Section 1: 10-Q (10-Q)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2016
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____
Commission file number: 1-1169

THE TIMKEN COMPANY
(Exact name of registrant as specified in its charter)

OHIO	**34-0577130**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
4500 Mount Pleasant Street NW North Canton, Ohio	**44720-5450**
(Address of principal executive offices)	**(Zip Code)**

234.262.3000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at June 30, 2016
Common Shares, without par value	78,284,317 shares

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

THE TIMKEN COMPANY AND SUBSIDIARIES
Consolidated Statements of Income
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	**2016**	2015
(Dollars in millions, except per share data)				
Net sales	**$ 673.6**	$ 728.0	**$ 1,357.6**	$ 1,450.5
Cost of products sold	**491.3**	522.9	**994.4**	1,042.9
Gross Profit	**182.3**	205.1	**363.2**	407.6
Selling, general and administrative expenses	**110.2**	126.1	**228.5**	254.6
Impairment and restructuring charges	**2.9**	1.4	**13.4**	7.6
Loss on divestitures	**—**	0.3	**—**	0.3
Pension settlement charges	**0.4**	4.4	**1.6**	219.6
Operating Income (Loss)	**68.8**	72.9	**119.7**	(74.5)
Interest expense	**(8.7)**	(8.4)	**(17.1)**	(16.4)
Interest income	**0.4**	0.7	**0.7**	1.4
Continued Dumping & Subsidy Offset Act income, net of related expenses	**6.1**	—	**53.8**	—
Other (expense) income, net	**(1.7)**	1.4	**(1.7)**	—
Income (Loss) Before Income Taxes	**64.9**	66.6	**155.4**	(89.5)
Provision for income taxes	**20.0**	28.9	**47.6**	7.6
Net Income (Loss)	**44.9**	37.7	**107.8**	(97.1)
Less: Net (loss) income attributable to noncontrolling interest	**—**	1.0	**(0.1)**	1.4
Net Income (Loss) attributable to The Timken Company	**$ 44.9**	$ 36.7	**$ 107.9**	$ (98.5)
Net Income (Loss) per Common Share attributable to The Timken Company's Common Shareholders				
Basic earnings (loss) per share	**$ 0.57**	$ 0.43	**$ 1.36**	$ (1.14)
Diluted earnings (loss) per share	**$ 0.57**	$ 0.43	**$ 1.35**	$ (1.14)
Dividends per share	**$ 0.26**	$ 0.26	**$ 0.52**	$ 0.51

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	**2016**	2015
(Dollars in millions)				
Net Income (Loss)	**$ 44.9**	$ 37.7	**$ 107.8**	$ (97.1)
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustments	**(18.4)**	6.6	**(3.6)**	(21.2)
Pension and postretirement liability adjustment	**8.3**	2.4	**12.0**	107.5
Change in fair value of derivative financial instruments	**0.7**	(0.3)	**(1.6)**	(0.3)
Other comprehensive (loss) income, net of tax	**(9.4)**	8.7	**6.8**	86.0
Comprehensive Income (Loss), net of tax	**35.5**	46.4	**114.6**	(11.1)
Less: comprehensive income attributable to noncontrolling interest	**0.2**	0.5	**1.2**	0.9
Comprehensive Income (Loss) attributable to The Timken Company	**$ 35.3**	$ 45.9	**$ 113.4**	$ (12.0)

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Balance Sheets

	(Unaudited) June 30, 2016	December 31, 2015
(Dollars in millions)		
ASSETS		
Current Assets		
Cash and cash equivalents	$ **156.0**	$ 129.6
Restricted cash	**0.2**	0.2
Accounts receivable, less allowances (2016 – $18.7 million; 2015 – $16.9 million)	**452.3**	454.6
Inventories, net	**555.4**	543.2
Deferred charges and prepaid expenses	**20.7**	22.7
Other current assets	**52.5**	56.1
Total Current Assets	**1,237.1**	1,206.4
Property, Plant and Equipment, net	**772.5**	777.8
Other Assets		
Goodwill	**328.7**	327.3
Non-current pension assets	**85.6**	86.3
Other intangible assets	**258.0**	271.3
Deferred income taxes	**62.0**	65.9
Other non-current assets	**50.5**	49.1
Total Other Assets	**784.8**	799.9
Total Assets	$ **2,794.4**	$ 2,784.1
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Short-term debt	$ **13.4**	$ 62.0
Current portion of long-term debt	**15.0**	15.1
Accounts payable, trade	**172.9**	159.7
Salaries, wages and benefits	**92.3**	102.3
Income taxes payable	**34.4**	13.1
Other current liabilities	**147.0**	153.1
Total Current Liabilities	**475.0**	505.3
Non-Current Liabilities		
Long-term debt	**604.2**	579.4
Accrued pension cost	**147.6**	146.9
Accrued postretirement benefits cost	**132.6**	136.1
Deferred income taxes	**3.5**	3.6
Other non-current liabilities	**72.3**	68.2
Total Non-Current Liabilities	**960.2**	934.2
Shareholders' Equity		
Class I and II Serial Preferred Stock, without par value:		
Authorized – 10,000,000 shares each class, none issued	**—**	—
Common stock, without par value:		
Authorized – 200,000,000 shares		
Issued (including shares in treasury) (2016 – 98,375,135 shares; 2015 – 98,375,135 shares)		
Stated capital	**53.1**	53.1
Other paid-in capital	**901.8**	905.1
Earnings invested in the business	**1,524.4**	1,457.6
Accumulated other comprehensive loss	**(281.5)**	(287.0)
Treasury shares at cost (2016 – 20,090,818 shares; 2015 – 18,112,047 shares)	**(864.4)**	(804.3)

Total Shareholders' Equity		**1,333.4**		1,324.5
Noncontrolling Interest		**25.8**		20.1
Total Equity		**1,359.2**		1,344.6
Total Liabilities and Shareholders' Equity	**$**	**2,794.4**	$	2,784.1

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30,	
	2016	2015
(Dollars in millions)		
CASH PROVIDED (USED)		
Operating Activities		
Net income (loss) attributable to The Timken Company	**$ 107.9**	$ (98.5)
Net (loss) income attributable to noncontrolling interest	**(0.1)**	1.4
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	**65.0**	65.6
Impairment charges	**2.6**	3.3
Loss on sale of assets	**0.8**	1.7
Continued Dumping and Subsidy Offset Act receivable	**(6.2)**	—
Deferred income tax provision	**(0.2)**	(88.4)
Stock-based compensation expense	**6.7**	9.1
Excess tax benefits related to stock-based compensation	**—**	(1.5)
Pension and other postretirement expense	**18.9**	238.0
Pension contributions and other postretirement benefit payments	**(14.3)**	(16.9)
Changes in operating assets and liabilities:		
Accounts receivable	**4.7**	(22.7)
Inventories	**(8.2)**	(2.8)
Accounts payable, trade	**12.5**	28.9
Other accrued expenses	**(7.5)**	(54.7)
Income taxes	**26.4**	43.9
Other, net	**(6.4)**	(0.9)
Net Cash Provided by Operating Activities	**202.6**	105.5
Investing Activities		
Capital expenditures	**(50.4)**	(43.5)
Acquisitions, net of cash received	**(0.7)**	—
Proceeds from disposal of property, plant and equipment	**0.1**	5.6
Divestitures	**—**	2.8
Investments in short-term marketable securities, net	**(0.1)**	2.6
Other	**0.1**	(0.8)
Net Cash Used in Investing Activities	**(51.0)**	(33.3)
Financing Activities		
Cash dividends paid to shareholders	**(41.1)**	(44.0)
Purchase of treasury shares	**(68.2)**	(177.2)
Proceeds from exercise of stock options	**0.4**	4.0
Excess tax benefits related to stock-based compensation	**—**	1.5
Proceeds from long-term debt	**133.1**	35.7
Deferred financing costs	**—**	(1.7)
Accounts receivable facility borrowings	**30.0**	82.0
Accounts receivable facility payments	**(18.0)**	—
Payments on long-term debt	**(170.0)**	(1.1)
Short-term debt activity, net	**0.5**	(7.2)
Increase in restricted cash	**—**	(4.0)
Other	**4.8**	3.7
Net Cash Used in Financing Activities	**(128.5)**	(108.3)
Effect of exchange rate changes on cash	**3.3**	(5.9)
Increase (Decrease) in Cash and Cash Equivalents	**26.4**	(42.0)

Cash and cash equivalents at beginning of year		**129.6**		278.8
Cash and Cash Equivalents at End of Period	**$**	**156.0**	$	236.8

See accompanying Notes to the Consolidated Financial Statements.

Note 1 - Basis of Presentation

The accompanying Consolidated Financial Statements (unaudited) for The Timken Company (the "Company") have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and notes required by the accounting principles generally accepted in the United States ("U.S. GAAP") for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) and disclosures considered necessary for a fair presentation have been included. For further information, refer to the Consolidated Financial Statements and accompanying Notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

Note 2 - Recent Accounting Pronouncements

New Accounting Guidance Adopted:

In September 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-16, "Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments." ASU 2015-16 eliminates the requirement for an acquirer in a business combination to account for measurement-period adjustments retrospectively. Instead, acquirers must recognize measurement-period adjustments during the period in which they determine the amounts, including the effect on earnings of any amounts they would have recorded in previous periods if the accounting had been completed at the acquisition date. This new accounting guidance does not eliminate the requirement for the measurement period to be completed within one year. On January 1, 2016, the Company adopted the provisions of ASU 2015-16. The impact of the adoption of ASU 2015-16 was immaterial to the Company's results of operations and financial condition as there was only a minor measurement-period adjustment during the first six months of 2016.

In May 2015, the FASB issued ASU 2015-07, "Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)." ASU 2015-07 eliminates the requirement to categorize within the fair value hierarchy investments for which fair values are estimated using the net asset value ("NAV") practical expedient provided in ASC 820, "Fair Value Measurement." Instead, entities will be required to disclose the fair values of such investments so that financial statement users can reconcile amounts reported in the fair value hierarchy table and the amounts reported on the balance sheet. On January 1, 2016, the Company adopted the provisions of ASU 2015-07. The adoption of ASU 2015-07 did not have any impact on the Company's results of operations or financial condition as the new guidance addresses disclosure only. See *Note 17 - Fair Value* for the new disclosures.

In April 2015, the FASB issued ASU 2015-05, "Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement." ASU 2015-05 provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. Prior to the issuance of this new accounting guidance, there was no explicit guidance about a customer's accounting for fees paid in a cloud computing arrangement. On January 1, 2016, the Company adopted the provisions of ASU 2015-05 on a prospective basis. The adoption of ASU 2015-05 did not have any impact on the Company's results of operations or financial condition.

In April 2015, the FASB issued ASU 2015-03, "Interest - Imputation of Interest (Subtopic 835-30) - Simplifying the Presentation of Debt Issuance Costs." ASU 2015-03 requires that all costs incurred to issue debt be presented in the balance sheet as a direct deduction to the carrying value of debt. Prior to the issuance of this new accounting guidance, debt issuance costs were required to be presented in the balance sheet as a deferred charge (i.e., an asset), and only a debt discount was recorded as a direct deduction to the carrying value of debt. ASU 2015-03 requires that the new accounting guidance be applied on a retrospective basis, wherein the balance sheet of each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance.

On January 1, 2016, the Company adopted the provisions of ASU 2015-03. The following financial statement line items at December 31, 2015 were affected by the adoption of ASU 2015-03.

	As Originally Reported	New Presentation	Effect of Change
Assets:			
Other non-current assets	$ 50.3	$ 49.1	$ 1.2
Liabilities:			
Long-term debt	$ 580.6	$ 579.4	$ 1.2

New Accounting Guidance Issued and Not Yet Adopted:

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." ASU 2016-13 changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The new guidance will replace the current incurred loss approach with an expected loss model. The new expected credit loss impairment model will apply to most financial assets measured at amortized cost and certain other instruments, including trade and other receivables, loans, held-to-maturity debt instruments, net investments in leases, loan commitments and standby letters of credit. Upon initial recognition of the exposure, the expected credit loss model requires entities to estimate the credit losses expected over the life of an exposure (or pool of exposures). The estimate of expected credit losses should consider historical information, current information, and reasonable and supportable forecasts, including estimates of prepayments. Financial instruments with similar risk characteristics should be grouped together when estimating expected credit losses. ASU 2016-13 does not prescribe a specific method to make the estimate so its application will require significant judgment. ASU 2016-13 is effective in fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company is currently evaluating the effect that ASU 2016-13 will have on the Company's results of operations and financial condition.

In March 2016, the FASB issued ASU 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting." ASU 2016-09 simplifies various aspects of the accounting for stock-based payments. The simplifications include: (a) recording all tax effects associated with stock-based compensation through the income statement, as opposed to recording certain amounts in other paid-in capital, which eliminates the complications of tracking a “windfall pool,” but will increase the volatility of income tax expense; (b) allowing entities to withhold shares to satisfy the employer’s statutory tax withholding requirement up to the highest marginal tax rate applicable to employees rather than the employer’s minimum statutory rate, without requiring liability classification for the award; (c) modifying the requirement to estimate the number of awards that will ultimately vest by providing an accounting policy election to either estimate the number of forfeitures or recognize forfeitures as they occur; and (d) changing certain presentation requirements in the statement of cash flows, including removing the requirement to present excess tax benefits as an inflow from financing activities and an outflow from operating activities, and requiring the cash paid to taxing authorities arising from withheld shares to be classified as a financing activity.

ASU 2016-09 is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted for any entity in any interim or annual period. If an entity adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. An entity that elects early adoption must adopt all of the amendments in the same period. Amendments related to the timing of when excess tax benefits are recognized, minimum statutory withholding requirements, forfeitures, and intrinsic value should be applied using a modified retrospective transition method by means of a cumulative-effect adjustment to equity as of the beginning of the period in which the guidance is adopted. Amendments related to the presentation of employee taxes paid on the statement of cash flows when an employer withholds shares to meet the minimum statutory withholding requirement should be applied retrospectively. Amendments requiring recognition of excess tax benefits and tax deficiencies in the income statement and the practical expedient for estimating expected term should be applied prospectively. An entity may elect to apply the amendments related to the presentation of excess tax benefits on the statement of cash flows using either a prospective transition method or a retrospective transition method. The Company is currently evaluating the effect that ASU 2016-09 will have on the Company's results of operations and financial condition.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." ASU 2016-02 was issued to increase transparency and comparability among entities by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about lease arrangements. ASU 2016-02 is effective for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company is currently evaluating the effect that ASU 2016-02 will have on the Company's results of operations and financial condition.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)." ASU 2014-09 introduces a new five-step revenue recognition model in which an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 also requires disclosures sufficient to enable users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, including qualitative and quantitative disclosures about contracts with customers, significant judgments and changes in judgments and assets recognized from the costs to obtain or fulfill a contract. On July 9, 2015, the FASB decided to delay the effective date of this new accounting guidance by one year, which will result in it being effective for annual periods beginning after December 15, 2017. The Company is currently evaluating the effect that ASU 2014-09 will have on the Company's results of operations and financial condition.

Note 3 - Acquisitions

On September 1, 2015, the Company completed the acquisition of the membership interests of Carlstar Belt LLC ("Timken Belts") for $213.7 million, including cash acquired of approximately $0.1 million. The Company incurred approximately $1.0 million of legal and professional fees to acquire Timken Belts. Timken Belts is a leading North American manufacturer of belts used in industrial, commercial and consumer applications, and sold under multiple brand names, including Carlisle®, Ultimax® and Panther®, among others. The product portfolio includes more than 20,000 parts that utilize wrap molded, raw edge, v-ribbed and synchronous belt designs. Based in Springfield, Missouri, Timken Belts had annual sales of approximately $140 million for the twelve months ending June 30, 2015, and employs approximately 750 employees. The results of the operations of Timken Belts are reported in both the Mobile Industries and Process Industries segments based on customers served.

In June 2016, the Company paid a net purchase price adjustment of $0.7 million for Timken Belts, resulting in an adjustment to goodwill. The following table presents the purchase price allocation for the Timken Belts acquisition:

	Initial Purchase Price Allocation	Adjustment	Final Purchase Price Allocation
Assets:			
Accounts receivable, net	$ 13.3		$ 13.3
Inventories, net	48.5		48.5
Other current assets	1.1		1.1
Property, plant and equipment, net	37.9		37.9
Goodwill	70.8	0.7	71.5
Other intangible assets	63.9		63.9
Total assets acquired	$ 235.5	$ 0.7	$ 236.2
Liabilities:			
Accounts payable, trade	$ 10.2		$ 10.2
Salaries, wages and benefits	1.1		1.1
Other current liabilities	1.3		1.3
Accrued pension cost	2.3		2.3
Accrued postretirement benefits cost	1.1		1.1
Other non-current liabilities	5.9		5.9
Total liabilities assumed	$ 21.9	$ —	$ 21.9
Net assets acquired	$ 213.6	$ 0.7	$ 214.3

The following table summarizes the final purchase price allocation for identifiable intangible assets acquired in 2015:

	Final Purchase Price Allocation	
		Weighted - Average Life
Trade name	$ 1.7	11 years
Technology	17.1	20 years
All customer relationships	43.9	20 years
Capitalized software	1.2	3 years
Total intangible assets	$ 63.9	

Refer to *Note 20 - Subsequent Events* for information regarding the acquisition of Lovejoy, Inc. ("Lovejoy").

Note 4 - Inventories

The components of inventories were as follows:

	June 30, 2016	December 31, 2015
Manufacturing supplies	**$ 29.6**	$ 24.7
Raw materials	**55.6**	58.8
Work in process	**186.3**	181.9
Finished products	**306.9**	296.2
Subtotal	**578.4**	561.6
Allowance for obsolete and surplus inventory	**(23.0)**	(18.4)
Total Inventories, net	**$ 555.4**	$ 543.2

Inventories are valued at the lower of cost or market, with approximately 54% valued by the first-in, first-out ("FIFO") method and the remaining 46% valued by the last-in, first-out ("LIFO") method. The majority of the Company's domestic inventories are valued by the LIFO method and all of the Company's international (outside the United States) inventories are valued by the FIFO method.

An actual valuation of the inventory under the LIFO method can be made only at the end of each year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations must be based on management's estimates of expected year-end inventory levels and costs. Because these calculations are subject to many factors beyond management's control, annual results may differ from interim results as they are subject to the final year-end LIFO inventory valuation.

The LIFO reserves at June 30, 2016, and December 31, 2015, were $178.7 million and $188.1 million, respectively. The Company recognized a decrease in its LIFO reserve of $9.4 million during the first six months of 2016, compared with an increase in its LIFO reserve of $0.3 million during the first six months of 2015.

Note 5 - Property, Plant and Equipment

The components of property, plant and equipment were as follows:

	June 30, 2016	December 31, 2015
Land and buildings	**$ 426.1**	$ 430.3
Machinery and equipment	**1,766.1**	1,741.4
Subtotal	**2,192.2**	2,171.7
Accumulated depreciation	**(1,419.7)**	(1,393.9)
Property, plant and equipment, net	**$ 772.5**	$ 777.8

Total depreciation expense for the six months ended June 30, 2016 and 2015 was $46.9 million and $47.4 million, respectively.

Note 6 - Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill for the six months ended June 30, 2016, were as follows:

	Mobile Industries	Process Industries	Total
Beginning balance	**$ 97.0**	**$ 230.3**	**$ 327.3**
Acquisitions	**0.1**	**0.6**	**0.7**
Foreign currency translation adjustments	**(0.2)**	**0.9**	**0.7**
Ending balance	**$ 96.9**	**$ 231.8**	**$ 328.7**

In June 2016, the Company paid a net purchase price adjustment of $0.7 million for Timken Belts, resulting in an adjustment to goodwill.

The following table displays intangible assets as of June 30, 2016, and December 31, 2015:

	As of June 30, 2016			As of December 31, 2015		
	Gross Carrying Amount	**Accumulated Amortization**	**Net Carrying Amount**	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets subject to amortization:						
Customer relationships	**$ 198.4**	**$ 76.9**	**$ 121.5**	$ 198.9	$ 70.0	$ 128.9
Know-how	**31.8**	**7.5**	**24.3**	31.9	6.7	25.2
Industrial license agreements	**0.1**	**0.1**	**—**	0.1	0.1	—
Land-use rights	**8.1**	**4.7**	**3.4**	8.3	4.7	3.6
Patents	**2.1**	**2.1**	**—**	2.1	2.1	—
Technology use	**53.7**	**15.5**	**38.2**	53.6	14.0	39.6
Trademarks	**6.3**	**3.5**	**2.8**	6.5	3.3	3.2
Non-compete agreements	**0.7**	**0.6**	**0.1**	2.7	2.5	0.2
Software	**248.9**	**205.7**	**43.2**	243.8	197.6	46.2
	$ 550.1	**$ 316.6**	**$ 233.5**	$ 547.9	$ 301.0	$ 246.9
Intangible assets not subject to amortization:						
Tradenames	**$ 15.8**		**$ 15.8**	$ 15.7		$ 15.7
FAA air agency certificates	**8.7**		**8.7**	8.7		8.7
	$ 24.5		**$ 24.5**	$ 24.4		$ 24.4
Total intangible assets	**$ 574.6**	**$ 316.6**	**$ 258.0**	$ 572.3	$ 301.0	$ 271.3

Amortization expense for intangible assets was $18.1 million and $18.2 million for the six months ended June 30, 2016 and 2015, respectively. Amortization expense for intangible assets is estimated to be $35.8 million in 2016; $31.5 million in 2017; $26.9 million in 2018; $22.7 million in 2019; and $18.6 million in 2020.

Note 7 - Financing Arrangements

Short-term debt at June 30, 2016, and December 31, 2015, was as follows:

	June 30, 2016	December 31, 2015
Variable-rate Accounts Receivable Facility with interest rate of 1.05% at December 31, 2015	**$ —**	$ 49.0
Borrowings under variable-rate lines of credit for certain of the Company’s foreign subsidiaries with various banks with interest rates ranging from 0.29% to 0.50% at June 30, 2016 and 0.31% to 0.44% at December 31, 2015, respectively.	**13.4**	13.0
Short-term debt	**$ 13.4**	$ 62.0

The lines of credit for certain of the Company’s foreign subsidiaries provide for short-term borrowings up to $221.4 million. Most of these lines of credit are uncommitted. At June 30, 2016, the Company’s foreign subsidiaries had borrowings outstanding of $13.4 million and bank guarantees of $1.4 million, which reduced the availability under these facilities to $206.6 million.

Long-term debt at June 30, 2016, and December 31, 2015, was as follows:

	June 30, 2016	December 31, 2015
Fixed-rate Medium-Term Notes, Series A, mature at various dates through May 2028, with interest rates ranging from 6.74% to 7.76%	**$ 174.5**	$ 174.4
Fixed-rate Senior Unsecured Notes, maturing on September 1, 2024, with an interest rate of 3.875%	**345.3**	344.8
Variable-rate Senior Credit Facility with an interest rate of 1.57% at June 30, 2016 and 1.45% at December 31, 2015, respectively.	**38.4**	75.2
Variable-rate Accounts Receivable Facility with interest rate of 1.29% at June 30, 2016	**61.0**	—
Other	**—**	0.1
	$ 619.2	$ 594.5
Less current maturities	**15.0**	15.1
Long-term debt	**$ 604.2**	$ 579.4

The Company has a $500 million Amended and Restated Credit Agreement ("Senior Credit Facility"), which matures on June 19, 2020. At June 30, 2016, the Company had $38.4 million of outstanding borrowings under the Senior Credit Facility, which reduced the availability under this facility to $461.6 million. Under the Senior Credit Facility, the Company has two financial covenants: a consolidated leverage ratio and a consolidated interest coverage ratio. At June 30, 2016, the Company was in full compliance with both of these covenants under the Senior Credit Facility.

The Company has a $100 million Amended and Restated Asset Securitization Agreement ("Accounts Receivable Facility") that matures on November 30, 2018. Under the terms of the Accounts Receivable Facility, the Company sells, on an ongoing basis, certain domestic trade receivables to Timken Receivables Corporation, a wholly-owned consolidated subsidiary, which in turn uses the trade receivables to secure borrowings, which are funded through a vehicle that issues commercial paper in the short-term market. Borrowings under the Accounts Receivable Facility are limited by certain borrowing base limitations. These limitations reduced the availability of the Accounts Receivable Facility to $74.4 million at June 30, 2016. As of June 30, 2016, there were outstanding borrowings of $61.0 million under the Accounts Receivable Facility, which reduced the availability under this facility to $13.4 million. The cost of this facility, which is the prevailing commercial paper rate plus program fees, is considered a financing cost and is included in interest expense in the Consolidated Statements of Income. The outstanding balance under the Accounts Receivable Facility was classified as long-term debt as of June 30, 2016, to align with the term of the agreement and reflect the Company's expectations relative to the minimum borrowing base. The outstanding balance under the Accounts Receivable Facility was classified as short-term debt as of December 31, 2015.

Note 8 - Contingencies

Product Warranties:

The Company is currently evaluating claims raised by certain customers with respect to the performance of bearings sold into the Wind energy sector. The Company recorded expense related to these claims for the three and six months ended June 30, 2016, of $1.9 million and $3.4 million, respectively, to provide accruals related to these claims. Management believes that the outcome of these claims will not have a material effect on the Company's consolidated financial position; however, the effect of any such outcome may be material to the results of operations of any particular period in which costs in excess of amounts provided, if any, are recognized.

Note 9 - Equity

The changes in the equity components for the six months ended June 30, 2016 were as follows:

		The Timken Company Shareholders					
	Total	Stated Capital	Other Paid-In Capital	Earnings Invested in the Business	Accumulated Other Comprehensive (Loss)	Treasury Stock	Non-controlling Interest
Balance at December 31, 2015	$ 1,344.6	$ 53.1	$ 905.1	$ 1,457.6	$ (287.0)	$ (804.3)	$ 20.1
Net income (loss)	107.8			107.9			(0.1)
Foreign currency translation adjustment	(3.6)				(4.9)		1.3
Pension and postretirement liability adjustment (net of the income tax benefit of $3.4 million)	12.0				12.0		
Change in fair value of derivative financial instruments, net of reclassifications	(1.6)				(1.6)		
Investment in joint venture by noncontrolling interest party	4.8						4.8
Dividends declared to noncontrolling interest	(0.3)						(0.3)
Dividends – $0.52 per share	(41.1)			(41.1)			
Excess tax shortfall from stock compensation	(0.8)		(0.8)				
Stock-based compensation expense	6.7		6.7				
Stock purchased at fair market value	(68.2)					(68.2)	
Stock option exercise activity	0.4		(0.6)			1.0	
Restricted shares (issued) surrendered	—		(8.6)			8.6	
Shares surrendered for taxes	(1.5)					(1.5)	
Balance at June 30, 2016	**$ 1,359.2**	**$ 53.1**	**$ 901.8**	**$ 1,524.4**	**$ (281.5)**	**$ (864.4)**	**$ 25.8**

On March 6, 2014, Timken Lux Holdings II S.A.R.L, a subsidiary of the Company, entered into a joint venture agreement with Holme Service Limited ("joint venture partner"). During 2015, the Company and its joint venture partner established TUBC Limited, a Cyprus entity, for the purpose of producing bearings to serve the rail market sector in Russia. During 2015, the Company and its joint venture partner amended and restated the joint venture agreement and contributed $6.9 million and $6.6 million, respectively, to TUBC Limited. During the first six months of 2016, the Company and its joint venture partner contributed $5.0 million and $4.8 million, respectively, to TUBC Limited. The Company and its joint venture partner have a 51% controlling interest and 49% controlling interest, respectively, in TUBC Limited.

Note 10 - Accumulated Other Comprehensive Income (Loss)

The following tables present details about components of accumulated other comprehensive income (loss) for the three and six months ended June 30, 2016, respectively:

	Foreign currency translation adjustments	Pension and postretirement liability adjustments	Change in fair value of derivative financial instruments	Total
Balance at March 31, 2016	$ (58.5)	$ (211.4)	$ (2.0)	$ (271.9)
Other comprehensive (loss) income before reclassifications and income tax	(18.4)	4.7	0.9	(12.8)
Amounts reclassified from accumulated other comprehensive income, before income tax	—	5.5	0.2	5.7
Income tax (benefit) expense	—	(1.9)	(0.4)	(2.3)
Net current period other comprehensive (loss) income, net of income taxes	(18.4)	8.3	0.7	(9.4)
Noncontrolling interest	(0.2)	—	—	(0.2)
Net current period comprehensive (loss) income, net of income taxes and noncontrolling interest	(18.6)	8.3	0.7	(9.6)
Balance at June 30, 2016	**$ (77.1)**	**$ (203.1)**	**$ (1.3)**	**$ (281.5)**

	Foreign currency translation adjustments	Pension and postretirement liability adjustments	Change in fair value of derivative financial instruments	Total
Balance at December 31, 2015	$ (72.2)	$ (215.1)	$ 0.3	$ (287.0)
Other comprehensive (loss) income before reclassifications and income tax	(3.6)	4.8	(2.0)	(0.8)
Amounts reclassified from accumulated other comprehensive income, before income tax	—	10.6	(0.6)	10.0
Income tax (benefit) expense	—	(3.4)	1.0	(2.4)
Net current period other comprehensive income (loss), net of income taxes	(3.6)	12.0	(1.6)	6.8
Noncontrolling interest	(1.3)	—	—	(1.3)
Net current period comprehensive income (loss), net of income taxes and noncontrolling interest	(4.9)	12.0	(1.6)	5.5
Balance at June 30, 2016	**$ (77.1)**	**$ (203.1)**	**$ (1.3)**	**$ (281.5)**

$0.4 million of the $10.6 million before-tax reclassification of pension and postretirement liability adjustments was included in pension settlement charges in the Consolidated Statement of Income for the six months ended June 30, 2016. The remaining before-tax reclassification of pension and postretirement liability adjustments of $10.2 million was due to the amortization of actuarial losses and prior service costs and was included in costs of products sold and selling, general and administrative expenses in the Consolidated Statements of Income. The reclassification of the remaining components of accumulated other comprehensive income (loss) was included in other income (expense), net in the Consolidated Statements of Income.

The following tables present details about components of accumulated other comprehensive income (loss) for the three and six months ended June 30, 2015, respectively:

	Foreign currency translation adjustments	Pension and postretirement liability adjustments	Change in fair value of derivative financial instruments	Total
Balance at March 31, 2015	$ (28.5)	$ (375.9)	$ (0.8)	$ (405.2)
Other comprehensive (loss) income before reclassifications and income tax	6.6	(6.4)	(0.6)	(0.4)
Amounts reclassified from accumulated other comprehensive income, before income tax	—	12.4	0.1	12.5
Income tax (benefit) expense	—	(3.6)	0.2	(3.4)
Net current period other comprehensive income (loss), net of income taxes	6.6	2.4	(0.3)	8.7
Non-controlling interest	0.5	—	—	0.5
Net current period comprehensive income (loss), net of income taxes and noncontrolling interest	7.1	2.4	(0.3)	9.2
Balance at June 30, 2015	$ (21.4)	$ (373.5)	$ (1.1)	$ (396.0)

	Foreign currency translation adjustments	Pension and postretirement liability adjustments	Change in fair value of derivative financial instruments	Total
Balance at December 31, 2014	$ (0.7)	$ (481.0)	$ (0.8)	$ (482.5)
Other comprehensive (loss) income before reclassifications and income tax	(21.2)	(66.5)	—	(87.7)
Amounts reclassified from accumulated other comprehensive income, before income tax	—	237.9	(0.5)	237.4
Income tax (benefit) expense	—	(63.9)	0.2	(63.7)
Net current period other comprehensive income (loss), net of income taxes	(21.2)	107.5	(0.3)	86.0
Non-controlling interest	0.5	—	—	0.5
Net current period comprehensive income (loss), net of income taxes and noncontrolling interest	(20.7)	107.5	(0.3)	86.5
Balance at June 30, 2015	$ (21.4)	$ (373.5)	$ (1.1)	$ (396.0)

Other comprehensive income (loss) before reclassifications and income taxes includes the effect of foreign currency.

$217.5 million of the $237.9 million before-tax reclassification of pension and postretirement liability adjustments was included in pension settlement charges in the Consolidated Statement of Income for the six months ended June 30, 2015. The remaining before-tax reclassification of pension and postretirement liability adjustments of $20.4 million was due to the amortization of actuarial losses and prior service costs and was included in costs of products sold and selling, general and administrative expenses in the Consolidated Statements of Income. The reclassification of the remaining components of accumulated other comprehensive income (loss) was included in other income (expense), net in the Consolidated Statements of Income.

Note 11 - Earnings Per Share

The following table sets forth the reconciliation of the numerator and the denominator of basic earnings per share and diluted earnings per share for the three and six months ended June 30, 2016 and 2015:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	**2016**	2015
Numerator:				
Net income (loss) attributable to The Timken Company	**$ 44.9**	$ 36.7	**$ 107.9**	$ (98.5)
Less: undistributed earnings allocated to nonvested stock	**—**	—	**—**	—
Net income (loss) available to common shareholders for basic earnings per share and diluted earnings per share	**$ 44.9**	$ 36.7	**$ 107.9**	$ (98.5)
Denominator:				
Weighted average number of shares outstanding, basic	**78,671,509**	85,326,526	**79,225,703**	86,514,517
Effect of dilutive securities:				
Stock options and awards based on the treasury stock method	**641,265**	830,249	**654,519**	—
Weighted average number of shares outstanding, assuming dilution of stock options and awards	**79,312,774**	86,156,775	**79,880,222**	86,514,517
Basic earnings (loss) per share	**$ 0.57**	$ 0.43	**$ 1.36**	$ (1.14)
Diluted earnings (loss) per share	**$ 0.57**	$ 0.43	**$ 1.35**	$ (1.14)

The exercise prices for certain stock options that the Company has awarded exceed the average market price of the Company's common shares. Such stock options are antidilutive and were not included in the computation of diluted earnings per share. The antidilutive stock options outstanding during the three months ended June 30, 2016 and 2015 were 3,440,775 and 1,618,201, respectively. During the six months ended June 30, 2016, the antidilutive stock options outstanding were 3,266,844. During the six months ended June 30, 2015, the Company incurred a net loss and therefore treated all stock options and restricted stock units as antidilutive.

Note 12 - Segment Information

The primary measurement used by management to measure the financial performance of each segment is EBIT (earnings before interest and taxes).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	**2016**	2015
Net sales:				
Mobile Industries	**$ 367.8**	$ 388.6	**$ 751.0**	$ 781.6
Process Industries	**305.8**	339.4	**606.6**	668.9
	$ 673.6	$ 728.0	**$ 1,357.6**	$ 1,450.5
Segment EBIT:				
Mobile Industries	**$ 35.3**	$ 36.0	**$ 65.5**	$ 71.4
Process Industries	**46.7**	56.7	**79.3**	101.9
Total EBIT, for reportable segments	**$ 82.0**	$ 92.7	**$ 144.8**	$ 173.3
Unallocated corporate expenses	**(14.5)**	(14.0)	**(25.2)**	(28.2)
Unallocated pension settlement charges	**(0.4)**	(4.4)	**(1.6)**	(219.6)
Continued Dumping & Subsidy Offset Act income, net of expenses	**6.1**	—	**53.8**	—
Interest expense	**(8.7)**	(8.4)	**(17.1)**	(16.4)
Interest income	**0.4**	0.7	**0.7**	1.4
Income (loss) before income taxes	**$ 64.9**	$ 66.6	**$ 155.4**	$ (89.5)

Note 13 - Impairment and Restructuring Charges

Impairment and restructuring charges by segment are comprised of the following:

For the three months ended June 30, 2016:

	Mobile Industries	Process Industries	Total
Severance and related benefit costs	$ 0.7	$ 0.9	$ 1.6
Exit costs	1.1	0.2	1.3
Total	$ 1.8	$ 1.1	$ 2.9

For the three months ended June 30, 2015:

	Mobile Industries	Process Industries	Total
Impairment charges	$ —	$ 0.6	$ 0.6
Severance and related benefit costs	0.6	—	0.6
Exit costs	0.2	—	0.2
Total	$ 0.8	$ 0.6	$ 1.4

For the six months ended June 30, 2016:

	Mobile Industries	Process Industries	Total
Impairment charges	$ 2.6	$ —	$ 2.6
Severance and related benefit costs	4.8	4.5	9.3
Exit costs	1.3	0.2	1.5
Total	$ 8.7	$ 4.7	$ 13.4

For the six months ended June 30, 2015:

	Mobile Industries	Process Industries	Total
Impairment charges	$ 0.1	$ 3.2	$ 3.3
Severance and related benefit costs	0.7	—	0.7
Exit costs	0.6	3.0	3.6
Total	$ 1.4	$ 6.2	$ 7.6

The following discussion explains the impairment and restructuring charges recorded for the periods presented; however, it is not intended to reflect a comprehensive discussion of all amounts in the tables above.

Mobile Industries

On March 17, 2016, the Company announced the closure of its bearing plant in Altavista, Virginia ("Altavista"). The plant is expected to close in approximately one year from the announcement date, with production transferring to the Company's bearing plant near Lincolnton, North Carolina. During the first six months of 2016, the Company recorded impairment charges of $2.4 million and severance and related benefit costs of $1.5 million related to this closure.

On September 8, 2014, the Company announced the closure of its bearing facility in Wolverhampton, United Kingdom, rationalizing the capacity into existing facilities. This facility closed during the second quarter of 2016 and the Company recorded exit costs of $0.7 million related to this closure.

In addition, the Company incurred $0.7 million of severance and related benefit costs related to the rationalization of one of its facilities in Europe during the first six months of 2015.

Process Industries

During the first six months of 2015, the Company recorded impairment charges of $3.0 million related to the Company's repair business in Niles, Ohio. See *Note 17 - Fair Value* for additional information on the impairment charges for the repair business. In addition, the Company recorded $3.0 million of exit costs related to the Company's termination of its relationship with one of its third-party sales representatives in Colombia.

Workforce Reductions:

During the second quarter and first six months of 2016, the Company recognized $1.2 million and $7.5 million, respectively, of severance and related benefit costs to eliminate approximately 100 positions, in the aggregate. Of the $1.2 million charge in the aggregate for the second quarter of 2016, $0.3 million related to the Mobile Industries segment and $0.9 million related to the Process Industries segment. Of the $7.5 million charge for the first six months of 2016, $3.0 million related to the Mobile Industries segment and $4.5 million related to the Process Industries segment.

The following is a rollforward of the consolidated restructuring accrual for the six months ended June 30, 2016, and the twelve months ended December 31, 2015:

	June 30, 2016	December 31, 2015
Beginning balance, January 1	**$ 11.3**	$ 9.5
Expense	**10.8**	11.4
Payments	**(13.6)**	(9.6)
Ending balance	**$ 8.5**	$ 11.3

The restructuring accruals at June 30, 2016, and December 31, 2015, were included in other current liabilities on the Consolidated Balance Sheets.

Note 14 - Retirement Benefit Plans

The following table sets forth the net periodic benefit cost for the Company's defined benefit pension plans. The amounts for the three and six months ended June 30, 2016, are based on calculations prepared by the Company's actuaries during the second quarter of 2016 and represent the Company's best estimate of each period's proportionate share of the amounts to be recorded for the year ending December 31, 2016.

	U.S. Plans		International Plans		Total	
	Three Months Ended June 30,		Three Months Ended June 30,		Three Months Ended June 30,	
	2016	2015	**2016**	2015	**2016**	2015
Components of net periodic benefit cost:						
Service cost	**$ 3.3**	$ 3.8	**$ 0.3**	$ 0.7	**$ 3.6**	$ 4.5
Interest cost	**6.6**	11.3	**2.8**	3.1	**9.4**	14.4
Expected return on plan assets	**(7.4)**	(15.6)	**(2.7)**	(4.1)	**(10.1)**	(19.7)
Amortization of prior service cost	**0.4**	0.5	**—**	—	**0.4**	0.5
Amortization of net actuarial loss	**3.6**	6.7	**0.8**	1.3	**4.4**	8.0
Pension settlements and curtailments	**—**	2.8	**0.4**	1.1	**0.4**	3.9
Net periodic benefit cost	**$ 6.5**	$ 9.5	**$ 1.6**	$ 2.1	**$ 8.1**	$ 11.6

	U.S. Plans		International Plans		Total	
	Six Months Ended June 30,		Six Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	**2016**	2015	**2016**	2015
Components of net periodic benefit cost:						
Service cost	**$ 6.6**	$ 7.6	**$ 0.7**	$ 1.4	**$ 7.3**	$ 9.0
Interest cost	**13.3**	24.2	**5.6**	6.2	**18.9**	30.4
Expected return on plan assets	**(14.9)**	(33.4)	**(5.4)**	(8.4)	**(20.3)**	(41.8)
Amortization of prior service cost	**0.8**	1.4	**—**	—	**0.8**	1.4
Amortization of net actuarial loss	**7.3**	16.3	**1.6**	2.7	**8.9**	19.0
Pension settlements and curtailments	**—**	216.4	**0.4**	1.1	**0.4**	217.5
Net periodic benefit cost	**$ 13.1**	$ 232.5	**$ 2.9**	$ 3.0	**$ 16.0**	$ 235.5

On November 30, 2015, The Timken Company Pension Plan purchased a group annuity contract from Prudential Insurance Company of America ("Prudential") to pay and administer future pension benefits for approximately 3,400 United Sates ("U.S.") Timken retirees. Pension settlement charges of $1.6 million incurred for the six months ended June 30, 2016, were primarily due to professional fees associated with the implementation of this group annuity contract.

On January 23, 2015, the Timken-Latrobe-MPB-Torrington Retirement Plan purchased a group annuity contract from Prudential to pay and administer future pension benefits for approximately 5,000 U.S. Timken retirees. The Company transferred approximately $575 million of the Company's pension obligations and $635 million of pension assets to Prudential in this transaction. In addition to the purchase of the group annuity contract, the Company made lump-sum distributions to new retirees of $19 million in 2015. The Company also entered into an agreement pursuant to which one of the Company's Canadian defined benefit pension plans purchased a group annuity contract from Canada Life. The group annuity contract requires Canada Life to pay and administer future pension benefits for approximately 40 Canadian retirees. As a result of the group annuity contract, lump-sum distributions, and pension settlement and curtailment charges related to the Company's Canadian pension plans, the Company incurred total pension settlement charges of $219.6 million, including professional fees of $2.1 million, for the six months ended June 30, 2015.

Note 15 - Other Postretirement Benefit Plans

The following table sets forth the net periodic benefit cost for the Company's other postretirement benefit plans. The amounts for the three and six months ended June 30, 2016, are based on calculations prepared by the Company's actuaries during the second quarter of 2016 and represent the Company's best estimate of each period's proportionate share of the amounts to be recorded for the year ending December 31, 2016.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	**2016**	2015
Components of net periodic benefit cost:				
Service cost	**$ 0.1**	$ 0.1	**$ 0.2**	$ 0.2
Interest cost	**2.8**	2.7	**5.5**	5.4
Expected return on plan assets	**(1.7)**	(1.7)	**(3.3)**	(3.5)
Amortization of prior service cost	**0.3**	0.2	**0.5**	0.4
Net periodic benefit cost	**$ 1.5**	$ 1.3	**$ 2.9**	$ 2.5

Note 16 - Income Taxes

The Company's provision for income taxes in interim periods is computed by applying the estimated annual effective tax rates to income or loss before income taxes for the period. In addition, non-recurring or discrete items, including interest on prior year tax liabilities, are recorded during the period(s) in which they occur.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	**2016**	2015
Provision for income taxes	**$ 20.0**	$ 28.9	**$ 47.6**	$ 7.6
Effective tax rate	**30.8%**	43.4%	**30.6%**	(8.5)%

The effective tax rate in the second quarter of 2016 was calculated as the difference between the income taxes computed for the six months, as described below, and the year-to-date income taxes recorded as of March 31, 2016. This computation resulted in an effective tax rate of 30.8% for the second quarter of 2016, including discrete items.

The effective tax rate in the first six months of 2016 was computed based on an expected annual effective tax rate of 30.2%, excluding discrete items. Discrete tax items are recorded in the period in which they occur. The effective tax rate of 30.6% in the first six months of 2016 was lower than the U.S. federal statutory rate of 35% primarily due to tax benefits related to foreign tax credits, earnings in certain foreign jurisdictions where the effective tax rate is less than 35% and other U.S. tax benefits, such as the Research and Experimentation credit and the U.S. manufacturing deduction. These factors were partially offset by U.S. taxation of foreign earnings, losses at certain foreign subsidiaries where no tax benefit could be recorded, U.S. state and local taxes and the impact of certain discrete tax items during the period.

The effective tax rate in the second quarter of 2015 was calculated as the difference between the income taxes computed for the six months, as described below, and the year-to-date income taxes recorded as of March 31, 2015. This computation resulted in an effective tax rate of 43.4% for the second quarter of 2015, including discrete items.

The effective tax rate in the first six months of 2015 was computed based on an expected annual effective tax rate of negative 4.9%, excluding discrete items. At that time, the Company expected tax benefits on expected pretax income with an estimated effective tax rate of negative 8.5%, including discrete items. This rate reflected an expected full year loss in the U.S. primarily driven by pension settlement charges, and earnings in foreign jurisdictions, which was expected to produce a net tax benefit on pretax income. The expected effective tax rate of negative 8.5% was lower than the U.S. federal statutory rate of 35% primarily due to lower U.S. earnings due to pension settlement charges, earnings in certain foreign jurisdictions where the effective tax rate is less than 35%, tax benefits related to foreign tax credits, U.S. state and local taxes, non-deductible U.S. expenses and the U.S. manufacturing deduction. These factors were partially offset by U.S. taxation of foreign earnings, losses at certain foreign subsidiaries where no tax benefit could be recorded and certain discrete tax expenses.

Note 17 - Fair Value

Fair value is defined as the price that would be expected to 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.

The following tables present the fair value hierarchy for those financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2016, and December 31, 2015:

	June 30, 2016			
	Total	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	**$ 120.8**	**$ 120.8**	**$ —**	**$ —**
Cash and cash equivalents measured at net asset value	**35.1**			
Restricted cash	**0.2**	**0.2**	**—**	**—**
Short-term investments	**8.7**	**—**	**8.7**	**—**
Short-term investments measured at net asset value	**0.5**			
Foreign currency hedges	**4.3**	**—**	**4.3**	**—**
Total Assets	**$ 169.6**	**$ 121.0**	**$ 13.0**	**$ —**
Liabilities:				
Foreign currency hedges	**$ 3.4**	**$ —**	**$ 3.4**	**$ —**
Total Liabilities	**$ 3.4**	**$ —**	**$ 3.4**	**$ —**

	December 31, 2015			
	Total	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	$ 110.2	$ 110.2	$ —	$ —
Cash and cash equivalents measured net asset value	19.4			
Restricted cash	0.2	0.2	—	—
Short-term investments	8.9	—	8.9	—
Short-term investments measured at net asset value	0.8			
Foreign currency hedges	8.2	—	8.2	—
Total Assets	$ 147.7	$ 110.4	$ 17.1	$ —
Liabilities:				
Foreign currency hedges	$ 0.4	$ —	$ 0.4	$ —
Total Liabilities	$ 0.4	$ —	$ 0.4	$ —

Cash and cash equivalents are highly liquid investments with maturities of three months or less when purchased and are generally valued at the redemption value. Short-term investments are investments with maturities between four months and one year and are generally valued at amortized cost. A portion of the cash and cash equivalents and short-term investment are valued based on net asset value. The Company uses publicly available foreign currency forward and spot rates to measure the fair value of its foreign currency forward contracts.

The Company does not believe it has significant concentrations of risk associated with the counterparties to its financial instruments.

The following table presents those assets measured at fair value on a nonrecurring basis for the six months ended June 30, 2016, using Level 3 inputs:

	Carrying Value	Fair Value Adjustment	Fair Value
Long-lived assets held for sale:			
Land	$ 0.2	$ (0.2)	$ —
Total long-lived assets held for sale	$ 0.2	$ (0.2)	$ —
Long-lived assets held and used:			
Altavista bearing plant	$ 5.7	$ (2.4)	$ 3.3
Total long-lived assets held and used	$ 5.7	$ (2.4)	$ 3.3

Assets held for sale of $0.2 million were written down to their fair value of zero during the first quarter of 2016, resulting in an impairment charge. The fair value of these assets was based on the price that the Company expects to receive when it disposes of these assets.

On March 17, 2016, the Company announced the closure of its Altavista bearing plant. The plant is expected to close in approximately one year from the announcement date, with production transferring to the Company's bearing plant near Lincolnton, North Carolina. The Altavista bearing plant, with a carrying value of $5.7 million, was written down to its fair value of $3.3 million during the first quarter of 2016, resulting in an impairment of $2.4 million. The fair value for the plant was based on the price that the Company expects to receive from the sale of this facility.

The following table presents those assets measured at fair value on a nonrecurring basis for the six months ended June 30, 2015, using Level 3 inputs:

	Carrying Value	Fair Value Adjustment	Fair Value
Long-lived assets held for sale:			
Repair business	$ 5.8	$ (3.0)	$ 2.8
Total long-lived assets held for sale	$ 5.8	$ (3.0)	$ 2.8
Long-lived assets held and used:			
Fixed assets	$ 0.8	$ (0.3)	$ 0.5
Total long-lived assets held and used	$ 0.8	$ (0.3)	$ 0.5

Assets held for sale of $5.8 million associated with the Company's repair business in Niles, Ohio were written down to their fair value of $2.8 million during the first six months of 2015, resulting in an impairment charge of $3.0 million. The fair value of these assets was based on the price that the Company expected to receive from the sale of these assets. This business was subsequently sold during the second quarter of 2015 for an immaterial loss.

Various items of property, plant and equipment, with a carrying value of $0.8 million, were written down to their fair value of $0.5 million during the first six months of 2015, resulting in an impairment charge of $0.3 million. The fair value for these assets was based on the price that would be received in a current transaction to sell the assets on a standalone basis, considering the age and physical attributes of these items, as these assets had been idled.

Financial Instruments:

The Company’s financial instruments consist primarily of cash and cash equivalents, restricted cash, short-term investments, accounts receivable net, accounts payable, trade, short-term borrowings and long-term debt. Due to their short-term nature, the carrying value of cash and cash equivalents, restricted cash, short-term investments, accounts receivable net, accounts payable, trade and short-term borrowings are a reasonable estimate of their fair value. The fair value of the Company’s long-term fixed-rate debt, based on quoted market prices, was $558.1 million and $521.5 million at June 30, 2016, and December 31, 2015, respectively. The carrying value of this debt was $519.8 million and $519.2 million at June 30, 2016, and December 31, 2015, respectively. The fair value of long-term fixed-debt was measured using Level 2 inputs.

Note 18 - Derivative Instruments and Hedging Activities

The Company is exposed to certain risks relating to its ongoing business operations. The primary risks managed by using derivative instruments are foreign currency exchange rate risk, commodity price risk and interest rate risk. Forward exchange contracts on various foreign currencies are entered into in order to manage the foreign currency exchange rate risk associated with certain of the Company's commitments denominated in foreign currencies. Forward contracts on various commodities are entered into to manage the price risk associated with forecasted purchases of natural gas used in the Company's manufacturing process. Interest rate swaps are used to manage interest rate risk associated with the Company's fixed and floating-rate borrowings.

The Company designates certain foreign currency forward contracts as cash flow hedges of forecasted revenues and certain interest rate hedges as fair value hedges of fixed-rate borrowings.

The Company does not purchase nor hold any derivative financial instruments for trading purposes. As of June 30, 2016, and December 31, 2015, the Company had $269.2 million and $235.7 million, respectively, of outstanding foreign currency forward contracts at notional value. Refer to *Note 17 - Fair Value* for the fair value disclosure of derivative financial instruments.

Cash Flow Hedging Strategy:
For certain derivative instruments that are designated as and qualify as cash flow hedges (*i.e*., hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income and reclassified into earnings in the same line item associated with the forecasted transaction and in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss on the derivative instrument in excess of the cumulative change in the present value of future cash flows of the hedged item, if any (*i.e*., the ineffective portion), or hedge components excluded from the assessment of effectiveness, are recognized in the Consolidated Statement of Income during the current period.

To protect against a reduction in the value of forecasted foreign currency cash flows resulting from export sales over the next year, the Company has instituted a foreign currency cash flow hedging program. The Company hedges portions of its forecasted intra-group revenue or expense denominated in foreign currencies with forward contracts. When the dollar strengthens significantly against foreign currencies, the decline in the present value of future foreign currency revenue is offset by gains in the fair value of the forward contracts designated as hedges. Conversely, when the dollar weakens, the increase in the present value of future foreign currency cash flows is offset by losses in the fair value of the forward contracts.

The maximum length of time over which the Company hedges its exposure to the variability in future cash flows for forecasted transactions is generally 18 months or less.

Fair Value Hedging Strategy:
For derivative instruments that are designated and qualify as fair value hedges (*i.e*., hedging the exposure to changes in the fair value of an asset or a liability or an identified portion thereof that is attributable to a particular risk), the gain or loss on the derivative instrument as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in the same line item associated with the hedged item (*i.e*., in "interest expense" when the hedged item is fixed-rate debt).

Purpose for Derivative Instruments not Designated as Hedging Instruments:
For derivative instruments that are not designated as hedging instruments, the instruments are typically forward contracts. In general, the practice is to reduce volatility by selectively hedging transaction exposures including intercompany loans, accounts payable and accounts receivable. Intercompany loans between entities with different functional currencies are typically hedged with a forward contract at the inception of the loan with a maturity date at the maturity of the loan. The revaluation of these contracts, as well as the underlying balance sheet items, is recorded directly to the income statement so the adjustment generally offsets the revaluation of the underlying balance sheet items to protect cash payments and reduce income statement volatility.

The following table presents the fair value and location of all assets and liabilities associated with the Company's hedging instruments within the Consolidated Balance Sheets.

		Asset Derivatives		Liability Derivatives	
Derivatives designated as hedging instruments	**Balance Sheet Location**	**Fair Value at 6/30/16**	Fair Value at 12/31/15	**Fair Value at 6/30/16**	Fair Value at 12/31/15
Foreign currency forward contracts	Other non-current assets/liabilities	**$ 0.5**	$ 2.2	**$ 1.2**	$ 0.2
Total derivatives designated as hedging instruments		**0.5**	2.2	**1.2**	0.2
Derivatives not designated as hedging instruments					
Foreign currency forward contracts	Other non-current assets/liabilities	**3.8**	6.0	**2.2**	0.2
Total Derivatives		**$ 4.3**	$ 8.2	**$ 3.4**	$ 0.4

The following tables present the impact of derivative instruments and their location within the Consolidated Statements of Income:

	Amount of gain or (loss) recognized in Other Comprehensive Income ("OCI") on derivative instruments			
	Three Months Ended June 30,		Six Months Ended June 30,	
Derivatives in cash flow hedging relationships	**2016**	2015	**2016**	2015
Foreign currency forward contracts	**$ 0.9**	$ (0.6)	**$ (2.0)**	$ —
Total	**$ 0.9**	$ (0.6)	**$ (2.0)**	$ —

	Amount of gain or (loss) reclassified from Accumulated Other Comprehensive Income ("AOCI") into income (effective portion)			
	Three Months Ended June 30,		Six Months Ended June 30,	
Derivatives in cash flow hedging relationships	**2016**	2015	**2016**	2015
Foreign currency forward contracts	**$ (0.1)**	$ —	**$ 0.8**	$ 0.6
Interest rate swaps	**(0.1)**	(0.1)	**(0.2)**	(0.1)
Total	**$ (0.2)**	$ (0.1)	**$ 0.6**	$ 0.5

		Amount of gain or (loss) recognized in income on derivative instruments			
		Three Months Ended June 30,		Six Months Ended June 30,	
Derivatives not designated as hedging instruments	**Location of gain or (loss) recognized in income on derivative**	**2016**	2015	**2016**	2015
Foreign currency forward contracts	Other (expense) income, net	**$ 0.3**	$ (6.7)	**$ (4.3)**	$ 6.6
Total		**$ 0.3**	$ (6.7)	**$ (4.3)**	$ 6.6

Note 19 - Continued Dumping and Subsidy Offset Act (CDSOA)

The U.S. Continued Dumping and Subsidy Offset Act ("CDSOA") provides for distribution of monies collected by U.S. Customs and Border Protection ("U.S. Customs") on entries of merchandise subject to antidumping orders that entered the U.S. prior to October 1, 2007, to qualifying domestic producers where the domestic producers have continued to invest in their technology, equipment and people. During the second quarter and first six months of 2016, the Company recognized pretax CDSOA income, net of related expenses, of $6.1 million and $53.8 million, respectively.

In September 2002, the World Trade Organization ruled that CDSOA payments are not consistent with international trade rules. In February 2006, U.S. legislation was enacted that ended CDSOA distributions for imports covered by antidumping duty orders entering the United States after September 30, 2007. Instead, any such antidumping duties collected would remain with the U.S. Treasury.

CDSOA has been the subject of significant litigation since 2002, and U.S. Customs has withheld CDSOA distributions in recent years while litigation was ongoing. In recent months, much of the CDSOA litigation that involves antidumping orders where Timken is a qualifying domestic producer has concluded.

As a result, the Company was notified by letters dated March 25, 2016 and June 24, 2016 that funds were being distributed to the Company. On April 1, 2016, and July 1, 2016, the Company received CDSOA distributions of $48.1 million and $6.3 million, respectively, in the aggregate, representing funds that would have been distributed to Timken at the end of calendar years 2011 through 2015.

At June 30, 2016, the Company recorded a sundry receivable for CDSOA distributions received in July. This sundry receivable was included in other current assets on the Consolidated Balance Sheet.

While some of the challenges to CDSOA have been resolved, others are still in litigation. Since there continue to be legal challenges to CDSOA, U.S. Customs has advised all affected domestic producers that it is possible that CDSOA distributions could be subject to clawback. Management of the Company believes that the likelihood of any clawback is remote.

Note 20 - Subsequent Events

On July 8, 2016, the Company acquired Lovejoy, a manufacturer of premium industrial couplings and universal joints, for $63.5 million in cash and assumed debt of $2.5 million. Based in Downers Grove, Illinois, with additional locations in the U.S., Canada and Germany, Lovejoy had sales of approximately $56 million for the twelve months ended March 31, 2016.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in millions, except per share data)

Overview

Introduction:

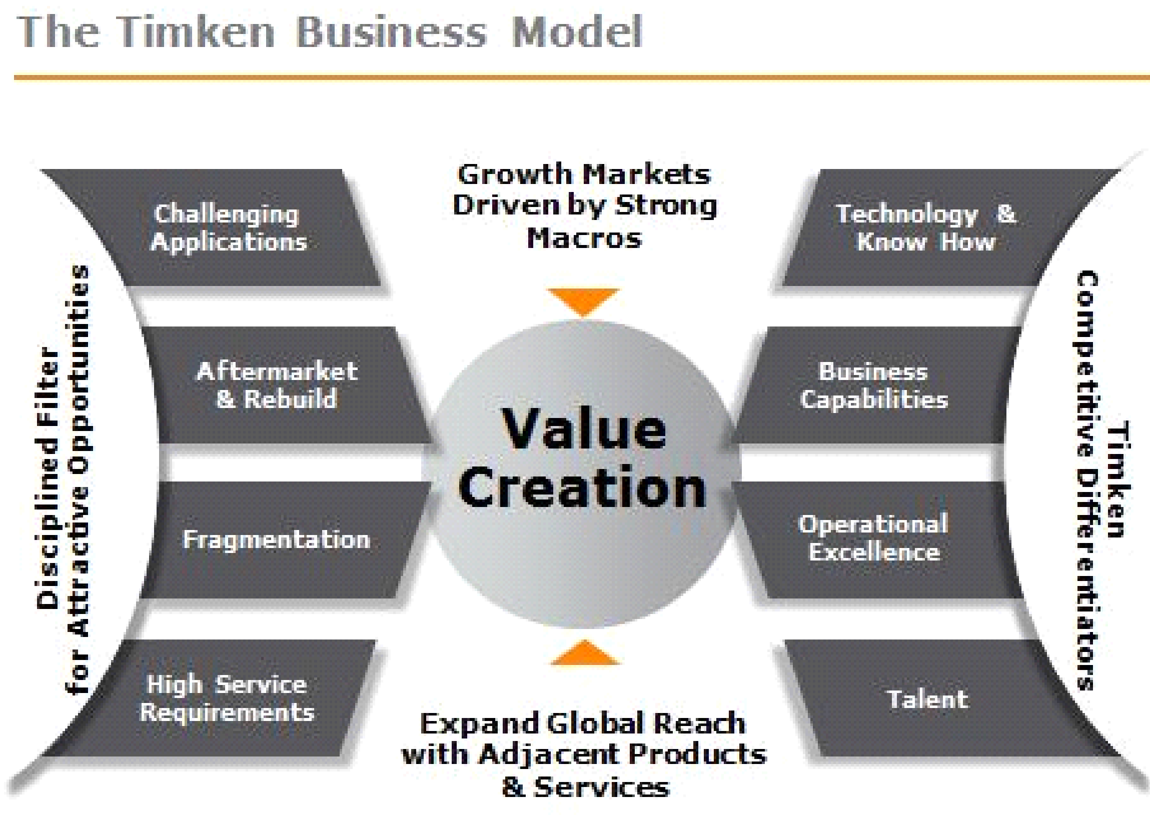
The Timken Company engineers, manufactures and markets bearings, transmissions, gearboxes, belts, chain and related products and offers a spectrum of power system rebuild and repair services. The Company’s growing product and services portfolio features many strong industrial brands, such as Timken, Fafnir, Philadelphia Gear, Carlisle, Drives and Interlube. Timken today applies its deep knowledge of metallurgy, friction management and mechanical power transmission across the broad spectrum of bearings and related systems to improve the reliability and efficiency of machinery and equipment all around the world. Known for its quality products and collaborative technical sales model, Timken focuses on providing value to diverse markets worldwide through both original equipment manufacturers ("OEMs") and aftermarket channels. With more than 14,000 people operating in 28 countries, Timken makes the world more productive and keeps industry in motion. The Company operates under two reportable segments: (1) Mobile Industries and (2) Process Industries. The following further describes these business segments:

- **Mobile Industries** serves OEM customers that manufacture off-highway equipment for the agricultural, mining and construction markets; on-highway vehicles including passenger cars, light trucks, and medium- and heavy-duty trucks; rail cars and locomotives; and rotorcraft and fixed-wing aircraft. Beyond service parts sold to OEMs, aftermarket sales to individual end users, equipment owners, operators and maintenance shops are handled through the Company's extensive network of authorized automotive and heavy-truck distributors.

- **Process Industries** serves OEM and end-user customers in industries that place heavy demands on the fixed operating equipment they make or use in heavy and other general industrial sectors. This includes metals, cement and aggregate production; coal and wind power generation; oil and gas extraction and refining; pulp and paper and food processing; and health and critical motion control equipment. Other applications include marine equipment, gear drives, cranes, hoists and conveyors. This segment also supports aftermarket sales and service needs through its global network of authorized industrial distributors.

Timken creates value by understanding customer needs and applying its know-how in attractive market sectors. The Company’s business strengths include its channel mix and end-market diversity, serving a broad range of customers and industries across the globe. Timken collaborates with OEMs to improve equipment efficiency with its engineered products and captures subsequent equipment replacement cycles by selling through independent channels in the aftermarket. Timken focuses its international efforts and footprint in regions of the world where strong macroeconomic factors such as urbanization, infrastructure development and sustainability create demand for its products and services.

The Timken Business Model is the specific framework for how the Company evaluates opportunities and differentiates itself in the market.



The Company's Strategy is to apply the **Timken Business Model** and leverage the Company's competitive differentiators and strengths to create customer value and drive increased growth and profitability by:

Capturing Opportunities and Expanding Reach. The Company intends to expand into new and existing markets by leveraging its collective knowledge of metallurgy, friction management and mechanical power transmission to create value for Timken customers. Using a highly collaborative technical selling approach, the Company places particular emphasis on creating unique solutions for challenging and/or demanding applications. The Company intends to grow in attractive market sectors around the world, emphasizing those spaces that are highly fragmented, demand high service and value the reliability and efficiency offered by Timken products. The Company also targets those applications that offer significant aftermarket demand, thereby providing product and services revenue throughout the equipment's lifetime.

Performing With Excellence. Timken operates with a relentless drive for exceptional results and a passion for superior execution. The Company embraces a continuous improvement culture that is charged with increasing efficiency, lowering costs, eliminating waste, encouraging organizational agility and building greater brand equity to fuel future growth. This requires the Company's ongoing commitment to attract, retain and develop the best talent across the world.

Driving Effective Capital Deployment. The Company is intently focused on providing the highest returns for shareholders through its capital allocation framework, which includes (1) investing in the core business through capital expenditures, research and development and organic growth initiatives like DeltaX; (2) pursuing strategic acquisitions to broaden our portfolio and capabilities, with an focus on bearings, adjacent power transmission products and related services; and (3) returning capital to shareholders through share repurchases and dividends. As part of this framework, the Company may also restructure, reposition or divest underperforming product lines or assets.

The following items highlight the Company's most recent accomplishments:

- On July 8, 2016, the Company acquired Lovejoy, a manufacturer of premium industrial couplings and universal joints, for $63.5 million in cash and assumed debt of $2.5 million. Based in Downers Grove, Illinois, with additional locations in the U.S., Canada and Germany, Lovejoy had sales of approximately $56 million for the twelve months ended March 31, 2016.

- Continued to advance the Company's manufacturing footprint initiatives with the closure of a bearing facility in the United Kingdom.

Overview:

	Three Months Ended June 30,			
	2016	2015	$ Change	% Change
Net sales	**$ 673.6**	$ 728.0	$ (54.4)	(7.5)%
Net income	**44.9**	37.7	7.2	19.1 %
Net income attributable to noncontrolling interest	**—**	1.0	(1.0)	(100.0)%
Net income attributable to The Timken Company	**$ 44.9**	$ 36.7	$ 8.2	22.3 %
Diluted earnings per share	**$ 0.57**	$ 0.43	$ 0.14	32.6 %
Average number of shares – diluted	**79,312,774**	86,156,775	—	(7.9)%

	Six Months Ended June 30,			
	2016	2015	$ Change	% Change
Net sales	**$ 1,357.6**	$ 1,450.5	$ (92.9)	(6.4)%
Net income (loss)	**107.8**	$ (97.1)	204.9	(211.0)%
Net (loss) income attributable to noncontrolling interest	**(0.1)**	1.4	(1.5)	(107.1)%
Net income (loss) attributable to The Timken Company	**$ 107.9**	$ (98.5)	$ 206.4	(209.5)%
Diluted earnings (loss) per share	**$ 1.35**	$ (1.14)	$ 2.49	(218.4)%
Average number of shares – diluted	**79,880,222**	86,514,517	—	(7.7)%

The decrease in sales in the second quarter of 2016 compared with the second quarter of 2015 was primarily due to lower end-market demand and the impact of foreign currency exchange rate changes, partially offset by the net benefit of acquisitions and divestitures. The Company's net income for the second quarter of 2016 was higher than the second quarter of 2015 primarily due to lower material and operating costs, lower selling, general and administrative expenses, lower income tax expense, the addition of CDSOA income recorded during the second quarter of 2016 and lower pension settlement charges. These factors were partially offset by the impact of lower volume across most market sectors, unfavorable price/mix, the impact of foreign currency exchange rate changes and higher restructuring charges.

The decrease in sales for the first six months of 2016 compared with the first six months of 2015 was primarily due to lower end-market demand and the impact of foreign currency exchange rate changes, partially offset by the net benefit of acquisitions and divestitures. The Company generated net income for the first six months of 2016 compared with a net loss for the first six months of 2015 primarily due to non-cash pretax pension settlement charges of $219.6 million recorded during the first six months of 2015 and pretax CDSOA income of $53.8 million, net of related expenses, recorded during the first six months of 2016. In addition, the Company's net income in 2016 was impacted by lower volume across most market sectors, higher income tax expense, unfavorable price/mix, the impact of foreign currency exchange rate changes and higher restructuring charges, partially offset by lower material and operating costs and lower selling, general and administrative expenses compared with the first six months of 2015.

Outlook:

The Company expects 2016 full-year sales to decline approximately 6% compared with 2015, driven by lower volume across most market sectors and the estimated impact of foreign currency exchange rate changes of 1.5%, partially offset by the net benefit of acquisitions and divestitures. The Company's earnings are expected to be higher in 2016 compared with 2015, primarily due to significantly lower pension settlement charges and the addition of CDSOA income, net of related expenses. Excluding pension settlement charges and CDSOA income, earnings are expected to decline in 2016 compared with 2015, driven by lower volume, unfavorable price/mix and higher restructuring charges. These factors are expected to be partially offset by lower selling, general and administrative expenses and lower material and operating costs.

The Company expects to generate operating cash of approximately $365 million in 2016, a decrease of approximately $10 million, or 3%, compared with 2015, as the Company anticipates lower net income excluding non-cash pension settlement and impairment charges, partially offset by CDSOA income and lower tax payments. The Company expects capital expenditures of approximately 5.0% of sales in 2016, compared with 3.7% of sales in 2015.

The Statement of Income

Sales:

	Three Months Ended June 30,			
	2016	2015	$ Change	% Change
Net Sales	**$ 673.6**	$ 728.0	$ (54.4)	(7.5)%

	Six Months Ended June 30,			
	2016	2015	$ Change	% Change
Net Sales	**$ 1,357.6**	$ 1,450.5	$ (92.9)	(6.4)%

Net sales decreased for the second quarter of 2016 compared with the second quarter of 2015, primarily due to lower organic sales of $65 million, the effect of foreign currency exchange rate changes of $12 million and divestitures of $5 million, partially offset by the benefit of acquisitions of $28 million. The decrease in organic sales volume was driven by lower demand across most of the Company's market sectors, partially offset by growth in the automotive market sector.

Net sales decreased for the first six months of 2016 compared with the first six months of 2015, primarily due to lower organic sales of $109 million, the effect of foreign currency exchange rate changes of $32 million and divestitures of $10 million, partially offset by the benefit of acquisitions of $58 million. The decrease in organic sales volume was driven by lower demand across most of the Company's market sectors, partially offset by growth in the automotive market sector.

Gross Profit:

	Three Months Ended June 30,			
	2016	2015	$ Change	Change
Gross profit	**$ 182.3**	$ 205.1	$ (22.8)	(11.1)%
Gross profit % to net sales	**27.1%**	28.2%		(110) bps

	Six Months Ended June 30,			
	2016	2015	$ Change	Change
Gross profit	**$ 363.2**	$ 407.6	$ (44.4)	(10.9)%
Gross profit % to net sales	**26.8%**	28.1%		(130) bps

Gross profit decreased in the second quarter of 2016 compared with the second quarter of 2015 primarily due to the impact of lower volume of $24 million, unfavorable price/mix of $14 million and the impact of foreign currency exchange rate changes of $4 million. These factors were partially offset by $19 million of lower material and operating costs.

Gross profit decreased in the first six months of 2016 compared with the first six months of 2015, primarily due to the impact of lower volume of $41 million, unfavorable price/mix of $36 million and the impact of foreign currency exchange rate changes of $9 million. These factors were partially offset by $41 million of lower material and operating costs.

Selling, General and Administrative Expenses:

	Three Months Ended June 30,			
	2016	2015	$ Change	Change
Selling, general and administrative expenses	$ **110.2**	$ 126.1	$ (15.9)	(12.6)%
Selling, general and administrative expenses % to net sales	**16.4%**	17.3%	—	(90) bps

	Six Months Ended June 30,			
	2016	2015	$ Change	Change
Selling, general and administrative expenses	$ **228.5**	$ 254.6	$ (26.1)	(10.3)%
Selling, general and administrative expenses % to net sales	**16.8%**	17.6%	—	(80) bps

The decrease in selling, general and administrative expenses in the second quarter of 2016 compared with the second quarter of 2015 was primarily due to the benefit of cost reduction initiatives and lower discretionary spending of $13 million and the impact of foreign currency exchange rate changes of $2 million, partially offset by $2 million of additional expenses from Timken Belts acquired in September 2015.

The decrease in selling, general and administrative expenses in the first six months of 2016 compared with the first six months of 2015 was primarily due to the benefit of cost reduction initiatives and lower discretionary spending of $22 million and the impact of foreign currency exchange rate changes of $5 million, partially offset by $5 million of additional expenses from Timken Belts acquired in September 2015.

Impairment and Restructuring:

	Three Months Ended June 30,			
	2016	2015	$ Change	% Change
Impairment charges	$ **—**	$ 0.6	$ (0.6)	(100.0)%
Severance and related benefit costs	**1.6**	0.6	1.0	166.7 %
Exit costs	**1.3**	0.2	1.1	NM
Total	$ **2.9**	$ 1.4	$ 1.5	107.1 %

	Six Months Ended June 30,			
	2016	2015	$ Change	% Change
Impairment charges	$ **2.6**	$ 3.3	$ (0.7)	(21.2)%
Severance and related benefit costs	**9.3**	0.7	8.6	NM
Exit costs	**1.5**	3.6	(2.1)	(58.3)%
Total	$ **13.4**	$ 7.6	$ 5.8	76.3 %

Impairment and restructuring charges in the second quarter and first six months of 2016 were primarily comprised of severance and related benefit costs of $1.6 million and $9.3 million, respectively, related to initiatives to reduce headcount and right-size the Company's manufacturing footprint, including the planned closure of the Altavista bearing plant. In addition, the Company also recognized impairment charges of $2.4 million associated with the planned closure of the Altavista bearing plant in the first six months of 2016.

Impairment and restructuring charges in the second quarter and first six months of 2015 were primarily due to exit costs of $3.0 million related to the Company's termination of its relationship with one of its third-party sales representatives in Colombia and impairment charges of $3.0 million related to the shutdown of the Company's service center in Niles, Ohio.

Pension Settlement Charges:

	Three Months Ended June 30,			
	2016	2015	$ Change	% Change
Pension settlement charges	**$ 0.4**	$ 4.4	$ (4.0)	(90.9)%

	Six Months Ended June 30,			
	2016	2015	$ Change	% Change
Pension settlement charges	**$ 1.6**	$ 219.6	$ (218.0)	(99.3)%

Pension settlement charges recorded in the first six months of 2016 were primarily due to implementation costs associated with a group annuity contract purchased from Prudential on November 30, 2015, for one of the Company's U.S. defined benefit pension plans recorded during the first quarter of 2016.

Pension settlement charges recorded in the second quarter of 2015 were primarily due to lump-sum distributions in 2015 for one of the Company's U.S. defined benefit plans and one of its Canadian defined benefit plans. Pension settlement charges recorded in the first six months of 2015 were primarily due to the purchase of a group annuity contact from Prudential for one of the Company's U.S. defined benefit pension plans, which was executed in January 2015. In addition to the purchase of the group annuity contract, the Company made lump-sum distributions to new retirees of approximately $19 million in 2015. As a result of the purchase of the group annuity contract and the lump-sum distributions, the Company incurred pension settlement charges of $219.6 million during the first six months of 2015.

Interest Income and (Expense):

	Three Months Ended June 30,			
	2016	2015	$ Change	% Change
Interest (expense)	**$ (8.7)**	$ (8.4)	$ (0.3)	3.6 %
Interest income	**$ 0.4**	$ 0.7	$ (0.3)	(42.9)%

	Six Months Ended June 30,			
	2016	2015	$ Change	% Change
Interest (expense)	**$ (17.1)**	$ (16.4)	$ (0.7)	4.3 %
Interest income	**$ 0.7**	$ 1.4	$ (0.7)	(50.0)%

Other Income (Expense):

	Three Months Ended June 30,			
	2016	2015	$ Change	% Change
CDSOA income, net of related expenses	**$ 6.1**	$ —	$ 6.1	NM
Other (expense) income, net	**(1.7)**	1.4	(3.1)	(221.4)%
Total other income (expense)	**$ 4.4**	$ 1.4	$ 3.0	214.3 %

	Six Months Ended June 30,			
	2016	2015	$ Change	% Change
CDSOA income, net of related expenses	**$ 53.8**	$ —	$ 53.8	NM
Other (expense) income, net	**(1.7)**	—	(1.7)	NM
Total other income (expense)	**$ 52.1**	$ —	$ 52.1	NM

CDSOA income, net of related expenses, in the second quarter and first six months of 2016 represents income recorded in connection with funds awarded to the Company from monies collected by U.S. Customs from antidumping cases. Refer to *Note 19 - Continued Dumping and Subsidy Offset Act (CDSOA)* for further discussion.

Income Tax Expense:

	Three Months Ended June 30,			
	2016	2015	$ Change	Change
Income tax expense	**$ 20.0**	$ 28.9	$ (8.9)	(30.8)%
Effective tax rate	**30.8%**	43.4%	—	(1,260bps)

	Six Months Ended June 30,			
	2016	2015	$ Change	Change
Income tax expense	**$ 47.6**	$ 7.6	$ 40.0	NM
Effective tax rate	**30.6%**	(8.5)%	—	3,910 bps

The effective tax rate for the three and six months ended June 30, 2016, reflects a customary relationship between income tax expense and pretax accounting income based on a mix of expected earnings between the U.S and foreign jurisdictions.

The effective tax rate for the first six months of 2015 was computed based on the expected annual effective tax rate of negative 4.9%, excluding discrete items. At that time, the Company expected tax benefits on expected pretax income with an estimated effective tax rate of negative 8.5%, including discrete items. This rate reflected an expected full year loss in the U.S. primarily driven by pension settlement charges, and earnings in foreign jurisdictions, which was expected to produce a net tax benefit on pretax income.

The effective tax rate for the three months ended June 30, 2016, decreased compared to the same period in 2015 primarily due to lower taxes on foreign earnings. Refer to the table below for additional detail of the impact of each item on income tax expense.

The effective tax rate for the first six months ended June 30, 2016, increased compared to the same period in 2015 primarily due to higher global earnings, partially offset by lower taxes on foreign earnings, higher U.S. foreign tax credits and the U.S. manufacturing deduction and reduced expense related to discrete items. Refer to the table below for additional detail of the impact of each item on income tax expense.

	Three Months Ended June 30, 2016	**Six Months Ended June 30, 2016**
	$ Change	**$ Change**
Impact of global earnings at the U.S. statutory rate of 35%	**$ (0.6)**	**$ 85.7**
Foreign taxation impact	**(8.8)**	**(30.8)**
U.S. taxation [1]	**0.8**	**(12.4)**
Discrete items	**(0.3)**	**(2.5)**
Total	**$ (8.9)**	**$ 40.0**

[1] U.S. taxation includes the impact of foreign tax credits, U.S. Manufacturing deductions, U.S. Research and Experimentation credit, U.S. state and local taxation, U.S. taxation of foreign earnings and other U.S. items.

Refer to *Note 16 - Income Taxes* for more information on the computation of the income tax expense in interim periods.

Business Segments

The Company's reportable segments are business units that serve different industry sectors. While the segments often operate using shared infrastructure, each reportable segment is managed to address specific customer needs in these diverse market sectors. The primary measurement used by management to measure the financial performance of each segment is EBIT. Refer to *Note 12 - Segment Information* in the Notes to the Consolidated Financial Statements for the reconciliation of EBIT by segment to consolidated income before income taxes.

The presentation of segment results below includes a reconciliation of the changes in net sales for each segment reported in accordance with U.S. GAAP to net sales adjusted to remove the effects of acquisitions and divestitures completed in 2015 and foreign currency exchange rate changes. The effects of acquisitions, divestitures and foreign currency exchange rate changes on net sales are removed to allow investors and the Company to meaningfully evaluate the percentage change in net sales on a comparable basis from period to period.

The following items highlight the Company's acquisitions and divestitures completed in 2015.

- During the fourth quarter of 2015, the Company sold all of the outstanding stock of Timken Alcor Aerospace Technologies, Inc. (Alcor). Results for Alcor prior to the sale were reported in the Mobile Industries segment.
- During the third quarter of 2015, the Company acquired the membership interests of Timken Belts. Results for Timken Belts are reported in the Mobile Industries and Process Industries segments based on the customers and underlying markets served.

Mobile Industries Segment:

	Three Months Ended June 30,			
	2016	2015	$ Change	% Change
Net sales	**$ 367.8**	$ 388.6	$ (20.8)	(5.4)%
EBIT	**$ 35.3**	$ 36.0	$ (0.7)	(1.9)%
EBIT margin	**9.6%**	9.3%	—	30 bps

	Three Months Ended June 30,			
	2016	2015	$ Change	% Change
Net sales	**$ 367.8**	$ 388.6	$ (20.8)	(5.4)%
Less: Acquisitions	**16.9**	—	16.9	NM
Divestitures	**(5.3)**	—	(5.3)	NM
Currency	**(5.7)**	—	(5.7)	NM
Net sales, excluding the impact of acquisitions, divestitures and currency	**$ 361.9**	$ 388.6	$ (26.7)	(6.9)%

	Six Months Ended June 30,			
	2016	2015	$ Change	% Change
Net sales	**$ 751.0**	$ 781.6	$ (30.6)	(3.9)%
EBIT	**65.5**	71.4	(5.9)	(8.3)%
EBIT margin	**8.7%**	9.1%	—	(40) bps

	Six Months Ended June 30,			
	2016	2015	$ Change	% Change
Net sales	**$ 751.0**	$ 781.6	$ (30.6)	(3.9)%
Less: Acquisitions	**35.2**	—	35.2	NM
Divestitures	**(9.9)**	—	(9.9)	NM
Currency	**(16.6)**	—	(16.6)	NM
Net sales, excluding the impact of acquisitions, divestitures and currency	**$ 742.3**	$ 781.6	$ (39.3)	(5.0)%

The Mobile Industries segment's net sales, excluding the effects of acquisitions, divestitures and foreign currency exchange rate changes, decreased $26.7 million or 6.9% in the second quarter of 2016 compared with the second quarter of 2015. The decline in net sales was primarily driven by a decrease in the off-highway (mainly mining and agriculture), rail, aerospace and heavy truck market sectors, partially offset by organic growth in the automotive market sector. EBIT decreased by $0.7 million or 1.9% in the second quarter of 2016 compared with the second quarter of 2015 primarily due to unfavorable price/mix of $11 million, the impact of lower volume of $8 million, the impact of foreign currency exchange rate changes of $3 million, the net impact of acquisitions and divestitures of $2 million and higher restructuring costs of $1 million. These factors were offset by lower material and operating costs of $19 million and lower selling, general and administrative expenses of $6 million.

The Mobile Industries segment's net sales, excluding the effects of acquisitions, divestitures and foreign currency exchange rate changes, decreased $39.3 million or 5.0% in the first six months of 2016 compared with the first six months of 2015. The decline in net sales was primarily driven by a decrease in the off-highway (mainly mining and agriculture), rail and aerospace market sectors, partially offset by organic growth in the automotive market sector. EBIT decreased by $5.9 million or 8.3% in the first six months of 2016 compared with the first six months of 2015 primarily due to unfavorable price/mix of $29 million, the impact of lower volume of $11 million, higher restructuring charges of $6 million, the net impact of acquisitions and divestitures of $5 million and the impact of foreign currency exchange rate changes of $4 million, partially offset by lower material and operating costs of $39 million and lower selling, general and administrative expenses of $11 million.

Full-year sales for the Mobile Industries segment are expected to be down 6% to 7% in 2016 compared with 2015. This reflects lower expected volume in the rail, off-highway, aerospace and heavy truck market sectors and the estimated impact of foreign currency exchange rate changes of 1.5%, partially offset by growth in the automotive market sector and the net benefit of acquisitions and divestitures. EBIT for the Mobile Industries segment is expected to decrease in 2016 compared with 2015 due to the impact of unfavorable price/mix, lower volume, higher restructuring charges and the impact of foreign currency exchange rate changes, partially offset by lower material and operating costs and lower selling, general and administrative expenses. In addition, 2015 benefited from the gain on the sale of Alcor.

Process Industries Segment:

	Three Months Ended June 30,			
	2016	2015	$ Change	Change
Net sales	**$ 305.8**	$ 339.4	$ (33.6)	(9.9)%
EBIT	**$ 46.7**	$ 56.7	$ (10.0)	(17.6)%
EBIT margin	**15.3%**	16.7%	—	(140) bps

	Three Months Ended June 30,			
	2016	2015	$ Change	% Change
Net sales	**$ 305.8**	$ 339.4	$ (33.6)	(9.9)%
Less: Acquisitions	**11.5**	—	11.5	NM
Currency	**(6.4)**	—	(6.4)	NM
Net sales, excluding the impact of acquisitions and currency	**$ 300.7**	$ 339.4	$ (38.7)	(11.4)%

	Six Months Ended June 30,			
	2016	2015	$ Change	Change
Net sales	**$ 606.6**	$ 668.9	$ (62.3)	(9.3)%
EBIT	**$ 79.3**	$ 101.9	$ (22.6)	(22.2)%
EBIT margin	**13.1%**	15.2%	—	(210) bps

	Six Months Ended June 30,			
	2016	2015	$ Change	% Change
Net sales	**$ 606.6**	$ 668.9	$ (62.3)	(9.3)%
Less: Acquisitions	**23.2**	—	23.2	NM
Currency	**(15.6)**	—	(15.6)	NM
Net sales, excluding the impact of acquisitions and currency	**$ 599.0**	$ 668.9	$ (69.9)	(10.4)%

The Process Industries segment's net sales, excluding the effects of acquisitions and foreign currency exchange rate changes, decreased $38.7 million or 11.4% in the second quarter of 2016 compared with the same period in 2015. The decline was primarily due to lower demand across the industrial aftermarket and the heavy industries market sector (mainly oil and gas, metals and power generation), partially offset by an increase in military marine revenue. EBIT decreased $10.0 million or 17.6% in the second quarter of 2016 compared with the second quarter of 2015 primarily due to the impact of lower volume of $16 million and unfavorable price/mix of $3 million, partially offset by lower selling, general and administrative expenses of $9 million and the benefit from acquisitions of $1 million.

The Process Industries segment's net sales, excluding the effects of acquisitions and foreign currency exchange rate changes, decreased $69.9 million or 10.4% in the first six months of 2016 compared with the first six months of 2015. The decline was primarily due to lower demand across the industrial aftermarket and the heavy industries market sector. EBIT decreased $22.6 million or 22.2% in the first six months of 2016 compared with the first six months of 2015 primarily due to the impact of lower volume of $30 million and unfavorable price/mix of $6 million, partially offset by lower selling, general and administrative expenses of $13 million and lower material and operating costs of $2 million.

Full-year sales for the Process Industries segment are expected to be down 5% to 6% in 2016 compared with 2015. This reflects weaker demand in the industrial aftermarket and the heavy industries market sector and the negative impact of foreign currency exchange rate changes of 2%, partially offset by the benefit of acquisitions. EBIT for the Process Industries segment is expected to decrease in 2016 compared with 2015 primarily due to the impact of lower volume, unfavorable price/mix and foreign currency exchange rate changes, partially offset by lower material and operating costs, lower selling, general and administrative expenses and the impact of acquisitions.

Unallocated Corporate:

	Three Months Ended June 30,			
	2016	2015	$ Change	% Change
Corporate expenses	**$ 14.5**	$ 14.0	$ 0.5	3.6%
Corporate expenses % to net sales	**2.2%**	1.9%	—	30 bps

	Six Months Ended June 30,			
	2016	2015	$ Change	% Change
Corporate expenses	**$ 25.2**	$ 28.2	$ (3.0)	(10.6)%
Corporate expenses % to net sales	**1.9%**	1.9%	—	—

Corporate expenses decreased in the first six months of 2016 compared with the first six months of 2015 primarily due to cost reduction initiatives and lower incentive compensation expense.

The Balance Sheet

The following discussion is a comparison of the Consolidated Balance Sheets at June 30, 2016, and December 31, 2015.

Current Assets:

	June 30, 2016	December 31, 2015	$ Change	% Change
Cash and cash equivalents	**$ 156.0**	$ 129.6	$ 26.4	20.4 %
Restricted cash	**0.2**	0.2	—	— %
Accounts receivable, net	**452.3**	454.6	(2.3)	(0.5)%
Inventories, net	**555.4**	543.2	12.2	2.2 %
Deferred charges and prepaid expenses	**20.7**	22.7	(2.0)	(8.8)%
Other current assets	**52.5**	56.1	(3.6)	(6.4)%
Total current assets	**$ 1,237.1**	$ 1,206.4	$ 30.7	2.5 %

Refer to the Cash Flows section below for an explanation of the change in cash and cash equivalents.

Inventories, net increased to meet higher seasonal demand and due to the impact of foreign currency exchange rate changes.

Other current assets decreased due to a decrease in income tax receivables of $11.0 million that were collected during the first quarter of 2016, partially offset by a $6.2 million CDSOA receivable recorded in the second quarter of 2016.

Property, Plant and Equipment, Net:

	June 30, 2016	December 31, 2015	$ Change	% Change
Property, plant and equipment	**$ 2,192.2**	$ 2,171.7	$ 20.5	0.9 %
Accumulated depreciation	**(1,419.7)**	(1,393.9)	(25.8)	1.9 %
Property, plant and equipment, net	**$ 772.5**	$ 777.8	$ (5.3)	(0.7)%

The decrease in property, plant and equipment, net in the first six months of 2016 was primarily due to current-year depreciation of $46.9 million, impairment losses of $2.4 million and the impact of foreign currency exchange rate changes of $1.3 million, partially offset by capital expenditures of $45.8 million.

Other Assets:

	June 30, 2016	December 31, 2015	$ Change	% Change
Goodwill	**$ 328.7**	$ 327.3	$ 1.4	0.4 %
Non-current pension assets	**85.6**	86.3	(0.7)	(0.8)%
Other intangible assets	**258.0**	271.3	(13.3)	(4.9)%
Deferred income taxes	**62.0**	65.9	(3.9)	(5.9)%
Other non-current assets	**50.5**	49.1	1.4	2.9 %
Total other assets	**$ 784.8**	$ 799.9	$ (15.1)	(1.9)%

The decrease in other intangible assets was primarily due to amortization expense of $18.1 million, partially offset by current-year capital expenditures for software of $4.7 million.

Current Liabilities:

	June 30, 2016	December 31, 2015	$ Change	% Change
Short-term debt	$ **13.4**	$ 62.0	$ (48.6)	(78.4)%
Current portion of long-term debt	**15.0**	15.1	(0.1)	(0.7)%
Accounts payable	**172.9**	159.7	13.2	8.3 %
Salaries, wages and benefits	**92.3**	102.3	(10.0)	(9.8)%
Income taxes payable	**34.4**	13.1	21.3	162.6 %
Other current liabilities	**147.0**	153.1	(6.1)	(4.0)%
Total current liabilities	$ **475.0**	$ 505.3	$ (30.3)	(6.0)%

The decrease in short-term debt was primarily due to the classification of the outstanding borrowings under the Accounts Receivable Facility as long-term, which represented $48.0 million of the short-term debt balance as of December 31, 2015. The outstanding balance under the Accounts Receivable Facility was classified as long-term to align with the term of the agreement and reflect the Company's expectations relative to the minimum borrowing base.

The increase in accounts payable was primarily due to higher days outstanding driven by the Company's initiative to extend payment terms with its suppliers.

The decrease in accrued salaries, wages and benefits was primarily due to the payout of 2015 performance-based compensation of $14.1 million and the payout of stock-based compensation that settled in cash of $6.6 million, partially offset by accruals for 2016 performance-based compensation of $11.6 million.

The increase in income taxes payable in the first six months of 2016 was primarily due to current-year tax expense of $47.6 million, partially offset by tax payments of $21.4 million.

The decrease in other current liabilities was primarily due to a decrease in restructuring accruals.

Non-Current Liabilities:

	June 30, 2016	December 31, 2015	$ Change	% Change
Long-term debt	$ **604.2**	$ 579.4	$ 24.8	4.3 %
Accrued pension cost	**147.6**	146.9	0.7	0.5 %
Accrued postretirement benefits cost	**132.6**	136.1	(3.5)	(2.6)%
Deferred income taxes	**3.5**	3.6	(0.1)	(2.8)%
Other non-current liabilities	**72.3**	68.2	4.1	6.0 %
Total non-current liabilities	$ **960.2**	$ 934.2	$ 26.0	2.8 %

The increase in long-term debt was primarily due to the classification of $61 million of outstanding borrowings under the Accounts Receivable Facility as long-term at June 30, 2016, partially offset by a decrease of $36.8 million in the borrowings under the Company's Senior Credit Facility, primarily driven by the receipt of CDSOA distributions in the quarter.

Shareholders’ Equity:

	June 30, 2016	December 31, 2015	$ Change	% Change
Common stock	**$ 954.9**	$ 958.2	$ (3.3)	(0.3)%
Earnings invested in the business	**1,524.4**	1,457.6	66.8	4.6 %
Accumulated other comprehensive loss	**(281.5)**	(287.0)	5.5	(1.9)%
Treasury shares	**(864.4)**	(804.3)	(60.1)	7.5 %
Noncontrolling interest	**25.8**	20.1	5.7	28.4 %
Total shareholders’ equity	**$ 1,359.2**	$ 1,344.6	$ 14.6	1.1 %

Earnings invested in the business in the first six months of 2016 increased by net income attributable to the Company of $107.9 million, partially offset by dividends declared of $41.1 million.

The decrease in accumulated other comprehensive loss was primarily due to pension and postretirement liability adjustments of $12.0 million, partially offset by foreign currency adjustments of $4.9 million. The pension and postretirement liability adjustments were primarily due to amortization of actuarial losses. The foreign currency translation adjustments were due to the strengthening of the U.S. dollar relative to other foreign currencies, including the British Pound Sterling, the Chinese Renminbi and Indian Rupee. See *"Other Matters - Foreign Currency*" for further discussion regarding the impact of foreign currency translation.

The increase in treasury shares was primarily due to the Company's purchase of 2.2 million of its common shares for $68.3 million, partially offset by net shares issued for stock compensation plans during the first six months of 2016.

Cash Flows

	Six Months Ended June 30,		
	2016	2015	$ Change
Net cash provided by operating activities	**$ 202.6**	$ 105.5	$ 97.1
Net cash used in investing activities	**(51.0)**	(33.3)	(17.7)
Net cash used in financing activities	**(128.5)**	(108.3)	(20.2)
Effect of exchange rate changes on cash	**3.3**	(5.9)	9.2
Increase in cash and cash equivalents	**$ 26.4**	$ (42.0)	$ 68.4

Operating Activities:

Operating activities provided net cash of $202.6 million in the first six months of 2016, compared with net cash of $105.5 million in the first six months of 2015. The increase was due to a net favorable change in working capital items of $52.8 million and the favorable impact of income taxes of $70.7 million, partially offset by lower net income of $16.9 million, excluding pension settlement charges and CDSOA. Refer to the tables below for additional detail of the impact of each line on net cash provided by operating activities.

The following table displays the impact of working capital items on cash during the first six months of 2016 and 2015, respectively:

	Six Months Ended June 30,		
	2016	2015	$ Change
Cash Provided (Used):			
Accounts receivable	**$ 4.7**	$ (22.7)	$ 27.4
Inventories	**(8.2)**	(2.8)	(5.4)
Trade accounts payable	**12.5**	28.9	(16.4)
Other accrued expenses	**(7.5)**	(54.7)	47.2
Cash provided (used) in working capital items	**$ 1.5**	$ (51.3)	$ 52.8

The following table displays the impact of income taxes on cash during the first six months of 2016 and 2015, respectively:

	Six Months Ended June 30,		
	2016	2015	$ Change
Accrued income tax expense	**$ 47.6**	$ 7.6	$ 40.0
Income tax payments	**(16.8)**	(51.7)	34.9
Other miscellaneous	**(4.6)**	(0.4)	(4.2)
Change in income taxes	**$ 26.2**	$ (44.5)	$ 70.7

The following table displays the effect on cash for major components of net income during the first six months of 2016 and 2015, respectively:

	Six Months Ended June 30,		
	2016	2015	$ Change
Net income attributable to The Timken Company	**$ 107.9**	$ (98.5)	$ 206.4
Non-cash pension settlement charges included in net income	**0.4**	217.5	(217.1)
CDSOA receivable	**(6.2)**	—	(6.2)
Net income (excluding pension settlement and CDSOA)	**$ 102.1**	$ 119.0	$ (16.9)

Investing Activities:

Net cash used in investing activities of $51.0 million in the first six months of 2016 increased $17.7 million from the same period in 2015 primarily due to a $6.9 million increase in cash used in capital expenditures, a $5.5 million reduction in proceeds from the sale of property, plant and equipment, a $2.8 million reduction in proceeds from divestitures and a $2.7 million increase in cash used in investments in short-term marketable securities.

Financing Activities:

The following table displays the factors impacting cash from financing activities during the first six months of 2016 and 2015, respectively:

	Six Months Ended June 30,		
	2016	2015	$ Change
Net borrowings	**$ (24.4)**	$ 109.4	$ (133.8)
Purchase of treasury shares	**(68.2)**	(177.2)	109.0
Proceeds from exercise of stock options	**0.4**	4.0	(3.6)
Cash dividends paid to shareholders	**(41.1)**	(44.0)	2.9
Decrease in restricted cash	**—**	(4.0)	4.0
Other	**4.8**	3.5	1.3
Decrease in cash used in financing activities	**$ (128.5)**	$ (108.3)	$ (20.2)

Net cash used in financing activities was $128.5 million in the first six months of 2016, compared with $108.3 million in the first six months of 2015. The increase in cash used in financing activities was primarily due to a decrease in net borrowings, partially offset by lower cash used in share repurchases during the first six months of 2016 compared with the first six months of 2015.

Liquidity and Capital Resources:

Reconciliation of total debt to net debt and the ratio of net debt to capital:

Net Debt:

	June 30, 2016	December 31, 2015
Short-term debt	**$ 13.4**	$ 62.0
Current portion of long-term debt	**15.0**	15.1
Long-term debt	**604.2**	579.4
Total debt	**$ 632.6**	$ 656.5
Less: Cash and cash equivalents	**156.0**	129.6
Restricted cash	**0.2**	0.2
Net debt	**$ 476.4**	$ 526.7

Ratio of Net Debt to Capital:

	June 30, 2016	December 31, 2015
Net debt	**$ 476.4**	$ 526.7
Shareholders’ equity	**1,359.2**	1,344.6
Net debt plus shareholders’ equity (capital)	**$ 1,835.6**	$ 1,871.3
Ratio of net debt to capital	**26.0%**	28.1%

The Company presents net debt because it believes net debt is more representative of the Company's financial position than total debt due to the amount of cash and cash equivalents held by the Company.

At June 30, 2016, approximately $131 million of the Company's $156 million of cash and cash equivalents resided in jurisdictions outside the United States. It is the Company's practice to use available cash in the United States to pay down its Senior Credit Facility or Accounts Receivable Facility, in order to minimize total interest expense. As a result, the majority of the Company's cash on hand was outside the United States. Repatriation of these funds to the United States could be subject to domestic and foreign taxes and some portion may be subject to governmental restrictions. Part of the Company's strategy is to grow in attractive market sectors, many of which are outside the United States. This strategy includes making investments in facilities and equipment and potential new acquisitions. The Company plans to fund these investments, as well as meet working capital requirements, with cash and cash equivalents and unused lines of credit within the geographic location of these investments where possible.

The Company has a $100 million Accounts Receivable Facility, which matures on November 30, 2018. The Accounts Receivable Facility is subject to certain borrowing base limitations and is secured by certain domestic accounts receivable of the Company. Certain borrowing base limitations reduced the availability of the Accounts Receivable Facility to $74.4 million at June 30, 2016. As of June 30, 2016, the Company had $61 million in outstanding borrowings, which reduced the availability under the facility to $13.4 million. The interest rate on the Accounts Receivable Facility is variable and was 1.29% as of June 30, 2016, which reflects the prevailing commercial paper rate plus facility fees.

The Company has a $500 million Senior Credit Facility, which matures on June 19, 2020. At December 31, 2015, the Senior Credit Facility had outstanding borrowings of $38.4 million, which reduced the availability to $461.6 million. Under the Senior Credit Facility, the Company has two financial covenants: a consolidated leverage ratio and a consolidated interest coverage ratio. At June 30, 2016, the Company was in full compliance with the covenants under the Senior Credit Facility and its other debt agreements. The maximum consolidated leverage ratio permitted under the Senior Credit Facility is 3.5 to 1.0 (3.75 to 1.0 for a limited period up to four quarters following an acquisition with a purchase price of $200 million or greater). As of June 30, 2016, the Company's consolidated leverage ratio was 1.5 to 1.0. The minimum consolidated interest coverage ratio permitted under the Senior Credit Facility is 3.5 to 1.0. As of June 30, 2016, the Company's consolidated interest coverage ratio was 13.2 to 1.0.

The interest rate under the Senior Credit Facility is variable with a spread based on the Company's debt rating. This rate was 1.57% as of June 30, 2016. In addition, the Company pays a facility fee based on the consolidated leverage ratio multiplied by the aggregate commitments of all of the lenders under the Senior Credit Facility.

Other sources of liquidity include short-term lines of credit for certain of the Company's foreign subsidiaries, which provide for borrowings of up to approximately $221.4 million. Most of these credit lines are uncommitted. At June 30, 2016, the Company had borrowings outstanding of $13.4 million and bank guarantees of $1.4 million, which reduced the availability under these facilities to $206.6 million.

The Company expects that any cash requirements in excess of cash on hand and cash generated from operating activities will be met by the committed funds available under its Accounts Receivable Facility and the Senior Credit Facility. Management believes it has sufficient liquidity to meet its obligations through at least the term of the Senior Credit Facility.

The Company expects to remain in compliance with its debt covenants. However, the Company may need to limit its borrowings under the Senior Credit Facility or other facilities in order to remain in compliance. As of June 30, 2016, the Company could have borrowed the full amounts available under the Senior Credit Facility and Accounts Receivable Facility, and would have still been in compliance with its debt covenants.

The Company expects cash from operations of approximately $365 million in 2016, a decrease of approximately $10 million from 2015, driven by lower net income, excluding non-cash pension settlement and impairment charges, partially offset by CDSOA receipts and lower tax payments. The Company expects capital expenditures of approximately 5.0% of sales in 2016, compared with 3.7% of sales in 2015.

Financing Obligations and Other Commitments:

During the first six months of 2016, the Company made contributions of $8.3 million to its global defined benefit pension plans. The Company currently expects to make contributions to its global defined benefit pension plans in 2016 totaling approximately $15 million. Returns for the Company's global defined benefit pension plan assets in 2015 were 0.61%, which was below the expected rate of return of 6.0% predominantly due to decreases in long duration fixed-income markets. The lower returns were largely offset by the impact of a 49 basis point increase in discount rates used to measure the Company's defined benefit pension obligations. Since 2014, the Company has been increasing the percentage of U.S. plan assets allocated to long duration fixed-income and decreasing the exposure to equities in an effort to preserve its over-funded status in the U.S. Returns for the Company's U.S. defined benefit plan pension assets for the first six months of 2016 were approximately 11.9%. The Company expects to record pension expense of approximately $60 million for 2016, compared with pension expense of $488.7 million in 2015. The majority of the decrease in pension expenses for 2016 is due to lower pension settlement charges in 2016 compared with 2015 due to the two pension annuity purchases in 2015.

The Company does not have any off-balance sheet arrangements with unconsolidated entities or other persons.

Critical Accounting Policies and Estimates:

The Company's financial statements are prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. The Company reviews its critical accounting policies throughout the year. The Company has concluded that there have been no significant changes to its critical accounting policies or estimates, as described in its Annual Report on Form 10-K for the year ended December 31, 2015, during the six months ended June 30, 2016.

Other Matters

Foreign Currency:

Assets and liabilities of subsidiaries are translated at the rate of exchange in effect on the balance sheet date; income and expenses are translated at the average rates of exchange prevailing each month during the quarter. Related translation adjustments are reflected as a separate component of accumulated other comprehensive income (loss). Foreign currency gains and losses resulting from transactions are included in the Consolidated Statement of Income.

For the six months ended June 30, 2016, the Company recorded a negative foreign currency translation adjustment of $4.9 million that decreased shareholders' equity, compared with a negative foreign currency translation adjustment of $20.7 million that decreased shareholders' equity for the six months ended June 30, 2015. The foreign currency translation adjustments for the six months ended June 30, 2016, were negatively impacted by the strengthening of the U.S. dollar relative to other foreign currencies, including the British Pound Sterling, the Chinese Renminbi and Indian Rupee.

Foreign currency exchange losses resulting from transactions included in the Company's operating results for the second quarter of 2016 were $1.8 million, compared with a gain of $1.1 million during the second quarter of 2015. Foreign currency exchange losses resulting from transactions included in the Company's operating results for the first six months of 2016 were $3.1 million, compared with a loss of $0.5 million during the first six months of 2015.

Forward-Looking Statements

Certain statements set forth in this Form 10-Q and in the Company's Annual Report on Form 10-K for the year ended December 31, 2015, that are not historical in nature (including the Company's forecasts, beliefs and expectations) are “forward-looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995. In particular, Management's Discussion and Analysis contains numerous forward-looking statements. Forward-looking statements generally will be accompanied by words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “forecast,” “outlook,” “intend,” “may,” “possible,” “potential,” “predict,” “project” or other similar words, phrases or expressions. You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this Form 10-Q. The Company cautions readers that actual results may differ materially from those expressed or implied in forward-looking statements made by or on behalf of the Company due to a variety of factors, such as:

- deterioration in world economic conditions, or in economic conditions in any of the geographic regions in which the Company conducts business, including additional adverse effects from the global economic slowdown, terrorism or hostilities. This includes: political risks associated with the potential instability of governments and legal systems in countries in which the Company or its customers conduct business, and changes in currency valuations;
- the effects of fluctuations in customer demand on sales, product mix and prices in the industries in which the Company operates. This includes: the ability of the Company to respond to rapid changes in customer demand, the effects of customer bankruptcies or liquidations, the impact of changes in industrial business cycles, and whether conditions of fair trade continue in the U.S. markets;
- competitive factors, including changes in market penetration, increasing price competition by existing or new foreign and domestic competitors, the introduction of new products by existing and new competitors, and new technology that may impact the way the Company’s products are sold or distributed;
- changes in operating costs. This includes: the effect of changes in the Company’s manufacturing processes; changes in costs associated with varying levels of operations and manufacturing capacity; availability and cost of raw materials and energy; changes in the expected costs associated with product warranty claims; changes resulting from inventory management and cost reduction initiatives and different levels of customer demands; the effects of unplanned plant shutdowns; and changes in the cost of labor and benefits;
- the success of the Company’s operating plans, announced programs, initiatives and capital investments; the ability to complete previously announced transactions; the ability to integrate acquired companies; and the ability of acquired companies to achieve satisfactory operating results, including results being accretive to earnings;
- the Company’s ability to maintain appropriate relations with unions that represent Company associates in certain locations in order to avoid disruptions of business;
- unanticipated litigation, claims or assessments. This includes: claims or problems related to intellectual property, product liability or warranty, environmental issues and taxes;
- changes in worldwide financial markets, including availability of financing and interest rates, which affect the Company’s cost of funds and/or ability to raise capital, as well as customer demand and the ability of customers to obtain financing to purchase the Company’s products or equipment that contain the Company’s products;
- the impact on the Company's pension obligations due to changes in interest rates, investment performance and other tactics designed to reduce risk;
- retention of CDSOA distributions; and
- those items identified under Item 1A. Risk Factors in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

Additional risks relating to the Company's business, the industries in which the Company operates or the Company's common shares may be described from time to time in the Company's filings with the Securities and Exchange Commission. All of these risk factors are difficult to predict, are subject to material uncertainties that may affect actual results and may be beyond the Company's control.

Readers are cautioned that it is not possible to predict or identify all of the risks, uncertainties and other factors that may affect future results and that the above list should not be considered to be a complete list. Except as required by the federal securities laws, the Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Refer to information appearing under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Form 10-Q. Furthermore, a discussion of market risk exposures is included in Part II, Item 7A. Quantitative and Qualitative Disclosure about Market Risk, of the Company's Annual Report on Form 10-K for the year ended December 31, 2015. There have been no material changes in reported market risk since the inclusion of this discussion in the Company's Annual Report on Form 10-K referenced above.

ITEM 4. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's principal executive officer and principal financial officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)). Based upon that evaluation, the principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report.

(b) Changes in Internal Control Over Financial Reporting

During the Company's most recent fiscal quarter, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position or results of operations.

Item 1A. Risk Factors

Our Annual Report on Form 10-K for the fiscal year ended December 31, 2015, included a detailed discussion of our risk factors. There have been no material changes to the risk factors included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Issuer Purchases of Common Shares

The following table provides information about purchases by the Company of its common shares during the quarter ended June 30, 2016.

Period	Total number of shares purchased [1]		Average price paid per share [2]	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs [3]
4/1/16 - 4/30/16	420,738	$	34.37	420,000	3,655,809
5/1/16 - 5/31/16	310,553		34.08	310,000	3,345,809
6/1/16 - 6/30/16	250,000		32.59	250,000	3,095,809
Total	981,291	$	33.82	980,000	3,095,809

(1) Of the shares purchased in April and May, 738 and 553, respectively, represent common shares of the Company that were owned and tendered by employees to exercise stock options, and to satisfy withholding obligations in connection with the exercise of stock options and vesting of restricted shares.

(2) For shares tendered in connection with the vesting of restricted shares, the average price paid per share is an average calculated using the daily high and low of the Company's common shares as quoted on the New York Stock Exchange at the time of vesting. For shares tendered in connection with the exercise of stock options, the price paid is the real-time trading stock price at the time the options are exercised.

(3) On January 29, 2016, the Board of Directors of the Company approved a share purchase plan pursuant to which the Company may purchase up to five million of its common shares in the aggregate. This share repurchase plan expires on January 31, 2017. The Company may purchase shares from time to time in open market purchases or privately negotiated transactions. The Company may make all or part of the purchases pursuant to accelerated share repurchases or Rule 10b5-1 plans.

Item 6. Exhibits

3.1	Amended Regulations of The Timken Company
12	Computation of Ratio of Earnings to Fixed Charges.
31.1	Certification of Richard G. Kyle, President and Chief Executive Officer (principal executive officer) of The Timken Company, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Philip D. Fracassa, Executive Vice President and Chief Financial Officer (principal financial officer) of The Timken Company, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certifications of Richard G. Kyle, President and Chief Executive Officer (principal executive officer) and Philip D. Fracassa, Executive Vice President and Chief Financial Officer (principal financial officer) of The Timken Company, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Financial statements from the quarterly report on Form 10-Q of The Timken Company for the quarter ended June 30, 2016, filed on July 28, 2016, formatted in XBRL: (i) the Consolidated Statements of Income, (ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Cash Flows and (v) the Notes to the Consolidated Financial Statements.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	THE TIMKEN COMPANY
Date: July 28, 2016	By: /s/ Richard G. Kyle
	Richard G. Kyle President and Chief Executive Officer (Principal Executive Officer)
Date: July 28, 2016	By: /s/ Philip D. Fracassa
	Philip D. Fracassa Executive Vice President and Chief Financial Officer (Principal Financial Officer)

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Section 2: EX-3.1 (EXHIBIT 3.1)

Exhibit 3.1

AMENDED REGULATIONS
OF
THE TIMKEN COMPANY

ARTICLE I

SHAREHOLDERS' MEETING

Section 1. *Annual Meeting*

The annual meeting of shareholders for the election of Directors and for the consideration of such other business as may properly come before the meeting will be held on such date and at such time as the Directors may determine. In the event the annual meeting is not held or if Directors are not elected thereat, a special meeting may be called and held for that purpose pursuant to Section 2 of this Article I.

Section 2. *Special Meetings*

(a) Special meetings of shareholders may be called only by (i) the Chairman of the Board, (ii) the President, (iii) the Directors by action at a meeting, or a majority of the Directors acting without a meeting or (iv) any person or persons who hold of record not less than twenty-five percent of all the shares outstanding and entitled to be voted on any proposal to be submitted at such special meeting who properly request the call of such special meeting pursuant to Section 2(b) and Section 2(c) of this Article I.

(b) To properly request the call of a special meeting of shareholders pursuant to clause (iv) of Section 2(a) of this Article I, the requesting shareholder(s) (i) must deliver either in person or by registered mail to the Chairman of the Board, the President or the Secretary at the principal executive offices of the Corporation a request in proper written form signed by each requesting shareholder and (ii) must comply with all applicable requirements of Section 14 of this Article I.

(c) For a shareholder's request for the call of a special meeting to be in proper written form, the request must set forth (i) the reasons why the business or proposals proposed to be considered at such special meeting could not be addressed at an annual meeting of shareholders, (ii) as to each Proposing Person (as defined in Section 14(d)(iii) of this Article I), the information set forth in Section 12(b)(i) of this Article I, and (iii) the information set forth in Section 12(b)(ii) of this Article I (except that for purposes of this Section 2(c), any reference in Section 12(b) of this Article I to "annual meeting" will be deemed to be a reference to the "special meeting" contemplated by this Section 2).

(d) If a call of a special meeting is properly requested, the Directors will fix a record date for such special meeting and notice of the special meeting will be given to the shareholders entitled to notice of such meeting in accordance with these Regulations. If such notice is not given within twenty days after the delivery or mailing of such request, the person or persons requesting the meeting may fix the time of the meeting and give, or cause to be given, notice in the manner hereinafter provided.

(e) At a special meeting of shareholders, only such business and proposals may be conducted or considered as are properly brought before the special meeting. To be properly brought before a special meeting, the business or proposal must be (i) specified in the notice of the meeting (or any supplement thereto) given in accordance with Section 4 of this Article I, and in the case of a special meeting called by shareholders of the Corporation pursuant to Section 2 of this Article I, specified in the written request for the call of the special meeting, or (ii) otherwise properly brought before the meeting by the presiding officer or by or at the direction of a majority of the Directors then in office.

(f) The presiding officer of any special meeting of shareholders will, if the facts warrant, determine that any business or proposal was not timely and properly brought before such meeting, and if he or she should so determine, he or she will so declare to the meeting and the defective business or proposal will not be conducted or considered but instead will be disregarded. If none of the shareholders who requested the call of a special meeting appears at the special meeting to present its proposal, such proposal will be disregarded (notwithstanding that proxies in respect of such proposal may have been solicited, obtained or delivered).

Section 3. *Place of Meetings; Postponement*

Any meeting of shareholders may be held at the principal office of the Corporation or at such other place within or without the State of Ohio as the Directors may fix from time to time. The Directors may postpone and reschedule any previously scheduled meeting of shareholders.

Section 4. *Notice of Meetings*

Not more than eighty days nor less than seven days before the date fixed for a meeting of shareholders, whether annual or special, written notice of the time, place, if any, and purposes of such meeting and the means, if any, by which shareholders can be present and vote at the meeting through the use of communications equipment, shall be given by the Chairman of the Board, the President, a Vice President, or the Secretary (or in case of their refusal, by the person or persons entitled to call the meeting under the provisions of these Regulations). Such notice shall be given either by personal delivery or by mail, overnight delivery service or any other means of communication authorized by the shareholder to whom the notice is given, to each shareholder of record entitled to notice of or to vote at such meeting. If such notice is mailed or sent by overnight delivery, it shall be directed, postage prepaid, to the shareholders at their respective addresses as they appear upon the records of the Corporation, and notice shall be deemed to have been given on the day so mailed. If such notice is sent by another means of communication authorized by the shareholder, the notice shall be sent to the address furnished by the shareholder for those transmissions. If any meeting is adjourned to another time or place, no notice as to such adjourned meeting need be given other than by announcement at the meeting at which such adjournment is taken. No business shall be transacted at any such adjourned meeting except as might have been lawfully transacted at the meeting at which such adjournment was taken.

Section 5. *Shareholders Entitled to Notice and to Vote*

The Directors may fix a record date for the determination of shareholders entitled to notice of, or entitled to vote at, any meeting of shareholders. Such record date shall not be more than one hundred days preceding the date of the meeting of shareholders and shall not be a date earlier than the date on which the record date is fixed.

Section 6. *Inspectors of Election; List of Shareholders*

(a) Inspectors of Election. Inspectors of Election may be appointed to act at any meeting of shareholders in accordance with statute.

(b) List of Shareholders. At any meeting of shareholders a list of shareholders, alphabetically arranged, showing their respective addresses and the number and classes of shares held by each on the record date applicable to such meeting shall be available for inspection on the request of any shareholder.

Section 7. *Quorum*

(a) General. To constitute a quorum at any meeting of shareholders, there shall be present in person or by proxy the holders of record of shares entitled to exercise not less than fifty percent of the voting power of the Corporation in respect of any one of the purposes for which the meeting is called.

(b) Adjournments. The shareholders present in person or by proxy, whether or not a quorum is present, may by a majority of the shares represented at the meeting and entitled to be voted thereat adjourn the meeting from time to time without notice other than by announcement at the meeting.

Section 8. *Voting*

In all cases, except as otherwise provided by statute or the Articles of Incorporation or these Regulations, a majority of the votes cast shall control.

Section 9. *Reports of Shareholders*

At the annual meeting, or any other meeting held in lieu of it, the Corporation shall lay before the shareholders a financial statement as required by statute.

Section 10. *Action Without a Meeting*

Any action which may be taken at a meeting of shareholders may be taken without a meeting if authorized by a writing signed by all of the holders of shares who would be entitled to notice of a meeting for such purpose.

Section 11. *Order of Business*

The Chairman, or an officer of the Corporation designated from time to time by a majority of the Directors then in office, will call meetings of shareholders to order and will act as presiding officer thereof. Unless otherwise determined by a majority of the Directors then in office prior to the meeting, the presiding officer of any meeting of shareholders will also determine the order of business and have the authority in his or her sole discretion to determine the rules of procedure and regulate the conduct of the meeting, including without limitation by: imposing restrictions on the persons (other than shareholders of the Corporation or their duly appointed proxy holders) that may attend the meeting; ascertaining whether any shareholder or his or her proxy holder may be excluded from the meeting based upon any determination by the presiding officer, in his or her sole discretion, that any such person has disrupted the proceedings thereat; determining the circumstances in which any person may make a statement or ask questions at the meeting; ruling on all procedural questions that may arise during or in connection with the meeting; determining whether any nomination or business proposed to be brought before the meeting has been properly brought before the meeting; determining the time or times at which the polls for voting at the meeting will be opened and closed; and adjourning the meeting.

Section 12. *Notice of Shareholder Proposals*

(a) Business to Be Conducted at Annual Meeting. At an annual meeting of shareholders, only such business may be conducted as has been properly brought before the meeting. To be properly brought before an annual meeting, business (other than the nomination of a person for election as a Director of the Corporation, which is governed by Section 13 of this Article I, and, to the extent applicable, Section 14 and Section 15 of this Article I), must be (i) specified in the notice of the meeting (or any supplement thereto) given in accordance with Section 4 of this Article I, (ii) brought before the meeting by the presiding officer of the meeting or by or at the direction of a majority of the Directors then in office or (iii) properly brought before the meeting by a shareholder who (A) has given notice in proper written form to the Secretary at the Corporation's principal executive offices and has complied with all other applicable requirements of this Section 12 and Section 14 of this Article I in relation to such business, (B) was a shareholder of record of the Corporation at the time of giving the notice required by Section 14(a) of this Article I and is a shareholder of record of the Corporation at the time of the annual meeting, and (C) is entitled to vote at the annual meeting. For the avoidance of doubt, the foregoing clause (iii) will be the exclusive means for a shareholder to submit business before an annual meeting of shareholders (other than proposals properly made in accordance with Rule 14a-8 under the Securities Exchange Act of 1934, as amended (such act, and the rules and regulations promulgated thereunder, the "Exchange Act"), and included in the notice of meeting given by or at the direction of the Directors).

(b) Notice Requirements. To be in proper written form, a shareholder's notice to the Secretary must set forth in writing:

(i) Information Regarding the Proposing Person. As to each Proposing Person:

(A) the name and address of such Proposing Person, as they appear on the Corporation's stock transfer book;

(B) the class, series and number of shares of the Corporation beneficially owned or of record by such Proposing Person (including any shares of any class or series of the Corporation as to which such Proposing Person has a right to acquire beneficial ownership, whether such right is exercisable immediately or only after the passage of time);

(C) a representation (1) that the shareholder giving the notice is a holder of record of stock of the Corporation entitled to vote at the annual meeting and intends to remain so through the annual meeting and to appear at the annual meeting to bring such business before the annual meeting and (2) as to whether any Proposing Person intends, or intends to be part of a group that intends, to deliver a proxy statement and form of proxy to holders of shares of the Corporation or otherwise to solicit proxies from shareholders in respect of such proposal and, if so, identifying such Proposing Person;

(D) a description of (1) any option, warrant, convertible security, stock appreciation right or similar right or interest (including any derivative securities, as defined under Rule 16a-1 under the Exchange Act), whether or not presently exercisable, with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of securities of the Corporation or with a value derived in whole or in part from the value of any class or series of securities of the Corporation, whether or not such instrument or right is subject to settlement in whole or in part in the underlying class or series of securities of the Corporation or otherwise, directly or indirectly held of record or owned beneficially by such Proposing Person, and (2) each other direct or indirect right or interest that may enable such Proposing Person to profit or share in any profit derived from, or to manage the risk or benefit from, any increase or decrease in the value of the Corporation's securities, in each case regardless of whether (x) such right or interest conveys any voting rights in such security to such Proposing Person, (y) such right or interest is required to be, or is capable of being, settled through delivery of such security, or (z) such Proposing Person may have entered into other transactions that hedge the economic effect of any such right or interest (any such right or interest referred to in this clause (D) being a "Derivative Interest");

(E) a description of any proxy, contract, arrangement, understanding or relationship pursuant to which the Proposing Person has a right to vote any shares of the Corporation or which has the effect of increasing or decreasing the voting power of such Proposing Person;

(F) a description of any rights directly or indirectly held of record or beneficially by the Proposing Person to dividends on the shares of the Corporation that are separated or separable from the underlying shares of the Corporation;

(G) a description of any performance-related fees (other than an asset-based fee) to which the Proposing Person may be entitled as a result of any increase or decrease in the value of shares of the Corporation or Derivative Interests; and

(H) any other information relating to such Proposing Person that would be required to be disclosed in a proxy statement or other filing required pursuant to Section 14(a) of the Exchange Act to be made in connection with a general solicitation of proxies or consents by such Proposing Person in support of the business proposed to be brought before the meeting.

(ii) Information Regarding the Proposal: As to each item of business that the shareholder giving the notice proposes to bring before the annual meeting:

(A) a description in reasonable detail of the business desired to be brought before the annual meeting and the reasons why such shareholder or any other Proposing Person believes that the taking of the action or actions proposed to be taken would be in the best interests of the Corporation and its shareholders;

(B) a description in reasonable detail of any material interest of any Proposing Person in such business and a description in reasonable detail of all agreements, arrangements and understandings among the Proposing Persons or between any Proposing Person and any other person or entity in connection with the proposal; and

(C) the text of the proposal or business (including the text of any resolutions proposed for consideration).

(c) No Right to Have Proposal Included. A shareholder is not entitled to have its proposal included in the Corporation's proxy statement and form of proxy solely as a result of such shareholder's compliance with the foregoing provisions of this Section 12.

(d) Requirement to Attend Annual Meeting. If a shareholder does not appear at the annual meeting to present its proposal, such proposal will be disregarded (notwithstanding that proxies in respect of such proposal may have been solicited, obtained or delivered).

Section 13. *Notice of Director Nominations*

(a) Nomination of Directors. Subject to the rights, if any, of the holders of any series of Preferred Stock to nominate or elect directors, only persons who are nominated in accordance with the procedures set forth in this Section 13 or Section 15 of this Article I will be eligible to serve as Directors of the Corporation. Nominations of persons for election as Directors of the Corporation may be made only at an annual meeting of shareholders and only (i) by or at the direction of a majority of the Directors then in office, (ii) by a shareholder pursuant to Section 15 of this Article I or (iii) by a shareholder who (A) has given notice in proper written form to the Secretary at the Corporation's principal executive offices and has complied with all other applicable requirements of this Section 13 and Section 14 of this Article I in relation to such nomination, (B) was a shareholder of record of the Corporation at the time of giving the notice required by Section 14(a) of this Article I and is a shareholder of record of the Corporation at the time of the annual meeting, and (C) is entitled to vote at the annual meeting.

(b) Required Form for Nominations. To be in proper written form, a shareholder's notice to the Secretary must set forth in writing:

(i) Information Regarding the Proposing Person. As to each Nominating Person (as such term is defined in Section 14(d)(ii) of this Article I), the information set forth in Section 12(b)(i) of this Article I (except that for purposes of this Section 13, the term "Nominating Person" will be substituted for the term "Proposing Person" in all places where it appears in Section 12(b)(i) of this Article I and any reference to "business" or "proposal" therein will be deemed to be a reference to the "nomination" contemplated by this Section 13).

(ii) Information Regarding the Nominee: As to each person whom the shareholder giving notice proposes to nominate for election as a Director:

(A) all information with respect to such proposed nominee that would be required to be set forth in a shareholder's notice pursuant to Section 12(b)(i) of this Article I if such proposed nominee were a Nominating Person;

(B) all information relating to such proposed nominee that would be required to be disclosed in a proxy statement or other filing required pursuant to Section 14(a) under the Exchange Act to be made in connection with a general solicitation of proxies for an election of directors in a contested election (including such proposed nominee's written consent to be named in the proxy statement as a nominee and to serve as a Director of the Corporation if elected);

(C) all information that would be required to be disclosed pursuant to Items 403 and 404 under Regulation S-K if the shareholder giving the notice or any other Nominating Person were the "registrant" for purposes of such rule and the proposed nominee were a director or executive officer of such registrant;

(D) a completed questionnaire (in the form provided by the Secretary upon written request) with respect to the identity, background and qualification of the proposed nominee and the background of any other person or entity on whose behalf the nomination is being made; and

(E) a written representation and agreement (in the form provided by the Secretary upon written request, a "Representation") that the proposed nominee (1) is not and will not become a party to (x) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how the proposed nominee, if elected as a Director of the Corporation, will act or vote on any issue or question (a "Voting Commitment") that has not been disclosed to the Corporation or (y) any Voting Commitment that could limit or interfere with the proposed nominee's ability to comply, if elected as a Director of the Corporation, with the proposed nominee's fiduciary duties under applicable law, and (2) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the Corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a Director of the Corporation that has not been disclosed therein. The Corporation may require any proposed nominee to furnish such other information as may be reasonably required by the Corporation to determine the qualifications and eligibility of such proposed nominee to serve as a Director of the Corporation.

(c) No Right to Have Proposal Included. A shareholder is not entitled to have any nominee included in the Corporation's proxy statement solely as a result of such shareholder's compliance with the foregoing provisions of this Section 13.

(d) Requirement to Attend Annual Meeting. If a shareholder does not appear at the annual meeting to present its nomination, such nomination will be disregarded (notwithstanding that proxies in respect of such nomination may have been solicited, obtained or delivered).

Section 14. *Additional Provisions Relating to the Notice of Shareholder Business and Director Nominations*

(a) Timely Notice. To be timely, a shareholder's notice required by Section 12(a) or Section 13(a) of this Article I must be delivered to or mailed and received by the Secretary at the principal executive offices of the Corporation not less than 90 nor more than 120 calendar days prior to the first anniversary of the date on which the Corporation held the preceding year's annual meeting of shareholders; provided, however, that if the date of the annual meeting is scheduled for a date more than 30 calendar days prior to or more than 30 calendar days after the anniversary of the preceding year's annual meeting, notice by the shareholder to be timely must be so delivered not later than the close of business on the later of the 90th calendar day prior to such annual meeting and the 10th calendar day following the day on which public disclosure of the date of such meeting is first made. In no event will a recess or adjournment of an annual meeting (or any announcement of any such recess or adjournment) commence a new time period for the giving of a shareholder's notice as described above.

(b) Updating Information in Notice. A shareholder requesting the call of a special meeting pursuant to Section 2 of this Article I, providing notice of business proposed to be brought before an annual meeting pursuant to Section 12 of this Article I, or providing notice of any nomination to be made at an annual meeting pursuant to Section 13 of this Article I must further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to Section 2, Section 12 or Section 13 of this Article I, as applicable, is true and correct at all times up to and including the date of the meeting (including any date to which the meeting is recessed, adjourned or postponed). Any such update and supplement must be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation, as promptly as practicable.

(c) Determinations of Form, Etc. The presiding officer of any meeting of shareholders will, if the facts warrant, determine that a proposal was not made in accordance with the procedures prescribed by Section 12 of this Article I and this Section 14 or that a nomination was not made in accordance with the procedures prescribed by Section 13 of this Article I and this Section 14, and if he or she should so determine, he or she will so declare to the meeting and the defective proposal or nomination, as applicable, will not be conducted or considered but instead will be disregarded.

(d) Certain Definitions.

(i) For purposes of this Section 14, "Affiliate" and "Associate" have the respective meanings set forth in Rule 12b-2 under the Exchange Act.

(ii) For purposes of Section 13 of this Article I and this Section 14, "Nominating Person" means (A) the shareholder providing the notice of the nomination proposed made to be at an annual meeting, (B) the beneficial owner or beneficial owners, if different, on whose behalf the notice of nomination proposed to be made at the annual meeting is given, and (C) any Affiliate or Associate (each within the meaning of Rule 12b-2 under the Exchange Act) of such shareholder or beneficial owner.

(iii) (A) For purposes of Section 2 of this Article I, "Proposing Person" means (i) the shareholder(s) requesting the call of a special meeting, (ii) the beneficial owner or beneficial owners, if different, on whose behalf the call of a special meeting is requested, and (iii) any Affiliate or Associate of such shareholder or beneficial owner and (B) for purposes of Section 12 of this Article I and this Section 14, "Proposing Person" means (i) the shareholder providing the notice of business proposed to be brought before an annual meeting, (ii) the beneficial owner or beneficial owners, if different, on whose behalf the notice of the business proposed to be brought before the annual meeting is given, and (iii) any Affiliate or Associate of such shareholder or beneficial owner.

(iv) For purposes of Section 12 of this Article I and Section 13 of this Article I and this Section 14, "public disclosure" means disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document filed by the Corporation with the Securities and Exchange Commission pursuant to Exchange Act or furnished by the Corporation to shareholders.

Section 15. *Shareholder Nominations Included in the Corporation's Proxy Materials.*

(a) Inclusion of Nominee in Proxy Statement. Subject to the provisions of this Section 15, if expressly requested in the relevant Nomination Notice (as defined below), the Corporation shall include in its proxy statement for any annual meeting of shareholders:

(i) the name of any person nominated for election (the "Nominee"), which shall also be included on the Corporation's form of proxy and ballot, by any Eligible Holder (as defined below) or group of up to 20 Eligible Holders that has (individually and collectively, in the case of a group) satisfied, as determined by the Directors or their designee, acting in good faith, all applicable conditions and complied with all applicable procedures set forth in this Section 15 (such Eligible Holder or group of Eligible Holders being a "Nominating Shareholder");

(ii) disclosure about the Nominee and the Nominating Shareholder required under the rules of the Securities and Exchange Commission or other applicable law to be included in the proxy statement;

(iii) any statement included by the Nominating Shareholder in the Nomination Notice for inclusion in the proxy statement in support of the Nominee's election as a Director (subject, without limitation, to Section 15(e)(ii) of this Article I), if such statement does not exceed 500 words; and

(iv) any other information that the Corporation or the Directors determine, in their discretion, to include in the proxy statement relating to the nomination of the Nominee, including, without limitation, any statement in opposition to the nomination and any of the information provided pursuant to this Section 15.

(b) Maximum Number of Nominees.

(i) The Corporation shall not be required to include in the proxy statement for an annual meeting of shareholders more Nominees than the greater of (x) that number of Directors constituting 20% of the total number of Directors of the Corporation on the last day on which a Nomination Notice may be submitted pursuant to this Section 15 (rounded down to the nearest whole number) and (y) two (such greater number, the "Maximum Number"). The Maximum Number for a particular annual meeting shall be reduced by: (1) Nominees who are subsequently withdrawn or that the Directors decide to nominate for election at such annual meeting and (2) the number of incumbent Directors who had been Nominees with respect to any of the preceding two annual meetings of shareholders and whose reelection at the upcoming annual meeting is being recommended by the Directors. In the event that one or more vacancies for any reason occurs on the Board after the deadline set forth in Section 15 (d) of this Article I below but before the date of the annual meeting, and the Directors resolve to reduce the size of the Board in connection therewith, the Maximum Number shall be calculated based on the number of Directors in office as so reduced.

(ii) If the number of Nominees pursuant to this Section 15 for any annual meeting of shareholders exceeds the Maximum Number then, promptly upon notice from the Corporation, each Nominating Shareholder will select one Nominee for inclusion in the proxy statement until the Maximum Number is reached, going in order of the amount (largest to smallest) of the ownership position as disclosed in each Nominating Shareholder's Nomination Notice, with the process repeated if the Maximum Number is not reached after each Nominating Shareholder has selected one Nominee. If, after the deadline for submitting a Nomination Notice as set forth in Section 15(d) of this Article I, a Nominating Shareholder becomes ineligible or withdraws its nomination or a Nominee becomes unwilling to serve as a Director, whether before or after the mailing of the definitive proxy statement, then the nomination shall be disregarded, and the Corporation: (1) shall not be required to include in its proxy statement or on any ballot or form of proxy the disregarded Nominee or any successor or replacement nominee proposed by the Nominating Shareholder or by any other Nominating Shareholder and (2) may otherwise communicate to its shareholders, including without limitation by amending or supplementing its proxy statement or ballot or form of proxy, that the Nominee will not be included as a Nominee in the proxy statement or on any ballot or form of proxy and will not be voted on at the annual meeting.

(c) Eligibility of Nominating Shareholder.

(i) An "Eligible Holder" is a person who has either (1) been a record holder of the common shares used to satisfy the eligibility requirements in this Section 15(c) continuously for the three-year period specified in Subsection (ii) below or (2) provides to the Secretary of the Corporation, within the time period referred to in Section 15(d) of this Article I, evidence of continuous ownership of such shares for such three-year period from one or more securities intermediaries in a form that the Directors or their designee, acting in good faith, determine would be deemed acceptable for purposes of a shareholder proposal under Rule 14a-8(b)(2) under the Exchange Act (or any successor rule).

(ii) An Eligible Holder or group of up to 20 Eligible Holders may submit a nomination in accordance with this Section 15 only if the person or group (in the aggregate) has continuously owned at least the Minimum Number (as defined below) of the Corporation's common shares throughout the three-year period preceding and including the date of submission of the Nomination Notice, and continues to own at least the Minimum Number through the date of the annual meeting. A group of funds under common management and investment control shall be treated as one Eligible Holder if such Eligible Holder shall provide together with the Nomination Notice documentation reasonably satisfactory to the Corporation that demonstrates that the funds are under common management and investment control. For the avoidance of doubt, in the event of a nomination by a group of Eligible Holders, any and all requirements and obligations for an individual Eligible Holder that are set forth in this Section 15, including the minimum holding period, shall apply to each member of such group; provided, however, that the Minimum Number shall apply to the ownership of the group in the aggregate. Should any shareholder withdraw from a group of Eligible Holders at any time prior to the annual meeting of shareholders, the group of Eligible Shareholders shall only be deemed to own the shares held by the remaining members of the group.

(iii) The "Minimum Number" of the Corporation's common shares means 3% of the number of outstanding common shares as of the most recent date for which such amount is given in any filing by the Corporation with the Securities and Exchange Commission prior to the submission of the Nomination Notice.

(iv) For purposes of this Section 15, an Eligible Holder "owns" only those outstanding shares of the Corporation as to which the Eligible Holder possesses both:

(A) the full voting and investment rights pertaining to the shares; and

(B) the full economic interest in (including the opportunity for profit and risk of loss on) such shares; provided that the number of common shares calculated in accordance with clauses (A) and (B) shall not include any common shares: (1) sold by such Eligible Holder or any of its affiliates in any transaction that has not been settled or closed, (2) borrowed by such Eligible Holder or any of its affiliates for any purpose or purchased by such Eligible Holder or any of its affiliates pursuant to an agreement to resell, or (3) subject to any option, warrant, forward contract, swap, contract of sale, other derivative or similar agreement (including any derivative securities, as defined under Rule 16a-1 under the Exchange Act) entered into by such Eligible Holder or any of its affiliates, whether any such instrument or agreement is to be settled with common shares or with cash based on the notional amount or value of outstanding common shares of the Corporation, in any such case which such instrument or agreement has, or is intended to have, the purpose or effect of: (x) reducing in any manner, to any extent or at any time in the future, such Eligible Holder's or any of its affiliates' full right to vote or direct the voting of any such common shares, and/or (y) hedging, offsetting, or altering to any degree, gain or loss arising from the full economic ownership of such common shares by such Eligible Holder or any of its affiliates.

An Eligible Holder "owns" common shares held in the name of a nominee or other intermediary so long as the Eligible Holder retains the right to instruct how the common shares are voted with respect to the election of Directors and possesses the full economic interest in the common shares. An Eligible Holder's ownership of common shares shall be deemed to continue during any period in which the Eligible Holder has delegated any voting power by means of a proxy, power of attorney, or other similar instrument or arrangement that is revocable at any time by the Eligible Holder. An Eligible Holder's ownership of common shares shall be deemed to continue during any period in which the Eligible Holder has loaned such common shares provided that the Eligible Holder has the power to recall such loaned common shares on five business days' notice and has recalled such loaned common shares as of the date of the Nomination Notice and holds such common shares through the date of the annual meeting. The terms "owned," "owning" and other variations of the word "own" shall have correlative meanings. Whether outstanding common shares of the Corporation are "owned" for these purposes shall be determined by the Directors.

(v) No person shall be permitted to be in more than one group constituting a Nominating Shareholder, and if any person appears as a member of more than one group, it shall be deemed to be a member of the group that has the largest ownership position as reflected in the Nomination Notice.

(d) Nomination Notice. To nominate a Nominee, the Nominating Shareholder must, no earlier than 150 calendar days and no later than 120 calendar days before the anniversary of the date that the Corporation issued its proxy statement for the prior year's annual meeting of shareholders, submit to the Secretary at the Corporation's principal executive offices all of the following information and documents (collectively, the "Nomination Notice"); provided, however, that if (and only if) the annual meeting is not scheduled to be held within a period that commences 30 days before such anniversary date and ends 30 days after such anniversary date (an annual meeting date outside such period being referred to herein as an "Other Meeting Date"), the Nomination Notice shall be given in the manner provided herein by the later of the close of business on the date that is 180 days prior to such Other Meeting Date or the tenth day following the date such Other Meeting Date is first publicly announced or disclosed:

(i) A Schedule 14N (or any successor form) relating to the Nominee, completed and filed with the Securities and Exchange Commission by the Nominating Shareholder as applicable, in accordance with the rules of the Securities and Exchange Commission;

(ii) A written notice of the nomination of such Nominee that includes the following additional information, agreements, representations and warranties by the Nominating Shareholder (including each group member):

(A) the information required with respect to the nomination of Directors pursuant to Section 13 of this Article I, including any representation and agreement required to be provided pursuant to Section 13 of this Article I;

(B) the details of any relationship that existed within the past three years and that would have been described pursuant to Item 6(e) of Schedule 14N (or any successor item) if it existed on the date of submission of the Schedule 14N;

(C) a representation and warranty that the Nominating Shareholder did not acquire, and is not holding, securities of the Corporation for the purpose or with the effect of influencing or changing control of the Corporation;

(D) a representation and warranty that the Nominee's candidacy or, if elected, Board membership would not violate applicable state or federal law or the rules of any stock exchange on which the Corporation's securities are traded;

(E) a representation and warranty that the Nominee:

(1) does not have any direct or indirect relationship with the Corporation other than those relationships that would not be required to be disclosed pursuant to Item 404(a) of Regulation S-K (or any successor rule) and otherwise qualifies as independent under the rules of the primary stock exchange on which the Corporation's securities are traded;

(2) meets the audit committee independence requirements under the rules of any stock exchange on which the Corporation's securities are traded;

(3) is a "non-employee director" for the purposes of Rule 16b-3 under the Exchange Act (or any successor rule);

(4) is an "outside director" for the purposes of Section 162(m) of the Internal Revenue Code (or any successor provision); and

(5) is not and has not been subject to any event specified in Rule 506(d)(1) of Regulation D (or any successor rule) under the Securities Act of 1933 or Item 401(f) of Regulation S-K (or any successor rule), without reference to whether the event is material to an evaluation of the ability or integrity of the Nominee;

(F) a representation and warranty that the Nominating Shareholder satisfies the eligibility requirements set forth in Section 15(c) of this Article I and has provided evidence of ownership to the extent required by Section 15(c)(i) of this Article I;

(G) a representation and warranty that the Nominating Shareholder intends to continue to satisfy the eligibility requirements described in Section 15(c) of this Article I through the date of the annual meeting;

(H) details of any position of the Nominee as an officer or director of any competitor (that is, any entity that produces products or provides services that compete with or are alternatives to the principal products produced or services provided by the Corporation or its affiliates) of the Corporation, within the three years preceding the submission of the Nomination Notice;

(I) a representation and warranty that the Nominating Shareholder will not engage in a "solicitation" within the meaning of Rule 14a-1(l) (without reference to the exception in Section 14a-(l)(2)(iv)) (or any successor rules) of the Exchange Act with respect to the annual meeting, other than with respect to the Nominee or any nominee of the Directors;

(J) a representation and warranty that the Nominating Shareholder will not use any proxy card other than the Corporation's proxy card in soliciting shareholders in connection with the election of a Nominee at the annual meeting;

(K) if desired, a statement for inclusion in the proxy statement in support of the Nominee's election as a Director, provided that such statement shall not exceed 500 words and shall fully comply with Section 14 of the Exchange Act and the rules and regulations thereunder, including Rule 14a-9; and

(L) in the case of a nomination by a group, the designation by all group members of one group member that is authorized to act on behalf of all group members with respect to matters relating to the nomination, including withdrawal of the nomination;

(iii) An executed agreement, in a form deemed satisfactory by the Directors or their designee, acting in good faith, pursuant to which the Nominating Shareholder (including each group member) agrees:

(A) to comply with all applicable laws, rules and regulations in connection with the nomination, solicitation and election;

(B) to file any written solicitation or other communication with the Corporation's shareholders relating to one or more of the Corporation's Directors or Director nominees or any Nominee with the Securities and Exchange Commission, regardless of whether any such filing is required under rule or regulation or whether any exemption from filing is available for such materials under any rule or regulation;

(C) to assume all liability stemming from an action, suit or proceeding concerning any actual or alleged legal or regulatory violation arising out of any communication by the Nominating Shareholder with the Corporation, its shareholders or any other person in connection with the nomination or election of Directors, including, without limitation, the Nomination Notice;

(D) to indemnify and hold harmless (jointly with all other group members, in the case of a group member) the Corporation and each of its Directors, officers and employees individually against any liability, loss, damages, expenses or other costs (including attorneys' fees) incurred in connection with any threatened or pending action, suit or proceeding, whether legal, administrative or investigative, against the Corporation or any of its Directors, officers or employees arising out of or relating to a failure or alleged failure of the Nominating Shareholder to comply with, or any breach or alleged breach of, its obligations, agreements or representations under this Section 15;

(E) in the event that any information included in the Nomination Notice, or any other communication by the Nominating Shareholder (including with respect to any group member), with the Corporation, its shareholders or any other person in connection with the nomination or election ceases to be true and accurate in all material respects (or due to a subsequent development omits a material fact necessary to make the statements made not misleading), or that the Nominating Shareholder (including any group member) has failed to continue to satisfy the eligibility requirements described in Section 15(c) of this Article I, to promptly (and in any event within 48 hours of discovering such misstatement or omission) notify the Corporation and any other recipient of such communication of the misstatement or omission in such previously provided information and of the information that is required to correct the misstatement or omission; and

(iv) An executed agreement, in a form deemed satisfactory by the Directors or their designee, acting in good faith, by the Nominee:

(A) that the Nominee has read and agrees, if elected, to serve as a Director, to adhere to the Corporation's Board of Directors General Policies and Procedures and Standards of Business Ethics Policy and any other Corporation policies and guidelines applicable to Directors;

(B) that the Nominee (1) is not and will not become a party to (x) any Voting Commitment that has not been disclosed to the Corporation or (y) any Voting Commitment that could limit or interfere with the proposed nominee's ability to comply, if elected as a Director of the Corporation, with the Nominee's fiduciary duties under applicable law, and (2) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the Corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a Director of the Corporation that has not been disclosed to the Corporation; and

(C) that the Nominee will provide to the Corporation such other information as it may reasonably request.

The information and documents required by this Section 15(d) (including the information and documents required pursuant to Section 13 or Section 14 of this Article I) shall be: (i) provided with respect to and executed by each group member, in the case of information applicable to group members; and (ii) provided with respect to the persons specified in Instruction 1 to Items 6(c) and (d) of Schedule 14N (or any successor item) in the case of a Nominating Shareholder or group member that is an entity. The Nomination Notice shall be deemed submitted on the date on which all the information and documents referred to in this Section 15(d) (other than such information and documents contemplated to be provided after the date the Nomination Notice is provided) have been delivered to or, if sent by mail, received by the Secretary of the Corporation. For the avoidance of doubt, any information and documents that are required by this Section 15(d) by reference to any provision of Section 13 or Section 14 of this Article I must be provided in accordance with the notice provisions of this Section 15(d) to be considered timely rather than any notice provision in Section 13 or Section 14 of this Article I.

(e) Exceptions.

(i) Notwithstanding anything to the contrary contained in this Section 15, the Corporation may omit from its proxy statement any Nominee and any information concerning such Nominee (including a Nominating Shareholder's statement in support) and no vote on such Nominee will occur (notwithstanding that proxies in respect of such vote may have been received by the Corporation), and the Nominating Shareholder may not, after the last day on which a Nomination Notice would be timely, cure in any way any defect preventing the nomination of the Nominee, if:

(A) the Corporation receives a notice pursuant to Section 13 of this Article I that a shareholder intends to nominate a candidate for Director pursuant to Section 13(a)(iii) of this Article I at the annual meeting;

(B) the Nominating Shareholder or the designated lead group member, as applicable, or any qualified representative thereof, does not appear at the meeting of shareholders to present the nomination submitted pursuant to this Section 15 or the Nominating Shareholder withdraws its nomination;

(C) the Directors, acting in good faith, determine that such Nominee's nomination or election as a Director would result in the Corporation violating or failing to be in compliance with these Regulations or Articles of Incorporation or any applicable law, rule or regulation to which the Corporation is subject, including any rules or regulations of any stock exchange on which the Corporation's securities are traded;

(D) the Nominee has been, within the past three years, an officer or director of a competitor, as defined for purposes of Section 8 of the Clayton Antitrust Act of 1914, as amended; or

(E) the Corporation is notified, or the Directors acting in good faith determine, that a Nominating Shareholder has failed to continue to satisfy the eligibility requirements described in Section 15(c) of this Article I, any of the representations and warranties made in the Nomination Notice ceases to be true and accurate in all material respects (or omits a material fact necessary to make the statement not misleading), the Nominee becomes unwilling or unable to serve as a Director or any material violation or breach occurs of the obligations, agreements, representations or warranties of the Nominating Shareholder or the Nominee under this Section 15;

(ii) Notwithstanding anything to the contrary contained in this Section 15, the Corporation may omit from its proxy statement, or may supplement or correct, any information, including all or any portion of the statement in support of the Nominee included in the Nomination Notice, if the Directors in good faith determine that:

(A) such information is not true in all material respects or omits a material statement necessary to make the statements made not misleading;

(B) such information directly or indirectly impugns character, integrity or personal reputation of, or directly or indirectly makes charges concerning improper, illegal or immoral conduct or associations, without factual foundation, with respect to, any person; or

(C) the inclusion of such information in the proxy statement would otherwise violate the proxy rules of the Securities and Exchange Commission or any other applicable law, rule or regulation.

The Company may solicit against, and include in the proxy statement its own statement relating to, any Nominee.

ARTICLE II

BOARD OF DIRECTORS

Section 1. *Election, Number and Term of Office*

Directors shall be elected at the annual meeting of shareholders, or if not so elected, at a special meeting of shareholders called for that purpose pursuant to Section 2 of Article I. Except as otherwise provided in these Regulations, a Director shall hold office until the next succeeding annual meeting and until his successor shall be elected and qualified, or until his earlier resignation, death or removal from office.

At any meeting of shareholders at which Directors are to be elected, only persons may be nominated as candidates with respect to whom proxies have been solicited from the holders of shares entitled to be voted at the meeting; *provided* that if any such candidate is unable, for any reason, to accept such nomination or to serve as a Director, another person may be substituted as a nominee, or the number of nominees may be reduced to such extent as deemed advisable, by the Directors then in office or the approval of a majority of votes cast.

Until changed in accordance with the provisions of statute, the Articles or these Regulations, the number of Directors of the Corporation shall be eleven. Without amendment of these Regulations, the number of Directors may be changed to not less than nine nor more than eighteen by the approval of a majority of votes cast at a meeting called to elect Directors. No reduction in the number of Directors shall have the effect of removing any Director prior to the expiration of his term of office.

Until the 2013 annual meeting of shareholders, the Directors shall be divided into three classes, designated as Class I, Class II and Class III, each class consisting of not less than three Directors nor more than six Directors each. Each class shall consist, as nearly as may be possible, of one-third of the total number of Directors. Each class or Director of any class being elected at any election of Directors held prior to the 2013 annual meeting of shareholders shall be separately elected.

At the 2010 annual meeting of shareholders, Directors elected for Class I shall hold office for a term of three years expiring at the 2013 annual meeting of shareholders and thereafter until their successors shall be elected and duly qualified. At the 2011 annual meeting of shareholders, Directors elected for Class II shall hold office for a term of two years expiring at the 2013 annual meeting of shareholders and thereafter until their successors shall be elected and duly qualified. At the 2012 annual meeting of shareholders, Directors elected for Class III shall hold office for a term of one year expiring at the 2013 annual meeting of shareholders and thereafter until their successors shall be elected and duly qualified. At each election of Directors after the 2012 annual meeting of shareholders, each Director shall be elected to hold office until the next annual meeting of shareholders and thereafter until his successor shall be elected and duly qualified.

The number of Directors fixed as provided in this Section 1 may be increased or decreased by the Directors and the number of Directors as so changed shall be the number of Directors until further changed in accordance with this Section 1, *provided* that the Directors shall not increase the number of Directors to more than eighteen or decrease the number of Directors to fewer than nine. If the number of Directors is changed prior to the 2013 annual meeting of shareholders, any increase or decrease shall be apportioned among the classes so as to maintain the number of Directors in each class as nearly equal as possible.

Section 2. *Director Qualifications*

No person is eligible to serve as a Director of the Corporation unless he or she has delivered to the Secretary of the Corporation at the principal executive offices of the Corporation a written representation and agreement (in a form provided by the Secretary upon written request) that meets the requirements set forth in Section 13(b)(ii)(E) or Section 15(d)(ii)(A) of Article 1, as applicable.

Section 3. *Vacancies*

Any vacancy or vacancies among the Directors may be filled by the Directors then in office. Until the 2013 annual meeting of shareholders, any Director elected to fill a vacancy may be elected for the term remaining for the Directors of any class, *provided* that each class shall continue to consist of not less than three Directors and the number of Directors in each class shall continue to be as nearly equal as possible. From and after the 2013 annual meeting of shareholders, any Director elected to fill a vacancy shall be elected until the next succeeding annual meeting of shareholders and thereafter until his successor shall be elected and duly qualified.

Section 4. *Removal*

A Director may be removed from office, as permitted by statute, by the Directors then in office or by the vote of the holders of a majority of the shares entitled to be voted to elect Directors in place of those to be removed. For the purpose of determining “the Directors then in office”, the Director whose removal is proposed will not be deemed to be a Director, nor will such Director be entitled to vote thereon.

Section 5. *Meetings*

Meetings of the Directors may be called by the Chairman of the Board, the President, any Vice President, the Secretary, or by not less than one-third of the Directors then in office. Meetings of the Directors may be held at any place within or without the state of Ohio and through any communications equipment if all persons participating can hear each other and participation in a meeting through such communication equipment constitutes presence at such meeting. Notice of the time and place of such meetings shall be given to each Director each either by personal delivery or by mail, overnight delivery service, or any other means of communication authorized by such Director at least one day before the meeting. The notice need not specify the purpose(s) of the meeting. Such notice may be waived in writing by any Director, either before or after the meeting. Attendance at any meeting of Directors by a Director without protesting, prior to or at the commencement of the meeting, the lack of proper notice, constitutes waiver by such Director of notice of the meeting.

Section 6. *Quorum*

A majority of the Directors then in office shall constitute a quorum for the transaction of business at any meeting. Except as otherwise provided by statute or by these Regulations, the act of a majority of the Directors present at any meeting at which a quorum is present shall be the act of the Directors. In the absence of a quorum, a majority of Directors present may adjourn any meeting from time to time without notice until a quorum is present.

Section 7. *Committees*

The Directors may from time to time create a committee or committees of Directors to act in the intervals between meetings of the Directors and may delegate to such committee or committees any of the authority of the Directors, except as limited by statute.

In particular, the Directors may create from its membership and define the powers and duties of an Executive Committee of not less than three members. Except to the extent that its powers are limited by the Directors or by statute, the Executive Committee during the intervals between meetings of the Directors shall possess and may exercise under the control and direction of the Directors all of the powers of the Directors in the management and control of the business of the Corporation regardless of whether such powers are specifically conferred by these Regulations. All action taken by the Executive Committee shall be reported to the Directors at their first meeting thereafter.

Unless otherwise provided by the Directors, a majority of the members of any committee appointed by the Directors pursuant to this Section 7 shall constitute a quorum at any meeting thereof and the act of a majority of the members present at a meeting at which a quorum is present shall be the act of such committee. Action may be taken by any such committee without a meeting by a writing signed by all its members. Any such committee shall prescribe its own rules for calling and holding meetings and its method of procedure, subject to any rules prescribed by the Directors, and shall keep a written record of all action taken by it.

Section 8. *Compensation*

Directors and members of any committee of the Directors shall receive such compensation from the Corporation, which may be either a specified sum payable at intervals, and/or a fixed sum for attendance at each Directors or committee meeting or as otherwise determined by the Directors. No Director and no member of any committee of the Directors shall be disqualified from being counted in the determination of a quorum at any meeting of either the Directors or a committee by reason of the fact that matters affecting his own compensation as a Director, member of a committee, an officer or employee are to be determined. Nothing contained herein shall be construed to preclude any Director from serving the Corporation in any other capacity and receiving proper compensation from the Corporation for such service.

ARTICLE III

OFFICERS

Section 1. *Officers*

The Corporation may have a Chairman of the Board and shall have a President (both of whom shall be Directors), a Secretary and a Treasurer, all of whom shall be elected by the Directors. The Corporation may also have one or more Vice Presidents, Assistant Secretaries, Assistant Treasurers and such other officers as the Directors may deem necessary, all of whom shall be elected by the Directors.

Section 2. *Authority and Duties of Officers*

The officers of the Corporation shall have such authority and shall perform such duties as are customarily incident to their respective offices or as may be specified from time to time by the Directors, regardless of whether such authority and duties are customarily incident to such office.

ARTICLE IV

INDEMNIFICATION OF DIRECTORS AND OTHERS

Section 1. *Indemnification*

The Corporation shall indemnify, to the fullest extent then permitted by law, any person who was or is party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, trustee, officer, employee or agent of another corporation, domestic or foreign, non-profit or for profit, partnership, joint venture, trust or other enterprise; *provided*, *however*, that the Corporation shall indemnify any such agent (as opposed to any Director, officer or employee) of the Corporation to an extent greater than that required by law only if and to the extent that the Directors may, in their discretion, so determine; and *provided*, further, that the Corporation shall not be required hereby to indemnify any person with respect to any action, suit or proceeding that was initiated by such person unless such action, suit or proceeding was initiated by such person to enforce any rights to indemnification arising hereunder and such person shall have been formally adjudged to be entitled to indemnity by reason hereof. The indemnification provided hereby shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any law, the Articles of Incorporation or any agreement, vote of shareholders or of disinterested Directors or otherwise, both as to action in official capacities and as to action in another capacity while he is a Director, officer, employee or agent at the Corporation, and shall continue as to a person who has ceased to be a Director, trustee, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 2. *Insurance*

The Corporation may, to the full extent then permitted by law, purchase and maintain insurance on behalf of any persons described in Section 1 of this Article IV against any liability asserted against and incurred by any such person in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify such person against such liability.

Section 3. *Indemnification Agreements*

The Corporation may, to the fullest extent then permitted by law, enter into indemnification agreements with any person described in Section 1 of this Article IV.

ARTICLE V

MISCELLANEOUS

Section 1. *Transfer and Registration of Certificates*

The Directors shall have authority to make such rules and regulations as they deem expedient concerning the issuance, transfer and registration of certificates for shares and the shares represented thereby and may appoint transfer agents and registrars thereof. In the event of a “control share acquisition”, as defined in the Ohio Revised Code, the Directors may refuse to transfer or redeem, and may deny voting and other shareholder rights appurtenant to, shares acquired or to be acquired in such an acquisition if by a two-thirds vote the Directors then in office shall determine that the “acquiring person statement”, as defined in the Ohio Revised Code, was not given in good faith, or that the proposed control share acquisition would not be in the best interests of the Corporation and its shareholders, or that the proposed control share acquisition could not be consummated for financial or legal reasons.

Section 2. *Substituted Certificates*

Any person claiming a certificate for shares to have been lost, stolen or destroyed shall make an affidavit or affirmation of that fact shall give the Corporation and its registrar or registrars and its transfer agent or agents a bond of indemnity satisfactory to the Directors or officers of the Corporation, and, if required by the Directors or officers, shall advertise the same in such manner as may be required, whereupon a new certificate may be issued of the same tenor and for the same number of shares as the one alleged to have been lost, stolen or destroyed.

Section 3. *Voting Upon Shares Held by the Corporation*

Unless otherwise ordered by the Directors, the Executive Committee may appoint the Chairman of the Board, the President or any officer of the Corporation to have full power and authority, in person or by proxy, on behalf of the Corporation to vote, act and consent with respect to any shares issued by other corporations which the Corporation may own.

Section 4. *Corporate Seal*

The seal of the Corporation shall be circular in form with the name of the Corporation stamped around the margin and the word "Seal" stamped across the center.

Section 5. *Articles to Govern*

In case any provision of these Regulations shall be inconsistent with the Articles of Incorporation, the Articles of Incorporation shall govern.

Section 6. *Amendments*

These Regulations may be amended (i) to the extent permitted by Chapter 1701 of the Ohio Revised Code, by the Directors, or (ii) by the affirmative vote of the holders of record entitled to exercise a majority of the voting power on such proposal, if such proposal has been recommended by a vote of the Directors then in office as being in the best interests of the Corporation and its shareholders.

Section 7. *Emergency Regulations*

The Directors may adopt emergency regulations, either before or during an emergency, as that term is defined in the Ohio Revised Code, or in any other relevant law in effect at the time of the adoption of the emergency regulations. Such regulations shall be operative only during an emergency, notwithstanding any different provisions elsewhere in these Regulations. The emergency regulations may include such provisions as are authorized by law. Unless otherwise provided by such emergency regulations, the special rules contained in the Ohio Revised Code shall be applicable during such an emergency, notwithstanding any different provisions elsewhere in these Regulations.

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Section 3: EX-12 (EXHIBIT 12)

EXHIBIT 12

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(Dollars in millions, except ratio amounts)

	Six Months Ended June 30,		Twelve Months Ended December 31,			
	2016	2015	2015	2014	2013	2012
Income (loss) from continuing operations before tax	**$ 155.4**	**$ (89.5)**	$ (189.6)	$ 204.0	$ 290.1	$ 517.8
Share of undistributed (losses) income from 50%-or-less-owned affiliates, excluding affiliates with guaranteed debt	**$ (0.4)**	**$ (0.4)**	$ (0.8)	$ (0.6)	$ (0.4)	$ 0.5

Amortization of capitalized interest	**0.3**	**0.4**	0.6	0.9	(1.3)	(1.3)
Interest expense	**17.1**	**16.5**	33.4	28.7	24.4	31.1
Interest portion of rental expense	**2.4**	**2.4**	4.8	5.2	8.0	8.0
Earnings (loss)	**$ 174.8**	**$ (70.6)**	$ (151.6)	$ 238.2	$ 320.8	$ 556.1
Interest	**$ 17.5**	**$ 16.5**	$ 33.4	$ 30.4	$ 37.1	$ 36.0
Interest portion of rental expense	**2.4**	**2.4**	4.8	5.2	8.0	8.0
Fixed Charges	**$ 19.9**	**$ 18.9**	$ 38.2	$ 35.6	$ 45.1	$ 44.0
Ratio of Earnings to Fixed Charges	**8.78**	**(3.74)**	(3.97)	6.69	7.11	12.64

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Section 4: EX-31.1 (EXHIBIT 31.1)

Exhibit 31.1

Principal Executive Officer’s Certifications
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Richard G. Kyle, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Timken Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting: and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: July 28, 2016

By: /s/ Richard G. Kyle

Richard G. Kyle
President and Chief Executive Officer
(Principal Executive Officer)

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Section 5: EX-31.2 (EXHIBIT 31.2)

Exhibit 31.2

Principal Financial Officer's Certifications
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Philip D. Fracassa, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Timken Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting: and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 28, 2016

By: /s/ Philip D. Fracassa

Philip D. Fracassa
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

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Section 6: EX-32 (EXHIBIT 32)

Exhibit 32

Certification Pursuant to
18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of The Timken Company (the “Company”) on Form 10-Q for the period ended June 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. 1350, as adopted pursuant to 906 of the Sarbanes-Oxley Act of 2002, that, to such officer’s knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Date: July 28, 2016

By: /s/ Richard G. Kyle

Richard G. Kyle
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Philip D. Fracassa

Philip D. Fracassa
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C. 1350 and is not being filed as part of the Report or as a separate disclosure document.

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