



OUR NEW ENTERPRISE

Investor Presentation
March, 2009

TIMKEN

Where You Turn

Investor Presentation
March, 2009

Contact:

Steve Tschiegg, Director - Capital
Markets & Investor Relations

PH: (330) 471-7446

E-mail: steve.tschiegg@timken.com

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 and future financial performance, 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 us; 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 financial health of the company's customers; 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 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. 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
- 25,000 associates in 26 countries
- Global network of 12 technology centers



Vision, Values & Aspiration

Our Vision

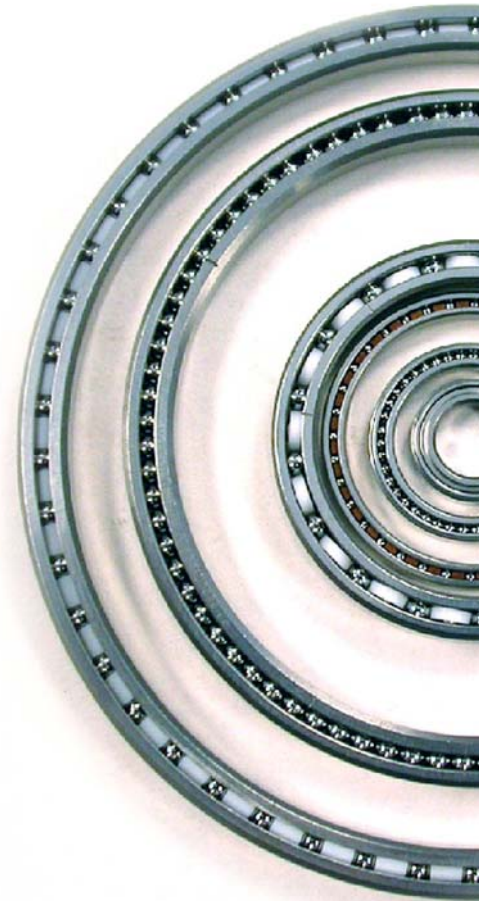
We are dedicated to improving our customers' performance by applying our knowledge of friction management and power transmission to deliver unparalleled value and innovation all around the world.

Our Values

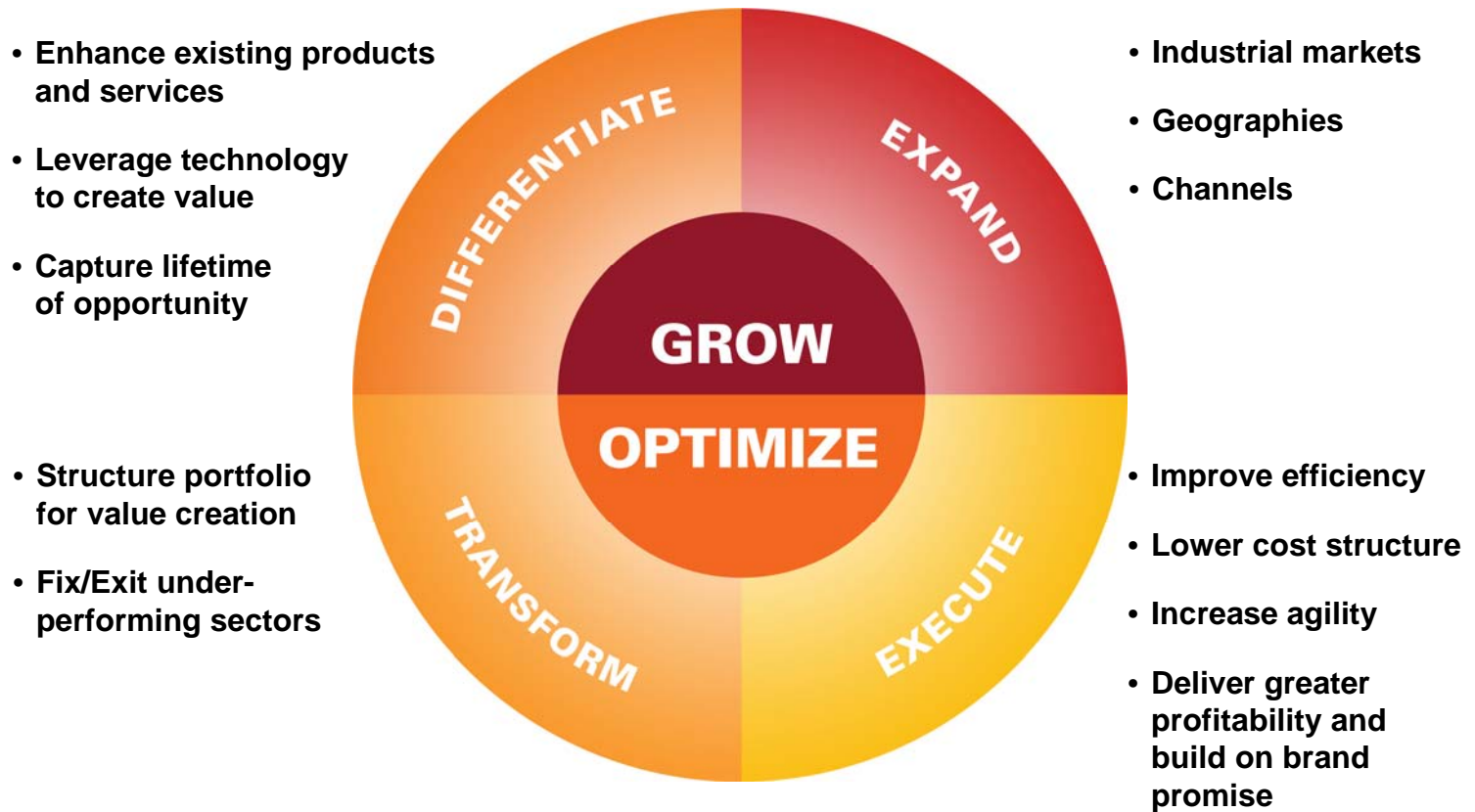
Ethics & Integrity
Quality
Innovation
Independence

Our Financial Aspiration

Top Quartile Shareholder Returns



Our Strategy Model



Our New Enterprise

Aerospace & Defense

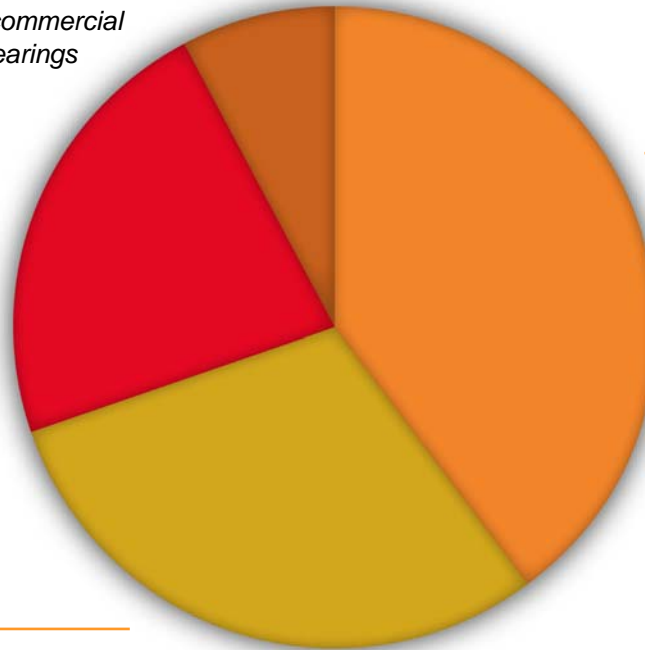
- *Diversified growth in defense, commercial and the aftermarketbeyond bearings*

Process Industries

- *Global growth, diversified, strong aftermarket*

Steel Group

- *Enhancing market leadership position where performance demands are high*



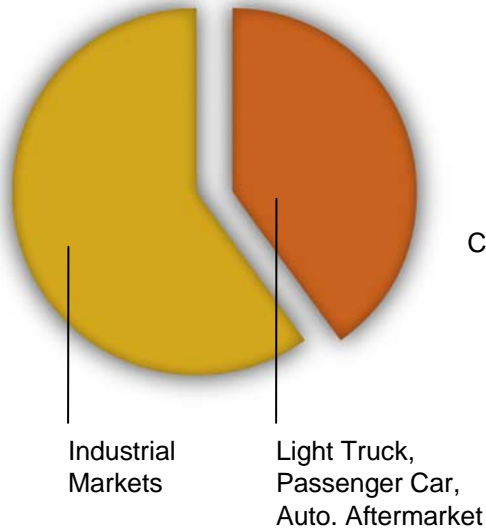
Mobile Industries

- *Portfolio transformation / value-based pricing*

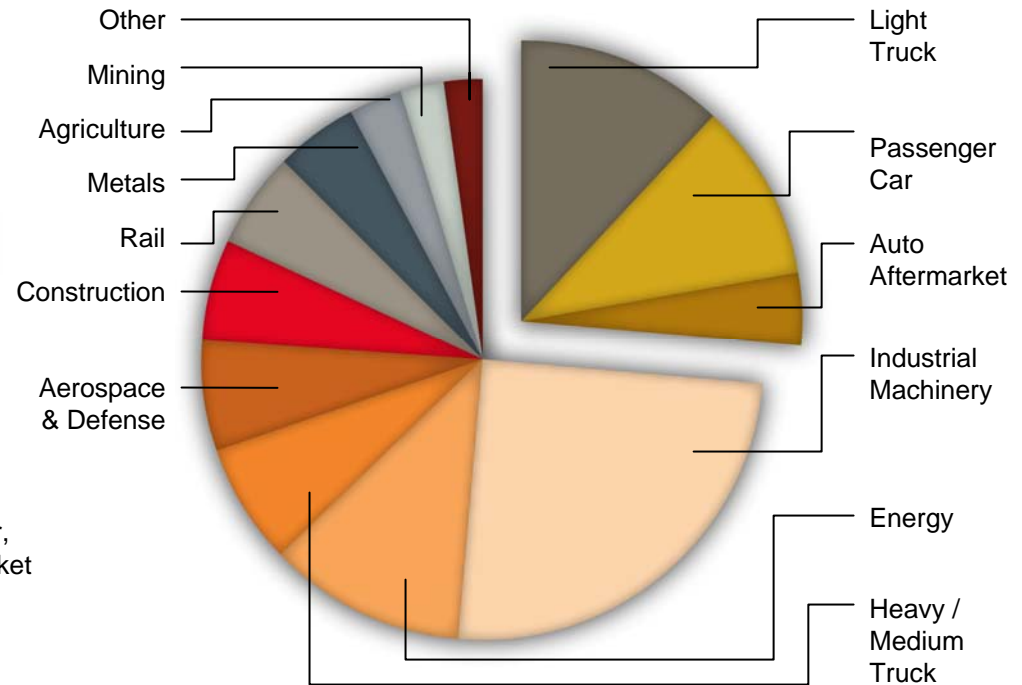
Note: Segmentation based on 2008 sales. Steel Group sales exclude inter-segment sales of \$158 million.

End Markets

2002
Sales: \$2.6B



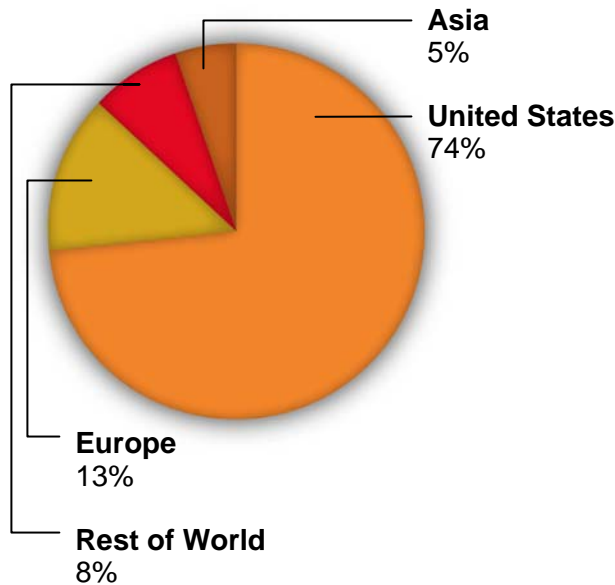
2008
Sales: \$5.7B



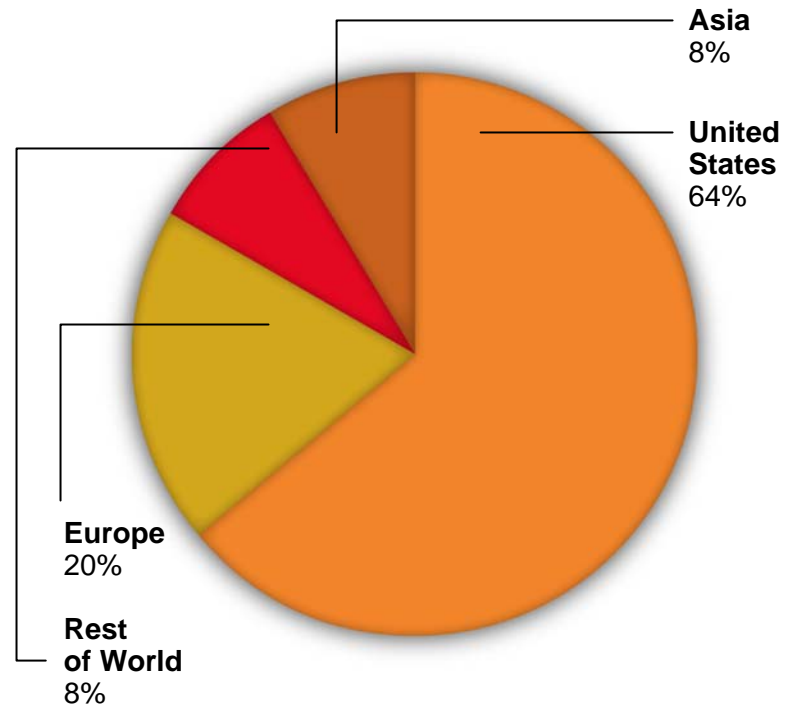
Automotive Light Vehicle Reduced from 40% to 27%

Geographic Sales Diversification

2002
\$2.6 Billion



2008
\$5.7 Billion



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

(\$500)

(\$1,000)

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

Segment Profitability

2002-2008

2002			
	Sales	EBIT	Margin
Automotive Bearings	\$753	\$11	1.5%
Industrial Bearings	\$972	\$73	7.5%
Steel	\$981	\$33	3.3%
Consolidated Company	\$2,550	\$115	4.5%

2008				
	Sales	EBIT	Margin	
Mobile Industries	\$2,264	\$17	0.7%	 Transform
Process Industries	\$1,278	\$247	19.3%	 Grow
Aerospace & Defense	\$431	\$50	11.7%	 Grow
Steel Group	\$1,852	\$264	14.3%	 Differentiate
Unallocated Corporate Expense		(\$68)		
Consolidated Company	\$5,664	\$505	8.9%	

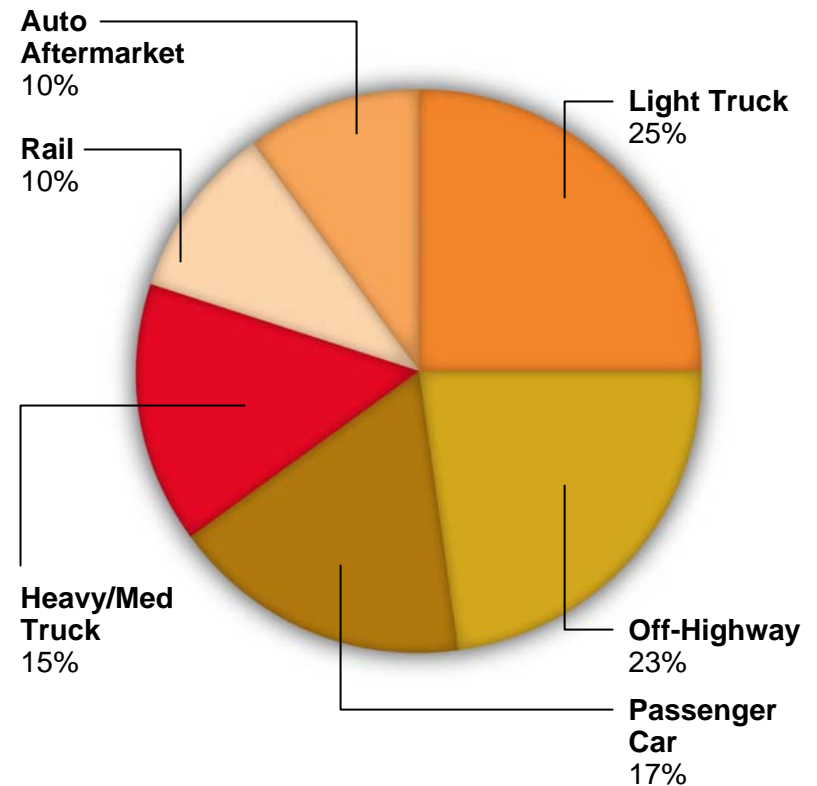
Note: 2002 includes Latrobe Steel Company sales and EBIT, which was subsequently sold in December 2006 and reported in discontinued operations. EBIT excludes special items. Steel sales include inter-segment sales of \$156 million and \$158 million in 2002 and 2008 respectively.

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



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:

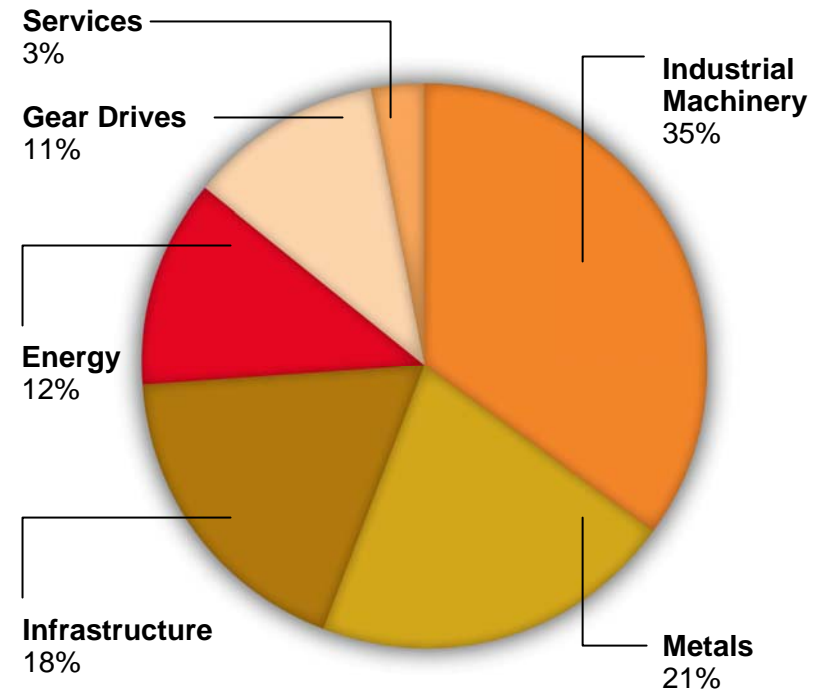
- Pricing and contracts
- Managing demand reduction
- Fix or exit unprofitable business
- Expand aftermarket opportunity

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



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:

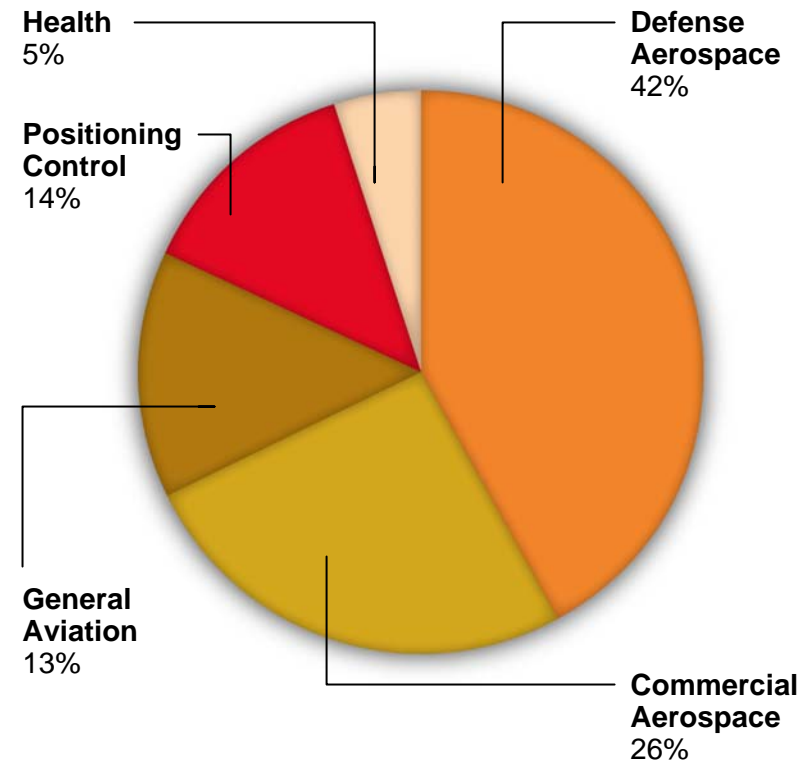
- Align operations with lower demand
- Cost / cash management
- Strengthen market position
 - energy markets and Asian infrastructure
 - continue to develop and grow global aftermarket
- Broaden power transmission product offering & equipment maintenance services

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



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:

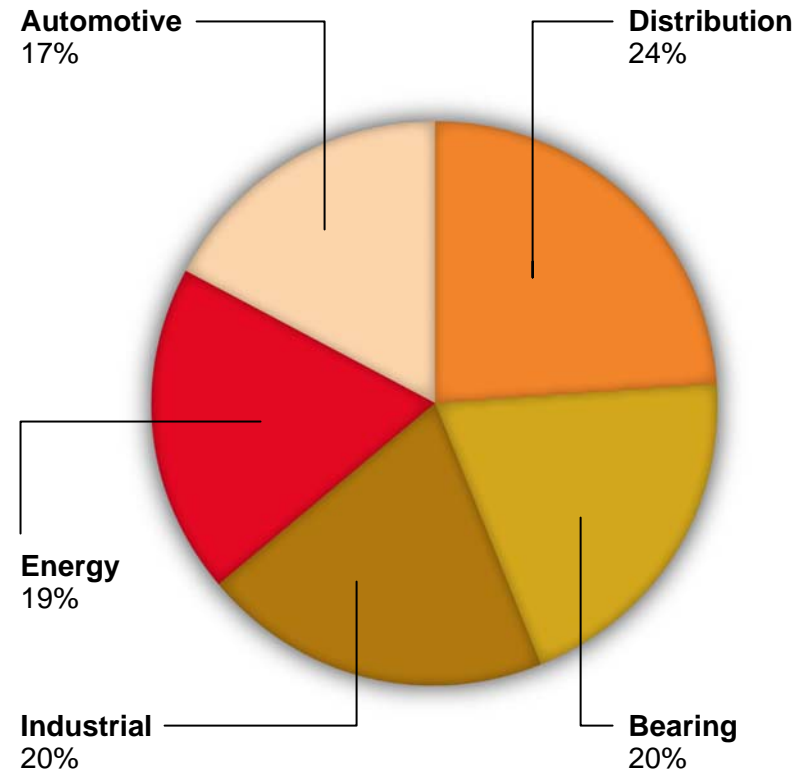
- Extend powertrain system & service offerings
 - Asia, related products, aftermarket
- Leverage Purdy and EXTEX acquisitions
- Ramp-up capacity

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



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 & ample 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.

Liquidity – as of 12/31/2008

(in Millions)

	Amount Available
Cash	\$ 116
U.S. Senior Credit Facility - \$500 million committed; June 2010	\$ 458
U.S. Accounts Receivable Securitization - \$175 million committed; Dec. 2009	\$ 115
Foreign Facilities - \$426 million primarily on-demand	\$ 335
Sub-Total credit availability	\$ 908
Total (including cash)	\$ 1,024

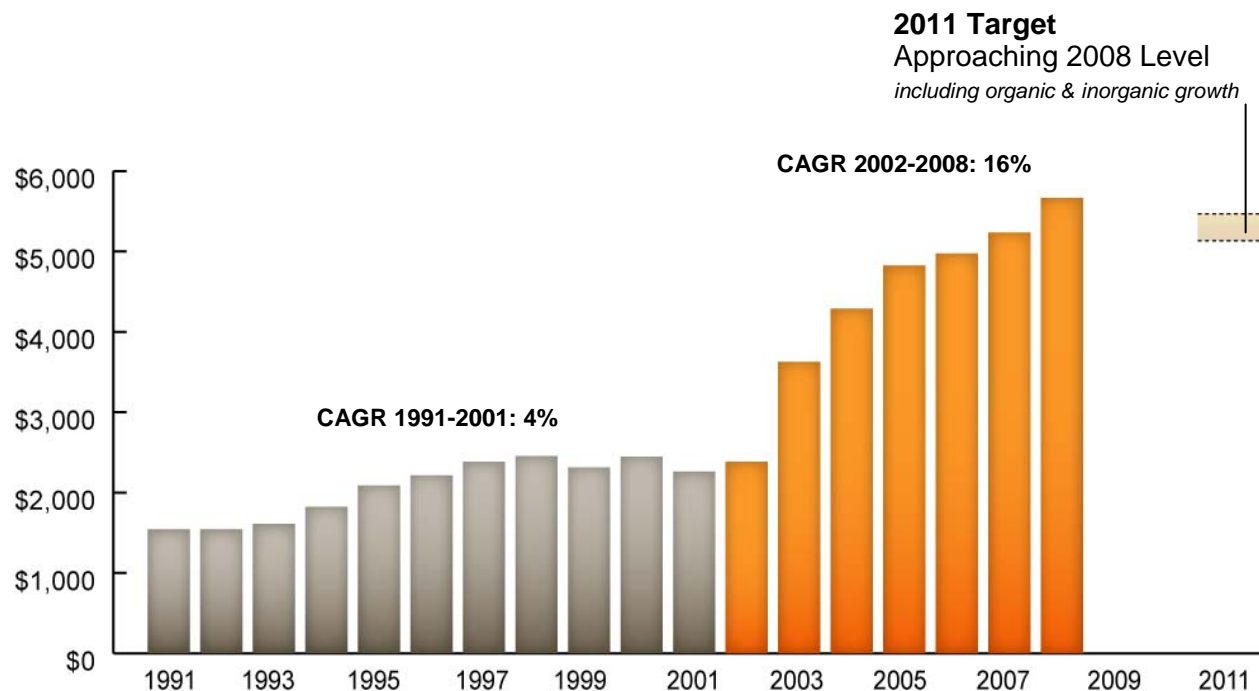
Debt Maturity:

12/31/08	Payments Due by Period			
Total Debt	2009	2010	2011 - 2013	2014 & after
\$624	\$108	\$302	\$0	\$214

Sales

Continuing Operations

Net Sales ■
(in Millions)



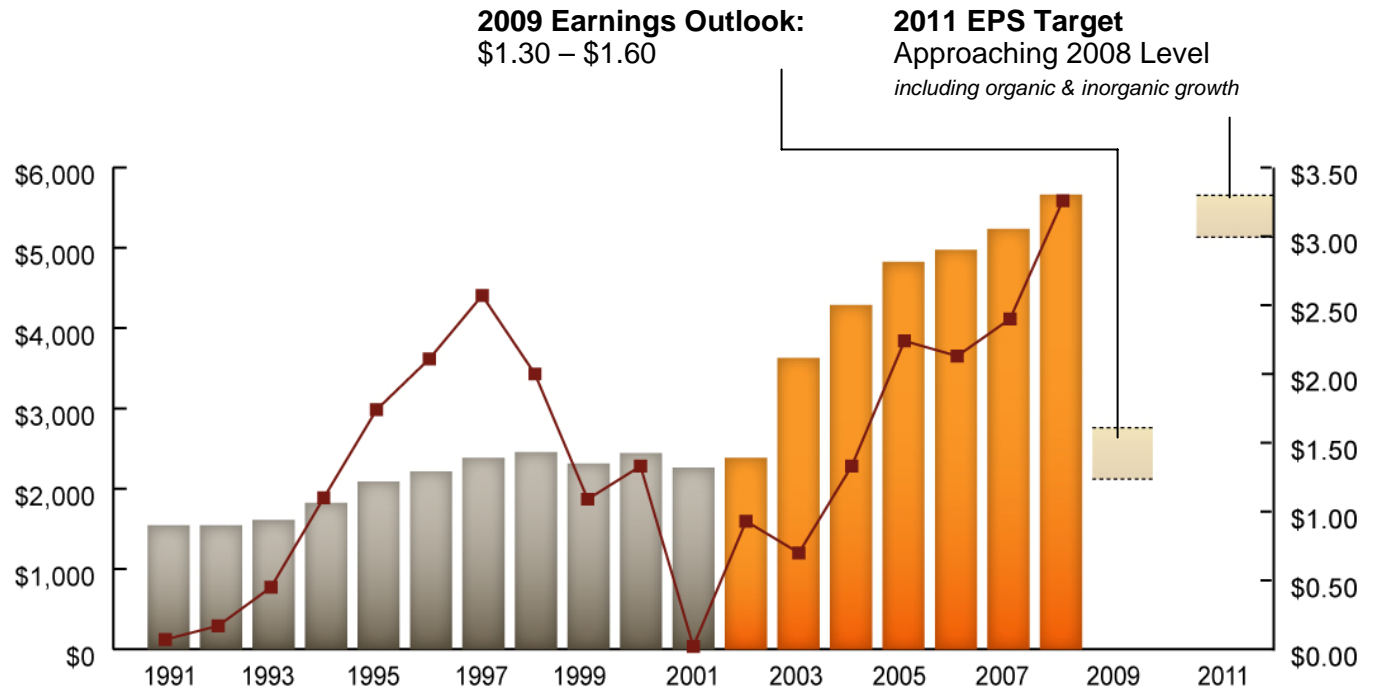
Note: 2003 includes Torrington acquisition as acquired February 2003.

Earnings Per Share

Continuing Operations

Net Sales ■
(in Millions)

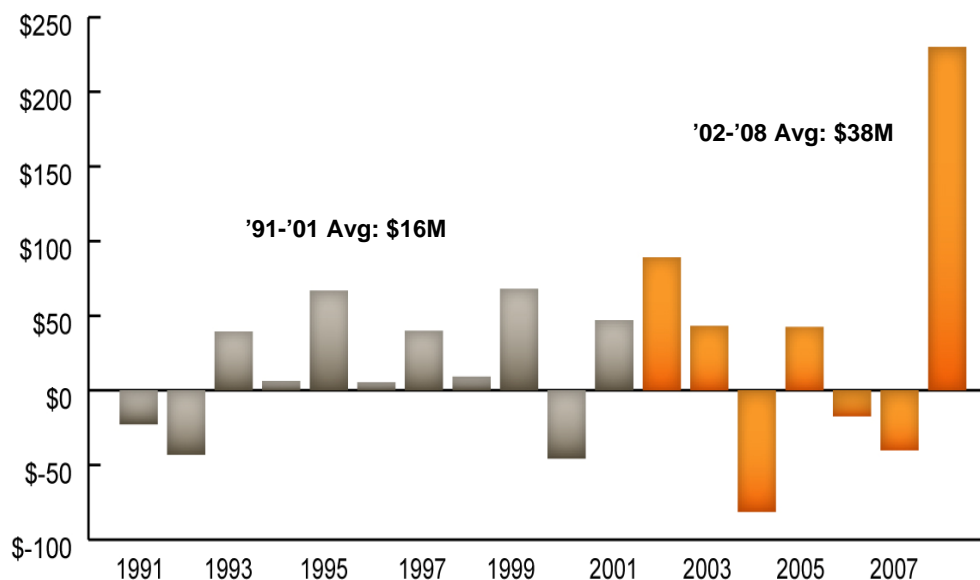
—■— **Earnings Per Share**



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.

Free Cash Flow

(in Millions)



2009 Outlook:

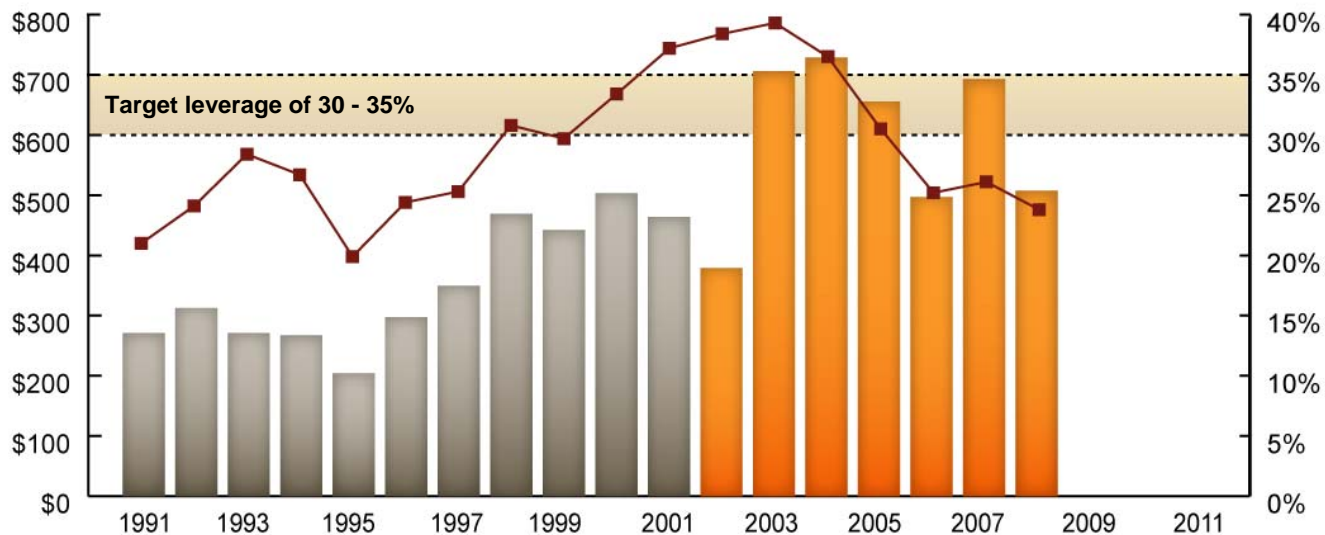
- Lower earnings
- Higher pension contributions
- Lower CapEx
- Reduced working capital
- Strong cash flow generation in 2009; second best year

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

Net Debt

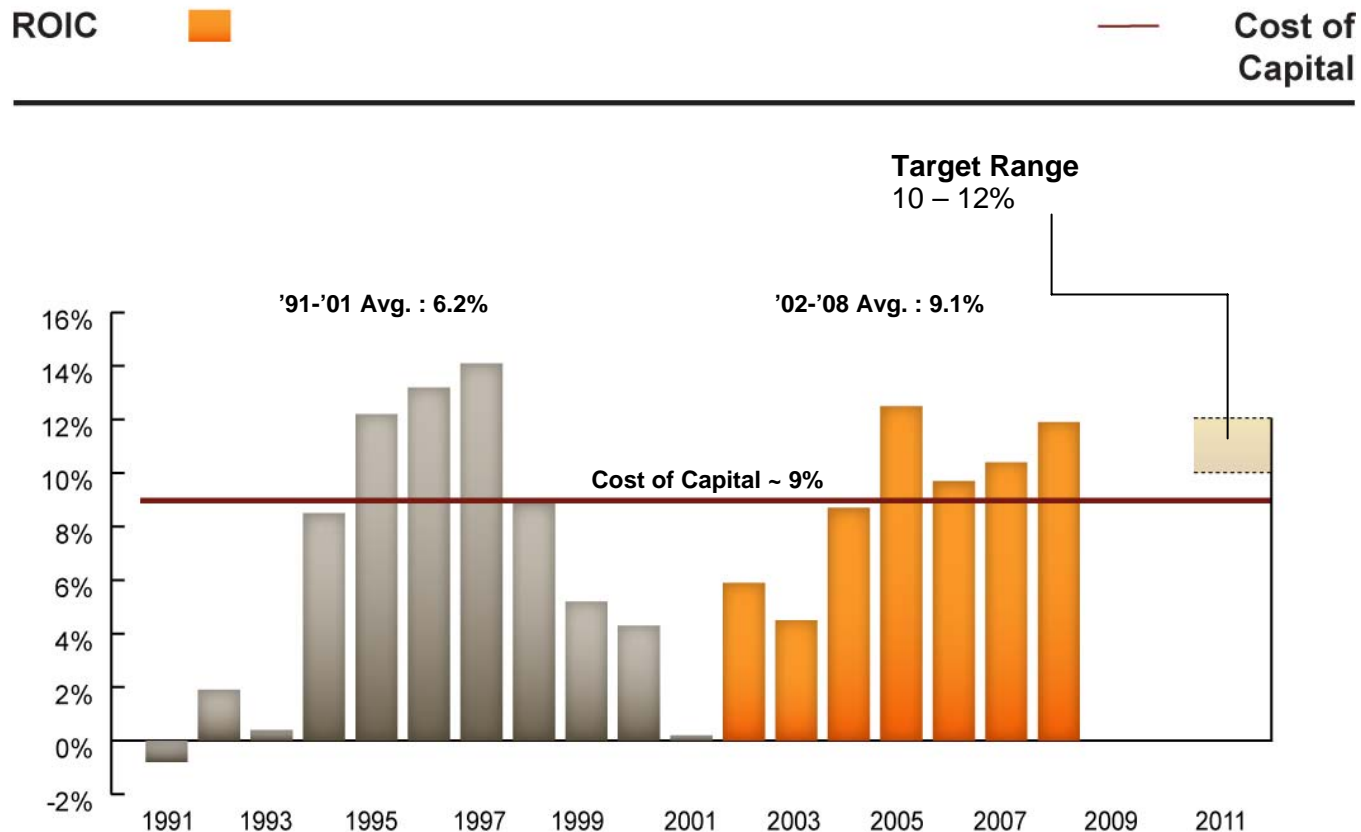
Net Debt (in Millions)

Net Debt/Capital



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

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.

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

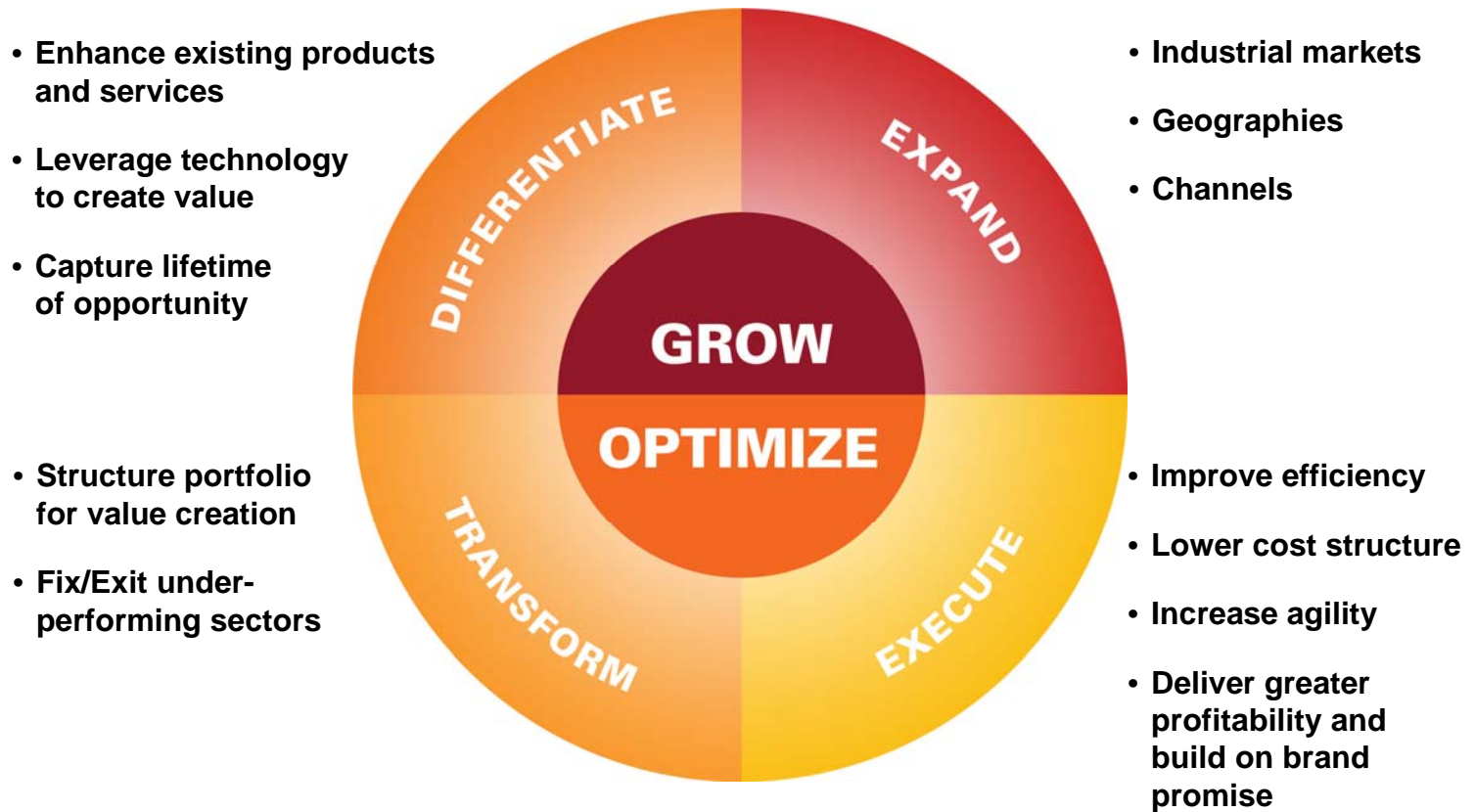
Dividends and share repurchase

- 347th consecutive quarterly dividend paid in March 2009
- Authorized share repurchase program to purchase up to 4 million shares or \$180 million

Incentive Compensation

Program	<u>Short-Term</u>	<u>Intermediate</u>	<u>Long-Term</u>	
	(Cash) Annual Performance Award Plan (APA)	(Cash) Intermediate Incentive Plan (IIP)	(Equity) Restricted Shares	(Equity) Non Qualified Stock Options
Objective	Short-term operational business priorities	Mid-term goals from Strategic Plan	Long-term shareholder value creation	
Participants	7,500 Associates globally	200 General Managers & above	500 Senior Managers and above coupled with certain ownership requirements	
Time Horizon	1 Year	3 Years	4 Years	10 Years
Metrics	40% Corporate EBIT/BIC 30% Business Unit EBIT/BIC 15% BU working capital % sales 15% Customer service or New business sales ratio	50% Earnings growth 50% ROIC	Share price	

Our Strategy Model



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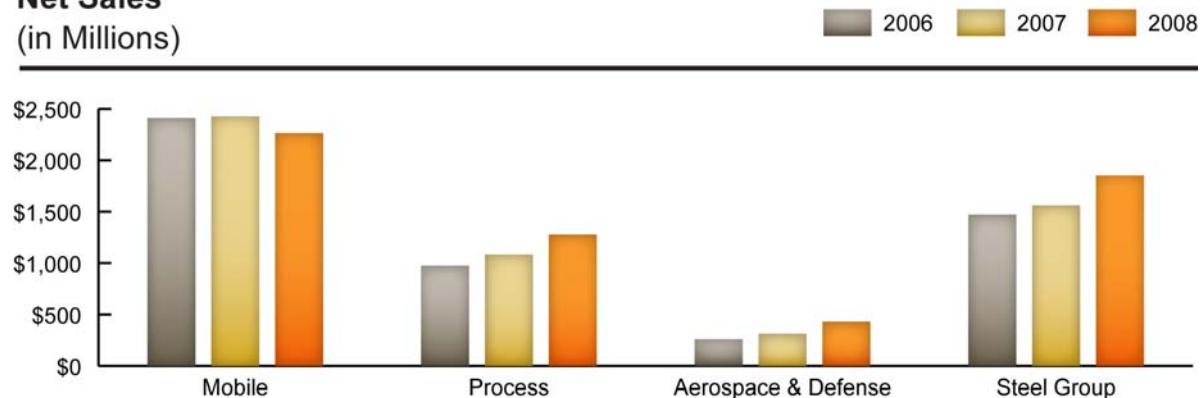
OUR NEW ENTERPRISE

Appendix

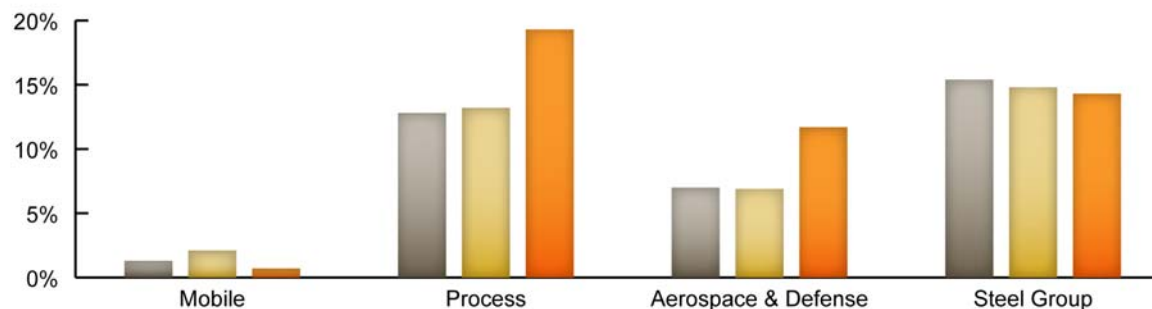
WHERE
YOU
TURN

Segment – Financial Performance

Net Sales
(in Millions)



EBIT Margin



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

AS REPORTED

ADJUSTED (1)

(Dollars in thousands, except share data)

	Full Year 2008	Full Year 2007	Full Year 2008	Full Year 2007
Net sales	\$ 5,663,660	\$ 5,236,020	\$ 5,663,660	\$ 5,236,020
Cost of products sold	4,417,961	4,150,911	4,417,961	4,150,911
Manufacturing rationalization/reorganization expenses - cost of products sold	4,230	31,275	-	-
Gross Profit	\$ 1,241,469	\$ 1,053,834	\$ 1,245,699	\$ 1,085,109
Selling, administrative & general expenses (SG&A)	723,463	692,037	723,463	692,037
Manufacturing rationalization/reorganization expenses - SG&A	1,524	3,246	-	-
(Gain) loss on divestitures	(8)	528	-	-
Impairment and restructuring	64,383	40,378	-	-
Operating Income (Loss)	\$ 452,107	\$ 317,645	\$ 522,236	\$ 393,072
Other (expense)	(16,867)	(12,988)	(16,867)	(12,988)
Special items - other income	29,319	13,239	-	-
Earnings Before Interest and Taxes (EBIT) (2)	\$ 464,559	\$ 317,896	\$ 505,369	\$ 380,084
Interest expense, net	(38,963)	(35,639)	(38,963)	(35,639)
Income (Loss) From Continuing Operations Before Income Taxes	425,596	282,257	466,406	344,445
Provision for income taxes	157,926	62,868	152,982	114,528
Income (Loss) From Continuing Operations	\$ 267,670	\$ 219,389	\$ 313,424	\$ 229,917
Income from discontinued operations net of income taxes, special items (3)	-	665	-	-
Net Income (Loss)	\$ 267,670	\$ 220,054	\$ 313,424	\$ 229,917

Reconciliation to GAAP

(Unaudited)

CONDENSED CONSOLIDATED STATEMENT OF INCOME

	AS REPORTED		ADJUSTED (1)	
	Full Year 2008	Full Year 2007	Full Year 2008	Full Year 2007
(Dollars in thousands, except share data)				
Earnings Per Share - Continuing Operations	\$ 2.80	\$ 2.32	\$ 3.28	\$ 2.43
Earnings Per Share - Discontinued Operations	-	0.01	-	-
Earnings Per Share	\$ 2.80	\$ 2.33	\$ 3.28	\$ 2.43
Diluted Earnings Per Share - Continuing Operations	\$ 2.78	\$ 2.29	\$ 3.26	\$ 2.40
Diluted Earnings Per Share - Discontinued Operations	-	0.01	-	-
Diluted Earnings Per Share	\$ 2.78	\$ 2.30	\$ 3.26	\$ 2.40
Average Shares Outstanding	95,650,104	94,639,065	95,650,104	94,639,065
Average Shares Outstanding-assuming dilution	96,272,763	95,612,235	96,272,763	95,612,235

(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:

(Dollars in thousands) (Unaudited)	Dec. 31, 2008	Dec. 31, 2007
Short-term debt	\$ 108,590	\$ 142,568
Long-term debt	515,250	580,587
Total Debt	623,840	723,155
Less: Cash and cash equivalents	(116,306)	(30,144)
Net Debt	\$ 507,534	\$ 693,011
Shareholders' equity	\$ 1,640,297	\$ 1,960,669
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.

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

(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.

Reconciliation to GAAP

Non GAAP Disclosure Reconciliations
US\$ Million

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
GAAP Operating Income	(9)	42	14	132	203	247	280	225	133	106	(18)	86	102	235	327	219	318	452
Reorganization Expense in COGS	-	-	-	-	-	-	-	15	-	4	8	9	3	5	15	18	31	4
Goodwill Amortization Expense	3	3	3	3	3	4	5	5	6	6	6	-	-	-	-	-	-	-
Reorganization Expense in SG&A	-	-	-	-	-	-	-	6	-	7	5	10	31	23	3	6	3	2
Loss on Divestiture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	64	1	(0)
Impairment and Restructuring Charges	41	-	48	-	-	-	-	-	-	28	55	32	19	14	26	45	40	64
Less: Operating Income from discontinued ops (a)	(5)	(7)	(3)	4	9	15	17	11	(0)	(2)	(1)	0	0	0	0	0	0	-
Adjusted Operating Income	39.6	51.4	68.0	131.5	196.9	236.7	267.6	240.3	138.8	153.1	56.2	136.0	154.9	275.5	370.3	352.9	393.1	522.2
GAAP EPS* - assuming dilution	(0.60)	0.07	(0.29)	1.10	1.78	2.19	2.69	1.82	1.01	0.76	(0.69)	0.62	0.44	1.49	2.81	2.36	2.30	2.78
Less: Income from discontinued ops (net of tax)	(0.05)	(0.07)	(0.05)	0.03	0.08	0.12	0.16	0.10	(0.00)	(0.03)	(0.01)	(0.27)	(0.03)	0.02	0.29	0.49	0.01	-
Earnings Per Share - Continuing Operations	(0.55)	0.14	(0.25)	1.07	1.70	2.06	2.52	1.72	1.01	0.78	(0.68)	0.89	0.47	1.47	2.52	1.87	2.29	2.78
Reorganization Expense in COGS	-	-	-	-	-	-	-	0.17	-	0.04	0.20	0.08	0.02	0.05	0.16	0.20	0.33	0.04
Goodwill Amortization Expense	0.03	0.03	0.03	0.03	0.04	0.05	0.05	0.05	0.07	0.07	0.07	-	-	-	-	-	-	-
Reorganization Expense in SG&A	-	-	-	-	-	-	-	0.06	-	0.07	0.13	0.10	0.22	0.25	0.03	0.06	0.03	0.02
Loss on Divestiture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.68	0.01	-
Restructuring Expense	0.59	-	0.67	-	-	-	-	-	-	0.36	0.61	0.37	0.16	0.15	0.28	0.48	0.42	0.67
Other Exp (Inc) including CDSOA Payments	-	-	-	-	-	-	-	-	-	-	(0.31)	(0.51)	(0.18)	(0.47)	(0.92)	(1.00)	(0.14)	(0.30)
Tax effect of special items	-	-	-	-	-	-	-	-	-	-	-	-	-	(0.12)	0.17	(0.15)	(0.54)	0.05
Adjusted EPS	0.07	0.17	0.45	1.10	1.74	2.11	2.57	2.00	1.09	1.33	0.02	0.93	0.70	1.33	2.24	2.13	2.40	3.26

* Split Adjusted for 2:1 stock split May 1997.

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	29	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
US\$ Million

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
GAAP Operating Income ⁽¹⁾		(9)	42	14	132	203	247	280	225	133	106	(18)	79	98	237	327	219	318	452
GAAP Other Income / (Expenses)		(8)	(2)	(6)	2	(5)	(5)	7	(16)	(10)	(7)	22	37	10	12	68	80	0	12
Earnings Before Interest and Taxes (EBIT) ⁽²⁾		(17)	41	8	135	198	242	287	209	123	99	4	115	108	249	395	299	318	465
Check		(17)	41	8	135	198	242	287	209	123	99	4	115	108	249	395	299	318	465
s/b zero		-	-	-	-	-	-	-	-	-	(0.00)	-	-	-	-	-	-	-	-
Provision for income taxes		(6)	15	3	51	73	93	102	80	45	35	2	46	43	80	129	91	71	172
Adjusted tax rate		37.6%	37.6%	37.6%	37.6%	36.9%	38.3%	35.7%	38.2%	36.8%	35.0%	39.8%	39.8%	40.0%	32.1%	32.6%	30.6%	22.3%	37.1%
Net Operating Profit After Taxes (NOPAT) ⁽³⁾		(10)	25	5	84	125	149	184	129	78	64	3	69	65	169	266	208	247	292
Invested Capital:																			
Total Debt	266	273	321	277	280	211	303	359	469	450	514	497	461	735	779	721	598	723	624
Shareholders' Equity	1,075	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	1,623
Total	1,341	1,292	1,306	962	1,012	1,032	1,225	1,392	1,526	1,496	1,519	1,279	1,070	1,824	2,049	2,218	2,074	2,684	2,246
Average Invested Capital ⁽⁴⁾		1,317	1,299	1,134	987	1,022	1,129	1,308	1,459	1,511	1,507	1,399	1,175	1,447	1,937	2,134	2,146	2,379	2,465
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 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

	<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)
Free Cash Flow⁽¹⁾	(23)	(43)	39	6	67	5	40	9	68	(46)

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

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