-7000
website: timkensteel.com

STOCK LISTING

TimkenSteel stock is traded on the New York Stock Exchange under the symbol TMST.

NYSE ANNUAL CEO CERTIFICATION

The annual CEO certification required by Section 303A.12(a) of the New York Stock Exchange Listed Company Manual was submitted without qualification by Ward J. Timken, Jr., on June 5, 2019.

ANNUAL MEETING OF SHAREHOLDERS

May 6, 2020, 10 a.m. Eastern time
TimkenSteel corporate offices

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP
950 Main Ave., Suite 1800, Cleveland, OH 44113-7214

PUBLICATIONS

The notice of annual meeting and proxy statement are made available to shareholders in March.

Copies of the annual report, proxy statement, forms 10-K and 10-Q may be obtained from the company's website, investors.timkensteel.com, or by written request at no charge from:

TimkenSteel Corporation
Shareholder Relations, GNE-15
P.O. Box 6928, Canton, OH 44706-0928

SHAREHOLDER INFORMATION

TimkenSteel Corporation offers an open enrollment stock purchase plan through its transfer agent, EQ Shareowner Service. This program allows current shareholders and new investors the opportunity to purchase shares of common stock without a broker. Information and enrollment materials are available online or by contacting EQ Shareowner Service. Inquiries regarding change of address or lost certificates should be directed to:

EQ Shareowner Service
P.O. Box 64874, St. Paul, MN 55164-0874
telephone: 800-468-9716
website: www.shareowneronline.com

INVESTOR RELATIONS

Investors and securities analysts may contact:

Jennifer Beeman
Senior Manager of Communications & Investor Relations, GNE-1
TimkenSteel Corporation
1835 Dueber Ave. SW, Canton, OH 44706-2728
email: ir@timkensteel.com

LEADERSHIP

Terry Dunlap
Interim Chief Executive Officer & President

Kristopher Westbrooks
Executive Vice President & Chief Financial Officer

William Bryan
Executive Vice President of Manufacturing & Supply Chain

Frank DiPiero
Executive Vice President, General Counsel & Secretary

Thomas Moline
Executive Vice President of Commercial Operations

Kevin Raketich
Executive Vice President of Strategy & Corporate Development

Elaine Russell Reolfi
Executive Vice President of Human Resources & Corporate Relations

BOARD OF DIRECTORS

John Reilly
Chairman of the Board – TimkenSteel;
Retired Chairman, President & Chief Executive Officer – Figgie International, Inc.

Terry Dunlap
Interim Chief Executive Officer & President – TimkenSteel; Retired Executive Vice President – Allegheny Technologies Inc.

Joseph Carrabba
President & Chief Executive Officer – Bond Resources Inc.; Executive Chairman – Winston Gold Corp.

Diane Creel
Retired Chairman, Chief Executive Officer & President – Ecovation

Randall Edwards
Chief Executive Officer – Premier Pipe, LLC

Donald Misheff
Retired Managing Partner, Northeast Ohio – Ernst & Young

Ronald Rice
Retired President & Chief Operating Officer – RPM International

Marvin Riley
President & Chief Executive Officer – EnPro Industries

Leila Vespoli
Retired Executive Vice President of Corporate Strategy & Regulatory Affairs, Chief Legal Officer – FirstEnergy Corp.

Randall Wotring
Chief Operating Officer – AECOM





NYSE: TMST

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Twitter: @TimkenSteel

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