Investor Presentation
August, 2009

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SAFE HARBOR STATEMENT: 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 the timing of the closing of the Needle Roller Bearings transaction 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 inability to complete the sale of the Needle Roller Bearings business due to either the failure to satisfy any condition to the closing of the transaction, including receipt of regulatory approval, or the occurrence of any event, change or other circumstance that could give rise to the termination of the purchase agreement; 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, including any disruptions or bankruptcies in the automotive industry 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 LIFO accounting; changes in global economic conditions and financial markets; changes in the expected costs associated with product warranty claims; the results of the company’s discussions with the union that represents company associates at the Canton area manufacturing facilities; 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 future and ongoing programs and initiatives, including, without limitation, the initiative to reduce its employment levels and costs; the implementation of its Mobile Industries Segment restructuring program and initiatives and the rationalization of the company’s Canton bearing operations. These and additional factors are described in greater detail in the company’s Annual Report on Form 10-K for the year ended December 31, 2008, page 44, and in the company’s Form 10-Q for the quarter ended June 30, 2009. 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
  – Mining
  – Energy
  – Rail
  – Construction
  – Truck
  – Automotive
  – Distribution

• Established in 1899

• 2008 sales: $5.7 billion

• 21,900 associates in 26 countries

• Global network of 12 technology centers
  www.bearing.sg

Note: Number of associates as of June 30, 2009.
Vision, Values & Aspiration

Our Vision
We are dedicated
to improving our customers’ performance
by applying our knowledge
of friction management and power transmission
to deliver unparalleled value and innovation
all around the world.

Our Values
Ethics & Integrity
Quality
Innovation
Independence

Our Financial Aspiration
Top Quartile Shareholder Returns
www.bearing.sg
Our Strategy Model

- Enhance existing products and services
- Leverage technology to create value
- Capture lifetime of opportunity
- Structure portfolio for value creation
- Fix/Exit under-performing sectors
- Industrial markets
- Geographies
- Channels
- Improve efficiency
- Lower cost structure
- Increase agility
- Deliver greater profitability and build on brand promise

www.bearing.sg
Our New Enterprise

Aerospace & Defense - $0.4B
• Diversified growth in defense, commercial and the aftermarket ... beyond bearings

Process Industries - $1.3B
• Global growth, diversified, strong aftermarket

Steel Group - $1.7B
• Enhancing market leadership position where performance demands are high

Mobile Industries - $2.3B
• Portfolio transformation / value-based pricing

Note: Segmentation based on 2008 sales. Steel Group sales exclude inter-segment sales of $158 million.
End Markets

2002
Sales: $2.6B

2008
Sales: $5.7B

Industrial Markets
Light Truck, Passenger Car, Auto. Aftermarket

Other
Mining
Agriculture
Metals
Rail
Construction
Aerospace & Defense

Light Truck
Passenger Car
Auto Aftermarket
Industrial Machinery
Energy
Heavy / Medium Truck

Automotive Light Vehicle Reduced from 40% to 27%

Shifting into Industrial Markets
Geographic Sales Diversification

Sales Outside United States Increased from 26% to 36%

Note: 2002 sales include discontinued operations.
Portfolio Shift 2002 - 2008
Revenue Impact

($Millions)

$1,500

$1,000

$500

$0

Acquired $1.4B of profit-enhancing business:
- Torrington
- Alcor Engine
- SES Tech. Services
- Bearing Inspection Inc. (Bii)
- Turbo Technologies
- Turbo Engines
- Purdy
- Boring Specialties (BSI)
- EXTEX

Divested $650M non-strategic / underperforming business:
- Airframe business
- Kilian Bearings
- Linear Motion Systems
- NRB Bearings JV (India)
- Precision Steel Components - Europe
- Latrobe Steel
- Automotive Steering
- Timken-NSK Bearings JV

... and completed multiple facility rationalizations
Needle Roller Bearings Business Divestiture

2008 Proforma* Sales: $5.0B

- Agreement signed July 29 to sell Needle Roller Bearings business to JTEKT Corp.  
  - 2009 1H sales of ~$185M  
  - Approx. 3,400 employees

- A major step forward in strategy to transform portfolio to focus on industrial sectors with strong aftermarkets

- Proceeds of ~$330M in cash, subject to adjustments for working capital

- Closing expected by year-end, subject to regulatory approvals & closing conditions

Automotive OE Light Vehicle Reduced to approximately 18%

* Proforma Total Company sales adjusted to exclude Needle Roller Bearings business 2008 sales of approximately $620 million.
# Segment Profitability
## 2002-2008

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sales</td>
<td>EBIT</td>
<td>Margin</td>
</tr>
<tr>
<td>Automotive Bearings</td>
<td>$753</td>
<td>$11</td>
<td>1.5%</td>
</tr>
<tr>
<td>Industrial Bearings</td>
<td>$972</td>
<td>$73</td>
<td>7.5%</td>
</tr>
<tr>
<td>Steel</td>
<td>$981</td>
<td>$33</td>
<td>3.3%</td>
</tr>
<tr>
<td><strong>Consolidated Company</strong></td>
<td><strong>$2,550</strong></td>
<td><strong>$115</strong></td>
<td><strong>4.5%</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sales</td>
<td>EBIT</td>
<td>Margin</td>
</tr>
<tr>
<td>Mobile Industries</td>
<td>$2,264</td>
<td>$17</td>
<td>0.7%</td>
</tr>
<tr>
<td>Process Industries</td>
<td>$1,278</td>
<td>$247</td>
<td>19.3%</td>
</tr>
<tr>
<td>Aerospace &amp; Defense</td>
<td>$431</td>
<td>$50</td>
<td>11.7%</td>
</tr>
<tr>
<td>Steel Group</td>
<td>$1,852</td>
<td>$264</td>
<td>14.3%</td>
</tr>
<tr>
<td>Unallocated Corporate Expense</td>
<td>($68)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Consolidated Company</strong></td>
<td><strong>$5,664</strong></td>
<td><strong>$505</strong></td>
<td><strong>8.9%</strong></td>
</tr>
</tbody>
</table>

**Note:** 2002 includes Latrobe Steel Company sales and EBIT, which was subsequently sold in December 2006 and reported in discontinued operations. EBIT excludes special items. Steel sales include inter-segment sales of $156 million and $158 million in 2002 and 2008 respectively.

**Transforming for Value**
Mobile Industries
Market Sector Profile

- A group of diverse market sectors with similar buying behaviors
- OE and aftermarket bearings for engine valve trains, transmissions, and wheel-ends

2008 Sales: $2.3 Billion

- Light Truck 25%
- Off-Highway 23%
- Heavy/Med Truck 15%
- Passenger Car 17%
- Rail 10%
- Auto Aftermarket 10%
- Light Truck 25%

Facing Challenging Markets
Mobile Industries
Strategic Focus

Achievements:
• Improved pricing and cost reductions
• Improved material cost recovery
• Managed dramatic reduction in demand
• Exited some unprofitable business
• Reduced S&A expenses

Key areas of focus:
• Pricing and contracts
• Managing demand reduction
• Fix or exit unprofitable business
• Expand aftermarket opportunity
Process Industries
Market Sector Profile

• Diverse markets

• Diverse customer base
  – 1,400+ original equipment manufacturers
  – 2,000 distributors
  – 100,000+ end users

• Approximately 65% aftermarket; providing more stable profitable business

2008 Sales: $1.3 Billion

- Industrial Machinery 35%
- Metals 21%
- Infrastructure 18%
- Energy 12%
- Gear Drives 11%
- Services 3%
Process Industries
Strategic Focus

Achievements:
• Profitable growth in key market areas of focus:
  - cement, metals, wind
• Asian growth initiative progress
• Improved profit margin
• Installation and ramp-up of capacity
  - Xiangtan JV, Wuxi, Chennai

Key areas of focus:
• Align operations with lower demand
• Cost / cash management
• Strengthen market position
  - energy markets and Asian infrastructure
  - continue to develop and grow global aftermarket
• Broaden power transmission product offering & equipment maintenance services
Aerospace and Defense
Market Sector Profile

• Focused on growth beyond bearings

• OE and aftermarket solutions
  – helicopter transmissions
  – OE bearings
  – parts reconditioning
  – overhaul products & services

• Health positioning and controls

2008 Sales: $0.4 Billion

- Defense Aerospace 42%
- General Aviation 13%
- Commercial Aerospace 26%
- Positioning Control 14%
- Health 5%
Aerospace and Defense
Strategic Focus

**Achievements:**
- Growth beyond bearings in new markets
  - power transmission parts & services now nearly half of portfolio
- Stronger aftermarket presence
- Higher margins and growing demand
- Increased capacity
- Integrated Purdy and acquired EXTEX

**Key areas of focus:**
- Extend powertrain system & service offerings
  - Asia, related products, aftermarket
- Leverage Purdy and EXTEX acquisitions
- Ramp-up capacity
Steel Group
Market Sector Profile

• High quality air-melted alloy steel bars, tubes, precision components and value-added services

• High-end applications where demands on performance are significant

• Contributor of steel technology to Timken Bearings & Power Transmission Group

2008 Sales: $1.9 Billion

Automotive 17%
Energy 19%
Industrial 20%
Bearing 20%
Distribution 24%

Note: 2008 sales include $158 million inter-segment sales.
Steel Group
Strategic Focus

Achievements:
• Record sales, profitability, strong cash generation
• Managed raw-material input cost volatility
• Grow / Differentiate
  - acquired BSI: oil and gas industry focused
  - expansion of thermal treatment capabilities: strengthening competitive position
  - opened new small-bar rolling mill: highly specialized power transmission applications

Key areas of focus:
• Align operations with lower demand
• Continuous improvement, cost saving initiatives
• USW contract negotiation
• Ramp-up of small-bar mill
Our Priorities

Execution

- Balance manufacturing output to demand
- Focus on cash flow generation
  - S&A cost reductions, reduce employment levels
  - lower CapEx
  - better working capital management
- Implement lean operating model, leveraging Project O.N.E. investment
- Maintain financial strength; strong balance sheet & adequate liquidity
- Manage legacy pension & post-retirement benefit liabilities
- Strengthen leadership capability

Focused Growth

- Fix or exit underperforming businesses
  - pricing and contract terms
- Continue growth in targeted industrial markets & geographies
  - aerospace, energy, industrial aftermarket, heavy industries, Asia
Financial Overview
2008 – Year In Review

• Record Sales of $5.7 billion, up 8% from prior year

• Record EPS of $3.26 (excluding special items), up 36% from prior year
  – Special items of $0.48 per share; primarily goodwill impairment charge

• ROIC of 11.9%, exceeding cost of capital

• Record Free Cash Flow of $230 million

• Strong Balance Sheet
  – Improved debt rating from Moody’s (Baa3)
  – Net debt/capital of 23.6%; provides financial flexibility

Note: EPS excludes the impact of impairment and restructuring, manufacturing rationalization/integration/reorganization and special charges and credits. ROIC is defined as NOPAT / average Invested Capital. 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.
2009 – 1st Half Results

• Sales of $1.8 billion, down 40% from prior year
  – Due to weaker demand across most of the company’s end markets

• EBIT margin of (0.1)%, down 930 bps

• EPS of $(0.14) -- (versus $1.78 from prior year)

• Strong Free Cash Flow of $173 million
  – From operating activities after pension contributions, capital expenditures and dividends

• Strong Balance Sheet
  – Net debt/capital of 16.5%; provides financial flexibility

Note: EBIT and EPS exclude the impact of impairment and restructuring, manufacturing rationalization/integration/reorganization and special charges and credits. 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.
# Liquidity / Debt Maturity Schedule

**As of 6/30/2009 (in Millions)**

<table>
<thead>
<tr>
<th>Amount Available</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash $277</td>
</tr>
<tr>
<td>U.S. Senior Credit Facility $461</td>
</tr>
<tr>
<td>- $500 million committed; July 2012*</td>
</tr>
<tr>
<td>U.S. Accounts Receivable Securitization $75</td>
</tr>
<tr>
<td>- $175 million committed; Dec. 2009</td>
</tr>
<tr>
<td>Foreign Facilities $302</td>
</tr>
<tr>
<td>- $371 million primarily on-demand</td>
</tr>
</tbody>
</table>

Sub-Total credit availability $839

Total (including cash) $1,116

## Debt Maturity:

<table>
<thead>
<tr>
<th>6/30/09</th>
<th>Payments Due by Period</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2009</td>
</tr>
<tr>
<td>Total Debt</td>
<td>$593</td>
</tr>
<tr>
<td>$70</td>
<td>$309</td>
</tr>
</tbody>
</table>

*Note: On July 10, 2009, the Company entered into a new unsecured $500 million three-year agreement, replacing the former Senior Credit Facility, which was due to expire on June 30, 2010.*

Timken’s Liquidity Position is Strong
Sales
Continuing Operations

Net Sales
(in Millions)

CAGR 1991-2001: 4%
CAGR 2002-2008: 16%

Note: 2003 includes Torrington acquisition as acquired February 2003.

Top-Line Growth Exceeding Prior Cycle
Earnings Per Share
Continuing Operations

Net Sales
(in Millions)

Earnings Per Share

Note: Excludes special items, such as restructuring and reorganization expenses, CDO payments and goodwill amortization. EPS assumes dilution. 2003 includes Torrington acquisition as acquired February 2003.

Earnings Expected to Rebound Faster than Past Cycle
Free Cash Flow

Note: Free cash flow defined as net cash provided by operating activities (includes pension contributions) minus capital expenditures and dividends.

2009 Outlook:
- Lower earnings
- Higher pension contributions
- Lower CapEx
- Reduced working capital
- Strong cash flow generation in 2009; second best year

'91-'01 Avg: $16M
'02-'08 Avg: $38M

Record FCF in 2008 with Strong Cash Flow Expected in 2009
Net Debt

Target leverage of 30 - 35%

Note: 2003 includes Torrington acquisition as acquired February 2003. Net Debt / Capital (leverage) defined as Net Debt / (Net Debt + Equity).
Return on Invested 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.

Objective to Exceed Cost of Capital through the Cycle
Capital Allocation

**Internal growth initiatives**
- Capacity expansions in targeted industrial market sectors
  - wind, aerospace, heavy industries
- Asian growth
- Project O.N.E. (business processes & systems)

**Acquisitions and divestitures**
- Criteria
  - Industrial focus
  - Market-leading position
  - Strong management team
  - International focus
  - Accretive to earnings / cash in year one
  - Earn cost of capital within three years

**Dividends and share repurchase**
- 349th consecutive quarterly dividend to be paid in September 2009
- Authorized share repurchase program to purchase up to 4 million shares or $180 million
## Incentive Compensation

<table>
<thead>
<tr>
<th>Program</th>
<th><strong>Short-Term</strong> (Cash)</th>
<th><strong>Intermediate</strong> (Cash)</th>
<th><strong>Long-Term</strong> (Equity)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Annual Performance Award Plan (APA)</td>
<td>Intermediate Incentive Plan (IIP)</td>
<td>Restricted Shares</td>
</tr>
<tr>
<td><strong>Objective</strong></td>
<td>Short-term operational business priorities</td>
<td>Mid-term goals from Strategic Plan</td>
<td>Long-term shareholder value creation</td>
</tr>
<tr>
<td><strong>Participants</strong></td>
<td>7,500 Associates globally</td>
<td>200 General Managers &amp; above</td>
<td>500 Senior Managers and above coupled with certain ownership requirements</td>
</tr>
<tr>
<td><strong>Time Horizon</strong></td>
<td>1 Year</td>
<td>3 Years</td>
<td>4 Years</td>
</tr>
<tr>
<td><strong>Metrics</strong></td>
<td>40% Corporate EBIT/BIC</td>
<td>50% Earnings growth</td>
<td>Share price</td>
</tr>
<tr>
<td></td>
<td>30% Business Unit EBIT/BIC</td>
<td>50% ROIC</td>
<td></td>
</tr>
<tr>
<td></td>
<td>15% BU working capital % sales</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>15% Customer service or New business sales ratio</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Our Strategy Model

- Enhance existing products and services
- Leverage technology to create value
- Capture lifetime of opportunity
- Structure portfolio for value creation
- Fix/Exit under-performing sectors
- Industrial markets
- Geographies
- Channels
- Improve efficiency
- Lower cost structure
- Increase agility
- Deliver greater profitability and build on brand promise
Segment – Financial Performance

Net Sales (in Millions)

<table>
<thead>
<tr>
<th>Segment</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile</td>
<td>$2,400</td>
<td>$2,200</td>
<td>$2,000</td>
</tr>
<tr>
<td>Process</td>
<td>$1,500</td>
<td>$1,300</td>
<td>$1,200</td>
</tr>
<tr>
<td>Aerospace &amp; Defense</td>
<td>$100</td>
<td>$80</td>
<td>$100</td>
</tr>
<tr>
<td>Steel Group</td>
<td>$300</td>
<td>$300</td>
<td>$300</td>
</tr>
</tbody>
</table>

EBIT Margin

<table>
<thead>
<tr>
<th>Segment</th>
<th>Mobile</th>
<th>Process</th>
<th>Aerospace &amp; Defense</th>
<th>Steel Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>10%</td>
<td>12%</td>
<td>13%</td>
<td>14%</td>
</tr>
<tr>
<td>2007</td>
<td>11%</td>
<td>13%</td>
<td>14%</td>
<td>15%</td>
</tr>
<tr>
<td>2008</td>
<td>12%</td>
<td>14%</td>
<td>15%</td>
<td>16%</td>
</tr>
</tbody>
</table>

Note: Steel Group net sales include inter-segment sales of $158 million in 2008, $147 million in 2007 and $144 million in 2006. EBIT margin excludes the impact of impairment and restructuring, manufacturing rationalization / integration and special charges and credits and unallocated corporate expense.
### Reconciliation to GAAP
(continued next page)

(Unaudited)

**CONDENSED CONSOLIDATED STATEMENT OF INCOME**

(Dollars in thousands, except share data)

<table>
<thead>
<tr>
<th>Component</th>
<th>Full Year 2008</th>
<th>Full Year 2007</th>
<th>Adjusted (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>$5,663,660</td>
<td>$5,236,020</td>
<td>$5,663,660</td>
</tr>
<tr>
<td>Cost of products sold</td>
<td>$4,417,961</td>
<td>$4,150,911</td>
<td>$4,417,961</td>
</tr>
<tr>
<td>Manufacturing rationalization/reorganization expenses - cost of products sold</td>
<td>$4,230</td>
<td>$31,275</td>
<td>-</td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td>$1,241,469</td>
<td>$1,053,834</td>
<td>$1,245,699</td>
</tr>
<tr>
<td>Selling, administrative &amp; general expenses (SG&amp;A)</td>
<td>$723,463</td>
<td>$692,037</td>
<td>$723,463</td>
</tr>
<tr>
<td>Manufacturing rationalization/reorganization expenses - SG&amp;A</td>
<td>$1,524</td>
<td>$3,246</td>
<td>-</td>
</tr>
<tr>
<td>(Gain) loss on divestitures</td>
<td>$(8)</td>
<td>$528</td>
<td>-</td>
</tr>
<tr>
<td>Impairment and restructuring</td>
<td>$64,383</td>
<td>$40,378</td>
<td>-</td>
</tr>
<tr>
<td><strong>Operating Income (Loss)</strong></td>
<td>$452,107</td>
<td>$317,645</td>
<td>$522,236</td>
</tr>
<tr>
<td>Other (expense)</td>
<td>$(16,867)</td>
<td>$(12,988)</td>
<td>$(16,867)</td>
</tr>
<tr>
<td>Special items - other income</td>
<td>$29,319</td>
<td>$13,239</td>
<td>-</td>
</tr>
<tr>
<td><strong>Earnings Before Interest and Taxes (EBIT)</strong></td>
<td>$(38,963)</td>
<td>$(35,639)</td>
<td>$(38,963)</td>
</tr>
<tr>
<td>Interest expense, net</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Income (Loss) From Continuing Operations</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Before Income Taxes</td>
<td>$425,596</td>
<td>$282,257</td>
<td>$466,406</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>$157,926</td>
<td>$62,868</td>
<td>$152,982</td>
</tr>
<tr>
<td><strong>Income (Loss) From Continuing Operations</strong></td>
<td>$267,670</td>
<td>$219,389</td>
<td>$313,424</td>
</tr>
<tr>
<td>Income from discontinued operations net of income taxes, special items</td>
<td>$267,670</td>
<td>$220,054</td>
<td>$313,424</td>
</tr>
<tr>
<td>Net Income (Loss)</td>
<td></td>
<td></td>
<td>$229,917</td>
</tr>
</tbody>
</table>
Reconciliation to GAAP

(Unaudited)
CONDENSED CONSOLIDATED STATEMENT OF INCOME

(Dollars in thousands, except share data)  

<table>
<thead>
<tr>
<th></th>
<th>AS REPORTED</th>
<th>ADJUSTED (1)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Full Year 2008</td>
<td>Full Year 2007</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings Per Share - Continuing Operations</td>
<td>$ 2.80</td>
<td>$ 2.32</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings Per Share - Discontinued Operations</td>
<td>-</td>
<td>0.01</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings Per Share</td>
<td>$ 2.80</td>
<td>$ 2.33</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diluted Earnings Per Share - Continuing Operations</td>
<td>$ 2.78</td>
<td>$ 2.29</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diluted Earnings Per Share - Discontinued Operations</td>
<td>-</td>
<td>0.01</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diluted Earnings Per Share</td>
<td>$ 2.78</td>
<td>$ 2.30</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Shares Outstanding</td>
<td>95,650,104</td>
<td>94,639,065</td>
<td>95,650,104</td>
<td>94,639,065</td>
</tr>
<tr>
<td>Average Shares Outstanding-assuming dilution</td>
<td>96,272,763</td>
<td>95,612,235</td>
<td>96,272,763</td>
<td>95,612,235</td>
</tr>
</tbody>
</table>

(1) "Adjusted" statements exclude the impact of impairment and restructuring, manufacturing rationalization/reorganization and special charges and credits for all periods shown.

(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 reflects the Dec. 8, 2006 sale of Timken Latrobe Steel. Steel Group Net sales and Adjusted EBIT have been changed to exclude Timken Latrobe Steel for all periods. Income From Discontinued Operations Net of Income Taxes, Special Items includes the gain on sale.

(4) Intergroup eliminations represent intergroup profit or loss between the Steel Group and the Bearings and Power Transmission Group.
# Reconciliation to GAAP

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term debt</td>
<td>$108,590</td>
<td>$142,568</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>515,250</td>
<td>580,587</td>
</tr>
<tr>
<td>Total Debt</td>
<td>623,840</td>
<td>723,155</td>
</tr>
<tr>
<td>Less: Cash and cash equivalents</td>
<td>(116,306)</td>
<td>(30,144)</td>
</tr>
<tr>
<td>Net Debt</td>
<td>$507,534</td>
<td>$693,011</td>
</tr>
<tr>
<td>Shareholders' equity</td>
<td>$1,640,297</td>
<td>$1,960,669</td>
</tr>
</tbody>
</table>

| Ratio of Total Debt to Capital    | 27.6%        | 26.9%        |
| Ratio of Net Debt to Capital (Leverage) | 23.6%    | 26.1%        |

This reconciliation is provided as additional relevant information about Timken's financial position. Capital is defined as total debt plus shareholder's equity.

Management believes Net Debt is more indicative of Timken's financial position, due to the amount of cash and cash equivalents.
Reconciliation to GAAP

Reconciliation of GAAP income from continuing operations and EPS - diluted.
This reconciliation is provided as additional relevant information about the company's performance. Management believes adjusted income from continuing operations and 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 the sale of non-strategic assets.

<table>
<thead>
<tr>
<th>(Dollars in thousands, except per share data) (Unaudited)</th>
<th>2008</th>
<th></th>
<th>2007</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from continuing operations</td>
<td>$267,670</td>
<td>$2.78</td>
<td>$219,389</td>
<td>$2.29</td>
</tr>
<tr>
<td>Pre-tax special items:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing rationalization/reorganization expenses -</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>cost of products sold</td>
<td>4,230</td>
<td>0.04</td>
<td>31,275</td>
<td>0.33</td>
</tr>
<tr>
<td>Manufacturing rationalization/reorganization expenses -</td>
<td>1,524</td>
<td>0.02</td>
<td>3,246</td>
<td>0.03</td>
</tr>
<tr>
<td>SG&amp;A</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Gain) loss on divestiture</td>
<td>(8)</td>
<td>-</td>
<td>528</td>
<td>0.01</td>
</tr>
<tr>
<td>Impairment and restructuring</td>
<td>64,383</td>
<td>0.67</td>
<td>40,378</td>
<td>0.42</td>
</tr>
<tr>
<td>Special items - other expense (income)</td>
<td>(29,319)</td>
<td>(0.30)</td>
<td>(13,239)</td>
<td>(0.14)</td>
</tr>
<tr>
<td>Provision for income taxes (2)</td>
<td>4,944</td>
<td>0.05</td>
<td>(51,660)</td>
<td>(0.54)</td>
</tr>
<tr>
<td>Adjusted income from continuing operations</td>
<td>$313,424</td>
<td>$3.26</td>
<td>$229,917</td>
<td>$2.40</td>
</tr>
</tbody>
</table>

(1) EPS amounts will not sum due to rounding differences.

(2) Provision for income taxes includes the tax effect of pre-tax special items on our effective tax rate, as well as the impact of discrete tax items recorded during the respective periods.

Reconciliation of Outlook Information.
Expected earnings per diluted share for the 2009 full year excludes special items. Examples of such special items include impairment and restructuring, manufacturing rationalization/reorganization expenses, gain/loss on the sale of non-strategic assets and payments under the CDSOA. It is not possible at this time to identify the potential amount or significance of these special items. Management cannot predict whether the company will receive any additional payments under the CDSOA in 2009 and if so, in what amount. If the company does receive any CDSOA payments, they will most likely be received in the fourth quarter.
### CONDENSED CONSOLIDATED STATEMENT OF INCOME

**(Dollars in thousands, except share data)**

<table>
<thead>
<tr>
<th></th>
<th>Q2 2009</th>
<th>Q2 2008</th>
<th>Six Months 2009</th>
<th>Six Months 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>$828,927</td>
<td>$1,535,549</td>
<td>$1,789,305</td>
<td>$2,970,219</td>
</tr>
<tr>
<td><strong>Cost of products sold</strong></td>
<td>708,653</td>
<td>1,190,937</td>
<td>1,515,714</td>
<td>2,312,696</td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td>$118,835</td>
<td>$343,744</td>
<td>$270,961</td>
<td>$655,281</td>
</tr>
<tr>
<td><strong>Selling, administrative &amp; general expenses (SG&amp;A)</strong></td>
<td>141,336</td>
<td>195,352</td>
<td>280,058</td>
<td>372,490</td>
</tr>
<tr>
<td><strong>Operating (Loss) Income</strong></td>
<td>$(78,395)</td>
<td>$(145,334)</td>
<td>$(80,009)</td>
<td>$(276,057)</td>
</tr>
<tr>
<td><strong>Other income (expense)</strong></td>
<td>$(1,330)</td>
<td>$(892)</td>
<td>$(5,779)</td>
<td>$(4,916)</td>
</tr>
<tr>
<td><strong>(Loss) Earnings Before Interest and Taxes (EBIT)</strong></td>
<td>$(78,968)</td>
<td>$144,633</td>
<td>$(73,114)</td>
<td>$209,823</td>
</tr>
<tr>
<td><strong>Interest expense, net</strong></td>
<td>$(7,942)</td>
<td>$(16,026)</td>
<td>$(19,728)</td>
<td>$(22,392)</td>
</tr>
<tr>
<td><strong>(Loss) Earnings Before Income Taxes</strong></td>
<td>$(86,910)</td>
<td>$89,244</td>
<td>$(89,140)</td>
<td>$(4,694)</td>
</tr>
<tr>
<td><strong>Net (Loss) Income</strong></td>
<td>$(63,870)</td>
<td>$(68,948)</td>
<td>$(68,948)</td>
<td>$(175,271)</td>
</tr>
<tr>
<td><strong>Less: net income (loss) attributable to noncontrolling interest</strong></td>
<td>647</td>
<td>978</td>
<td>(5,301)</td>
<td>1,863</td>
</tr>
<tr>
<td><strong>Net (Loss) Income Attributable to The Timken Company</strong></td>
<td>$(64,517)</td>
<td>$(88,943)</td>
<td>$(63,647)</td>
<td>$(171,268)</td>
</tr>
</tbody>
</table>

**Net Income per Common Share Attributable to The Timken Company Common Shareholders:**

- **Basic Earnings Per Share**
  - Q2 2009: $(0.67)
  - Q2 2008: $0.93
  - Six Months 2009: $(0.66)
  - Six Months 2008: $1.82
- **Diluted Earnings Per Share**
  - Q2 2009: $(0.67)
  - Q2 2008: $0.92
  - Six Months 2009: $(0.66)
  - Six Months 2008: $1.80

Average Shares Outstanding:
- 2009: 96,147,809
- 2008: 95,604,374

Average Shares Outstanding - assuming dilution:
- 2009: 96,147,809
- 2008: 96,507,960

(1) "Adjusted" statements exclude the impact of impairment and restructuring, manufacturing rationalization/reorganization and special charges and credits for all periods shown.
### Reconciliation of Total Debt to Net Debt and the Ratio of Net Debt to Capital:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term debt</td>
<td>$ 337,697</td>
<td>$ 108,590</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>254,845</td>
<td>515,250</td>
</tr>
<tr>
<td>Total Debt</td>
<td>592,542</td>
<td>623,840</td>
</tr>
<tr>
<td>Less: Cash and cash equivalents</td>
<td>(277,086)</td>
<td>(133,383)</td>
</tr>
<tr>
<td>Net Debt</td>
<td>$ 315,456</td>
<td>$ 490,457</td>
</tr>
<tr>
<td>Shareholders' equity</td>
<td>$ 1,601,147</td>
<td>$ 1,663,038</td>
</tr>
<tr>
<td>Ratio of Total Debt to Capital</td>
<td>27.0%</td>
<td>27.3%</td>
</tr>
<tr>
<td>Ratio of Net Debt to Capital (Leverage)</td>
<td>16.5%</td>
<td>22.8%</td>
</tr>
</tbody>
</table>

This reconciliation is provided as additional relevant information about The Timken Company's financial position. Capital is defined as total debt plus shareholder's equity.

Management believes Net Debt is more indicative of Timken's financial position, due to the amount of cash and cash equivalents.
Reconciliation to GAAP

Reconciliation of GAAP net income attributable to the Timken Co. and EPS - diluted
This reconciliation is provided as additional relevant information about the company's performance. Management believes adjusted net income and 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 net income to adjusted net income 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 the sale of non-strategic assets.

<table>
<thead>
<tr>
<th></th>
<th>Second Quarter</th>
<th></th>
<th></th>
<th>Six Months</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2009</td>
<td>2008</td>
<td></td>
<td>2009</td>
<td>2008</td>
<td></td>
</tr>
<tr>
<td>(Dollars in thousands, except per share data) (Unaudited)</td>
<td>$</td>
<td>EPS (1)</td>
<td>$</td>
<td>EPS (1)</td>
<td>$</td>
<td>EPS (1)</td>
</tr>
<tr>
<td>Net (loss) income attributable to The Timken Company</td>
<td>(64,517)</td>
<td>(0.67)</td>
<td>88,943</td>
<td>0.92</td>
<td>(63,647)</td>
<td>(0.66)</td>
</tr>
<tr>
<td>Pre-tax special items:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing rationalization/reorganization expenses - cost of products sold</td>
<td>1,439</td>
<td>0.01</td>
<td>868</td>
<td>0.01</td>
<td>2,630</td>
<td>0.03</td>
</tr>
<tr>
<td>Manufacturing rationalization/reorganization expenses - SG&amp;A</td>
<td>979</td>
<td>0.01</td>
<td>1,251</td>
<td>0.01</td>
<td>1,253</td>
<td>0.01</td>
</tr>
<tr>
<td>Gain on divestitures</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Impairment and restructuring</td>
<td>54,915</td>
<td>0.57</td>
<td>1,807</td>
<td>0.02</td>
<td>69,659</td>
<td>0.72</td>
</tr>
<tr>
<td>Special items - other income</td>
<td>(757)</td>
<td>(0.01)</td>
<td>(191)</td>
<td>-</td>
<td>(1,979)</td>
<td>(0.02)</td>
</tr>
<tr>
<td>Provision for income taxes (2)</td>
<td>(12,629)</td>
<td>(0.13)</td>
<td>(273)</td>
<td>-</td>
<td>(15,252)</td>
<td>(0.16)</td>
</tr>
<tr>
<td>Less: net loss attributable to noncontrolling interest</td>
<td>(17)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(6,148)</td>
<td>(0.06)</td>
</tr>
<tr>
<td>Adjusted net (loss) income attributable to The Timken Company</td>
<td>(20,587)</td>
<td>(0.21)</td>
<td>92,405</td>
<td>0.96</td>
<td>(13,484)</td>
<td>(0.14)</td>
</tr>
</tbody>
</table>

(1) EPS amounts may not sum due to rounding differences.

(2) Provision for income taxes includes adjustments to remove the income taxes associated with pre-tax special items and the impact of discrete tax items recorded during the period(s), and to reflect one overall effective tax rate on Adjusted pre-tax income.

Reconciliation of Outlook Information
Expected earnings per diluted share for the 2009 full year excludes special items. Examples of such special items include impairment and restructuring, manufacturing rationalization/reorganization expenses, gain/loss on the sale of non-strategic assets and payments under the CDSOA. It is not possible at this time to identify the potential amount or significance of these special items. Management cannot predict whether the company will receive any additional payments under the CDSOA in 2009 and if so, in what amount. If the company does receive any CDSOA payments, they will most likely be received in the fourth quarter.
Reconciliation to GAAP

Non GAAP Disclosure Reconciliations
US$ Million

<table>
<thead>
<tr>
<th>Year</th>
<th>GAAP Operating Income</th>
<th>Reorganization Expense in COGS</th>
<th>Goodwill Amortization Expense</th>
<th>Reorganization Expense in SG&amp;A</th>
<th>Loss on Divestiture</th>
<th>Impairment and Restructuring Charges</th>
<th>GAAP EPS* -assuming dilution</th>
<th>Less: Income from discontinued ops (net of tax)</th>
<th>Tax effect of special items</th>
<th>Adjusted EPS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>(9)</td>
<td>-</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>41</td>
<td>(0.55)</td>
<td>0.14</td>
<td>-</td>
<td>0.07</td>
</tr>
<tr>
<td>1992</td>
<td>42</td>
<td>-</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.07</td>
<td>0.17</td>
<td>-</td>
<td>0.17</td>
</tr>
<tr>
<td>1993</td>
<td>14</td>
<td>-</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.45</td>
<td>1.07</td>
<td>-</td>
<td>1.07</td>
</tr>
<tr>
<td>1994</td>
<td>132</td>
<td>-</td>
<td>4</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1.70</td>
<td>2.06</td>
<td>-</td>
<td>2.06</td>
</tr>
<tr>
<td>1995</td>
<td>203</td>
<td>-</td>
<td>5</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2.19</td>
<td>2.69</td>
<td>-</td>
<td>2.69</td>
</tr>
<tr>
<td>1996</td>
<td>247</td>
<td>-</td>
<td>5</td>
<td>5</td>
<td>0.17</td>
<td>0.06</td>
<td>2.69</td>
<td>2.69</td>
<td>0.20</td>
<td>2.90</td>
</tr>
<tr>
<td>1997</td>
<td>280</td>
<td>-</td>
<td>5</td>
<td>6</td>
<td>0.04</td>
<td>0.07</td>
<td>1.82</td>
<td>1.82</td>
<td>0.08</td>
<td>1.90</td>
</tr>
<tr>
<td>1998</td>
<td>225</td>
<td>-</td>
<td>6</td>
<td>6</td>
<td>0.05</td>
<td>0.07</td>
<td>1.01</td>
<td>1.01</td>
<td>0.05</td>
<td>1.06</td>
</tr>
<tr>
<td>1999</td>
<td>133</td>
<td>-</td>
<td>6</td>
<td>6</td>
<td>0.05</td>
<td>0.07</td>
<td>0.76</td>
<td>0.76</td>
<td>0.04</td>
<td>0.80</td>
</tr>
<tr>
<td>2000</td>
<td>106</td>
<td>-</td>
<td>6</td>
<td>6</td>
<td>0.05</td>
<td>0.07</td>
<td>(1.69)</td>
<td>(1.69)</td>
<td>0.04</td>
<td>(1.73)</td>
</tr>
<tr>
<td>2001</td>
<td>(18)</td>
<td>-</td>
<td>6</td>
<td>6</td>
<td>0.05</td>
<td>0.07</td>
<td>0.62</td>
<td>0.62</td>
<td>0.04</td>
<td>0.66</td>
</tr>
<tr>
<td>2002</td>
<td>86</td>
<td>-</td>
<td>6</td>
<td>6</td>
<td>0.05</td>
<td>0.07</td>
<td>0.44</td>
<td>0.44</td>
<td>0.03</td>
<td>0.47</td>
</tr>
<tr>
<td>2003</td>
<td>102</td>
<td>-</td>
<td>6</td>
<td>6</td>
<td>0.05</td>
<td>0.07</td>
<td>1.49</td>
<td>1.49</td>
<td>0.03</td>
<td>1.52</td>
</tr>
<tr>
<td>2004</td>
<td>235</td>
<td>-</td>
<td>6</td>
<td>6</td>
<td>0.05</td>
<td>0.07</td>
<td>2.81</td>
<td>2.81</td>
<td>0.03</td>
<td>2.84</td>
</tr>
<tr>
<td>2005</td>
<td>327</td>
<td>-</td>
<td>6</td>
<td>6</td>
<td>0.05</td>
<td>0.07</td>
<td>2.36</td>
<td>2.36</td>
<td>0.03</td>
<td>2.39</td>
</tr>
<tr>
<td>2006</td>
<td>219</td>
<td>-</td>
<td>6</td>
<td>6</td>
<td>0.05</td>
<td>0.07</td>
<td>2.30</td>
<td>2.30</td>
<td>0.03</td>
<td>2.33</td>
</tr>
<tr>
<td>2007</td>
<td>318</td>
<td>-</td>
<td>6</td>
<td>6</td>
<td>0.05</td>
<td>0.07</td>
<td>2.78</td>
<td>2.78</td>
<td>0.03</td>
<td>2.81</td>
</tr>
<tr>
<td>2008</td>
<td>452</td>
<td>-</td>
<td>6</td>
<td>6</td>
<td>0.05</td>
<td>0.07</td>
<td>522.2</td>
<td>522.2</td>
<td>0.03</td>
<td>522.5</td>
</tr>
</tbody>
</table>

** Excludes the cumulative effect of accounting change in 1993 (adoption of FAS 106, 109 and 112) and 2002 (adoption of FAS 142).
Beginning in 2004, the tax effect of special items is shown separately.

Total Debt (b) | 273 | 321 | 277 | 280 | 211 | 303 | 359 | 469 | 450 | 514 | 497 | 461 | 735 | 779 | 721 | 598 | 723 | 624
Less: Cash | 2 | 8 | 5 | 12 | 7 | 5 | 10 | 0 | 8 | 11 | 33 | 82 | 20 | 51 | 65 | 101 | 30 | 116
Net Debt | 271 | 313 | 271 | 267 | 204 | 297 | 350 | 469 | 442 | 503 | 464 | 379 | 706 | 728 | 656 | 497 | 693 | 508
Equity | 1,019 | 985 | 685 | 733 | 821 | 922 | 1,032 | 1,056 | 1,046 | 1,005 | 782 | 609 | 1,090 | 1,270 | 1,497 | 1,476 | 1,961 | 1,640
Total Debt to Capital | 21.1% | 24.5% | 28.7% | 27.6% | 20.5% | 24.7% | 25.8% | 30.8% | 30.1% | 33.8% | 38.9% | 43.1% | 40.3% | 38.0% | 32.5% | 28.8% | 26.9% | 27.6%
Net Debt to Capital | 21.0% | 24.1% | 28.4% | 26.7% | 19.9% | 24.4% | 25.3% | 30.8% | 29.7% | 33.4% | 37.2% | 38.4% | 39.3% | 36.5% | 30.5% | 25.2% | 26.1% | 23.6%

(a) Reflects estimated income from discontinued operations (Latrobe Steel) for 1991 to 2001. Reported GAAP Operating Income for 2002 to 2006 excludes income from discontinued operations.
(b) Total Debt is the sum of Commercial Paper, Short-Term Debt, Current Portion of long-term debt and Long-term debt.
# Reconciliation to GAAP

Non GAAP Disclosure Reconciliations

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>GAAP Operating Income(1)</td>
<td>(9)</td>
<td>42</td>
<td>14</td>
<td>132</td>
<td>203</td>
<td>247</td>
<td>280</td>
<td>225</td>
<td>133</td>
<td>106</td>
<td>18</td>
<td>79</td>
<td>98</td>
<td>237</td>
<td>327</td>
<td>219</td>
<td>318</td>
<td>452</td>
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<tr>
<td>GAAP Other Income / (Expenses)</td>
<td>(8)</td>
<td>(2)</td>
<td>(6)</td>
<td>2</td>
<td>(5)</td>
<td>(5)</td>
<td>7</td>
<td>(16)</td>
<td>(19)</td>
<td>(7)</td>
<td>22</td>
<td>37</td>
<td>10</td>
<td>12</td>
<td>68</td>
<td>80</td>
<td>0</td>
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<td>Check</td>
<td>(17)</td>
<td>41</td>
<td>8</td>
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<td>198</td>
<td>242</td>
<td>287</td>
<td>209</td>
<td>123</td>
<td>99</td>
<td>4</td>
<td>115</td>
<td>108</td>
<td>249</td>
<td>395</td>
<td>299</td>
<td>318</td>
<td>465</td>
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<tr>
<td>Provision for income taxes</td>
<td>(6)</td>
<td>15</td>
<td>3</td>
<td>51</td>
<td>73</td>
<td>93</td>
<td>102</td>
<td>80</td>
<td>45</td>
<td>35</td>
<td>2</td>
<td>46</td>
<td>43</td>
<td>80</td>
<td>129</td>
<td>91</td>
<td>71</td>
<td>172</td>
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<tr>
<td>Adjusted tax rate</td>
<td>37.6%</td>
<td>37.6%</td>
<td>37.6%</td>
<td>37.6%</td>
<td>36.9%</td>
<td>38.3%</td>
<td>35.7%</td>
<td>38.2%</td>
<td>36.8%</td>
<td>35.0%</td>
<td>39.8%</td>
<td>39.8%</td>
<td>40.0%</td>
<td>32.1%</td>
<td>32.6%</td>
<td>30.6%</td>
<td>22.3%</td>
<td>37.1%</td>
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<tr>
<td>Net Operating Profit After Taxes (NOPAT)(3)</td>
<td>(10)</td>
<td>25</td>
<td>5</td>
<td>84</td>
<td>125</td>
<td>149</td>
<td>184</td>
<td>129</td>
<td>78</td>
<td>64</td>
<td>3</td>
<td>69</td>
<td>65</td>
<td>169</td>
<td>266</td>
<td>208</td>
<td>247</td>
<td>292</td>
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</table>

## Invested Capital:

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<tr>
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<tbody>
<tr>
<td>Total Debt</td>
<td>266</td>
<td>273</td>
<td>321</td>
<td>277</td>
<td>280</td>
<td>211</td>
<td>303</td>
<td>359</td>
<td>469</td>
<td>450</td>
<td>514</td>
<td>497</td>
<td>461</td>
<td>735</td>
<td>779</td>
<td>721</td>
<td>598</td>
<td>723</td>
<td>624</td>
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<tr>
<td>Shareholders' Equity</td>
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<td>1,019</td>
<td>985</td>
<td>685</td>
<td>733</td>
<td>821</td>
<td>922</td>
<td>1,032</td>
<td>1,056</td>
<td>1,046</td>
<td>1,005</td>
<td>782</td>
<td>609</td>
<td>1,090</td>
<td>1,270</td>
<td>1,497</td>
<td>1,961</td>
<td>1,623</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1,341</td>
<td>1,292</td>
<td>1,306</td>
<td>962</td>
<td>1,012</td>
<td>1,032</td>
<td>1,225</td>
<td>1,392</td>
<td>1,526</td>
<td>1,496</td>
<td>1,519</td>
<td>1,279</td>
<td>1,070</td>
<td>1,824</td>
<td>2,049</td>
<td>2,218</td>
<td>2,074</td>
<td>2,684</td>
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<tr>
<td>Average Invested Capital(4)</td>
<td>1,317</td>
<td>1,299</td>
<td>1,134</td>
<td>987</td>
<td>1,022</td>
<td>1,129</td>
<td>1,308</td>
<td>1,459</td>
<td>1,511</td>
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<td>1,399</td>
<td>1,175</td>
<td>1,447</td>
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<td>2,134</td>
<td>2,146</td>
<td>2,379</td>
<td>2,465</td>
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</table>

## ROIC: NOPAT / Average Invested Capital(4)

-0.8% 1.9% 0.4% 8.5% 12.2% 13.2% 14.1% 8.9% 5.2% 4.3% 0.2% 5.9% 4.5% 8.7% 12.5% 9.7% 10.4% 11.9%

---

(1) GAAP Operating Income for years after 2004 exclude discontinued operations, reflecting the December 8, 2006 sale of Latrobe Steel.

(2) EBIT is defined as operating income plus other income (expense) - net.

(3) 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 impact of discrete tax items recorded during the year.

(4) 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, Short-Term Debt, Current Portion of long-term debt and Long-term debt.
Reconciliation to GAAP

Non GAAP Disclosure Reconciliations
US$ Million

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td></td>
<td>(23)</td>
<td>(43)</td>
<td>39</td>
<td>6</td>
<td>67</td>
<td>5</td>
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<td>9</td>
<td>68</td>
<td>(46)</td>
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<table>
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<tr>
<th>Year</th>
<th>Free Cash Flow&lt;sup&gt;(1)&lt;/sup&gt;</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>47</td>
<td>89</td>
<td>43</td>
<td>(81)</td>
<td>43</td>
<td>(17)</td>
<td>(40)</td>
<td>230</td>
<td>173</td>
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</tbody>
</table>

(1) Free cash flow defined as net cash provided by operating activities (incl. pension contributions) minus capital expenditures and dividends.