

## **Tax cost basis information for shares of The Timken Company and TimkenSteel Corporation after the spinoff of TimkenSteel Corporation**

The Timken Company filed Form 8937 with the Internal Revenue Service on July 2, 2014. Form 8937 provides tax cost basis information for shares of The Timken Company and TimkenSteel Corporation after the spinoff of TimkenSteel Corporation. Please [click here](#) to view copy of the Form 8937 and attachments filed with the Internal Revenue Service.

### **Transaction Overview**

On June 30, 2014, The Timken Company (NYSE: TKR) (“Timken”) completed the spinoff of its Steel business, TimkenSteel Corporation (NYSE: TMST) (“TimkenSteel”). In the transaction, approximately 45.4 million common shares of TimkenSteel were issued to shareholders of record of Timken common shares. As a result of the distribution (the “Distribution”), TimkenSteel became an independent, publicly-traded company.

At the close of business on June 30, Timken shareholders received one common share of TimkenSteel Corporation for every two common shares of Timken they held as of the close of business on June 23, 2014. Fractional shares that Timken shareholders would otherwise have been entitled to receive will be aggregated and sold in the public market by the distribution agent, Wells Fargo Shareowner Services; the aggregate net cash proceeds of these sales will be distributed ratably to those shareholders who would otherwise have been entitled to receive fractional shares.

If you did not receive common shares of TimkenSteel in the Distribution on June 30, 2014, you may disregard this notice. Additionally, this notice does not apply to common shares of Timken sold, exchanged or otherwise disposed of prior to the time of the Distribution.

### **Tax Cost Basis Information**

Under section 358 of the Code, each Timken shareholder will need to allocate the tax basis in Timken shares immediately before the Distribution between the common shares of Timken and the common shares of TimkenSteel received in the Distribution.

Generally, the allocation of tax basis is based upon the relative fair market values of Timken common shares and TimkenSteel common shares on the Distribution date; however, there is no definitive authority under the United States federal income tax law concerning a method for determining fair market value for this purpose. Generally, under United States federal income tax law, fair market value is the price at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having had reasonable knowledge of the relevant facts.

A generally accepted practice to determine fair market value for this purpose is to use the average of the high and the low trading prices for each of Timken and TimkenSteel common shares on July 1, 2014, which was the first day of “regular way” trading for TimkenSteel common shares on the New York Stock Exchange. The average of the high and the low trading price for Timken common shares was \$48.60. The average of the high and the low trading price for TimkenSteel common shares was \$40.46. Based upon these values, the pre-Distribution tax basis in the Timken common shares would be allocated 29.39% to TimkenSteel common shares and 70.61% to Timken common shares, computed as follows:

	Average High/Low	Exchange Ratio	Divided by Exchange Ratio	Allocation Ratio
Timken	\$48.60	1	\$48.60	48.60/68.83 = 70.61%
TimkenSteel	\$40.46	2	<u>\$20.23</u>	20.23/68.83 = 29.39%
Total			<u>\$68.83</u>	

**Consult Your Tax Advisor**

The information in this document does not constitute tax advice.

Each shareholder should consult a tax advisor as to the particular consequences of the distribution under U.S. federal, state and local and foreign tax laws.

The Timken Company  
July 3, 2014