

TIMKEN®

THE MARKET

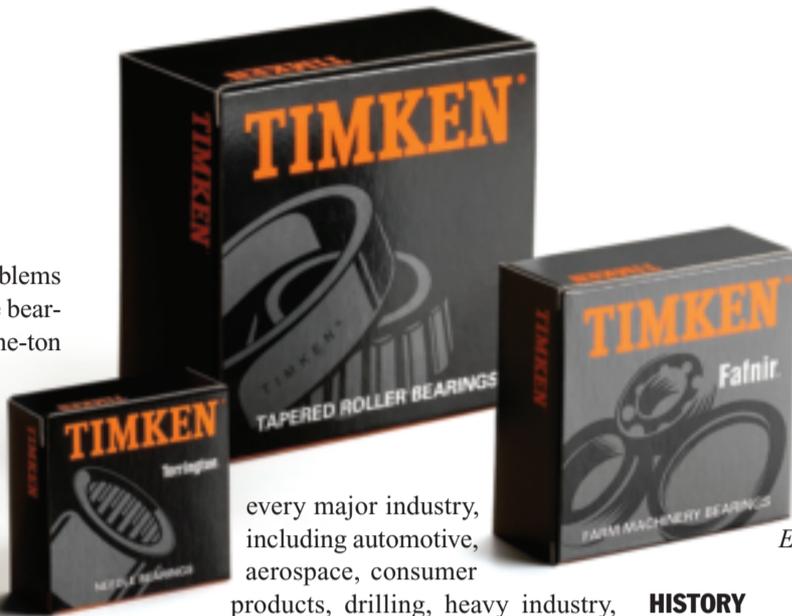
Timken works with customers to solve problems that help move the world. From a half-ounce bearing that measures .100" in diameter to a nine-ton bearing that's large enough to walk through, Timken® products are everywhere you turn, in applications as everyday as trucks and trains, in applications as critical as artificial hearts and the space station, and in applications as fun as roller coasters and racecars.

The company's dedication to improving customer performance by applying its knowledge of friction management and power transmission has built one of America's greatest industrial brands.

Often described as a bearing and steel manufacturer, customers turn to Timken more for its ability to solve engineering challenges. The company invests more than \$50 million annually in R&D at its 10 research facilities around the world. That commitment to innovation, quality, and problem solving is what differentiates the Timken brand in the global marketplace.

While bearings and steel remain the core product line manufactured in 65 plants around the world, the Timken® brand has expanded to include a growing selection of related products, including steel components, lubricants, sensors, seals, and assemblies that feature bearings as the key component. As a result, the brand pulls in \$4.5 billion annually in sales.

Timken's 26,000 employees in 27 countries serve



every major industry, including automotive, aerospace, consumer products, drilling, heavy industry, machine tool, off-highway, power transmission, rail, and industrial distribution.

ACHIEVEMENTS

Timken has been a business leader throughout its history. Financially, it is a growing company that has paid dividends to its shareholders every quarter since the company's listing on the New York Stock Exchange in 1922.

Technologically, the company has been a leader in the world in friction management innovations. Henry Timken, the company's founder, patented the tapered roller bearing in 1898. The company also earned the patent for the original drawn-cup needle bearing. Both of these innovations changed the industrial world by managing friction in ways that improved the performance of customers' operations and products—

and both of those inventions are still vital to industry today.

Timken sets the standard for quality in its product lines. Last year, customers granted Timken more than 300 quality awards.

The greatest single change in the company's history was the 2003 acquisition of The Torrington Company. With this one event, the Timken brand stretched to new products, new services, and new markets. The acquisition also served shareholders well by growing earnings within the first year.

The people of Timken also have been recognized in the business world. Timken founders are in the Automotive Hall of Fame and the National Inventors Hall of Fame.

In fact, Timken research scientists have earned more than a thousand patents.

In more recent years, the company has grown to become one of the three largest bearing companies in the world.

Timken is recognized not only as one of America's best-managed companies (*Forbes* 2005 Best Big Companies list) but also as one of its best corporate citizens (*Business Ethics* magazine, 2004).

HISTORY

The company's life spans more than 100 years of industrial leadership. Timken has survived and thrived in industries where international competition and restructuring have been particularly intense. Timken represents a clear case in which a strong brand backed by timely and sustained investments



in its core businesses have been critical factors in success and longevity. As a result, its history is linked with the major technological and institutional developments that have shaped the modern age.

Headquartered in Canton, Ohio, Timken began manufacturing bearings in 1899. The company set itself apart by vertical integration into steel in 1916. Timken led the bearings industry into automated mass production. Then, in the early 1980s, when seriously challenged by foreign-based competitors, Timken doubled its investment in R&D and built a state-of-the-art steel mill in its hometown. Today the tables are turned, and Timken challenges its competitors in their home markets.

The company grew by 50 percent when it acquired The Torrington Company in 2003 and continues to grow in sales around the world.

Both the distinctiveness and the strength of the company's character have derived largely from the sustained role of its founding family. Five generations of Timkens have maintained a financial stake and provided the company with sound leadership.



THE PRODUCT

More than 100 years ago, Henry Timken envisioned a business built on solving an age-old technical problem: friction, the force that impedes the motion of objects in contact with each other. “The man who could devise something that would reduce friction fundamentally would achieve something of real value to the world,” he observed.

The first Timken bearing was designed for the wheels of a horse-drawn wagon. Today, the Timken brand and its Torrington and Fafnir sub-brands represent original equipment and replacement bearings for applications with far greater horsepower. Timken bearings and integrated assemblies are found in passenger cars, trucks, and trailers; in axles and wheels; and in transmissions, transaxles, continuously variable transmissions, and steering systems.

Timken provides original equipment and replacement bearings for a variety of industrial markets. And while antifriction bearings — including tapered, needle, spherical, cylindrical, and ball bearings — continue to be a core product line, the brand has stretched to include related parts and services, such as bearing repair.

Timken provides alloy and specialty steel in the form of bars, tubing, or precision steel components for bearing manufacturers, oil and gas drilling applications, aircraft engines, and a variety of automotive applications.

RECENT DEVELOPMENTS

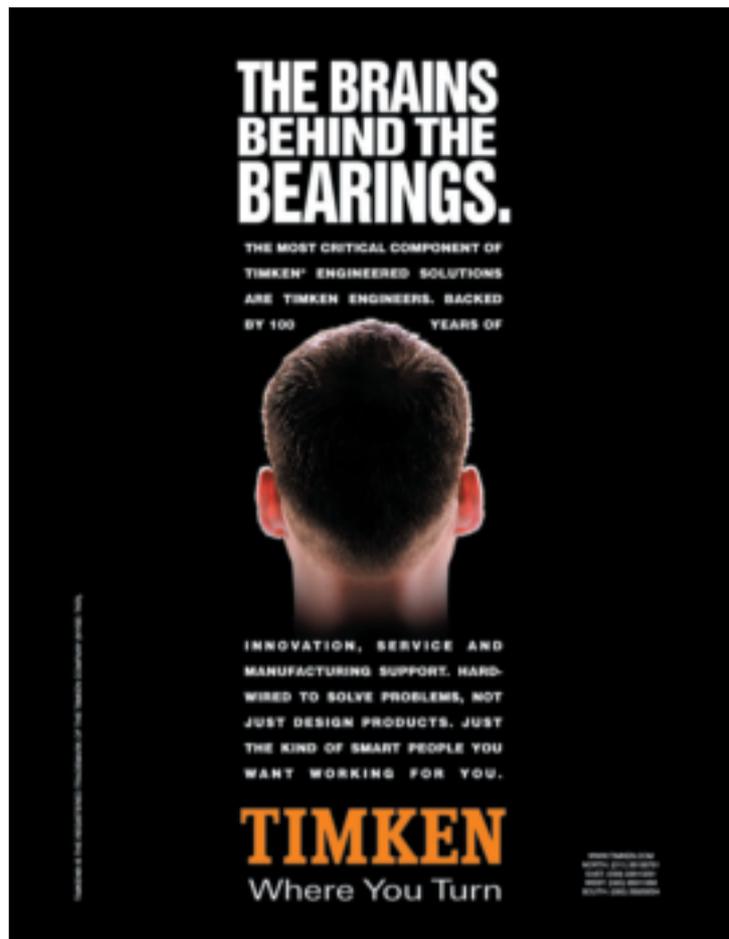
Timken innovation has built upon its core competencies both with new products and services.

Timken engineers developed integrated bearing packages that include sensors that monitor speed, temperature, and vibration data. Data from these “smart bearings” is transmitted to antilock braking, traction control, and other on-board systems in automotive applications. A related development is condition-monitoring systems for industrial equipment.

Working closely with customer design teams, Timken engineers also have developed innovations such as fuel-efficient bearings and active differentials that contribute to an automobile’s performance, handling, and efficiency.

Timken recently launched its own line of premium bearing lubricants as well as a line of devices that automatically dispense these products into industrial equipment.

Timken R&D engineers offer a range of general technical services tailored to the needs of the customer, from prototype development to application testing. They also developed a line of surface enhancement technologies that improve



the efficiency of customer applications that have moving parts.

PROMOTION

From the beginning, the company marketed the Timken brand in innovative ways.

In the early years, as the company was establishing its brand and the credibility of its new technology, Timken staged promotional events and heavily advertised in trade publications. For example, when the company decided to enter the rail bearing market, it launched a high-profile initiative to build its own locomotive. The Four Aces, as it was named, was unveiled in 1930 when four women in high heels almost effortlessly pulled the locomotive down a track to demonstrate how much Timken bearings reduced the friction in the wheels.

In more recent years, the company has supported its powerful brand with integrated strategies that touch all key audiences and combine the

efforts of marketing communications, community relations, investor relations, and government relations to create a strong and positive presence. Promotions range from motorsports sponsorships in places such as Brazil, which offer a

live product demonstration; to technical seminars in countries such as India, where the company is still building the brand; to core advertising, media relations, trade fairs, and technical materials for all markets.

Timken also is an active corporate citizen in the regions in which it operates, supporting local community, academic, and charitable initiatives. From its support of local United Way campaigns to its sponsorship of the 2007 Special Olympics

in China, Timken has a reputation for its commitment to people.

Timken is a leader in industry associations and active in the political process. The company champions issues of importance to people employed in U.S. manufacturing. In fact, company leaders are actively involved in groups like the Manufacturing Institute, the National Association of Manufacturers, the Manufacturers Alliance/MAPI, and the federal government’s Securities Investor Protection Corporation. This active support of American business also has contributed to brand recognition.

BRAND VALUES

The heart of the brand still lies in the words of the company’s founder, Henry Timken: “If you want to lead in any line you must bring to it independence of thought, unfailing industry, aggression, and indomitable purpose. If you have an idea which you think is right, push it to a finish. . . . But above all, don’t set your name to anything you will ever have cause to be ashamed of.”

That spirit is alive today in customer perception of Timken. The brand is recognized for expertise in friction management and power transmission and a partnership with customers to solve their toughest problems.

Behind that approach are the core values that its employees, customers, and suppliers recognize:

- Ethics and integrity
- Perpetual innovation to bring customer value
- Independence of thought
- The highest quality

A dedication to these brand values has been at the root of Timken’s success. The company uses the brand, its most valuable asset, to achieve its vision of growing through unparalleled value and innovation.

THINGS YOU DIDN'T KNOW ABOUT TIMKEN

- Timken has paid its shareholders more than 300 consecutive quarterly dividends since being listed on the New York Stock Exchange in 1922.
- More than a century ago, Timken’s founder patented the tapered roller bearing, and the company is still the leading manufacturer of this product today.
- Bearings are all around us — in transportation on the road and in the air, in our computers, in our appliances . . . even in artificial hearts and dental drills.
- The company’s orange and black color combination is recognized around the world and protected by trademark law.
- Timken-sponsored race driver Buddy Rice won the 2004 Indy 500, running on Timken bearings and steel.

