

TIMKEN CO  
Form 11-K  
June 28, 2011  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 11-K**

**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2010

OR

**TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-1169

**THE TIMKEN COMPANY EMPLOYEE SAVINGS PLAN**

(Full title of the Plan)

THE TIMKEN COMPANY, 1835 Dueber Avenue, S.W., Canton, Ohio 44706

Edgar Filing: TIMKEN CO - Form 11-K

(Name of issuer of the securities held pursuant to the Plan  
and the address of its principal executive office)

**Table of Contents**

The Timken Company Employee Savings Plan  
Financial Statements and Supplemental Schedule  
December 31, 2010 and 2009, and  
Year Ended December 31, 2010

**Contents**

<u>Report of Independent Registered Public Accounting Firm</u>	1
Financial Statements	
<u>Statements of Net Assets Available for Benefits</u>	2
<u>Statement of Changes in Net Assets Available for Benefits</u>	3
<u>Notes to Financial Statements</u>	4
Supplemental Schedule	
<u>Schedule H, Line 4i - Schedule of Assets (Held at End of Year)</u>	22
<u>Exhibit 23 - Consent of Independent Registered Public Accounting Firm</u>	

**Table of Contents**

Report of Independent Registered Public Accounting Firm

The Timken Company, Administrator of The

Timken Company Employee Savings Plan

We have audited the accompanying statements of net assets available for benefits of The Timken Company Employee Savings Plan as of December 31, 2010 and 2009, and the related statement of changes in net assets available for benefits for the year ended December 31, 2010. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2010 and 2009, and the changes in its net assets available for benefits for the year ended December 31, 2010, in conformity with US generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2010 is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Ernst & Young LLP

Cleveland, Ohio

June 28, 2011

**Table of Contents**

The Timken Company Employee Savings Plan

Statements of Net Assets Available for Benefits

	December 31,	
	2010	2009
<b>Assets</b>		
Investments, at fair value		
Interest in The Master Trust Agreement for The Timken Company Defined Contribution Plans	<b>\$ 1,025,081</b>	\$ 7,753,779
Receivables:		
Contribution receivable from participants		883
Contribution receivable from The Timken Company	<b>17,162</b>	204,309
Participant notes receivable	<b>26,747</b>	316,299
	<b>43,909</b>	521,491
Total assets reflecting investments at fair value	<b>1,068,990</b>	8,275,270
Adjustment from fair value to contract value for interest in The Master Trust Agreement for The Timken Company Defined Contribution Plans relating to fully benefit-responsive investment contracts	<b>5,535</b>	140,167
Net assets available for benefits	<b>\$ 1,074,525</b>	\$ 8,415,437

*See accompanying notes.*

**Table of Contents**

The Timken Company Employee Savings Plan  
Statement of Changes in Net Assets Available for Benefits  
Year Ended December 31, 2010

**Additions**

Investment income:	
Net investment gain from The Master Trust Agreement for The Timken Company Defined Contribution Plans	\$ 984,667
Interest income from participant notes	19,262
	<b>1,003,929</b>
Contributions:	
Participants	217,130
The Timken Company	116,469
	<b>333,599</b>
Total additions	<b>1,337,528</b>

**Deductions**

Benefits paid directly to participants	1,625,731
Administrative expenses	12,825
Total deductions	<b>1,638,556</b>
Net decrease prior to transfers	<b>(301,028)</b>
Net transfers between plans	<b>(7,039,884)</b>
Net decrease	<b>(7,340,912)</b>
Net assets available for benefits:	
Beginning of year	<b>8,415,437</b>
End of year	<b>\$ 1,074,525</b>

*See accompanying notes.*

**Table of Contents**

The Timken Company Employee Savings Plan

Notes to Financial Statements

December 31, 2010 and 2009,

and Year Ended December 31, 2010

**1. Description of Plan**

The following description of The Timken Company Employee Savings Plan (formerly known as The Rail Bearing Service Corporation Employee Savings Plan) (the Plan) provides only general information. Participants should refer to the Summary Plan Description for a more complete description of the Plan's provisions.

**General**

The Plan is a defined contribution plan covering full-time employees of Rail Bearing Service Corporation (RBS) and Timken Industrial Services, LLC, excluding employees of Reliability Services, (collectively, the Company). The Timken Company (Timken) is the Plan Administrator. Employees of Rail Bearing Service Corporation become eligible to receive Profit Sharing Contributions immediately. Profit Sharing Contributions are based upon Rail Bearing Service Corporation's return on assets. Full-time employees of Rail Bearing Service Corporation are eligible to contribute to the Plan after completing one year of service. Employees of Timken Industrial Services, LLC become eligible to participate in the Plan the first of the month following or coincident with the completion of one full calendar month of full-time service. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

**Plan Merger**

Effective December 31, 2010, the assets and liabilities of the Plan attributable to current and former employees of RBS were transferred to and merged into The Timken Company Savings and Investment Pension Plan. The net assets transferred to the Plan are reflected on the statement of changes in net assets available for benefits as a transfer between plans.

**Contributions**

Under the provisions of the Plan, participants may elect to contribute up to 15% of their gross earnings directly to the Plan subject to Internal Revenue Service (IRS) limitations. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans. The Company matches Rail Bearing Service Corporation employee contributions at an amount equal to 50% on the first 6% of the participant's gross earnings, called Company Match Contributions.

**Table of Contents**

The Timken Company Employee Savings Plan

Notes to Financial Statements (continued)

**1. Description of Plan (continued)**

In addition, the Company contributes Timken common shares at an amount equal to 10% on the first 6% of the participant's gross earnings, called Stock Match Contributions. The Plan also provides for a discretionary Profit Sharing Contribution by the Company for eligible employees of Rail Bearing Service Corporation. The Company matches Timken Industrial Services, LLC employee contributions, Matching Contributions, at an amount equal to 25% of the first 7% of the participant's gross earnings.

The Plan provides for a quarterly 401(k) Plus Contribution by the Company for eligible employees of Timken Industrial Services, LLC. This contribution is based on the participant's full years of service at amounts ranging from 2.5% to 8.0%.

Upon enrollment, a participant must direct his or her contribution in 1% increments to any of the Plan's fund options. If a participant fails to make a deferral election, he/she will be automatically enrolled in the Plan at a 3% deferral rate. Effective April 15, 2010, any employee hired prior to 2007 who had not enrolled as a participant in the Plan as of February 22, 2010; and any employee hired after 2006 who, prior to February 22, 2010, had elected not to participate in the Plan, were automatically enrolled in the Plan at a 3% deferral rate. If the participant makes no further changes to his/her deferral rate, then each year following the year in which the participant was automatically enrolled in the Plan the participant's deferral rate will be increased by 1% until a deferral rate of 6% has been attained. For Rail Bearing Service Corporation participants, Company Match Contributions and Profit Sharing Contributions are invested based on the participant's investment election. If a participant fails to make investment elections, his/her deferrals will default to an appropriate Vanguard Target Retirement Fund, based on the participant's age. Participants are not allowed to direct the investment of the Stock Match Contribution until (i) attaining age 55, (ii) the third anniversary of the date on which such participant is hired, (iii) the date such participant obtains three years of Continuous Service, or (iv) following retirement. For Timken Industrial Services, LLC participants, 401(k) Plus Contributions are invested based on the participant's investment election. If a participant fails to make investment elections, his/her deferrals will default to an appropriate Vanguard Target Retirement Fund, based on the participant's age. Participants are not allowed to direct the investment of the Matching Contribution until attaining age 55, (ii) the third anniversary of the date on which such participant is hired, (iii) the date such participant obtains 3 years of Continuous Service, or (iv) following retirement.



**Table of Contents**

The Timken Company Employee Savings Plan

Notes to Financial Statements (continued)

**1. Description of Plan (continued)**

Participants have access to their account information and the ability to make account transfers and contribution changes daily through an automated telecommunications system and through the Internet. Participants may elect to have their vested dividends in The Timken Company Common Stock Fund distributed to them in cash rather than automatically reinvested in Timken common shares. Due to the effect of the global recession in 2009, The Timken Company suspended Matching Contributions for all associates effective with pay dates occurring on and after September 1, 2009 through December 31, 2009. Matching Contributions were reinstated commencing with pay dates on and after January 1, 2010. Associates were able to make employee contributions during the period in which Matching Contribution were suspended.

**Participant Accounts**

Each participant's account is credited with the participant's contributions and allocations of (a) the Company's contributions and (b) plan earnings, and is charged with an allocation of administrative expenses. Allocations are based on participant earnings or account balances, as defined. Forfeited balances of terminated participants' nonvested accounts are used to reduce future Company contributions. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

**Vesting**

Participants are immediately vested in their contributions plus actual earnings thereon. For Rail Bearing Service Corporation participants, vesting in the Company Match Contribution and Stock Match Contribution portions of their accounts plus actual earnings thereon occurs over a period of five years with 20% vested after one year and an additional 20% in each of the years two to five. Also, vesting in the Profit Sharing Contribution portion of their accounts plus actual earnings thereon occurs over a period of three years. Timken Industrial Services, LLC participants are immediately vested in Matching Contributions plus actual earnings thereon. Participants vest in the 401(k) Plus Contributions after the completion of three years of service.

**Table of Contents**

The Timken Company Employee Savings Plan

Notes to Financial Statements (continued)

**1. Description of Plan (continued)**

**Forfeitures**

Under the provisions of the Plan, if a participant leaves the Company before becoming fully vested in the Company contributions, the portion of assets not vested will be forfeited. Forfeitures of any Profit Sharing Contributions may be added to the Profit Sharing Contribution to be allocated to each participant's account. Forfeitures of any Company Matching Contributions will be used to reduce future Company contributions. Forfeitures balances as of December 31, 2010 and 2009 were approximately \$45,000 and \$50,000, respectively.

**Participant Notes Receivable**

Participants may borrow from their accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of their vested account balance. Loan terms generally cannot exceed five years, except loans made for purchasing a primary residence which cannot exceed 30 years.

The loans are secured by the balance in the participant's vested account and bear interest at an interest rate of one percent in excess of the prime rate, as published the first business day of each month in the *Wall Street Journal*. Principal and interest are paid ratably through payroll deductions.

**Payment of Benefits**

On termination of service, a participant may receive a lump-sum amount equal to the vested balance of their account, or elect to receive installment payments over a period of time not to exceed their life expectancy. If a participant's vested account balance is greater than \$1,000, they may leave their vested assets in the Plan until age 70 1/2.

**Plan Termination**

Although it has not expressed any interest to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, the Plan's trustee, JP Morgan (Trustee), shall distribute to each participant the vested balance in their separate account.

**Table of Contents**

The Timken Company Employee Savings Plan

Notes to Financial Statements (continued)

**2. Accounting Policies**

**Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting.

**Reclassification**

Certain prior year amounts in the statement of net assets available for benefits have been reclassified to conform to the current year presentation.

**Investment Valuation and Income Recognition**

The Plan's investments are stated at fair value and are invested in the Master Trust Agreement for the Company defined contribution plans (Master Trust), which was established for the investment of assets of the Plan and the seven other defined contribution plans sponsored by the Company. The fair value of the Plan's interest in the Master Trust is based on the value of the Plan's interest in the fund plus actual contributions and allocated investment income (loss) less actual distributions.

The Trustee maintains a collective investment trust of Timken common shares in which the Company's defined contribution plans participate on a unit basis. Timken common shares are traded on a national securities exchange and participation units in The Timken Company Common Stock Fund are valued at the last reported sales price on the last business day of the plan year. The valuation per unit of The Timken Company Common Stock Fund was \$25.94 and \$12.99 at December 31, 2010 and 2009, respectively.

Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date.

**Use of Estimates**

The preparation of financial statements in conformity with US generally accepted accounting principles requires management to make estimates that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Table of Contents**

The Timken Company Employee Savings Plan

Notes to Financial Statements (continued)

**2. Accounting Policies (continued)**

**New Accounting Pronouncements**

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2010-06, *Improving Disclosures about Fair Value Measurements*, (ASU 2010-06). ASU 2010-06 amended ASC 820 to clarify certain existing fair value disclosures and require a number of additional disclosures. The guidance in ASU 2010-06 clarified that disclosures should be presented separately for each class of assets and liabilities measured at fair value and provided guidance on how to determine the appropriate classes of assets and liabilities to be presented. ASU 2010-06 also clarified the requirement for entities to disclose information about both the valuation techniques and inputs used in estimating Level 2 and Level 3 fair value measurements. In addition, ASU 2010-06 introduced new requirements to disclose the amounts (on a gross basis) and reasons for any significant transfers between Levels 1, 2 and 3 of the fair value hierarchy and present information regarding the purchases, sales, issuances and settlements of Level 3 assets and liabilities on a gross basis.

With the exception of the requirement to present changes in Level 3 measurements on a gross basis, which is delayed until 2011, the guidance in ASU 2010-06 is effective for reporting periods beginning after December 15, 2009. Since ASU 2010-06 only affects fair value measurement disclosures, adoption of ASU 2010-06 did not affect on the Plan's net assets available for benefits or its changes in net assets available for benefits.

In September 2010, the FASB issued Accounting Standards Update 2010-25, *Reporting Loans to Participants by Defined Contribution Pension Plans*, (ASU 2010-25). ASU 2010-25 requires participant loans to be measured at their unpaid principal balance plus any accrued but unpaid interest and classified as notes receivable from participants. Previously loans were measured at fair value and classified as investments. ASU 2010-25 is effective for fiscal years ending after December 15, 2010 and is required to be applied retrospectively. Adoption of ASU 2010-25 did not change the value of participant loans from the amount previously reported as of December 31, 2009. Participant loans have been reclassified to participant notes receivable as of December 31, 2009.

**Table of Contents**

The Timken Company Employee Savings Plan

Notes to Financial Statements (continued)

**2. Accounting Policies (continued)**

In May 2011, the FASB issued Accounting Standards Update 2011-04, *Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs*, (ASU 2011-04). ASU 2011-04 amended ASC 820, *Fair Value Measurements and Disclosures*, to converge the fair value measurement guidance in US generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRSs). Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle in ASC 820. In addition, ASU 2011-04 requires additional fair value disclosures (although certain of these new disclosures will not be required for nonpublic entities). The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. Plan management is currently evaluating the effect that the provisions of ASU 2011-04 will have on the Plan's financial statements.

**3. Investments**

The Plan's assets are held in The Timken Company Master Trust (Master Trust), commingled with assets of other Company-sponsored benefit plans.

Each participating plan's interest in the investment funds (i.e., separate accounts) of the Master Trust is based on account balances of the participants and their elected investment funds. The Master Trust assets are allocated among the participating plans by assigning to each plan those transactions (primarily contributions, benefit payments, and plan-specific expenses) that can be specifically identified and by allocating among all plans, in proportion to the fair value of the assets assigned to each plan, income and expenses resulting from the collective investment of the assets of the Master Trust. At December 31, 2010 and 2009, The Timken Company Common Stock Fund consisted of 13,839,282 and 18,565,348 units, respectively, of The Timken Company's common stock. The Plan's interest in the Master Trust as of December 31, 2010 and 2009 was 0.10% and 0.84%, respectively.

**Table of Contents**

## The Timken Company Employee Savings Plan

Notes to Financial Statements (continued)

**3. Investments (continued)**

The following tables present the fair values of investments in the Master Trust and the Plan's percentage interest in each investment fund of the Master Trust:

	December 31, 2010					Plan's Ownership Percentage
	Company Stock	Registered Investment Companies	Common Collective	Investment Contracts	Total Assets	
<b>Investments, at fair value</b>						
The Timken Company Common Stock Fund	\$ 359,007,594	\$	\$	\$	\$ 359,007,594	0.03%
Morgan Stanley Small Company Growth		15,390,870			15,390,870	0.00%
American Funds EuroPacific Growth		87,015,017			87,015,017	0.05%
American Funds Growth Fund of America		72,503,692			72,503,692	0.06%
American Funds Washington Mutual		13,842,649			13,842,649	0.08%
American Beacon Small Cap Value		20,557,770			20,557,770	0.11%
Vanguard Target Retirement Income		8,276,245			8,276,245	0.01%
Vanguard Target Retirement 2005		8,449,741			8,449,741	0.01%
Vanguard Target Retirement 2015		59,391,774			59,391,774	0.13%
Vanguard Target Retirement 2025		26,852,983			26,852,983	0.48%
Vanguard Target Retirement 2035		28,901,726			28,901,726	0.23%
Vanguard Target Retirement 2045		11,017,836			11,017,836	0.66%
JPMorgan S&P 500 Index			155,476,744		155,476,744	0.03%
JPMorgan Core Bond			90,402,233		90,402,233	0.05%
SSgA Russell 2000-A Index			43,163,523		43,163,523	0.12%
	359,007,594	352,200,303	289,042,500		1,000,250,397	
JPMorgan Stable Value				172,580,987	172,580,987	
Adjustments from fair value to contract value				3,152,367	3,152,367	
				175,733,354	175,733,354	0.18%
Net assets of Master Trust	\$ 359,007,594	\$ 352,200,303	\$ 289,042,500	\$ 175,733,354	\$ 1,175,983,751	0.10%

**Table of Contents**

## The Timken Company Employee Savings Plan

Notes to Financial Statements (continued)

**3. Investments (continued)**

	December 31, 2009					Plan's Ownership Percentage
	Company Stock	Registered Investment Companies	Common Collective	Investment Contracts	Total Assets	
<b>Investments, at fair value</b>						
The Timken Company Common Stock Fund	\$ 241,078,465	\$	\$	\$	\$ 241,078,465	0.15%
Morgan Stanley Small Company Growth		12,243,603			12,243,603	0.28%
American Funds EuroPacific Growth		74,317,577			74,317,577	0.75%
American Funds Growth Fund of America		67,537,569			67,537,569	1.34%
American Funds Washington Mutual		11,215,596			11,215,596	0.95%
American Beacon Small Cap Value		13,699,725			13,699,725	0.14%
Vanguard Target Retirement Income		5,531,329			5,531,329	0.01%
Vanguard Target Retirement 2005		7,056,661			7,056,661	0.26%
Vanguard Target Retirement 2015		50,484,452			50,484,452	1.73%
Vanguard Target Retirement 2025		18,053,441			18,053,441	0.95%
Vanguard Target Retirement 2035		27,730,864			27,730,864	0.71%
Vanguard Target Retirement 2045		9,407,644			9,407,644	1.05%
JPMorgan S&P 500 Index			139,647,844		139,647,844	0.80%
JPMorgan Core Bond			66,002,400		66,002,400	1.37%
SSgA Russell 2000-A Index			29,479,093		29,479,093	0.55%
	241,078,465	297,278,461	235,129,337		773,486,263	
JPMorgan Stable Value				154,903,737	154,903,737	
Adjustments from fair value to contract value				9,702,374	9,702,374	
				164,606,111	164,606,111	1.44%
Net assets of Master Trust	\$ 241,078,465	\$ 297,278,461	\$ 235,129,337	\$ 164,606,111	\$ 938,092,374	0.84%

**Table of Contents**

## The Timken Company Employee Savings Plan

Notes to Financial Statements (continued)

**3. Investments (continued)**

Investment income for the Master Trust is as follows:

	Year Ended December 31, 2010
Net appreciation in fair value of investments	
The Timken Company Common Stock Fund	\$ 212,383,745
Registered investment companies	33,116,620
Common collective funds	34,413,623
	<b>279,913,988</b>
Net appreciation in investment contracts	1,871,657
Interest and dividends	10,836,406
Total Master Trust	<b>\$ 292,622,051</b>

**4. Fair Value**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The FASB provides accounting rules that classify the inputs used to measure fair value into the following hierarchy:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Unadjusted quoted prices in active markets for similar assets or liabilities, or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3 Unobservable inputs for the asset or liability.



**Table of Contents**

## The Timken Company Employee Savings Plan

## Notes to Financial Statements (continued)

**4. Fair Value (continued)**

The following tables present the fair value hierarchy for those investments of the Master Trust measured at fair value on a recurring basis as of December 31, 2010 and 2009:

	Assets at Fair Value as of December 31, 2010			
	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
The Timken Company Common Stock Fund	\$ 359,007,594	\$	\$ 359,007,594	\$
Registered Investment Companies:				
Morgan Stanley Small Company Growth	15,390,870	15,390,870		
American Funds EuroPacific Growth	87,015,017	87,015,017		
American Funds Growth Fund of America	72,503,692	72,503,692		
American Funds Washington Mutual	13,842,649	13,842,649		
American Beacon Small Cap Value	20,557,770	20,557,770		
Vanguard Target Retirement Income	8,276,245	8,276,245		
Vanguard Target Retirement 2005	8,449,741	8,449,741		
Vanguard Target Retirement 2015	59,391,774	59,391,774		
Vanguard Target Retirement 2025	26,852,983	26,852,983		
Vanguard Target Retirement 2035	28,901,726	28,901,726		
Vanguard Target Retirement 2045	11,017,836	11,017,836		
Common Collective Funds:				
JPMorgan S&P 500 Index	155,476,744		155,476,744	
JPMorgan Core Bond	90,402,233		90,402,233	
SSgA Russell 2000-A Index	43,163,523		43,163,523	
Investment Contracts:				
JPMorgan Stable Value	172,580,987			172,580,987
<b>Total assets</b>	<b>\$ 1,172,831,384</b>	<b>\$ 352,200,303</b>	<b>\$ 648,050,094</b>	<b>\$ 172,580,987</b>

**Table of Contents**

## The Timken Company Employee Savings Plan

Notes to Financial Statements (continued)

**4. Fair Value (continued)**

	Assets at Fair Value as of December 31, 2009			
	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
The Timken Company Common Stock Fund	\$ 241,078,465	\$	\$ 241,078,465	\$
Registered Investment Companies:				
Morgan Stanley Small Company Growth	12,243,603	12,243,603		
American Funds EuroPacific Growth	74,317,577	74,317,577		
American Funds Growth Fund of America	67,537,569	67,537,569		
American Funds Washington Mutual	11,215,596	11,215,596		
American Beacon Small Cap Value	13,699,725	13,699,725		
Vanguard Target Retirement Income	5,531,329	5,531,329		
Vanguard Target Retirement 2005	7,056,661	7,056,661		
Vanguard Target Retirement 2015	50,484,452	50,484,452		
Vanguard Target Retirement 2025	18,053,441	18,053,441		
Vanguard Target Retirement 2035	27,730,864	27,730,864		
Vanguard Target Retirement 2045	9,407,644	9,407,644		
Common Collective Funds:				
JPMorgan S&P 500 Index	139,647,844		139,647,844	
JPMorgan Core Bond	66,002,400		66,002,400	
SSgA Russell 2000-A Index	29,479,093		29,479,093	
Investment Contracts:				
JPMorgan Stable Value	154,903,737			154,903,737
<b>Total assets</b>	<b>\$ 928,390,000</b>	<b>\$ 297,278,461</b>	<b>\$ 476,207,802</b>	<b>\$ 154,903,737</b>

The Timken Company Stock Fund participates in units and is valued based on the closing price of Timken common shares traded on a national securities exchange. Registered investment companies are valued based on quoted market prices reported on the active market on which the individual securities are traded.

**Table of Contents**

## The Timken Company Employee Savings Plan

## Notes to Financial Statements (continued)

**4. Fair Value (continued)**

The JPMorgan S&P 500 Index fund includes investments that provide exposure to a broad equity market and is designed to mirror the aggregate price and dividend performance of the S&P 500 Index. The fair values of the investments in this category have been determined using the net asset value per share.

The JPMorgan Core Bond fund includes investments that seek to maximize total return by investing primarily in a diversified portfolio of intermediate- and long-term debt securities. The fair value of the investments in this category has been determined using the net asset value per share.

The SSgA Russell 2000-A Index fund includes investments seeking an investment return that approximates as closely as practicable, before expenses, the performance of the Russell 2000 Index over the long term. The Fund includes exposure to stocks of small U.S. companies. The fair value of the investments in this category has been determined using the net asset value per share.

Investment contracts include a common collective trust fund that is designed to deliver safety and stability by preserving principal and accumulating earnings. This fund is primarily invested in guaranteed investment contracts and synthetic investment contracts. See Note 6 Investment Contracts for further discussion on investment contracts.

The following tables present the fair value hierarchy for those investments of the Master Trust measured at fair value on a recurring basis as of December 31, 2010:

Investment contracts at fair value:	
Balance, beginning of year	<b>\$ 154,903,737</b>
Unrealized gains	<b>17,677,250</b>
Balance, end of year	<b>\$ 172,580,987</b>

**Table of Contents**

## The Timken Company Employee Savings Plan

Notes to Financial Statements (continued)

**5. Non-Participant-Directed Investments**

Information about the net assets and the significant components of changes in net assets related to non-participant-directed investments is as follows:

	December 31,	
	2010	2009
Investments, at fair value:		
Interest in Master Trust related to The Timken Company Common Stock Fund	\$ 106,717	\$ 359,239
Receivables:		
Contributions receivable	1,163	7,672
	<b>\$ 107,880</b>	<b>\$ 366,911</b>

	Year Ended December 31, 2010
Change in net assets:	
Net appreciation in fair value of investments	\$ 317,536
Dividends	6,863
Contributions	30,535
Benefits paid directly to participants	(50,728)
Expenses	(732)
Transfers to participant-directed accounts	(562,505)
	<b>\$ (259,031)</b>

**6. Investment Contracts**

The Master Trust invests in guaranteed investment contracts (GICs), or a Stable Value Fund, that credit a stated interest rate for a specified period of time. The Stable Value Fund provides principal preservation plus accrued interest through fully benefit-responsive wrap contracts issued by a third party which back the underlying assets owned by the Master Trust. The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The investment contract issuer is contractually obligated to repay the principal at a specified interest rate that is guaranteed to the Plan.

**Table of Contents**

## The Timken Company Employee Savings Plan

## Notes to Financial Statements (continued)

**6. Investment Contracts (continued)**

Investment contracts held by a defined contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits attributable to the fully benefit-responsive investment contracts. Contract value represents contributions made under the contracts, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value.

The Plan's wrapper contracts permit all allowable participant-initiated transactions to occur at contract value. There are no events known to the Plan that are probable of occurring and which would limit its ability to transact at contract value with the issuer of the wrapper contract, which also limit the ability of the Plan to transact at contract value with participants. The wrapper contracts cannot be terminated by its issuer at a value other than contract value or prior to the scheduled maturity date, except under a limited number of very specific circumstances including termination of the Plan or failure to qualify, material misrepresentations by the Plan sponsor or investment manager, failure by these same parties to meet material obligations under the contract, or other similar types of events.

There are no reserves against contract value for credit risk of the contract issuer or otherwise. The crediting interest rates for the wrap contracts are calculated on a quarterly basis (or more frequently if necessary) using contract value, market value of the underlying fixed income portfolio, the yield of the portfolio, and the duration of the index, but cannot be less than zero.

Average Yields for Synthetic GICS	December 31,	
	2010	2009
Based on actual earnings	3.0%	4.2%
Based on interest rate credited to participants	2.0%	2.2%

**Table of Contents**

## The Timken Company Employee Savings Plan

Notes to Financial Statements (continued)

**7. Reconciliation of Financial Statements to the Form 5500**

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500:

	December 31,	
	2010	2009
Net assets available for benefits per the financial statements	\$ 1,074,525	\$ 8,415,437
Adjustment from contract value to fair value for fully benefit-responsive investment contracts	(5,535)	(140,167)
<b>Net assets available for benefits per the Form 5500</b>	<b>\$ 1,068,990</b>	<b>\$ 8,275,270</b>

The fully benefit-responsive investment contracts have been adjusted from fair value to contract value for purposes of the financial statements. For purposes of the Form 5500, the investment contracts will be stated at fair value.

The following is a reconciliation of total additions per the financial statements to total income per the Form 5500 for the year ended December 31, 2010:

Total additions per the financial statements	\$ 1,337,528
Add: Adjustment from fair value to contract value for fully benefit-responsive investment contracts at December 31, 2009	140,167
Less: Adjustment from fair value to contract value for fully benefit-responsive investment contracts at December 31, 2010	(5,535)
<b>Total income per the Form 5500</b>	<b>\$ 1,472,160</b>

**8. Risks and Uncertainties**

The Master Trust invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

**Table of Contents**

## The Timken Company Employee Savings Plan

## Notes to Financial Statements (continued)

**9. Income Tax Status**

The Plan has received a determination letter from the IRS dated April 2, 2003, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the Code), and therefore, the related trust is exempt from taxation. Subsequent to this determination by the Internal Revenue Service, the Plan was amended. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan Administrator believes that the Plan, as amended, is qualified and the related trust is tax-exempt. The Plan Administrator will take steps to ensure that the Plan's operations remain in compliance with the Code, including taking appropriate action, when necessary, to bring the Plan's operations into compliance.

Accounting principles generally accepted in the United States require plan management to evaluate uncertain tax positions taken by the Plan. The financial statement effects of a tax position are recognized when the position is more likely than not, based on the technical merits, to be sustained upon examination by the IRS. The Plan Administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2010, there are no uncertain positions taken or expected to be taken. The Plan has recognized no interest or penalties related to uncertain tax positions. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan Administrator believes it is no longer subject to income tax examinations for years prior to 2007.

**10. Related-Party Transactions**

Related-party transactions included the investments in the common stock of The Timken Company and the investment funds of the Trustee. Such transactions are exempt from being prohibited transactions.

The following is a summary of transactions in Timken common shares with the Master Trust for the year ended December 31, 2010:

	<b>Shares</b>	<b>Dollars</b>
Purchased	1,550,290	\$ 27,644,148
Issued to participants for payment of benefits	232,604	2,667,563

**Table of Contents**

The Timken Company Employee Savings Plan

Notes to Financial Statements (continued)

**10. Related-Party Transactions (continued)**

Benefits paid to participants include payments made in Timken common shares valued at quoted market prices at the date of distribution.

Certain legal and accounting fees and certain administrative expenses relating to the maintenance of participant records are paid by The Timken Company. Fees paid during the year for services rendered by parties in interest were based on customary and reasonable rates for such services.



Table of Contents

## **Supplemental Schedule**

**Table of Contents**

The Timken Company Employee Savings Plan

EIN #34-0577130 Plan #024

Schedule H, Line 4i Schedule of Assets

(Held at End of Year)

Year Ended December 31, 2010

Identity of Issuer, Borrower, Lessor, or Similar Party	Description of Investment, Including Maturity Date, Rate of Interest, Collateral,	Current Value
Participant notes receivable*	Interest rates ranging from 4.25% to 9.25% with various maturity dates	\$ 26,747

\* Indicates party in interest to the Plan.

**Table of Contents**

SIGNATURES

*The Plan.* Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other person who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

THE TIMKEN COMPANY EMPLOYEE SAVINGS PLAN

Date: June 28, 2011

By: /s/ Scott A. Scherff  
Scott A. Scherff  
Corporate Secretary and Vice President Ethics and Compliance