THE TIMKEN COMPANY

Investor Presentation
April 15, 2013

Stronger.

Stronger. **Commitment.** Stronger. **Value.** Stronger. **Worldwide.** Stronger. **Together.** | **Stronger.** By Design.

Forward-Looking Statements Safe Harbor and Non-GAAP Financial Information

TIMKEN

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 the Timken Company's plans, outlook, future financial performance, targets, projected sales, cash flows, and liquidity, including the information under the headings "Return on Invested Capital," "Strong Synergistic Relationship Across Timken Businesses," "Relational's Valuation Analysis is Flawed," "Relational's Proposal Based on Unrealistic Bearings Trading Multiple," "Steel Standalone Business Would be Smallest Compared to Other Steel Companies," "Significant Synergies Would be Lost in Steel Spin-off," "Analysts' Median SOTP Analysis Does Not Support Relational's Claim of Break-up Value," "Comprehensive Plan to Drive Shareholder Value," "Three-Year Targets Reflect Strength of Strategic Plan," and "Our Strategy is Working and We Are Committed to Building Shareholder Value" 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 or regional 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; the impact on operations of general economic conditions; higher or lower raw-material and energy costs; fluctuations in customer demand; the company's ability to achieve the benefits of its ongoing programs, initiatives & capital investments; the timing and amount of common share repurchases; and retention of CDSOA distributions. 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, 2012, 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.

This presentation includes certain non-GAAP financial measures as defined by the rules and regulations of the Securities and Exchange Commission. A reconciliation of those measures to the most directly comparable GAAP equivalent is provided in the Appendix to this presentation.

By Design.

TIMKEN OVERVIEW

- A global industrial technology leader that applies its deep knowledge of metallurgy, friction management and mechanical power transmission to improve the reliability and efficiency of machinery all around the world

- Our high-performance steel and mechanical components support diversified markets worldwide
  - Bearings
  - Gearboxes
  - Alloy steel bars & tubes
  - Engineered chain
  - Transmissions
  - Related products & services

- Established in 1899 and headquartered in Canton, Ohio

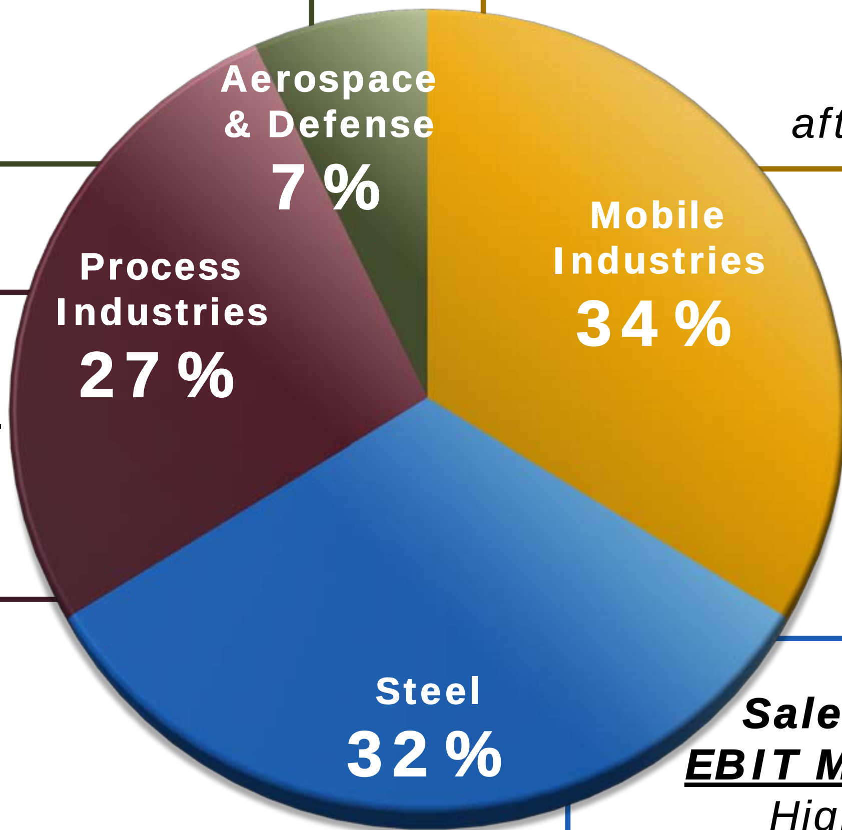
- 2012 sales: $5.0 billion

- Global footprint with operations in 30 countries & 20,000 associates

Our Business

Sales: $347 million
<u>EBIT Margin: 10.5%</u>
Diversified into transmissions and aftermarket

Sales: $1.7 Billion
<u>EBIT Margin: 12.4%</u>
Transformed portfolio, more aftermarket focus



2012 Total Sales: $5.0 Billion

Sales: $1.3 Billion
<u>EBIT Margin: 20.5%</u>
Global growth beyond bearings, diversified, strong aftermarket

Sales: $1.7 Billion
<u>EBIT Margin: 14.6%</u>
High-performance, customized alloy steels

Note: Based on 2012 financial results. EBIT Margin is defined as EBIT divided by net sales.
Steel segment sales include $101.2 million of inter-segment sales.

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A Multi-Faceted Transformation

- Markets
- Geographies
- Products
- Performance

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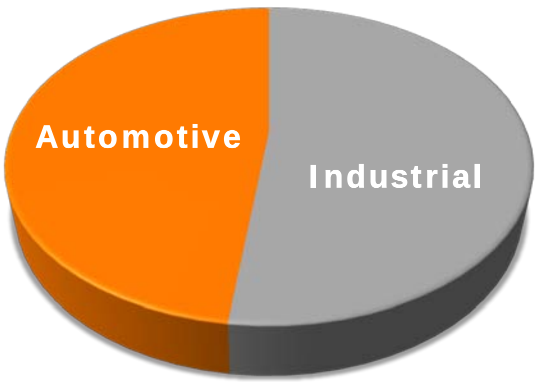
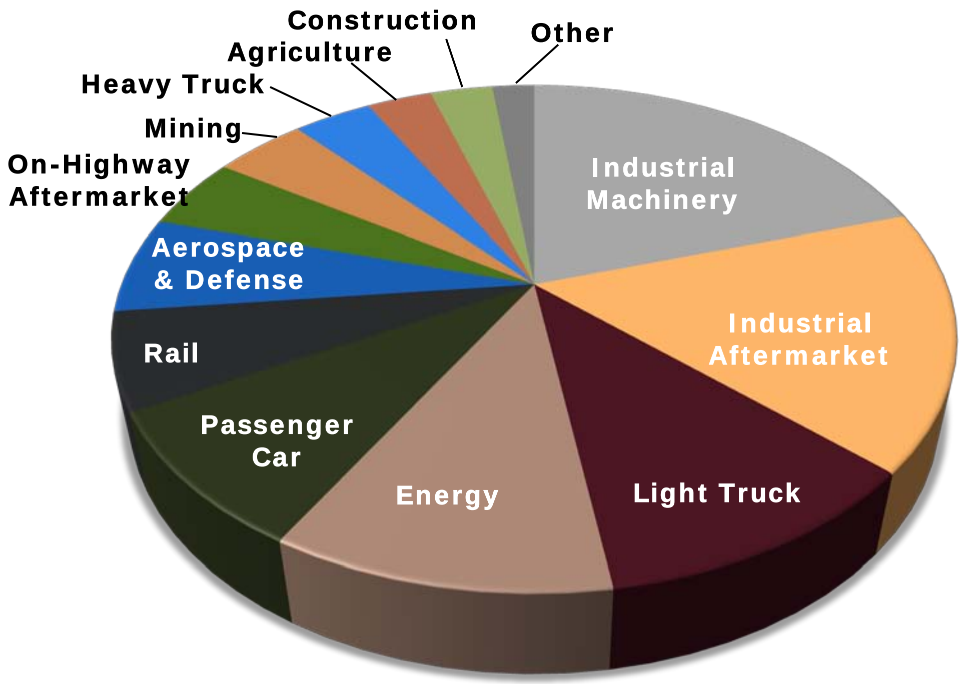
Global End-Market Sector Diversification

2002	2012





Portfolio Diversification

- Broad-based end markets and customers
- Increased sales from demanding applications
- Expanded channels into the aftermarket; represents approximately 25% of 2012 global sales

Note: End market sector diversification based on 2002 sales of $2.6 billion and 2012 sales of $5.0 billion.

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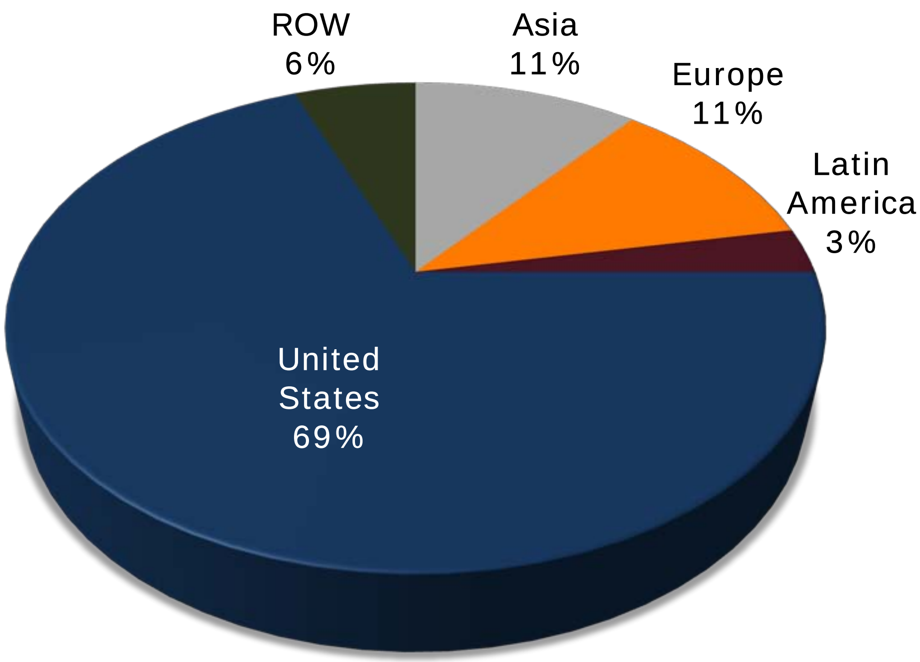
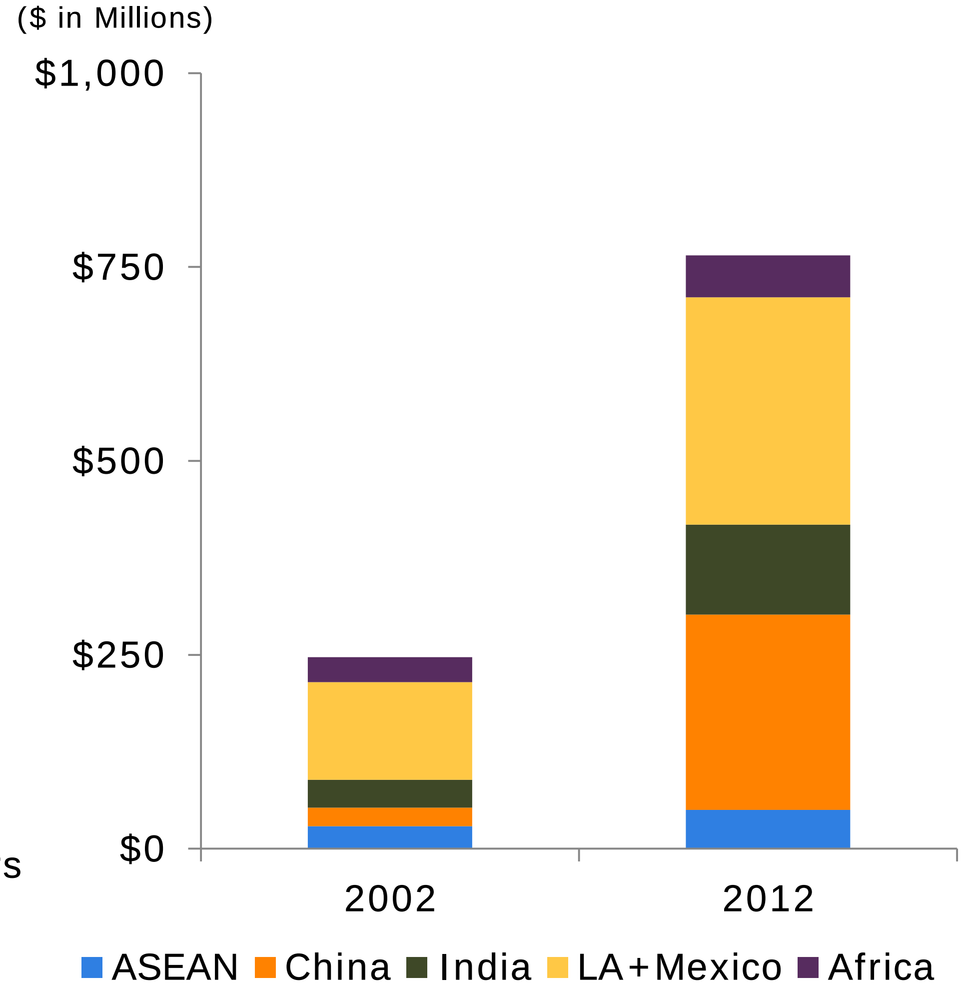
EMERGING MARKETS: A SOURCE OF GROWTH

Diversified global scope, growing faster outside the U.S.[1]



Emerging market growth
10-Year Sales Revenue -- CAGR 12%



- Over 85 manufacturing facilities and distribution centers across the globe
- 10 global Technology & Engineering Centers
- 95 sales offices to serve customers in different regions of the world

Note: (1) Geographic diversification based on 2012 sales of $5.0 billion.

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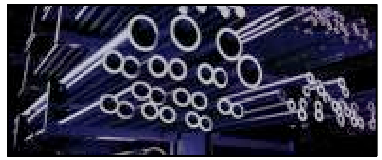
Product Line Expansion & Diversification

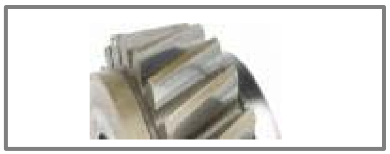
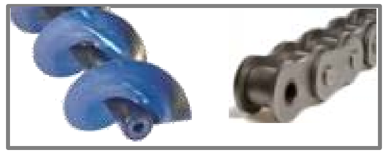
Bearings




Engineered Steels

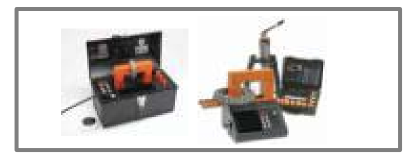



Power Transmission

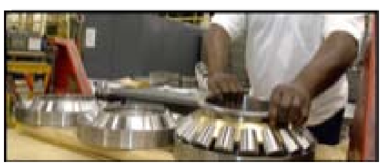



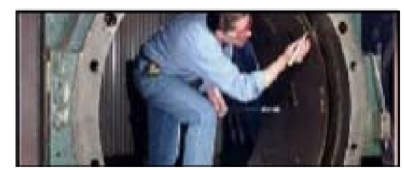
Related Products





Services



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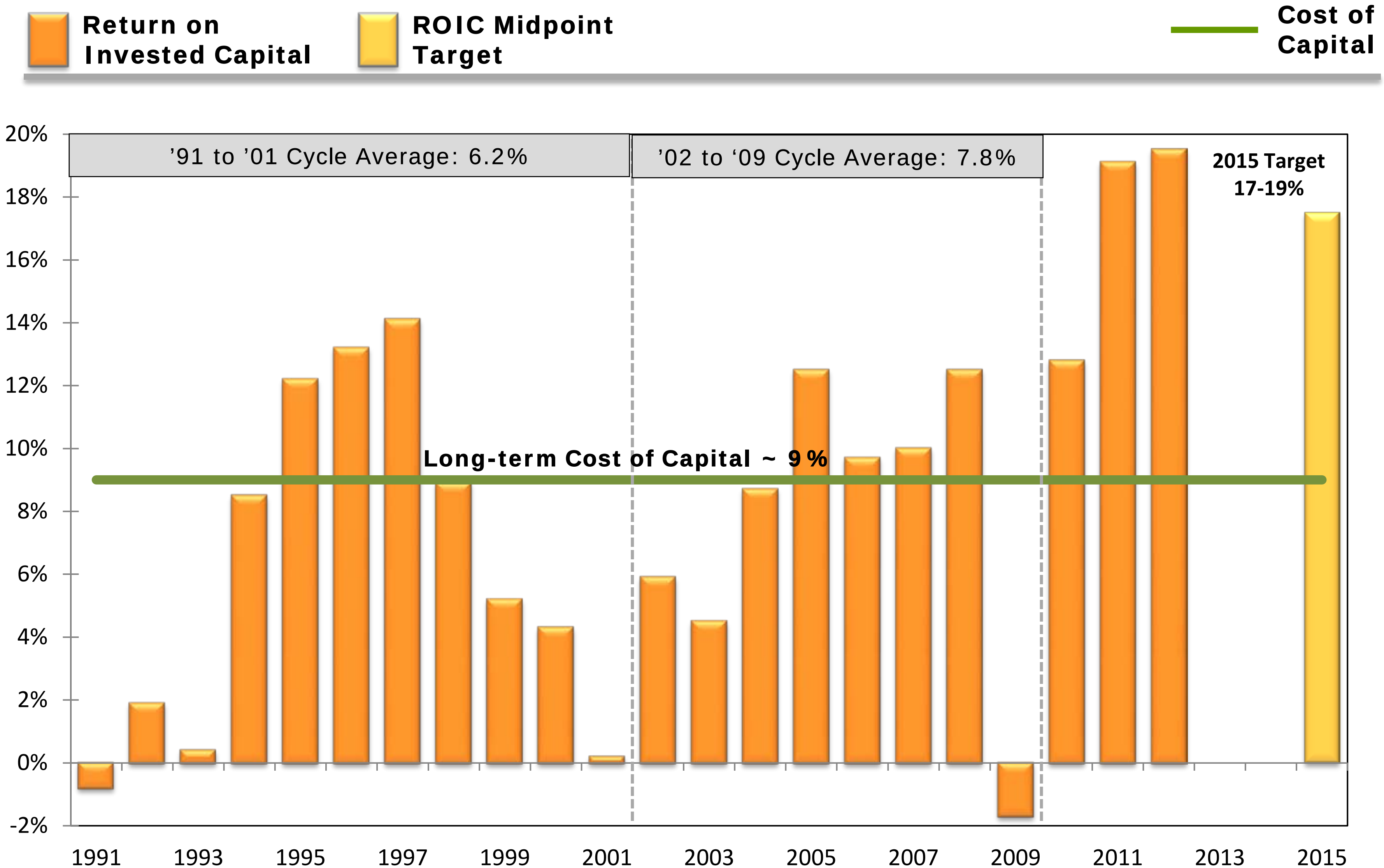
Return on Invested Capital



Note: The company uses NOPAT/Average Invested Capital as a type of ratio that indicates return on invested capital (ROIC). See Appendix for reconciliation of ROIC to the most directly comparable GAAP equivalent.

TIMKEN

THE BEST PATH TO SHAREHOLDER VALUE CREATION

April 1, 2013

Stronger.

Stronger. **Commitment.** Stronger. **Value.** Stronger. **Worldwide.** Stronger. **Together.** | **Stronger.** By Design.

OVERVIEW

- The California State Teachers' Retirement System ("CalSTRS") and Relational Investors ("Relational") have put forth a proposal[(1)] to separate the Steel Business ("Steel") and Bearings and Power Transmission Business ("Bearings")
- The Timken Company's Board of Directors has carefully reviewed a separation of the businesses, with input from outside advisors, in the past and again in response to Relational's proposal and determined it is not in the best interests of shareholders at this time
- A Record of Delivering Value
    - Timken has a strong track record of delivering shareholder value with its existing strategy
    - Timken Steel is one of the Company's highest ROIC businesses; Timken has invested to even further improve Steel's cost structure and profitability
- Operational integration and technology sharing between Steel and Bearings create meaningful benefits for customers and shareholders
- Relational's Flawed Analysis
    - We believe Relational's break-up valuation analysis has serious flaws
    - Contrary to Relational's assertion, Timken has strong corporate governance standards, as recognized by independent proxy advisors
- The Timken Company's Comprehensive Plan to Drive Value
    - We believe continued execution of our proven strategy is the best path to value creation

(1) For simplicity, further references in this presentation regarding proposals, assertions, analysis, assumptions, claims and filings attributed to Relational could also be attributed to CalSTRS as appropriate.

TIMKEN

A Record of Delivering Value

TIMKEN STRATEGY TO DELIVER SHAREHOLDER VALUE

Using our knowledge of metallurgy, friction management and mechanical power transmission to create unique solutions used in demanding applications

Offering a broad array of mechanical power transmission components, high-performance steel and related solutions and services

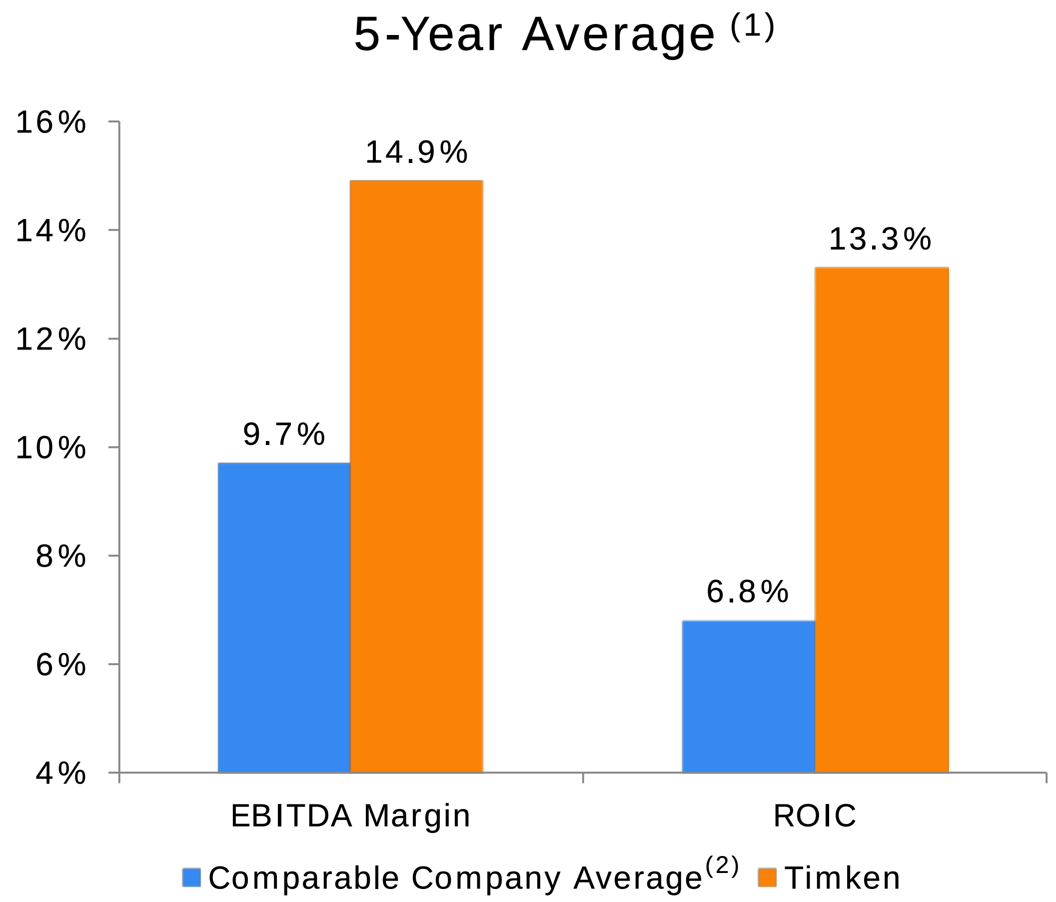
Delivering exceptional results with a passion for superior execution

Extending our knowledge, products, services and channels to meet customer needs, wherever they are in the world

TIMKEN

Timken Has Delivered Top Quartile Financial Performance

- Timken has delivered top quartile margin and ROIC performance versus comparable companies

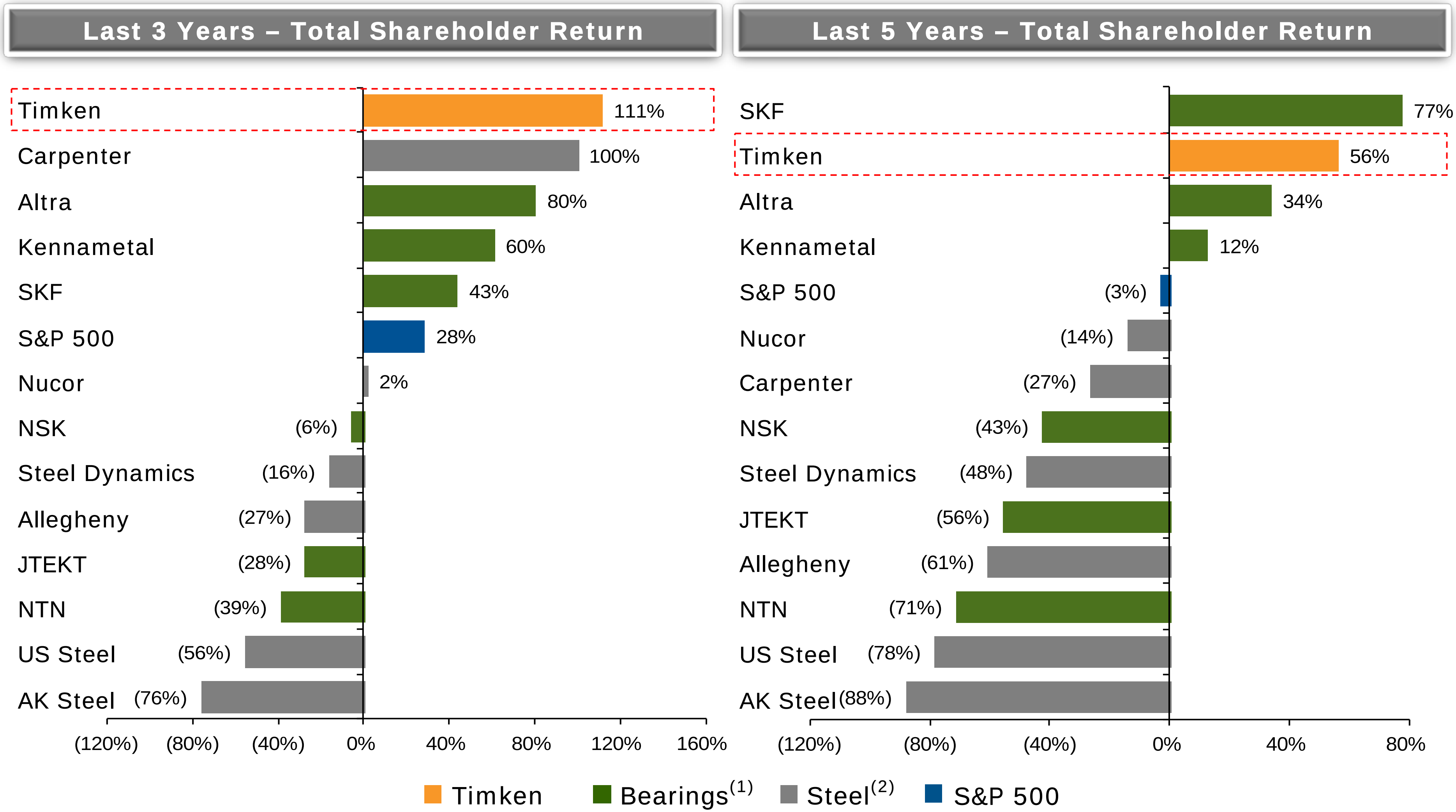


(1) Source: Most recent company filings. Represents average of 2008 through 2012. Tax rate assumed at 35% for U.S. companies and 26% for NSK, NTN, and JTEKT. Results exclude U.S. Continued Dumping Subsidy Offset Act (CDSOA) receipts and impairment and restructuring expense. See Appendix for reconciliation of EBITDA and ROIC to the most directly comparable GAAP equivalents. EBITDA and ROIC are not defined under U.S. GAAP and should not be considered in isolation or as a substitute for measures of our performance prepared in accordance with GAAP. Because not all companies use identical calculations, the presentation of EBITDA and ROIC may not be comparable to other similarly titled measures of other companies.

(2) Comparable companies include: AK Steel, Allegheny Technologies, Altra, Carpenter Technology, JTEKT, Kennametal, NSK, NTN, Nucor, SKF, Steel Dynamics, and US Steel.

TIMKEN

Delivering Strong Total Shareholder Returns



Source: Factset as of December 31, 2012.
(1) Bearings comparable companies include: Altra, JTEKT, Kennametal, NSK, NTN, and SKF.
(2) Steel comparable companies include: AK Steel, Allegheny Technologies, Carpenter Technology, Nucor, Steel Dynamics, and US Steel.

TRANSFORMING THE BUSINESS TO DRIVE VALUE

Divestitures / Plant Closings

- *Shed under-performing / non-core businesses*
- *Redeploy capital to drive returns*
- *Sharpen strategic focus*

Acquisition Strategy

- *Diversify and expand product portfolio in attractive adjacencies*
- *Increase aftermarket sales*
- *Create new growth platforms*

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Acquisitions	Torrington	Alcor	Bearing Inspections		Purdy	Boring Specialties; Extex		QM Bearings	Philadelphia Gear; Drives	Wazee	Interlube Systems
Divestitures	NTC JV	Killian	LMS; NRB India; Bearing Services	Latrobe Steel; Global Steering Business; Precision Components EU	TNBS		Needle Roller Bearings				
Plant Closings		Canton Bearings (announced)		Automotive restructuring / closure of facilities in Brazil	Clinton, SC and Wolverhampton Machine Tool Bearing						St. Thomas

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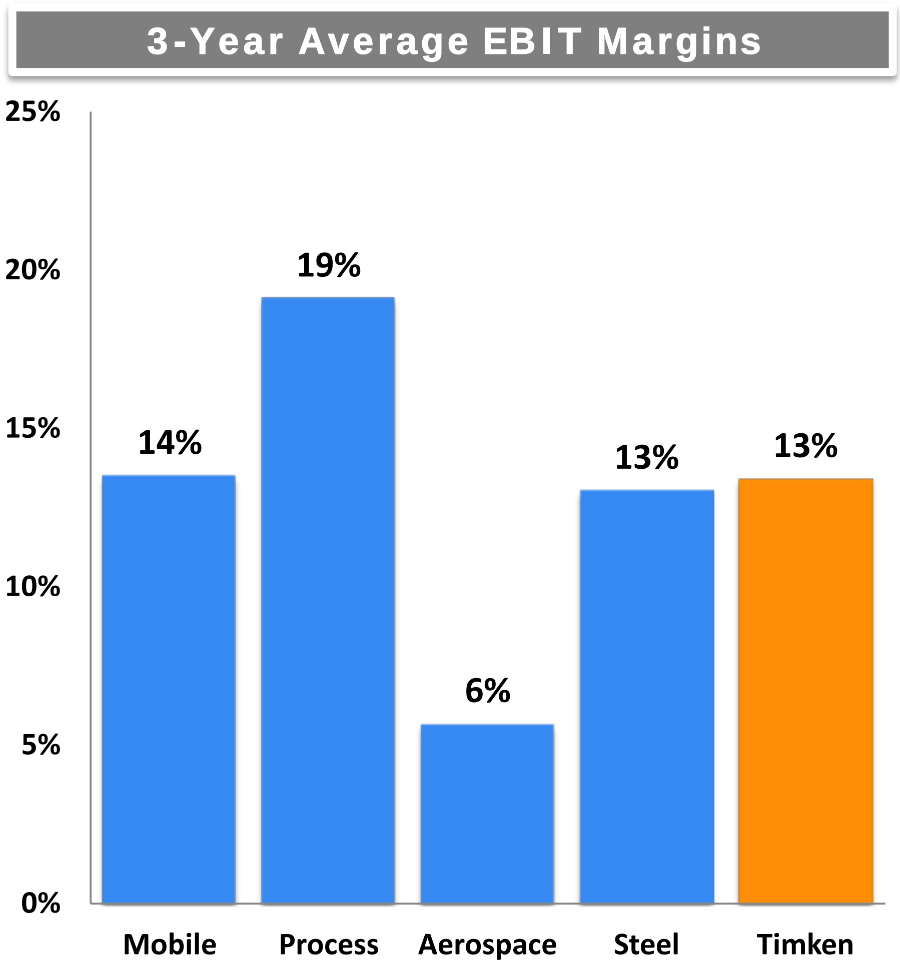
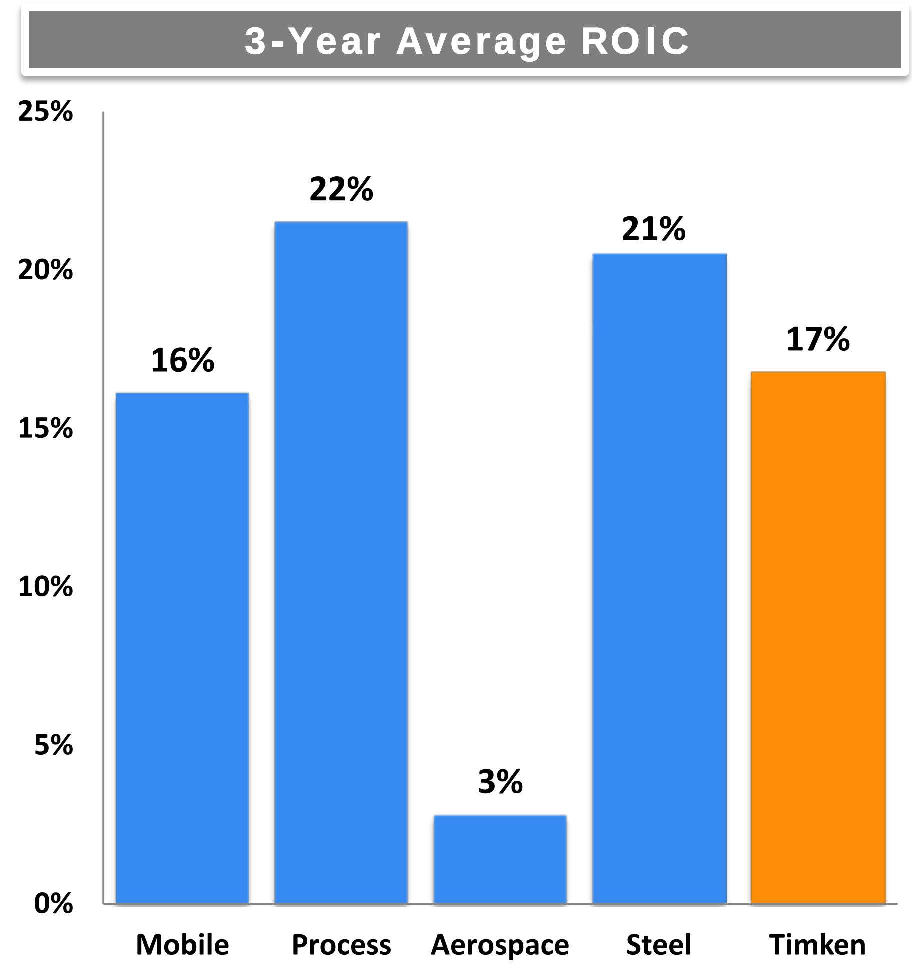
Timken Steel is a Strong Performer





Note: The above data represents an average of 2010 through 2012. Segment returns have been adjusted to reflect a proportionate amount of unallocated corporate expenses. Tax rate assumed at 35% for ROIC calculations. Results exclude CDSOA receipts and impairment and restructuring charges. See Appendix for reconciliation of ROIC and consolidated EBIT to the most directly comparable GAAP equivalents.

TIMKEN

Synergies between Steel and Bearings Create Meaningful Benefits For Customers and Shareholders

Strong Ties Between Businesses Drive Value

Process Industries | Mobile Industries | Steel | Aerospace & Defense

Common End-Market Sectors

- Energy
- Mining
- Construction
- Aerospace & Defense
- Industrial Machinery
- Agriculture
- Automotive
- Rail
- Heavy Truck

Shared Customers

CAT, DANA, NOV National Oilwell Varco, Toyota, JoyGlobal, GM, AAM, Ford, John Deere, Nissan, Siemens, General Dynamics (Strength On Your Side)

Shared Expertise

- Best-in-class provider of high-performance products for demanding conditions
- Technical knowledge
- Research synergies
- Production capabilities
- Application engineering

Operating Efficiencies

- Supply-chain efficiencies
- Manufacturing efficiencies
- Value-based pricing
- Ability to leverage investments across platform
- Customer service and delivery

Combined platform drives performance and value

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Strong Synergistic Relationship Across Timken Businesses

PROCESS INDUSTRIES | MOBILE INDUSTRIES | STEEL | AEROSPACE & DEFENSE

SUPPLY CHAIN SYNERGIES

KNOWLEDGE-BASED SYNERGIES

SIGNIFICANT CUSTOMER BENEFITS

Best-in-Class Products and Reliability

Supply Chain Synergies

- Steel provides enhanced product quality across Process, Mobile and Aerospace & Defense
- Shorter lead times based on steel availability
- Enhanced customer service and on-time product delivery
- Lower costs
- Faster customization of specialty products

Knowledge-Based Synergies

- End-market focus facilitates engineering know-how and insights
- Product solutions leverage 100+ years of application and engineering expertise, driving product quality and demand
- Technical knowledge of materials drives optimization of power transmission solutions
- Steel benefits from sale of value-added products that leverage bearings knowledge

SIGNIFICANT SHAREHOLDER BENEFITS

Increased Demand, Higher Margins

- Steel production capabilities increase Process, Mobile and Aerospace & Defense competitiveness, given significant customer benefits
- Savings on application engineering and R&D
- Value-based pricing drives higher margins, as integration across businesses contributes to customer value proposition
- Timken gains greater insight into shared customers and common end-markets

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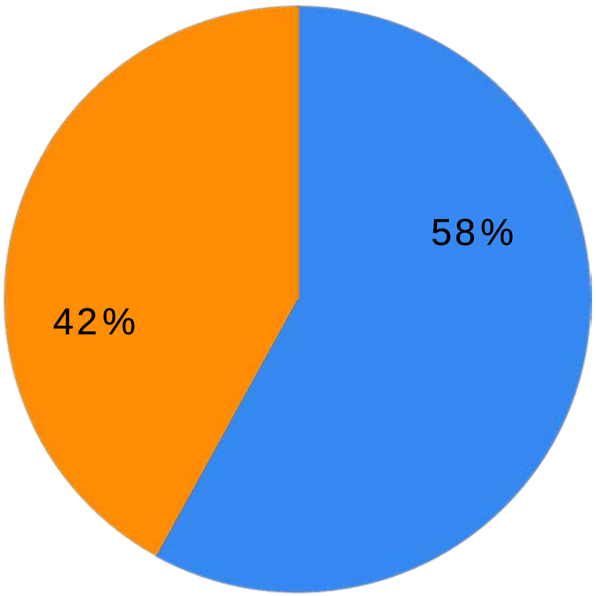
TIMKEN STEEL PROVIDES CRITICAL SOURCING BENEFITS

Process, Mobile and Aerospace & Defense have Sourced 58% of Steel Needs from Timken Steel over the Past Five Years

5-Year Average Steel Consumption by Source



- Ability to internally source steel reduces impact of volatile end markets
- Control of raw materials supply improves product quality
- Reliable steel availability drives shorter lead times enhancing on-time product delivery, especially in peak demand periods
- Customers value the Company's reliability yielding increased customer demand and higher margins

Note: Five year average consumption based on metric tons for years 2008 through 2012. Includes steel sourced directly from Timken and steel sourced indirectly, i.e. produced by Timken and shipped to forge and machining suppliers who convert raw materials into forgings, green rings or wire rod, which are purchased by Process, Mobile and Aerospace & Defense business segments.

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Timken Value Begins in the Market

We Improve the Reliability and Efficiency of Machinery

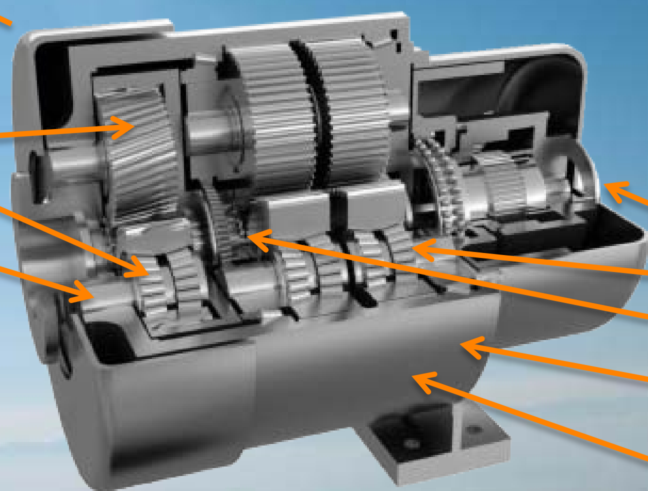
Core Knowledge

• Mechanical Power Transmission Applications

• Metallurgy • Tribology • Load & Stress Analysis

Steel in

- Gears
- Bearings
- Shafts



Bearings & Power Transmission

- Seals
- Bearings
- Lubricants
- Gear Drives
- Condition Monitoring
- Services

60% of our steel[1]

is in mechanical systems containing other Timken® products

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(1) Approximate estimate based on 2012 sales.

Relational's Flawed Analysis

Relational's Valuation Analysis is Flawed

Relational's Claim	Reality Check
1 "Our (Relational's) selection of peers is appropriate, fair and balanced"	• On average, analysts use six comparables for our Bearings business, compared to Relational's one (SKF)
2 "Separating Timken's Bearings and Steel Businesses will allow the market to value… at multiples similar to peers"	• Relational's valuation of Bearings implies a 33% premium to SKF's P/E(1) and to Bearings peers'(2) median P/E
3 "Synergies of Integration are minimal"	• Annual incremental costs, lost integration benefits and synergies would be expected to total an estimated \$60 - \$80 million • Additional anticipated competitive and operational benefits are sourced from Timken produced steel
4 Sum-of-the-Parts ("SOTP") value per share of \$68.36 upon separation	• Analyst's median SOTP valuation at \$61.75, prior to deduction of \$6 - \$8 per share for expected lost synergies and transaction costs

Source: FactSet as of February 26, 2013.
(1) As of February 26, 2013.
(2) As of February 26, 2013. Bearings comparables include Kennametal, Altra Holdings, SKF, NSK and JTEKT.

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1) Relational's Selection of Peers is **NOT** Fair and Balanced

Comparable Universe Used in SOTP Valuation Analysis [1]

	Used by Sell Side Analysts SOTP Analysis	Used by Relational
Bearings	SKF (6)	SKF
	JTEKT (4)	
	Kaydon (4)	
	NSK (4)	
	NTN (4)	
	Altra (3)	
	RBC Bearings (3)	
	Kaman (2)	
	Kennametal (2)	
Steel	Nucor (5)	Allegheny
	Steel Dynamics (5)	Carpenter
	AK Steel (2)	Nucor
	US Steel (2)	Steel Dynamics

of Comparables Used by Sell Side Analysts

Sell Side Analysts	Bearings	Steel
KeyBanc	15	3
Longbow	8	7
William Blair	7	7
Jefferies	5	3
BofAML	2	2
SunTrust	1	3
Median Number of Comparables Used	6	3
Average Number of Comparables Used	6	4

Source: Wall Street Research. Note: Refer to Appendix page for date of research report used.
(1) SOTP comparables sorted by frequency. Frequency of comparable companies mentioned shown in parentheses. Includes companies used by more than one sell side analyst.

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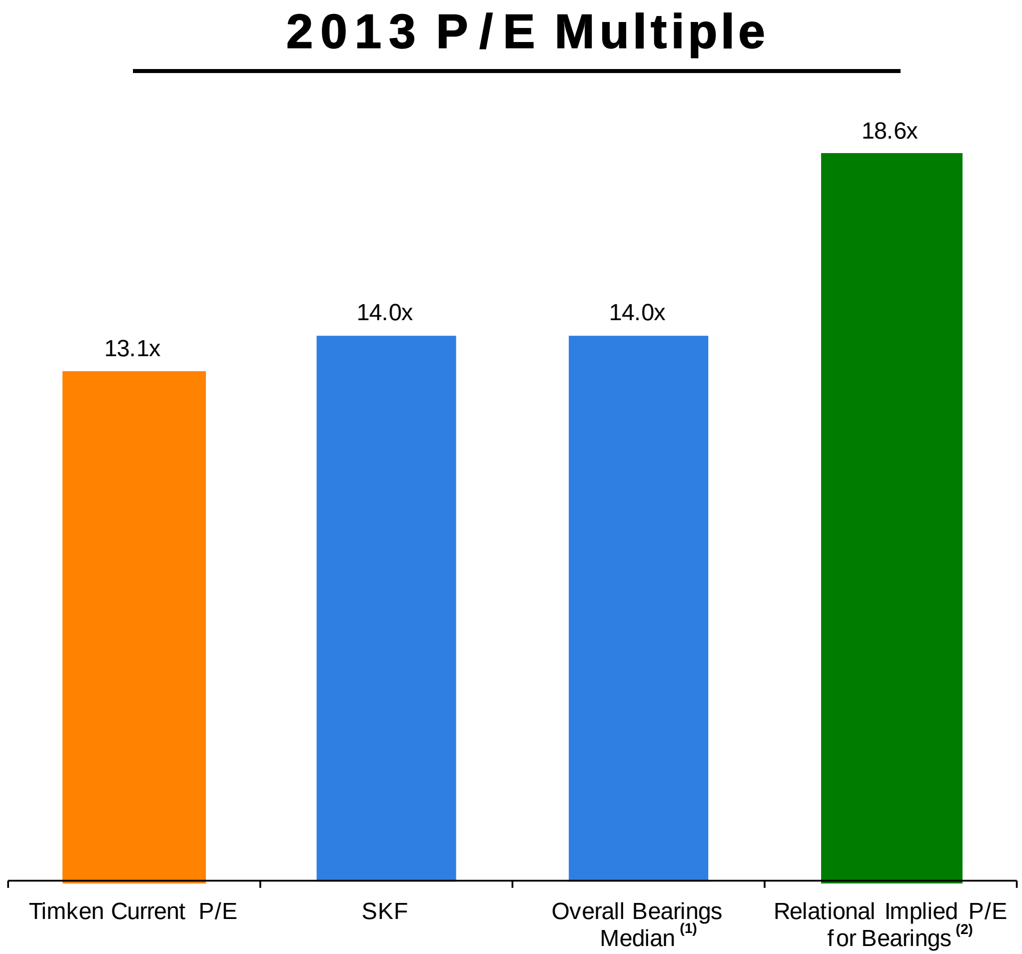
2A) Relational's Proposal Based on Unrealistic Bearings Trading Multiple



- ***Relational's analysis implies an 18.6x Bearings P/E representing a 33% premium to SKF P/E[3] and the median P/E for Bearings peers[1]***

Source: Company filings, Relational Schedule 13D filing on February 28, 2013 and FactSet as of February 26, 2013.
(1) Bearings comparables include Altra Holdings, Kennametal, SKF, NSK and JTEKT as of February 26, 2013.
(2) Please see Appendix for calculation.
(3) As of February 26, 2013.

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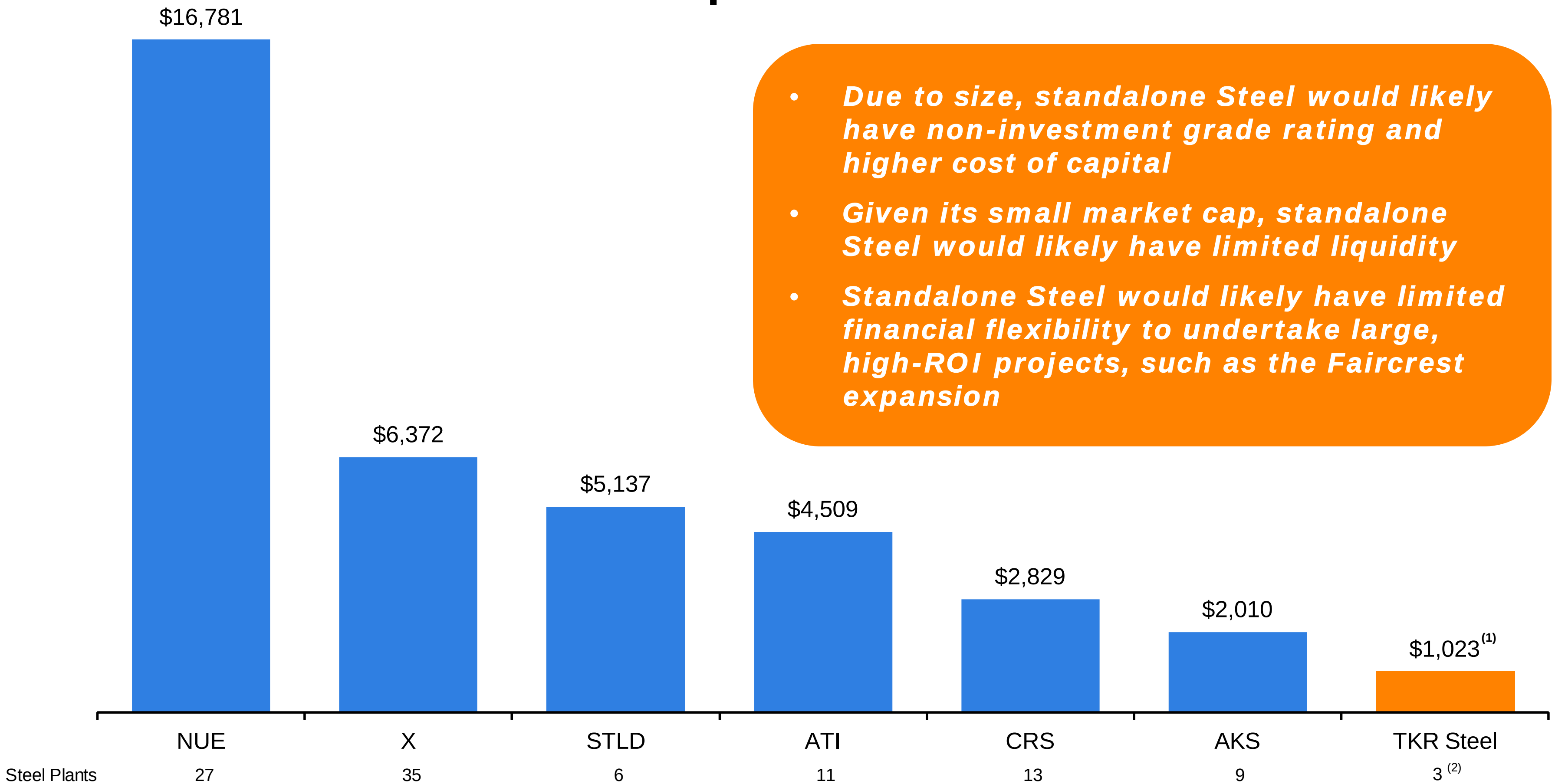
2B) Steel Standalone Business would be Smallest Compared to Other Steel Companies

Enterprise Value



- ***Due to size, standalone Steel would likely have non-investment grade rating and higher cost of capital***
- ***Given its small market cap, standalone Steel would likely have limited liquidity***
- ***Standalone Steel would likely have limited financial flexibility to undertake large, high-ROI projects, such as the Faircrest expansion***

Source: Company filings and FactSet as of February 26, 2013.
(1) Please see Appendix for calculation.
(2) Represents primary steel manufacturing facilities located in Faircrest, Harrison and Gambrinus in Canton, OH.

TIMKEN

3) Significant Synergies Would be Lost in Steel Spin-Off

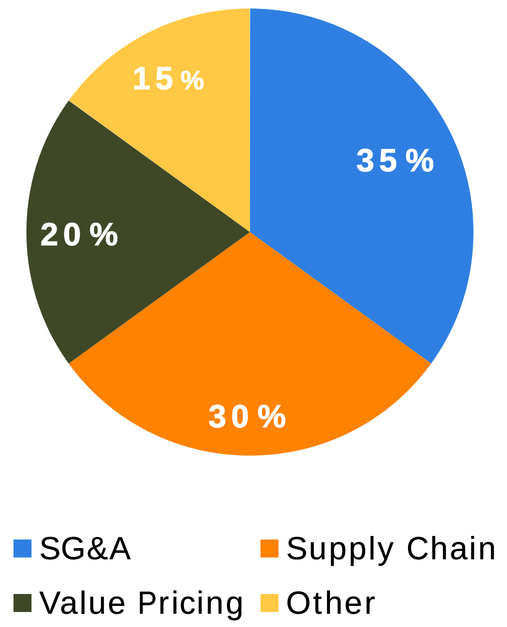
Significant negative financial impacts of spin-off:

- ~$200 million in expected one-time transaction costs
- ~$60 to $80 million in expected lost annual synergies

Additional anticipated competitive and operational disadvantages

- Longer lead times
- Slower deliveries
- Slower customization of specialty products
- Less insight into shared customers and markets

Components of Expected Lost Synergies



Source: Timken Management expectations.
Note: Dollars in millions.

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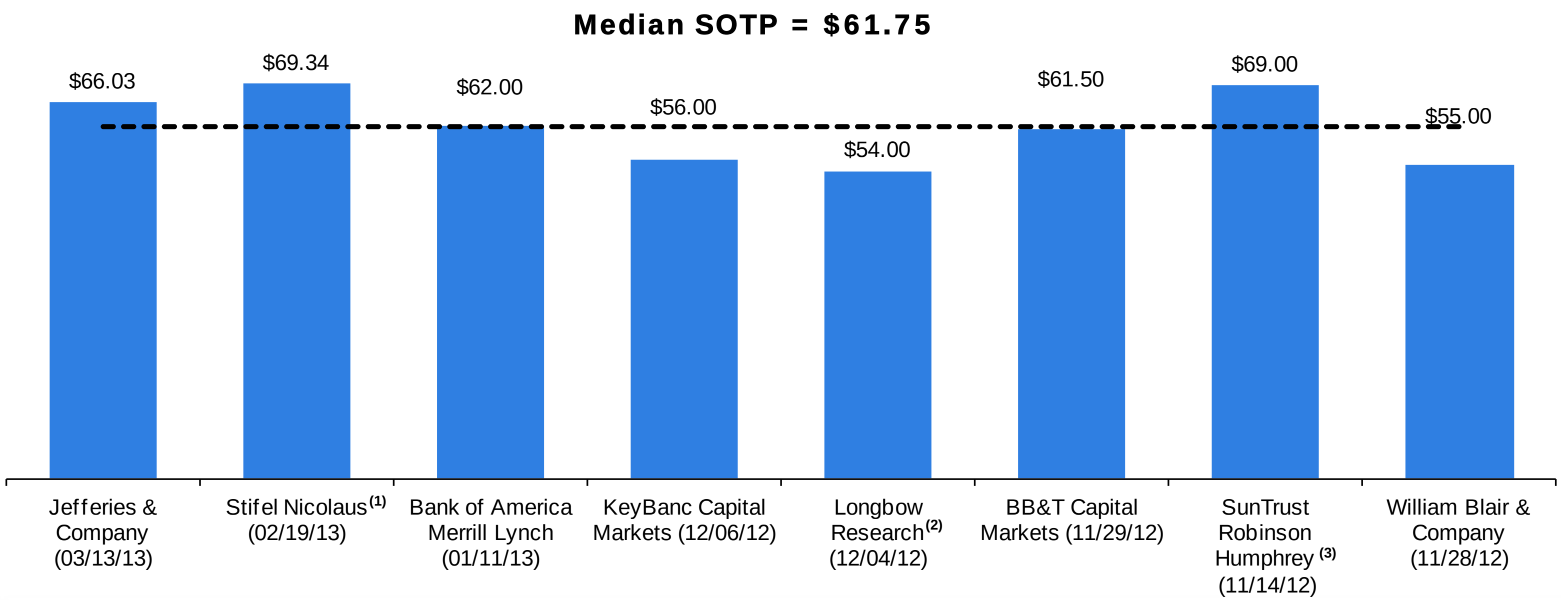
4) Analysts' Median SOTP Analysis Does Not Support Relational's Claim of Break-up Value

Relational's $68.36 Estimate Far Exceeds Median of Analyst SOTP Analysis of $61.75



Analyst Estimates Do Not Reflect $6 – $8 Per Share[4]
in Anticipated One-time Transaction Costs and Lost Synergies

Source: Wall Street Research and FactSet as of February 26, 2013. Consensus price target based on analysts' median price targets.
Note: Research analysts ordered by date.
(1) Timken believes that Stifel's SOTP analysis inadvertently assigned a 1.0x multiple to corporate overhead deduction. Applying a blended WholeCo (Timken Bearings and Steel) weighted average multiple of 7.6x, Stifel's analysis would result in SOTP of $63.94 per share, assuming its other assumptions were correct.
(2) Sum of the parts bear case: $37; bull case: $65; base case: $54.
(3) Timken believes that SunTrust's SOTP inadvertently did not include corporate expenses in its EV calculation. Applying a blended WholeCo (Timken Bearings and Steel) weighted average multiple of 6.9x, SunTrust's analysis would result in SOTP of $62.61 per share, assuming its other assumptions were correct.
(4) Please see Appendix for calculation. Assumes synergies of $60 - $80 million capitalized at 2013 EV / EBITDA multiple of 6.7x based on mean of weighted average multiple assigned by analysts and one-time transaction costs of $200 million. Relational's value per share of $4.22 based on lost synergies of $25 million capitalized at Relational's assumed 2013 EV / EBITDA multiple of 8.2x and one-time transaction costs of $200 million.

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Timken Practices Strong Corporate Governance

- 9 of 12 directors are independent; Joseph W. Ralston serves as lead independent director
- Directors have diverse backgrounds and perspectives related to various aspects of the Company's business
- Approved declassification of Board in 2010 – fully implemented in 2013
- Rated "Low Concern" by ISS in 2012 in terms of Board Structure and Compensation
- ISS and Glass Lewis recommended "FOR" vote on the Company's 2012 say-on-pay resolution
  - Resolution received the approval of 94% of the votes cast

TIMKEN

The Timken Company's Comprehensive Plan To Drive Value

Comprehensive Plan to Drive Shareholder Value

Strengthen Margins

- Investment program at Faircrest Plant to drive further efficiencies
- Leaner, more variable cost structure
- Ability to tightly control supply chain and react to market variability
- Expanded Steel and Bearings portfolio, as well as complementary products and services

Improve Cash Flow Conversion and Fund Pension

- Defined benefit pensions are projected to be substantially fully funded in 2013
- Improved working capital management and projected lower capital spend beyond 2013

Drive Growth

- Organic growth supported by new product introductions and geographic expansion
- Targeted, accretive acquisitions

Return Capital

- Up to 10 million share buyback authorized in February 2012
- Dividends paid in each quarter since Company became public in 1922

TIMKEN

Three-Year Targets Reflect Strength of Strategic Plan

Metric	2015 Target

Sales	• **$5.9 to $6.1 billion (3-year CAGR of +6 to 11%)**
	  • Global GDP growth of 2.5% in 2013 & 3.5% to 4% in 2014 – 2015 expected(1)
	  • Assumes roughly half of growth from inorganic investments

EPS	• **$6.75 to $7.25 per diluted share** • Assumes redeployment of capital, including inorganic growth

Free Cash Flow	• **$425 to $475 million**
	  • Mid-point assumes 90% earnings conversion
	  • Capex declining to targeted range by 2015
	  • Increased dividends and moderate pension contributions

Return on Invested Capital	• **17 – 19%**

(1) Source: IHS Global Insight.

TIMKEN

Our Strategy is Working and We are Committed to Building Shareholder Value

- Timken has strong track record of delivering shareholder value as a result of its existing strategy
- Timken Steel is one of the Company's highest ROIC businesses; Timken has invested to even further improve Steel's cost structure and profitability
- Operational integration and technology sharing between Steel and Bearings creates meaningful benefits for customers and shareholders
- We believe Relational's break-up valuation analysis has serious flaws
- Contrary to Relational's assertion, Timken has strong corporate governance standards, as recognized by independent proxy advisors

Continued Execution of Our Proven Strategy is the Best Path to Value Creation

TIMKEN

APPENDIX

GAAP Reconciliation Of ROIC
($ Mils.)

Reconciliation of ROIC to GAAP Operating Income

Management believes ROIC is representative of the company's performance and therefore useful to investors.

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
GAAP Operating Income[1]		(9)	42	14	132	203	247	280	225	133	106
GAAP Other Income / (Expenses)		(8)	(2)	(6)	2	(5)	(5)	7	(16)	(10)	(7)
Earnings Before Interest and Taxes (EBIT)[2]		(17)	41	8	135	198	242	287	209	123	99
Provision for income taxes		(6)	15	3	51	73	93	102	80	45	35
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)[3]		(10)	25	5	84	125	149	184	129	78	64
Invested Capital:											
Total Debt	266	273	321	277	280	211	303	359	469	450	514
Shareholders' Equity	1,075	1,019	985	685	733	821	922	1,032	1,056	1,046	1,005
Total	1,341	1,292	1,306	962	1,012	1,032	1,225	1,392	1,526	1,496	1,519
Average Invested Capital[4]		1,317	1,299	1,134	987	1,022	1,129	1,308	1,459	1,511	1,507
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%

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
GAAP Operating Income[1]	(18)	79	98	237	327	219	295	462	(54)	436	729	693
GAAP Other Income / (Expenses)	22	37	10	12	68	80	5	16	(0)	4	(1)	101
Earnings Before Interest and Taxes (EBIT)[2]	4	115	108	249	395	299	300	478	(54)	440	728	794
Provision for income taxes	2	46	43	80	129	91	61	171	(16)	148	251	280
Adjusted tax rate	39.8%	39.8%	40.0%	32.1%	32.6%	30.6%	20.4%	35.7%	29.9%	33.5%	34.5%	35.3%
Net Operating Profit After Taxes (NOPAT)[3]	3	69	65	169	266	208	239	307	(38)	292	477	514
Invested Capital:												
Total Debt	497	461	735	779	721	598	723	624	513	514	515	479
Shareholders' Equity	782	609	1,090	1,270	1,497	1,476	1,961	1,623	1,596	1,942	2,043	2,247
Total	1,279	1,070	1,824	2,049	2,218	2,074	2,684	2,246	2,108	2,456	2,558	2,726
Average Invested Capital[4]	1,399	1,175	1,447	1,937	2,134	2,146	2,379	2,465	2,177	2,282	2,507	2,642
ROIC: NOPAT / Average Invested Capital[4]	0.2%	5.9%	4.5%	8.7%	12.5%	9.7%	10.0%	12.5%	-1.7%	12.8%	19.0%	19.5%

[1] GAAP Operating Income excludes 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).

[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 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 invested 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.

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GAAP RECONCILIATION OF EBIT AND EBITDA

This reconciliation is provided as additional relevant information about the Company's performance. Management believes consolidated earnings before interest and taxes (EBIT), as adjusted to exclude impairment and restructuring charges and the receipts of US continued dumping subsidy and offset act distributions (CDSOA), are representative of the Company's performance and therefore useful to investors. Consolidated earnings before interest, taxes, depreciation and amortization (EBITDA), as adjusted to exclude impairment and restructuring charges and the receipts of CDSOA distributions, 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 net income to consolidated EBIT and EBITDA.

	12-Months Ended				
	12/31/2012	**12/31/2011**	**12/31/2010**	**12/31/2009**	**12/31/2008**
Net Income	$495.9	$456.6	$276.9	($138.6)	$271.3
Income from discontinued operations, net of tax	0.0	0.0	(7.4)	72.6	11.3
Provision for income taxes	270.1	240.2	136.0	(28.2)	157.0
Interest Expense	31.1	36.8	38.2	41.9	44.4
Interest Income	(2.9)	(5.6)	(3.7)	(1.9)	(5.8)
Impairment and Restructuring	29.5	14.4	21.7	164.1	32.8
Receipt of CDSOA Distribution	(108.0)	1.1	(2.0)	(3.6)	(9.1)
EBIT	**$715.7**	**$743.5**	**$459.7**	**$106.3**	**$501.9**
Revenue	$4,987.0	$5,170.2	$4,055.5	$3,141.6	$5,663.7
% EBIT Margin	*14.4%*	*14.4%*	*11.3%*	*3.4%*	*8.9%*
Depreciation and Amortization	198.0	192.5	189.7	201.5	200.8
EBITDA	**$913.7**	**$936.0**	**$649.4**	**$307.8**	**$702.7**
% EBITDA Margin	*18.3%*	*18.1%*	*16.0%*	*9.8%*	*12.4%*
5-Year Average EBITDA Margin	**14.9%**				

Source: Company filings.
Note: Dollars in millions.

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GAAP RECONCILIATION OF ROIC

Reconciliation of ROIC to GAAP Operating Income

Management believes ROIC is representative of the company's performance and therefore useful to investors.

	12-Months Ended				
	12/31/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008
GAAP Operating Income	$692.9	$729.1	$436.2	($54.1)	$462.0
GAAP Other Income / (Expenses)	101.3	(1.1)	3.8	(0.1)	16.2
Impairment and Restructuring	29.5	14.4	21.7	164.1	32.8
Receipt of CDSOA Distribution	(108.0)	1.1	(2.0)	(3.6)	(9.1)
EBIT	**$715.7**	**$743.5**	**$459.7**	**$106.3**	**$501.9**
Tax Rate	35%	35%	35%	35%	35%
Provision for Income taxes	$250.5	$260.2	$160.9	$37.2	$175.7
NOPAT	**$465.2**	**$483.3**	**$298.8**	**$69.1**	**$326.2**
Total Debt	$479.0	$515.1	$513.7	$512.7	$623.9
Shareholders' Equity	2,246.6	2,042.5	1,941.8	1,595.6	1,663.1
Invested Capital	2,725.6	2,557.6	2,455.5	2,108.3	2,287.0
Average Invested Capital	2,641.6	2,506.6	2,281.9	2,197.7	2,485.5
ROIC[(1)]	**17.6%**	**19.3%**	**13.1%**	**3.1%**	**13.1%**
5-Year Average ROIC	**13.3%**				
3-Year Average ROIC	**16.8%**				

Source: Company filings.
Note: Dollars in millions.
(1) Return on Invested Capital is calculated as Net Operating Profit After Taxes / (Average Total Debt + Average Shareholders' Equity). Tax rate assumed at 35%.

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GAAP Reconciliation of Segment ROIC

Reconciliation of ROIC[1] to GAAP Operating Income

Management believes ROIC is representative of the company's performance and therefore useful to investors. Segment EBIT results have been adjusted to include a proportional amount of unallocated corporate expenses in this analysis because management believes it provides a more meaningful representation of segment ROIC.

	Mobile			Process			Aero			Steel		
	2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012
Segment EBIT, as reported	$ 208	$ 262	$ 208	$ 134	$ 274	$ 275	$ 17	$ 5	$ 36	$ 146	$ 267	$ 252
Allocated Corporate Expenses	(31)	(33)	(35)	(15)	(18)	(19)	(5)	(5)	(6)	(19)	(24)	(25)
Impairment & Restructuring	13	13	28	3	1	2	5	1	(0)	(0)	-	-
Segment EBIT, as adjusted	$ 190	$ 242	$ 201	$ 122	$ 257	$ 258	$ 16	$ 0	$ 31	$ 128	$ 243	$ 227
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
Provision for Taxes	66	85	70	43	90	90	6	0	11	45	85	79
NOPAT	$ 123	$ 157	$ 131	$ 79	$ 167	$ 168	$ 11	$ 0	$ 20	$ 83	$ 158	$ 147
Average Invested Capital	$ 860	$ 860	$ 829	$ 511	$ 623	$ 756	$ 378	$ 377	$ 368	$ 533	$ 647	$ 689
ROIC	14.4%	18.3%	15.7%	15.5%	26.8%	22.2%	2.8%	0.0%	5.4%	15.5%	24.4%	21.4%
3 year average ROIC	16.1%			21.5%			2.8%			20.5%		

Source: Company filings.
Note: Dollars in millions.
(1) Return on Invested Capital is calculated as Net Operating Profit After Taxes / (Average Total Debt + Average Shareholders' Equity). Segment returns have been adjusted to reflect a proportionate amount of unallocated corporate expenses. Tax rate assumed at 35%.

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Implied P/E Multiple and Post-Pension Enterprise Value of Steel

Relational SOTP Analysis

	Segment Breakdown		
	Bearings	**Steel**	**Total**
EV Pre-Pension/OPEB	**$5,946** (1)	**$1,474** (1)	**$7,420**
Memo:	*80%*	*20%*	*100%*
Pension [(2)]	(319)	(79)	
OPEB [(3)]	0	(372)	
EV Post-Pension/OPEB	**$5,627**	**$1,023**	
Net Debt [(4)]	(543)		
Implied Bearings Equity Value	**$5,085**		
2013 Bearings Net Income [(4)]	**$273** (5)		
Implied 2013 Bearings P/E	**18.6x**		

Note: Dollar in millions.
(1) Based on pre-pension enterprise value as disclosed on page 12 of Relational's 02/28/13 Schedule 13D filing ("02/28/13 13D").
(2) Assumes $398mm of unfunded pension balances on page 12 of 02/28/13 13D allocated 80% to Bearings and 20% to Steel based on enterprise value per page 39 of 02/28/13 13D.
(3) Assumes $372mm OPEB balance allocated to Steel per page 40 of 02/28/13 13D.
(4) Assumes 100% of total debt of $479mm allocated to Bearings net of transaction costs of $200mm and cash of $136mm allocated to Bearings per page 40 of 02/28/13 13D.
(5) Assumes 2013 pro forma net income of Bearings per page 40 of 02/28/13 13D.

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The Timken Comparable Company Universe Includes a Wide Variety of Industrial Peers

SOTP Analysis

	SunTrust *James Kawai* 11/14/2012	**William Blair** *Samuel H. Elsner* 11/28/2012	**Jefferies** *Stephen Volkmann* 11/29/2012	**Longbow** *Eli Lustgarten* 12/4/2012	**KeyBanc** *Steve Barger* 12/6/2012	**BofAML** *Ross Gilardi* 1/11/2013
Bearings	**SKF**	**SKF** **JTEKT** **NSK** **NTN** **Altra** Kaydon RBC Bearings	**SKF** **JTEKT** **NSK** **NTN** Kaydon	**SKF** **JTEKT** **NSK** **NTN** **Altra** Kaydon RBC Bearings Kaman	**SKF** **JTEKT** **NSK** **NTN** **Altra** **Kennametal** Eaton Parker Hannifin Kaydon RBC Bearings Kaman Precision Castparts Lincoln TriMas NN	**SKF** **Kennametal**
Steel	Sanyo Steel Tenaris Vallourec	**Nucor** **Steel Dynamics** **AK Steel** **US Steel** Applied Industrial Cliffs Schnizter Steel	**Nucor** **Steel Dynamics** ArcelorMittal	**Nucor** **Steel Dynamics** **AK Steel** **US Steel** **Allegheny** **Carpenter** Commercial Metal	**Nucor** **Steel Dynamics** Gerdau	**Nucor** **Steel Dynamics**

Selection of Key Comparables

Comps	# of Analysts
Bearings	
SKF	6
JTEKT	4
NSK	4
NTN	4
Altra	3
Kennametal	2

Comps	# of Analysts
Steel	
Nucor	5
Steel Dynamics	5
AK Steel	2
US Steel	2
Allegheny	1
Carpenter	1

Source: Wall Street research.
Note: Comparables used by Timken are identified in bold.

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Analysts' SOTP Adjustment for Lost Synergies and Transaction Costs

Implied 2013 EV / EBITDA in SOTP Analysis

	Date	SOTP EV	EBITDA	Implied Multiple
BofAML	01/11/13	$6,472	$836	7.7x
Jefferies	03/13/13	6,244	787	7.9
KeyBanc	12/06/12	5,982	874	6.8
Longbow[1]	12/04/12	5,163	897	5.8
William Blair	11/28/12	5,432	1,009	5.4
Weighted Average		**$5,900**	**$887**	**6.7x**

SOTP Adjustments

Timken Case[2]			
Lost Synergies	$60	--	$80
2013 EV / EBITDA		6.7x	
Value of Lost Synergies	$399	--	$532
One Time Transaction Cost		$200	
Value Lost	**$599**	**--**	**$732**
Average Share Count		96.9	
Value Lost per Share	**$6.18**	**--**	**$7.56**

Relational Case	
Lost Synergies	$25
2013 EV / EBITDA	8.2x
Value of Lost Synergies	$205
One-time Transaction Costs	$200
Value Lost	**$405**
Average Share Count	95.9
Value Lost per Share	**$4.22**

Source: Wall Street research as of February 26, 2013 and Relational Schedule 13D filing on February 28, 2013.
(1) Represents SOTP corresponding to base case SOTP price of $54 per share.
(2) EV/EBITDA and share count per research analysts' estimates.

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