

# The Timken Company Investor Presentation



December 2011

**TIMKEN**

# Emerging with Higher Value



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# Safe Harbor

Certain statements in this presentation (including statements regarding the company's forecasts, beliefs, estimates 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, the statements related to Timken's plans, outlook, future financial performance and liquidity, including the information under the headings "Strategic Accomplishments," "Strategic Acquisitions", "The Strategy is Working", "The Path Forward", as well as the Financial Review Section under the headings "Sales", "Earnings Per Share (GAAP)", "Free Cash Flow" and "Return on Invested Capital", "Capital Allocation", are forward-looking. The company cautions that actual results may differ materially from those projected or implied in forward-looking statements due to a variety of important factors, including: the company's ability to respond to the changes in its end markets that could affect demand for the company's products; unanticipated changes in business relationships with customers or their purchases from the company; changes in the financial health of the company's customers, which may have an impact on the company's revenues, earnings and impairment charges; fluctuations in raw-material and energy costs and their impact on the operation of the company's surcharge mechanisms; the impact of the company's last-in, first-out accounting; weakness in global economic conditions and financial markets; changes in the expected costs associated with product warranty claims; the ability to integrate acquired companies to achieve satisfactory operating results, including the assets of Philadelphia Gear Corp. and Drives LLC; the impact on operations of general economic conditions, higher or lower raw-material and energy costs, fluctuations in customer demand, and the company's ability to achieve the benefits of its ongoing programs and initiatives. Additional factors are discussed in the company's filings with the Securities and Exchange Commission, including the company's Annual Report on Form 10-K for the year ended Dec. 31, 2010, quarterly reports on Form 10-Q and current reports on form 8-K. The company undertakes no obligation to update or revise any forward-looking statement.



# About The Timken Company

- A leading provider of friction management and power transmission solutions to diverse markets, including:
  - Aerospace
  - Construction
  - Mining
  - Truck
  - Energy / Wind
  - Automotive
  - Rail
  - Distribution
  
- Established in 1899
- Headquartered in Canton, Ohio
- 2010 sales: \$4.1 billion
- Global manufacturing footprint with operations in 30 countries
  
- 20,000 associates



Timken 2010 Sales: \$4.1 billion

Mobile Industries 39%	Process Industries 22%	Aerospace & Defense 8%	Steel Group 31%
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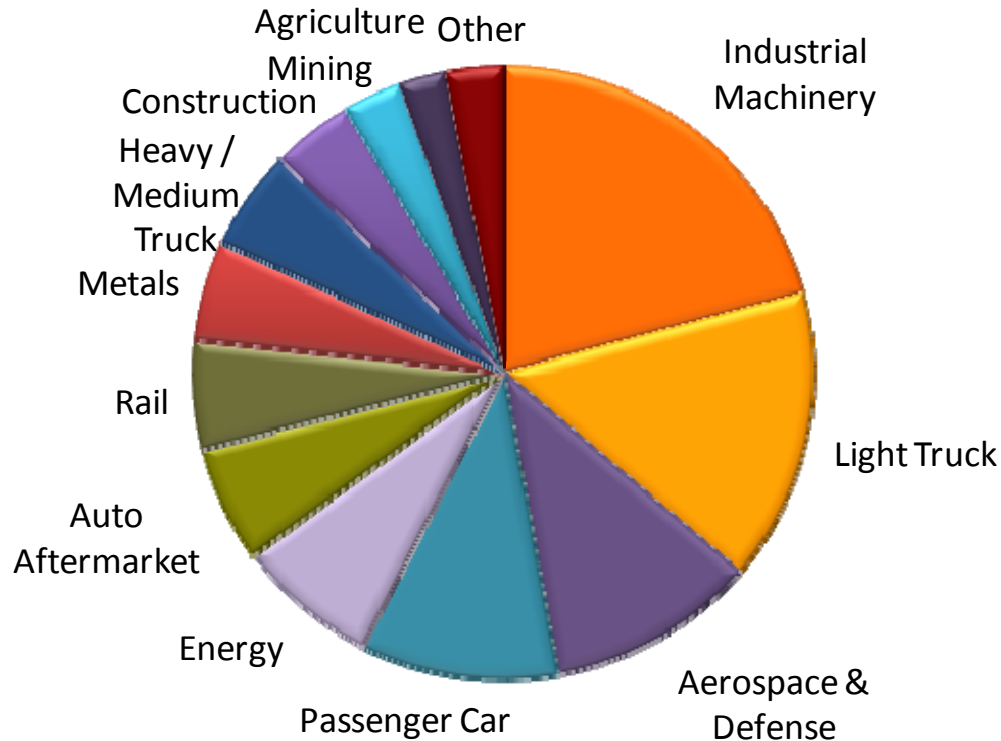
Note: Segment sales are based on 2010 actual. Process Industries and Steel Group sales exclude inter-segment sales of \$3 million and \$103 million respectively.

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# Diverse Global Portfolio

2010 Sales: \$4.1 Billion



## Portfolio Diversification

- Broad-based end markets and customers
- Increased sales from demanding applications
- Expanded channels into the aftermarket

## Global Diversification

- Diversified global scope, growing faster outside the U.S.
- 34% of sales are outside the U.S.
  - Excluding Steel Group, sales abroad represent nearly 50% of the portfolio



# Timken Position in Asia

- 2010 Sales: \$470 million, 12% of Timken
- Employment: 4,500
- Industrial market focus:
  - Infrastructure
  - Energy
  - Aftermarket
  - Services
- China and India “home markets”
- Expanding in ASEAN – Indonesia
- Growing brand reputation
- Broader product range
- Significant industrial bearing manufacturing capacity & supply chain
- Strong local organizations



# The Strategy is Working

- Enhance existing products and services
- Leverage technology to create value
- Capture lifetime of opportunity
- Structure portfolio for value creation
- Fix/Exit under-performing areas



- Attractive industrial markets
- Developing geographies
- Channels, services, distribution
- Refine lean operating model
- Improve efficiency and reduce cost structure
- Increase agility
- Deliver greater profitability



# 2011 Business Highlights – Nine Months

- **Excellent financial performance**
  - Good leverage on additional volume
  - Excellent cost control on S&A
  - Achieved margin expansion in all three major segments: Steel, Mobile, and Process
- **Improved sales mix towards attractive markets**
  - Strong aftermarket distribution growth
  - Continued to achieve high growth rates in emerging markets
  - Strong growth in mining, rail, heavy truck, oil & gas



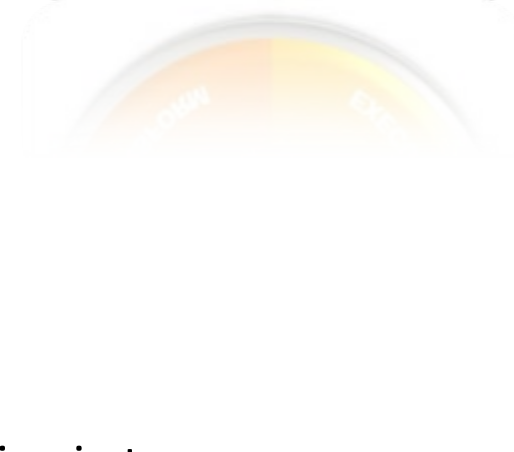
# 2011 Business Highlights – Nine Months

## ■ Improved global infrastructure

- Continued ramping of low cost manufacturing infrastructure
- Completed global logistics restructuring
- Continued to leverage our global ERP platform (Project ONE) to improve customer service and working capital

## ■ Continued to diversify products and capabilities

- Record new product introductions
- Broadened our power transmission product portfolio via two acquisitions
- Launched innovative ultra-large bore products (>2 meter diameter) for wind energy applications



# Strategic Acquisitions



## Key Terms

- Sales (LTM)\*: \$85 million
  - Purchase price: \$200 million
  - Closed: July 1, 2011
- Sales (LTM)\*: \$100 million
  - Purchase price: \$92 million
  - Closed: October 3, 2011

## Primary Offering

- Gear drive repair
  - On-site technical services
  - Enclosed gearing
  - Replacement parts
- Engineered drive-chains, roller-chains and conveyor augers
  - Both OEM and replacement parts

## Key End-Markets

- Military marine
  - Power generation (coal fired)
  - Oil & gas and mining
  - Municipal, water treatment
  - Cement, pulp & paper, sugar
- Agriculture
  - Food & beverage
  - Oil & gas, aggregate & mining
  - Primary metals
  - Forest products

## Growth Synergies

- Capture lifetime of revenue opportunity
- Leverage distribution channel
- Opportunities for cross-selling and development of product lines
- Global expansion



\* Note: Philadelphia Gear LTM sales as of 3/31/11. Drives LLC LTM sales as of 8/31/11.

# Mobile Industries

## Segment Overview

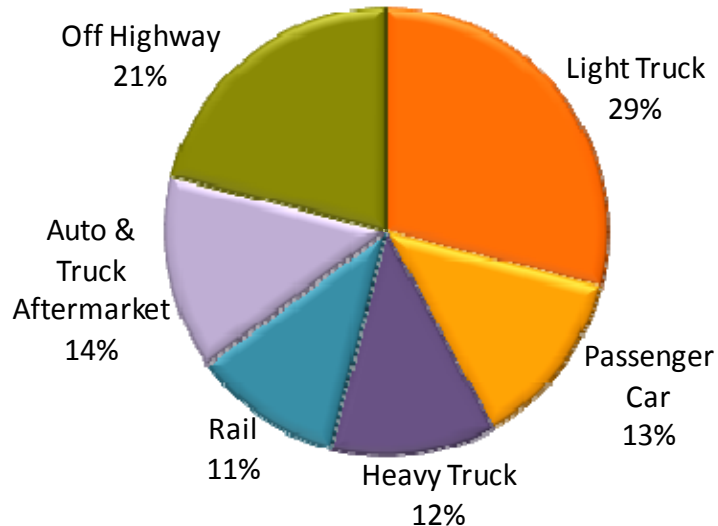
- Bearings, power transmission components and related products and services
- Serves diverse market sectors
  - Light Vehicle
  - Off Highway
  - Rail
  - Auto Aftermarket
  - Heavy Truck
- Customers: OEM's and aftermarket distributors

## 2011 Financial Performance\*

	Nine Months Ended September 30,	
	2011	2010
Sales	\$1,350	\$1,172
EBIT	\$200	\$165
Margin	14.8%	14.1%

## Sector Profile

2010 Sales: \$1.6 billion



## 2011 Achievements

- Continued portfolio shift towards attractive markets
  - Effectively managed OE attrition
  - Grew in key markets: Off Highway, Rail
- Strong operational and financial performance



\*Note: See Appendix for GAAP Reconciliations.

# Process Industries

## Segment Overview

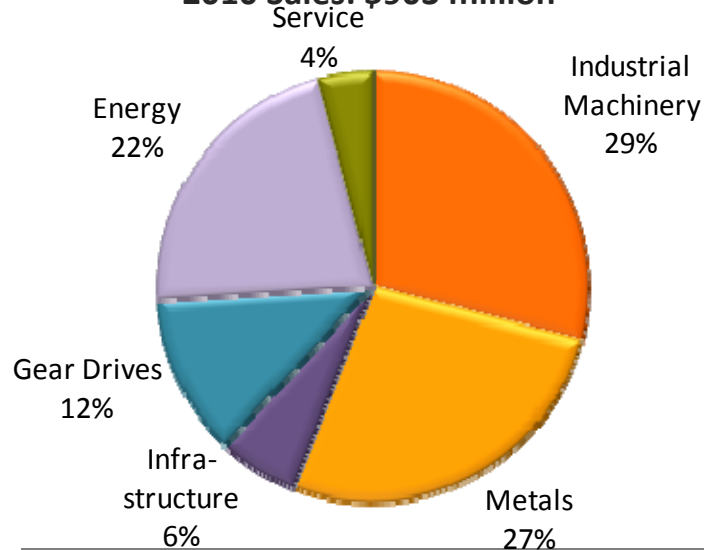
- Bearings and power transmission products and related services for broad industrial markets
- Diverse and global customer base
- ~65% aftermarket; consistent, profitable business

## 2011 Financial Performance\*

	Nine Months Ended September 30,	
	2011	2010
Sales	\$922	\$653
EBIT	\$215	\$89
Margin	23.3%	13.7%

## Sector Profile

2010 Sales: \$903 million



## 2011 Achievements

- Accelerated growth in new products: spherical, cylindrical and housed units
- Completed multiple acquisitions
- Continued international expansion
- Strong financial performance and leverage from manufacturing investments



\*Note: See Appendix for GAAP Reconciliations.

# Aerospace and Defense

## Segment Overview

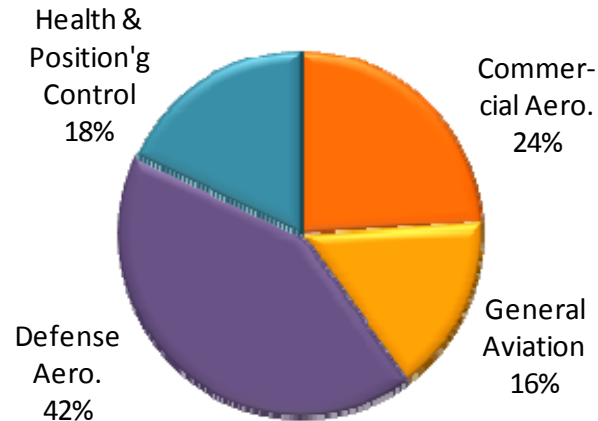
- Power transmission systems and flight-critical components for civil and military aircraft:
  - Helicopter transmissions
  - Rotor head assemblies
  - Turbine engine components
  - Bearings
  - Gears
  - Housings
- Aftermarket engine overhaul, replacement parts, bearing and component repair
- Health and positioning control applications

## 2011 Financial Performance\*

	Nine Months Ended September 30,	
	2011	2010
Sales	\$244	\$256
EBIT	\$4	\$21
Margin	1.6%	8.0%

## Sector Profile

2010 Sales: \$338 million



## 2011 Achievements

- Weathered recession; responded to stronger commercial aerospace demand offset by weaker defense
- Improved MRO division
- Continued to improve operating performance; system & process



\*Note: See Appendix for GAAP Reconciliations.

# Steel Group

## Segment Overview

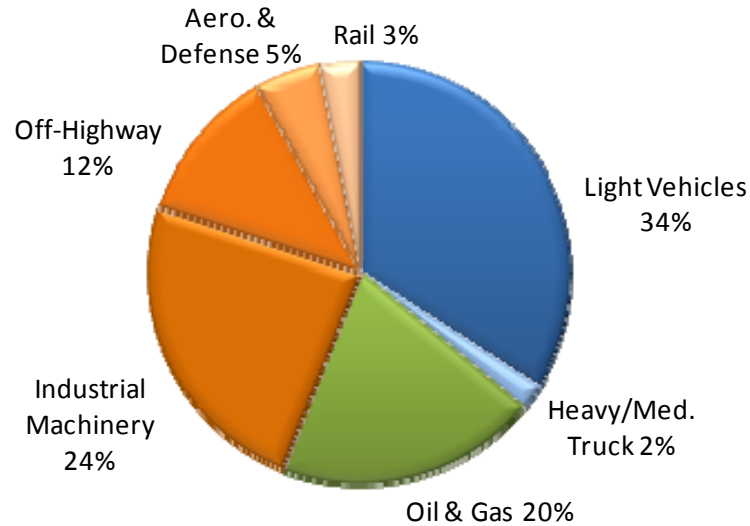
- Market leadership position in high quality air-melted alloy steel bars, tubes, precision components and value-added services
  - Bars: 1" to 16"      ■ Tubes: 2" to 13"
- Serving niche high-end applications where demands on performance are significant
  - Special machining characteristics
  - Resistance to heat, stresses or wear
  - High strength or other traits...

## 2011 Financial Performance\*

	Nine Months Ended September 30,	
	2011	2010
Sales	\$1,488	\$980
EBIT	\$199	\$104
Margin	13.4%	10.6%

## Sector Profile

**2010 Sales: \$1.4 billion**



## 2011 Achievements

- Achieved strong volumes
  - Oil & Gas
  - Industrial
- Secured raw material source
- Improved operating performance



\*Note: See Appendix for GAAP Reconciliations.

# The Path Forward

- **Build on the momentum**
- **Execute for results:** superior returns
- **Advance the portfolio:** diversified, balanced
- **Accelerate growth:** organic investments + acquisitions that fit
- **Strengthen the team:** global breadth & depth



# Financial Review



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## 2010 Results

- Sales of \$4.1 billion, up 29% from prior year
- EBIT of \$440 million, or 10.8% of sales
- EPS of \$2.73 –versus a loss of \$0.64 from prior year
- Free cash flow of \$146 million
- Strong balance sheet

*Note:* Free cash flow is defined as net cash provided by operating activities (includes pension contributions) minus capital expenditures and dividends. See Appendix for GAAP Reconciliations.

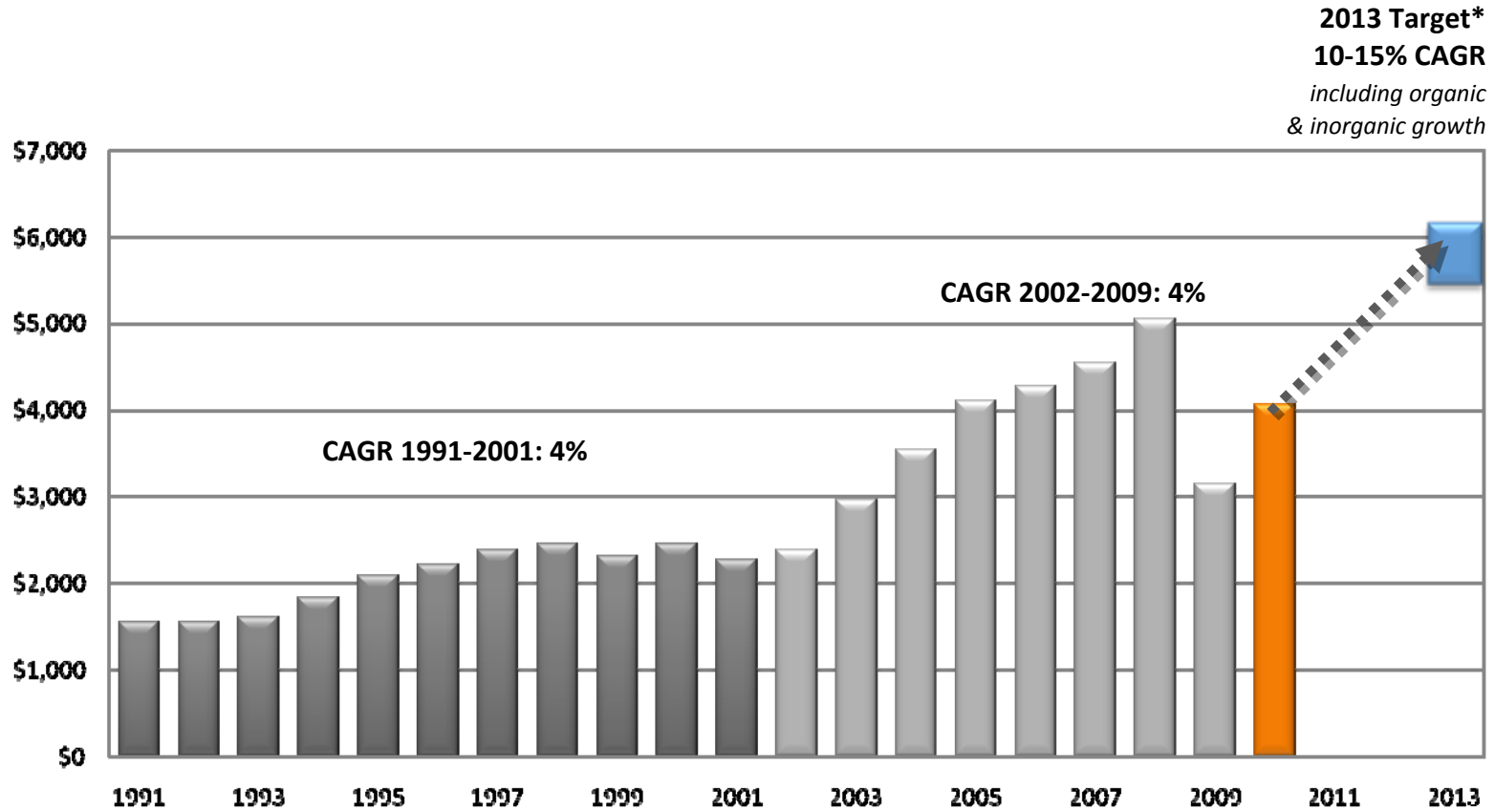
## 2011 Results – Nine Months

- **Sales of \$3.9 billion, up 31% from prior year**
  - Driven primarily by stronger demand across the company's industrial sectors, along with favorable surcharges, pricing and currency
- **EBIT up 69% to \$561 million, or 14.4% of sales**
  - Earnings benefited from improved demand, mix, surcharges, and pricing, which more than offset higher raw material, logistics and SG&A costs
- **Record EPS of \$3.48 – versus \$1.86 from prior year**
- **Free cash flow, a use of \$230 million**
  - Includes working capital requirements of \$271 million and discretionary pension contributions of \$256 million, net of tax
- **Strong balance sheet**
  - Cash position of \$407 million and net debt of \$106 million
  - Liquidity of \$1.3 billion, with no significant debt maturities until 2014

**Note:** Free cash flow is defined as net cash provided by operating activities (includes pension contributions) minus capital expenditures and dividends. See Appendix for GAAP Reconciliations.

# Sales

**Net Sales**  
(\$ in Millions)



**Note:** 2003 includes Torrington acquisition as acquired February 2003. Historical results exclude the discontinued operations of Latrobe Steel (2006 divestment) and the Needle Roller Bearings (NRB) business (2009 divestment). NRB discontinued operations for 2003 and 2004 are based on internal estimates.

\*2013 Target as of February 16, 2011

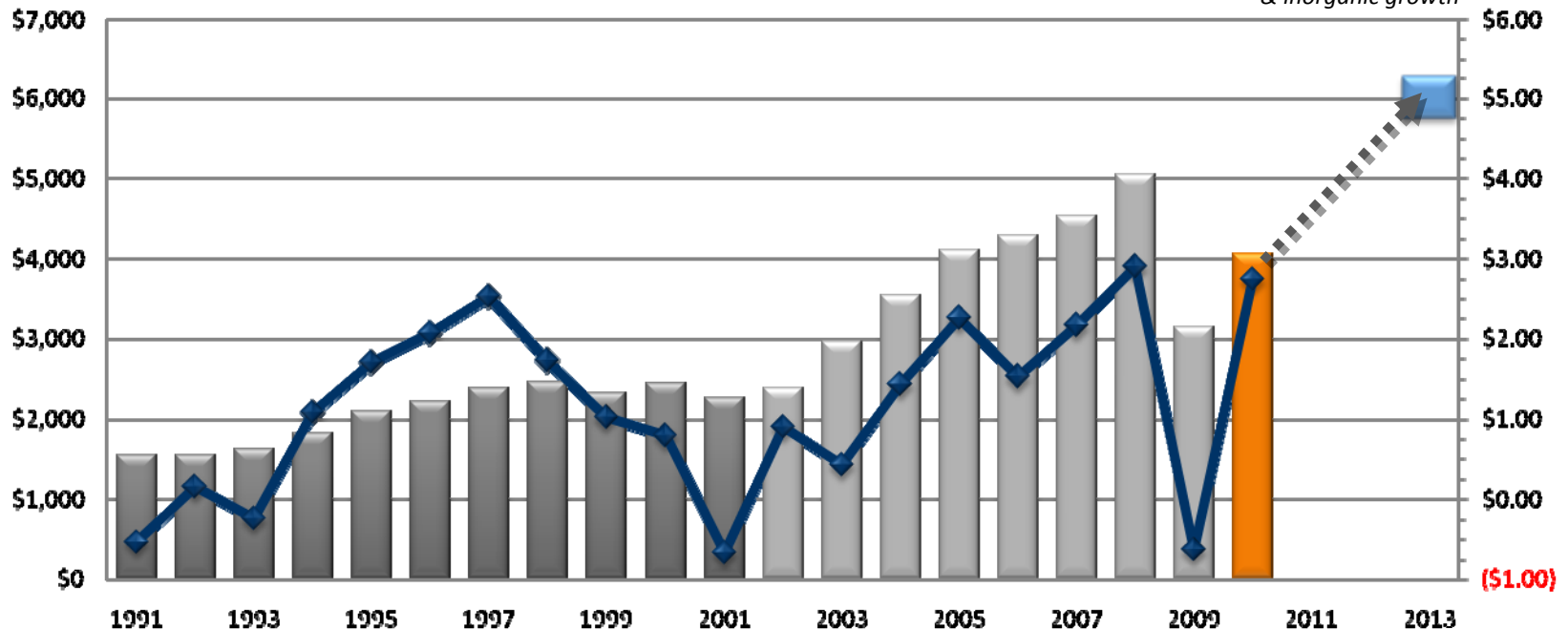
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# Earnings Per Share (GAAP)

Net Sales  
(\$ in Millions)

Earnings Per Share

2013 EPS Target\*  
\$4.75-\$5.25  
including organic  
& inorganic growth



**Note:** Earnings are reported on a GAAP basis and include the impact of special items, such as restructuring and reorganization expenses, CDO payments and goodwill amortization. EPS assumes dilution. 2003 includes Torrington acquisition as acquired February 2003. Historical results exclude the discontinued operations of Latrobe Steel (2006 divestment) and the Needle Roller Bearings (NRB) business (2009 divestment). NRB discontinued operations for 2003 and 2004 are based on internal estimates.

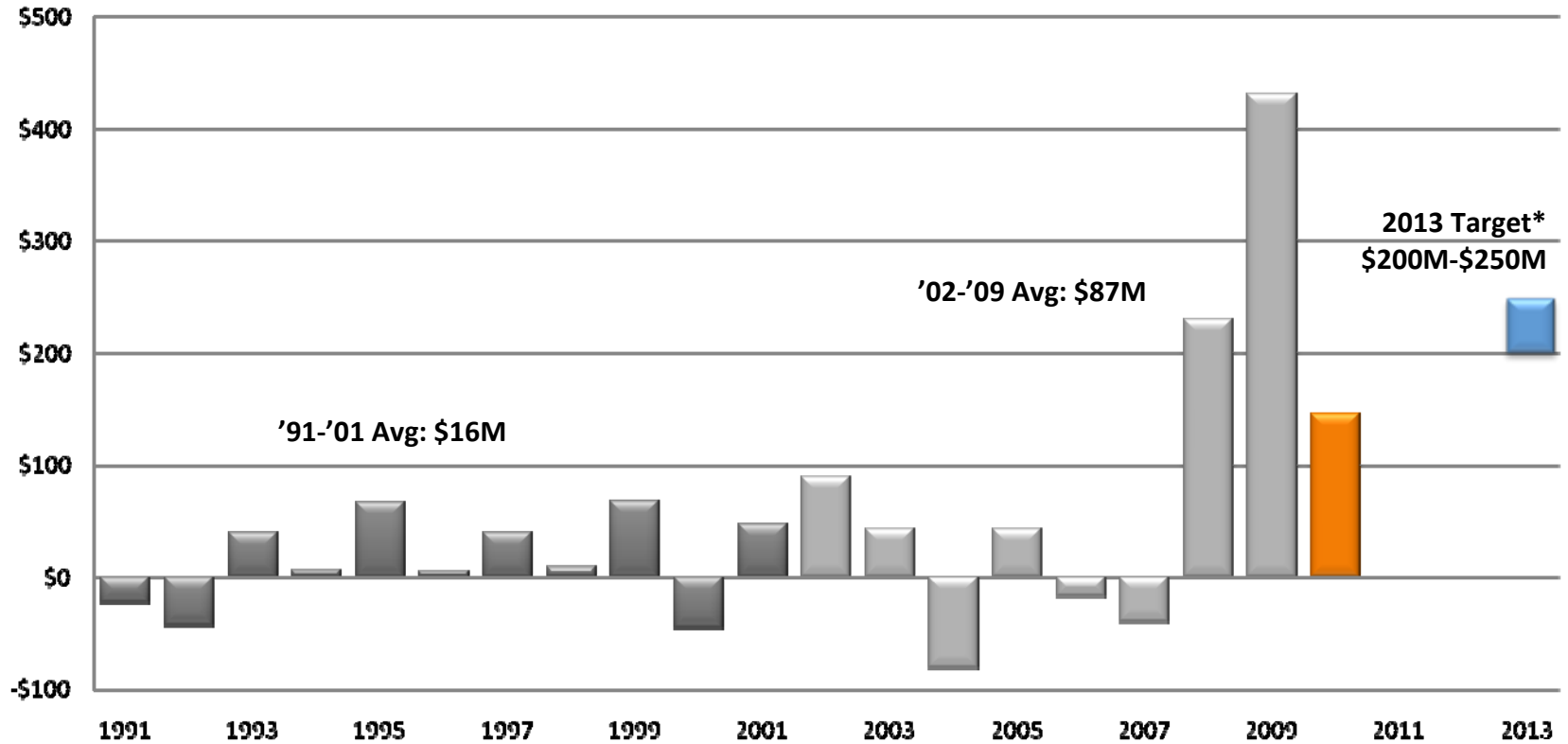
\*2013 Target as of February 16, 2011

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# Free Cash Flow

Free Cash Flow  
(\$ in Millions)



**Note:** Free cash flow defined as net cash provided by operating activities (includes pension contributions) minus capital expenditures and dividends. A reconciliation to GAAP and description of this measure can be found in the Appendix. Results include discontinued operations until divested.

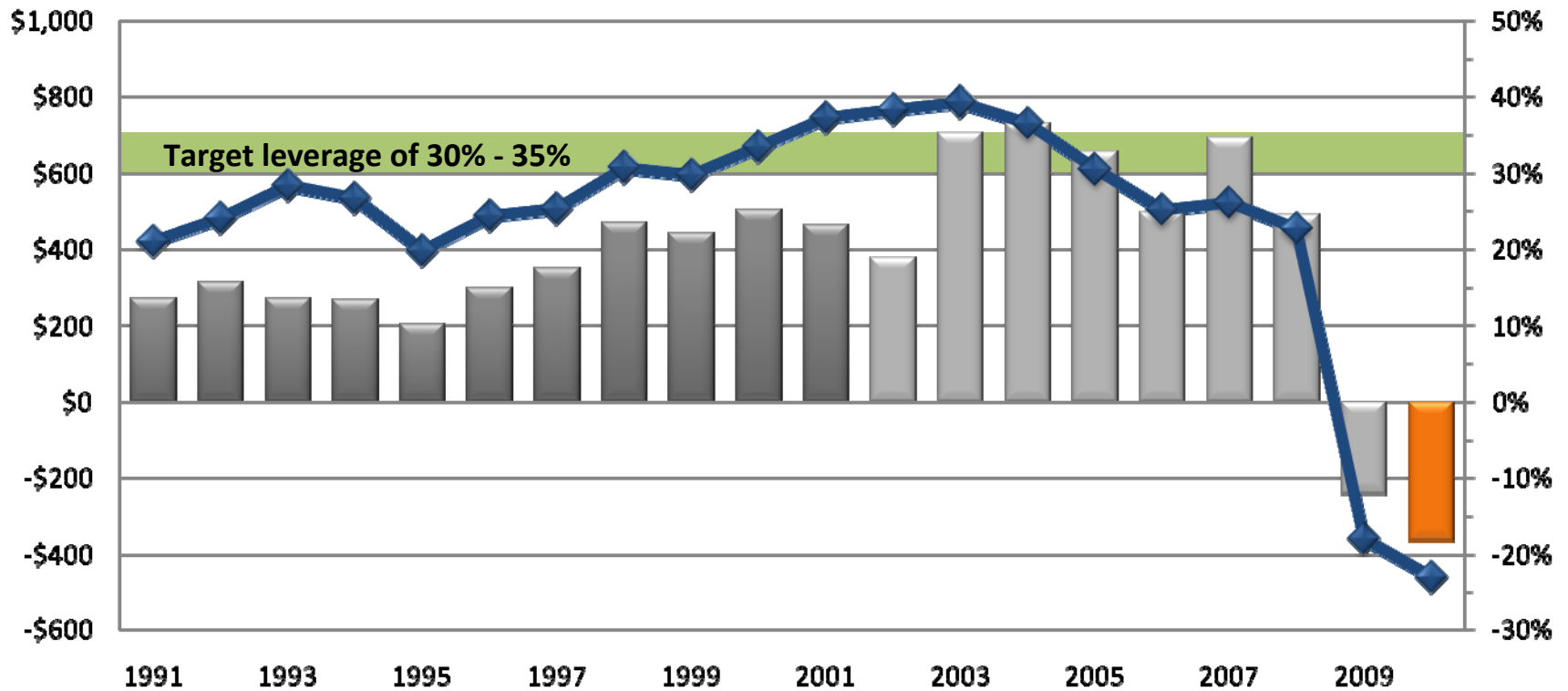
\*2013 Target as of February 16, 2011



# Net Debt

Net Debt  
(\$ in Millions)

Net Debt  
/Capital



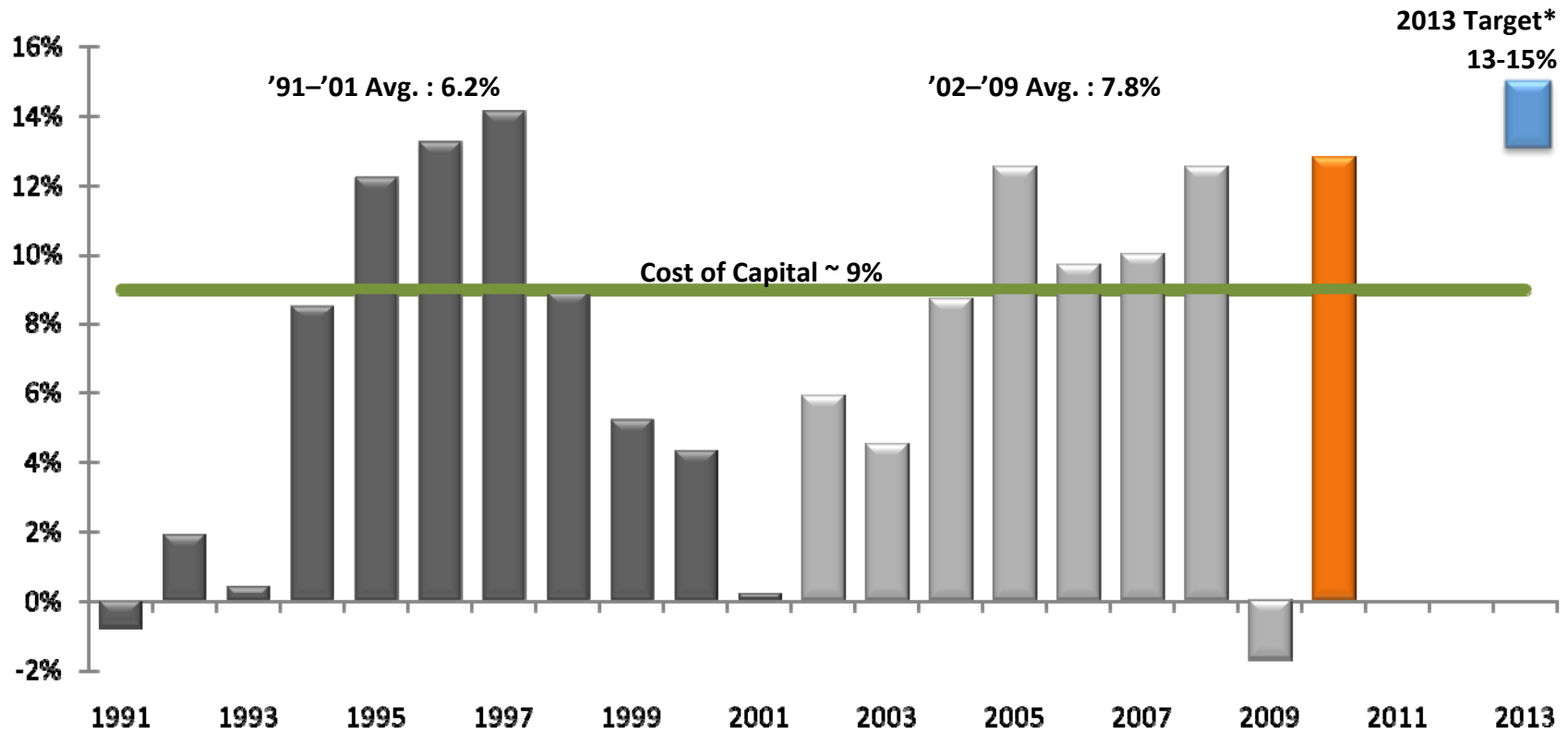
**Note:** 2003 includes Torrington acquisition as acquired February 2003. Net Debt / Capital (leverage) defined as Net Debt / (Net Debt + Equity). A reconciliation to GAAP and description of this measure can be found in the Appendix. Results include discontinued operations until divested.



# Return on Invested Capital

Return on Invested Capital

Cost of Capital



**Note:** The company uses NOPAT/Average Invested Capital as a type of ratio that indicates return on capital (ROIC). A reconciliation to GAAP and description of this measure can be found in the Appendix. Results include discontinued operations until divested.



\*2013 Target as of February 16, 2011

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# Capital Allocation

- Organic growth and performance improvement initiatives
  - Targeted in industrial market sectors; wind, aerospace, heavy industries, oil & gas
  - Asia Growth
- Acquisitions
  - Industrial and aftermarket focus
  - Market-leading position
  - Strong management team
  - International focus
  - Accretive to earnings / cash in year one
  - Earn cost of capital within three years
- Pension / OPEB funding
- Dividends and share repurchase
  - 358th consecutive quarterly dividend to be paid in December 2011
  - Authorized share repurchase program – 2 million shares remaining as of 3Q 2011



# Incentive Compensation

Program	Short-Term	Intermediate	Long-Term	
	(Cash)	(Cash)	(Equity)	
	Annual Performance Award Plan (APA)	Intermediate Incentive Plan (IIP)	Restricted Shares	Non Qualified Stock Options
Objective	Short-term operational business priorities	Mid-term strategic business priorities	Long-term shareholder value creation	
Participants	5,700 Associates globally	150 General Managers & above	400 Senior Managers and above coupled with certain ownership requirements	
Time Horizon	1 Year	3 Years	4 Years	10 Years
Metrics	40% Corporate EBIT/BIC	50% EPS 50% ROIC	Share price	
	30% Business Unit EBIT/BIC			
	15% BU working capital % sales			
	15% Customer service or New business sales ratio			



# The Strategy is Working

- Enhance existing products and services
- Leverage technology to create value
- Capture lifetime of opportunity
- Structure portfolio for value creation
- Fix/Exit under-performing areas



- Attractive industrial markets
- Developing geographies
- Channels, services, distribution
- Refine lean operating model
- Improve efficiency and reduce cost structure
- Increase agility
- Deliver greater profitability



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December 2011

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# Appendix

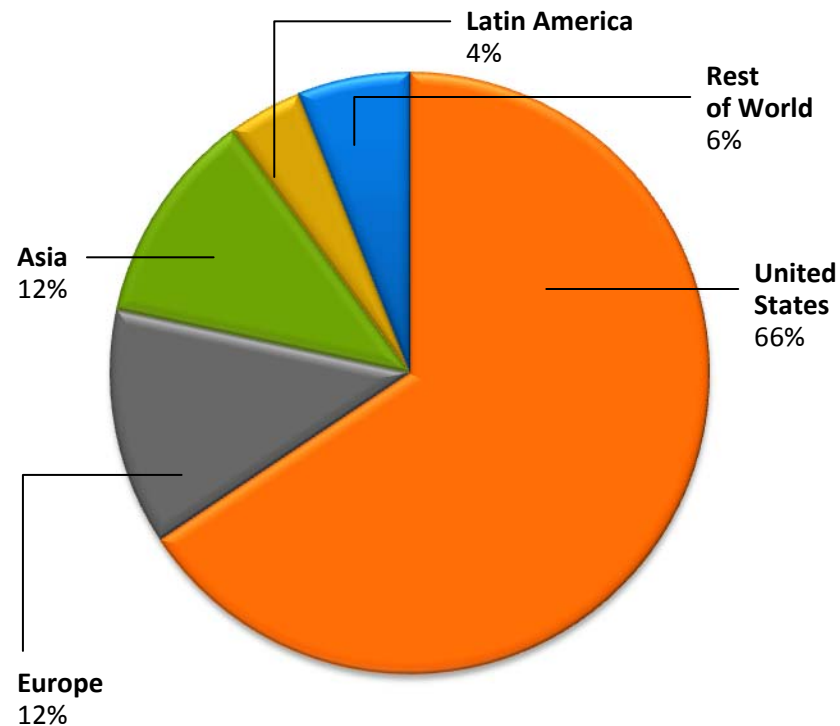


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# Geographic Sales Profile

- Diversified global scope, growing faster outside the U.S.
- 34% of sales are outside the U.S.
  - Excluding Steel Group, sales abroad represent nearly 50% of the portfolio

**2010 Sales: \$4.1 Billion**



# Mobile Industries 2010 Performance Summary

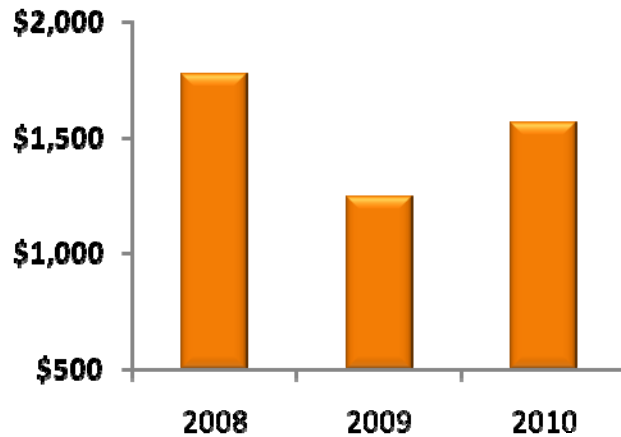
## Performance Update

- Sales up 25% to \$1.6 billion
- Growth drivers: Market recoveries in light vehicles, off highway, heavy truck and automotive aftermarket
- Leveraged the economic recovery / manufacturing costs
- Record profitability; strong cash flow

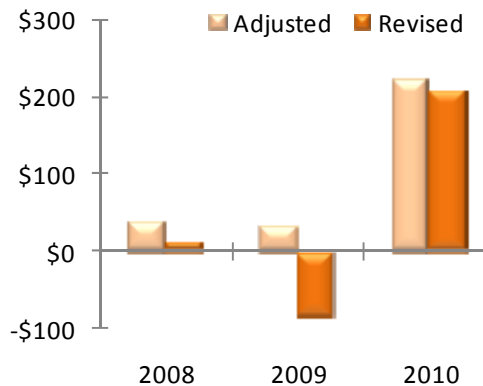
## Key Accomplishments

- Completed portfolio re-pricing
- Effectively managed OE attrition
- Penetration in strategic markets
- Strong operational performance

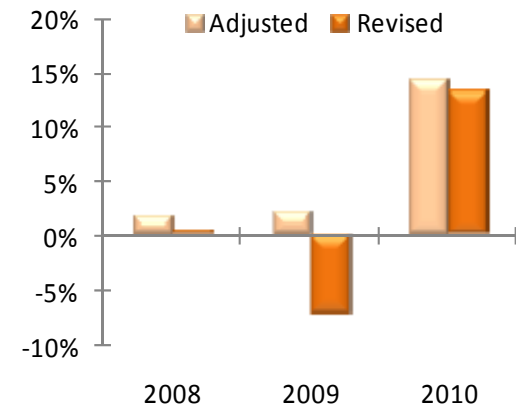
Revenue - \$Mils.



Earnings (EBIT) - \$Mils.



Margins



Note: Adjusted EBIT excludes the impact of special items. Revised EBIT is inclusive of special items. See appendix for reconciliation.



# Process Industries 2010 Performance Summary

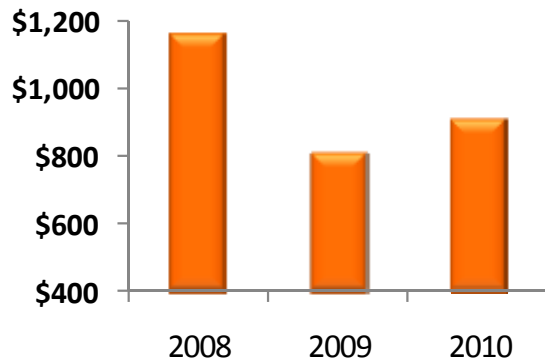
## Performance Update

- Metrics
- Double digit growth
  - Margin expansion YOY
  - Strong working capital management
- Business drivers
- Distribution recovered in 2nd half
  - Heavy industry markets lagged

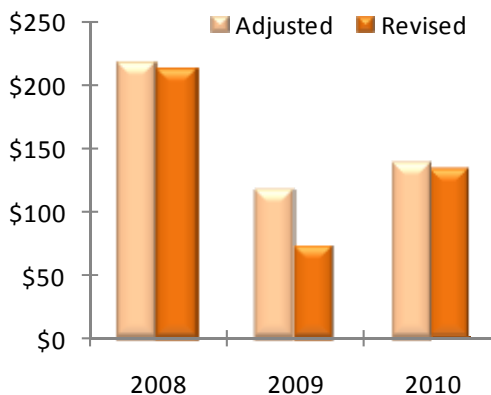
## Key Accomplishments

- Accelerated growth in new products: spherical, cylindrical and housed units
- QM acquisition
- Continued expansion in Asia
- Gains in wind energy

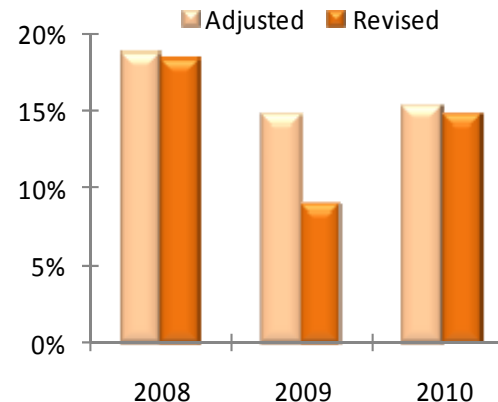
### Revenue - \$Mils.



### Earnings (EBIT) - \$Mils.



### Margins



Note: Adjusted EBIT excludes the impact of special items. Revised EBIT is inclusive of special items. See appendix for reconciliation.



# Aerospace & Defense 2010 Performance Summary

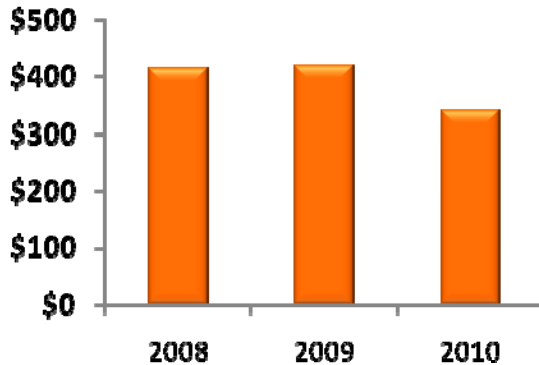
## Performance Update

- Late-cycle weakness in civil and defense markets
- Inventory destocking
- Earned 6% adjusted margin for the full year

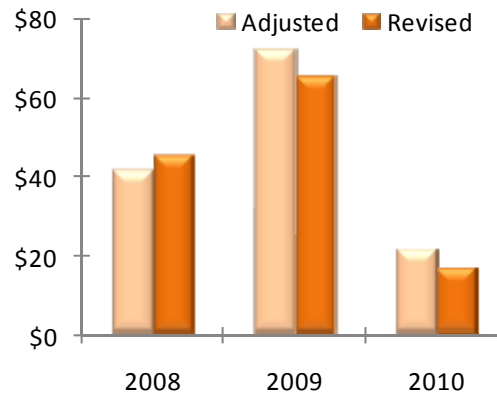
## Key Accomplishments

- Implemented business systems infrastructure
- Rationalized footprint
- Qualified over 150 new parts

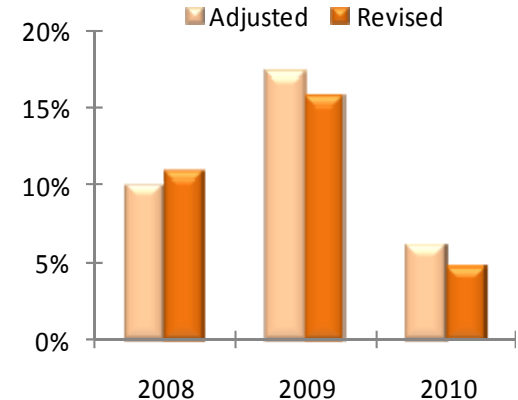
### Revenue - \$Mils.



### Earnings (EBIT) - \$Mils.



### Margins



Note: Adjusted EBIT excludes the impact of special items. Revised EBIT is inclusive of special items. See appendix for reconciliation.



# Steel 2010 Performance Summary

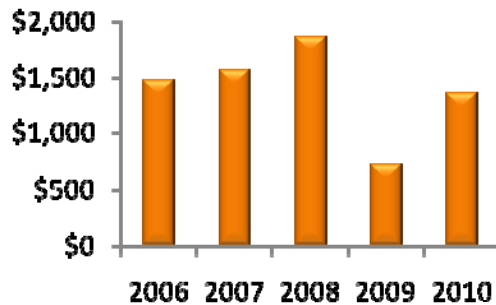
## Performance Update

- Sales up 90% to \$1.4 billion
- Growth drivers: Demand recovery, inventory restocking
- Improved capacity utilization
- Strong earnings rebound; 2x cost of capital

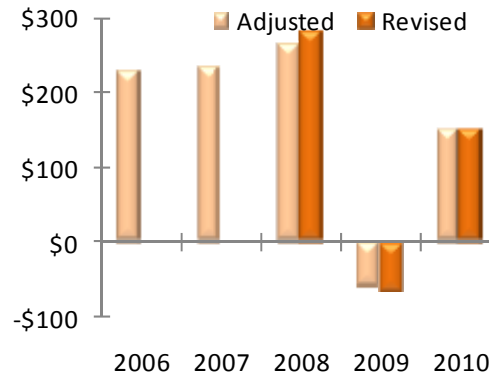
## Key Accomplishments

- Pricing
- Secure iron source
- Accelerated ramp up
- Daido steel source
- Working Capital control
- Capital Investment

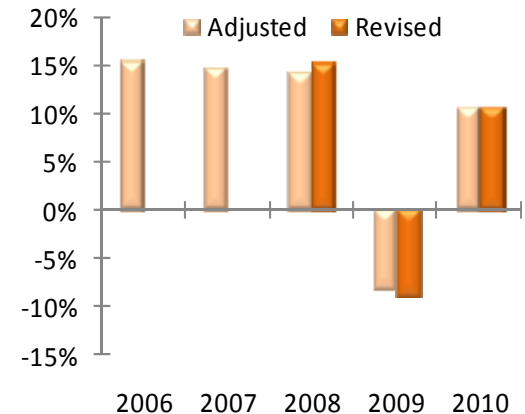
### Revenue - \$Mils.



### Earnings (EBIT) - \$Mils.



### Margins



Note: Adjusted EBIT excludes the impact of special items. Revised EBIT is inclusive of special items. See appendix for reconciliation.



# Reconciliation to GAAP 2010

(continued next page)

(Unaudited)

## CONDENSED CONSOLIDATED STATEMENT OF INCOME

(Dollars in millions, except share data)	AS REPORTED		AS ADJUSTED <sup>(1)</sup>	
	Full Year 2010	Full Year 2009	Full Year 2010	Full Year 2009
Net sales	\$ 4,055.5	\$ 3,141.6	\$ 4,055.5	\$ 3,141.6
Cost of products sold	3,028.3	2,550.7	3,028.3	2,550.7
Manufacturing rationalization / reorganization expenses - cost of products sold	5.5	8.2	-	-
<b>Gross Profit</b>	<b>1,021.7</b>	<b>582.7</b>	<b>1,027.2</b>	<b>590.9</b>
Selling, general & administrative expenses (SG&A)	563.0	469.8	563.0	469.8
Rationalization / reorganization expenses - SG&A	0.8	2.9	-	-
Impairment and restructuring	21.7	164.1	-	-
<b>Operating Income (Loss)</b>	<b>436.2</b>	<b>(54.1)</b>	<b>464.2</b>	<b>121.1</b>
Other income (expense)	1.5	1.9	1.5	1.9
Special items - other income (expense)	2.3	(2.0)	-	-
<b>Earnings (Loss) Before Interest and Taxes (EBIT) <sup>(2)</sup></b>	<b>440.0</b>	<b>(54.2)</b>	<b>465.7</b>	<b>123.0</b>
Interest expense, net	(34.5)	(40.0)	(34.5)	(40.0)
<b>Income (Loss) From Continuing Operations</b>	<b>405.5</b>	<b>(94.2)</b>	<b>431.2</b>	<b>83.0</b>
Provision (benefit) for income taxes	136.0	(28.2)	139.8	30.6
<b>Income (Loss) From Continuing Operations</b>	<b>269.5</b>	<b>(66.0)</b>	<b>291.4</b>	<b>52.4</b>
Income (loss) from discontinued operations, net of income taxes <sup>(3)</sup>	7.4	(72.6)	-	(20.2)
<b>Net Income (Loss)</b>	<b>276.9</b>	<b>(138.6)</b>	<b>291.4</b>	<b>32.2</b>
Less: Net Income (Loss) Attributable to Noncontrolling Interest	2.1	(4.6)	2.5	1.5
<b>Net Income (Loss) Attributable to The Timken Company</b>	<b>\$ 274.8</b>	<b>\$ (134.0)</b>	<b>\$ 288.9</b>	<b>\$ 30.7</b>



# Reconciliation to GAAP 2010

(Unaudited)

## CONDENSED CONSOLIDATED STATEMENT OF INCOME

(Dollars in millions, except share data)	AS REPORTED		AS ADJUSTED <sup>(1)</sup>	
	Full Year 2010	Full Year 2009	Full Year 2010	Full Year 2009
<b>Net Income (Loss) per Common Share Attributable to The Timken Company</b>				
<b>Common Shareholders</b>				
Basic Earnings (Loss) Per Share - Continuing Operations	\$ 2.76	\$ (0.64)	\$ 2.98	\$ 0.53
Basic Earnings (Loss) Per Share - Discontinued Operations	0.07	(0.75)	-	(0.21)
<b>Earnings (Loss) Per Share</b>	<b>\$ 2.83</b>	<b>\$ (1.39)</b>	<b>\$ 2.98</b>	<b>\$ 0.32</b>
Diluted Earnings (Loss) Per Share - Continuing Operations	\$ 2.73	\$ (0.64)	\$ 2.95	\$ 0.53
Diluted Earnings (Loss) Per Share - Discontinued Operations	0.08	(0.75)	-	(0.21)
<b>Earnings (Loss) Per Share</b>	<b>\$ 2.81</b>	<b>\$ (1.39)</b>	<b>\$ 2.95</b>	<b>\$ 0.32</b>
Average Shares Outstanding	96,535,273	96,135,783	96,535,273	96,135,783
Average Shares Outstanding - assuming dilution	97,516,202	96,135,783	97,516,202	96,135,783

- (1) "Adjusted" statements exclude the impact of impairment and restructuring, manufacturing rationalization/reorganization and special charges and credits for all periods shown. Management believes that the Adjusted Consolidated Statement of Income may be helpful in understanding the company's performance and therefore useful to investors.
- (2) EBIT is defined as operating income plus other income (expense). EBIT Margin is EBIT as a percentage of net sales. EBIT and EBIT margin on a segment basis exclude certain special items set forth above. EBIT and EBIT Margin 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 and EBIT Margin best reflect the performance of the company's business segments and EBIT disclosures are responsive to investors.
- (3) Discontinued Operations relate to the sale of the Needle Roller Bearings (NRB) operations to JTEKT Corporation on December 31, 2009.



# Reconciliation to GAAP 2010

## Reconciliation of net income (loss) attributable to The Timken Company and EPS - diluted.

This reconciliation is provided as additional relevant information about the company's performance. Management believes adjusted earnings per share are more representative of the company's performance and therefore useful to investors. Management also believes that it is appropriate to compare GAAP income from continuing operations to adjusted income from continuing operations in light of special items related to impairment and restructuring and manufacturing rationalization/reorganization costs, Continued Dumping and Subsidy Offset Act (CDSOA) receipts and gain/loss on sale of non-strategic assets.

	Fourth Quarter				Full Year			
	2010		2009		2010		2009	
(Dollars in millions, except share data)	\$	EPS <sup>(5)</sup>	\$	EPS <sup>(5)</sup>	\$	EPS <sup>(5)</sup>	\$	EPS <sup>(5)</sup>
Net income (loss) attributable to The Timken Company	\$ 90.3	\$ 0.91	\$ (20.2)	\$ (0.21)	\$ 274.8	\$ 2.81	\$ (134.0)	\$ (1.39)
Less: Income (loss) from discontinued operations, net of income taxes	4.0	0.04	(12.7)	(0.13)	7.4	0.08	(72.6)	(0.75)
<b>Net income (loss) from continuing operations attributable to The Timken Company</b>	<b>86.3</b>	<b>0.87</b>	<b>(7.5)</b>	<b>(0.08)</b>	<b>267.4</b>	<b>2.73</b>	<b>(61.4)</b>	<b>(0.64)</b>
Pre-tax special items:								
Manufacturing rationalization/reorganization expenses - cost of products sold	1.4	0.01	4.6	0.05	5.5	0.06	8.2	0.09
Rationalization/reorganization expenses - SG&A	0.1	0.00	1.3	0.01	0.8	0.01	2.9	0.03
Impairment and restructuring	12.3	0.12	80.0	0.83	21.7	0.22	164.1	1.71
Special items - other (income) expense	(2.0)	(0.02)	1.4	0.01	(2.3)	(0.02)	2.0	0.02
Provision for income taxes <sup>(6)</sup>	(24.3)	(0.25)	(50.3)	(0.52)	(3.8)	(0.04)	(58.8)	(0.61)
Special items attributable to noncontrolling interest	(0.4)	(0.00)	0.1	0.00	(0.4)	(0.00)	(6.1)	(0.06)
<b>Adjusted net income from continuing operations attributable to The Timken Company</b>	<b>73.4</b>	<b>0.74</b>	<b>29.6</b>	<b>0.31</b>	<b>288.9</b>	<b>2.95</b>	<b>50.9</b>	<b>0.53</b>
Add: adjusted (loss) from discontinued operations	-	-	9.4	0.09	-	-	(20.2)	(0.21)
<b>Adjusted net income attributable to The Timken Company</b>	<b>\$ 73.4</b>	<b>\$ 0.74</b>	<b>\$ 39.0</b>	<b>\$ 0.40</b>	<b>\$ 288.9</b>	<b>\$ 2.95</b>	<b>\$ 30.7</b>	<b>\$ 0.32</b>
Income (loss) from continuing operations	\$ 86.6	\$ 0.88	\$ (7.2)	\$ (0.07)	\$ 269.5	\$ 2.76	\$ (66.0)	\$ (0.69)
Less: Net income (loss) attributable to noncontrolling interest	0.3	0.00	0.3	0.00	2.1	0.02	(4.6)	(0.05)
<b>Net income (loss) from continuing operations attributable to The Timken Company</b>	<b>\$ 86.3</b>	<b>\$ 0.87</b>	<b>\$ (7.5)</b>	<b>\$ (0.08)</b>	<b>\$ 267.4</b>	<b>\$ 2.73</b>	<b>\$ (61.4)</b>	<b>\$ (0.64)</b>
Income (loss) from discontinued operations, net of income taxes	\$ 4.0	\$ 0.04	\$ (12.7)	\$ (0.13)	\$ 7.4	\$ 0.08	\$ (72.6)	\$ (0.75)
Special items, discontinued operations	(4.0)	(0.04)	22.1	0.22	(7.4)	(0.08)	52.4	0.54
<b>Adjusted income (loss) from discontinued operations, net of income taxes</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9.4</b>	<b>\$ 0.09</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (20.2)</b>	<b>\$ (0.21)</b>

(5) EPS amounts may not sum due to rounding differences

(6) Provision for income taxes includes the tax impact on pre-tax special items, the impact of discrete tax items recorded during the respective periods, as well as adjustments to reflect the use of one overall effective tax rate on Adjusted pre-tax income in interim periods.



# Reconciliation to GAAP Nine Months 2011

## Reconciliation of GAAP income from continuing operations before income taxes

This reconciliation is provided as additional relevant information about the company's performance. Management believes consolidated earnings before interest and taxes (EBIT) are representative of the company's performance and therefore useful to investors. Consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) are another important measure of financial performance and cash generation of the business and therefore useful to investors. Management also believes that it is appropriate to compare GAAP income from continuing operations before income taxes to consolidated EBIT and EBITDA.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
<b>(Dollars in millions) (Unaudited)</b>				
Income from continuing operations before income taxes	\$ 182.3	\$ 110.8	\$ 537.3	\$ 305.6
Pre-tax reconciling items:				
Interest expense	9.1	9.1	28.2	28.7
Interest income	(1.5)	(0.8)	(4.4)	(2.3)
<b>Consolidated earnings before interest and taxes (EBIT)</b>	<b>\$ 189.9</b>	<b>\$ 119.1</b>	<b>\$ 561.1</b>	<b>\$ 332.0</b>
Depreciation and Amortization	49.1	47.0	142.9	142.2
<b>Consolidated earnings before interest, taxes, depreciation and amortization (EBITDA)</b>	<b>\$ 239.0</b>	<b>\$ 166.1</b>	<b>\$ 704.0</b>	<b>\$ 474.2</b>



# Reconciliation to GAAP Nine Months 2011

## Reconciliation of Total Debt to Net Debt and the Ratio of Net Debt to Capital:

<b>(Dollars in millions) (Unaudited)</b>	<b>September 30, 2011</b>	<b>December 31, 2010</b>
Short-term debt	\$ 21.2	\$ 32.0
Long-term debt	490.9	481.7
Total Debt	512.1	513.7
Less: Cash, cash equivalents and restricted cash	(406.5)	(877.1)
Net Debt (Cash)	\$ 105.6	\$ (363.4)
Shareholders' equity	\$ 2,224.7	\$ 1,941.8
Ratio of Total Debt to Capital	18.7%	20.9%
Ratio of Net Debt (Cash) to Capital (Leverage)	4.5%	(23.0%)

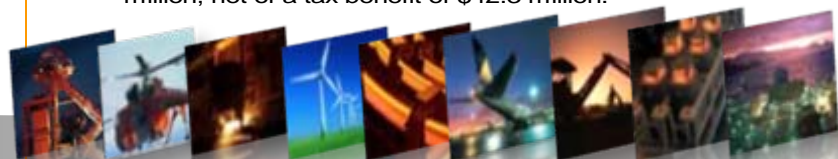
This reconciliation is provided as additional relevant information about The Timken Company's financial position. Capital is defined as total debt plus total shareholders' equity. Restricted cash is \$3.6 million at September 30, 2011.

Management believes Net Debt (Cash) is an important measure of Timken's financial position, due to the amount of cash and cash equivalents.

<b>Free cash flow:</b> <b>(Dollars in millions) (Unaudited)</b>	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Net cash provided by operating activities	\$ 95.5	\$ 149.4	\$ (67.4)	\$ 313.4
Less: capital expenditures	(46.4)	(22.2)	(106.0)	(61.2)
Less: cash dividends paid to shareholders	(19.5)	(12.5)	(56.6)	(33.8)
Free cash flow	\$ 29.6	\$ 114.7	\$ (230.0)	\$ 218.4
Plus: discretionary pension and postretirement benefit contributions, net of the tax benefit (4)	63.2	9.5	256.0	72.7
Free cash flow less discretionary contributions	\$ 92.8	\$ 124.2	\$ 26.0	\$ 291.1

Management believes that free cash flow and free cash flow less discretionary pension and postretirement contributions are useful to investors because they are meaningful indicators of cash generated from operating activities available for the execution of its business strategy.

- (4) The discretionary pension and postretirement benefit contributions for the third quarter of 2011 were \$100.0 million, net of a tax benefit of \$36.8 million. The discretionary pension and postretirement benefit contributions for the first nine months of 2011 were \$401.4 million, net of a tax benefit of \$145.4 million. The discretionary pension and postretirement benefit contributions for the third quarter of 2010 were \$15.0 million, net of a tax benefit of \$5.5 million. The discretionary pension and postretirement benefit contributions for the first nine months of 2010 were \$115.0 million, net of a tax benefit of \$42.3 million.



# Reconciliation to GAAP (Dollars in millions)

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Total Debt (a)	273	321	277	280	211	303	359	469	450	514
Less: Cash	<u>2</u>	<u>8</u>	<u>5</u>	<u>12</u>	<u>7</u>	<u>5</u>	<u>10</u>	<u>0</u>	<u>8</u>	<u>11</u>
Net Debt	271	313	271	267	204	297	350	469	442	503
Equity	1,019	985	685	733	821	922	1,032	1,056	1,046	1,005
Total Debt to Capital	21.1%	24.5%	28.7%	27.6%	20.5%	24.7%	25.8%	30.8%	30.1%	33.8%
<b>Net Debt to Capital</b>	<b>21.0%</b>	<b>24.1%</b>	<b>28.4%</b>	<b>26.7%</b>	<b>19.9%</b>	<b>24.4%</b>	<b>25.3%</b>	<b>30.8%</b>	<b>29.7%</b>	<b>33.4%</b>

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Total Debt (a)	497	461	735	779	721	598	723	624	513	514	512
Less: Cash	<u>33</u>	<u>82</u>	<u>29</u>	<u>51</u>	<u>65</u>	<u>101</u>	<u>30</u>	<u>133</u>	<u>756</u>	<u>877</u>	<u>407</u>
Net Debt	464	379	706	728	656	497	693	490	(243)	(363)	106
Equity	782	609	1,090	1,270	1,497	1,476	1,961	1,663	1,596	1,942	2,225
Total Debt to Capital	38.9%	43.1%	40.3%	38.0%	32.5%	28.8%	26.9%	27.3%	24.3%	20.9%	18.7%
<b>Net Debt to Capital</b>	<b>37.2%</b>	<b>38.4%</b>	<b>39.3%</b>	<b>36.5%</b>	<b>30.5%</b>	<b>25.2%</b>	<b>26.1%</b>	<b>22.8%</b>	<b>-18.0%</b>	<b>-23.0%</b>	<b>4.5%</b>

9 months

(a) Total Debt is the sum of Commercial Paper, Short-Term Debt, Current Portion of long-term debt and Long-term debt

Results include discontinued operations until divested.



# Reconciliation to GAAP (Dollars in millions)

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
GAAP Operating Income <sup>(1)</sup>		(9)	42	14	132	203	247	280	225	133	106
GAAP Other Income / (Expenses)		<u>(8)</u>	<u>(2)</u>	<u>(6)</u>	<u>2</u>	<u>(5)</u>	<u>(5)</u>	<u>7</u>	<u>(16)</u>	<u>(10)</u>	<u>(7)</u>
Earnings Before Interest and Taxes (EBIT) <sup>(2)</sup>		(17)	41	8	135	198	242	287	209	123	99
Provision for income taxes		<u>(6)</u>	<u>15</u>	<u>3</u>	<u>51</u>	<u>73</u>	<u>93</u>	<u>102</u>	<u>80</u>	<u>45</u>	<u>35</u>
Adjusted tax rate		37.6%	37.6%	37.6%	37.6%	36.9%	38.3%	35.7%	38.2%	36.8%	35.0%
Net Operating Profit After Taxes (NOPAT) <sup>(3)</sup>		(10)	25	5	84	125	149	184	129	78	64
<b>Invested Capital:</b>											
Total Debt	266	273	321	277	280	211	303	359	469	450	514
Shareholders' Equity	<u>1,075</u>	<u>1,019</u>	<u>985</u>	<u>685</u>	<u>733</u>	<u>821</u>	<u>922</u>	<u>1,032</u>	<u>1,056</u>	<u>1,046</u>	<u>1,005</u>
Total	<u>1,341</u>	<u>1,292</u>	<u>1,306</u>	<u>962</u>	<u>1,012</u>	<u>1,032</u>	<u>1,225</u>	<u>1,392</u>	<u>1,526</u>	<u>1,496</u>	<u>1,519</u>
Average Invested Capital <sup>(4)</sup>		1,317	1,299	1,134	987	1,022	1,129	1,308	1,459	1,511	1,507
ROIC: NOPAT / Average Invested Capital <sup>(4)</sup>		-0.8%	1.9%	0.4%	8.5%	12.2%	13.2%	14.1%	8.9%	5.2%	4.3%

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	
GAAP Operating Income <sup>(1)</sup>	(18)	79	98	237	327	219	295	462	(54)	436	
GAAP Other Income / (Expenses)	<u>22</u>	<u>37</u>	<u>10</u>	<u>12</u>	<u>68</u>	<u>80</u>	<u>5</u>	<u>16</u>	<u>(0)</u>	<u>4</u>	
Earnings Before Interest and Taxes (EBIT) <sup>(2)</sup>	4	115	108	249	395	299	300	478	(54)	440	
Provision for income taxes	<u>2</u>	<u>46</u>	<u>43</u>	<u>80</u>	<u>129</u>	<u>91</u>	<u>61</u>	<u>171</u>	<u>(16)</u>	<u>148</u>	
Adjusted tax rate	39.8%	39.8%	40.0%	32.1%	32.6%	30.6%	20.4%	35.7%	29.9%	33.5%	
Net Operating Profit After Taxes (NOPAT) <sup>(3)</sup>	3	69	65	169	266	208	239	307	(38)	292	
<b>Invested Capital:</b>											
Total Debt	497	461	735	779	721	598	723	624	513	514	
Shareholders' Equity	<u>782</u>	<u>609</u>	<u>1,090</u>	<u>1,270</u>	<u>1,497</u>	<u>1,476</u>	<u>1,961</u>	<u>1,623</u>	<u>1,596</u>	<u>1,942</u>	
Total	<u>1,279</u>	<u>1,070</u>	<u>1,824</u>	<u>2,049</u>	<u>2,218</u>	<u>2,074</u>	<u>2,684</u>	<u>2,246</u>	<u>2,108</u>	<u>2,456</u>	
Average Invested Capital <sup>(4)</sup>		1,399	1,175	1,447	1,937	2,134	2,146	2,379	2,465	2,177	2,282
ROIC: NOPAT / Average Invested Capital <sup>(4)</sup>		0.2%	5.9%	4.5%	8.7%	12.5%	9.7%	10.0%	12.5%	-1.7%	12.8%

<sup>(1)</sup> GAAP Operating Income exclude discontinued operations for Latrobe Steel (divested Dec. 8, 2006) for years 2004 through 2006 and the Needle Roller Bearings business for years 2007 through 2009 (divested Dec. 31, 2009).

<sup>(2)</sup> EBIT is defined as operating income plus other income (expense) - net.

<sup>(3)</sup> NOPAT is defined as EBIT less an estimated provision for income taxes. This tax provision excludes the tax effect of pre-tax special items on the company's effective tax rate, as well as the the impact of discrete tax items recorded during the year.

<sup>(4)</sup> The company uses NOPAT/Average Invested Capital as a type of ratio that indicates return on capital (ROIC). Average Invested Capital is the sum of Total Debt and Shareholders' Equity taken at the beginning and ending of each year and then averaged. Total Debt is the sum of commercial paper, ST-debt, curr. portion of LT-debt & LT-debt.



# Reconciliation to GAAP (Dollars in millions)

## Non GAAP Disclosure Reconciliations

US\$ Million

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
GAAP Net Cash Provided by Operating Activities	140	116	154	147	224	186	312	292	277	157
GAAP Capital expenditures	(140)	(136)	(89)	(114)	(129)	(151)	(233)	(238)	(165)	(159)
GAAP Cash dividends paid to shareholders	(23)	(22)	(25)	(26)	(28)	(30)	(39)	(45)	(45)	(44)
<b>Free Cash Flow<sup>(1)</sup></b>	<b>(23)</b>	<b>(43)</b>	<b>39</b>	<b>6</b>	<b>67</b>	<b>5</b>	<b>40</b>	<b>9</b>	<b>68</b>	<b>(46)</b>

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Net Cash Provided by Operating Activities	178	206	204	121	319	337	337	569	588	313	(67)
Capital expenditures	(91)	(85)	(119)	(155)	(221)	(296)	(314)	(272)	(114)	(116)	(106)
Cash dividends paid to shareholders	(40)	(32)	(42)	(47)	(55)	(58)	(63)	(67)	(43)	(51)	(57)
<b>Free Cash Flow<sup>(1)</sup></b>	<b>47</b>	<b>89</b>	<b>43</b>	<b>(81)</b>	<b>43</b>	<b>(17)</b>	<b>(40)</b>	<b>230</b>	<b>430</b>	<b>146</b>	<b>(230)</b>

9 months

(1) Free cash flow defined as net cash provided by operating activities (incl. pension contributions) minus capital expenditures and dividends. Results include discontinued operations until divested.

Management believes that free cash flow is useful to investors because it is a meaningful indicator of cash generated from operating activities that is available for the execution of its business strategy.



# Reconciliation to GAAP

<b>Revised Segment Results</b>		1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year	Year	Year
<b>(Dollars in millions)</b>		2010	2010	2010	2010	2010	2009	2008
<b>Net sales to external customers:</b>	Mobile Industries	\$ 367.5	\$ 400.4	\$ 404.1	\$ 388.3	\$ 1,560.3	\$ 1,245.0	\$ 1,771.9
	Process Industries	205.9	211.0	233.7	249.4	900.0	806.0	1,163.0
	Aerospace and Defense	92.1	82.7	81.0	82.5	338.3	417.7	411.9
	Steel	248.2	317.3	340.9	350.5	1,256.9	672.9	1,694.0
		\$ 913.7	\$ 1,011.4	\$ 1,059.7	\$ 1,070.7	\$ 4,055.5	\$ 3,141.6	\$ 5,040.8
<b>Intersegment sales:</b>	Mobile	\$ -	\$ -	\$ -	\$ 0.3	\$ 0.3	\$ -	\$ -
	Process Industries	0.7	0.6	0.8	1.3	3.4	2.7	3.1
	Steel	22.1	20.8	30.4	29.3	102.6	42.0	158.0
		\$ 22.8	\$ 21.4	\$ 31.2	\$ 30.9	\$ 106.3	\$ 44.7	\$ 161.1
<b>Segment EBIT</b>	<b>Mobile Industries, as adjusted</b>	\$ 42.4	\$ 68.5	\$ 60.6	\$ 52.0	\$ 223.5	\$ 30.5	\$ 35.8
	Impairment and Restructuring	(2.6)	0.1	(2.1)	(8.8)	(13.4)	(108.4)	(27.2)
	Other Special items	(0.2)	-	(1.4)	(0.9)	(2.5)	(7.6)	0.7
	Mobile Industries, revised	\$ 39.6	\$ 68.6	\$ 57.1	\$ 42.3	\$ 207.6	\$ (85.5)	\$ 9.3
	<b>Process Industries, as adjusted</b>	26.9	28.9	37.2	45.2	138.2	118.5	218.7
	Impairment and Restructuring	(1.6)	(0.2)	(0.1)	(1.3)	(3.2)	(45.3)	(3.8)
	Other Special items	(1.2)	(0.4)	(0.3)	0.5	(1.4)	(0.6)	0.0
	Process Industries, revised	\$ 24.1	\$ 28.3	\$ 36.8	\$ 44.4	\$ 133.6	\$ 72.6	\$ 214.9
	<b>Aerospace and Defense, as adjusted</b>	12.8	7.2	3.8	(2.6)	21.2	72.5	41.5
	Impairment and Restructuring	(0.7)	(1.0)	(0.7)	(2.2)	(4.6)	(5.0)	-
	Other Special items	(0.2)	(0.1)	(0.6)	1.0	0.1	(2.1)	3.4
	Aerospace and Defense, revised	\$ 11.9	\$ 6.1	\$ 2.5	\$ (3.8)	\$ 16.7	\$ 65.4	\$ 44.9
	<b>Steel, as adjusted</b>	19.9	43.0	41.3	42.1	146.3	(57.9)	264.0
	Impairment and Restructuring	-	0.1	-	-	0.1	(3.3)	(1.5)
	Other Special items	-	(0.1)	-	(0.1)	(0.2)	(2.2)	18.9
	Steel, revised	\$ 19.9	\$ 43.0	\$ 41.3	\$ 42.0	\$ 146.2	\$ (63.4)	\$ 281.4
	<b>Unallocated corporate expenses, as adjusted</b>	(13.8)	(17.8)	(17.6)	(17.6)	(66.8)	(48.7)	(68.4)
	Impairment and Restructuring	(0.6)	-	-	-	(0.6)	(2.1)	(0.3)
	Other Special items	-	-	-	-	-	(0.6)	0.3
	Unallocated corporate expenses, revised	\$ (14.4)	\$ (17.8)	\$ (17.6)	\$ (17.6)	\$ (67.4)	\$ (51.4)	\$ (68.4)
<b>Total Segment EBIT, re Total Segment EBIT, revised</b>	\$ 81.1	\$ 128.2	\$ 120.1	\$ 107.3	\$ 436.7	\$ (62.3)	\$ 482.1	
Interest expense	(9.6)	(10.0)	(9.1)	(9.5)	(38.2)	(41.9)	(44.4)	
Interest income	0.6	0.9	0.8	1.4	3.7	1.9	5.8	
Intersegment adjustments	2.5	1.1	(1.0)	0.7	3.3	8.1	(3.9)	
<b>Income (loss) from continuing operations before income taxes</b>	\$ 74.6	\$ 120.2	\$ 110.8	\$ 99.9	\$ 405.5	\$ (94.2)	\$ 439.6	



# Reconciliation to GAAP

(Dollars in millions, except share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
<b>Mobile Industries Segment</b>				
Net sales to external customers	\$ 441.3	\$ 404.1	\$ 1,349.3	\$ 1,172.0
Intersegment sales	0.3	-	0.5	-
Total net sales	\$ 441.6	\$ 404.1	\$ 1,349.8	\$ 1,172.0
Earnings before interest and taxes (EBIT) <sup>(1)</sup>	\$ 65.2	\$ 57.1	\$ 200.0	\$ 165.3
EBIT Margin <sup>(1)</sup>	14.8%	14.1%	14.8%	14.1%
<b>Process Industries Segment</b>				
Net sales to external customers	\$ 328.1	\$ 233.7	\$ 919.7	\$ 650.6
Intersegment sales	0.8	0.8	2.5	2.1
Total net sales	\$ 328.9	\$ 234.5	\$ 922.2	\$ 652.7
Earnings before interest and taxes (EBIT) <sup>(1)</sup>	\$ 77.5	\$ 36.8	\$ 214.5	\$ 89.2
EBIT Margin <sup>(1)</sup>	23.6%	15.7%	23.3%	13.7%
<b>Aerospace and Defense Segment</b>				
Net sales to external customers	\$ 81.8	\$ 81.0	\$ 244.4	\$ 255.8
(Loss) Earnings before interest and taxes (EBIT) <sup>(1)</sup>	\$ (1.5)	\$ 2.5	\$ 4.0	\$ 20.5
EBIT Margin <sup>(1)</sup>	-1.8%	3.1%	1.6%	8.0%
<b>Steel Segment</b>				
Net sales to external customers	\$ 470.6	\$ 340.9	\$ 1,392.1	\$ 906.4
Intersegment sales	30.9	30.4	96.0	73.3
Total net sales	\$ 501.5	\$ 371.3	\$ 1,488.1	\$ 979.7
Earnings before interest and taxes (EBIT) <sup>(1)</sup>	\$ 67.1	\$ 41.3	\$ 199.2	\$ 104.2
EBIT Margin <sup>(1)</sup>	13.4%	11.1%	13.4%	10.6%
Unallocated corporate expense	\$ (17.5)	\$ (17.6)	\$ (55.9)	\$ (49.8)
Intersegment eliminations income (expense) <sup>(3)</sup>	\$ (0.9)	\$ (10)	\$ (0.7)	\$ 2.6
<b>Consolidated</b>				
Net sales to external customers	\$ 1,321.8	\$ 1,059.7	\$ 3,905.5	\$ 2,984.8
Earnings before interest and taxes (EBIT) <sup>(1)</sup>	\$ 189.9	\$ 119.1	\$ 561.1	\$ 332.0
EBIT Margin <sup>(1)</sup>	14.4%	11.2%	14.4%	11.1%

(1) EBIT is defined as operating income plus other income (expense). EBIT Margin is EBIT as a percentage of net sales. EBIT and EBIT Margin 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 and EBIT Margin best reflect the performance of the company's business segments and EBIT disclosures are useful to investors.

(2) Discontinued Operations relate to the sale of the Needle Roller Bearings (NRB) operations to JTEKT Corporation on December 31, 2009.

(3) Intersegment eliminations represent profit or loss between the Steel segment and the Mobile Industries, Process Industries and Aerospace and Defense segments.

