

TIMKEN CO  
Form 11-K  
July 01, 2013  
Table of Contents

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

Washington, D.C. 20549

**FORM 11-K**

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

For the fiscal year ended December 31, 2012

OR

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

For the transition period from            to

Commission file number 1-1169

**VOLUNTARY INVESTMENT PROGRAM FOR HOURLY**  
**EMPLOYEES OF LATROBE STEEL COMPANY**

(Full title of the Plan)

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

(Name of issuer of the securities held pursuant to the Plan

and the address of its principal executive office)

**Table of Contents**

Voluntary Investment Program for Hourly  
Employees of Latrobe Steel Company  
Unaudited Financial Statements  
December 31, 2012 and 2011, and  
Year Ended December 31, 2012

**Table of Contents**

Unaudited Financial Statements

Statements of Net Assets Available for Benefits

1

Statement of Changes in Net Assets Available for Benefits

2

Notes to Financial Statements

3

**Table of Contents**

Voluntary Investment Program for Hourly  
 Employees of Latrobe Steel Company  
 Statements of Net Assets Available for Benefits  
 (unaudited)

	December 31,	
	2012	2011
<b>Assets</b>		
Investments, at fair value:		
Interest in The Master Trust Agreement for The Timken Company Defined Contribution Plans	<b>\$ 1,911,033</b>	\$ 1,787,194
Receivables:		
Participant notes receivable		2,247
Total assets reflecting investments at fair value	<b>1,911,033</b>	1,789,441
Adjustment from fair value to contract value for interest in The Master Trust Agreement for The Timken Company Defined Contribution Plans relating to fully benefit-responsive investment contracts	<b>(4,479)</b>	(882)
Net assets available for benefits	<b>\$ 1,906,554</b>	\$ 1,788,559

*See accompanying notes.*

**Table of Contents**

Voluntary Investment Program for Hourly  
Employees of Latrobe Steel Company  
Statement of Changes in Net Assets Available for Benefits  
(unaudited)  
Year Ended December 31, 2012

<b>Additions</b>	
Investment income:	
Net investment gain from The Master Trust Agreement for The Timken Company Defined Contribution Plans	\$ 245,199
Interest income from participant notes	43
<b>Total additions</b>	<b>245,242</b>
<b>Deductions</b>	
Benefits distributed directly to participants	127,222
Administrative expenses	25
<b>Total deductions</b>	<b>127,247</b>
Net increase	117,995
Net assets available for benefits:	
Beginning of year	1,788,559
End of year	<b>\$ 1,906,554</b>

*See accompanying notes.*

**Table of Contents**

Voluntary Investment Program for Hourly

Employees of Latrobe Steel Company

Notes to Financial Statements

(unaudited)

December 31, 2012 and 2011, and

Year Ended December 31, 2012

**1. Description of the Plan**

The following description of the Voluntary Investment Program for Hourly Employees of Latrobe Steel Company (the Plan) provides only general information. Participants should refer to the *2002 401(k) Agreement Between Timken Latrobe Steel and the United Steelworkers of America* AFL-CIO (2002 401(k) Agreement) for a more complete description of the Plan's provisions.

**General**

Effective December 8, 2006, The Timken Company (Timken) sold Latrobe Steel Company (the Company). As a result of this transaction, all participants in the Plan terminated their employment with The Timken Company and the Plan will no longer have any new participants or contributions. However, The Timken Company, the Plan Administrator, will continue to sponsor the Plan for those participants who have elected not to transfer their accounts to another plan. The Plan is a defined contribution plan which covered hourly employees of the Company who were represented by the United Steelworkers of America (USWA). Employees of the Company became eligible to participate in the Plan upon completion of the eligibility requirements under the 2002 Insurance Agreement and upon completion of 1,000 hours of service within a twelve-month period. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

**Contributions**

Under the provisions of the Plan, participants were able to contribute up to 15% of gross earnings, as defined in the Plan, subject to Internal Revenue Service (IRS) limitations. Participants were also able to contribute amounts representing distributions from other qualified defined benefit or defined contribution plans. No Company contributions were provided under the Plan. Upon enrollment, a participant could direct his or her contribution in 1% increments to any of the Plan's fund options. Participants have access to their account information and the ability to make account changes daily through an automated telecommunication system and through the Internet.

**Table of Contents**

Voluntary Investment Program for Hourly

Employees of Latrobe Steel Company

Notes to Financial Statements (continued)

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

**Participant Accounts**

Each participant's account is credited with the participant's contributions and allocations of (a) the Company's contributions and (b) Plan earnings, and is charged with an allocation of administrative expenses. Plan earnings are allocated based on the participant's share of net earnings or losses of their respective elected investment options. Allocations of administrative expenses are based on the participant's account balances, as defined.

Participants were able to elect to have their dividends in The Timken Company Common Stock Fund distributed to them in cash rather than automatically reinvested in Timken common shares.

**Vesting**

Participants vested immediately in their contributions plus actual earnings thereon.

**Participant Notes Receivable**

Participants may borrow from their accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of their account balance. Loan terms generally cannot exceed four years.

The loans are secured by the balance in the participant's account and bear interest at an interest rate of 1% in excess of the prime rate, as published the first business day of each month in the *Wall Street Journal*. Principal and interest are paid ratably through payroll deductions.

**Payment of Benefits**

As a result of their termination of service to The Timken Company due to the sale of Latrobe Steel Company, participants having a vested account balance greater than \$1,000 were given the option of (i) transferring their account balance to another plan, (ii) receiving a lump-sum amount equal to the vested balance of their account, (iii) receiving installment payments of their vested assets over a period of time not to exceed their life expectancy, or (iv) leaving their vested account balance in the Plan. Participants having a vested account balance less than \$1,000 received a lump-sum amount equal to their vested account balance.

**Table of Contents**

Voluntary Investment Program for Hourly

Employees of Latrobe Steel Company

Notes to Financial Statements (continued)

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

Participants electing to leave their vested assets in the Plan may do so until age 70<sup>1/2</sup> after which time the lump-sum or installment distribution options would apply.

Hardship withdrawals are allowed for participants incurring an immediate and severe financial need, as defined by the Plan. Hardship withdrawals are strictly regulated by the IRS and a participant must exhaust all available loan options and distributions prior to requesting a hardship withdrawal.

**Plan Termination**

The Plan shall continue in full force and effect until December 31, 2008, and yearly thereafter, unless either Timken or the USWA shall notify the other party in writing that they desire to terminate the 2002 401(k) Agreement. The Plan may generally be amended by mutual consent of Timken and the USWA. In the event of Plan termination, the Plan's trustee, JP Morgan (Trustee), shall distribute to each participant the vested balance in their separate account.

**2. Accounting Policies**

**Basis of Accounting**

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

**Participant Notes Receivable**

Participant notes receivable represents participant loans that are recorded at their unpaid principal balance plus any accrued but unpaid interest. Interest income on notes receivable from participants is recorded when it is earned. Related fees are recorded as administrative expenses and are expensed when they are incurred. No allowance for credit losses has been recorded as of December 31, 2012 or 2011. If a participant ceases to make loan repayments and the Plan Administrator deems the participant loan to be a distribution, the participant loan balance is reduced and a benefit payment is recorded.

**Table of Contents**

Voluntary Investment Program for Hourly  
Employees of Latrobe Steel Company  
Notes to Financial Statements (continued)

**2. Accounting Policies (continued)**

**Investment Valuation and Income Recognition**

The Plan's investments are stated at fair value and are invested in The Master Trust Agreement for The Timken Company Defined Contribution Plans (Master Trust), which was established for the investment of assets of the Plan and the five other defined contribution plans sponsored by The Timken Company.

The Plan's trustee maintains a collective investment trust of Timken common shares in which Timken's Defined Contribution Plans participate on a unit basis. Timken common shares are traded on a national securities exchange and participation units in The Timken Company Common Stock Fund are valued at the last reported sales price on the last business day of the plan year.

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

**Use of Estimates**

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



**Table of Contents**

Voluntary Investment Program for Hourly  
Employees of Latrobe Steel Company  
Notes to Financial Statements (continued)

**2. Accounting Policies (continued)**

**New Accounting Pronouncements**

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-04, Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRS. ASU 2011-04 amended Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, to converge the fair value measurement guidance in U.S. GAAP and International Financial Reporting Standards (IFRS). Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle in ASC 820. In addition, ASU 2011-04 requires additional fair value disclosures although certain of these new disclosures will not be required for nonpublic entities. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. Since ASU 2011-04 only clarifies existing fair value measurements and affects fair value measurement disclosures, adoption of ASU 2011-04 did not have an effect on the Plan's net assets available for benefits or its changes in net assets available for benefits.

**Table of Contents**

Voluntary Investment Program for Hourly

Employees of Latrobe Steel Company

Notes to Financial Statements (continued)

**3. Investments**

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

Each participating plan's interest in the investment funds (i.e., separate accounts) of the Master Trust is based on account balances of the participants and their elected investment funds. The Master Trust assets are allocated among the participating plans by assigning to each plan those transactions (primarily contributions, benefit payments, and plan-specific expenses) that can be specifically identified and by allocating among all plans, in proportion to the fair value of the assets assigned to each plan, income and expenses resulting from the collective investment of the assets of the Master Trust. The Plan's ownership percentage in the Master Trust as of December 31, 2012 and 2011 was 0.15% and 0.16%, respectively.

**Table of Contents**

Voluntary Investment Program for Hourly

Employees of Latrobe Steel Company

Notes to Financial Statements (continued)

**3. Investments (continued)**

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

	December 31, 2012									Plan's Ownership Percentage
	Cash and Cash Equivalents	Company Stock	Registered Investment Companies	Common Collective	Government and Agency Securities	Mortgage and Asset Backed Securities	Corporate Bonds	Wrap Contracts	Total Assets	
Investment, at Fair Value										
The Timken Company Common Stock Fund	\$ 1,576,982	\$ 319,117,974	\$	\$	\$	\$	\$	\$	\$ 320,694,956	0.13%
Morgan Stanley Small Company Growth			14,814,070						14,814,070	0.00%
American Funds EuroPacific Growth			89,314,155						89,314,155	0.03%
American Funds Washington Mutual Investors			22,783,272						22,783,272	0.00%
American Beacon Small Cap Value			22,868,397						22,868,397	0.00%
Vanguard Target Retirement Income			23,368,634						23,368,634	0.03%
Vanguard Target Retirement 2015			70,820,300						70,820,300	0.02%
Vanguard Target Retirement 2025			38,937,796						38,937,796	0.00%
Vanguard Target Retirement 2035			35,355,304						35,355,304	0.03%
			16,125,154						16,125,154	0.02%

Edgar Filing: TIMKEN CO - Form 11-K

Vanguard Target Retirement 2045										
Vanguard Target Retirement 2020			6,806,720					6,806,720		0.00%
Vanguard Target Retirement 2030			2,645,284					2,645,284		0.00%
Vanguard Target Retirement 2040			1,665,490					1,665,490		0.00%
Vanguard Target Retirement 2050			800,347					800,347		0.00%
JPMorgan S&P 500 Index			32,466,044					32,466,044		2.87%
The Timken Company JPM Bond Fund			8,055,932	34,150,439	68,750,278	24,012,101		134,968,750		0.14%
JPMorgan Equity Index			140,491,194					140,491,194		0.00%
Nuveen Winslow Large-Cap Growth			63,736,701					63,736,701		0.05%
SSgA Russell 2000-A Index			48,444,488					48,444,488		0.08%
	\$ 1,576,982	\$ 319,117,974	\$ 346,304,923	\$ 293,194,359	\$ 34,150,439	\$ 68,750,278	\$ 24,012,101	\$ 1,087,107,056		

JPMorgan Stable Value Fund:										
JPMorgan Liquidity Fund			32,235,856					32,235,856		
JPMorgan Intermediate Bond Fund			155,036,381					155,036,381		
JPMorgan Mortgage Private Placement Fund			8,682,881					8,682,881		
Wrapper Value Adjustment from fair value to contract value							48,420	48,420		
			(3,346,510)					(3,346,510)		
	\$	\$	\$	\$ 192,608,608	\$	\$	\$	\$ 48,420	\$ 192,657,028	0.13%

Net Assets of Master Trust	\$ 1,576,982	\$ 319,117,974	\$ 346,304,923	\$ 485,802,967	\$ 34,150,439	\$ 68,750,278	\$ 24,012,101	\$ 48,420	\$ 1,279,764,084	0.15%
----------------------------	--------------	----------------	----------------	----------------	---------------	---------------	---------------	-----------	------------------	-------



**Table of Contents**

Voluntary Investment Program for Hourly

Employees of Latrobe Steel Company

Notes to Financial Statements (continued)

**3. Investments (continued)**

	December 31, 2011									Plan s Ownership Percentage
	Cash and Cash Equivalents	Company Stock	Registered Investment Companies	Common Collective	Government and Agency Securities	Mortgage and Asset Backed Securities	Corporate Bonds	Wrap Contracts	Total Assets	
Investments, at Fair Value:										
The Timken Company Common Stock Fund	\$ 2,676,111	\$ 296,932,589	\$	\$	\$	\$	\$	\$	\$ 299,608,700	0.11%
Morgan Stanley Small Company Growth			14,124,854						14,124,854	0.00%
American Funds EuroPacific Growth			72,122,610						72,122,610	0.03%
American Funds Washington Mutual Investors			16,322,636						16,322,636	0.01%
American Beacon Small Cap Value			19,995,849						19,995,849	0.00%
Vanguard Target Retirement Income			9,032,047						9,032,047	0.00%
Vanguard Target Retirement 2005			8,463,967						8,463,967	0.97%
Vanguard Target Retirement 2015			61,428,882						61,428,882	0.02%
Vanguard Target Retirement 2025			30,074,232						30,074,232	0.00%
Vanguard Target Retirement 2035			30,092,816						30,092,816	0.03%
			12,163,963						12,163,963	0.02%

Edgar Filing: TIMKEN CO - Form 11-K

Vanguard Target Retirement 2045										
Vanguard Target Retirement 2020	43,531							43,531	0.00%	
Vanguard Target Retirement 2030	38,305							38,305	0.00%	
Vanguard Target Retirement 2040	25,722							25,722	0.00%	
Vanguard Target Retirement 2050	14,981							14,981	0.00%	
JPMorgan S&P 500 Index	30,539,328							30,539,328	2.67%	
The Timken Company JPM Bond Fund	4,674,307	26,998,221	54,716,595	16,543,959				102,933,082	0.17%	
JPMorgan Equity Index	123,489,446							123,489,446	0.00%	
Nuveen Winslow Large-Cap Growth	63,463,896							63,463,896	0.04%	
SSgA Russell 2000-A Index	41,177,230							41,177,230	0.08%	

\$ 2,676,111 \$ 296,932,589 \$ 273,944,395 \$ 263,344,207 \$ 26,998,221 \$ 54,716,595 \$ 16,543,959 \$ 935,156,077

JPMorgan Stable Value Fund:										
JPMorgan Liquidity Fund	14,307,860							14,307,860		
JPMorgan Intermediate Bond Fund	157,273,471							157,273,471		
Wrapper Value							25,677	25,677		
Adjustments from fair value to contract value				(536,503)				(536,503)		

\$ \$ \$ \$ 171,044,828 \$ \$ \$ 25,677 \$ 171,070,505 0.16%

Net Assets of Master Trust \$ 2,676,111 \$ 296,932,589 \$ 273,944,395 \$ 434,389,035 \$ 26,998,221 \$ 54,716,595 \$ 16,543,959 \$ 25,677 \$ 1,106,226,582 0.16%

**Table of Contents**

Voluntary Investment Program for Hourly  
 Employees of Latrobe Steel Company  
 Notes to Financial Statements (continued)

**3. Investments (continued)**

Investment gain for the Master Trust is as follows:

	<b>Year Ended December 31, 2012</b>
Net appreciation in fair value of investments	
Cash and Cash Equivalents	\$ 80,338
Company Stock	75,276,788
Registered Investment Companies	33,309,625
Common Collective Funds	39,233,737
Government and Agency Securities	1,098,395
Mortgage and Asset Backed Securities	3,566,455
Corporate Bonds	793,191
	<b>\$ 153,358,529</b>
Net appreciation in investment contracts	3,417,037
Interest and dividends	14,630,061
 Total Master Trust	 <b>\$ 171,405,627</b>



**Table of Contents**

Voluntary Investment Program for Hourly

Employees of Latrobe Steel Company

Notes to Financial Statements (continued)

**4. Fair Value**

The fair value framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

quoted prices for similar assets or liabilities in active markets;

quoted prices for identical or similar assets or liabilities in inactive markets;

inputs other than quoted prices that are observable for the asset or liability;

inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

**Table of Contents**

Voluntary Investment Program for Hourly

Employees of Latrobe Steel Company

Notes to Financial Statements (continued)

**4. Fair Value (continued)**

The following tables present the fair value hierarchy for those investments of the Master Trust measured at fair value on a recurring basis as of December 31, 2012 and 2011:

	Assets at Fair Value as of December 31, 2012			
	Total	Level 1	Level 2	Level 3
Assets:				
Cash and Cash Equivalents:				
JPMorgan US Government Money Market	\$ 1,576,982	\$	\$ 1,576,982	\$
Company Stock:				
The Timken Company Common Stock	319,117,974	319,117,974		
Registered Investment Companies:				
Morgan Stanley Small Company Growth	14,814,070	14,814,070		
American Funds EuroPacific Growth	89,314,155	89,314,155		
American Funds Washington Mutual Investors	22,783,272	22,783,272		
American Beacon Small Cap Value	22,868,397	22,868,397		
Vanguard Target Retirement Income	23,368,634	23,368,634		
Vanguard Target Retirement 2015	70,820,300	70,820,300		
Vanguard Target Retirement 2020	6,806,720	6,806,720		
Vanguard Target Retirement 2025	38,937,796	38,937,796		
Vanguard Target Retirement 2030	2,645,284	2,645,284		
Vanguard Target Retirement 2035	35,355,304	35,355,304		
Vanguard Target Retirement 2040	1,665,490	1,665,490		
Vanguard Target Retirement 2045	16,125,154	16,125,154		
Vanguard Target Retirement 2050	800,347	800,347		
Common Collective Funds:				
JPMorgan S&P 500 Index	32,466,044		32,466,044	
SSgA Russell 2000-A Index	48,444,488		48,444,488	
JPMorgan Equity Index	140,491,194		140,491,194	
Nuveen Winslow Large-Cap Growth	63,736,701		63,736,701	
The Timken Company - JPM Bond Fund:				
Common Collective Fund:				
JPMorgan Liquidity Fund	8,055,932		8,055,932	
Government and Agency Securities	34,150,439		34,150,439	
Mortgage and Asset Backed Securities	68,750,278		68,750,278	
Corporate Bonds	24,012,101		24,012,101	
JPMorgan Stable Value Fund:				
Common Collective Funds:				
JPMorgan Liquidity Fund	32,235,856		32,235,856	
JPMorgan Intermediate Bond Fund	155,036,381		155,036,381	
JPMorgan Mortgage Private Placement Fund	8,682,881		8,682,881	
Wrapper Value	48,420			48,420

<b>Total assets</b>	<b>\$ 1,283,110,594</b>	<b>\$ 665,422,897</b>	<b>\$ 617,639,277</b>	<b>\$ 48,420</b>
---------------------	-------------------------	-----------------------	-----------------------	------------------

**Table of Contents**

Voluntary Investment Program for Hourly

Employees of Latrobe Steel Company

Notes to Financial Statements (continued)

**4. Fair Value (continued)**

	Assets at Fair Value as of December 31, 2011			
	Total	Level 1	Level 2	Level 3
<b>Assets:</b>				
Cash and Cash Equivalents:				
JPMorgan US Government Money Market	\$ 2,676,111	\$	\$ 2,676,111	\$
Company Stock:				
The Timken Company Common Stock	296,932,589	296,932,589		
Registered Investment Companies:				
Morgan Stanley Small Company Growth	14,124,854	14,124,854		
American Funds EuroPacific Growth	72,122,610	72,122,610		
American Funds Washington Mutual Investors	16,322,636	16,322,636		
American Beacon Small Cap Value	19,995,849	19,995,849		
Vanguard Target Retirement Income	9,032,047	9,032,047		
Vanguard Target Retirement 2005	8,463,967	8,463,967		
Vanguard Target Retirement 2015	61,428,882	61,428,882		
Vanguard Target Retirement 2020	43,531	43,531		
Vanguard Target Retirement 2025	30,074,232	30,074,232		
Vanguard Target Retirement 2030	38,305	38,305		
Vanguard Target Retirement 2035	30,092,816	30,092,816		
Vanguard Target Retirement 2040	25,722	25,722		
Vanguard Target Retirement 2045	12,163,963	12,163,963		
Vanguard Target Retirement 2050	14,981	14,981		
Common Collective Funds:				
JPMorgan S&P 500 Index	30,539,328		30,539,328	
SSgA Russell 2000 A Index	41,177,230		41,177,230	
JPMorgan Equity Index	123,489,446		123,489,446	
Nuveen Winslow Large Cap Growth	63,463,896		63,463,896	
The Timken Company JPM Bond Fund:				
Common Collective Fund:				
JPMorgan Liquidity Fund	4,674,307		4,674,307	
Government and Agency Securities	26,998,221		26,998,221	
Mortgage and Asset Backed Securities	54,716,595		54,716,595	
Corporate Bonds	16,543,959		16,543,959	
JPMorgan Stable Value Fund:				
Common Collective Funds:				
JPMorgan Liquidity Fund	14,307,860		14,307,860	
JPMorgan Intermediate Bond Fund	157,273,471		157,273,471	
Wrapper Value	25,677			25,677
<b>Total assets</b>	<b>\$ 1,106,763,085</b>	<b>\$ 570,876,984</b>	<b>\$ 535,860,424</b>	<b>\$ 25,677</b>

During 2011, the fair value of the Timken Company Common Stock Fund held in the Master Trust was presented as a Level 2 asset. The prior period disclosure has been corrected to reflect separate presentation of the common stock as a Level 1 asset. In addition, during 2011, the JPMorgan Stable Value Fund was presented as a Level 3 asset. The prior period disclosure has been corrected to reflect separate presentation of the Stable Value Fund as a Level 2 asset, excluding the wrapper which is a Level 3 asset.



**Table of Contents**

Voluntary Investment Program for Hourly

Employees of Latrobe Steel Company

Notes to Financial Statements (continued)

**4. Fair Value (continued)**

The investment strategy for American Funds Washington Mutual Investors is to invest in common stocks of established companies that are listed on, or meet the financial listing requirements of, the New York Stock Exchange and have a strong record of earnings and dividends.

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

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

The Timken Company JPM Bond Fund includes investments that seek to maximize total return by investing primarily in a diversified portfolio of intermediate- and long-term debt securities. The fair value for The Timken Company JPM Bond Fund is based on the value of the underlying assets. The JP Morgan Liquidity Fund is valued using the net asset value per share. The Government and Agency Securities are valued at the closing price on the date of the last transaction. Mortgage and Asset Backed Securities are valued based on quoted prices for similar assets in active markets. Corporate Bonds are valued at the closing price on the date of the last transaction.

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

The Nuveen Winslow Large-Cap Growth Fund is a portfolio that invests at least 80% of its net assets in equity securities of U.S. companies with market capitalization in excess of \$4 billion at the time of purchase. The fair value of the investments in this category has been determined using the net asset value per share on the active market on which the individual securities are traded.

**Table of Contents**

Voluntary Investment Program for Hourly

Employees of Latrobe Steel Company

Notes to Financial Statements (continued)

**4. Fair Value (continued)**

The Stable Value Fund is invested in the JPMorgan Liquidity, JPMorgan Intermediate Bond, and JPMorgan Private Placement Common Collective Funds. The fair value of the investment in these funds has been estimated using the net asset value per share. The JPMorgan Liquidity Fund invests in a diversified portfolio of fixed and floating rate short-term money market instruments and U.S. Treasury securities. The JPMorgan Mortgage Private Placement invests primarily in privately placed fixed rate and floating rate mortgages and leasebacks secured by apartment complexes and single family homes, as well as commercial properties, such as office buildings, shopping centers, retail stores and warehouses. The JPMorgan Intermediate Bond Fund is designed as a fixed income portfolio strategy for stable value funds and other conservative fixed income investors.

**Table of Contents**

Voluntary Investment Program for Hourly  
 Employees of Latrobe Steel Company  
 Notes to Financial Statements (continued)

**4. Fair Value (continued)**

The following tables present a summary of changes in the fair value of the Master Trust's Level 3 assets as of December 31, 2012 and December 31, 2011, respectively:

	<b>Wrapper Value</b>	<b>Total</b>
Balance, January 1, 2012	<b>\$ 25,677</b>	<b>\$ 25,677</b>
Unrealized gains	<b>22,743</b>	<b>22,743</b>
<b>Balance, December 31, 2012</b>	<b>\$ 48,420</b>	<b>\$ 48,420</b>

	<b>Wrapper Value</b>	<b>Total</b>
Balance, January 1, 2011	<b>\$ 25,677</b>	<b>\$ 25,677</b>
Unrealized gains	<b>25,677</b>	<b>25,677</b>
<b>Balance, December 31, 2011</b>	<b>\$ 25,677</b>	<b>\$ 25,677</b>



**Table of Contents**

Voluntary Investment Program for Hourly

Employees of Latrobe Steel Company

Notes to Financial Statements (continued)

**4. Fair Value (continued)**

The following table represents the Plan's level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs and the ranges of values for those inputs:

Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Range of Significant Input Values	Weighted Average
Synthetic guaranteed investment contract wrapper	\$ 48,420	Replacement Cost	Swap Yield Rate Duration Payout Date Payout Percentage	0.50% 3.05 N/A N/A	0.50%

The following table summarizes investments measured at fair value based on net asset value (NAVs) per share as of December 31, 2012 and 2011, respectively:

December 31, 2012	Fair Value	Redemption Unfunded Commitments	Redemption Frequency	Redemption Notice Period
JPMorgan S&P 500 Index	\$ 32,466,044	Not applicable	Daily	Trade Day
The Timken Company JPM Bond Fund	\$ 134,968,750	Not applicable	Daily	Trade Day
SSgA Russell 2000-A Index	\$ 48,444,488	Not applicable	Daily	Trade Day
JPMorgan Equity Index	\$ 140,491,194	Not applicable	Daily	Trade Day + 1 day
Nuveen Winslow Large Cap Growth	\$ 63,736,701	Not applicable	Daily	Trade Day
JPMorgan Liquidity	\$ 32,235,856	Not applicable	Daily	Trade Day
JPMorgan Intermediate Bond	\$ 155,036,381	Not applicable	Daily	Trade Day
JPMorgan Mortgage Private Placement Fund	\$ 8,682,881	Not applicable	Daily	Trade Day + 1 day

December 31, 2011	Fair Value	Redemption Unfunded Commitments	Redemption Frequency	Redemption Notice Period
JPMorgan S&P 500 Index	\$ 30,539,328	Not applicable	Daily	Trade Day
The Timken Company JPM Bond Fund	\$ 102,933,082	Not applicable	Daily	Trade Day
SSgA Russell 2000-A Index	\$ 41,177,230	Not applicable	Daily	Trade Day
JPMorgan Equity Index	\$ 123,489,446	Not applicable	Daily	Trade Day + 1 day
Nuveen Winslow Large Cap Growth	\$ 63,463,896	Not applicable	Daily	Trade Day
JPMorgan Liquidity	\$ 14,307,860	Not applicable	Daily	Trade Day
JPMorgan Intermediate Bond	\$ 157,273,471	Not applicable	Daily	Trade Day

**Table of Contents**

Voluntary Investment Program for Hourly

Employees of Latrobe Steel Company

Notes to Financial Statements (continued)

**5. Investment Contracts**

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

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

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

There are no reserves against contract value for credit risk of the contract issuer or otherwise. The crediting interest rates for the wrap contracts are calculated on a quarterly basis (or more frequently if necessary) using contract value, market value of the underlying fixed income portfolio, the yield of the portfolio, and the duration of the index, but cannot be less than zero. The crediting rate is most affected by the change in the annual effective yield to maturity of the underlying securities, but is also affected by the difference between the contract value and the market value of the covered investments.

**Table of Contents**

Voluntary Investment Program for Hourly  
 Employees of Latrobe Steel Company  
 Notes to Financial Statements (continued)

**5. Investment Contracts (continued)**

Average Yields for SGICs	December 31,	
	2012	2011
Based on actual earnings	1.0%	2.0%
Based on interest rate credited to participants	2.0%	2.0%

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

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

	December 31,	
	2012	2011
Net assets available for benefits per the financial statements	\$ 1,906,554	\$ 1,788,559
Adjustment from contract value to fair value for fully benefit-responsive investment contracts	4,479	882
Net assets available for benefits per the Form 5500	\$ 1,911,033	\$ 1,789,441

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

**Table of Contents**

Voluntary Investment Program for Hourly  
 Employees of Latrobe Steel Company  
 Notes to Financial Statements (continued)

**6. Reconciliation of Financial Statements to the Form 5500 (continued)**

The following is a reconciliation of total additions per the financial statements to total income per the Form 5500 for the year ended December 31, 2012:

Total additions per the financial statements	<b>\$ 245,242</b>
Less: Adjustment from fair value to contract value for fully benefit-responsive investment contracts at December 31, 2011	<b>(882)</b>
Add: Adjustment from fair value to contract value for fully benefit-responsive investment contracts at December 31, 2012	<b>4,479</b>
Total income per the Form 5500	<b>\$ 248,839</b>

**7. Risks and Uncertainties**

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

**Table of Contents**

Voluntary Investment Program for Hourly

Employees of Latrobe Steel Company

Notes to Financial Statements (continued)

**8. Income Tax Status**

The Plan has received a determination letter from the IRS dated April 23, 2003, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the Code), and therefore, the related trust is exempt from taxation. Subsequent to this determination by the IRS, the Plan was amended. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan Administrator believes that the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan, as amended, is qualified and the related trust is tax-exempt.

Accounting principles generally accepted in the United States require plan management to evaluate uncertain tax positions taken by the Plan. The financial statement effects of a tax position are recognized when the position is more likely than not, based on the technical merits, to be sustained upon examination by the IRS. The Plan Administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2012, there are no uncertain positions taken or expected to be taken. The Plan has recognized no interest or penalties related to uncertain tax positions. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan Administrator believes it is no longer subject to income tax examinations for years prior to 2009.

**Table of Contents**

Voluntary Investment Program for Hourly  
 Employees of Latrobe Steel Company  
 Notes to Financial Statements (continued)

**9. Related-Party Transactions**

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

The following is a summary of transactions in Timken common shares with the Master Trust for the year ended December 31, 2012:

	<b>Dollars</b>
Purchased	\$ 100,029,036
Issued to participants for payment of benefits	\$ 1,737,409

Purchases and benefits paid to participants include Timken common shares valued at quoted market prices at the date of purchase or distribution.

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

**Table of Contents**

SIGNATURES

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

VOLUNTARY INVESTMENT  
PROGRAM FOR HOURLY  
EMPLOYEES OF LATROBER STEEL  
COMPANY

Date: July 1, 2013

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