

TIMKEN CO  
Form S-3/A  
December 24, 2002

**Table of Contents**

As filed with the Securities and Exchange Commission on December 24, 2002

Registration Statement No. 333-100731

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**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549-1004**

**Amendment No. 1**

to

**Form S-3**

**REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933**

**The Timken Company**

*(Exact Name of Registrant as Specified in its Charter)*

**Ohio**

*(State or Other Jurisdiction of Incorporation or Organization)*

**34-0577130**

*(I.R.S. Employer Identification Number)*

**The Timken Company**

**1835 Dueber Avenue, S.W.  
Canton, Ohio 44706-2798  
(330) 438-3000**

*(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)*

**Scott A. Scherff**

**Corporate Secretary and Assistant General Counsel**

**The Timken Company  
1835 Dueber Avenue, S.W.  
Canton, Ohio 44706-2798  
(330) 438-3000**

*(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)*

***Copies To:***

**Christopher M. Kelly**

**Jones, Day, Reavis & Pogue  
901 Lakeside Avenue  
Cleveland, Ohio 44114  
(216) 586-3939**

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**Approximate date of commencement of proposed sale to the public:** From time to time after the effective date of this Registration Statement.

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If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

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**Table of Contents**

**EXPLANATORY NOTE**

This Registration Statement contains (1) a prospectus supplement which, together with the prospectus contained herein, will be utilized in connection with offers and sales of common stock registered under this Registration Statement, and (2) the alternate pages of a prospectus supplement, which, together with the prospectus contained herein, will be utilized in connection with offers and sales of senior unsecured notes registered under this Registration Statement.

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**Table of Contents**

The information in this prospectus supplement is not complete and may be changed. We may not sell these securities until the related registration statement filed with the Securities and Exchange Commission is effective. This prospectus supplement is not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

**SUBJECT TO COMPLETION, DATED DECEMBER 24, 2002**

**PROSPECTUS SUPPLEMENT**

(To prospectus dated \_\_\_\_\_, \_\_\_\_\_)

**11,000,000 Shares**

**The Timken Company**

**Common Stock**

Our common stock is listed on the New York Stock Exchange under the symbol TKR. The last reported sale price on December 19, 2002 was \$19.35 per share.

The underwriters may also purchase up to an additional 1,650,000 shares of common stock from us at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus supplement to cover overallotments.

We will use the net proceeds from this offering to finance a portion of the cost of acquiring the Engineered Solutions business of Ingersoll-Rand Company Limited. The closing of this offering is conditioned upon the closing of that acquisition.

Concurrently with this offering of common stock, we are offering, by means of a separate prospectus supplement, up to \$ \_\_\_\_\_ million aggregate principal amount of our senior unsecured notes to finance a portion of the acquisition mentioned above. We refer you to Prospectus Supplement Summary Concurrent Notes Offering in this prospectus supplement. The closing of this offering is not conditioned on the closing of the notes offering.

**Investing in our common stock involves risks. See Risk Factors beginning on page S-15 of this prospectus supplement.**

	Per Share	Total
Public offering price	\$ _____	\$ _____
Underwriting discounts and commissions	\$ _____	\$ _____
Proceeds to Timken, before expenses	\$ _____	\$ _____

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

The underwriters expect to deliver the shares of common stock on or about \_\_\_\_\_, 2003.

\_\_\_\_\_  
 \_\_\_\_\_  
 The date of this prospectus supplement is \_\_\_\_\_, 2003.

**Table of Contents****TABLE OF CONTENTS****Prospectus Supplement**

	<b>Page</b>
Market and Industry Data	S-3
Where You Can Find More Information	S-4
Prospectus Supplement Summary	S-5
Risk Factors	S-15
Use of Proceeds	S-26
Price Range of Common Stock	S-27
Dividend Policy	S-27
Capitalization	S-28
Unaudited Pro Forma Financial Information	S-29
Selected Historical Financial Information of Timken	S-38
Management's Discussion and Analysis of Financial Condition and Results of Operations	S-40
Business	S-54
Management	S-69
Description of the Torrington Purchase Agreement and Related Agreements	S-73
Description of Certain Indebtedness	S-79
Underwriting	S-82
Legal Matters	S-84
Experts	S-84

**Prospectus**

	<b>Page</b>
About This Prospectus	2
Where You Can Find More Information	3
Note Regarding Forward-Looking Statements	4
The Timken Company	5
Use of Proceeds	6
Ratio of Earnings To Fixed Charges	7
Dividend Policy	8
Description of Our Capital Stock	9
Description of The Debt Securities	12
Description of Warrants	19
Description of Depositary Shares	21
Description of Stock Purchase Contracts and Stock Purchase or Equity Units	24
Plan of Distribution	25
Legal Matters	27
Experts	27

**We have not authorized anyone to provide you with any information other than the information contained, incorporated or deemed incorporated by reference in this prospectus supplement and the accompanying prospectus. This document may only be used where it is legal to sell the common stock.**

This prospectus supplement is part of, and you should read it in conjunction with, the accompanying prospectus. Unless the context otherwise requires, references in this prospectus supplement to Timken, we, us and our and similar references refer to The Timken Company, an Ohio corporation, and its consolidated subsidiaries.

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We expect that delivery of the common stock we are offering by this prospectus supplement will be made against payment on or about the closing date specified on the cover page, which will be the fifth business day following the date of this prospectus supplement, which we refer to as T+5. Under Rule 15c6-1 adopted by the SEC under the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Investors who wish to trade the common stock on the date of this prospectus supplement or the next succeeding business day will be required, by virtue of the fact that the common stock initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Investors who wish to trade the common stock on the date hereof or the next succeeding business day should consult their own advisors.

This prospectus supplement contains some of our trademarks and trademarks of The Torrington Company or its affiliates. Each trademark, trade name or service mark of any other company appearing in this prospectus supplement belongs to its respective holder.

S-2

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**Table of Contents**

**MARKET AND INDUSTRY DATA**

Market and industry data used throughout this prospectus supplement, including information relating to market share and trends, is based on our good faith estimates. These estimates were based on our review of internal surveys, independent industry publications and other publicly available information. Although we believe these sources are reliable, we have not independently verified the information and cannot guarantee its accuracy and completeness.

S-3

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**Table of Contents**

**WHERE YOU CAN FIND MORE INFORMATION**

We are subject to the reporting requirements of the Securities Exchange Act of 1934 and, in accordance with these requirements, we file annual, quarterly and current reports, proxy statements and other information with the SEC. Reports, proxy statements and other information filed by us can be inspected at the public reference facilities maintained by the SEC at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. Copies of these materials can also be obtained from the Public Reference Section of the SEC at the address mentioned above at prescribed rates.

The SEC also maintains a website that contains reports, proxy and information statements and other information regarding companies like us that file electronically with the SEC. The address of the SEC's website is *www.sec.gov*. Reports, proxy statements and other information concerning our business may also be inspected at the offices of the New York Stock Exchange, on which our common stock is listed, at 20 Broad Street, New York, New York 10005. This information may also be obtained from us as described below.

The SEC allows us to incorporate by reference the information we file with it into this prospectus supplement and the accompanying prospectus, which means that we can disclose important information to you by referring you to those documents, and those documents will be considered part of this prospectus supplement and the accompanying prospectus. Information that we file later with the SEC will automatically update and supercede the previously filed information. We incorporate by reference in this prospectus supplement and the accompanying prospectus each of the documents listed below and any future filings that we make with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act (Commission File No. 1-1169) (1) after the date of the filing of the registration statement of which this prospectus supplement is a part and prior to its effectiveness and (2) until this offering has been completed:

Our Annual Report on Form 10-K for the fiscal year ended December 31, 2001.

Those portions of our Annual Proxy Statement dated February 20, 2002 that are incorporated by reference into our Annual Report on Form 10-K for the fiscal year ended December 31, 2001.

Our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2002, June 30, 2002 and September 30, 2002.

Our Current Reports on Form 8-K filed with the SEC on January 22, 2002, February 19, 2002, February 22, 2002, March 20, 2002, April 8, 2002, April 15, 2002, April 16, 2002, May 20, 2002, June 17, 2002, July 17, 2002, July 19, 2002, August 7, 2002, August 15, 2002, September 23, 2002, October 16, 2002, October 17, 2002, October 18, 2002, November 19, 2002 and December 24, 2002.

The description of our common stock contained in our registration statement filed under the Exchange Act and any amendments and reports filed for purposes of updating that description.

We will provide you at no charge, upon request, with a copy of these filings, or any or all of the documents incorporated by reference into this prospectus supplement and the accompanying prospectus, other than exhibits to those documents unless the exhibits are specifically incorporated by reference into those documents or specifically referred to in this prospectus supplement or the accompanying prospectus. Requests should be directed to:

**The Timken Company**

**1835 Dueber Avenue, S.W.  
Canton, Ohio 44706-2798  
Attention: Corporate Secretary  
(330) 438-3000**

**Table of Contents**

**PROSPECTUS SUPPLEMENT SUMMARY**

*This summary highlights basic information about us, the Torrington acquisition described below and the common stock that we are offering. You should carefully read this entire prospectus supplement, along with the accompanying prospectus, including the financial data and other information included and incorporated by reference, before making an investment decision.*

**The Timken Company**

We are a leading global manufacturer of highly engineered bearings, alloy and specialty steel and related components. We are the world's largest manufacturer of tapered roller bearings and alloy seamless mechanical steel tubing and the largest North American-based bearings manufacturer.

We had net sales of \$2.4 billion for the year ended December 31, 2001 and \$1.9 billion for the nine months ended September 30, 2002, and we employed approximately 18,100 people as of September 30, 2002. We manufacture two basic product lines: anti-friction bearings and steel products, and we report our business in three segments: automotive bearings, industrial bearings and steel. Automotive bearings, industrial bearings and steel represented 31%, 36% and 33%, respectively, of our net sales for the year ended December 31, 2001 and 33%, 35% and 32%, respectively, of our net sales for the nine months ended September 30, 2002.

In the bearing industry, we are best known for our principal product, the tapered roller bearing, which was originally patented in 1898 by our founder, Henry Timken. Our tapered roller bearings are used in a wide variety of products and applications, including passenger cars, trucks, aircraft wheels, locomotives and railroad cars, and equipment for agriculture, construction, mining, pulp and paper processing, power generation, metal processing and metal mills. We also produce high quality spherical and cylindrical roller bearings for large gear drives, rolling mills and other process industry and infrastructure development applications. In addition, our aerospace and super precision facilities produce high-performance ball and cylindrical bearings for ultra high-speed and high-accuracy applications. These types of bearings are used in aircraft and helicopter engines, gear boxes, transmissions, flight and fuel controls, missile guidance systems, dental handpieces, robotic equipment and semiconductor manufacturing equipment. A small part of our business involves providing bearing reconditioning services for industrial and railroad customers, both internationally and domestically.

Our steel products include steels of intermediate alloy, low alloy and carbon grades. We also make vacuum processed specialty steels. Our steel products are available in a wide range of solid and tubular sections with a variety of lengths and finishes. We sell our steel products, including semi-finished and finished precision steel components, to other anti-friction bearing companies and to companies in the automotive, tooling, aerospace, forging and oil and gas drilling industries, and to steel service centers. For the year ended December 31, 2001, approximately 15% of our steel production was consumed in our bearings operations.

Maintaining high standards of product quality and reliability while keeping production costs competitive is essential to our ability to compete with domestic and international manufacturers in both the anti-friction bearing and steel businesses. Beginning in the second quarter of 2001, we undertook an aggressive transformation of our manufacturing operations, which we refer to as our strategic manufacturing initiative, to allow us to more profitably execute our business strategies described below. The principal objectives of our strategic manufacturing initiative are creating focused factories for each product line or component; reducing our fixed costs; increasing production at our lowest cost plants; and implementing a more efficient, higher quality manufacturing process through a program we call Lean Six Sigma. As of September 30, 2002, we had achieved an estimated annualized rate of pre-tax savings of approximately \$70 million from our strategic manufacturing initiative, and by the end of 2002, we expect to increase this savings rate to approximately \$80 million. See Business Overview Strategic Manufacturing Initiative.

**Table of Contents**

**The Torrington Acquisition**

On October 16, 2002, we entered into a stock and asset purchase agreement, which we refer to as the purchase agreement, with Ingersoll-Rand Company Limited, which we refer to as Ingersoll-Rand, to acquire its Engineered Solutions business, including certain of its joint venture interests, operating assets and subsidiaries, including The Torrington Company. We refer to the business to be acquired as Torrington and to the acquisition as the Torrington acquisition. We will pay Ingersoll-Rand approximately \$700 million in cash, subject to adjustment, and approximately \$140 million in shares of our common stock for Torrington, a leading worldwide producer of needle roller, heavy-duty roller and ball bearings and motion control components and assemblies. Upon completion of the Torrington acquisition, we will have global leadership positions in the needle and tapered roller bearing and alloy steel industries, with operations on six continents. The closing of this offering is contingent upon the closing of the Torrington acquisition. See **Risk Factors** **Risks Related to the Torrington Acquisition** and **Description of the Torrington Purchase Agreement and Related Agreements** in this prospectus supplement.

***Torrington***

Torrington has been a leader in the bearing industry for over 100 years and is a leading manufacturer of needle roller bearings. It produces a wide range of bearings sold under a number of brand names, including Torrington needle roller bearings, Torrington heavy-duty roller bearings, Nadella precision needle roller bearings and linear motion solutions and Fafnir ball bearings and housed units. Torrington also produces a variety of precision motion control components and assemblies, such as steering shaft assemblies and steering column shafts. Torrington sells its products directly or through authorized distributors to automotive and industrial manufacturers, as well as to aftermarket users throughout the world. In recent years, Torrington has expanded its worldwide business through a series of acquisitions and joint ventures in France, Germany, China and India.

Torrington had net sales of \$1.1 billion for the year ended December 31, 2001 and \$912.4 million for the nine months ended September 30, 2002, employs approximately 10,500 people and operates 27 plants throughout the world. Torrington has two business divisions: automotive engineered solutions and industrial engineered solutions. Torrington's 2001 net sales were about evenly split between its two divisions.

The Torrington automotive business manufactures a variety of products, including roller and needle bearings and other components used in an automobile's transmission, chassis, steering column and engine. Many of these products, such as column locks and rotary tilt products for steering columns, are highly engineered with precision technology, and are specially designed through collaborative efforts between Torrington and its customers. These products are primarily sold to original equipment manufacturers, or OEMs, including large automobile manufacturers, and their principal suppliers. We believe that Torrington has created a high degree of customer loyalty as a result of this collaborative process and customization.

The Torrington industrial business produces a broad range of products, including roller bearings, needle bearings, wider inner ring ball bearings and housed units, radial ball bearings, super precision ball bearings, airframe control bearings, precision machined bearings and precision components and assemblies. These products are sold to OEMs, as well as through a global aftermarket network.

***Strategic Benefits of the Torrington Acquisition***

We expect to realize a number of strategic and competitive benefits as a result of the Torrington acquisition, including the following:

*Expanding our global presence and market share.* The Torrington acquisition will combine our global leadership position in tapered roller bearings with Torrington's leadership position in needle roller bearings. We expect the Torrington acquisition to provide us with opportunities to expand our geographic presence and enhance our industry coverage through increased scale and a stronger international distribution network, particularly in Europe and Asia. We expect this expanded global reach to enable us to compete more effectively with established worldwide firms and regional

**Table of Contents**

competitors. With Torrington, our combined global presence and enhanced product line will better position us to capitalize on the trend among customers toward consolidating suppliers of their bearings and steel products.

*Strengthening our core automotive business with a complementary product offering.* We expect the Torrington acquisition to enhance our ability to produce a broader range of products for use in the automotive powertrain. The powertrain is the area of the vehicle that includes the engine and the driveline (primarily the transmission and axle) and uses both bearings and precision engineered solutions. We believe Torrington's highly engineered, value-added powertrain product portfolio complements our existing wheel hub (the technology used in automotive wheel-ends) portfolio and driveline solutions, will enable us to offer greater system design capability and will provide us with a broader product offering to better serve our customers. We expect future design change and growth in both the powertrain and wheel hub areas.

*Broadening our industrial product portfolio.* We expect the Torrington acquisition to strengthen our existing industrial business by broadening our product base and increasing our cross-selling opportunities, resulting in an increase in the penetration of our products into a broader installed base. In addition, we believe the Torrington acquisition will enable us to achieve economies of scale with our customers and improve our service capabilities, providing us with more opportunities for becoming a preferred supplier to our customers. We believe the Torrington acquisition will expand our presence in the industrial service and aftermarket businesses and will enhance our position as a leading supplier of bearings and related products to the industrial aftermarket worldwide.

*Increasing cost savings and manufacturing efficiencies.* We intend to integrate Torrington into our operations by combining Torrington's automotive engineered solutions business with our automotive bearings segment and Torrington's industrial engineered solutions business with our industrial bearings segment. We intend to generate incremental cost savings throughout the combined company by realizing economies of scale, rationalizing facilities to consolidate manufacturing operations, combining engineering and technology efforts and eliminating duplicative distribution and back office systems. In connection with the Torrington acquisition, we believe we can achieve an estimated annualized rate of pre-tax savings of approximately \$80 million by the end of 2005 before implementation costs, including an estimated annualized rate of pre-tax savings of approximately \$20 million by the end of the first year following the acquisition. These savings are in addition to the savings described above relating to our strategic manufacturing initiative.

*Enhancing our technology innovation platform.* We believe that Torrington has one of the most flexible and responsive product development programs in the bearing industry. We expect to leverage the best practices of Torrington's product development programs across our core bearings technology and to apply our strong research focus across Torrington's product line. We expect that these dual efforts will enable us to develop value-added products and to better meet the needs of our customers.

***Financing of the Torrington Acquisition***

We intend to finance the Torrington acquisition and the costs and expenses relating to that acquisition through:

this offering of 11 million shares of our common stock by this prospectus supplement;

the issuance of approximately \$140 million worth of shares of our common stock to Ingersoll-Rand in a private placement; and

the incurrence of additional debt, including:

approximately \$226 million of borrowings under our new revolving credit facility, approximately \$27 million of which will be used to pay off existing commercial paper obligations; and

the net proceeds from the concurrent public offering of \$            million of our senior unsecured notes.

**Table of Contents**

**Competitive Strengths**

We believe that our core strengths provide us with a competitive advantage that has allowed us to remain consistently at the forefront of our industries. We believe the Torrington acquisition will enhance our competitive strengths, which include:

*Being a leading worldwide manufacturer of anti-friction bearings and alloy steel.* We are a leading global manufacturer of highly engineered bearings, alloy and specialty steel and related components. Over the course of our more than 100-year history, we have become the world's largest manufacturer of tapered roller bearings and alloy seamless mechanical steel tubing. Torrington is a leading manufacturer of needle roller, heavy-duty roller and ball bearings and motion control components and assemblies. With the acquisition of Torrington, we will have global leadership positions in the needle and tapered roller bearing and alloy steel industries, with operations on six continents.

*A comprehensive product offering with leading brands.* We offer a broad array of products and services in the industries in which we operate. Many of our and Torrington's brands have an extensive history within the bearing industry and are well known for their quality, reliability and performance. We believe our brand name recognition and customer awareness help us to capture additional business, as well as to maintain existing customers, particularly as our customers look to reduce their supplier base.

*A diverse business mix and customer base.* We provide our products and services to a wide range of industries and customers, which reduces our dependence on particular geographic or industry segments. We serve a diverse range of industries, including automotive, construction, aerospace and defense, agriculture, mining, metals, rail, energy, machine tool and general industrial. Our customers include both OEMs and aftermarket distributors. We expect the Torrington acquisition to complement our existing customer base and enhance our industrial aftermarket sales.

*Global manufacturing capabilities.* Our extensive global manufacturing network allows us to provide our products to our worldwide customers efficiently. We continue to focus on lowering our cost structure by creating focused factories for each product line or component, reducing our fixed costs and increasing production at our lowest cost plants. We also continue to implement Lean Six Sigma into our manufacturing and business processes to further improve quality and productivity. We intend to apply these techniques within the combined company to further reduce our overall cost structure.

*An experienced management team.* Our executive management team has on average more than 19 years of experience with our company. In addition, our operational management team has substantial materials science expertise and engineering capabilities, which provide them with a distinctive skill set to apply to the bearing industry. As a result of their specialized knowledge, this team has developed strong relationships with, and an intimate understanding of, our customers, as well as the industries we serve.

**Business Strategy**

Our strategy is to achieve profitable growth by continuing to pursue the following initiatives:

*Build on our customer-centric focus to further partner with customers and diversify our customer base.* We work collaboratively with our customers in our research and development efforts to allow us to manufacture products that fit our customers' individual requirements, cost less and provide improved performance. We intend to continue to work closely with our customers to provide significant product improvements, create differentiated products and distribute our products efficiently. We believe this partnership approach creates significant brand equity, fosters long-term relationships with our customers and positions us to expand our already diverse customer base. For example, by providing integrated products that meet our customers' needs, we are able to offer our customers higher value-added solutions. Other examples of this partnership approach are the several e-business initiatives we have

S-8

**Table of Contents**

implemented to better serve our industrial distribution customers and expand our distribution capabilities worldwide.

*Leverage our technology and engineering competencies to introduce complementary new products.* Since 1999, we have invested approximately \$50 million annually into our research and development efforts to generate new revenue, reduce costs, develop more comprehensive solutions for our customers and enhance our manufacturing efficiency. We plan to continue leveraging our significant research and development investments and engineering expertise to develop highly differentiated and customized products and to produce them more efficiently for our customers.

*Continuously improve our manufacturing processes.* Through our strategic manufacturing initiative, we have put into place additional training and personnel needed to further drive process improvements, including our Lean Six Sigma effort. Using Lean Six Sigma, we seek to improve our overall manufacturing processes by reducing cycle time, inventory and floor space, which results in higher returns on our invested capital. We also intend to continue to enhance our productivity and reduce costs through process improvements achieved through research and development and changes driven by skilled plant managers.

*Expand our international presence.* Over the last 10 years, we have opened or acquired new manufacturing and distribution facilities in the United Kingdom, France, Mexico, Singapore, the Netherlands and Italy and expanded our lower cost bearing manufacturing centers in Poland, Romania and China. We have also formed joint ventures in emerging markets such as Brazil and China. These facilities further expand our international presence, improve our overall cost position and enable us to better meet customer demand for local sourcing of products. We seek to continue our strategy of international expansion, including through the Torrington acquisition, which will enable us to further develop our presence in Europe and Asia and provide additional opportunities for us to benefit from globalization.

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We are incorporated in the State of Ohio. Our principal executive offices are located at 1835 Dueber Avenue, S.W., Canton, Ohio 44706-2798. Our telephone number is (330) 438-3000.

**Table of Contents**

**The Offering**

Common stock offered by us in this offering	11,000,000 shares
Common stock outstanding after the offering	shares
Use of proceeds	We expect to use the net proceeds from this offering and our concurrent notes offering, together with additional debt financing, to finance the cash consideration to be paid for the Torrington acquisition. The closing of this offering is conditioned on the closing of the Torrington acquisition. See Use of Proceeds.
New York Stock Exchange symbol	TKR
Risk factors	You should carefully consider all of the information in this prospectus supplement and the accompanying prospectus. In particular, you should evaluate the information set forth in the section of this prospectus supplement entitled Risk Factors beginning on page S-15 before deciding whether to invest in our common stock.

The number of shares of our common stock shown above to be outstanding after this offering is based on the number of shares of our common stock outstanding as of , 2003, together with an estimated shares of common stock, approximately % of our then outstanding shares, that we expect to issue to Ingersoll-Rand in connection with the Torrington acquisition, based on a closing sale price of our common stock of \$ per share on , 2003. The number of shares of our common stock shown above excludes:

shares of our common stock issuable upon the exercise of outstanding stock options at a weighted average exercise price of \$ per share; and

shares of our common stock reserved for additional grants under our stock option plan.

Unless we indicate otherwise, the share information in this prospectus supplement assumes the underwriters option to cover over-allotments is not exercised. See Underwriting.

**Concurrent Notes Offering**

Concurrently with this offering of common stock, we are offering, by means of a separate prospectus supplement, an aggregate principal amount of \$ million of our senior unsecured notes to finance a portion of the Torrington acquisition. The closing of this offering is not conditioned on the closing of our notes offering, and we cannot assure you that our notes offering will be completed. If we are unable to consummate our notes offering, we intend to borrow up to \$ million under the term loan component of our new senior credit facility to finance the Torrington acquisition. See Description of Certain Indebtedness.

**Table of Contents****SUMMARY HISTORICAL CONSOLIDATED AND PRO FORMA****FINANCIAL INFORMATION OF TIMKEN**

We derived the summary historical consolidated financial information as of and for each of the three years ended December 31, 2001 set forth below from our audited consolidated financial statements and the related notes incorporated by reference in this prospectus supplement. We derived the financial information as of and for the nine months ended September 30, 2001 and 2002 from our unaudited condensed consolidated financial statements incorporated by reference in this prospectus supplement. Our unaudited condensed consolidated financial statements as of and for the nine months ended September 30, 2001 and 2002 include, in our opinion, all adjustments necessary for a fair presentation of the results for each period.

The unaudited pro forma financial information as of and for the year ended December 31, 2001 and the nine months ended September 30, 2002 set forth below give effect to the Torrington acquisition, the financing arrangements we expect to enter into for that acquisition, including this offering, our concurrent notes offering and borrowings under our new senior credit facility, and the application of the estimated net proceeds of those financings as described under "Use of Proceeds," as if each had occurred on (1) January 1 of the relevant period presented, in the case of the statements of operations and other financial data, and (2) as of the last day of the period presented, in the case of the balance sheet data. See "Unaudited Pro Forma Financial Information" for a complete discussion of the assumptions underlying the summary pro forma financial information below.

You should read the following summary historical consolidated and pro forma financial information in conjunction with (1) our audited consolidated financial statements and related notes, (2) our unaudited consolidated financial statements and related notes, (3) Torrington's audited and unaudited combined financial statements and related notes, (4) the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and (5) the section entitled "Unaudited Pro Forma Financial Information," each included or incorporated by reference in this prospectus supplement.

	Year Ended December 31,				Nine Months Ended September 30,		
	1999	2000	2001	Pro Forma 2001	2001	2002	Pro Forma 2002
(in thousands, except per share and ratio data)							
<b>Statement of Operations Data:</b>							
Net sales	\$ 2,495,034	\$ 2,643,008	\$ 2,447,178	\$ 3,525,266	\$ 1,873,603	\$ 1,905,177	\$ 2,810,175
Gross profit	492,668	500,873	400,720	586,165	320,048	354,205	507,912
Impairment and restructuring charges		27,754	54,689	74,027	49,405	24,986	28,215
Operating income (loss)	132,758	105,620	(17,652)	38,618	(6,012)	62,840	123,350
Income (Loss) before cumulative effect of change in accounting principle, as reported	62,624	45,888	(41,666)	(33,688)	(42,884)	14,985	36,810
Diluted earnings per share, as reported <sup>(1)</sup>	1.01	0.76	(0.69)	(0.42)	(0.71)	0.25	0.45
Dividends per share	0.72	0.72	0.67		0.54	0.39	
<b>Balance Sheet Data (as of end of period):</b>							
Total assets	\$ 2,441,318	\$ 2,564,105	\$ 2,533,084		\$ 2,534,068	\$ 2,542,043	\$ 3,666,863
Total debt	449,890	514,604	497,015		590,348	481,947	1,063,225
Shareholders' equity	1,045,981	1,004,682	781,735		914,700	819,073	1,121,323
<b>Other Data:</b>							
Net cash provided by operating activities	\$ 277,418	\$ 153,112	\$ 179,871		\$ 35,523	\$ 89,056	
Net cash used by investing activities	(194,112)	(152,506)	(99,334)		(63,002)	(40,600)	
Net cash (used) provided by financing activities	(75,975)	3,037	(55,487)		44,268	(45,891)	
EBITDA <sup>(2)</sup>	273,069	250,087	156,876	250,421	102,632	161,306	255,097
Depreciation and amortization	149,949	151,047	152,467	189,833	114,015	110,956	139,864
Capital expenditures	173,222	162,717	102,347	144,584	76,108	54,140	85,310
Ratio of earnings to fixed charges <sup>(3)</sup>	3.85	2.96	(4)		(5)	2.15	





**Table of Contents**

- (1) Diluted earnings per share, as reported, is calculated by dividing income (loss) before cumulative effect of change in accounting principle, which includes goodwill amortization in all periods prior to January 1, 2002, by the weighted average number of shares of common stock outstanding, adjusted for the dilutive impact of the potential issuance of shares of common stock upon exercise of outstanding stock options. Basic and diluted earnings per share calculate to the same amount for the periods shown. Excluding goodwill amortization, basic and diluted earnings per share would have increased by \$0.08 per share for the years ended December 31, 2001, 2000 and 1999, and by \$0.05 per share for the nine months ended September 30, 2001. See Note 5 to our audited consolidated financial statements incorporated by reference in this prospectus supplement.
- (2) EBITDA is a measurement not calculated in accordance with generally accepted accounting principles in the United States, or GAAP. We define EBITDA as operating income (loss) plus other income (expense) plus depreciation and amortization. We do not exclude from operating income (loss) for purposes of calculating EBITDA (a) reorganization and implementation expenses for the years ended December 31, 2000, 2001 and 2001 on a pro forma basis of \$11.1 million, \$12.6 million and \$12.6 million, respectively, and for the nine months ended September 30, 2001, 2002 and 2002 on a pro forma basis of \$7.6 million, \$14.3 million and \$14.3 million, respectively, and (b) impairment and restructuring expenses for the years ended December 31, 2000, 2001 and 2001 on a pro forma basis of \$27.8 million, \$54.7 million and \$74.0 million, respectively, and for the nine months ended September 30, 2001, 2002 and 2002 on a pro forma basis of \$49.4 million, \$25.0 million and \$28.2 million, respectively. We also do not exclude from other income (expense) payments received from the U.S. Treasury Department under the Continued Dumping and Subsidy Offset Act, or CDO, of \$31.0 million for the year ended December 31, 2001 on an actual and a pro forma basis. We do not intend EBITDA to represent cash flows from operations as defined by GAAP, and you should not consider it as an alternative to net income, cash flows from operations or any other items calculated in accordance with GAAP, or as an indicator of our operating performance. Our definition of EBITDA may not be comparable with EBITDA as defined by other companies. EBITDA is commonly used as an analytical indicator in our industries and also serves as a measure of leverage capacity and debt servicing ability. Following is a reconciliation of EBITDA to operating income (loss):

	Year Ended December 31,				Nine Months Ended September 30,		
	1999	2000	2001	Pro Forma 2001	2001	2002	Pro Forma 2002
	(in thousands)						
Operating income (loss)	\$ 132,758	\$ 105,620	\$ (17,652)	\$ 38,618	\$ (6,012)	\$ 62,840	\$ 123,350
Other income (expense)	(9,638)	(6,580)	22,061	21,970	(5,371)	(12,490)	(8,117)
Depreciation and amortization	149,949	151,047	152,467	189,833	114,015	110,956	139,864
EBITDA	\$273,069	\$250,087	\$156,876	\$250,421	\$102,632	\$161,306	\$255,097

- (3) For purposes of calculating the ratio of earnings to fixed charges, earnings consist of income or loss before income taxes, extraordinary items, cumulative effects of accounting changes, amortization of capitalized interest and fixed charges excluding capitalized interest. Fixed charges consist of interest, both expensed and capitalized, and an estimate of the interest within rental expense.
- (4) Earnings were inadequate to cover fixed charges for the year ended December 31, 2001. The coverage deficiency totaled \$25,022,000 for that period.
- (5) Earnings were inadequate to cover fixed charges for the nine-month period ended September 30, 2001. The coverage deficiency totaled \$34,050,000 for that period.

**Table of Contents****SUMMARY HISTORICAL COMBINED****FINANCIAL INFORMATION OF TORRINGTON**

We derived the summary historical combined financial information as of and for each of the three years ended December 31, 2001 set forth below from Torrington's audited combined financial statements. We derived the financial information as of and for the nine months ended September 30, 2001 and 2002 from Torrington's unaudited combined financial statements. You should read the following summary historical combined financial information in conjunction with Torrington's audited and unaudited combined financial statements and related notes incorporated by reference in this prospectus supplement.

	Year Ended December 31,			Nine Months Ended September 30,	
	1999	2000	2001	2001	2002
(in thousands)					
<b>Statements of Income Data:</b>					
Net sales	\$ 1,236,265	\$ 1,194,204	\$ 1,088,712	\$ 804,898	\$ 912,436
Gross profit	282,820	273,150	203,703	132,270	146,337
Restructuring charges	11,351	10,999	19,338	13,150	3,229
Operating income	154,947	149,803	77,453	42,673	54,745
Net income	75,110	90,077	47,819	14,173	28,001
<b>Balance Sheet Data (as of end of period):</b>					
Total assets		\$ 958,986	\$ 1,013,362	\$ 954,581	\$ 1,060,408
Total debt		26,439	16,414	30,243	14,233
Business equity		211,751	170,588	205,301	202,196
<b>Other Data:</b>					
Net cash provided by operating activities	\$ 137,240	\$ 121,752	\$ 103,633	\$ 53,106	\$ 72,771
Net cash (used in) provided by investing activities	(45,689)	20,540	(54,391)	(29,402)	(27,924)
Net cash used in financing activities	(96,248)	(133,339)	(52,591)	(30,293)	(30,641)
EBITDA <sup>(1)</sup>	201,620	204,137	147,034	70,765	96,066
Depreciation and amortization	51,109	43,746	44,372	32,316	36,948
Capital expenditures	52,140	36,578	42,237	32,515	31,170

- (1) EBITDA is a measurement not calculated in accordance with GAAP. We define EBITDA as operating income plus other income (expense) plus depreciation and amortization. We do not exclude from operating income for purposes of calculating EBITDA (a) restructuring expenses for the years ended December 31, 1999, 2000 and 2001 of \$11.4 million, \$11.0 million and \$19.3 million, respectively, and for the nine months ended September 30, 2001 and 2002 of \$13.2 million and \$3.2 million, respectively, and (b) CDO payments for the year ended December 31, 2001 of \$22.4 million. We also do not exclude from other income (expense) additional CDO payments for the year ended December 31, 2001 of \$25.3 million. We do not intend EBITDA to represent cash flows from operations as defined by GAAP, and you should not consider it as an alternative to net income, cash flows from operations or any other items calculated in accordance with GAAP, or as an indicator of Torrington's operating performance. Our definition of EBITDA may not be comparable with EBITDA as defined by other companies. EBITDA is

**Table of Contents**

commonly used as an analytical indicator in our industries and also serves as a measure of leverage capacity and debt servicing ability. Following is a reconciliation of EBITDA to operating income:

	Year Ended December 31,			Nine Months Ended September 30,	
	1999	2000	2001	2001	2002
	(in thousands)				
Operating income	\$ 154,947	\$ 149,803	\$ 77,453	\$42,673	\$54,745
Other income (expense)	(4,436)	10,588	25,209	(4,224)	4,373
Depreciation and amortization	51,109	43,746	44,372	32,316	36,948
EBITDA	\$201,620	\$204,137	\$147,034	\$70,765	\$96,066

S-14

**Table of Contents**

**RISK FACTORS**

*You should carefully consider the risks described below, as well as other information contained in this prospectus supplement and the accompanying prospectus and the documents incorporated or deemed incorporated by reference here or in the accompanying prospectus, before making an investment in shares of our common stock.*

**Risks Related to the Torrington Acquisition**

*We may not be able to effectively integrate Torrington into our operations.*

Our future success will depend, in part, on our ability to effectively integrate Torrington into our operations. We may not be able to successfully do so without substantial costs, delays or other difficulties. We will face significant challenges in consolidating functions and integrating procedures, information technology systems, personnel, product lines and operations in a timely and efficient manner. In particular, we may encounter difficulties in integrating our technology and training our sales forces to work with new products and customers.

The integration process will be complex and time consuming, may be distracting to management and disruptive to our businesses, and may cause an interruption of, or a loss of momentum in, our businesses as a result of a number of obstacles, such as:

the loss of key employees, whom we refer to as associates, or customers;

the failure to maintain the quality of customer service that each business has historically provided;

the need to retrain skilled engineering and sales personnel;

the need to coordinate geographically diverse organizations;

retooling and reprogramming of equipment and information technology systems; and

the resulting diversion of management's attention from our day-to-day business and the need to hire additional management personnel to address integration obstacles.

If we are not successful in integrating Torrington into our operations, if the integration takes longer than anticipated, if Torrington does not perform as we anticipate or if the integrated product and service offerings fail to achieve market acceptance, our business could be adversely affected. We may encounter similar problems with any future acquisitions.

*We may not be able to realize the anticipated cost savings, synergies or revenue enhancements from combining our company with Torrington, and we will incur significant costs to achieve these savings.*

Even if we are able to integrate successfully the operations of our company and Torrington, we may not be able to realize the cost savings, synergies or revenue enhancements that we anticipate from the integration, either as to amount or in the time frame that we currently expect. Our ability to realize anticipated cost savings, synergies and revenue enhancements may be affected by a number of factors, including the following:

our ability to effectively eliminate duplicative backoffice overhead and overlapping sales personnel, rationalize manufacturing capacity and shift production to more economical facilities;

our incurrence of significant cash and non-cash integration and implementation costs or charges in order to achieve those cost savings, which could offset any such savings and other synergies resulting from the Torrington acquisition;

increases in other expenses, operating losses or problems unrelated to the Torrington acquisition, which may offset the cost savings and other synergies from the acquisition; and

our ability to avoid labor disruption in connection with the integration of Torrington.



**Table of Contents**

***The Torrington acquisition will increase the amount of our outstanding indebtedness and will increase our exposure to the risks associated with our indebtedness.***

We expect to incur significant additional indebtedness to finance the Torrington acquisition through our concurrent notes offering and our new senior credit facility. As of September 30, 2002, we had approximately \$482 million of total consolidated debt. After giving pro forma effect to the Torrington acquisition, the financing of the Torrington acquisition and the application of the proceeds of those financings, as of September 30, 2002, we would have had total consolidated debt of approximately \$ million, based on the minimum offering price per share required as a condition to the purchase agreement. In addition, we will have undrawn availability under our new revolving credit facility and our new accounts receivable facility. See Description of Certain Indebtedness. Subject to the limits contained in our new senior credit facility and our other debt agreements, we may also incur additional debt in the future.

This increase in our outstanding indebtedness will increase our exposure to the risks associated with our indebtedness, which are described below. The increase in our outstanding indebtedness may also make it more difficult for us to meet the leverage ratio or other financial covenants contained in our new senior credit facility. In addition to the interest payable on our outstanding debt, we have other demands on our cash resources, including, among others, capital expenditures and operating expenses. Our level of indebtedness and the significant debt servicing costs associated with that indebtedness could have important effects on an investment in, and may lead to a decline in, the value of shares of our common stock. For example, they could:

require us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing the amount of our cash flow available for working capital, capital expenditures, payments of dividends on our common stock, acquisitions and other general corporate purposes;

limit our flexibility in planning for, or reacting to, changes in the industries in which we compete;

place us at a competitive disadvantage compared to our competitors, some of which have lower debt service obligations and greater financial resources than we do;

limit our ability to borrow additional funds;

increase our vulnerability to general adverse economic and industry conditions; and

result in our failure to satisfy the financial covenants contained in our new senior credit facility or in other agreements governing our indebtedness, which, if not cured or waived, could have a material adverse effect on our business, financial condition or results of operations.

On October 17, 2002, Standard & Poor's Rating Services, or S&P, publicly announced that it placed our ratings on CreditWatch with negative implications. Additionally, Moody's Investors Service, or Moody's, announced that it had placed our debt ratings under review for possible downgrade. These announcements were in response to our announcement of the Torrington acquisition. We cannot assure you that S&P and/or Moody's will not downgrade our credit profile. The downgrading of our ratings by S&P and Moody's would result in an increase in the interest rate on our new senior credit facility, could materially adversely affect our future ability to obtain funding or could materially increase the cost of any additional funding.

If we are unable to service our indebtedness or fund our operating costs, we will be forced to adopt alternative strategies that may include:

reducing or delaying capital expenditures;

seeking additional debt financing or equity capital, which may be at a higher cost or have other terms that are less attractive to us than would otherwise be the case;

selling assets;

restructuring or refinancing debt, which may increase further our financing costs; or

curtailing or eliminating certain activities.





**Table of Contents**

Moreover, we cannot assure you that any of these strategies could be implemented on satisfactory terms, if at all. See also Our failure to meet certain financial standards required by our debt agreements may materially and adversely affect our assets and financial position.

***Claims against us relating to Torrington brought after the Torrington acquisition may necessitate our seeking indemnification from Ingersoll-Rand, which Ingersoll-Rand may not provide, and these claims may exceed Ingersoll-Rand's indemnification obligations to us under the purchase agreement or may, in the aggregate, be material to our financial condition.***

Ingersoll-Rand must indemnify us after the closing of the Torrington acquisition for certain losses suffered or incurred by us related to Torrington, as provided in the purchase agreement. See Description of the Torrington Purchase Agreement and Related Agreements. However, we cannot assure you that we will be able to successfully obtain indemnification from Ingersoll-Rand. We may, as a consequence, have to bear liabilities for which we are entitled to indemnification, but for which we are unable to collect.

In addition, for certain claims, Ingersoll-Rand's indemnification obligation to us is subject to certain financial limitations, including general and per-claim deductibles and a cap, as well as time limitations. We cannot assure you that there will not be a significant number of small claims for which we cannot seek indemnification, that may, in the aggregate, amount to a considerable sum, nor can we assure you that total liabilities will not exceed our estimates or the \$400 million cap. These liabilities could have a material adverse effect on our business, financial condition and results of operations.

Any claims brought against us in connection with the Torrington acquisition, whether or not subject to indemnification, may harm our reputation in the industries in which we operate and hence could have a substantial negative impact on the sales of our products and therefore on our business, financial condition and results of operations.

***The Torrington acquisition will increase our exposure to economic, political and other risks associated with international sales and operations.***

Given the global scope of our operations, we currently face a number of risks associated with doing business internationally. The Torrington acquisition would increase our sales derived from international operations from approximately \$540 million in 2001 to approximately \$940 million on a pro forma basis after giving effect to the Torrington acquisition. As a result, following the Torrington acquisition, we will be more susceptible to the adverse consequences of the risks associated with our international operations. See The global nature of our business exposes us to foreign currency fluctuations that may affect our asset values, results of operations and competitiveness and Global political instability and other risks of international operations may adversely affect our business.

***The Torrington acquisition may result in increased environmental costs and liabilities to us.***

The operations and properties of Torrington, like ours, are subject to environmental regulation. This regulation may result in increased compliance costs and the risk of penalties for environmental violations. Although Ingersoll-Rand has agreed to indemnify us in the purchase agreement for certain specified environmental liabilities, the Torrington operations, including past disposal practices, may subject us to additional potential liabilities relating to the investigation and clean-up of contaminated properties and to potential claims alleging personal injury. We cannot assure you that Torrington's environmental liabilities will not exceed our estimates or that the indemnity provided for in the purchase agreement will be sufficient to address these potential liabilities. See Environmental regulations impose substantial costs and limitations on our operations, and environmental compliance may be more costly than we expect.

***We may not be able to acquire certain of Torrington's assets, which could materially affect the business of the combined company.***

In connection with the Torrington acquisition it will be necessary to obtain the consent of certain Torrington joint venture parties and customers to the transfer of certain portions of Ingersoll-Rand's interest in

## **Table of Contents**

Torrington to us. If Ingersoll-Rand is unable to obtain the necessary waivers or consents to those transfers, we may not be able to acquire the applicable asset, even if it is material to Torrington, the business of the combined company or our long-term business strategy. As a result, we may not achieve all of the expected benefits of the Torrington acquisition, including having access to certain customers or relationships.

### **Risks Related to our Industry**

***The bearing industry is highly competitive and this competition results in significant pricing pressure that could affect our business, financial condition and results of operations.***

The global bearing industry is highly competitive. We compete with domestic manufacturers and many foreign manufacturers of anti-friction bearings, including SKF AB, INA-Holding Schaeffler KG, NTN Corporation, Koyo Seiko Co., Ltd. and NSK Ltd. We compete primarily based on price, quality, timeliness of delivery and design, and the ability to provide engineering support and service on a global basis. The bearing industry is also capital intensive, and profitability is dependent on factors such as labor compensation and productivity and inventory management, which are subject to risks that we may not be able to control. Furthermore, it is becoming necessary to provide our customers with integrated systems and solutions rather than individual components, which may require us to invest significant additional capital into our research and development efforts. Some of our competitors may be better able to manage these costs or may have greater financial resources than us and, therefore, can more easily afford to make these expenditures. Due to the competitiveness within the bearing industry, we may not be able to increase prices for our products to cover increases in our costs, and, in many cases, we may face pressure to reduce prices, which could adversely affect our profitability.

***Competition and consolidation in the steel industry, together with global overcapacity, result in significant price pressure that could affect our sales, margins and profitability.***

Competition within the steel industry, both domestically and worldwide, is intense and is expected to remain so. More than 30 U.S. steel companies have declared bankruptcy in recent years and have either ceased operations or, more often, been acquired by other companies. Global production overcapacity is also likely to continue, which, combined with the high levels of steel imports into the United States, has exerted downward pressure on domestic steel prices and has resulted in, at times, a dramatic narrowing, or with many companies, the elimination, of gross margins. These industry conditions lead to significant downward pressure on prices for our steel products, which could have a material adverse effect on our business, financial condition and results of operations. In addition, many of our competitors are continuously exploring and implementing strategies, including through acquisitions, that focus on manufacturing higher margin products that compete more directly with our steel products. Our ability to remain competitive will depend, in part, on whether we are able to keep production costs competitive and keep pace with those product improvements in a cost effective manner.

***Weakness in any of the industries in which our customers operate, as well as the cyclical nature of our customers' businesses generally, could adversely impact our revenues and profitability.***

The automotive, aerospace, heavy equipment and many of the other industries to which we sell our products are cyclical and tend to decline in response to overall declines in industrial production. Margins in those industries are highly sensitive to demand cycles, and our customers in those industries historically have tended to delay large capital projects, including expensive maintenance and upgrades, during economic downturns. As a result, our business is also cyclical and impacted by overall levels of industrial production. In addition, many of our customers have historically experienced periodic downturns, which often have had a negative effect on demand for our products. For example, deferrals or cancellations in aircraft orders adversely affect the volume and price of orders placed for products used to manufacture commercial aircraft, including our bearings and other individual parts and components we manufacture. Prior industry downturns have negatively affected our net sales, gross margin and net income. The United States and other world markets are currently experiencing an economic downturn and many of the markets we serve have been affected by this

**Table of Contents**

negative environment. An extension of the current economic downturn would have a material adverse effect on our business, financial condition and results of operations.

***An increase in the use of substitutes for our steel products could adversely impact our revenues and profitability by reducing demand and margins.***

In the case of certain product applications, steel competes with other materials, including plastic, aluminum, graphite composites and ceramics. The incorporation of more of these steel substitutes in automobiles and other applications could reduce the demand, and therefore the prices we are able to charge, for our steel products. If this were to happen, there could be a material adverse effect on our business, financial condition and results of operations.

***Environmental regulations impose substantial costs and limitations on our operations, and environmental compliance may be more costly than we expect.***

We are subject to the risk of substantial environmental liability and limitations on our operations due to environmental laws and regulations. We are subject to various federal, state, local and foreign environmental, health and safety laws and regulations concerning issues such as air emissions, wastewater discharges, solid and hazardous waste handling and disposal and the investigation and remediation of contamination. The risks of substantial costs and liabilities related to compliance with these laws and regulations are an inherent part of our business, and future conditions may develop, arise or be discovered that create substantial environmental compliance or remediation liabilities and costs.

Compliance with environmental legislation and regulatory requirements may prove to be more limiting and costly than we anticipate. New laws and regulations, stricter enforcement of existing laws and regulations, the discovery of previously unknown contamination or the imposition of new clean-up requirements could require us to incur costs or become the basis for new or increased liabilities that could have a material adverse effect on our business, financial condition or results of operations. We may also be subject from time to time to legal proceedings brought by private parties or governmental authorities with respect to environmental matters, including matters involving alleged property damage or personal injury.

***Successful appeals with respect to, a relaxation of, or substantial exemptions from, the tariffs contained in President Bush's recent order regarding steel imports may lessen the benefits of the order.***

Hot-rolled bars are a major product line for our steel business, which also manufactures some cold-finished bar products. On March 5, 2002, pursuant to Section 201 of the U.S. Trade Act of 1974, President Bush signed a proclamation imposing increased tariffs for a three-year period on imports of hot-rolled and cold-finished steel bar imports, in response to an International Trade Commission, or ITC, finding that the U.S. steel industry was being injured as a result of excessive imports by international competitors. Rulings adverse to the United States or substantial political pressures could, however, result in the President changing the remedy, granting substantial exemptions from the remedy, or terminating the remedy entirely prior to the full three years.

In November 2002, the U.S. government initiated additional consultations with U.S. steel consumers and international producers to discuss potential exemptions from the increased tariffs. Moreover, while the President's decision to implement a Section 201 remedy is not appealable to U.S. courts, foreign governments may appeal, and some have appealed, to the World Trade Organization, or WTO. The European Union, Japan and other countries are currently prosecuting these appeals. These dispute settlement proceedings at the WTO and further appeals to the Appellate Body of the WTO generally take 15 to 24 months. Moreover, a number of affected countries have imposed or threatened to impose various retaliatory tariffs on U.S. steel or other products or have sought various product exemptions from the imposition of the tariffs.

If the amount, scope or duration of the Section 201 orders are lessened or adversely changed, it could lead to a resurgence of steel bar imports. This would again put significant downward pressure on U.S. steel bar prices, which could negatively impact our steel sales, margins and profitability.

**Table of Contents**

***Payments to us from the U.S. Treasury Department under the Continued Dumping and Subsidy Offset Act may not continue.***

We received a \$31.0 million payment under the CDO in 2001. This payment resulted from the requirement in the CDO that dumping duties collected by the U.S. Customs Service be distributed to qualifying domestic producers who supported the original trade case, and is related to our industrial and automotive bearings segments. In September 2002, the WTO ruled that these payments violate international trade rules by unfairly favoring U.S. companies. The U.S. Trade Representative has appealed this ruling. Although we expect to receive a significant payment under the CDO in the fourth quarter of 2002, we cannot assure you that we will receive future payments under the CDO, or if we do, in what amount. Although Torrington received a payment of approximately \$62.0 million under the CDO in 2001, under the purchase agreement, Ingersoll-Rand will retain 100% of any payment Torrington receives in 2002, and we will be obligated to pay Ingersoll-Rand 80% of any such payments Torrington receives in 2003 and 2004.

**Risks Related to our Business**

***The failure to fully carry out our strategic manufacturing initiative could negatively affect our business, financial condition or results of operations.***

Maintaining our leading position in the global markets for bearings and steel will depend on the success of our operating plans, including our ability to achieve fully the benefits of our strategic manufacturing initiative. A combination of complex factors, including the general economic environment, the availability of lower cost manufacturing opportunities, severance requirements and engineering achievements, will affect our ability to carry out our strategic manufacturing initiative. Our belief as to the future cost savings from our strategic manufacturing initiative is based upon our current best estimates and we cannot assure you that we will achieve these estimates, either as to amount or in the time frame that we currently expect. Our inability to achieve the expected cost savings from our strategic manufacturing initiative or otherwise reduce our fixed costs to the extent we currently anticipate could materially adversely affect our business, financial condition and results of operations. In addition, increases in other costs and expenses may offset any cost savings from our strategic manufacturing initiative and our other cost reduction efforts.

***We may incur further restructuring and impairment charges that could negatively affect our business, financial condition or results of operations.***

We have taken approximately \$73.7 million in restructuring and impairment charges from our strategic manufacturing initiative from the second quarter of 2001 through September 30, 2002. Moreover, Torrington has also taken restructuring charges of approximately \$19.3 million and \$3.2 million for the year ended December 31, 2001 and the nine months ended September 30, 2002, respectively, related to a workforce reduction and facility consolidation effort that is substantially complete. We cannot assure you that changes in business or economic conditions, in our business strategy or in connection with the Torrington acquisition will not require us to take additional charges in the future.

***We may not be able to maintain profitability or a positive ratio of earnings to fixed charges.***

We reported a net loss and our earnings were not sufficient to cover our fixed charges for 2001. The U.S. and global industrial manufacturing downturn deepened during 2001 and contributed to a decrease in our sales and profitability. We cannot foresee whether our operations will generate sufficient revenue for us to sustain profitability in the future nor can we assure you that we will be able to reduce fixed costs sufficiently to improve our operating ratios. See also Our failure to meet certain financial standards required by our debt agreements may materially and adversely affect our assets and financial position.

***Unexpected equipment failures may increase our costs and reduce our sales due to production curtailments or shutdowns.***

Interruptions in production capabilities will inevitably increase our production costs and reduce sales and earnings for the affected period. In addition to equipment failures, our facilities are also subject to the risk of

**Table of Contents**

catastrophic loss due to unanticipated events such as fires, explosions or violent weather conditions. Our manufacturing processes are dependent upon critical pieces of equipment, such as furnaces, continuous casters and rolling equipment, as well as electrical equipment, such as transformers, and this equipment may, on occasion, be out of service as a result of unanticipated failures. In the future, we may experience material plant shutdowns or periods of reduced production as a result of these types of equipment failures.

***Any change in the availability or cost of raw materials and energy resources could materially affect our earnings.***

We require substantial amounts of raw materials, including our own steel tubing and bars, purchased strip steel, scrap metal, nickel and other alloys and natural gas and electric power to operate our business. The availability and prices of raw materials and energy resources may be subject to curtailment or change due to, among other things, new laws or regulations, suppliers' allocations to other purchasers, interruptions in production by suppliers, changes in exchange rates and prevailing price levels. For example, the weighted average price of scrap metal increased 12.5% from 1999 to 2000, decreased 19.6% from 2000 to 2001, and increased 7.8% from December 31, 2001 to September 30, 2002.

Moreover, disruptions in the supply of our raw materials or energy resources could temporarily impair our ability to manufacture our products for our customers or require us to pay higher prices in order to obtain these raw materials or energy resources from other sources, and could thereby affect our sales and profitability. Any increase in the prices for such raw materials or energy resources could materially affect our costs and therefore our earnings.

***The global nature of our business exposes us to foreign currency fluctuations that may affect our asset values, results of operations and competitiveness.***

We are exposed to the risks of currency exchange rate fluctuations, because a significant portion of our net sales and certain of our costs, assets and liabilities are denominated in currencies other than the U.S. dollar. These risks include a reduction in our asset values, net sales, operating income and competitiveness.

For those countries outside the United States where we have significant sales, which currently include France, Germany and the United Kingdom, a devaluation in the local currency will reduce the value of our local inventory as presented in our financial statements. In addition, a stronger dollar will result in reduced revenue, operating profit and shareholders' equity due to the impact of foreign exchange translation on our financial statements. Lastly, fluctuations in foreign currency exchange rates may make our products more expensive for customers to purchase or increase our operating costs, affecting our competitiveness and our profitability.

Changes in exchange rates between the U.S. dollar and other currencies, including the Brazilian *real*, and volatile economic, political and market conditions in Brazil, Argentina and other emerging market countries, have in the past adversely affected our financial performance and may continue to adversely affect the value of our assets located outside the United States, our gross profit and our operating results.

***Global political instability and other risks of international operations may adversely affect our business.***

Because of the international scope of our business, we are subject to political risks, including the threat of war, terrorism or the potential instability of governments and legal systems in countries in which we or our customers conduct business. The terrorist attacks in the United States on September 11, 2001 and the threat of armed hostilities in the Middle East have caused instability in the world's markets. We cannot assure you that existing global conflicts will not escalate or that further acts of terrorism and civil disturbances in the United States or elsewhere will not contribute to the economic instability in the United States and the other markets we serve.

**Table of Contents**

We are also subject to the following additional risks associated with our international operations:

changes in tariff regulations, which may make our products more costly to export;

difficulties establishing and maintaining relationships with local distributors and dealers;

longer shipping times and accounts receivable payment cycles, which may affect our ability to collect revenues;

import and export licensing requirements;

compliance with a variety of foreign laws and regulations, including unexpected changes in taxation and environmental or other regulatory requirements, which could increase our operating and other expenses and limit our operations;

greater difficulty in safeguarding intellectual property outside the United States; and

difficulty in staffing and managing geographically diverse operations.

These and other risks may also increase the relative price of our products compared to those manufactured in other countries, reducing the demand for our products in the markets in which we operate.

Additionally, we conduct a portion of our accounts payable, payroll, information technology and engineering and other business processing operations in India and we may expand those operations in the future. India has from time to time experienced unrest relating to religious and political differences within India's population and with neighboring countries. Although the hostilities have substantially abated of late and have not had an adverse impact on us directly, future events of this nature could have an adverse effect on our overall costs.

***Declines in the stock market and prevailing interest rates may require us to increase our pension liability for 2002 and future fiscal years, may cause a significant reduction in our net worth and may lead us to accelerate funding of our pension obligations and divert funds from other uses.***

In 2001, as a result of lower investment performance caused by lower stock market returns and a decline in prevailing interest rates, our pension fund asset values decreased and our defined benefit pension liability increased. The reduction in asset values required that we take a non-cash after-tax charge to accumulated other comprehensive loss, which is a component of shareholders' equity, of \$122.5 million. Based on current asset performance and interest rate levels, we anticipate that we will be required to further reduce shareholders' equity as of December 31, 2002, although the amount is dependent on the actual performance of our pension fund assets and interest rates and will not be determined until the first quarter of 2003. We cannot assure you that further charges related to pension liabilities will not be required or will not be significant. A reduction in our shareholders' equity may affect our ability to maintain the required net worth ratios under our existing senior credit facility and our new senior credit facility.

The increase in our defined benefit pension obligations, as well as our ongoing practice of managing our funding obligations over time, led us to prepay a portion of our funding obligations under our pension plans. In the first nine months of 2002, we contributed \$51.9 million in cash and an aggregate of \$54.5 million in treasury shares and a small number of newly issued shares to our pension plans for this purpose. We currently expect to make substantial additional cash contributions in the near term, but we cannot predict whether changing economic conditions or other factors will require us to contribute additional substantial amounts, diverting funds we would otherwise apply to other uses.

**Table of Contents**

***Our new debt agreements will restrict our ability, and the ability of some of our subsidiaries, to engage in particular activities.***

Our new senior credit facility will restrict our ability and the ability of some of our subsidiaries to, among other things:

incur additional debt and make certain investments or acquisitions;

incur or permit to exist certain liens;

sell assets; and

merge, consolidate or amalgamate with another company.

In addition, the indenture that will govern the notes that we are offering concurrently with this offering will restrict our ability and the ability of some of our subsidiaries to incur or permit to exist certain liens and effect certain sale and leaseback transactions. See Description of Certain Indebtedness. Our future indebtedness may also contain restrictions on our ability to engage in particular activities.

***Our failure to meet certain financial standards required by our debt agreements may materially and adversely affect our assets and financial position.***

Our existing senior credit facility contains, and our new senior credit facility will contain, financial covenants that will require us to achieve certain financial and operating results and maintain compliance with specified financial ratios. In particular, our new senior credit facility contains requirements to maintain a minimum consolidated net worth, a maximum consolidated leverage ratio and a minimum consolidated fixed charge coverage ratio. These covenants could limit our ability to obtain future financing and may prevent us from taking advantage of attractive business opportunities. Our ability to meet the financial covenants or requirements in our senior credit facilities may be affected by events beyond our control, and we cannot assure you that we will satisfy such covenants and requirements. A breach of these covenants or our inability to comply with the financial ratios, tests or other restrictions could result in an event of default under our senior credit facilities, which in turn could result in an event of default under the terms of our other indebtedness. Upon the occurrence of an event of default under our senior credit facilities, after the expiration of any grace periods, the lenders could elect to declare all amounts outstanding under our senior credit facilities, together with accrued interest, to be immediately due and payable. If this happens, we cannot assure you that our assets would be sufficient to repay in full the payments due under those facilities or our other indebtedness.

***The departure of existing management and key personnel who are familiar with our business strategy and daily operations, or a shortage of skilled employees, would materially affect our business, operations and prospects.***

Many of our executive officers are critical to the management and direction of our business. Our future success depends, in large part, on our ability to retain these officers and other capable management personnel. In addition, we have entered into severance agreements with all of our executive officers that allow those officers to terminate their employment with us in the event of a change of control affecting our company. Although we believe we will be able to attract and retain talented personnel and replace key personnel should the need arise, our inability to do so could have a material adverse effect on our business, financial condition or results of operations. In addition, because of the complex nature of many of our products and programs, we are generally dependent on an educated and highly skilled workforce. We would be adversely affected by a shortage of available skilled employees.

***Our business, financial condition and results of operations could be adversely impacted by strikes or work stoppages by our unionized associates.***

Approximately 32% percent of our U.S. associates and 4% of Torrington s employees are covered by collective bargaining agreements. Any potential strikes or work stoppages, and the resulting adverse impact on

## **Table of Contents**

our relationships with customers, could have a material adverse effect on our business, financial condition or results of operations.

### **Risks Related to our Common Stock**

#### ***Substantial sales of shares of our common stock could cause our stock price to decline.***

We may, in the future, sell additional shares of our common stock in subsequent public offerings and may also issue additional shares of our common stock to finance future acquisitions. A substantial number of shares of our common stock is also available for future sale pursuant to stock options that we have granted to our associates. Sales of substantial amounts of our common stock, or the perception that such sales could occur, may adversely affect prevailing market prices for shares of our common stock and could impair our ability to raise capital through future offerings.

Additionally, we have agreed to issue approximately \$140 million worth of shares of our common stock, representing approximately % of our shares of common stock to be outstanding after the closing of the Torrington acquisition and after giving effect to this offering, to Ingersoll-Rand in a private placement, as part of the consideration for the Torrington acquisition. These shares will be restricted securities under the U.S. securities laws, and as a result they may not be sold except pursuant to an effective registration statement under the Securities Act or pursuant to exceptions from the registration requirements. Under the terms of the purchase agreement relating to the Torrington acquisition, we will enter into a registration rights agreement with Ingersoll-Rand Company, a wholly owned U.S. subsidiary of Ingersoll-Rand, and, pursuant to the registration rights agreement, will file a shelf registration statement with the SEC in order to allow Ingersoll-Rand to sell these shares in registered resales in compliance with SEC rules, including up to two public underwritten offerings. Ingersoll-Rand and Ingersoll-Rand Company have also agreed to enter into a standstill and voting agreement with us, among other things, to limit Ingersoll-Rand's ability to transfer these shares for a period of six months after the closing of the Torrington acquisition, subject to certain exceptions. After the expiration of the six-month lock-up period, subject to the availability of the shelf registration described above, Ingersoll-Rand will be able to sell some or all of its shares of our common stock in the public markets under the registration statement we have agreed to provide. Any such sales by Ingersoll-Rand, or the perception that such sales may occur, could adversely affect the market price of our common stock. See Description of the Torrington Purchase Agreement and Related Agreements.

We, our directors and executive officers will agree, with certain exceptions, not to sell or otherwise transfer any shares of our common stock for days after the date of this prospectus supplement, without first obtaining the written consent of . With the consent of , we, our directors and executive officers may sell shares before the expiration of such -day period without prior notice to our other shareholders or to any public market in which our common stock trades. Ingersoll-Rand will agree to enter into a substantially similar agreement with , except that the lock-up period under Ingersoll-Rand's agreement will be days.

#### ***Our stock price may become more volatile in the future, resulting in substantial losses for investors purchasing shares of our common stock in this offering. Investors may not be able to resell their shares of our common stock at or above the price to the public.***

The trading price of our common stock may become more volatile in the future. Many factors may contribute to this volatility, including, but not limited to:

changes in marketing, product pricing and sales strategies or development of new products by us or our competitors;

changes in domestic or foreign governmental regulations;

variations in our results of operations;

perceptions about market conditions in the industries we serve; and

general market conditions.



**Table of Contents**

Volatility may have a significant impact on the market price of our common stock. Moreover, the possibility exists that the stock market could experience extreme price and volume fluctuations that may materially adversely affect our stock price regardless of our operating results. This volatility makes it difficult to ascribe a stable valuation to a shareholder's holdings of our common stock.

***Our articles of incorporation, regulations and Ohio corporate law could delay or prevent a change of control that you may favor.***

Our articles of incorporation, regulations and Ohio corporate law contain provisions that could delay, defer or prevent a change of control of our company or our management. These provisions could also discourage proxy contests and make it more difficult for you and other shareholders to elect directors and take other corporate actions. These provisions:

divide our board of directors into three classes, with members of each class to be elected for staggered three-year terms; and

regulate how shareholders may present proposals or nominate directors for election at shareholder meetings.

Additionally, Ohio corporate law provides that certain notice and informational filings and special shareholder meeting and voting procedures must be followed prior to consummation of a proposed control share acquisition, as defined in the statute. Assuming compliance with the notice and information filings prescribed by statute, the proposed control share acquisition may be made only if, at a special meeting of shareholders, the acquisition is approved by both a majority of the voting power of the company represented at the meeting and a majority of the voting power remaining after excluding the combined voting power of the interested shares, as defined in the statute. For more information about these laws and our articles and regulations, see Description of Our Capital Stock in the accompanying prospectus. Together, these provisions of our articles, regulations and Ohio corporate law may discourage transactions that otherwise could provide for the payment of a premium over prevailing market prices for our common stock and could also limit the price that investors may be willing to pay in the future for shares of our common stock.

**Table of Contents****USE OF PROCEEDS**

We expect to receive net proceeds from this offering, after deducting the estimated discounts and commissions of the underwriters and other offering expenses, of approximately \$ million, based on an assumed offering price of \$ per share. We also expect to receive approximately \$ of net proceeds, after deducting the estimated discounts and commissions and other expenses, from our concurrent notes offering. We intend to use the net proceeds from this offering and the notes offering, together with borrowings under our new senior credit facility, to finance the cash consideration to be paid for the Torrington acquisition and related fees and expenses. We expect that any excess of net proceeds to us from this offering over the minimum required by the purchase agreement, including due to the exercise by the underwriters of their over-allotment option, will permit us to borrow less, either under our new senior credit facility or our notes offering. The closing of this offering is not conditioned on the closing of the notes offering. However, each offering is conditioned on the closing of the Torrington acquisition, and the closing of our notes offering is conditioned on the closing of this offering.

The following table sets forth the estimated sources and uses of funds in connection with the Torrington acquisition (in millions):

<b>Sources of Funds</b>	
Common stock <sup>(1)</sup>	\$ 162.2
Senior unsecured notes <sup>(1)(3)</sup>	375.0
Revolving credit facility <sup>(3)(4)</sup>	225.9
Equity issuance to Ingersoll-Rand	140.0
	<hr/>
Total sources of funds	\$ 903.1
	<hr/>
<b>Uses of Funds</b>	
The Torrington acquisition <sup>(2)</sup>	\$ 836.5
Fees and expenses of the Torrington acquisition	40.0
Refinancing of our existing commercial paper <sup>(4)</sup>	26.6
	<hr/>
Total uses of funds	\$ 903.1
	<hr/>

- (1) Excludes underwriting discounts and commissions and offering expenses payable by us in connection with this offering and our concurrent notes offering.
- (2) Pursuant to the purchase agreement, the purchase price for the Torrington acquisition is subject to adjustment after closing of the Torrington acquisition. The purchase price in the table above reflects an estimated purchase price adjustment of approximately \$3.5 million as of September 30, 2002. See Description of the Torrington Purchase Agreement and Related Agreements Stock and Asset Purchase Agreement Consideration Payable by Us.
- (3) The senior unsecured notes are being offered in a concurrent offering. If we do not consummate our notes offering, we will incur up to \$ million of additional borrowings under the term loan component of our new senior credit facility in order to finance the Torrington acquisition. See Description of Certain Indebtedness.
- (4) The revolving credit facility is part of our new senior credit facility. See Description of Certain Indebtedness. Upon the closing of the Torrington acquisition, the revolving credit facility will replace our existing senior credit facility. Under the terms of our new senior credit facility, we are required to use the proceeds of the revolving credit facility to repay any amounts outstanding under our existing senior credit facility and then terminate our existing senior credit facility. As of September 30, 2002, no amounts were outstanding under our

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existing credit facility. We intend to borrow up to \$26.6 million under our new senior credit facility to repay all of our outstanding commercial paper. We may also choose to repay additional amounts of short-term debt upon the closing of the Torrington acquisition. See Capitalization. The above table assumes that the actual amounts of commercial paper outstanding will equal the amount outstanding as of September 30, 2002. Actual amounts borrowed and repaid at the closing of the Torrington acquisition are subject to change.

S-26

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**Table of Contents****PRICE RANGE OF COMMON STOCK**

Our common stock is listed for trading on the New York Stock Exchange under the symbol TKR. The following table sets forth on a per share basis the intraday high and low sales prices for our common stock for the quarters indicated.

	<u>High</u>	<u>Low</u>
<b>2000:</b>		
Fourth Quarter	\$ 15.81	\$ 12.56
<b>2001:</b>		
First Quarter	\$ 17.38	\$ 14.63
Second Quarter	18.65	14.89
Third Quarter	17.16	11.75
Fourth Quarter	16.49	13.04
<b>2002:</b>		
First Quarter	\$ 24.50	\$ 15.35
Second Quarter	27.41	20.50
Third Quarter	24.00	16.54
Fourth Quarter (through December 19, 2002)	20.27	14.92

On December 19, 2002, the last reported sale price of our common stock on the New York Stock Exchange was \$19.35 per share. You should obtain current market quotations before making any decision with respect to an investment in our common stock. As of September 30, 2002, there were approximately 7,769 holders of record of our common stock. This number excludes beneficial owners of common stock held in street name.

**DIVIDEND POLICY**

We pay dividends on shares of our common stock generally in March, June, September and December of each year. We have paid dividends on shares of our common stock every quarter since our initial public offering in 1922. During each quarter in 2000 and the first, second and third quarters of 2001, we paid a quarterly cash dividend on our common stock of \$0.18 per share. During the fourth quarter of 2001 and each quarter in 2002, we paid a cash dividend of \$0.13 per share. However, we cannot assure you that, or in what amount, we will continue to pay dividends with respect to any future quarters.

Our board of directors considers the payment of dividends based upon the earnings and financial condition of the company, as well as other relevant considerations.

**Table of Contents****CAPITALIZATION**

The following table sets forth our capitalization as of September 30, 2002 on an actual basis and on a pro forma, as adjusted basis to give effect to this offering, our concurrent notes offering, the Torrington acquisition and the other related financings and the application of the net proceeds from those financings as if each of them had occurred on September 30, 2002. See "Use of Proceeds" in this prospectus supplement. The following table assumes no exercise of the underwriters' overallotment option in connection with this offering. The closing of this offering is not conditioned on the closing of our notes offering. However, each offering is conditioned on the closing of the Torrington acquisition, and the closing of our notes offering is conditioned on the closing of this offering. This table should be read in conjunction with "Unaudited Pro Forma Financial Information," "Selected Historical Financial Information of Timken," "Management's Discussion and Analysis of Financial Condition and Results of Operations," the audited and unaudited combined financial statements and related notes of Torrington and our consolidated financial statements and the related notes, each included elsewhere or incorporated by reference in this prospectus supplement.

	As of September 30, 2002	
	Actual	Pro Forma, As Adjusted
Cash and cash equivalents	\$ 36,812	\$
Short-term debt and commercial paper <sup>(1)</sup>	\$ 107,888	\$
Current portion of long-term debt	23,544	
Long-term debt, net of current portion:		
Revolving credit facility <sup>(1)</sup>		
Senior unsecured notes <sup>(2)</sup>		
Other long-term debt	350,515	
Total debt	481,947	
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, 63,315,670 shares issued and outstanding, shares, issued and outstanding as adjusted		
Stated capital	53,064	
Other paid-in capital	256,664	
Earnings invested in the business	736,212	
Accumulated other comprehensive loss	(226,867)	
Total shareholders' equity	819,073	
Total capitalization	\$1,301,020	

(1) Excludes current portion of long-term debt. As of September 30, 2002, we had \$26.6 million of commercial paper and \$81.3 million of other short-term debt outstanding. We expect to use up to \$26.6 million of borrowings under our new senior credit facility to repay all of our outstanding commercial paper, and we may also choose, upon the closing of the Torrington acquisition, to repay additional amounts of our short-term debt with further borrowings under our new senior credit facility and/or borrowings under our new accounts receivable facility. See "Description of Certain Indebtedness."

(2)

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The senior unsecured notes are being offered in a concurrent offering. If we do not consummate our notes offering, we will incur up to \$ million of additional borrowings under the term loan component of our new senior credit facility in order to finance the Torrington acquisition.

S-28

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**Table of Contents**

**UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following unaudited pro forma financial statements are based on our historical consolidated financial statements and the historical combined financial statements of Torrington as of and for the year ended December 31, 2001 and the nine months ended September 30, 2002 incorporated by reference in this prospectus supplement. Our and Torrington's historical financial statements have been prepared in accordance with GAAP. The unaudited pro forma financial statements should be read in conjunction with our audited consolidated financial statements and related notes for the year ended December 31, 2001, our unaudited consolidated condensed financial statements and notes for the nine months ended September 30, 2002, the audited combined financial statements of Torrington for the year ended December 31, 2001 and the unaudited combined financial statements of Torrington for the nine months ended September 30, 2002, each incorporated by reference in this prospectus supplement.

We will account for the Torrington acquisition under the purchase method of accounting. The unaudited pro forma financial statements give effect to the acquisition of Torrington and the financing of the \$700 million cash component of the purchase price through (1) approximately \$226 million of borrowings under a new senior credit facility, including amounts borrowed to refinance approximately \$27 million of outstanding commercial paper, (2) a public offering of \$375 million of senior unsecured notes, and (3) a public offering of 11 million shares of our common stock at an assumed price per share of \$14.75, the minimum offering price per share required by the purchase agreement. The unaudited pro forma financial statements also give effect to the issuance of approximately \$140 million of our common stock to Ingersoll-Rand, which is equivalent to an aggregate of 9,491,525 shares based on an assumed price per share of \$14.75. In addition, the unaudited pro forma financial statements give effect to an approximately \$3.5 million estimated purchase price adjustment as of September 30, 2002, as provided for in the purchase agreement. The unaudited pro forma statements of operations give effect to the above transactions as if they had occurred at the beginning of the relevant period presented. The unaudited pro forma balance sheet as of September 30, 2002 gives effect to the above transactions as if they had occurred on September 30, 2002. The unaudited pro forma financial statements presented below do not reflect any anticipated operating efficiencies or cost savings from the integration of Torrington into our business.

The unaudited pro forma financial statements reflect pro forma adjustments that are described in the accompanying notes and are based on available information and certain assumptions we believe are reasonable, but are subject to change. For example the unaudited pro forma financial statements reflect our preliminary estimates of, among other things, the allocation of the purchase price for the acquisition of Torrington, and are subject to change. We have made, in our opinion, all adjustments that are necessary to present fairly the pro forma information. The unaudited pro forma financial statements do not purport to represent what our actual results of operations or financial position would have been if the acquisition and related transactions described above had occurred on such dates or to project our results of operations or financial position for any future period.

**Table of Contents****UNAUDITED PRO FORMA BALANCE SHEET**

**As of September 30, 2002**  
(in thousands)

The unaudited pro forma balance sheet presents the combined financial position of Timken and Torrington assuming the Torrington acquisition had occurred as of September 30, 2002.

	<b>Timken Historical</b>	<b>Torrington Historical</b>	<b>Reclassifications*</b>	<b>Pro forma Adjustments</b>	<b>Pro forma</b>
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 36,812	\$ 24,917	\$	\$ (21,445)(a)	\$ 40,284
Accounts receivable, net	376,416	139,814		60,000 (b)	575,479
				(751)(c)	
Amounts due from affiliates		94,960		(94,960)(d)	
Deferred income taxes	42,790	24,211		(24,211)(e)	42,790
Inventories	464,394	149,429		55,465 (f)	669,288
Prepaid expenses and other current assets		17,479	(17,479)		
<b>Total current assets</b>	<b>920,412</b>	<b>450,810</b>	<b>(17,479)</b>	<b>(25,902)</b>	<b>1,327,841</b>
Investments in and advances with partially owned affiliates		106,808	(106,808)		
Property, plant and equipment, net	1,237,407	346,416		69,009 (g)	1,652,832
Costs in excess of net assets of acquired businesses	129,526	6,836	(2,222)	142,160 (h)	276,300
Intangible pension asset	136,382		1,181	(1,181)(i)	136,382
Prepaid pension asset			57,365	(45,549)(i)	11,816
Other assets		57,383	(57,383)		
Miscellaneous receivables and other assets	71,958		106,826		178,784
Deferred income taxes	23,207	92,155		(92,155)(e)	23,207
Intangible assets	5,199		1,041	25,901 (j)	32,141
Deferred charges and prepaid expenses	17,952		17,479	(7,871)(k)	27,560
<b>Total assets</b>	<b>\$2,542,043</b>	<b>\$1,060,408</b>	<b>\$</b>	<b>\$ 64,412</b>	<b>\$3,666,863</b>
<b>Liabilities and Shareholders Equity</b>					
Current liabilities:					
Short-term debt and commercial paper	\$ 107,888	\$ 10,660	\$	\$ (30,260)(l)	\$ 88,288
Accounts payable and other liabilities	263,303	286,430	(143,186)	(63,774)(m)	342,022
				(751)(c)	
Amounts due to affiliates		118,890		(118,890)(d)	
Salaries, wages and benefits	257,517		97,837	(26,609)(n)	328,745
Income taxes	14,725		45,349	(45,349)(o)	14,725
Current portion of long-term debt	23,544				23,544



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Total current liabilities	666,977	415,980	(285,633)	797,324
Long-term debt	350,515	3,573	597,305 (l)	951,393
Amounts due to affiliates		198,700	(198,700)(d)	
Accrued pension cost	270,179		17,377	1,723 (i)
Accrued postretirement benefits cost	413,319		156,084	(90,884)(n)
				478,519

S-30

**Table of Contents**

	<b>Timken Historical</b>	<b>Torrington Historical</b>	<b>Reclassifications*</b>	<b>Pro forma Adjustments</b>	<b>Pro forma</b>
Deferred income taxes		37,690		(36,217)(e)	1,473
Other non-current liabilities	21,980	202,269	(173,461)	(23,236)(p)	27,552
<b>Total liabilities</b>	<b>1,722,970</b>	<b>858,212</b>		<b>(35,642)</b>	<b>2,545,540</b>
Shareholders' equity:					
Preferred stock (par)					
Stated capital	53,064				53,064
Other paid-in capital	256,664			302,250 (q)	558,914
Earnings invested in the business	736,212	216,493		(216,493)(r)	736,212
Accumulated other comprehensive (loss)	(226,867)	(14,297)		14,297 (r)	(226,867)
<b>Total shareholders' equity</b>	<b>819,073</b>	<b>202,196</b>		<b>100,054</b>	<b>1,121,323</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$2,542,043</b>	<b>\$1,060,408</b>	<b>\$</b>	<b>\$ 64,412</b>	<b>\$3,666,863</b>

\* Certain amounts related to Torrington have been reclassified to conform with our presentation.

S-31

**Table of Contents**

**NOTES TO THE PRO FORMA BALANCE SHEET**

- a) Pursuant to the purchase agreement, cash is to be excluded from the assets transferred, except for certain amounts as defined in the purchase agreement.
- b) Pursuant to the purchase agreement, we will also acquire the securitized accounts receivable designated pool of accounts from Ingersoll-Rand. This receivable balance is not included in Torrington's September 30, 2002 balance sheet.
- c) Reflects the elimination of accounts receivable/payable between us and Torrington.
- d) Reflects the elimination of Torrington's amounts due from/to affiliates not assumed in the Torrington acquisition.
- e) Reflects the adjustments to Torrington's deferred income taxes resulting from the Torrington acquisition.
- f) Reflects the adjustment of Torrington's inventory to estimated fair market value.
- g) Reflects the write-up of property, plant and equipment to estimated fair market value.
- h) Reflects the amount of purchase price in excess of the fair value of net assets acquired (goodwill).
- i) Reflects the elimination of Torrington's prepaid and intangible pension assets and projected benefit obligation related to retired, deferred vested and inactive participants, which will not be assumed by us in the Torrington acquisition. Pursuant to the purchase agreement, no U.S. pension assets are to be transferred to us. This also reflects an adjustment to estimated fair value for the projected benefit obligation related to active employees for certain plans to be assumed by us in the Torrington acquisition.
- j) Reflects the identifiable intangible assets acquired, at estimated fair market value.
- k) Reflects the elimination of Torrington's prepaid assets not assumed in the Torrington acquisition.
- l) Reflects the elimination of Torrington's debt not assumed in the Torrington acquisition, our issuance of new debt to finance a portion of the Torrington acquisition and our refinancing of commercial paper, as follows:

	<u>Current</u>	<u>Long-term</u>
Torrington debt amounts not assumed by us	\$ (3,660)	\$ (3,573)
Our issuance of senior unsecured notes		375,000
Our refinancing of commercial paper	(26,600)	
Our draw under revolving credit facility (including \$26.6 million to refinance commercial paper)		225,878
	<u>\$ (30,260)</u>	<u>\$ 597,305</u>

- m) Reflects the elimination of certain Torrington payables not assumed in the Torrington acquisition in accordance with the purchase agreement.
- n) Reflects the elimination of Torrington's accumulated postretirement benefit obligation related to retired and inactive participants, which will not be assumed by us in the Torrington acquisition. This also reflects an adjustment to estimated fair value for the accumulated postretirement benefit obligation related to active employees for certain plans to be assumed by us in the Torrington acquisition.
- o) Reflects the elimination of Torrington's accrued income taxes not assumed by us in the Torrington acquisition.
- p)

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Reflects the elimination of certain long-term liabilities not to be assumed by us in the Torrington acquisition, including principally environmental liabilities and certain postemployment benefits. Pursuant to the agreement, we will be responsible for 30% of those environmental liabilities that are unknown at the time of the closing, up to a limit of \$10 million. No known environmental liabilities will be assumed by us in the Torrington acquisition.

S-32

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**Table of Contents**

- q) Reflects the common stock issued by us to Ingersoll-Rand and in the public offering to finance a portion of the Torrington acquisition, based on a per share price of \$14.75, the minimum offering price per share required by the purchase agreement, without reduction for the fees and expenses of issuance, including underwriting discounts and commissions. Assuming a per share price of \$19.35, the last reported sale price on the NYSE on December 19, 2002, the pro forma adjustment for other paid in capital would be \$352.9 million.
- r) Reflects the elimination of historical equity of Torrington.

S-33

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**Table of Contents****UNAUDITED PRO FORMA STATEMENT OF OPERATIONS**

**For the Year Ended December 31, 2001**  
(in thousands, except share data)

	<b>Timken Historical</b>	<b>Torrington Historical</b>	<b>Reclassifications*</b>	<b>Pro Forma Adjustments</b>	<b>Pro Forma</b>
Net sales	\$ 2,447,178	\$ 1,088,712	\$	\$ (10,624)(a)	\$ 3,525,266
Cost of products sold	2,046,458	885,009	22,400	(14,766)(b)	2,939,101
Gross profit	400,720	203,703	(22,400)	4,142	586,165
Selling, administrative and general expenses	363,683	106,912**		2,925 (c)	473,520
Impairment and restructuring charges	54,689	19,338			74,027
Operating (loss) income	(17,652)	77,453	(22,400)	1,217	38,618
Interest expense	(33,401)	(18,306)		(19,919)(d)	(71,626)
Interest income	2,109				2,109
Receipt of CDO payment	31,019		47,700	(47,700)(e)	31,019
Other (expense) income	(8,958)	25,209	(25,300)		(9,049)
(Loss) income before income taxes	(26,883)	84,356		(66,402)	(8,929)
Provision for income taxes	14,783	36,537		(26,561)(f)	24,759
Net (loss) income	\$ (41,666)	\$ 47,819	\$	\$ (39,841)	\$ (33,688)
Earnings per share	\$ (0.69)				\$ (0.42)
Earnings per share assuming dilution	\$ (0.69)				\$ (0.42)
Average shares outstanding	59,947,568			(g)	80,439,093
Average shares outstanding assuming dilution	59,947,568			(g)	80,439,093

\* Certain amounts related to Torrington have been reclassified to conform with our presentation for the receipt of CDO payment.

\*\* Amount includes \$21.8 million for the year ended December 31, 2001 of allocated Ingersoll-Rand costs for services provided to Torrington. We estimate that we would have incurred \$7.4 million for the year ended December 31, 2001 to provide these services to Torrington.

S-34

**Table of Contents****UNAUDITED PRO FORMA STATEMENT OF OPERATIONS**

**For the Nine Months Ended September 30, 2002**  
(in thousands, except share data)

	<b>Timken Historical</b>	<b>Torrington Historical</b>	<b>Reclassifications</b>	<b>Pro Forma Adjustments</b>	<b>Pro Forma</b>
Net sales	\$ 1,905,177	\$912,436	\$	\$ (7,438)(a)	\$ 2,810,175
Cost of products sold	1,550,972	766,099		(14,808)(b)	2,302,263
Gross profit	354,205	146,337		7,370	507,912
Selling, administrative and general expenses	266,379	88,363*		1,605 (c)	356,347
Impairment and restructuring charges	24,986	3,229			28,215
Operating income	62,840	54,745		5,765	123,350
Interest expense	(23,996)	(12,999)		(16,059)(d)	(53,054)
Interest income	991				991
Receipt of CDO payment					
Other (expense) income	(12,490)	4,373			(8,117)
Income before income taxes	27,345	46,119		(10,294)	63,170
Provision for income taxes	12,360	18,118		(4,118)(f)	26,360
Income before cumulative effect of change in accounting principle	\$ 14,985	\$ 28,001	\$	\$ (6,176)	\$ 36,810
Before cumulative effect of change in accounting principle:					
Earnings per share	\$ 0.25				\$ 0.45
Earnings per share assuming dilution	\$ 0.25				\$ 0.45
Average shares outstanding	60,459,277			(g)	80,950,802
Average shares outstanding assuming dilution	60,998,543			(g)	81,490,068

\* Amount includes \$16.3 million for the nine months ended September 30, 2002 of allocated Ingersoll-Rand costs for services provided to Torrington. We estimate that we would have incurred \$5.5 million for the nine months ended September 30, 2002 to provide these services to Torrington.

**Table of Contents****NOTES TO PRO FORMA STATEMENTS OF OPERATIONS**

(a) Reflects the elimination of sales by us to Torrington.

(b) Reflects the following:

	<u>December 31, 2001</u>	<u>September 30, 2002</u>
i) Elimination of cost of products sold by us to Torrington	\$ (8,626)	\$ (6,040)
ii) Adjustment to depreciation expense for property, plant and equipment purchased in the Torrington acquisition, based on a composite useful life of 12 years	(9,747)	(10,096)
iii) Adjustment to recognize additional pension expense	9,425	4,786
iv) Elimination of periodic postretirement benefits costs related to retirees not assumed by us in the Torrington acquisition and adjustment to increase postretirement benefits costs related to active employees acquired based on our plan provisions	(5,818)	(3,458)
	<u>\$ (14,766)</u>	<u>\$ (14,808)</u>

(c) Reflects the following:

	<u>December 31, 2001</u>	<u>September 30, 2002</u>
i) Amortization of acquired identifiable intangible assets based on an estimated useful life of 10 years	\$2,741	\$ 2,056
ii) Adjustment to recognize additional pension expense	947	702
iii) Elimination of periodic postretirement benefits costs related to retirees not assumed by us in the Torrington acquisition and adjustment to increase postretirement benefits costs related to active employees acquired based on our plan provisions	(763)	(1,153)
	<u>\$2,925</u>	<u>\$ 1,605</u>

(d) Reflects interest expense on the pro forma acquisition debt instruments as follows:

	<u>December 31, 2001</u>	<u>September 30, 2002</u>
i) \$375.0 million aggregate principal amount of unsecured senior notes at 7.5%	\$ 28,125	\$ 21,094
ii) \$225.9 million in borrowings under the senior credit facility at 4.0%	9,035	6,776
iii) Commitment fee on \$274.1 million of unused revolver at 0.375%	1,028	771
iv) Elimination of Torrington's interest expense	(17,737)	(12,183)
v) Elimination of commercial paper interest expense at 2.0%	(532)	(399)
	<u></u>	<u></u>



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\$ 19,919

\$ 16,059

(e) Reflects the elimination of receipts under the CDO. Pursuant to the purchase agreement, all amounts received by Torrington under the CDO for 2002 will be retained by Ingersoll-Rand. We will pay eighty percent (80%) of any amounts received by Torrington under the CDO for 2003 and 2004 to Ingersoll-Rand.

S-36

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**Table of Contents**

(f) Reflects the income tax effects of the pro forma adjustments, based on an effective tax rate of 40%.

(g) Reflects our average shares outstanding and average shares outstanding assuming dilution based on 9,491,525 shares issued to Ingersoll-Rand and 11,000,000 shares issued to the public in this offering, based on a per share price of \$14.75. Assuming a per share price of \$19.35, the last reported sale price on the NYSE on December 19, 2002, the number of shares issued to Ingersoll-Rand would be 7,235,142.

S-37

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**Table of Contents****SELECTED HISTORICAL FINANCIAL INFORMATION OF TIMKEN**

The following selected consolidated historical financial data shown below as of and for each of the three years ended December 31, 2001 have been derived from our audited consolidated financial statements and the related notes incorporated by reference in this prospectus supplement. The following selected consolidated historical financial data as of September 30, 2002 and for the nine month periods ended September 30, 2001 and 2002 have been derived from our unaudited financial statements and the related notes incorporated by reference in this prospectus supplement. You should read the following data in conjunction with Management Discussion and Analysis of Financial Condition and Results of Operations and our audited and unaudited consolidated financial statements and the related notes included or incorporated by reference in this prospectus supplement.

	Year Ended December 31,			Nine Months Ended September 30,	
	1999	2000	2001	2001	2002
(in thousands, except per share and ratio data)					
<b>Statements of Operations Data:</b>					
Net sales	\$ 2,495,034	\$ 2,643,008	\$ 2,447,178	\$ 1,873,603	\$ 1,905,177
Cost of products sold	2,002,366	2,142,135	2,046,458	1,553,555	1,550,972
Selling, administrative and general expenses	359,910	367,499	363,683	276,655	266,379
Impairment and restructuring charges		27,754	54,689	49,405	24,986
Operating (loss) income	132,758	105,620	(17,652)	(6,012)	62,840
Interest expense	27,225	31,922	33,401	25,813	23,996
Income (Loss) before income taxes and cumulative effect of change in accounting principle, as reported	98,991	70,597	(26,883)	(35,526)	27,345
Provision for income taxes	36,367	24,709	14,783	7,358	12,360
Income (Loss) before cumulative effect of change in accounting principle	62,624	45,888	(41,666)	(42,884)	14,985
Cumulative effect of change in accounting principle					(12,702)
Net income (loss)	62,624	45,888	(41,666)	(42,884)	2,283
Earnings per share, as reported <sup>(1)</sup>	1.01	0.76	(0.69)	(0.71)	0.04
Diluted earnings per share, as reported <sup>(1)</sup>	1.01	0.76	(0.69)	(0.71)	0.04
Dividends per share	0.72	0.72	0.67	0.54	0.39
Weighted-average shares outstanding	61,795	60,557	59,948	59,980	60,459
Diluted weighted-average shares outstanding <sup>(2)</sup>	62,026	60,723	59,948	59,980	60,999
<b>Balance Sheet Data (as of end of period):</b>					
Working capital	\$ 348,455	\$ 311,090	\$ 187,224	\$ 170,191	\$ 253,435
Property, plant and equipment (less depreciation)	1,381,474	1,363,772	1,305,346	1,305,345	1,237,407
Total assets	2,441,318	2,564,105	2,533,084	2,534,068	2,542,043
Total debt	449,890	514,604	497,015	590,348	481,947
Shareholders' equity	1,045,981	1,004,682	781,735	914,700	819,073
<b>Other Data:</b>					
Net cash provided by operating activities	\$ 277,418	\$ 153,112	\$ 179,871	\$ 35,523	\$ 89,056
Net cash used by investing activities	194,112	152,506	99,334	63,002	40,600

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Net cash (used) provided by financing activities	(75,975)	3,037	(55,487)	44,268	(45,891)
EBITDA <sup>(3)</sup>	273,069	250,087	156,876	102,632	161,306
Depreciation and amortization	149,949	151,047	152,467	114,015	110,956
Capital expenditures	173,222	162,717	102,347	76,108	54,140
Ratio of earnings to fixed charges <sup>(4)</sup>	3.85	2.96	(5)	(6)	2.15

S-38

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**Table of Contents**

- (1) Earnings per share, as reported, is calculated by dividing net income (loss), which includes goodwill amortization in all periods prior to January 1, 2002, by the weighted-average number of shares of common stock outstanding. Diluted earnings per share, as reported, is calculated by dividing net income (loss), which includes goodwill amortization in all periods prior to January 1, 2002, by the weighted-average number of shares of common stock outstanding, adjusted for the dilutive impact of the potential issuance of shares of common stock upon exercise of outstanding stock options. Basic and diluted earnings per share calculate to the same amount for the periods shown. Excluding goodwill amortization, basic and diluted earnings per share would have increased by \$0.08 per share for the years ended December 31, 2001, 2000 and 1999, and by \$0.05 per share for the nine months ended September 30, 2001. See Note 5 to our audited consolidated financial statements incorporated by reference in this prospectus supplement.
- (2) Computed by adjusting the weighted-average number of shares of common stock outstanding for the dilutive impact of the potential issuance of shares of common stock upon exercise of outstanding stock options.
- (3) EBITDA is a measurement not calculated in accordance with generally accepted accounting principles in the United States, or GAAP. We define EBITDA as operating income (loss) less other expense (income) plus depreciation and amortization. We do not exclude from operating income (loss) for purposes of calculating EBITDA (a) reorganization expenses for the years ended December 31, 2000 and 2001 of \$11.1 million and \$12.6 million, respectively, and for the nine months ended September 30, 2001 and 2002 of \$7.6 million and \$14.3 million, respectively, and (b) impairment and restructuring expenses for the years ended December 31, 2000 and 2001 of \$27.8 million and \$54.7 million, respectively, and for the nine months ended September 30, 2001 and 2002 of \$49.4 million and \$24.9 million, respectively. We also do not exclude from other income (expense) CDO payments of \$31.0 million for the year ended December 31, 2001. We do not intend EBITDA to represent cash flows from operations as defined by GAAP, and you should not consider it as an alternative to net income, cash flows from operations or any other items calculated in accordance with GAAP, or as an indicator of our operating performance. Our definition of EBITDA may not be comparable with EBITDA as defined by other companies. EBITDA is commonly used as an analytical indicator in our industries and also serves as a measure of leverage capacity and debt servicing ability. Following is a reconciliation of EBITDA to operating income (loss):

	Year Ended December 31,			Nine Months Ended September 30,	
	1999	2000	2001	2001	2002
	(in thousands)				
Operating income (loss)	\$ 132,758	\$ 105,620	\$ (17,652)	\$ (6,012)	\$ 62,840
Other income (expense)	(9,638)	(6,580)	22,061	(5,371)	(12,490)
Depreciation and amortization	149,949	151,047	152,467	114,015	110,956
EBITDA	\$ 273,069	\$ 250,087	\$ 156,876	\$ 102,632	\$ 161,306

- (4) For purposes of calculating the ratio of earnings to fixed charges earnings consist of income or loss before income taxes, extraordinary items, cumulative effects of accounting charges, amortization of capitalized interest and fixed charges excluding capitalized interest. Fixed charges consist of interest, both expensed and capitalized, and an estimate of the interest within rental expense.
- (5) Earnings were inadequate to cover fixed charges for the year ended December 31, 2001. The coverage deficiency totaled \$25,022,000 for that period.
- (6) Earnings were inadequate to cover fixed charges for the nine-month period ended September 30, 2001. The coverage deficiency totaled \$34,050,000 for that period.

**Table of Contents**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis should be read in conjunction with, and is qualified in its entirety by, the consolidated financial statements and related notes and other financial data of Timken and Torrington incorporated by reference elsewhere in this prospectus supplement.

**Overview**

We are a leading global manufacturer of highly engineered bearings, alloy and specialty steel and related components. We are the world's largest manufacturer of tapered roller bearings and alloy seamless mechanical steel tubing and the largest North American-based bearings manufacturer.

We had net sales of \$2.4 billion for the year ended December 31, 2001 and \$1.9 billion for the nine months ended September 30, 2002, and we employed approximately 18,100 people as of September 30, 2002. We manufacture two basic product lines: anti-friction bearings and steel products, and we report our business in three segments: automotive bearings, industrial bearings and steel. Automotive bearings, industrial bearings and steel represented 31%, 36% and 33%, respectively, of our net sales for the year ended December 31, 2001 and 33%, 35% and 32%, respectively, of our net sales for the nine months ended September 30, 2002.

***Industry Environment***

In the second half of 2000, the United States and many global markets began to experience an industrial manufacturing recession and a decline in the automotive, rail and industrial businesses. Although the automotive industry has since recovered to some extent from the downturn, the rail and industrial markets have shown few signs of recovery. This current prolonged economic weakness may continue to adversely affect most of the industries to which we sell our products.

Our results for the first nine months of 2002 benefited from some improvement in the automotive industry, both in our anti-friction bearings and steel segments. North American light truck production rebounded from the reduced levels experienced in the second half of 2000 and full year 2001. As expected, the stricter emissions standards for heavy trucks enacted in the fourth quarter of 2002, which were anticipated by the market and its customers, led to an increase in North American heavy truck sales in the third quarter of 2002, and fourth quarter heavy truck sales are likely to show a decrease compared to the third quarter of 2002. As described above, the weakened industrial market demand that adversely affected our earnings in the second half of 2000 and full year 2001 show few signs of recovery, and as a consequence, demand for industrial bearings, including our rail and aerospace products, remains weak. We expect aerospace sales also to drop as our customers cut the production of passenger planes due to continued adverse conditions in the aerospace industry.

The automotive, aerospace, heavy equipment and many other industries to which we sell our products are cyclical and tend to decline in response to overall declines in industrial production. As a result, our business is also cyclical and impacted by overall levels of industrial production. Our revenues may be negatively affected by changes in customer demand, changes in product mix and negative pricing pressure in the industries in which we operate. We mitigate our exposure to the cyclical nature of the markets for our products by diversifying across and within industry market segments, increasing our aftermarket sales and producing more highly engineered, customer-specific products to certain customers while producing other products in large volumes and thus at lower cost. For the year ended December 31, 2001, no one customer represented more than 5.3% of our net sales (6.6% pro forma for the Torrington acquisition).

***Strategic Manufacturing Initiative***

Beginning in the second quarter of 2001, we undertook a strategic manufacturing initiative to allow us to more profitably execute our business strategies. The principal objectives of our strategic manufacturing initiative are: creating focused factories for each product line or component; reducing our fixed costs;

**Table of Contents**

increasing production at our lowest cost plants; and implementing more efficient, higher quality manufacturing processes, through a program we call Lean Six Sigma.

As part of this strategic manufacturing initiative, we have closed or sold seven bearings manufacturing facilities in higher cost locations in the United States and Western Europe, and have expanded bearings operations in lower cost areas of the world, such as Eastern Europe, South America and Asia. We have also reduced our workforce by approximately 1,700 associates since the second quarter of 2001. Through Lean Six Sigma, our program for driving efficiency and higher quality manufacturing, we seek to continue to improve our overall manufacturing processes by reducing cycle time, inventory and floor space, in order to optimize asset utilization.

***Torrington Acquisition***

On October 16, 2002, we entered into a purchase agreement with Ingersoll-Rand to acquire Torrington, a leading worldwide producer of needle roller, heavy-duty roller and ball bearings and motion control components and assemblies. We will pay Ingersoll-Rand approximately \$700 million in cash, subject to adjustment, and approximately \$140 million in shares of our common stock for Torrington.

Torrington had net sales of \$1.1 billion for the year ended December 31, 2001 and \$912.4 million for the nine months ended September 30, 2002, employs approximately 10,500 people and operates 27 plants throughout the world. Torrington reported net income of \$47.8 million for the year ended December 31, 2001 and \$28.0 million for the nine months ended September 30, 2002, with its 2001 net sales about evenly split between its automotive division and its industrial division.

We intend to finance the cash portion of the Torrington acquisition in part with the net proceeds of our concurrent offering of senior unsecured notes and borrowings under our new senior credit facility. As a result, the acquisition will increase our level of indebtedness and will increase our exposure to the risks of global operations. However, we expect that the Torrington acquisition will increase the range of our manufacturing capabilities, adding complementary products and a strong technical sales force that will allow us to better serve our customers. The integration of Torrington into our business will be a significant challenge for us in 2003. We expect that in connection with the Torrington acquisition we will incur significant cash and non-cash implementation costs or charges.

On October 17, 2002, S&P publicly announced that it placed our ratings on CreditWatch with negative implications. Additionally, Moody's announced that it had placed our debt ratings under review for possible downgrade. These announcements were in response to our announcement of the Torrington acquisition. We believe that we have structured the transaction financing in a manner that will enable us to maintain an investment grade rating following the Torrington acquisition, although we cannot assure you that the rating agencies will agree with our view. Ratings reflect the view of the applicable rating agency at the time a rating is issued, and any explanation of the significance of a rating may be obtained only from the rating agency itself. A credit rating is not a recommendation to buy, sell or hold securities.

We intend to make an election under Section 338(h)(10) of the U.S. Internal Revenue Code to allow for the treatment of that portion of the Torrington acquisition that is a stock acquisition as if it were an asset acquisition. Accordingly, for tax purposes, our basis in the acquired U.S. assets will be stepped up to their fair market values, and we will be able to depreciate those assets using a higher basis than the historical amounts and reduce the amount of goodwill subject to 15-year amortization for tax purposes. We expect that this election will result in a substantial decrease in our cash payments for income taxes and therefore increase our cash available for debt service or investment in our business over the next few years. We cannot, however, accurately determine the precise benefit of this election until we have completed a valuation of the underlying assets.

**Table of Contents**

***Recent Strategic Joint Ventures***

On April 8, 2002, we announced an agreement with NSK Ltd. to form a joint venture to build a plant near Shanghai, China to manufacture certain tapered roller bearing product lines. Construction of the plant is expected to begin in early 2003, and production is scheduled to start early in 2004. Ownership of this joint venture, Timken-NSK Bearings (Suzhou) Co. Ltd., will be divided evenly between NSK Ltd. and us.

On June 27, 2002, we announced an agreement with two Japan-based companies, Sanyo Special Steel Co., Ltd. and Showa Seiko Co., Ltd., to form a joint venture, Advanced Green Components, LLC, to supply forged and machined rings for bearing manufacture. The joint venture acquired the assets of our Winchester, Kentucky plant and commenced operations in late October 2002.

***Pension Obligations***

We sponsor a number of defined benefit pension plans which cover most of our U.S. and certain non-U.S. associates. Most of our other non-U.S. associates are covered by government plans. We also sponsor several unfunded post-retirement plans that provide health care and life insurance benefits for eligible retirees and dependents. The measurement of liabilities related to these plans is based on management's assumptions, in consultation with its actuary and accountants, related to future events, including return on pension plan assets, rate of compensation increases and health care cost trend rates. The discount rate is determined using a model that matches corporate bond securities against projected pension and postretirement disbursements. See *Critical Accounting Policies and Estimates* below. Actual pension plan asset performance will likely increase unamortized pension losses at the end of 2002, which ultimately affects net income in subsequent years.

Generally accepted accounting principles for defined benefit plans require the creation of a minimum pension liability when a defined employee benefit plan does not have sufficient assets available to cover the accumulated benefit obligation. To the extent a plan has unrecognized prior service costs, an intangible pension asset is recorded. The remaining difference is then charged to other comprehensive income (loss), which is a component of shareholders' equity. In 2001, lower investment performance, caused by lower stock market returns and a decline in prevailing interest rates, reduced our pension fund asset values and increased our accumulated benefit obligation, which required that we take a non-cash after-tax charge to accumulated other comprehensive loss of \$122.5 million. Based on current asset performance and interest rate levels, we anticipate that we will be required to further reduce shareholders' equity as of December 31, 2002, although the amount is dependent on the actual performance of our pension fund assets and interest rates and will not be determined until the first quarter of 2003.

These same factors of lower investment performance and a decline in prevailing interest rates increased our defined benefit pension obligations, which, together with our ongoing practice of managing our funding obligations over time, led us to determine to prepay a portion of our funding obligations under our pension plans. In the first nine months of 2002, we contributed \$51.9 million in cash and an aggregate of \$54.5 million in treasury shares and a small number of newly issued shares to our pension plans for this purpose. We currently expect to make substantial additional cash contributions in the near-term, but we cannot predict whether changing economic conditions or other factors will require us to make contributions in excess of our current expectations, diverting funds we would otherwise apply to other uses.

***Foreign Currency Translation***

Our reporting currency is the U.S. dollar. However, the functional currency of the majority of our international subsidiaries is their local currency. We translate the amounts included in the consolidated statements of operations of our foreign subsidiaries into U.S. dollars on a monthly basis at weighted average exchange rates that we believe are representative of the actual exchange rates on the dates of the translation. Our international subsidiaries' assets and liabilities are translated into U.S. dollars from the local currency at period-end exchange rates, and we record the resulting foreign exchange translation adjustments in our consolidated balance sheets as a component of accumulated other comprehensive loss. We incurred a \$5.3 million foreign currency exchange loss in our operating results for the first nine months of 2002, compared to a loss of \$5.6 million in the same period in 2001.



## **Table of Contents**

We and certain of our subsidiaries enter into forward exchange contracts to manage our exposure to currency rate fluctuations, primarily related to the purchases of inventory and equipment. The purpose of these foreign currency hedging activities is to minimize the effect of exchange rate fluctuations on business decisions and the resulting uncertainty on future financial results. At December 31, 2001, we had forward foreign exchange contracts, all having maturities of less than one year, with notional amounts of approximately \$19.5 million. The forward foreign exchange contracts were primarily entered into by our European subsidiaries to manage Euro, U.S. dollar and British pound exposures. The realized and unrealized gains and losses on these contracts are deferred and included in inventory or property, plant and equipment, depending on the transaction. These deferred gains and losses are reclassified from accumulated other comprehensive loss and recognized in earnings when the future transactions occur, or through depreciation expense.

### **Critical Accounting Policies and Estimates**

Our 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 following paragraphs include a discussion of some critical areas that require a higher degree of judgment, estimates and complexity.

Our revenue recognition policy is to recognize revenue when title passes to the customer. This happens generally at the shipping point, except for certain exported goods, for which it happens when the goods reach their destination. Selling prices are fixed based on purchase orders or contractual arrangements. Write-offs of accounts receivable have historically been low.

It is our policy to recognize restructuring costs in accordance with Emerging Issues Task Force Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring) and the SEC Staff Accounting Bulletin No. 100, Restructuring and Impairment Charges. Detailed contemporaneous documentation is maintained and updated on a monthly basis to ensure that accruals are properly supported. If management determines that there is a change in the estimate, the accruals are adjusted to reflect this change.

We sponsor a number of defined benefit pension plans which cover most associates, except for those at certain international locations who are covered by government plans. We also sponsor several unfunded postretirement plans that provide health care and life insurance benefits for eligible retirees and dependents. The measurement of liabilities related to these plans is based on management's assumptions related to future events, including return on pension plan assets, rate of compensation increases and health care cost trend rates. The discount rate is determined using a model that matches corporate bond securities against projected pension and post-retirement disbursements. Actual pension plan asset performance will likely increase unamortized pension losses at the end of 2002, which ultimately affects net income in subsequent years.

For measurement purposes in 2001, we assumed a weighted-average annual rate of increase in the per capita cost (health care cost trend rate) for medical benefits of 9.00% for 2001 through 2002 declining gradually to 6.00% in 2006 and thereafter for pre-age 65 benefits, 6.00% for post-age 65 benefits for all years, and 15.00% for 2001 and 2002, declining gradually to 6.00% in 2014 and thereafter for prescription drug benefits. The assumed health care cost trend rate has a significant effect on the amounts reported. A one percentage point increase in the assumed health care cost trend rate would have increased the 2001 total service and interest cost components by \$2.1 million and would have increased the post-retirement benefit obligation by \$28.1 million. A one percentage point decrease would provide corresponding reductions of \$1.9 million and \$25.4 million, respectively.

For expense purposes in 2002, we applied a discount rate of 7.5% and an expected rate of return of 9.5% for our pension plan assets. A 0.25% reduction in the discount rate would increase pension expense by approximately \$1.7 million for 2002. A 0.25% reduction in the expected rate of return would increase pension expense by approximately \$3.2 million for 2002. This analysis assumes all other factors, such as census

## **Table of Contents**

information, plan design, contribution levels and timing, are being held constant. We continue to review our existing assumptions regarding rates of return and discount rates.

Statement of Financial Accounting Standards, or SFAS, No. 109, Accounting for Income Taxes, requires that a valuation allowance be established when it is more likely than not that all or a portion of a deferred tax asset will not be realized. We estimate actual current tax due and assess temporary differences resulting from the treatment of items for tax and accounting purposes, which differences result in deferred tax assets and liabilities that are included within the balance sheet. Based on known and projected earnings information and prudent tax planning strategies, we then assess the likelihood that the deferred tax assets will be recovered. To the extent that we believe recovery is not likely, we establish a valuation allowance. In the event that we determine that we would be able to realize deferred tax assets in the future in excess of the net recorded amount, an adjustment to the deferred tax asset would increase income in the period such determination was made. Likewise, should we determine that we would not be able to realize all or part of the net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination was made. At December 31, 2001, we had net deferred tax assets, after valuation allowances, of \$70.1 million. Net deferred tax assets for these periods relate primarily to pension and post-retirement benefits, which we believe will result in future tax benefits.

Significant management judgment is required in determining the provision for income taxes, deferred tax assets and liabilities and any valuation allowance recorded against net deferred tax assets. Historically, actual results have not differed significantly from those determined using the estimates described above.

Additional accounting policies are described in the Significant Accounting Policies note to the consolidated financial statements incorporated by reference in this prospectus supplement.

## **Results of Operations**

### ***Business Segments***

Automotive Bearings Nine Months Ended September 30, 2002 Compared to Nine Months Ended September 30, 2001. Our automotive bearings segment includes products for passenger cars, light and heavy trucks and trailers. Global sales for our automotive segment for the first nine months of 2002 increased by 11.3% to \$630.0 million, from \$565.8 million in the first nine months of 2001. Widespread incentive programs on light vehicles and changing environmental regulations on heavy trucks drove North American demand in the first nine months of 2002. North American light truck production was up approximately 11% in the first nine months of 2002 compared to the same period in 2001. Medium and heavy truck production continued to be weak worldwide during this period. In North America, medium and heavy truck production decreased by 10% in the first nine months of 2002 compared to the same period in 2001. Latin American automotive markets continued to be negatively impacted by the current economic and political situations in that region.

Excluding \$24.7 million and \$25.1 million in restructuring and implementation charges for the first nine months of 2002 and 2001, respectively, and before interest and taxes, automotive bearings had earnings of \$21.0 million in the first nine months of 2002, compared to a loss of \$9.4 million in the first nine months of 2001. Including these charges, our automotive bearings segment had a loss before interest and taxes of \$3.6 million in the first nine months of 2002, compared with a loss before interest and taxes of \$34.6 million, in the first nine months of 2001. This increase in EBIT (which we define as operating income plus other income (expense)), excluding restructuring and implementation charges, resulted from increased sales volume compared to the same period a year ago, increased savings enhanced by the strategic manufacturing initiative and aggressive business cost control. These increases more than offset the adverse impact of capacity constraints related to the strategic manufacturing initiative, foreign currency losses and costs incurred to meet higher than expected customer demand.

Selling, administrative and general expenses for our automotive bearings segment in the first nine months of 2002 were comparable to the same period in 2001. This business focused on controlling discretionary spending and realizing savings from the salaried workforce reduction in connection with our strategic

**Table of Contents**

manufacturing initiative, which offset the increased implementation charges and performance-based pay reserves as a result of stronger operating performance in the first nine months of 2002.

Automotive Bearings Year Ended December 31, 2001 Compared to Year Ended December 31, 2000. The decline in global automotive demand that began in the second half of 2000 continued to negatively impact sales of automotive bearings during 2001. Global automotive bearings sales for 2001 fell 10.6% to \$751.0 million from \$839.8 million in 2000. North American automotive bearings sales were down compared to 2000. Production levels were adversely impacted by increased import and transplant penetration in light vehicles and vehicle inventory reduction. Light truck production was down 8% from 2000, medium and heavy truck production was down 35% and trailer production down 44% from 2000 levels. In Europe, automotive bearing sales decreased compared to 2000 levels. Excluding \$31.0 million in restructuring, impairment and implementation charges and the favorable \$3.0 million allocated portion of the CDO payment, EBIT for our automotive bearings segment reflected a loss of \$11.9 million in 2001. Excluding \$3.0 million in restructuring, impairment and implementation charges in 2000, EBIT for our automotive bearings segment reflected income of \$27.6 million. Including these special charges in 2001 and 2000 and the CDO payment in 2001, EBIT was a loss of \$39.9 million, compared to income of \$24.6 million in 2000. The decline in EBIT was caused by lower sales volume, pricing pressures, higher electricity, natural gas and raw material costs and reduced plant activity, resulting in higher unabsorbed manufacturing costs. In 2001, a change was made to the corporate center cost allocation methodology to better align corporate costs, such as research and development, with the business receiving the direct benefit. Selling, administrative and general expenses for our automotive bearings segment were higher than in 2000, primarily due to the increased allocation of corporate center expenses to the business and increased reorganization expense.

Industrial Bearings Nine Months Ended September 30, 2002 Compared to Nine Months Ended September 30, 2001. Our industrial bearings segment includes industrial, rail, aerospace and super precision products as well as emerging markets in China, India and Central and Eastern Europe. Net sales for our industrial bearings segment for the first nine months of 2002 were \$658.2 million, a decrease of 2.9% over the first nine months of 2001 net sales of \$678.0 million. Although general industrial demand strengthened modestly in the first nine months of 2002 compared to the same period in 2001, this strength was offset by weaker demand from aerospace and rail customers.

Excluding \$13.9 million and \$29.6 million in restructuring and implementation charges for the first nine months of 2002 and 2001, respectively, and goodwill amortization of \$3.6 million for the first nine months of 2001, EBIT for our industrial bearings segment was \$37.7 million, compared to \$37.6 million in the first nine months of 2001. Including these charges, EBIT for our industrial bearings segment was \$23.8 million for the first nine months of 2002, compared to \$4.4 million in the first nine months of 2001. This improvement in EBIT performance, despite relatively flat volumes, was driven by improved product mix, efficiency improvements from the strategic manufacturing initiative, as well as aggressive business cost control. Also, the EBIT for the first nine months of 2002 was favorably impacted by the discontinuation of goodwill amortization. This improvement was dampened by the weakened demand in our aerospace and super precision products, which resulted in additional costs associated with surplus capacity, reduced work schedules and redundancy costs as operations were ramped down.

Our industrial bearings segment's selling, administrative and general operating expenses in the first nine months of 2002 were comparable to the same period a year ago. The business has been focusing on controlling discretionary spending and realizing savings from the salaried workforce reduction in connection with our strategic manufacturing initiative, which offset the higher implementation charges and performance-based pay reserves as a result of stronger operating performance in the first nine months of 2002.

Industrial Bearings Year Ended December 31, 2001 Compared to Year Ended December 31, 2000. Net sales for our industrial bearings segment were \$882.3 million in 2001, a decrease of 4.5% from 2000 net sales of \$923.5 million. Globally, demand for industrial products decreased in 2001. In addition, sales of our aerospace and super precision products increased about 10% in 2001 compared to 2000, but were offset by the continued decline in sale of our rail products. North American railcar production was at its lowest level since 1992. Excluding \$33.6 million in restructuring, impairment and implementation charges and the favorable

**Table of Contents**

\$28.0 million allocated portion of the CDO payment, EBIT for our industrial bearings segment was \$37.7 million in 2001, compared to \$72.4 million in 2000, which excluded \$18.1 million in restructuring, impairment and implementation charges. Including these special charges in 2001 and 2000 and the CDO payment in 2001, EBIT was \$32.1 million in 2001, compared to \$54.3 million in 2000. Lower sales volume, unfavorable product mix, higher electricity and natural gas costs and lowered production levels reduced profitability in 2001, compared to 2000. Improved EBIT performance in our aerospace and super precision products was not enough to offset the decline in profitability experienced in our overall industrial bearings segment. Selling, administrative and general expenses for our industrial bearings segment in 2001 were lower, compared to 2000. Although the reserve for doubtful accounts increased year to year as a result of a rail customer's bankruptcy filing in 2001, this increase was more than offset by the favorable impact on expenses resulting from the revised corporate center cost allocation methodology mentioned above.

Steel Nine Months Ended September 30, 2002 Compared to Nine Months Ended September 30, 2001. Net sales for our steel segment, including intersegment sales, totaling \$740.6 million in the first nine months of 2002 declined 0.5%, compared to net sales of \$744.3 million in the same period in 2001. Sales to automotive and general industrial customers increased 21% and 14%, respectively, in the first nine months of 2002 compared to the first nine months of 2001. However, sales to other customers continued to be sluggish. Sales to the bearing industry, other than automotive suppliers, were weak, and sales of our aerospace products decreased 3% in the first nine months of 2002 compared to the same period in 2001. Additionally, sales to oil country and steel service center customers decreased nearly 38% in the first nine months of 2002 compared to the same period in 2001.

Excluding restructuring and implementation charges of \$0.8 million for the first nine months of 2002, EBIT for our steel segment was \$32.3 million. This compares with EBIT of \$19.6 million in the first nine months of 2001, excluding restructuring and implementation charges of \$2.2 million and goodwill amortization of \$0.9 million. Including restructuring and reorganization charges and goodwill amortization, EBIT for our steel segment was \$31.5 million for the first nine months of 2002, compared to \$16.5 million in the same period in 2001. The increase in EBIT was the result of continuing cost-control actions. Our steel segment has reduced operating costs through a combination of price reductions, product substitution and lower consumption. Although scrap and alloy costs continued to increase in the first nine months of 2002 compared to the same period in 2001, natural gas costs were lower than in the first nine months of 2001 and contributed to the improved operating performance. Additionally, labor productivity increased during the first nine months of 2002 compared to the first nine months of 2001 due to efficiency improvements and increased production levels. We expect scrap and alloy costs to be higher in the fourth quarter of 2002 compared to 2001 levels.

Steel Year Ended December 31, 2001 Compared to Year Ended December 31, 2000. Our steel segment's net sales, including intersegment sales, decreased by 10.8% to \$960.4 million in 2001, compared to \$1.1 billion in 2000. Weaker customer demand in the last half of 2001 led to lower sales in nearly all of our steel business sectors. The exceptions were sales to aerospace and oil country customers, which increased modestly from 2000 levels. Automotive demand, which began softening in the fourth quarter of 2000 and continued throughout 2001, negatively impacted sales for our steel segment. Sales to bearing customers decreased. Imports continued to negatively affect the steel business by lowering market prices in the United States. In addition, the strong U.S. dollar continued to hurt our steel business' competitiveness in global markets. In June 2001, President Bush directed the ITC to initiate an investigation on steel imports under Section 201 of the U.S. Trade Act, urging multilateral negotiations to reduce global excess steel capacity and calling for multilateral negotiations to address market-distorting factors in the world steel trade. Our steel segment contributed to the investigation by completing the ITC questionnaires. In late October 2001, the ITC voted and unanimously affirmed that injury had been caused by surges of low priced imports of hot-rolled and cold-finished steel bars. Excluding our steel segment's portion of the restructuring, impairment and implementation charges of \$2.7 million, EBIT in 2001 decreased 67.7% to \$12.0 million, compared to \$37.1 million in 2000, which excluded \$17.8 million in special charges. Including restructuring, impairment and implementation charges, EBIT for our steel segment was \$9.3 million, compared to \$19.3 million in 2000. Due to pressure from imports, our steel segment has had to lower prices to maintain market share in certain segments, resulting in lower margins. The decline in EBIT was primarily due to lower sales volume and reduced

**Table of Contents**

operating levels in response to market conditions. However, continued cost-cutting actions and lower raw material and energy costs in the last half of 2001 favorably impacted EBIT performance. The average unit cost for natural gas was higher in 2001 compared to 2000, but reduced operating levels caused natural gas consumption in 2001 to be lower than 2000. Our steel segment's selling, administrative and general expenses in 2001 decreased compared to 2000. Although there were increased costs associated with the alliance with Axicon Technologies, Inc. and the acquisition of Lecheres Industries SAS, these increases were offset by the cost savings obtained from various cost-reduction efforts implemented by the business during 2001. In addition, the 2001 revisions to corporate center cost allocation methodology mentioned above favorably impacted our steel segment expenses.

***Consolidated Results of Operations***

Nine Months Ended September 30, 2002 Compared to Nine Months Ended September 30, 2001. We reported net sales of \$1.9 billion for the first nine months of 2002, an increase of 1.7% from \$1.9 billion for the same period in 2001. We reported net income for the first nine months of 2002 of \$2.3 million after the cumulative effect of accounting change related to the impairment of goodwill, compared to a net loss of \$42.9 million in the first nine months of 2001. In the first nine months of 2002, we incurred total pre-tax restructuring and implementation charges of \$39.3 million. These charges included \$25.0 million in the first nine months of 2002 related to impairment and restructuring charges and \$14.3 million related to implementation expenses, which were reflected in our cost of products sold and selling, administrative and general expenses for the first nine months of 2002. The first nine months of 2001 included pre-tax charges of \$57.0 million, of which \$49.4 million represented impairment and restructuring charges and \$7.6 million represented implementation charges. In addition, net income for the third quarter of 2002 was favorably impacted by the discontinuation of goodwill amortization, which was \$4.6 million (pre-tax) in the first nine months of 2001.

Our gross profit was \$354.2 million (18.6% of net sales) in the first nine months of 2002, compared to \$320.0 million (17.1% of net sales) in the same period in 2001. Gross profit performance improved due to higher sales volume, cost containment and savings generated from our strategic manufacturing initiative. In addition, in the first nine months of 2002, gross profit was favorably impacted by the discontinuation of goodwill amortization, which was \$4.6 million (pre-tax) in the first nine months of 2001.

Selling, administrative and general expenses were \$266.4 million (14.0% of net sales) in the first nine months of 2002, compared to \$276.7 million (14.8% of net sales) recorded in the first nine months of 2001. Although implementation charges increased \$4.5 million in the first nine months of 2002 compared to the same period in 2001, as did performance-based pay reserves, this increase was offset by savings related to the salaried workforce reduction in connection with our strategic manufacturing initiative and continuing focused control on discretionary spending.

Foreign currency exchange losses included in our operating results for the first nine months of 2002 totaled \$5.3 million, compared to an expense of \$5.6 million in the same period in 2001. The higher expense in 2002 is primarily attributable to certain international subsidiaries having payables denominated in currencies other than their own functional currency.

As part of our strategic manufacturing initiative commenced in the second quarter of 2001, we announced our intention to close bearing plants in Columbus, Ohio and Duston, England, and to sell a tooling plant in Ashland, Ohio. In light of the market weakness experienced throughout 2001, we announced in June 2001 that we were stepping up the strategic manufacturing initiative. This included accelerating the previously announced closings in Columbus and Duston. The Columbus bearing plant ceased manufacturing operations on November 9, 2001, while the Duston plant ceased manufacturing operations in the fourth quarter of 2002. From the commencement of the strategic manufacturing initiative through September 30, 2002, we have closed or sold seven bearings manufacturing facilities in higher cost locations such as the United States and Western Europe, and have expanded bearings operations in lower cost areas of the world, such as Eastern Europe, South America and Asia. Since the second quarter of 2001, we have reduced our workforce by approximately 1,700 associates.

**Table of Contents**

During the nine months ended September 30, 2002, we recorded \$39.3 million in restructuring and implementation charges related to our strategic manufacturing initiative, compared to \$57.0 million in the same period in 2001. Excluding these special charges, we recorded pre-tax income of \$66.6 million (after-tax income of \$41.3 million) in the first nine months of 2002, compared to \$21.4 million (\$8.9 million after tax) in the same period in 2001. Including these items, we reported net income of \$2.3 million after the cumulative effect of change in accounting principle related to the impairment of goodwill, compared with a net loss of \$41.7 million for the year ended December 31, 2001. In the fourth quarter of 2001, we received an extraordinary payment of \$31.0 million resulting from the CDO. Although we expect to receive a significant payment from the CDO in the fourth quarter of 2002, we cannot assure you that we will receive any future payments under the CDO, or if we do, in what amount.

Year Ended December 31, 2001 Compared to Year Ended December 31, 2000. We reported net sales of \$2.4 billion, a decrease of 7.4% from \$2.6 billion in 2000. Continuing weakness in industrial demand and the U.S. manufacturing recession contributed to the decreased sales and profits for 2001. The strong U.S. dollar continued to hurt business competitiveness in global markets. We experienced declining demand in key sectors, including North American heavy truck and rail, as well as inventory balancing in the North American light truck and SUV market. Globally, demand for industrial products decreased in 2001. Aerospace and super precision sales increased modestly over 2000 levels. Sales of steel products in all markets except aerospace were significantly lower.

Gross profit in 2001 was \$400.7 million, or 16.4% of net sales, down from \$500.9 million, or 19.0% of net sales. The impact of the lower sales volume, fueled by weakened automotive and industrial product demand as well as reduced operating levels to control inventory, reduced profitability in 2001, compared to 2000. In 2001, gross profit included \$7.7 million in reorganization and implementation costs compared to \$4.1 million in 2000. In 2001, the economic downturn resulted in a reduction of 777 positions, and our restructuring efforts led to an additional 762 reductions.

The operating loss for 2001 was \$17.6 million, compared to income of \$105.6 million in 2000. In 2001, we recorded restructuring costs of \$54.7 million and \$12.6 million of implementation and reorganization costs, compared to \$27.8 million in restructuring costs and \$11.1 million in reorganization costs in 2000. Selling, administrative and general expenses decreased to \$363.7 million, or 14.9% of net sales, in 2001, compared to \$367.5 million, or 13.9% of net sales, in 2000. This decrease was primarily caused by reduced compensation expense.

During 2001, we had two active cost-reduction programs: an efficiency initiative announced in March 2000 and concluded during the first quarter of 2001, and our strategic manufacturing initiative announced in April 2001 to allow us to more profitably execute our business strategies. The efficiency initiative announced in March 2000 concluded during the first quarter of 2001, with total charges of \$49.4 million, or \$10.5 million in 2001, recorded for impairment, restructuring and reorganization. Of the \$49.4 million total charges recorded between March 2000 and March 2001, \$20.7 million were impairment expenses, \$13.0 million related to restructuring expenses and \$15.7 million were reorganization expenses. During the year, \$2.0 million in restructuring expenses were reversed as a result of an overaccrual in severance for associates included in the efficiency initiative but not severed. Total payments of \$13.0 million were disbursed as of December 31, 2001. Estimated savings related to this program realized through the end of 2001 approximated \$26 million before taxes. During 2001, 106 positions were identified and eliminated due to the efficiency initiative. Combined with positions eliminated during 2000, this resulted in a total elimination of 694 positions as part of the efficiency initiative.

From the announcement of the strategic manufacturing initiative in April 2001 through the end of 2001, 856 associates left the company. Of that number, 618 people were from the Duston and Columbus plants, Canadian Timken Ltd. and associates included in the initiative for whom severance has been paid. The remaining 238 associates retired or voluntarily left the company by the end of the year, and their positions have been eliminated. We announced additional cost-saving actions under the strategic manufacturing initiative in August 2001. We took steps to further reduce capital spending, delay or scale back certain projects

**Table of Contents**

and reduce salaried employment. The reductions affected about 300 salaried associates concentrated in North America and Western Europe. The affected associates exited the company by the end of 2001.

From our strategic manufacturing initiative, we had achieved estimated annualized pre-tax savings of \$21.0 million as of the end of 2001. The charges incurred for this initiative through December 31, 2001 totaled \$56.8 million. Of that amount, \$15.1 million were curtailment charges, \$1.5 million were related to impaired assets, \$30.8 million were severance expenses, \$1.4 million were exit costs and the remaining \$8.0 million were implementation charges classified as cost of products sold (\$4.1 million) and selling, administrative and general expenses (\$3.9 million). The curtailment charges of \$15.1 million were for the pension and postretirement benefits related to the shutdown of the Columbus plant. The \$30.8 million of severance costs and \$1.4 million in exit costs were related to the shutdown of the Columbus and Duston plants as well as reductions in the salaried workforce. As of December 31, 2001, cash payments of \$9.1 million had been made for severance, resulting in a remaining accrual balance of \$21.4 million. Of the total \$30.8 million in severance costs, \$0.3 million was paid and expensed when incurred.

The majority of the increase in income reflected in other income (expense) in 2001 versus 2000 came from the \$31.0 million CDO payment, as well as gain on sales of property in Canada and Germany. This income was partially offset by the increased foreign currency translation losses we recorded during 2001. Foreign currency translation losses related to non-hyperinflationary economies totaled \$0.9 million in 2001, compared to income of \$2.6 million in 2000. The increase in translation losses is related to the continued weakening of European currencies against a strong U.S. dollar and the devaluation of the Brazilian *real* during 2001. Our subsidiary in Romania is considered to operate in a highly inflationary economy. In 2001, we recorded unrealized exchange losses of \$2.3 million related to the translation of Timken Romania's financial statements, compared to \$4.0 million in 2000. The expense was impacted by the strength of the U.S. dollar.

Although we recorded a loss before income taxes for the twelve months ended December 31, 2001, we recorded a consolidated tax provision as a result of our generating income in certain jurisdictions on which taxes must be provided and losses in other jurisdictions, which are not available to reduce overall tax expense.

**Liquidity and Capital Resources**

We continued to take actions during the first nine months of 2002 to control costs, generate cash and reduce debt, focusing on discretionary spending. Cash increased by \$3.4 million in the first nine months of 2002, and debt decreased by \$15.1 million to \$481.9 million as of September 30, 2002, from \$497.0 million as of December 31, 2001. The 37.0% debt-to-total-capital ratio at September 30, 2002 is lower than the 38.9% ratio at year-end 2001, although pro forma for the Torrington acquisition, the ratio would have been % as of September 30, 2002. Following the Torrington acquisition, to the extent possible, we intend to continue our efforts to reduce debt. We expect to satisfy any cash requirements in excess of cash generated from operating activities through drawings under our new revolving credit facility and our accounts receivable facility.

***Capital Expenditures***

Our business requires ongoing capital investments to maintain our existing level of operations, introduce new products and implement productivity improvements. In the first nine months of 2002, these capital expenditures totaled \$54.1 million, compared with \$76.1 million in the first nine months of 2001. These investments totaled \$102.3 million for the full year 2001. Capital expenditures in 2001 and the first nine months of 2002 focused on achieving manufacturing improvements by expanding our lower cost facilities, improving quality and reducing labor cost, in accordance with our strategic manufacturing initiative, and investing in new product programs. Our reductions in capital spending in recent periods reflect our drive for further efficiency and productivity, as well our efforts to control spending.

We currently expect capital expenditures for 2003 and beyond to increase from previous levels in light of the Torrington acquisition, as well as the need to invest in new product programs.

**Table of Contents****Working Capital**

Total assets as shown on our consolidated condensed balance sheets increased by approximately \$9.0 million from December 31, 2001 to September 30, 2002. Inventory balances at the end of the third quarter of 2002 increased approximately 8% compared to year-end 2001 levels. Our number of days supply in inventory as of September 30, 2002 was 110 days compared to 105 days as of December 31, 2001. Total number of days supply in inventory for our bearings segment was comparable with the prior year period, while inventory increased 11 days for our steel segment. The increase in inventories for our steel segment in the third quarter of 2002 was a result of the increase in operating levels to meet increased automotive customer demand. The number of days supply in inventory for our steel segment as of December 31, 2001 was extremely low as a result of depressed customer demand in the fourth quarter of 2001. Accounts receivable increased by \$68.6 million in the first nine months of 2002. The increase was due primarily to the increase in sales levels. The number of days sales in receivables at September 30, 2002 was comparable to December 31, 2001, which was 51 days.

As shown on our unaudited consolidated condensed statement of cash flows, the increase in inventories used \$35.2 million of cash during the first nine months of 2002. Other assets used \$6.8 million in cash during the first nine months of 2002. This was primarily due to the funding of the e-business joint ventures and other affiliations, which was offset by the collection of the receivable related to the Ashland plant fixed assets sale as well as other receivables collected during the third quarter. Accounts payable and accrued expenses provided \$46.1 million of cash in the first nine months of 2002, primarily due to an increase in amounts payable to suppliers and an increase in the amounts reserved for performance-based pay due to our better performance in the first nine months of 2002. This increase in accounts payable and accrued expenses was offset by the restructuring accrual payments made during the first nine months of 2002. Purchases of property, plant and equipment, net used \$33.8 million of cash in the first nine months of 2002, a decrease of 45% from the \$61.8 million spent during the same period in 2001.

In the first nine months of 2002, we contributed \$51.9 million in cash and an aggregate of \$54.5 million in treasury shares and a small number of newly issued shares of our common stock to our pension plans to prepay a portion of our funding obligations under our pension plans. Although the stock component of the pension plan contribution did not use any available cash, we may in future periods determine to fund such obligations in whole or in part with cash on hand that would otherwise be used for other purposes. We cannot predict precisely the level of such obligations for future periods. We currently expect to make substantial additional cash contributions in the near-term, but we cannot predict whether changing economic conditions or other factors will require us to make contributions in excess of our current expectations, diverting funds we would otherwise apply to other uses.

**Financing**

Our contractual debt obligations and contractual commitments outstanding as of September 30, 2002 were as follows (in millions):

	Total	Payment Due by Period			
		Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
		(in millions)			
Long-term debt	\$ 374.1	\$ 23.5	\$ 9.6	\$ 103.1	\$ 237.9
Commercial paper	26.6(1)	26.6			
Other lines of credit	81.2(2)	81.2			
Operating leases	\$ 57.1	\$ 13.3	\$ 21.9	\$ 5.7	\$ 16.2

- (1) We expect all of such amounts to be repaid in connection with the Torrington acquisition.
- (2) We may incur additional borrowings under our new senior credit facility or our new accounts receivable facility to repay all or a portion of such amounts.

Our capital lease obligations are immaterial.



**Table of Contents**

We entered into our existing \$300 million senior credit facility, comprised of a revolving loan facility, including prime rate loans and eurodollar loans and a competitive bid option, on July 10, 1998 with a syndicate of financial institutions for which Keybank National Association, which we refer to as KeyBank, acts as agent. At September 30, 2002, under this facility we had no amounts outstanding and \$273.4 million available due to the current use of this facility to back-stop our commercial paper obligations. In connection with the Torrington acquisition, any amounts which may then be outstanding under this facility will be repaid in full from the proceeds of our new senior credit facility described below, and our existing credit facility will be terminated. At September 30, 2002, we had \$292.0 million of medium-term notes and \$70.7 million of industrial revenue bonds outstanding, none of which we expect to repay in connection with the Torrington acquisition. We are currently in compliance with all our covenants under our existing credit facility and our other debt agreements, and we expect to remain so following the Torrington acquisition.

We are the guarantor of a \$23.5 million letter of credit for Pel Technologies, LLC, one of our U.S. joint ventures. Excluding letters of credit and guarantees supporting current outstanding debt, we also have approximately \$31.5 million in various letters of credit and guarantees.

On October 16, 2002, we entered into a purchase agreement with Ingersoll-Rand to acquire Torrington for \$700 million in cash, subject to adjustment, and approximately \$140 million of our stock. In connection with the Torrington acquisition, we intend to enter into a new \$875 million senior credit facility, comprised of a one-year term loan facility of up to \$375 million and a five-year revolving credit facility of up to \$500 million, with a syndicate of financial institutions for which Bank of America, N.A. and KeyBank will act as co-administrative agents, KeyBank will act as paying agent and Banc of America Securities LLC and KeyBank will act as joint lead arrangers and book managers, Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated will act as syndication agent, and Morgan Stanley Bank will act as documentation agent. Under the terms of our new senior credit facility, we are required to use the proceeds of the revolving credit facility to repay any amounts outstanding under, and then terminate, our existing senior credit facility. We also currently intend to use borrowings under our new senior credit facility to repay all of our outstanding commercial paper obligations upon the closing of the Torrington acquisition. We do not expect to borrow under the term loan component of our new senior credit facility, unless we are unable to consummate the concurrent notes offering on or prior to the closing of the Torrington acquisition. We will be obligated to repay any amounts drawn under the term loan facility within one year. We intend to refinance with long-term debt issued in the capital markets any amounts drawn under the term loan facility as promptly as practicable after the drawing. If we do not borrow under the term loan component of our new senior credit facility, the term loan facility will expire upon consummation of the Torrington acquisition.

Our new senior credit facility will provide for borrowings in foreign currencies up to \$100 million and the issuance of letters of credit up to \$150 million, each of which will be sublimits of the revolving credit facility. The revolving credit facility will expire five years from the initial funding date. All amounts outstanding under our new senior credit facility will be guaranteed by all of our existing and future direct and indirect domestic subsidiaries. The proceeds of our new senior credit facility are expected to be used to fund, in part, the Torrington acquisition, and to fund our working capital, capital expenditures and other lawful requirements.

Acquiring Torrington will increase our level of debt as a consequence of the financing we will undertake in connection with the Torrington acquisition through our concurrent notes offering and our new senior credit facility, as well as the working capital needs of Torrington. Subject to the limits contained in our senior credit facilities and other debt agreements, we may also incur additional debt in the future.

On October 24, 2002, we filed a shelf registration statement with the SEC registering the sale of up to \$900 million of common stock, preferred stock, debt securities, warrants, depositary shares, stock purchase contracts and stock purchase or equity units. This offering and our concurrent notes offering are being made under that shelf registration statement.

On December 19, 2002, The Timken Corporation, or TTC, a wholly owned consolidated subsidiary of ours, entered into an agreement to sell, on an ongoing basis, certain domestic trade receivables to a wholly-owned, special-purpose subsidiary, Timken Receivables Corporation, which we refer to as TRC. We are permitted to securitize up to \$125 million of accounts receivable under this agreement. No trade

## **Table of Contents**

receivables have yet been sold under the facility. We may borrow under this facility in lieu of drawing down on our new revolving credit facility to finance the Torrington acquisition.

### ***Shareholders Equity***

Our balance sheet as of September 30, 2002 reflects a non-cash foreign currency translation adjustment of \$2.7 million, which decreased shareholders equity, compared to a non-cash foreign currency translation adjustment of \$13.3 million that decreased shareholders equity in the first nine months of 2001. Although the Brazilian *real* and Argentine *peso* continued to be devalued during the first nine months of 2002, the adverse impact was more than offset by the strength of currencies against the U.S. dollar in many of the other countries in which we operate. The opposite was true during the first nine months of 2001, when our results were negatively impacted by continued weakening of currencies.

Total shareholders equity has increased by approximately \$37.3 million in the first nine months of 2002. The increase in equity was primarily the result of the contribution of treasury shares and a small number of newly issued shares, together valued at an aggregate of \$54.5 million, to the pension plans for our associates and other stock transactions, net income of \$2.3 million, the non-cash foreign currency translation adjustment of \$2.7 million, a non-cash adjustment of \$0.4 million related to outstanding and settled derivative instruments and the payment of \$23.5 million in dividends.

### **Quantitative and Qualitative Disclosures About Market Risk**

Changes in short-term interest rates related to three separate funding sources impact our earnings. These sources are commercial paper issued in the United States, floating rate tax-exempt U.S. municipal bonds with a weekly reset mode and short-term bank borrowings at international subsidiaries. If the market rates for short-term borrowings increased by 1% worldwide, the impact would be an increase in interest expense of \$1.2 million with the corresponding decrease in income before taxes of the same amount. This amount was determined by considering the impact of hypothetical interest rates on our borrowing cost, year-end debt balances by category and an estimated impact on the tax-exempt municipal bonds interest rates.

Fluctuations in the value of the U.S. dollar compared to foreign currencies, predominantly in European countries, also impact our earnings. The greatest risk relates to products shipped between our European operations and the United States. Foreign currency forward contracts and options are used to hedge these intracompany transactions. Additionally, hedges are used to cover third-party purchases of product and equipment. As of September 30, 2002, there were \$52.2 million of hedges in place. A uniform 10% weakening of the dollar against all currencies would have resulted in a change of \$1.5 million on these hedges. In addition to the direct impact of the hedged amounts, changes in exchange rates also affect the volume of sales or the foreign currency sales price as competitors products become more or less attractive.

### **Recent Accounting Pronouncements**

In June 2001, the Financial Accounting Standards Board, or FASB, issued SFAS No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets. Under SFAS No. 142, goodwill and certain other intangible assets are no longer amortized but are reviewed annually for impairment. Intangible assets that are separable and have a definite life will continue to be amortized over their useful lives. If, based on the impairment reviews, the related assets are found to be impaired, their carrying value is adjusted through a charge to earnings. We began applying the new accounting rules for goodwill and other intangible assets beginning in the first quarter of 2002.

In accordance with the adoption of SFAS No. 142, we evaluated the impairment of indefinite lived intangible assets and determined that none were impaired based on estimations in market value. Fair value of each of our five reporting units was determined by discounted cash flows and validated with various market-comparable approaches. Based on the results of this review, we recorded a transitional impairment loss of \$12.7 million, net of an income tax benefit of \$7.8 million, which relates to the specialty steel business. The transitional impairment loss was recorded in the third quarter of 2002 as a non-cash charge and reflected as the cumulative effect of a change in accounting principle.

**Table of Contents**

In October 2001, the FASB issued SFAS No. 144, Accounting for Impairment or Disposal of Long-Lived Assets. SFAS 144 supersedes SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of. SFAS 144 retains the existing requirements for long-lived assets to be held and used, but it establishes one accounting model for long-lived assets to be disposed of by sale and revises guidance for assets to be disposed of other than by sale. Adoption of SFAS No. 144 did not have a material effect on our financial position or results of operations.

In April 2002, the FASB issued SFAS 145, Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections. This statement rescinds SFAS 4, Reporting Gains and Losses from Extinguishment of Debt, in which the FASB determined that gains and losses from debt extinguishments were to be recorded as extraordinary items. The provisions of SFAS 145 are effective for fiscal years beginning after May 31, 2002, with earlier adoption encouraged. We are currently reviewing the provisions of SFAS No. 145 to determine its impact upon adoption.

In June 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities, which addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force, or EITF, Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring). SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized and measured initially at fair value only when the liability is incurred. Under EITF 94-3, a liability for an exit cost was recognized at the date of an entity's commitment to an exit plan. SFAS No. 146 is effective for exit and disposal activities that are initiated after December 31, 2002. SFAS No. 146 has no effect on charges recorded for exit activities begun prior to this date, and therefore we continue to recognize restructuring costs in connection with the strategic manufacturing initiative in accordance with EITF Issue No. 94-3. We do not expect to incur additional charges with respect to the initiative following December 31, 2002. We do not expect the adoption of this statement to have a material effect on our financial position or results of operations.

**Table of Contents**

**BUSINESS**

**Overview**

*Our Business*

We are a leading global manufacturer of highly engineered bearings, alloy and specialty steel and related components. We are the world's largest manufacturer of tapered roller bearings and alloy seamless mechanical steel tubing and the largest North American-based bearings manufacturer.

We had net sales of \$2.4 billion for the year ended December 31, 2001, and \$1.9 billion for the nine months ended September 30, 2002, and we employed approximately 18,100 people as of September 30, 2002. We manufacture two basic product lines: anti-friction bearings and steel products, and we report our business in three segments: automotive bearings, industrial bearings and steel. Automotive bearings, industrial bearings and steel represented 31%, 36% and 33%, respectively, of our net sales for the year ended December 31, 2001 and 33%, 35% and 32%, respectively, of our net sales for the nine months ended September 30, 2002.

In the bearing industry, we are best known for our principal product, the tapered roller bearing, which was originally patented in 1898 by our founder, Henry Timken. Our tapered roller bearings are used in a wide variety of products and applications, including passenger cars, trucks, aircraft wheels, locomotives and railroad cars, and equipment for agriculture, construction, mining, pulp and paper processing, power generation, metal processing and metal mills. We also produce high quality spherical and cylindrical roller bearings for large gear drives, rolling mills and other process industry and infrastructure development applications. In addition, our aerospace and super precision facilities produce high-performance ball and cylindrical bearings for ultra high-speed and high-accuracy applications. These types of bearings are used in aircraft and helicopter engines, gear boxes, transmissions, flight and fuel controls, missile guidance systems, dental handpieces, robotic equipment and semiconductor manufacturing equipment. A small part of our business involves providing bearing reconditioning services for industrial and railroad customers, both internationally and domestically.

Our steel products include steels of intermediate alloy, low alloy and carbon grades. We also make vacuum processed specialty steels. Our steel products are available in a wide range of solid and tubular sections with a variety of lengths and finishes. We sell our steel products, including semi-finished and finished precision steel components, to other anti-friction bearing companies and to companies in the automotive, tooling, aerospace, forging and oil and gas drilling industries, and to steel service centers. For the year ended December 31, 2001, approximately 15% of our steel production was consumed in our bearings operations.

*Our Segments*

We report our business through three industry segments:

automotive bearings;

industrial bearings; and

steel.

For the year ended December 31, 2001 and the nine months ended September 30, 2002,

our automotive bearings segment had net sales of \$751 million and \$630 million, respectively, and earnings before interest and taxes of \$39.9 million and \$(3.6) million, respectively;

our industrial bearings segment had net sales of \$882 million and \$658 million, respectively, and earnings before interest and taxes of \$32.1 million and \$23.9 million, respectively; and

our steel segment had net sales of \$814 million and \$741 million, respectively, and earnings before interest and taxes of \$9.3 million and \$31.5 million, respectively.

Our automotive and industrial bearings businesses have historically participated in the global bearing industry, while our steel business has concentrated primarily on U.S. customers. However, over the past few years, our steel business has acquired non-U.S. companies, including

Timken Desford Steel, in Leicester,

S-54

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**Table of Contents**

England, that specializes in the manufacturing of seamless mechanical tubing, and Lecheres Industries SAS, the parent company of Bamarec S.A., a precision component manufacturer based in France.

***Strategic Manufacturing Initiative***

Maintaining high standards of product quality and reliability while keeping production costs competitive is essential to our ability to compete with domestic and international manufacturers in both the anti-friction bearing and steel businesses. Beginning in the second quarter of 2001, we undertook an aggressive transformation of our manufacturing operations to allow us to more profitably execute our business strategies described below. The principal objectives of our strategic manufacturing initiative are:

creating focused factories for each product line or component;

reducing our fixed costs;

increasing production at our lowest cost plants; and

implementing our Lean Six Sigma program.

As part of this strategic manufacturing initiative, we have closed or sold seven facilities in higher cost locations in certain parts of the United States and Western Europe, and have expanded our bearings operations in lower cost areas of the world, such as Eastern Europe, South America and Asia. In addition, we undertook a salaried workforce reduction program as a part of the initiative, and we have reduced our workforce by approximately 1,700 associates since the second quarter of 2001. Through Lean Six Sigma, our program for driving for efficiency and higher quality manufacturing, we seek to continue to improve our overall manufacturing processes by reducing cycle time, inventory and floor space, in order to optimize asset utilization. As of September 30, 2002, we had achieved an estimated annualized rate of pre-tax savings of approximately \$70 million from our strategic manufacturing initiative, and by the end of 2002, we expect to increase this savings rate to approximately \$80 million.

**The Torrington Acquisition**

On October 16, 2002, we entered into a purchase agreement with Ingersoll-Rand Company Limited to acquire its Engineered Solutions business, including certain of its joint venture interests, operating assets and subsidiaries, including The Torrington Company. We will pay Ingersoll-Rand \$700 million in cash, subject to adjustment, and approximately \$140 million in shares of our common stock for Torrington, a leading worldwide producer of needle roller, heavy-duty roller and ball bearings and motion control components and assemblies. Upon completion of the Torrington acquisition, we will have global leadership positions in the needle and tapered roller bearing and alloy steel industries, with operations on six continents. The closing of this offering is contingent upon the closing of the Torrington acquisition. See Risk Factors Risks Related to the Torrington Acquisition and Description of the Torrington Purchase Agreement and Related Agreements in this prospectus supplement.

***Torrington***

Torrington has been a leader in the bearing industry for over 100 years and is a leading manufacturer of needle roller bearings. It produces a wide range of bearings sold under a number of brand names, including Torrington needle roller bearings, Torrington heavy-duty roller bearings, Nadella precision needle roller bearings and linear motion solutions and Fafnir ball bearings and housed units. Torrington also produces a variety of precision motion control components and assemblies, such as steering shaft assemblies and steering column shafts. Torrington sells its products directly or through authorized distributors to automotive and industrial manufacturers, as well as to aftermarket users throughout the world. In recent years, Torrington has expanded its worldwide business through a series of acquisitions and joint ventures in France, Germany, China and India.

Torrington had net sales of \$1.1 billion for the year ended December 31, 2001 and \$912.4 million for the nine months ended September 30, 2002, employs approximately 10,500 people and operates 27 plants

## **Table of Contents**

throughout the world. Torrington has two business divisions: automotive engineered solutions and industrial engineered solutions. Torrington's 2001 net sales were about evenly split between its two divisions.

The Torrington automotive business manufactures a variety of products, including roller and needle bearings and other components used in an automobile's transmission, chassis, steering column and engine. Many of these products, such as column locks and rotary tilt products for steering columns, are highly engineered, with precision technology, and are specially designed through collaborative efforts between Torrington and its customers. These products are primarily sold to OEMs, including large automobile manufacturers, and their principal suppliers. We believe that Torrington has created a high degree of customer loyalty as a result of this collaborative process and customization.

The Torrington industrial business produces a broad range of products, including roller bearings, needle bearings, wider inner ring ball bearings and housed units, radial ball bearings, super precision ball bearings, airframe control bearings, precision machined bearings and precision components and assemblies. These products are sold to OEMs as well as through a global distributor network.

In October 2001, Torrington acquired the remaining 50% external ownership in Nadella, S.A., previously a joint venture investment with a third party. Nadella produces metric precision needle bearings for steering and engine applications in Europe and has added \$91.5 million in consolidated revenue to Torrington for the nine months ended September 30, 2002.

### ***Strategic Benefits of the Torrington Acquisition***

We expect to realize a number of strategic and competitive benefits as a result of the Torrington acquisition, including the following:

*Expanding our global presence and market share.* The Torrington acquisition will combine our global leadership position in tapered roller bearings with Torrington's leadership position in needle roller bearings. We expect the Torrington acquisition to provide us with opportunities to expand our geographic presence and enhance our industry coverage through increased scale and a stronger international distribution network, particularly in Europe and Asia. We expect this expanded global reach to enable us to compete more effectively with established worldwide firms and regional competitors. With Torrington, our combined global presence and enhanced product lines will better position us to capitalize on the trend among customers toward consolidating suppliers of their bearings and steel products.

*Strengthening our core automotive business with a complementary product offering.* We expect the Torrington acquisition to enhance our ability to produce a broader range of products for use in the powertrain, an area of the vehicle that uses both bearings and precision engineered solutions. We believe Torrington's highly engineered, value-added powertrain product portfolio complements our existing wheel hub portfolio and driveline solutions, will enable us to offer greater system design capability and will provide us with a broader product offering to better serve our customers. We expect future design change and growth in both the powertrain and wheel hub areas.

*Broadening our industrial product portfolio.* We expect the Torrington acquisition to strengthen our existing industrial business by broadening our product base and increasing our cross-selling opportunities, resulting in an increase in the penetration of our products into a broader installed base. In addition, we believe the Torrington acquisition will enable us to achieve economies of scale with our customers and improve our service capabilities, providing us with more opportunities for becoming a preferred supplier to our customers. We believe the Torrington acquisition will expand our presence in the industrial service and aftermarket businesses and will enhance our position as a leading supplier of bearings and related products to the industrial aftermarket worldwide.

*Increasing cost savings and manufacturing efficiencies.* We intend to integrate Torrington into our operations by combining Torrington's automotive engineered solutions business with our automotive bearings segment and Torrington's industrial engineered solutions business with our industrial bearings segment. We intend to generate incremental cost savings throughout the combined company, by

## **Table of Contents**

realizing economies of scale, rationalizing facilities to consolidate manufacturing operations, combining engineering and technology efforts and eliminating duplicative distribution and back office systems. In connection with the Torrington acquisition, we believe we can achieve an estimated annualized rate of pre-tax savings of approximately \$80 million by the end of 2005 before implementation costs, including an estimated annualized rate of pre-tax savings of approximately \$20 million by the end of the first year following the acquisition. These savings are in addition to the savings described above relating to our strategic manufacturing initiative.

*Enhancing our technology innovation platform.* We believe that Torrington has one of the most flexible and responsive product development programs in the bearing industry. We expect to leverage the best practices of Torrington's product development programs across our core bearings technology and to apply our strong research focus across Torrington's product line. We expect that these dual efforts will enable us to develop value-added products and to better meet the needs of our customers.

## **Industry Overview**

### ***Anti-friction Bearings***

The anti-friction bearing industry is highly fragmented, with approximately 200 firms manufacturing products and providing related services. Without giving effect to the Torrington acquisition, the seven largest bearings producers account for approximately 65% of the world's bearings sales.

Major product types include tapered roller bearings; cylindrical, spherical and needle roller bearings; miniature and precision bearings and shaft and spindle ball bearings. In order to remain competitive, firms have increasingly become more global by moving manufacturing facilities to lower cost, export-oriented operations in emerging markets to improve cost positions and expand geographic presence.

The majority of products and services in the world bearing industry are sold directly to OEMs and distributors in a wide variety of industry segments that include automotive, aerospace, rail and industrial equipment (including agricultural, construction, process industries and mining equipment), as well as electronics and electrical equipment. Consolidation among OEMs and industrial distributors has resulted in a significant shift in the industry. Large, global buyers have begun to purchase products from bearing suppliers with large, installed manufacturing bases and strong customer relationships, who can offer a single-source comprehensive product line. Further, as OEMs become more global, buyers are seeking partners with global distribution networks that can match diverse geographic sourcing needs. In addition, the aftermarket is an important segment for manufacturers, as it is often characterized by a higher margin replacement business, which may include technical service and support.

Increasingly, end users are focusing on their core businesses, and outsourcing maintenance activities to specialists in many industries. This change is driving the growth of companies, like ours, who can provide these services to their customers on a global basis to continue to expand profitable relationships. We expect a growing proportion of total revenues in the bearing industry to be derived in the near future from providing these maintenance services.

### ***Steel***

The steel industry is highly fragmented and competitive, with a multitude of firms providing a variety of steel grades and related services. Steel products range from commodity-type, low-grade steel (reinforcing bars and beams) for a diverse set of industries, to high-performance alloys and specialty steels for a narrower range of industry applications in the aerospace and automotive markets. Pricing is relatively inflexible in the commodity markets and significantly improves for more highly engineered, value-added steels.

The steel industry, in general, has undergone a significant shift due to a variety of factors, including, most notably, increased international competition due to global overcapacity, government regulation, improvements in manufacturing technologies and demand for lighter weight substitutes, such as plastic, aluminum, graphite composites and ceramics. Intense competition and an unfavorable pricing environment have resulted in a number of bankruptcies in the U.S. steel industry, primarily in the steel mill sector. This change in the



## **Table of Contents**

competitive landscape has forced many steel manufacturers to close plants, move to lower cost manufacturing facilities or shift their product mix to more highly engineered, value-added steel production. Steel suppliers' ability to invest in research and development, lower production costs and maintain adequate access to low-cost sources of capital are fundamental competitive advantages in the market today.

### **Competitive Strengths**

We believe that our core strengths provide us with a competitive advantage that has allowed us to remain consistently at the forefront of our industry. We believe the Torrington acquisition will enhance our competitive strengths, which include:

*Being a leading worldwide manufacturer of anti-friction bearings and alloy steel.* We are a leading global manufacturer of highly engineered bearings, alloy and specialty steel and related components. Over the course of our more than 100-year history, we have become the world's largest manufacturer of tapered roller bearings and alloy seamless mechanical steel tubing. Torrington is a leading manufacturer of needle roller, heavy-duty roller and ball bearings and motion control components and assemblies. With the acquisition of Torrington, we will have global leadership positions in the needle and tapered roller bearing and alloy steel industries, with operations on six continents.

*A comprehensive product offering with leading brands.* We offer a broad array of products and services in the industries in which we operate. Many of our and Torrington's brands have an extensive history within the bearing industry and are well known for their quality, reliability and performance. We believe our brand name recognition and customer awareness help us to capture additional business, as well as to maintain existing customers, particularly as our customers look to reduce their supplier base.

*A diverse business mix and customer base.* We provide our products and services to a wide range of industries and customers, which reduces our dependence on particular geographic or industry segments. We serve a diverse range of industries, including automotive, construction, aerospace and defense, agriculture, mining, metals, rail, energy, machine tool and general industrial. Our customers include both OEMs and aftermarket distributors. We expect the Torrington acquisition to complement our existing customer base and enhance our industrial aftermarket sales.

*Global manufacturing capabilities.* Our extensive global manufacturing network allows us to provide our products to our worldwide customers efficiently. We continue to focus on lowering our cost structure by creating focused factories for each product line or component, reducing our fixed costs and increasing production at our lowest cost plants. We also continue to implement Lean Six Sigma into our manufacturing and business processes to further improve quality and productivity. We intend to apply these techniques within the combined company to further reduce our overall cost structure.

*An experienced management team.* Our executive management team has on average more than 19 years of experience with our company. In addition, our operational management team has substantial materials science expertise and engineering capabilities, which provide them with a distinctive skill set to apply to the bearing industry. As a result of their specialized knowledge, this team has developed strong relationships with, and an intimate understanding of, our customers, as well as the industries we serve.

### **Business Strategy**

Our strategy is to achieve profitable growth by continuing to pursue the following initiatives:

*Build on our customer-centric focus to further partner with customers and diversify our customer base.* We work collaboratively with our customers in our research and development efforts to allow us to manufacture products that fit our customers' individual requirements, cost less and provide improved performance. We intend to continue to work closely with our customers to provide significant product improvements, create differentiated products and distribute our products efficiently. We believe this partnership approach creates significant brand equity, fosters long-term relationships with our

**Table of Contents**

customers and positions us to expand our already diverse customer base. For example, by providing integrated products that meet our customers' needs, we are able to offer our customers higher value-added solutions. Other examples of this partnership approach are the several e-business initiatives we have implemented to better serve our industrial distribution customers and expand our distribution capabilities worldwide.

*Leverage our technology and engineering competencies to introduce complementary new products.* Since 1999, we have invested approximately \$50 million annually into our research and development efforts to generate new revenue, reduce costs, develop more comprehensive solutions for our customers and enhance our manufacturing efficiency. We plan to continue leveraging our significant research and development investments and engineering expertise to develop highly differentiated and customized products and to produce them more efficiently for our customers.

*Continuously improve our manufacturing processes.* Through our strategic manufacturing initiative, we have put into place additional training and personnel needed to further drive process improvements, including through our Lean Six Sigma effort. Using Lean Six Sigma, we seek to improve our overall manufacturing processes by reducing cycle time, inventory and floor space, which results in higher returns on our invested capital. We also intend to continue to enhance our productivity and reduce costs through process improvements achieved through research and development, and changes driven by skilled plant managers.

*Expand our international presence.* Over the last 10 years, we have opened or acquired new manufacturing and distribution facilities in the United Kingdom, France, Mexico, Singapore, the Netherlands and Italy and expanded our lower cost bearing manufacturing centers in Poland, Romania and China. We have also formed joint ventures in emerging markets such as Brazil and China. These facilities further expand our international presence, improve our overall cost position and enable us to better meet customer demand for local sourcing of products. We seek to continue our strategy of international expansion, including through the Torrington acquisition, which will enable us to further develop our presence in Europe and Asia and provide additional opportunities for us to benefit from globalization.

**Products and Services**

We manufacture two basic product lines: anti-friction bearings and steel. Differentiation in these two product lines comes in two different ways:

by bearing type or steel type; and

by the applications of bearings and steel.

The following table describes our and Torrington's principal products and services by business segment for both OEMs and the aftermarket:

Business Segment	Product/Services	Applications
<i>Automotive Bearings</i> <i>Automotive Applications</i>	Bearings and related parts.	Axles, front and rear wheels, transmissions, transaxles and continuously variable transmissions for light-, medium- and heavy-duty trucks, passenger cars and heavy-duty truck trailers.
<i>Automotive Engineered Solutions</i> <i>(Torrington)</i>	Bearings and related parts, engine valvetrain components, steering column sub-assemblies and components.	Engines, transmissions, chassis applications, steering applications and engine applications.

**Table of Contents**

<b>Business Segment</b>	<b>Product/Services</b>	<b>Applications</b>
<b>Industrial Bearings</b> <i>Industrial Applications</i>	Bearings, bearing refurbishment services and diagnostics.	Transmissions, wheels, axles, crankshafts and hydraulic cylinders for excavators, haulage trucks, crawler dozers, backhoes, combines, tractors and drilling tools for the construction, agriculture, mining, oil and gas, power generation, rolling mill, pulp and paper and printing industries.
<i>Industrial Engineered Solutions (Torrington)</i>	Roller bearings, needle bearings, wider inner ring ball bearings and housed units, radial ball bearings, super precision ball bearings, airframe control bearings, precision machined bearings, bearing assemblies, precision components and assemblies, speed and position sensors, bearing procurement services, sourced bearings and new material solutions.	Industrial applications in agriculture, consumer equipment, aerospace, construction, machine tools, defense, natural resources, mining, steel paper production and general industrial equipment.
<i>Rail Applications</i>	New and remanufactured bearings and housings and friction management systems.	Wheels, drive trains and motor suspension units in rail transit and passenger cars, freight cars and locomotives.
<i>Aerospace and Super Precision Applications</i>	Bearings, new and refurbished components and precision assemblies.	<i>Aerospace:</i> aircraft and helicopter engines; gearboxes, transmissions, landing wheels and flight and fuel controls. <i>Super Precision:</i> semiconductor robotic equipment, x-ray machines, medical instruments, and other industrial assemblies. <i>Dental:</i> handpiece components, assemblies and repairs.
<b>Steel</b> <i>Alloy Steel</i>	High-quality bar and seamless mechanical tubing.	<i>Aerospace:</i> aircraft engine main shafts, landing gear and high-strength fasteners, oil and gas drilling tools and guns. <i>Construction and Farming:</i> hydraulic cylinders, bearings, axles and crankshafts. <i>Automotive and Truck:</i> powertrain and driveline performance components, including gears, shifter sleeves, bearings, crankshafts and constant velocity joint components.

**Table of Contents**

<u>Business Segment</u>	<u>Product/Services</u>	<u>Applications</u>
<i>Precision Steel Components</i>	Semi-finished and finished parts, including internal ring gears, sun gears, races, hubs, clutch shafts, axle shafts, track pins, constant velocity joint cages and outer race prop shafts.	Power-transfer drivetrain applications for the automotive and industrial industries.
<i>Specialty Steel</i>	Produces and distributes more than 300 specialty grades of steel.	Medical implants, aircraft landing gear, corrosion-resistant petrochemical equipment, high-performance metal cutting and forming tools, custom knife blades and high-temperature fasteners for a broad range of specialty industries.

***Anti-Friction Bearings***

We and Torrington each serve an array of industries and manufacture products for a diverse range of highly specialized end-use applications in the anti-friction bearings market.

Tapered Roller Bearings. In bearings, we are best known for the tapered roller bearing, which Henry Timken, our founder, originally patented in 1898. The tapered roller bearing is our principal product in the anti-friction bearing product line. It consists of four components:

the cone, or inner race;

the cup, or outer race;

the tapered rollers, which roll between the cup and cone; and

the cage, which serves as a retainer and maintains proper spacing between the rollers.

We manufacture or purchase these four components and then sell them in a wide variety of configurations and sizes.

The tapered rollers permit ready absorption of both radial and axial loads in combination. For this reason, tapered roller bearings are particularly well adapted to reducing friction where shafts, gears or wheels are used. The applications for tapered roller bearings have diversified from the original application on horse-drawn wagons to applications on passenger cars, light and heavy trucks, trains, as well as a wide range of industrial applications, ranging from very small gear drives to bearings over two meters in diameter for wind energy machines. Further differentiation has come in the form of adding sensors to these bearings, which measure parameters such as speed, load, temperature or overall bearing condition.

Matching bearings to the specific requirements of customers' applications requires engineering, and often sophisticated analytical techniques. The design of our tapered roller bearing permits distribution of unit pressures over the full length of the roller. This fact, combined with high precision tolerance, proprietary internal geometry and premium quality material, provides our bearings with high load carrying capacity, excellent friction-reducing qualities and long life.

Precision Cylindrical and Ball Bearings. Our aerospace and super precision facilities produce high-performance ball and cylindrical bearings for ultra high-speed and/or high-accuracy applications in the aerospace, medical/dental, computer disk drives and other industries. These bearings utilize ball and straight rolling elements and are in the super precision end of the general ball and straight roller bearing product range in the bearing industry.

A majority of our aerospace and super precision bearings products are special custom-designed bearings and spindle assemblies. They often involve specialized materials and coatings for use in applications that subject the bearings to extreme operating conditions of speed and temperature.



## **Table of Contents**

**Spherical and Cylindrical Bearings.** Our facility in Romania produces spherical and cylindrical roller bearings for large gear drives, rolling mills and other process industry and infrastructure development applications. We expect that our cylindrical and spherical roller bearing capability will be significantly enhanced with the acquisition of Torrington's broad range of spherical and heavy-duty cylindrical roller bearings for standard industrial and specialized applications. These products are sold worldwide to OEMs and industrial distributors serving major industries, including construction and mining, natural resources, defense, pulp and paper production, rolling mills and general industry.

**Needle Bearings.** With the acquisition of Torrington, we will become a leading global producer of highly engineered needle roller bearings. Torrington produces a broad range of radial and thrust needle roller bearings, as well as bearing assemblies, which are sold to OEMs and industrial distributors worldwide. Major applications include products for the automotive, consumer product, construction and agriculture and general industrial goods industries.

**Motion Control Components and Assemblies.** Torrington also produces a variety of precision motion control components and assemblies. These products, which include steering intermediate shaft assemblies, steering column shafts and precision pins and shafts, are sold to the automotive and industrial markets worldwide. Torrington has manufacturing facilities in the United States and South America.

### ***Steel***

Our steel products include steels of low and intermediate alloy, vacuum-processed alloys, tool steel and some carbon grades. These products are available in a broad range of solid and tubular sections with a variety of finishes. Our customers use these steel products in a wide array of applications, including bearings, automotive transmissions, engine crankshafts, oil drilling, and for aerospace and other similarly demanding applications. Approximately 15% of our steel production is consumed in our bearings operations.

We also produce custom-made steel products, including alloy and steel components for automotive and industrial customers. This business has provided us with the opportunity to further expand our market for tubing and capture higher value-added steel sales. This also enables our traditional tubing customers in the automotive and bearing industries to take advantage of higher performing components that cost less than current alternative products. Customizing of products is a growing portion of our steel business.

### **Customers**

We and Torrington have a number of customers in the automotive industry, including both OEMs and their suppliers, as well as aftermarket distributors. We believe that because of the size of that industry, the diverse bearing applications, and the fact that our and Torrington's business is spread among a number of customers, both international and domestic, in OEM and aftermarket distribution, our and Torrington's relationships with the automotive industry is well diversified. In addition, we serve a wide range of customers in the agriculture, mining, construction, oil and gas, mining, rolling mill and other process industries, as well as the aerospace and rail industries, including both OEMs and distributors.

We have entered into individually negotiated contracts with some of our customers in our automotive bearings, industrial bearings and steel segments. These contracts may extend for one or more years and, if a price is fixed for any period extending beyond current shipments, customarily include a commitment by the customer to purchase a designated percentage of its requirements from us. Contracts extending beyond one year that are not subject to price adjustment provisions do not represent a material portion of our sales. We do not believe that there is any significant loss of earnings risk associated with any given contract.

Our steel business has historically concentrated on steel consumers in the United States. For the year ended December 31, 2001, approximately 15% of our steel production was consumed in our bearings operations. Our other customers consist of a wide range of manufacturers, including automotive customers, which primarily include large OEMs, major automotive systems suppliers and specialty forging companies. Our steel segment also supplies a wide range of bearing companies, from multinational, full-line producers to smaller single product specialists. Our steel business customer base is diverse, with customers ranging from

## **Table of Contents**

small family-owned companies to large international conglomerates. We also sell our steel products to the energy sector, which is comprised of customers focused on the exploration, drilling and extraction of oil and natural gas. Our steel segment's distribution network is comprised of over 30 authorized distributors, including full-line steel distributors and some focused product specialists.

### **Competition**

The anti-friction bearing business is intensely competitive in every country in which we sell products. Substantial downward pricing pressures exist in the United States and other countries even during periods of significant demand. We compete primarily based on price, quality, timeliness of delivery and design and the ability to provide engineering support and service on a global basis. We compete with domestic manufacturers and many foreign manufacturers of anti-friction bearings, including SKF AB, INA-Holding Schaeffler KG, NTN Corporation, Koyo Seiko Co., Ltd. and NSK Ltd.

Competition within the steel industry, both domestically and worldwide, is intense and is expected to remain so. More than 30 U.S. steel companies have declared bankruptcy in recent years and have either ceased production or, more often, been acquired by other companies. Global production overcapacity is also likely to continue, which, combined with the high levels of steel imports into the United States, has exerted downward pressure on domestic steel prices and has resulted in, at times, a dramatic narrowing, or with many companies, the elimination, of gross margins. Our worldwide competitors for seamless mechanical tubing include Copperweld, Plymouth Tube, V & M Tube, Sanyo Special Steel, Ovako Steel and Tenaris. Our competitors for steel bar products include North American producers such as Republic Engineered Products, Mac Steel, North Star Steel and a wide variety of offshore steel producers who import into North America. Competitors in the precision steel market include Metaldyne and Linamar and overseas companies such as Showa Seiko, SKF and FormFlo. In the specialty steel category, competitors compete for sales of high-speed, tool and die and aerospace steels. High-speed steel competitors in North America and Europe include Erasteel, Bohler and Crucible. Tool and die steel competitors include Crucible, Carpenter Technologies and Thyssen. The principal competitors for our aerospace products include Ellwood Specialty, Slater/ Atlas and Patriot (formerly Republic Technologies Inc.).

### **Joint Ventures**

We continue to expand our international presence through joint ventures and acquisitions. In the first quarter of 2001, we formed International Components Supply Ltda., a joint venture between our Brazilian subsidiary, Timken do Brasil, and SKF do Brasil, a subsidiary of SKF AB, to acquire the assets of a machining facility located at the SKF do Brasil bearing plant in Cajamar, Sao Paulo, Brazil. This independent, equally-owned manufacturing facility serves as a source of forged and turned steel rings for bearing manufacture and provides us with an opportunity to utilize available capacity in Brazil, reduce costs and establish a local source of forged and turned steel rings for bearings.

On April 6, 2001, we announced an agreement with Bardella, a Brazilian corporation, to form Bardella Timken Industrial Services. This joint venture is equally owned by us and Bardella and is located in Guarulhos, near Sao Paulo, at a previously existing Bardella facility. Bardella Timken Industrial Services provides repair and engineering services for a variety of rolling mill components, including bearings, chocks, rolls, mandrels, reels, coilers and gear and pinion boxes to the steel and aluminum industries in Brazil. It also offers overhead crane maintenance services, as well as contract operation of mill roll maintenance shops. The venture combines our in-depth knowledge of the mill environment with Bardella's local leadership in the industrial equipment business, allowing our local rolling mill service department to become a separate revenue producing entity in Brazil.

On April 8, 2002, we announced an agreement with NSK Ltd. to form a joint venture to build a plant near Shanghai, China to manufacture certain tapered roller bearing product lines. Construction of the plant is expected to begin in early 2003, and production is scheduled to start early in 2004. Ownership of this joint venture, Timken-NSK Bearings (Suzhou) Co. Ltd., will be divided evenly between NSK Ltd. and us.

## **Table of Contents**

On June 27, 2002, we announced an agreement with two Japan-based companies, Sanyo Special Steel Co., Ltd. and Showa Seiko Co., Ltd., to form a joint venture, Advanced Green Components, LLC, to supply forged and machined rings for bearing manufacture. The joint venture operates as an independent manufacturing business. It acquired the assets of our Winchester, Kentucky plant and commenced operations in late October 2002.

For a discussion of our e-business distribution joint venture, see [Sales, Marketing and Distribution](#) below.

## **Sales, Marketing and Distribution**

### ***Anti-Friction Bearings***

Our products in the automotive bearings and industrial bearings segments are sold principally by our internal sales organization. Our sales organization consists of a separate sales force for each of our business segments. The combined bearings sales forces account for approximately 80% of our total sales force.

Traditionally, a main focus of our sales strategy has consisted of collaborative projects with our customers. For this reason, we have primarily located our sales forces in close proximity to our customers rather than at our production sites, and in some instances we have located our sales forces inside our customers' facilities. Our sales force is highly trained and knowledgeable regarding all of our bearings products, and associates assist our customers during the development and implementation phases and provide support on an ongoing basis.

Torrington has also located its sales force in locations in close proximity to its customers. This will facilitate the integration of the two sales forces as well as the necessary cross-training efforts. Furthermore, because the fundamental engineering principles behind Torrington's and our bearings are substantially the same, cross-training will be limited to educating each of the teams about the particular aspects of the different bearing products. We expect that our and Torrington's sales forces will market and sell the full line of products manufactured by the combined company. Through the combination of our respective sales forces and elimination of redundancies, we anticipate that we will be able to reduce costs and achieve savings.

A major portion of our customer shipments are made directly from our warehouses, which are located in a number of cities in the United States, Canada, the United Kingdom, France, Mexico, Singapore, Argentina and Australia. However, a growing number of shipments are made directly from plant locations. The warehouse inventories are augmented by authorized distributor and jobber inventories throughout the world that provide local availability when service is required. The majority of Torrington shipments are made directly from plant locations.

In January 2001, we entered into a joint venture in North America focused on joint logistics and e-business services. This alliance, which we founded together with INA USA Corporation, SKF USA Inc. and Reliance Electric Industrial Company, an affiliate of Rockwell International Corporation that we refer to as Reliance, is called Colinx LLC. The e-business service was launched in April 2001, and is focused on information and business services for authorized distributors in the industrial bearings segment. In January 2001, we also formed another e-business joint venture in Europe. This alliance, which we founded together with SKF AB, Sandvik AB, Industrierwerk Schaffler INA-Ingenieurdienst GmbH and Reliance, is called Endorsia.com International AB. The e-business service was launched in October 2001 and is focused on information and business services for authorized distributors in the industrial bearings segment.

### ***Steel***

Approximately 15% of our steel production is consumed in our bearing operations. In addition, we make sales to other anti-friction bearing companies and to the aircraft, automotive and truck, construction, forging, oil and gas drilling and tooling industries. We also sell to steel service centers. Our steel products are sold principally by our own sales organization. Most orders are customized to satisfy customer-specific applications and are shipped directly to customers from our steel manufacturing plants.



## **Table of Contents**

### **Design and Development**

#### ***Anti-Friction Bearings***

Our customer-centric focus, which includes our close geographic proximity to our customers' production centers, fosters a close working relationship with our customers' engineers to improve the design and manufacturing specifications of the bearings we produce. We also frequently develop and construct our own tools, machinery and processes in order to minimize variability and reduce lead-times.

We produce both standard and specialty bearings. Specialty bearings are mainly designed for our industrial customers and are tailored to their specifications. Standard bearings, which constitute approximately two-thirds of our sales, are particularly suited for our automotive customers, who tend to buy in higher volumes.

We use a proprietary algorithm, which we have named SYSx, to design our bearings products and to predict how those products will perform in our customers' business and in a variety of potential applications. We developed SYSx by incorporating the extensive materials science knowledge that we have accumulated over our 100-year history, and we constantly update it to reflect the progress in our research and in the field. This predictive capability provides us with information that significantly reduces the long, costly prototype testing phases of the production process. In addition to expediting the production process, SYSx is also capable of determining cutting paths, raw materials requirements and other information, as well as uploading such information directly to our manufacturing equipment. As a result, the use of SYSx virtually eliminates the need for testing and integrates the design and production phases, thereby reducing the lead-time between conception and production to approximately three days. We believe our predictive technology has given and continues to give us a distinct competitive advantage in the bearing industry.

The SYSx system has been designed so that it can easily be used across all bearings products and applications. We intend to utilize the SYSx system, together with Torrington's expertise derived from its 100-year history in the needle bearing industry, to drive our design and development. We believe that the engineering technologies of the combined company working together with the SYSx system will enable us to produce a broad range of integrated bearing product solutions.

We also outsource certain of our design and engineering tasks to our lower-cost facilities in India and Romania. These overseas engineering centers perform such tasks as basic algorithm calculations, basic testing and finite element analyses.

#### ***Steel***

We apply the same type of advanced engineering and research used in our bearings segment to our steel segment, most notably with respect to alloy refinement. Alloy refinement consists of customizing the steel making process to customers' needs by establishing what quantity and quality of alloy is to be added to the carbon grade steels. In addition, to produce improved steels of carbon intermediate alloy and low alloy, we are actively involved in research activities. These efforts have led to the development of new grades, such as TIM 6V calcium-treated steel.

### **Manufacturing**

#### ***Anti-Friction Bearings***

Our operating philosophy emphasizes delivering a quality product, on time, at the lowest achievable cost. Continuous improvement of these operating parameters is achieved by driving our operations toward shorter lead and cycle times, which in turn requires increasingly higher standards of quality. We believe our disciplined approach to manufacturing operations, including monthly operations reviews and meetings, facilitates employee participation and motivates management and employees to strive for better operational performance. Through this process, we are also able to leverage market and manufacturing expertise, focus on innovation and benchmarking and solve problems using a team-oriented approach. As a result, we seek to improve productivity, quality and employee commitment while reducing inventory, floor space requirements and lead times.

## **Table of Contents**

Maintaining these high standards of product quality and reliability while keeping production costs competitive is essential to our ability to compete with domestic and international manufacturers in both the anti-friction bearing and steel business. Beginning in the second quarter of 2001, we undertook an aggressive transformation of our manufacturing operations to allow us to more profitably execute our business strategies described above. The principal objectives of our strategic manufacturing initiative are creating focused factories for each product line or component, reducing our fixed costs, increasing production at our lowest cost plants, and implementing our Lean Six Sigma program.

Our manufacturing expertise includes machining capabilities such as turning, heat treatment, including carburizing and hardening, grinding, honing, hard-tuning and assembly. With Torrington, we will also use deep drawing processes to manufacture needle bearings. We believe that the breadth of the combined company's process capabilities provides us with a significant competitive advantage in being a sole-source supplier for our customers' multiple bearings needs.

Our equipment is engineered to be flexible and to enable us to produce a range of simple to complex parts. By highly refining the process, we are able to utilize general-purpose machines with computer numerically controlled capabilities to manufacture complex and difficult to produce bearings. Through data feedback, we systematically test for quality throughout the entire manufacturing process. Our advanced computer numerically controlled equipment includes machines with automatic tool changers and on-machine gauging, as well as automated inspection machines. With computer numerically controlled equipment, we are able to increase efficiency and turn-around times by identifying, documenting and correcting potential defects and irregularities.

### ***Steel***

Our steel segment operates as a mini-mill steel producer, which means that we begin our manufacturing process by melting recycled steel scrap rather than producing steel from iron ore. Steel scrap is melted and mixed with various quantities and qualities of alloy to obtain several types steels for carbon grade to intermediate alloy that are in turned formed into ingots, billets, bars or tubes. Our manufacturing processes involve melting, forming, rolling and piercing.

### ***Quality***

Currently, all of our and Torrington's manufacturing facilities are ISO 9000, DI 9000 and/or QS 9000 certified. In addition, each of our plants must adhere to our own internal quality standards in design, materials, manufacturing and gauging. Worldwide quality audits make sure that these standards are being met.

We believe that our commitment to modern, high-quality manufacturing processes has been and will continue to be a key reason for our strong customer loyalty and growth and that the expertise and resources required to institute and maintain quality control procedures comparable to ours represents a competitive advantage for us.

### **Raw Materials**

The principal raw materials that we use in our North American bearings plants to manufacture bearings are our own steel tubing and bars, purchased strip steel and energy resources. Outside North America, we purchase raw materials from local sources with whom we have worked closely to assure steel quality according to our specifications. In addition, our Desford Steel facility in Leicester, England is a major source of raw materials for our plants in Western Europe. The principal raw materials used in our steel manufacturing business are scrap metal, nickel and other alloys. As an example of the price volatility of the raw materials we use in our manufacturing operations, the weighted average price of scrap metal increased 12.5% from 1999 to 2000, decreased 19.6% from 2000 to 2001, and increased 7.8% from 2001 to September 30, 2002. We believe that the availability of raw materials and alloys are adequate for our needs, and, in general, we are not dependent on any single source of supply.

## **Table of Contents**

### **Employees**

At September 30, 2002, we had 18,100 associates. Thirty-two percent of our U.S. associates are covered under collective bargaining agreements, none of which expire within one year. As of September 30, 2002, Torrington had 10,500 employees. Approximately 4% of Torrington's U.S. employees are covered under collective bargaining agreements, none of which expire within one year. Neither we nor Torrington has experienced a work stoppage in the past three years.

### **Backlog**

The backlog of orders of our domestic and overseas operations is estimated to have been \$1.01 billion at December 31, 2001. Actual shipments are dependent upon ever-changing production schedules of each customer. Accordingly, we do not believe that our backlog data and comparisons of that data as of different dates are reliable indicators of future sales or shipments.

### **Research and Development**

Our major research center, located in Canton, Ohio near our worldwide headquarters, is engaged in research on bearings, steel, manufacturing methods and related matters. Research facilities are also located at our aerospace and super precision bearings plants in New Hampshire; our Colmar, France plant; our Latrobe, Pennsylvania plant; our Ploiesti, Romania plant; and our facility in Bangalore, India. Our expenditures for research, development and testing amounted to approximately \$54 million in 2001. Torrington's expenditures for research, development and testing amounted to approximately \$26 million in 2001. Our research program is committed to the development of new and improved bearing and steel products, as well as more efficient manufacturing processes and techniques and the expansion of applications of existing products.

### **Trade Law Enforcement**

In the second quarter of 2000, the ITC voted to revoke the bearing industry's anti-dumping orders on imports of tapered roller bearings from Japan, Romania and Hungary. The ITC determined that revocation of the anti-dumping duty orders on tapered roller bearings from those countries was not likely to lead to continuation or recurrence of material injury to the domestic industry within a reasonably foreseeable time. The ITC upheld the anti-dumping duty order against China. We have filed an appeal of the ITC's decision regarding Japan, which is still pending.

In June 2001, President Bush directed the ITC to initiate an investigation on steel imports under Section 201 of the U.S. Trade Act, urging multilateral negotiations to reduce global excess steel capacity and calling for multilateral negotiations to address market-distorting factors in the world steel trade. In late October 2001, the ITC voted and affirmed that injury had been caused by surges of low priced imports of hot-rolled and cold-finished steel bars. Hot-rolled bars are a major product line for the company's steel business, which also manufactures some cold-finished bar products. On March 5, 2002, President Bush signed a proclamation imposing tariffs on hot-rolled and cold-finished steel bar imports. The relief granted with respect to these product categories was to establish three years of tariffs at 30%, 24% and 18%. The ITC vote on the presence of injury with respect to tool steels was 3-3, and as a consequence, no relief was granted with respect to tool steels, which is a major product line for our Latrobe Steel subsidiary in Latrobe, Pennsylvania. Steel made in Mexico, Canada and developing nations is generally exempt from the tariffs announced.

While the President's decision to implement a Section 201 remedy is not appealable to U.S. courts, foreign governments may appeal, and some have appealed, to the World Trade Organization, or WTO. The European Union, Japan and other countries are currently prosecuting these appeals. These dispute settlement proceedings at the WTO and further appeals to the Appellate Body of the WTO generally take 15 to 24 months. Moreover, a number of affected countries have imposed or threatened to impose various retaliatory tariffs on U.S. steel or other products or have sought various product exemptions from the imposition of the tariffs.

**Table of Contents**

**Continued Dumping and Subsidy Offset Act**

In December 2001, we received a \$31.0 million payment from the U.S. Treasury Department under the CDO. This payment, related to our industrial and automotive bearings segments, resulted from the requirement in the CDO that dumping duties collected by the U.S. Customs Service be distributed to qualifying domestic producers who supported the original trade case. In September 2002, the WTO ruled that such payments violate international trade rules by unfairly favoring U.S. companies. The U.S. Trade Representative has appealed this ruling. We cannot assure you that we will receive payments under the CDO in future years or, if we do, in what amount.

Torrington received a payment of approximately \$62.0 million under the CDO in 2001. Ingersoll-Rand will retain 100% of all such payments received in 2002. Under the purchase agreement, we will be obligated to pay to Ingersoll-Rand 80% of any payments Torrington receives under the CDO in 2003 and 2004.

**Table of Contents****MANAGEMENT****Directors and Executive Officers**

We presently have 12 directors. Our Board of Directors is divided into three classes, with four directors in each class, under the terms of our bylaws. The following table sets forth as of December 23, 2002 the names and ages of our executive officers and directors, as well as the positions and offices held by those persons.

Name	Age	Position
W. R. Tim Timken, Jr.	64	Chairman Board of Directors and Director
James W. Griffith	48	President, Chief Executive Officer and Director
Ward J. Timken	60	Vice President and Director
Ward J. Tim Timken, Jr.	35	Corporate Vice President Office of the Chairman and Director
Bill J. Bowling	61	Executive Vice President, Chief Operating Officer and President Steel
Glenn A. Eisenberg	41	Executive Vice President Finance and Administration
Curt J. Andersson	41	Senior Vice President e-Business and Lean Six Sigma
Michael C. Arnold	46	President Industrial
Sallie B. Bailey	43	Corporate Controller
William R. Burkhart	37	Senior Vice President and General Counsel
Donna J. Demerling	52	President Aerospace and Super Precision
Jon T. Elsasser	50	Senior Vice President Corporate Development
Karl P. Kimmerling	45	President Automotive
Roger W. Lindsay	46	Senior Vice President Human Resources and Organizational Advancement
Salvatore J. Miraglia, Jr.	52	Senior Vice President Technology
Hans J. Sack	48	President Specialty Steel
Mark J. Samolczyk	47	President Precision Steel Components
Scott A. Scherff	48	Corporate Secretary and Assistant General Counsel
Stanley C. Gault	76	Director
John A. Luke, Jr.	54	Director
Robert W. Mahoney	66	Director
Jay A. Precourt	65	Director
John M. Timken, Jr.	51	Director
Joseph F. Toot, Jr.	67	Director
Martin D. Walker	70	Director
Jacqueline F. Woods	55	Director

*W. R. Tim Timken, Jr.* has been a director of the company since 1965 and the Chairman of the Board of Directors since 1975. From 1997 to 1999, he was also President and, through July 30, 2002, Chief Executive Officer of the company. He has been with the company since 1958. Mr. Timken also serves as a director of Diebold, Incorporated and is a member of the U.S.-Japan Business Council, the Council on Competitiveness, the Executive Committee of the Ohio Business Roundtable and the Professional Football Hall of Fame board of trustees. He is also a trustee of the Manufacturing Institute and past chairman of the National Association of Manufacturers. Mr. Timken is a Chevalier in the French Legion of Honor.

*James W. Griffith* has been our Chief Executive Officer since July 30, 2002 and our President since 1999 and has served as a director since 1999. From 1999 to 2002, Mr. Griffith also served as our Chief Operating Officer. From 1996 to 1999, Mr. Griffith ran our automotive segment in North America and had regional responsibility for the company's businesses in Asia and Latin America. Mr. Griffith is also a member of the

**Table of Contents**

board of trustees of the United Way of Central Stark County, a member of the executive committee and board of trustees of the Manufacturers Alliance/ MAPI and a member of the board of directors of Goodrich Corporation. Prior to his joining the company, Mr. Griffith held engineering and management positions at Homestake Mining Company, Bunker Hill Company and Martin Marietta.

*Ward J. Jack Timken* has been our Vice President of the company since 1992 and has served as a director since 1971. Prior to that, he served as Director Human Resource Development from 1985 to 1992 and has held various other positions with us. Mr. Timken is President of the Timken Foundation, a private foundation that makes gifts to civic, educational and charitable organizations; a trustee of the Education Enhancement Partnership, Vice President of the Henry & Louise Timken Foundation; and a member of the Board of Trustees of the South Street Seaport Museum, the Advisory Board of EAA Aviation Foundation, Inc., the Greater Canton Chamber of Commerce and the United Way of Central Stark County.

*Ward J. Tim Timken, Jr.* has been our Corporate Vice President Office of the Chairman since 2000. From 1998 to 2000, he was Vice President Latin America, and from 1996 to 1998 he was Market Manager Original Equipment Distribution Europe, Africa and West Asia. Mr. Timken is a member of the Board of Directors of the U.S. China Business Council, the board of directors of Firestone Country Club and the Board of Trustees of the Henry & Louise Timken Foundation.

*Bill J. Bowling* has been Executive Vice President of the company and Chief Operating Officer and President Steel since 1997. Prior to that, he was the Executive Vice President of the company and President Steel. Mr. Bowling is also a member of the Association of Iron and Steel Engineers and the International Iron and Steel Institute and is on the board of directors of the American Iron and Steel Institute.

*Glenn A. Eisenberg* has been our Executive Vice President Finance and Administration since 2002. Prior to that, he served as President and Chief Operating Officer of United Dominion Industries (UDI) from 1999 until its acquisition by SPX Corporation in 2001. From 1998 to 1999, Mr. Eisenberg was also the President Test Instrumentation Segment, the Executive Vice President and Chief Financial Officer and, from 1996 to 1998, the Executive Vice President and Chief Financial Officer of UDI. Before joining UDI, Mr. Eisenberg was employed at The Citizens and Southern Corporations, an Atlanta-based commercial and investment bank that is now part of Bank of America. Mr. Eisenberg is a board member of the University of North Carolina Charlotte Belk School of Business Administration and a member of the Manufacturers Alliance Presidents Council. Mr. Eisenberg is also a member of the Board of Directors of Family Dollar Stores, Inc.

*Curt J. Andersson* has been our Senior Vice President e-Business and Lean Six Sigma since 2001 and Senior Vice President e-Business from 2000, when he joined the company, until 2001. Prior to that he was with General Electric as their general manager of global sourcing, Mexico Sourcing and Aviation Information Services and asset management from 1994 to 2000. He also served as a marketing representative for IBM Corp. in Chicago, a management consultant for McKinsey and Company Inc. in Pittsburgh and a Principal for A.T. Kearney Inc. in Pittsburgh and New York City.

*Michael C. Arnold* has been with the company since 1979 and has been our President Industrial since 2000. Prior to that he served as our Director Bearings Business Process Advancement and Vice President Bearings Business Advancement from 1997 to 2000 and as our Director Manufacturing and Technology Europe, Africa and West Asia from 1995 to 1997.

*Sallie B. Bailey* has been our Corporate Controller since 2001. Prior to that, she was our Director of Finance and Treasurer from 1999 to 2000 and our Treasurer from 2000 to 2001. From 1996 to 1999 she was our Director Finance. Before joining us, Ms. Bailey worked in various positions at Tenneco Inc. in Houston where she last served as Assistant Treasurer. Prior to that, she was employed by Deloitte & Touche in Chicago. Ms. Bailey is a member of the Manufacturer s Alliance Financial Council and is the Treasurer of the Canton Cultural Center for the Arts and chairs its Finance Committee.

*William R. Burkhart* has been our Senior Vice President and General Counsel since 2000. Prior to that, he served as Director Affiliations and Acquisitions in our Law Center from 1998 to 2000 and as legal counsel for our Europe, Africa and West Asia Bearing Business Group in Colmar, France from 1997 to 1998.

**Table of Contents**

Mr. Burkhart also serves on the Board of Directors of the Ohio Chamber of Commerce.

*Donna J. Demerling* has been with the company since 1972 and has been President Aerospace and Super Precision since 2000. Prior to that, she served as President Timken Aerospace and Super Precision Bearings from 1997 to 2000 and as General Manager of our Bucyrus Operations in Bucyrus from 1993 to 1997. Ms. Demerling held various other positions with the company prior to 1993.

*Jon T. Elsasser* has been with the company since 1978 and has been our Senior Vice President Corporate Development since 1999. From 1998 to 1999, he served as Group Vice President Bearings Rail, Europe, Africa and West Asia and, from 1996 to 1998, as Vice President Bearings of Europe, Africa and West Asia.

*Karl P. Kimmerling* has been with the company since 1979 and has been our President Automotive since 1999. Prior to that, he served as Group Vice President Alloy Steel from 1998 to 1999, and Vice President of Manufacturing Steel from 1996 to 1998.

*Roger W. Lindsay* has been with the company since 1990 and has been Senior Vice President Human Resources and Organizational Advancement since 2002. Prior to that, he served as Vice President Human Resources and Organizational Advancement from 1999 to 2002, Managing Director Central Europe and Eastern Europe, based in Romania, from 1997 to 1999, Deputy Managing Director Central Europe from 1996 to 1997 and various other positions with us prior to that. Before joining the company, Mr. Lindsay held various human resources positions for Ford Motor Company and Dow Chemical.

*Salvatore J. Miraglia, Jr.* has been with the company since 1972 and has been our Senior Vice President Technology since 1999. Prior to that, he served as Group Vice President Bearings North American Industrial and Super Precision between 1998 and 1999 and as Vice President Bearings North American Industrial and Super Precision prior to that time.

*Hans J. Sack* has been our President Specialty Steel since 2000. Prior to that, he served , from 1998 to 2000, as Group Vice President Specialty Steel and President Timken Latrobe Steel and, from 1996 to 1998, as President Latrobe Steel Company. Before joining us, Mr. Sack was general manager of the Coolant Systems Division of Mannesmann Demag Sack GmbH in Düsseldorf, West Germany. Mr. Sack is also a member of the Board of Directors of Specialty Steel Industry of North America, Latrobe Chamber of Commerce and the University of Pittsburgh/ Greensburg Advisory Board.

*Mark J. Samolczyk* has been President Precision Steel Components since 2000. Prior to that he served as Vice President and General Manager Precision Steel Components from 1998 to 2000, Vice President Sales and Marketing Industrial Original Equipment from 1995 to 1998 and other various positions with us prior to that. Mr. Samolczyk is past chairman of Junior Achievement of Stark County, is also a member of the Manufacturers Alliance for Productivity and Innovation and the Society of Automotive Engineers and is a trustee at the Marketing Science Institute.

*Scott A. Scherff* has been our Corporate Secretary and Assistant General Counsel since 2000. From 1999 to 2000, he was Corporate Secretary of the company, and from 1996 to 1999, he was Director Legal Services and Assistant Secretary of the company. Mr. Scherff has been with the company since 1979.

*Stanley C. Gault* has been a director since 1988. From November 1999 to September 2001, he served as the non-executive Chairman of the Board of Avon Products. From 1991 to 1996, Mr. Gault was Chairman of the Board of The Goodyear Tire and Rubber Company. He also serves as a director of Avon Products, Inc. and Wal-Mart Stores, Inc.

*John A. Luke, Jr.* has been a director since 1999. Mr. Luke is the President and Chief Executive Officer of MeadWestvaco Corporation. Prior to that, he was the Chairman, President and Chief Executive Officer of Westvaco Corporation. Mr. Luke also serves as a director for The Bank of New York and MeadWestvaco Corporation.

**Table of Contents**

*Robert W. Mahoney* has been a director since 1992. From 1988 to 2000, he served as Chairman of the Board of Diebold, Incorporated and was its Chief Executive Officer from 1988 to 1999 and its President from 1993 to 1996. Mr. Mahoney also serves as a director of The Sherwin-Williams Company and is Deputy Chairman of the Federal Reserve Bank of Cleveland.

*Jay A. Precourt* has been a director since 1996. Mr. Precourt is the Chairman of the Board and Chief Executive Officer of ScissorTail Energy, LLC. Prior to that, he was Chairman of the Board and Chief Executive Officer of Hermes Consolidated Inc.; Vice Chairman, Chief Executive Officer and President of Tejas Gas; and Chairman of the Board of Coral Energy L.P. Mr. Precourt also serves as a director of Halliburton Company and Chairman of the Board of both Hermes Consolidated Inc. and Founders Funds, Inc.

*John M. Timken, Jr.* has been a director since 1986. Mr. Timken, Jr. is a private investor.

*Joseph F. Toot, Jr.* has been a director since 1968. Mr. Toot was also President of the company from 1979 to 1997 and Chief Executive Officer from 1992 to 1997. He also serves as a director of PSA Peugeot Citroen, Rockwell Automation, Inc. and Rockwell Collins, Inc.

*Martin D. Walker* has been a director since 1995. Mr. Walker is Principal of MORWAL Investments, a private investment firm. Prior to that, he was Chairman and Chief Executive Officer of M.A. Hanna Company. Mr. Walker also serves as a director of ArvinMeritor Inc, Comerica Inc., The Goodyear Tire & Rubber Company, Lexmark International Inc. and Textron Inc.

*Jacqueline F. Woods* has been a director since 2000. Previously she was President of Ameritech Ohio, a telecommunications company. Ms. Woods also serves as a director of The Andersons, Inc.



**Table of Contents**

**DESCRIPTION OF THE TORRINGTON PURCHASE AGREEMENT  
AND RELATED AGREEMENTS**

**Stock and Asset Purchase Agreement**

***The Torrington Acquisition***

On October 16, 2002, we entered into a stock and asset purchase agreement with Ingersoll-Rand to acquire its Engineered Solutions business, including certain of its joint venture interests, operating assets and subsidiaries, including The Torrington Company. We will pay Ingersoll-Rand cash and stock valued at \$840 million for this acquisition, subject to adjustment.

***Consideration Payable By Us***

At the closing of the Torrington acquisition, we will pay Ingersoll-Rand total consideration of approximately \$840 million, consisting of (1) approximately \$140 million worth of our shares of common stock and (2) \$700 million in cash, subject to adjustment, to be financed by this offering, the concurrent notes offering (or additional borrowings under the term loan component of our new senior credit facility) and borrowings under our new senior credit facility.

The purchase price payable by us in the Torrington acquisition is subject to potential upward or downward adjustment at the closing based on the net amount, if any, by which (1) the net working capital of Torrington, as calculated in the manner set forth in the purchase agreement, on the closing date of the Torrington acquisition has varied from the net working capital of Torrington on December 31, 2001, and (2) scheduled debt obligations of Torrington on the closing date of the Torrington acquisition are greater or less than cash held by the Torrington business.

***Closing Conditions***

Both our and Ingersoll-Rand's obligation to consummate the Torrington acquisition is subject to a number of terms and conditions, including, among other things, the following:

the representations and warranties of the other party set forth in the purchase agreement being true and correct in all material respects, except for changes permitted or contemplated by the purchase agreement;

both Ingersoll-Rand and us having performed and complied in all material respects with all agreements and obligations required by the purchase agreement to be performed by or complied with by Ingersoll-Rand or us on or prior to the closing date;

the required governmental approvals, as set forth in the purchase agreement, having been obtained, including all applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act, which we refer to as the Hart-Scott-Rodino Act, with respect to the Torrington acquisition having expired or been terminated;

on the closing date, there not being any pending or threatened proceeding brought by a governmental agency before any court or governmental agency seeking to prohibit or restrain the Torrington acquisition;

on the closing date, our having completed this offering of 11 million shares at a minimum offering price of \$14.75 per share;

our having obtained financing in connection to the transaction; and

the relevant stock sellers, as set forth in the purchase agreement, having accepted our offer to purchase Ingersoll-Rand's shares of Nadella S.A. and Torrington France S.A.R.L.

**Table of Contents**

***Indemnification***

Ingersoll-Rand and the other sellers named in the purchase agreement have has agreed to indemnify us for certain losses and for the time periods described in the purchase agreement. In order to be indemnified, we must have asserted all claims against, or at least provided notice to, Ingersoll-Rand, before the end of that claim's survival period, as described in the purchase agreement. Unless otherwise specified, all covenants and obligations contained in the purchase agreement to be performed following the closing of the Torrington acquisition, survive after the closing until the end of their period of applicable performance. Specifically, the Sellers have agreed to indemnify us for any claim, loss, liability, damage or certain costs (other than claims, losses, liabilities, damages and certain costs relating to certain tax matters, which are the subject of a separate tax indemnity described below) arising out of the following matters, among others:

any breach of any representation or warranty by the Sellers set forth in the purchase agreement, determined in certain cases, with certain exceptions, without regard to qualification with respect to materiality or material adverse effect, the survival period for which is three years from the closing date (except for the representations and warranties relating to: (1) tax matters, the survival period for which is the applicable statute of limitations; (2) environmental matters, with certain exceptions, the survival period for which is up to the Closing Date; (3) the power, authority and due authorization of Ingersoll-Rand and its subsidiaries with respect to their execution, delivery and performance of the purchase agreement, the survival period for which will continue indefinitely; and (4) the Sellers' ownership of the capital stock of the Torrington entities and joint venture interests and their ability to convey such stock and joint venture interests free of encumbrances (except as permitted), the survival period for which will also continue indefinitely);

any breach by any Seller of any covenant, obligation or agreement under the purchase agreement;

specific environmental liabilities identified by the Sellers in the purchase agreement or, if not identified, otherwise known by the Sellers as of closing;

hazardous material releases or environmental law violations unknown to the Sellers that exist as of, or occurred or existed prior to, the closing, for which losses will be shared 70% by the Sellers and 30% by Timken, subject to a \$10,000,000 liability cap for Timken and a survival period of eight years following the closing, except that the following are not subject to such loss-sharing or liability cap:

disposal of materials from the Torrington entities as of or prior to closing at locations not owned or operated by the Torrington entities as of closing;

third party (other than a Governmental Authority) claims for personal injury, death or property damage caused by exposure to hazardous materials released by the Torrington entities as of or prior to closing;

hazardous material releases or environmental law violations at or resulting from operations of any property owned or operated by the Torrington entities at any time prior to, but not at or after, the closing date of the Torrington acquisition (survives without limitation);

third party claims for personal injury, death or property damage arising out of the sale of products by a Torrington entity or as part of the Torrington business (including discontinued operations) prior to the closing date of the Torrington acquisition;

proceedings based on contractual or legally mandated warranty claims with respect to products of the Torrington business sold before the closing, which we refer to for purposes of this description as product warranty claims;

any liabilities arising out of any pending or threatened proceedings before any governmental authority known to Ingersoll-Rand;

the failure of Ingersoll-Rand to pay or satisfy any liabilities with respect to Torrington that will be retained by Ingersoll-Rand following the closing pursuant to the terms of the purchase agreement; and

**Table of Contents**

any required repayment of amounts received by a Seller prior to the closing or by The Torrington Company after the closing, under the CDO.

We have agreed to indemnify the Sellers in the manner and for the time periods described in the purchase agreement. Specifically, we have agreed to indemnify the Sellers for any claims, loss, liability, damage and certain costs (other than claims, losses, liabilities, damages or certain costs relating to certain tax matters, which are the subject of a separate tax indemnity described below) arising out of:

any breach of any of representations or warranties of the buyers set forth in the purchase agreement, the survival period for which is three years from the closing date (except for the representations and warranties relating: (1) tax matters, the survival period for which is the applicable status of limitations; (2) the buyers' power, authority and due authorization with respect to our execution, delivery and performance of the purchase agreement; (3) our ability to convey at the closing to Ingersoll-Rand the shares of Timken common stock constituting the share consideration to be delivered to Ingersoll-Rand, free of encumbrances; and (4) our ownership of the stock of our subsidiaries, the indemnification period for each of which will continue indefinitely);

any breach by the buyers any of the buyers' covenants, obligations or agreements under the purchase agreement;

the possession, use, operation or management of any property of Torrington as of and after the closing (except to the extent we are entitled to indemnification from Ingersoll-Rand), the indemnification period for which is the applicable statute of limitations; and

our failure to pay or satisfy certain specific enumerated liabilities with respect to Torrington that will be assumed by us at the closing.

In general, neither our nor Ingersoll-Rand's indemnification obligations are financially limited. With respect to breaches of representations and warranties and product warranty claims, however, both our and Ingersoll-Rand's right to recover is subject to a general and per-claim deductible and a cap. Neither party will be entitled to any recovery for claims, losses, liabilities, damages or expenses arising out of or related to breaches of representations and warranties unless the total amount of indemnifiable claims, losses, liabilities, damages or expenses exceeds \$12.0 million (or \$2.5 million in the case of product warranty claims brought against us), which we refer to as the deductible amount, and then will only be entitled to indemnification for losses exceeding that amount. Only individual claims above \$50,000 will be taken into account in computing the deductible amount. Neither party is obligated to pay more than an aggregate of \$400 million as a result of claims of this type.

The indemnity limitations described above do not apply to losses based on fraud by an indemnifying party, or losses arising out of or related to breaches of representations and warranties relating to (1) the power, authority and due authorization of such party and its subsidiaries with respect to their execution, delivery and performance of the purchase agreement, (2) brokers or other fees, or (3) the sellers' ownership of the capital stock of the Torrington entities and joint venture interests and the sellers' ability to convey such stock free of encumbrances. In addition, the foregoing limitations do not apply to the separate tax indemnity described below.

***Tax Indemnification***

The purchase agreement also provides that Ingersoll-Rand will indemnify us with respect to, among other things, any breach of representations and warranties relating to tax matters, certain pre-closing and post-closing tax liabilities relating to Torrington and taxes with respect to our receipt of amounts payable to Ingersoll-Rand under the CDO.

**Table of Contents**

***Employee Benefits Matters***

Under the terms of the purchase agreement, we have agreed that, for all employees:

we will provide a total benefit package substantially comparable in the aggregate to current Ingersoll-Rand benefits until December 31, 2003;

we will give credit, among other things, for past service for participation and vesting;

we will assume applicable collective bargaining agreements;

Ingersoll-Rand will retain liability for bonuses payable pursuant to agreements, plans or programs adopted or established in connection with the transaction; and

Ingersoll-Rand will retain liability for monetary awards or settlements relating to pre-closing employment-related legal proceedings.

For U.S. employees, we have agreed that:

Ingersoll-Rand will retain all liabilities under employee benefit plans, pension assets and obligations, all post-employment benefit obligations, and all other liabilities for inactive, former and retired employees; and

we will assume post-employment and post-retirement welfare benefit obligations for active employees and their spouses and dependents, subject to our right to amend or terminate those benefits after December 31, 2003.

For non-U.S. employees, we have agreed that:

in jurisdictions where we are acquiring stock of the acquired business, we will generally assume all employee benefit plan responsibilities for all employees and former employees; and

in jurisdictions where we are acquiring assets of the acquired business, Ingersoll-Rand will generally retain pre-closing employment obligations and we will be responsible for the post-closing period.

***Termination***

The purchase agreement may be terminated:

by mutual written consent of Ingersoll-Rand and Timken;

by us or Ingersoll-Rand if the closing does not occur on or before June 30, 2003, unless the failure to close is due to the failure of the party wishing to terminate to comply in all material respects with its agreements and covenants;

by us or Ingersoll-Rand if any of the conditions to such party's obligations to perform becomes incapable of fulfillment, provided that we may not terminate the purchase agreement for failure to obtain financing under our new senior credit facility;

by us or Ingersoll-Rand if the other party breaches or fails to perform in any material respect its representations, warranties or covenants;

by us or Ingersoll-Rand if there is a final and nonappealable governmental order or other action restraining, enjoining or otherwise prohibiting the transaction;

by us or Ingersoll-Rand if we are unable to complete this offering; or

by us or Ingersoll-Rand if we have not completed this offering within 90 days after receipt of certain regulatory approvals of the Torrington acquisition and the registration statement of which this prospectus supplement is a part having been declared effective.

## **Table of Contents**

### ***Non-Competition***

Ingersoll-Rand has agreed not to compete with us for a period of three years after the closing and has agreed not to hire any employees of Torrington for a period of one year after the closing, subject to customary exceptions.

### ***Fees and Expenses***

The purchase agreement provides that we and Ingersoll-Rand will each pay our own expenses relating to the purchase agreement and will each bear the fees and expenses of any broker or finder retained by it in connection with the transactions contemplated by the purchase agreement and the related agreements.

### **Transition Services Agreement**

Under the terms of the purchase agreement, Ingersoll-Rand has agreed to provide certain services to us under a transition services agreement to be entered into at the time of the closing of the Torrington acquisition. The transition services agreement is designed to permit us to continue to use the services historically provided by Ingersoll-Rand to its Engineered Solutions business segment.

For up to nine months following the closing of the Torrington acquisition, Ingersoll-Rand will agree to provide us with the services described in the transition services agreement. The applicable fee for each service will be as follows:

during the period from the closing date until the second month anniversary of the closing date, 50% of the specified fee for each service as set forth in the transition services agreement;

during the period from the second month anniversary of the closing date until the fourth month anniversary of the closing date, 100% of the specified fee for each service as set forth in the transition services agreement; and

at all times after the fourth month anniversary of the closing date, 150% of the specified fee for each service as set forth in the transition services agreement.

Any taxes required to be charged by Ingersoll-Rand for each service under applicable laws will be in addition to the fees described above. Ingersoll-Rand will render statements to us each month for services delivered during each preceding month and all amounts will be payable by us within 30 days thereof. If we do not pay any amounts due within each 30-day period, we will be subject to late charges at a rate of 10% per annum for each day that such amount is overdue.

The transition services agreement will have a term of nine months from the closing date; however, we will have the right to cancel any service upon 30 days written notice of cancellation. Ingersoll-Rand will also have the right to cease to provide any service to us upon 90 days written notice if Ingersoll-Rand ceases to provide such service to all of its subsidiaries, divisions and business units. Additionally, if either we or Ingersoll-Rand materially breach any of our respective obligations under the transition services agreement and such breach is not cured within 30 days of receipt of notice from the non-breaching party, then the non-breaching party may immediately terminate the transition services agreement.

### **Standstill and Voting Agreement**

Under the terms of the purchase agreement, Ingersoll-Rand has agreed to enter into a standstill and voting agreement with us at the time of the closing of the Torrington acquisition. The standstill and voting agreement will set forth, among other things, the terms and conditions under which Ingersoll-Rand and its affiliates may acquire, vote, transfer or dispose of our securities, including approximately \$140 million of our common stock to be issued to Ingersoll-Rand in connection with the Torrington acquisition.

Under the standstill and voting agreement, Ingersoll-Rand will agree not to transfer its shares of our common stock for a period of six months following the closing, which we refer to as the lock-up period, with limited and customary exceptions. In particular, Ingersoll-Rand will be allowed to transfer its shares of our common stock (1) to its affiliates who agree to be bound by the standstill and voting agreement, (2) in

## **Table of Contents**

connection with the granting of a security interest, (3) in accordance with the registration rights agreement described below, or (4) in connection with a merger or consolidation approved by our stockholders.

The restrictions on transfers contained in the standstill and voting agreement do not apply to transfers that may occur in the context of a bona fide third party tender offer or exchange offer, if the tender offer or exchange offer (1) is recommended or not recommended against by our board of directors, (2) is approved by our stockholders under Ohio takeover law, or (3) is a partial tender offer meeting certain conditions in which Ingersoll-Rand could be disadvantaged by not participating. Additionally, until Ingersoll-Rand holds less than 5% of our outstanding shares of common stock, Ingersoll-Rand will be prohibited from transferring its shares of our common stock to any third party which would, to the knowledge of Ingersoll-Rand, subsequently hold 5% or more of our common stock as a result as this transfer, unless this transferee agrees to be bound by the standstill and voting agreement.

Ingersoll-Rand will also be prohibited from, among other things, acquiring additional shares of our common stock, with certain limited and customary exceptions; proposing a merger or other business combination with us; depositing its shares in a voting trust; joining a group or acting in concert with others to acquire our common stock; engaging in discussions or negotiations with respect to, or encouraging a change of our control; or seeking to influence our management or affairs. These standstill restrictions will be in effect for a period ending three years after the date when Ingersoll-Rand ceases to hold 5% of our outstanding shares of common stock.

In addition, until Ingersoll-Rand holds less than 5% of our outstanding shares of common stock, Ingersoll-Rand will be required to vote its shares of our common stock in proportion to the votes cast by all other holders of our shares. Ingersoll-Rand, however, may vote in accordance with the recommendation of our board or may vote independently in (1) going private transactions, (2) certain transactions involving management or the Timken family and (3) any transaction that uniquely discriminates against Ingersoll-Rand. In addition, Ingersoll-Rand may not solicit proxies or seek to influence the voting of our shares during the lock-up period.

## **Registration Rights Agreement**

Under the terms of the purchase agreement, we have also agreed to enter into a registration rights agreement with Ingersoll-Rand with respect to the shares of common stock we will issue to it as part of the consideration for the Torrington acquisition. The registration rights agreement will obligate us to file, as soon as practicable after the closing of the acquisition, a shelf registration statement with the SEC allowing Ingersoll-Rand to resell its shares of our common stock in a public offering. Ingersoll-Rand will have the right to demand two underwritten offerings under the shelf registration statement. Subject to certain conditions, we have retained the right to suspend Ingersoll-Rand's ability to use the shelf registration statement for two periods, each up to 45 days, in any 365-day period. We and Ingersoll-Rand will also agree, if so requested by the underwriters, not to effect any public sale or distribution of our common stock, or similar securities, during the 15 days prior to, and up to 90 days after, any underwritten offering under the shelf registration statement.

Ingersoll-Rand will also be entitled to include its shares of our common stock in any other registration statement that we may file with the SEC, both during and after the lock-up period described above. During the lock-up period, the securities we propose to sell will be included in any such registration statement prior to those held by Ingersoll-Rand, if the underwriters for an offering determine that demand is insufficient to include all of the shares requested to be included by Ingersoll-Rand. After the expiration of the lock-up period, the securities to be included in any underwritten offering will be allocated pro rata among us and Ingersoll-Rand. We and Ingersoll-Rand will also agree, if so requested by the underwriters in any such offering, not to effect any public sale or distribution of our common stock, or similar securities, during the 15 days prior to, and up to 90 days after, any underwritten offering under any such other registration statement.

**Table of Contents**

**DESCRIPTION OF CERTAIN INDEBTEDNESS**

**New Senior Credit Facility**

The following is a summary of our new senior credit facility. The summary is qualified in its entirety by reference to the senior credit facility and the attachments thereto and all documents to be entered into in connection with the senior credit facility, which will be available from us upon request. You are encouraged to read all these documents.

In connection with the Torrington acquisition, we intend to enter into a new \$875 million senior credit facility, comprised of a term loan facility of up to \$375 million and a revolving credit facility of up to \$500 million with a syndicate of financial institutions for which Bank of America, N.A. and KeyBank will act as co-administrative agents, KeyBank will act as paying agent, and Banc of America Securities LLC and KeyBank will act as joint lead arrangers and book managers. Merrill Lynch & Co., Merrill, Lynch, Pierce, Fenner & Smith Incorporated will act as syndication agent, and Morgan Stanley Bank will act as documentation agent. The new senior credit facility will replace our existing senior credit facility. It is a condition precedent to our new senior credit facility that we use the proceeds of the new senior credit facility to repay all amounts outstanding under our existing credit facility and that our existing credit facility be terminated. We do not expect to borrow under the term loan portion of the new facility unless we are unable to consummate the concurrent notes offering on or prior to the closing of the Torrington acquisition.

Our new senior credit facility will provide for borrowings in foreign currencies up to \$100 million and the issuance of letters of credit up to \$150 million, each of which will be sublimits of the revolving credit facility. Borrowings under the term loan facility will be due one year from the date of funding. The revolving credit facility will expire five years from the initial funding date. All amounts outstanding under our new senior credit facility will be guaranteed by all of our existing and future direct and indirect domestic subsidiaries.

The proceeds of our new senior credit facility are expected to be used to:

fund, in part, the Torrington acquisition; and

fund our working capital, capital expenditures and other lawful requirements.

***Conditions to Funding***

Initial drawings under the new senior credit facility will be subject to a number of conditions precedent, including the following:

the execution of loan documents acceptable to us and each of the banks that will be lenders under our new senior credit facility;

the termination of our existing senior credit facility upon the initial borrowings under our new senior credit facility;

the closing of the Torrington acquisition in accordance with the terms of the purchase agreement and satisfaction of all conditions to closing thereunder;

the receipt by the banks of certain financial information for us and Torrington;

the absence of a material adverse change since December 31, 2001 in the business, assets, liabilities (actual or contingent), operations, condition (financial or otherwise) or prospects of our company or Torrington;

the absence of any material litigation or other governmental proceeding;

the receipt of all necessary and material governmental, shareholder and third party consents; and

compliance by us with certain minimum pro forma EBITDA requirements.

All drawings under the new senior credit facility will be subject to customary conditions precedent, including the absence of a default or event of default and the accuracy of representations and warranties.





## **Table of Contents**

Although we expect to enter into our new senior credit facility before the end of 2002, we are not permitted to draw down on this facility until the closing of the Torrington acquisition.

### ***Interest Rates***

Borrowings under our new senior credit facility will bear interest, at our option, at either a floating rate equal to LIBOR plus a margin of 100 to 250 basis points, based on our long term corporate credit rating, as determined by S&P and Moody's, or an alternate fixed base rate, defined as the higher of the Keybank National Association prime rate and the Federal Funds rate plus 50 basis points, plus a margin, also based on our long term corporate credit rating as determined by S&P and Moody's, of 0 to 150 basis points.

### ***Mandatory Prepayments***

Subject to certain exceptions and limitations, our new senior credit facility will obligate us to prepay the entirety of our borrowings under the facility with the net cash proceeds of any asset sale by us or any of our subsidiaries, and so long as borrowings or commitments under the term loan facility remain outstanding, the net cash proceeds from the issuance or incurrence of any debt. Any mandatory prepayments with the net cash proceeds from the issuance or incurrence of any debt will be applied solely to the term loan facility, and any mandatory prepayments with the net cash proceeds from any asset sale will be applied first, to the term loan facility, and second, to the revolving credit facility (with corresponding commitment reductions in the case of prepayment applied to the revolving credit facility until the commitments under the revolving credit facility are reduced to \$350 million).

### ***Covenants***

Our new senior credit facility will require that we meet and maintain certain financial ratios and tests, including:

a minimum consolidated net worth;

a maximum consolidated leverage ratio; and

a minimum consolidated fixed charge coverage ratio.

We will also be subject to certain customary affirmative and negative covenants customary for senior credit facilities of this type, including limitations on liens, indebtedness, mergers and consolidations, asset sales, investments and acquisitions, stock redemptions and transactions with affiliates.

### ***Events of Default***

The new senior credit facility will include events of default customary for senior credit facilities of this type. If an event of default occurs, the lenders under the senior credit facility will be entitled to take various actions, including accelerating amounts due under the senior credit facility and requiring that all amounts due be immediately paid in full.

### ***Accounts Receivable Facility***

On December 19, 2002, TTC entered into an agreement to sell, on an ongoing basis, certain domestic trade receivables to TRC, a wholly owned, special purpose subsidiary. No trade receivables have yet been sold under the facility. Under a 364-day facility agreement, TRC, subject to certain conditions, may from time to time sell an undivided fractional ownership interest in the pool of receivables to a multi-seller receivables securitization company, or conduit. Upon a sale of the receivables to the conduit, TRC will retain a subordinated interest in the receivables. TRC also services, administers and collects the receivables. TRC and the conduit have no recourse to TTC's other assets for failure of any trade debtor to pay when payments are due. We are permitted to securitize up to \$125 million of accounts receivable under this agreement. The agent for the program charges us fees based on the level of accounts receivable securitized under this agreement at the commercial paper rate plus the agent's cost to administer the program. The facility will terminate on December 16, 2003, unless extended.

**Table of Contents**

TTC has a retained interest in the transferred receivables in the form of a note receivable from TRC to the extent that those transferred receivables exceed advances to TRC by the conduit. TTC initially and subsequently measures the fair value of the retained interest at management's best estimate of the expected future cash collections on the transferred receivables. Actual cash collections may differ from these estimates and would directly affect the fair value of the retained interests. The fair value of retained interests will be included in other assets in our consolidated balance sheets.

**Concurrent Notes Offering**

Concurrently with this offering of common stock, we are offering, by means of a separate prospectus supplement, an aggregate principal amount of \$ million of our senior unsecured notes to finance a portion of the Torrington acquisition. The closing of this offering is not conditioned on the closing of our notes offering. However, each offering is conditioned on the closing of the Torrington acquisition, and the closing of our notes offering is conditioned on the closing of this offering. If we are unable to complete the notes offering, we intend to borrow up to \$ million under the term loan component of our new senior credit facility to finance the Torrington acquisition.

**Table of Contents****UNDERWRITING**

and are acting as representatives of the underwriters named below. Subject to the terms and conditions described in a purchase agreement between us and the underwriters, we have agreed to sell to the underwriters, and the underwriters severally have agreed to purchase from us, the number of shares of our common stock listed opposite their names below.

<u>Underwriter</u>	<u>Number of Shares</u>
Total	11,000,000

The underwriters have agreed to purchase all of the shares of the offered common stock if any of these shares are purchased. If an underwriter defaults, the purchase agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the underwriting agreement may be terminated.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make with respect to those liabilities.

The underwriters are offering the shares of our common stock, subject prior to sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the purchase agreement, such as the receipt by the underwriters of officers' certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Offers and sales outside the United States, if any, will be made through the underwriters' international broker-dealer affiliates.

**Commissions and Discounts**

The representatives for the underwriters have advised us that the underwriters propose initially to offer the shares of our common stock to the public at the public offering price on the cover page of this prospectus supplement and to dealers at that price less a concession not in excess of \$ per share. The underwriters may allow, and the dealers may reallow, a discount not in excess of \$ per share to other dealers. After the initial public offering, the public offering price, concession and discount may be changed.

The following table shows the public offering price, underwriting discount and proceeds before expenses to us. This information assumes no exercise and full exercise by the underwriters of their overallotment option.

	<u>Per Share</u>	<u>Without Option</u>	<u>With Option</u>
Public offering price	\$	\$	\$
Underwriting discount	\$	\$	\$
Proceeds, before expenses, to us	\$	\$	\$

The expenses of the offering payable by us, not including the underwriting discount, are estimated to be \$ .

**Overallotment Option**

We have granted an option to the underwriters to purchase up to additional shares of our common stock at the public offering price, less the underwriting discount and less any dividends or distributions declared or paid by us on the shares initially purchased by the underwriters, but not on the shares to be purchased upon exercise of the overallotment option. The underwriters may exercise this option for 30 days from the date of this prospectus supplement solely to cover any overallotments. If the underwriters exercise this option, each will be obligated, subject to conditions contained in the purchase agreement, to



## **Table of Contents**

purchase a number of additional shares proportionate to that underwriter's initial amount reflected in the above table.

### **No Sale of Similar Securities**

We and each of our executive officers and directors will agree, subject to some limited exceptions, not to sell or transfer any of our common stock for a period of \_\_\_\_\_ days after the date of this prospectus supplement without first obtaining the written consent of \_\_\_\_\_ . Ingersoll-Rand will agree to enter into a substantially similar agreement with \_\_\_\_\_ , except that the lock-up period under Ingersoll-Rand's agreement will be \_\_\_\_\_ days.

\_\_\_\_\_ may in its sole discretion, at any time without notice, consent to the release of all or any portion of the shares subject to lock-up agreements. \_\_\_\_\_ does not have any current intention to release shares of our common stock subject to the lock-up agreements. Any determination to release any shares subject to the lock-up agreements would be based on a number of factors at the time of any such determination, possibly including, but not limited to, the market price of our common stock, the liquidity of the trading market for our common stock, general market conditions, the number of shares proposed to be sold and the timing of the proposed sale. Additionally, Ingersoll-Rand has agreed not to transfer its shares of our common stock that it receives as consideration for the Torrington acquisition for a period of six months following the closing, with limited exceptions, although we may release shares of our common stock subject to this lock-up at any time without notice.

### **Electronic Distributions**

\_\_\_\_\_ will be facilitating Internet distribution for this offering to certain of its Internet subscription customers. \_\_\_\_\_ intends to allocate a limited number of shares for sale to its online brokerage customers. An electronic prospectus supplement is available on the Internet website maintained by \_\_\_\_\_. Other than this prospectus supplement in electronic format, the information on the \_\_\_\_\_ website is not part of this prospectus supplement.

### **New York Stock Exchange Listing**

The shares of our common stock are listed on the New York Stock Exchange under the symbol TKR.

### **Price Stabilization and Short Positions**

Until the distribution of the common stock is completed, SEC rules may limit the underwriters from bidding for or purchasing our common stock. However, the underwriters may engage in transactions that stabilize the price of our common stock, such as bids or purchases that peg, fix or maintain that price.

The underwriters may purchase and sell our common stock in the open market. These transactions may include short-sales, stabilizing transactions and purchases to cover the positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. Covered short sales are sales made in an amount not greater than the underwriters' option to purchase additional shares from the issue in the offering. The underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase the shares through the overallotment option. Naked short sales are sales in excess of the overallotment option. The underwriters must close out any naked short position by purchasing common stock in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of our common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchase of our common stock made by the underwriters in the open market prior to the completion of the offering.

## **Table of Contents**

Similar to other purchase transactions, the underwriters' purchases to cover syndicate short positions may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that would otherwise exist in the open market.

Neither we nor any of the underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In addition, neither we nor any of the underwriters makes any representation that the representatives or \_\_\_\_\_ will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

## **Other Relationships**

Some of the underwriters and their affiliates have engaged in, and may in the future engage in, investment banking, lending and other commercial dealings in the ordinary course of business with us. They have received customary fees and commissions for these transactions.

Affiliates of certain of the underwriters are part of a syndicate of financial institutions that has committed to lend up to \$ \_\_\_\_\_ million to us under our new senior credit facility, comprised of a term loan facility of up to \$ \_\_\_\_\_ million and a revolving credit facility of up to \$ \_\_\_\_\_ million, that we intend to enter into to finance the Torrington acquisition. Affiliates of certain of the underwriters are also part of a syndicate of financial institutions that have committed to lend up to \$300 million to us under our existing credit facility. The existing credit facility will be terminated when we enter into our new senior credit facility.

Concurrently with this offering, we are also offering an aggregate principal amount of \$ \_\_\_\_\_ million of our senior unsecured notes, for which some of the underwriters of this offering are also acting as underwriters under a separate purchase agreement.

## **LEGAL MATTERS**

Jones, Day, Reavis & Pogue will pass upon certain legal matters for us, including the validity of the common stock offered by this prospectus supplement. Shearman & Sterling, New York, New York, will pass upon specified legal matters for the underwriters.

## **EXPERTS**

Ernst & Young LLP, independent auditors, have audited our consolidated financial statements and schedule included or incorporated by reference in our Annual Report on Form 10-K for the year ended December 31, 2001, as set forth in their report, which is incorporated by reference in this prospectus and elsewhere in the registration statement. Our financial statements and schedule are incorporated by reference in reliance on Ernst & Young LLP's report, given on their authority as experts in accounting and auditing.

The combined financial statements of Ingersoll-Rand Engineered Solutions Business (an operating business unit of Ingersoll-Rand Company Limited) as of December 31, 2000 and 2001 and for each of the three years in the period ended December 31, 2001 incorporated by reference in this prospectus have been so incorporated by reference in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

**Table of Contents**

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

**Subject to Completion, Dated December 24, 2002**

**PROSPECTUS**

**\$900,000,000**

**THE TIMKEN COMPANY**

**Common Stock**

**Preferred Stock**

**Debt Securities**

**Warrants**

**Depository Shares**

**Stock Purchase Contracts**

**Stock Purchase or Equity Units**

We may offer common stock, preferred stock, debt securities, warrants, depository shares, stock purchase contracts and stock purchase or equity units with this prospectus and one or more supplements to this prospectus. You should read this prospectus and the related prospectus supplement carefully before you invest in our securities. This prospectus provides you with a general description of the securities we may offer. Each time we sell securities we will provide a prospectus supplement that will contain specific information about the terms of the offering. The prospectus supplement may also add, update or change information contained in this prospectus. This prospectus may not be used to offer and sell our securities unless accompanied by a prospectus supplement describing the method and terms of the offering of those offered securities. We may sell any combination of these securities in one or more offerings, up to a total dollar amount of \$900,000,000 or the equivalent amount denominated in one or more foreign currencies.

We may sell the securities directly or to or through underwriters or dealers, and also to other purchasers or through agents or a combination of these methods. To the extent not described in this prospectus, the names of any underwriters or agents that are included in a sale of securities to you, and any applicable commissions or discounts, will be stated in an accompanying prospectus supplement.

Our common stock is listed on the New York Stock Exchange under the symbol TKR. As of the date of this prospectus, none of the other securities that we may offer by this prospectus are listed on any national securities exchange or automated quotation system.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

The date of this prospectus is \_\_\_\_\_, 2003.

**TABLE OF CONTENTS**

MARKET AND INDUSTRY DATA

WHERE YOU CAN FIND MORE INFORMATION

PROSPECTUS SUPPLEMENT SUMMARY

RISK FACTORS

USE OF PROCEEDS

PRICE RANGE OF COMMON STOCK

DIVIDEND POLICY

CAPITALIZATION

UNAUDITED PRO FORMA FINANCIAL INFORMATION

SELECTED HISTORICAL FINANCIAL INFORMATION OF TIMKEN

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

BUSINESS

MANAGEMENT

DESCRIPTION OF THE TORRINGTON PURCHASE AGREEMENT AND RELATED AGREEMENTS

DESCRIPTION OF CERTAIN INDEBTEDNESS

UNDERWRITING

LEGAL MATTERS

EXPERTS

ABOUT THIS PROSPECTUS

WHERE YOU CAN FIND MORE INFORMATION

NOTE REGARDING FORWARD-LOOKING STATEMENTS

THE TIMKEN COMPANY

USE OF PROCEEDS

RATIO OF EARNINGS TO FIXED CHARGES

DIVIDEND POLICY

DESCRIPTION OF OUR CAPITAL STOCK

DESCRIPTION OF THE DEBT SECURITIES

DESCRIPTION OF WARRANTS

DESCRIPTION OF DEPOSITARY SHARES

DESCRIPTION OF STOCK PURCHASE CONTRACTS AND STOCK PURCHASE OR EQUITY UNITS

PLAN OF DISTRIBUTION

LEGAL MATTERS

EXPERTS

USE OF PROCEEDS

DESCRIPTION OF THE NOTES

SIGNATURES

EXHIBIT INDEX

Exhibit 12.1 Comp of Ratio of Earnings/Fixed Chrgs

Exhibit 23.1 Consent of Independent Auditors

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**Table of Contents****TABLE OF CONTENTS**

About This Prospectus	2
Where You Can Find More Information	3
Note Regarding Forward-Looking Statements	4
The Timken Company	5
Use of Proceeds	6
Ratio of Earnings To Fixed Charges	7
Dividend Policy	8
Description of Our Capital Stock	9
Description of The Debt Securities	12
Description of Warrants	19
Description of Depositary Shares	21
Description of Stock Purchase Contracts and Stock Purchase or Equity Units	24
Plan of Distribution	25
Legal Matters	27
Experts	27

**ABOUT THIS PROSPECTUS**

This prospectus is part of a registration statement on Form S-3 that we filed with the SEC using a shelf registration process. Under this shelf process, we may sell any combination of the securities described in this prospectus in one or more offerings up to a total dollar amount of \$900,000,000 or the equivalent amount denominated in one or more foreign currencies.

This prospectus provides you with a general description of the securities we may offer. Each time we sell securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering, including a description of the risks relating to the offering, if those terms are not described in this prospectus. If we use a prospectus supplement, it may also add, update or change information contained in this prospectus. If there is any inconsistency between the information in this prospectus and any accompanying prospectus supplement, you should rely on the information in the prospectus supplement. You should read both this prospectus and any prospectus supplement together with the additional information described under the heading **Where You Can Find More Information** before investing in any of the securities offered.

**We have not authorized anyone to provide you with any information other than the information contained, incorporated or deemed incorporated in this prospectus or any prospectus supplement. This document may only be used where it is legal to sell the securities.**

As used in this prospectus, except as otherwise specified, all references to **Timken**, **we**, **us**, **our** and similar references are to The Timken Company, an Ohio corporation, and its consolidated subsidiaries.

**Table of Contents**

**WHERE YOU CAN FIND MORE INFORMATION**

We are subject to the informational requirements of the Exchange Act and, in accordance with these requirements, we file annual, quarterly and current reports, proxy statements and other information with the SEC. Reports, proxy statements and other information filed by us can be inspected at the public reference facilities maintained by the SEC at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. Copies of these materials can also be obtained from the Public Reference Section of the SEC at the address mentioned above at prescribed rates.

The SEC also maintains a website that contains reports, proxy and information statements and other information regarding registrants like us that file electronically with the SEC. The address of the SEC's website is <http://www.sec.gov>. Our common stock is listed on the New York Stock Exchange. Reports, proxy statements and other information concerning our business may also be inspected at the offices of the New York Stock Exchange at 20 Broad Street, New York, New York 10005. This information may also be obtained from us as described below.

The SEC allows us to incorporate by reference the information we file with them into this prospectus, which means that we can disclose important information to you by referring you to those documents and those documents will be considered part of this prospectus. Information that we file later with the SEC will automatically update and supercede the previously filed information. We incorporate by reference the documents listed below and any future filings that we make with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act (Commission File No. 1-1169) (1) after the date of the filing of this registration statement and prior to its effectiveness and (2) until this offering has been completed.

Our Annual Report on Form 10-K for the fiscal year ended December 31, 2001.

Those portions of our Annual Proxy Statement dated February 20, 2002 which are incorporated by reference into our Annual Report on Form 10-K for the fiscal year ended December 31, 2001.

Our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2002, June 30, 2002 and September 30, 2002.

Our Current Reports on Form 8-K filed with the SEC on January 22, 2002, February 19, 2002, February 22, 2002, March 20, 2002, April 8, 2002, April 15, 2002, April 16, 2002, May 20, 2002, June 17, 2002, July 17, 2002, July 19, 2002, August 7, 2002, August 15, 2002, September 23, 2002, October 16, 2002, October 17, 2002, October 18, 2002, November 19, 2002 and December 24, 2002.

The description of our common stock contained in our registration statement filed under the Exchange Act and any amendments and reports filed for purposes of updating that description.

We will provide you at no charge, upon request, with a copy of these filings, or any or all of the documents incorporated into this prospectus by reference, other than exhibits to those documents unless the exhibits are specifically incorporated by reference into those documents or referred to in this prospectus. Requests should be directed to:

The Timken Company  
1835 Dueber Avenue, S.W.  
Canton, Ohio 44706-2798  
Attention: Corporate Secretary  
(330) 438-3000

**Table of Contents**

**NOTE REGARDING FORWARD-LOOKING STATEMENTS**

All statements set forth or incorporated by reference in this prospectus (including our forecasts, beliefs and expectations) that are not historical in nature are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We caution readers that actual results may differ materially from those expressed or implied in forward-looking statements made by us due to a variety of important factors, such as:

Risks associated with the consummation of the acquisition of Ingersoll-Rand Company Limited's Engineered Solutions business, including our ability to obtain antitrust clearance, financing for the acquisition and other closing risks, the uncertainties in both timing and amount, if any, of actual benefits that may be realized as a result of the integration of the Torrington business with our operations; risks associated with diversion of management's attention from routine operations during the integration process; and risks associated with the higher level of debt associated with the acquisition.

Changes in world economic conditions, including additional adverse effects from terrorism or hostilities. This includes, but is not limited to, political risks associated with the potential instability of governments and legal systems in countries in which we or our customers conduct business and significant changes in currency valuations.

The effects of changes in customer demand on sales, product mix and prices in the industries in which we operate. This includes the effects of customer strikes, the impact of changes in industrial business cycles and whether conditions of fair trade continue in the U.S. market.

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 our products are sold or distributed.

Changes in operating costs. This includes the effect of changes in our manufacturing processes, changes in costs associated with varying levels of operations, changes resulting from inventory management and cost reduction initiatives and different levels of customer demands, the effects of unplanned work stoppages, changes in the cost of labor and benefits and the cost and availability of raw materials and energy.

The success of our operating plans, including our ability to achieve the benefits from our global restructuring, manufacturing transformation and administrative cost reduction initiatives as well as our ongoing continuous improvement and rationalization programs, our ability to integrate acquisitions into our operations, the ability of acquired companies to achieve satisfactory operating results, our ability to maintain appropriate relations with unions that represent our associates in certain locations in order to avoid disruptions of our business.

Unanticipated litigation, claims or assessments. This includes, but is not limited to, claims or problems related to intellectual property, product warranty and environmental issues.

Changes in worldwide financial markets, including interest rates, to the extent they (1) affect our ability to raise capital or increase our cost of funds, (2) have an impact on the overall performance of our pension fund investments or (3) cause changes in the economy which affect customer demand.

Additional risks relating to our business, the industries in which we operate or any securities we may offer and sell under this prospectus may be described from time to time in a prospectus supplement or in our filings with the SEC. All of these risk factors are difficult to predict, are subject to material uncertainties that may affect actual results and may be beyond our control.

Except as required by the federal securities laws, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

**Table of Contents**

**THE TIMKEN COMPANY**

We are a leading global manufacturer of highly engineered bearings, alloy and specialty steel and related components. We are the world's largest manufacturer of tapered roller bearings and alloy seamless mechanical steel tubing and the largest North American based bearings manufacturer.

We had net sales of \$2.4 billion for the year ended December 31, 2001 and \$1.9 billion for the nine months ended September 30, 2002, and we employed approximately 18,100 people as of September 30, 2002. We manufacture two basic product lines: anti-friction bearings and steel products, and we report our business in three segments: automotive bearings, industrial bearings and steel. Automotive bearings, industrial bearings and steel represented 31%, 36% and 33%, respectively, of our net sales for the year ended December 31, 2001 and 33%, 35% and 32%, respectively, of our net sales for the nine months ended September 30, 2002.

In the bearing industry, we are best known for our principal product, the tapered roller bearing, which was originally patented in 1898 by our founder, Henry Timken. Our tapered roller bearings are used in a wide variety of products and applications, including passenger cars, trucks, aircraft wheels, locomotives and railroad cars, and equipment for agriculture, construction, mining, pulp and paper processing, power generation, metal processing and metal mills. We also produce high quality spherical and cylindrical roller bearings for large gear drives, rolling mills and other process industry and infrastructure development applications. In addition, our aerospace and super precision facilities produce high-performance ball and cylindrical bearings for ultra high-speed and high-accuracy applications. These types of bearings are used in aircraft and helicopter engines, gear boxes, transmissions, flight and fuel controls, missile guidance systems, dental handpieces, robotic equipment and semiconductor manufacturing equipment. A small part of our business involves providing bearing reconditioning services for industrial and railroad customers, both internationally and domestically.

Our steel products include steels of intermediate alloy, low alloy and carbon grades. We also make vacuum processed specialty steels. Our steel products are available in a wide range of solid and tubular sections with a variety of lengths and finishes. We sell our steel products, including semifinished and finished precision steel components, to other anti-friction bearing companies and to companies in the automotive, tooling, aerospace, forging, and oil and gas drilling industries, and to steel service centers. For the year ended December 31, 2001, approximately 15% of our steel production was consumed in our bearings operations.

The company was founded in 1899 by Henry Timken and his two sons in St. Louis, Missouri, as The Timken Roller Bearing Axle Company, after Henry received two patents for his invention of the tapered roller bearing. The company moved to Canton, Ohio and was incorporated in 1904 under the laws of the State of Ohio as The Timken Roller Bearing Company.

Our principal executive offices are located at 1835 Dueber Avenue, S.W., Canton, Ohio 44706-2798. Our telephone number is 330-438-3000.

**Table of Contents**

**USE OF PROCEEDS**

Unless we inform you otherwise in a prospectus supplement, we expect to use the net proceeds from the sale of securities for general corporate purposes. These may include, but are not limited to:

acquisitions, including providing some or all of the cash consideration for the Torrington acquisition;

reduction or refinancing of outstanding indebtedness or other corporate obligations;

capital expenditures;

working capital; or

any other lawful purpose.

Pending any specific application, we may initially invest funds in short-term marketable securities or apply them to reduce short-term indebtedness. If we intend to use the proceeds of any offering to repay outstanding debt, we will provide details about the debt that is being repaid in a prospectus supplement.

**Table of Contents****RATIO OF EARNINGS TO FIXED CHARGES**

The following table shows our consolidated ratio of earnings to fixed charges for the six months ended September 30, 2002 and for each of the five most recent fiscal years:

	<u>Nine Months Ended September 30, 2002</u>	<u>Year Ended December 31,</u>				
		<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
<u>Ratio of earnings to fixed charges</u>	2.15	(1)	2.96	3.85	6.30	10.92

(1) Earnings were inadequate to cover fixed charges for the twelve month period ended December 31, 2001. The coverage deficiency totaled \$25,022,000 for that period.

For purposes of calculating the ratio of earnings to fixed charges, earnings consist of income or loss before income taxes, extraordinary items, cumulative effects of accounting charges, amortization of capitalized interest and fixed charges excluding capitalized interest. Fixed charges consist of interest, both expensed and capitalized, and an estimate of the interest within rental expense.

As of the date of this prospectus, we have no preferred stock outstanding. As a result, our ratio of earnings to combined fixed charges and preferred stock dividends would have been the same as our ratio of earnings to fixed charges for the periods presented.

**Table of Contents**

**DIVIDEND POLICY**

We pay dividends on shares of our common stock generally in March, June, September and December of each year. We have paid dividends on shares of our common stock every quarter since our initial public offering in 1922. During each quarter in 2000 and the first, second and third quarters of 2001, we paid a quarterly cash dividend on our common stock of \$0.18 per share. During the fourth quarter of 2001 and each quarter in 2002, we paid a cash dividend of \$0.13 per share. However, we cannot assure you that we will continue to pay dividends in any future quarters.

Our board of directors considers the payment of dividends based upon the earnings and financial condition of the company, as well as other relevant considerations.

**Table of Contents**

**DESCRIPTION OF OUR CAPITAL STOCK**

As of the date of this prospectus, our authorized capital stock consists of 200,000,000 shares of common stock, without par value, 10,000,000 shares of Class I Serial Preferred Stock, without par value, and 10,000,000 shares of Class II Serial Preferred Stock, without par value. At September 30, 2002, 63,315,670 shares of common stock and no shares of preferred stock were issued and outstanding.

**Common Stock**

Subject to the restrictions described below, the holders of our common stock are entitled to receive dividends from funds legally available when, as and if declared by our board of directors, and are entitled upon our liquidation, dissolution or winding up to receive pro rata our net assets after satisfaction in full of the prior rights of our creditors and holders of any preferred stock.

Except as otherwise provided by law or stated below, the holders of our common stock are entitled to one vote for each share held on all matters as to which shareholders are entitled to vote, voting jointly as a single class with the holders of Class II Serial Preferred Stock.

Effective July 24, 1986, Ohio law was amended to permit the Articles of Incorporation of an Ohio corporation to be amended by its shareholders to eliminate cumulative voting in the election of directors. On April 21, 1987, the shareholders of Timken adopted such an amendment. As a result, no holder of any shares of our common stock has any right to cumulate voting power in any election of directors.

The holders of our common stock do not have any preferential, subscription or preemptive rights to subscribe to or purchase any new or additional issue of shares of any class of stock or of securities convertible into our stock. Our common stock is not subject to redemption and does not have any conversion rights. All of our issued and outstanding common stock is fully paid and non-assessable.

**Preferred Stock**

Our preferred stock is divided into two classes, Class I Serial Preferred Stock and Class II Serial Preferred Stock. Holders of the Class I Serial Preferred have preference rights superior to both the holders of Class II Serial Preferred and shares of common stock. The Class II Serial Preferred holders have preference rights superior to the holders of common stock. The following description of our preferred stock applies to both classes, unless otherwise specified.

Our preferred stock may be issued from time to time in one or more series with such distinctive serial designations as are fixed by our Board of Directors and with such rights, preferences and limitations as are fixed by the Board of Directors or required by law. Satisfaction of dividend preferences of any outstanding preferred stock would reduce the amount of funds available for the payment of dividends on our common stock. In addition, holders of preferred stock would be entitled to receive a preferential payment before any payment is made to holders of common stock in the event of our voluntary or involuntary liquidation, dissolution or winding up. Additionally, with respect to any dividend or dissolution preferences, holders of Class I Serial Preferred Stock will receive preferential payment over holders of Class II Serial Preferred Stock.

Subject to the exceptions listed below, the holders of Class I Serial Preferred Stock are not entitled, as such, to notice of meetings of shareholders or to vote upon any matter presented to the shareholders. However, the affirmative vote of the holders of at least two-thirds of the holders of Class I Serial Preferred Stock, voting separately as a class, and in certain cases by series, is required to effect or validate any amendment to our Amended Articles of Incorporation which:

changes issued shares of Class I Serial Preferred Stock of all series then outstanding into a lesser number of our shares of the same class and series or into the same or a different number of our shares of any other class or series;

changes the express terms of the Class I Serial Preferred Stock in any manner substantially prejudicial to the holders of all series thereof then outstanding;



**Table of Contents**

authorizes shares of any class, or any security convertible into shares of any class, or authorizes the conversion of any security into shares of any class, ranking prior to the Class I Serial Preferred Stock; or

changes the express terms of issued shares of any class ranking prior to the Class I Serial Preferred Stock in any manner substantially prejudicial to the holders of all series of Class I Serial Preferred Stock then outstanding.

In addition, if the payment of six quarterly dividends, whether or not consecutive, is in default, holders of Class I Serial Preferred Stock, voting separately as a class, are entitled to elect two additional members to our Board of Directors. When all dividends in default on any Class I Serial Preferred Stock have been paid, the holders' power to elect the two additional directors at subsequent elections of directors becomes null and void until a new default occurs. The holders of Class I Serial Preferred Stock do not have cumulative voting rights or any preferential, subscription or preemptive rights to subscribe to or purchase any new or additional issue of shares of any class of stock or securities convertible into our stock.

If the shares of any series of either class of preferred stock are convertible into shares of any other class or series of our stock, our stated capital, if any, will be modified accordingly to reflect such conversion.

**Anti-takeover Provisions in Amended Regulations**

Pursuant to our Amended Regulations, the Board of Directors is divided, with respect to the terms for which the directors severally hold office, into three classes as nearly equal in number as one-third of the total number of directors constituting the whole Board of Directors permits, with the three-year term of office of one class of directors expiring each year. Without the affirmative vote of not less than two-thirds of our total voting power, the total number of directors may not be changed to less than nine or greater than eighteen. In addition, our Amended Regulations provides that:

directors may be removed, as permitted by statute, by the directors then in office or, upon the recommendation of two-thirds of the directors then in office, by the affirmative vote of the holders of not less than two-thirds of our voting power entitled to elect directors in place of those being removed; and

the Board of Directors may fix the number of directors within a range of nine to eighteen directors, to the extent consistent with applicable law.

The provisions of our Amended Regulations may be amended at a meeting of the shareholders by (1) the affirmative vote of the shareholders of record entitling them to exercise a majority of the voting power on the proposal, if such proposal has been recommended by a two-thirds vote of the directors then in office as being in the best interests of The Timken Company and its shareholders, or (2) the affirmative vote, at a meeting, of the shareholders of record entitled to exercise two-thirds of the voting power on such proposal, or (3) the affirmative vote or approval of, and in a writing or writings signed by, all the shareholders who would be entitled to notice of a meeting of the shareholders held for that purpose.

Although these provisions are intended to encourage potential acquiring persons to negotiate with our Board of Directors and to provide for continuity and stability of management, these provisions may have an anti-takeover effect. By making it more time consuming for a substantial shareholder to gain control of the Board of Directors, these provisions may render more difficult, and may discourage, a proxy contest or the assumption of control of us or the removal of the incumbent Board of Directors.

**Ohio Control Share Statute**

Section 1701.831 of the General Corporation Law of the State of Ohio requires the prior authorization of the shareholders of certain corporations in order for any person to acquire, either directly or indirectly, shares of that corporation that would entitle the acquiring person to exercise or direct the exercise of 20% or more of the voting power of that corporation in the election of directors or to exceed specified other percentages of voting power. In the event an acquiring person proposes to make such an acquisition, the person is required to

**Table of Contents**

deliver to the corporation a statement disclosing, among other things, the number of shares owned, directly or indirectly, by the person, the range of voting power that may result from the proposed acquisition and the identity of the acquiring person. Within 10 days after receipt of this statement, the corporation must call a special meeting of shareholders to vote on the proposed acquisition. The acquiring person may complete the proposed acquisition only if the acquisition is approved by the affirmative vote of the holders of at least a majority of the voting power of all shares entitled to vote in the election of directors represented at the meeting excluding the voting power of all interested shares. Interested shares include any shares held by the acquiring person and those held by officers and directors of the corporation. Section 1701.831 does not apply to a corporation if its articles of incorporation or code of regulations state that the statute does not apply to a corporation. Our Amended Articles of Incorporation and Amended Regulations do not contain a provision opting out of this statute.

Chapter 1704 of the General Corporation Law of the State of Ohio prohibits certain corporations from engaging in a chapter 1704 transaction with an interested shareholder for a period of three years after the date of the transaction in which the person became an interested shareholder, unless, among other things:

the articles of incorporation expressly provide that the corporation is not subject to the statute (we have not made this election); or

the board of directors of the corporation approves the chapter 1704 transaction or the acquisition of the shares before the date the shares were acquired.

After the three-year moratorium period, the corporation may not consummate a chapter 1704 transaction unless, among other things, it is approved by the affirmative vote of the holders of at least two-thirds of the voting power in the election of directors and the holders of a majority of the voting shares, excluding all shares beneficially owned by an interested shareholder or an affiliate or associate of an interested shareholder, or the shareholders receive certain minimum consideration for their shares. A Chapter 1704 transaction includes certain mergers, sales of assets, consolidations, combinations and majority share acquisitions involving an interested shareholder. An interested shareholder is defined to include, with limited exceptions, any person who, together with affiliates and associates, is the beneficial owner of a sufficient number of shares of the corporation to entitle the person, directly or indirectly, alone or with others, to exercise or direct the exercise of 10% or more of the voting power in the election of directors after taking into account all of the person's beneficially owned shares that are not then outstanding. The application of Chapter 1704 and Section 1701.831 may have the effect of delaying, deferring or preventing our change of control involving our company.

**Table of Contents**

**DESCRIPTION OF THE DEBT SECURITIES**

The following description of the debt securities that we may offer, together with the additional information included in any prospectus supplement, provides a summary of the material terms and conditions of debt securities that we may issue but it is not complete. For a complete description of the terms of the debt securities, please refer to the applicable indenture between us and a trustee to be selected under which the debt securities to be offered will be issued.

An indenture relating to any debt securities to be issued will be filed with the SEC in connection with the offering of any debt securities. Any indenture that we enter into will not limit the aggregate amount of debt securities that may be issued. The debt securities may be issued from time to time in more than one series and may be issued at a discount from their stated principal amount and in any currency designated by us.

Unless otherwise specified in the prospectus supplement, our debt securities will be general unsecured obligations. Any senior debt securities that we offer will rank equally with all of our other unsecured, unsubordinated obligations. Any subordinated debt securities that we issue will rank junior in right of payment to all of our senior indebtedness to the extent and in the manner set forth in the applicable prospectus supplement and supplemental indenture. In addition, our subsidiaries are separate and distinct legal entities and will have no obligation to pay any amounts due on the debt securities or to provide us with the funds to satisfy our payment obligations. As a result, any debt securities that we issue will be effectively subordinated to all existing and future indebtedness and other liabilities of our subsidiaries.

This indenture will not limit the amount of debt securities that we may issue under it. The terms of the particular debt securities offered may vary from the terms described in this prospectus. The applicable prospectus supplement accompanying this prospectus will describe the terms of the particular series of debt securities we are offering, including:

the title of the debt securities;

whether the debt securities are senior or subordinated debt securities;

any limit on the aggregate principal amount of the debt securities;

the price of the debt securities, expressed as a percentage of the principal amount;

the date or dates on which the principal of and any premium on the debt securities will be payable or the method for determining the date or dates;

if the debt securities will bear interest, the interest rate or rates or the method by which the rate or rates will be determined;

if the debt securities will bear interest, the date or dates from which any interest will accrue, the interest payment dates, the record dates for those interest payment dates and the basis upon which interest shall be calculated;

the place or places where payments on the debt securities will be made and the debt securities may be surrendered for registration of transfer or exchange;

if we will have the option to redeem all or any portion of the debt securities, the terms and conditions upon which the debt securities may be redeemed;

the terms and conditions of any sinking fund, repurchase right or other similar provisions obligating us or permitting a holder to require us to redeem or purchase all or any portion of the debt securities prior to final maturity;

the currency or currencies in which the debt securities are denominated and payable, if other than U.S. dollars;

whether the amount of any payments on the debt securities may be determined with reference to an index, formula or other method and the manner in which such amounts are to be determined;



## **Table of Contents**

any additions or changes to the events of default in the indenture;

any additions or changes with respect to the other covenants in the indenture;

the terms and conditions, if any, upon which the debt securities may be convertible into common stock, preferred stock, depositary shares or other securities;

the inapplicability of the defeasance provisions to a series of debt securities issued under the indenture; and

any other terms of the debt securities.

The prospectus supplement may also describe special federal income tax consequences of the debt securities, including any special U.S. federal income tax, accounting and other considerations applicable to original issue discount securities.

An original issue discount security is a debt security, including any zero-coupon debt security, which:

is issued at a price lower than the amount payable upon its stated maturity; and

provides that, upon redemption or acceleration of the maturity, an amount less than the amount payable upon the stated maturity, will become due and payable.

In addition, the material U.S. federal income tax or other considerations applicable to any debt securities that are denominated in a currency or currency unit other than U.S. dollars will be described in the applicable prospectus supplement.

We will have the ability, in addition to the ability to issue debt securities with terms different from those of debt securities previously issued, without the consent of the holders, to reopen a previous issue of a series of debt securities and issue additional debt securities of that series, unless the reopening was restricted when the series was created in the applicable supplemental indenture, in an aggregate principal amount determined by us. All debt securities issued under any particular indenture, including those issued pursuant to any reopening of a series, will vote together as a single class.

## **Conversion or Exchange Rights**

The terms on which a series of notes may be convertible into or exchangeable for common stock or other of our securities will be described in a prospectus supplement. These terms may include provisions as to whether conversion or exchange is mandatory, at the option of the holder or at our option, and may include provisions pursuant to which the number of shares of common stock or other of our securities to be received by the holders of such series of debt securities would be subject to adjustment.

## **Consolidation, Merger or Sale**

Unless otherwise noted in the applicable prospectus supplement, the indenture will limit our ability to merge, consolidate, or sell, convey, transfer or otherwise dispose of all or substantially all of our assets, unless:

any successor corporation is a corporation organized under the laws of the United States of America or any state thereof;

the successor corporation expressly assumes all of our obligations under the applicable indenture;

there is no event of default immediately after giving effect to the merger, consolidation or sale; and

certain other conditions are met.

## **Covenants**

Under the indenture, we will agree to:

maintain an office or agency as a place of payment;



**Table of Contents**

deposit sufficient funds with any paying agent or trust, on and before the due date for any principal, interest or premium;

pay all taxes and other assessments imposed on us or our subsidiaries or their properties;

maintain all business properties in working order;

preserve our existence, charter and statutory rights, and franchises and cause our subsidiaries to do the same;

certain limitations with respect to the incurrence of liens;

certain limitations with respect to sale-leaseback transactions that we may enter into; and

comply with all applicable laws.

Any additional restrictive covenants applicable to any particular series of debt securities will be described in a prospectus supplement.

**Events of Default Under the Indenture**

Unless otherwise indicated in a prospectus supplement, the following will be events of default under the indenture with respect to any series of debt securities issued:

failure to pay interest when due, if the failure continues for 30 days and the time for payment has not been extended or deferred;

failure to pay the principal or premium, if any, when due;

failure to observe or perform any other covenant contained in the applicable series of debt securities or the indenture, other than a covenant specifically relating to another series of debt securities, if the failure continues for 90 days after we receive notice from the trustee or holders of at least 25% in aggregate principal amount of the outstanding debt securities of that series;

if the series of notes is convertible into shares of common stock or other of our securities, our failure to deliver common stock or the other securities when the holder or holders of the debt securities elect to convert them into shares of common stock or other of our securities pursuant to the terms provided in the applicable debt securities; and

certain events of bankruptcy, insolvency or reorganization of The Timken Company, but not of our subsidiaries.

The indenture or the form of debt security for a particular series of debt securities may include additional events of default or changes to the events of default described above. If any additional or different events of default apply to a particular series of debt securities, they will be described in the prospectus supplement relating to that series.

If an event of default with respect to debt securities of any series occurs and is continuing, the indenture trustee or the holders of at least 25% in aggregate principal amount of the outstanding debt securities of that series, by notice in writing to us, and to the indenture trustee if notice is given by those holders, may declare the unpaid principal of, premium, if any, and accrued interest, if any, due and payable immediately.

The holders of a majority in principal amount of the outstanding debt securities of an affected series may waive any default or event of default with respect to the series and its consequences, except defaults or events of default regarding payment of principal, premium, if any, or interest, unless the default or event of default has been cured in accordance with the indenture.

Any waiver will be deemed to cure the default or event of default to which the waiver relates.

Subject to the terms of the indenture, as supplemented, if an event of default under the indenture occurs and is continuing, the trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request or direction of any of the holders of the applicable series of debt securities, unless such





**Table of Contents**

holders have offered the trustee reasonable indemnity. The holders of a majority in principal amount of the outstanding debt securities of any series will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee, or exercising any trust or power conferred on the trustee, with respect to the debt securities of that series, provided that:

it is not in conflict with any law or the applicable indenture;

the trustee may take any other action deemed proper by it which is not inconsistent with the direction; and

subject to its duties under the Trust Indenture Act, the trustee need not take any action that might involve it in personal liability or might be unduly prejudicial to the holders not involved in the proceeding.

A holder of debt securities of any series will only have the right to institute a proceeding under the indenture or to appoint a receiver or another trustee, or to seek other remedies, if:

the holder has given written notice to the trustee of a continuing event of default with respect to that series;

the holders of at least 25% in aggregate principal amount of the outstanding debt securities of that series have made a written request therefor, and the holders have offered reasonable indemnity to the trustee to institute the proceedings as trustee; and

the trustee does not institute the proceeding, and does not receive from the holders of a majority in aggregate principal amount of the outstanding debt securities of that series other conflicting directions within 60 days after the notice, request and offer.

These limitations do not apply to a suit instituted by a holder of debt securities if we default in the payment of the principal, premium, if any, or interest on the debt securities.

**Subordination of Subordinated Debt Securities**

The payment of the principal of, premium, if any, and interest on any subordinated debt securities will rank junior in right of payment to the prior payment in full of all senior indebtedness to the extent described in a prospectus supplement.

**Defeasance and Covenant Defeasance**

Unless the prospectus supplement states otherwise, we will have two options to discharge our obligations under a series of debt securities before its maturity date. These options are known as defeasance and covenant defeasance. Defeasance means that we will be deemed to have paid the entire amount of the applicable series of debt securities and we will be released from all of our obligations relating to that series (except for certain obligations, such as registering transfers of the securities). Covenant defeasance means that as to the applicable series of debt securities, we will not have to comply with certain covenants as described in the indenture.

To elect either defeasance or covenant defeasance for any series of debt securities, we must deposit with the trustee an amount of money and/or U.S. government obligations that will be sufficient to pay principal, interest and any premium or sinking fund payments on the debt securities when those amounts are scheduled to be paid. In addition, we must provide a legal opinion stating that as a result of the defeasance or covenant defeasance holders will not be required to recognize income, gain or loss for federal income tax purposes and will be subject to federal income tax on the same amounts, in the same manner and at the same times as if the defeasance or covenant defeasance had not occurred. For defeasance, that opinion must be based on either an Internal Revenue Service ruling or a change in law ruling since the date the debt securities were issued. We must also meet other conditions, such as there being no events of default. The amount deposited with the trustee can be decreased at a later date if, in the opinion of a nationally recognized firm of independent public

## **Table of Contents**

accountants, the deposits are greater than the amount than needed to pay principal, interest, and any premium or sinking fund payments on the debt securities when those amounts are scheduled to be paid.

Our obligations relating to the debt securities will be reinstated if the trustee is unable to pay the debt securities with the deposits held in trust, due to an order of any court or governmental authority. It is possible that a series of debt securities for which we elect covenant defeasance may later be declared immediately due in full because of an event of default (not relating to the covenants that were defeased). If that happens, we must pay the debt securities in full at that time using the deposits held in trust or other money.

### **Modification of Indenture; Waiver**

We and the trustee may, without the consent of any holders, change an indenture with respect to certain matters, including:

to cure any ambiguity, omission, defect or inconsistency in the indenture;

to change any provision if the change does not materially adversely affect the interests of any holder of debt securities of the applicable series;

to provide for the assumption, by a successor person or the acquiror of all or substantially all of our assets, of our obligations under the indenture and the debt securities issued under the indenture;

to add to our covenants for the benefit of holders of debt securities of any series or to surrender any right or power conferred upon us; and

to comply with any requirement in connection with the qualification of an indenture under the Trust Indenture Act.

In addition, under the indenture, we may change the rights of holders of a series of debt securities and the indenture trustee with the written consent of the holders of at least a majority in aggregate principal amount of the outstanding debt securities of each series that is affected. However, the following changes may only be made with the consent of each holder of any outstanding debt securities affected:

changing the stated maturity of the principal of, or any installment of interest on, any such series of debt securities; or

reducing the principal amount, reducing the rate of or extending the time of payment of interest, or any premium payable upon the redemption of any debt securities.

In addition, any reduction in the percentage of principal amount of debt securities, the holders of which are required to consent to any amendment, modification or waiver under the applicable indenture will require the affirmative consent of at least the percentage of debt securities which would originally have been required to make such consent, modification or waiver effective.

### **Form, Exchange and Transfer**

Unless otherwise indicated in the applicable prospectus supplement, debt securities of each series will be issuable only in fully registered form without coupons and in denominations of \$1,000 and integral multiples of \$1,000. The indenture will provide that debt securities of a series may be issuable in temporary or permanent global form and may be issued as book-entry securities that will be deposited with, or on behalf of, The Depository Trust Company or another depository named by us and identified in a prospectus supplement with respect to the series.

The following provisions will apply to depository arrangements. A global security to be deposited with or on behalf of a depository will be registered in its name or the name of its nominee. The depository will, upon deposit of the global security, credit the accounts of the institutions that have accounts with the depository that have been designated by the underwriters, agents or us.

Beneficial interests in global securities will be limited to institutions that are depository participants or persons that hold interests through them. Ownership and transfer of beneficial interests will be recorded in the

## **Table of Contents**

books maintained by the depositary or its nominee. The laws of some jurisdictions require physical delivery of securities that might impair transfers of beneficial interests in a global security.

The depositary or its nominee registered as the owner of such global security will be treated by us as the sole owner for all purposes under the applicable indenture. Unless the prospectus supplement provides otherwise, each owner of a beneficial interest must rely on the procedures of the depositary and participants in the depositary, if applicable, to exercise its rights as a holder of an interest in a global security.

We, the trustee, any paying agent and the registrar of debt securities will have no responsibility or liability for any aspect of the records relating to, or to record payments made on account of, beneficial ownership interests.

If the depositary for any debt securities represented by a global security is at any time unwilling or unable to continue as depositary or ceases to be a clearing agency registered under the Exchange Act, we will appoint an eligible successor depositary. If we fail to appoint an eligible successor depositary within 90 days, individual debt securities of that series will be issued in exchange for the global security. In addition, we may, at any time and in our sole discretion, determine not to have any debt securities of a series represented by one or more global securities. In that event, individual debt securities of that series will be issued in exchange for the global security representing that series of debt securities. Unless we so specify with respect to the debt securities of a series, an owner of a beneficial interest in a global security representing debt securities of that series may not receive individual debt securities of that series in exchange for its beneficial interests.

To the extent material and not otherwise described in this prospectus, the prospectus supplement will describe the method of payment of principal, interest and premium, if any, and interest on a global security. Payments of principal, premium and interest on debt securities will be made to the registered depositary or its nominee.

At the option of the holder, subject to the terms of the indenture and the limitations applicable to global securities described in the applicable prospectus supplement, debt securities of any series will be exchangeable for other debt securities of the same series, of like tenor and aggregate principal amount, in any authorized denomination.

Subject to the terms of the indenture and the limitations applicable to global securities described in the applicable prospectus supplement, debt securities may be presented for exchange or for registration of transfer, duly endorsed or with the form of transfer endorsed thereon duly executed if so required by us or the security registrar, at the office of the security registrar or at the office of any transfer agent designated by us for that purpose. Unless otherwise provided in the debt securities to be transferred or exchanged, no service charge will be made for any registration of transfer or exchange, but we may require payment of any taxes or other governmental charges. The security registrar, and any transfer agent in addition to the security registrar, initially designated by us for any debt securities will be named in the applicable prospectus supplement, or in the applicable indenture. We may at any time designate additional transfer agents, rescind the designation of any transfer agent or approve a change in the office through which any transfer agent acts, except that we will be required to maintain a transfer agent in each place of payment for the debt securities of each series.

If the debt securities of any series are to be redeemed, we will not be required to:

issue, register the transfer of, or exchange any debt securities of that series during a period beginning at the opening of business 15 days before the day of mailing of a notice of redemption of the debt securities that may be selected for redemption and ending at the close of business on the day of that mailing; or

register the transfer of or exchange any debt securities so selected for redemption, in whole or in part, except the unredeemed portion of any debt securities being redeemed in part.

### **Regarding the Trustee**

The trustee, other than when an event of default under the indenture has occurred and is continuing, will undertake to perform only such duties as are specifically set forth in the indenture and, upon an event of

**Table of Contents**

default under the indenture, will be required to use the same degree of care as a prudent person would exercise or use in the conduct of his or her own affairs. Subject to this provision, the trustee is under no obligation to exercise any of the powers given it by the indenture at the request of any holder of debt securities unless it is offered reasonable security and indemnity against the costs, expenses and liabilities that it might incur. The trustee is not required to spend or risk its own money or otherwise become financially liable while performing its duties unless it reasonably believes that it will be repaid or receive adequate indemnity.

**Payment and Paying Agents**

Unless otherwise indicated in the applicable prospectus supplement, the payment of interest on any debt securities on any interest payment date will be made to the person in whose name such notes, or one or more predecessor securities, are registered at the close of business on the regular record date for the payment of the interest.

Principal of and premium, if any, and interest on the debt securities of a particular series will be payable at the office of the paying agents designated by us, except that unless otherwise indicated in the applicable prospectus supplement, premium, if any, and interest payments may be made by check mailed to the holder. Unless otherwise indicated in such prospectus supplement, the corporate trust office of the trustee in the City of New York will be designated as our sole paying agent for payments with respect to debt securities of each series. Any other paying agents initially designated by us for the debt securities of a particular series will be named in the applicable prospectus supplement. We will be required to maintain a paying agent in each place of payment for the debt securities of a particular series.

All moneys paid by us to a paying agent or the trustee for the payment of the principal of, or premium, if any, or interest on any debt securities which remains unclaimed at the end of two years after the principal, premium, if any, or interest has become due and payable will be repaid to us, and after that time the holder of the security may look only to us for payment of those amounts.

**Governing Law**

The indenture and the debt securities will be governed by and construed in accordance with the laws of the State of New York.

**Table of Contents**

**DESCRIPTION OF WARRANTS**

The following is a general description of the terms of the warrants we may issue from time to time. Particular terms of any warrants we offer will be described in the prospectus supplement relating to such warrants.

We may issue warrants for the purchase of our debt securities, preferred stock or common stock. Warrants may be issued independently or together with other securities and may be attached to or separate from any offered securities. Each series of warrants will be issued under a separate warrant agreement to be entered into between us and a bank or trust company, as warrant agent. The warrant agent will act solely as our agent in connection with the warrants and will not have any obligation or relationship of agency or trust for or with any holders or beneficial owners of warrants. A copy of the warrant agreement will be filed with the SEC in connection with the offering of warrants.

The prospectus supplement relating to a particular issue of warrants to issue common stock, preferred stock or debt securities will describe the terms of those warrants, including the following:

the title of the warrants;

the offering price for the warrants, if any;

the aggregate number of the warrants;

the designation and terms of the common stock, preferred stock or debt securities that may be purchased upon exercise of the warrants;

if applicable, the designation and terms of the securities that the warrants are issued with and the number of warrants issued with each security;

if applicable, the date from and after which the warrants and any securities issued with them will be separately transferable;

the number of shares of common stock, preferred stock or the principal amount of debt securities that may be purchased upon exercise of a warrant and the price at which the shares or debt securities may be purchased upon exercise;

the dates on which the right to exercise the warrants will commence and expire;

if applicable, the minimum or maximum amount of the warrants that may be exercised at any one time;

the currency or currency units in which the offering price, if any, and the exercise price are payable;

if applicable, a discussion of material U.S. federal income tax considerations;

anti-dilution provisions of the warrants, if any;

redemption or call provisions, if any, applicable to the warrants;

any additional terms of the warrants, including terms, procedures and limitations relating to the exchange and exercise of the warrants;

with respect to debt securities only, whether the warrants represented by the warrant certificates or debt securities that may be issued upon exercise of the warrants will be issued in registered or bearer form;

information relating to book-entry procedures, if any; and

any other information that is important about the warrants.



**Table of Contents**

**Exercise of Warrants**

Each warrant will entitle the holder of the warrant to purchase at the exercise price set forth in the applicable prospectus supplement the principal amount of debt securities or shares of common stock or preferred stock being offered. Holders may exercise warrants at any time up to the close of business on the expiration date set forth in the applicable prospectus supplement. After the close of business on the expiration date, unexercised warrants will be void. Holders may exercise warrants as set forth in the prospectus supplement relating to the warrants being offered.

Until a holder exercises the warrants to purchase our debt securities, common stock or preferred stock, the holder will not have any rights as a holder of our debt securities, common stock or preferred stock, as the case may be, by virtue of ownership of warrants.

**Amendments and Supplements to Warrant Agreement**

We and the warrant agent may amend or supplement the warrant agreement for a series of warrants without the consent of the holders of the warrants issued thereunder to effect changes that are not inconsistent with the provisions of the warrants and that do not materially and adversely affect the interests of the holders of the warrants.

**Table of Contents**

**DESCRIPTION OF DEPOSITARY SHARES**

The following information outlines some of the provisions of the deposit agreement, the depositary shares and the depositary receipts. This information may not be complete in all respects and is qualified entirely by reference to the relevant deposit agreement and depositary receipts with respect to the depositary shares relating to any particular series of preferred stock. The specific terms of any series of depositary shares will be described in the relevant prospectus supplement. If so described in the prospectus supplement, the terms of that series of depositary shares may differ and supersede some or all of the terms presented below.

**General**

We may elect to offer fractional interests in shares of preferred stock instead of whole shares of preferred stock. If so, we will allow a depositary to issue depositary shares to the public, each of which will represent a fractional interest in a share of the relevant series of preferred stock, as described in the relevant prospectus supplement.

The shares of preferred stock underlying any depositary shares will be deposited under a separate deposit agreement between us and a bank or trust company acting as depositary with respect to that series. The depositary will have its principal office in the United States and have a combined capital and surplus of at least \$50,000,000. The relevant prospectus supplement relating to a series of depositary shares will provide the name and address of the depositary. Under the relevant deposit agreement, each owner of a depositary share will be entitled, in proportion to its fractional interest in a share of the preferred stock underlying that depositary share, to all the rights and preferences of that preferred stock, including dividend, voting, redemption, conversion, exchange and liquidation rights.

Depositary shares will be evidenced by one or more depositary receipts issued under the relevant deposit agreement.

Pending the preparation of definitive engraved depositary receipts, a depositary may, upon our order, issue temporary depositary receipts substantially identical to, and entitling their holders to all the rights pertaining to, the definitive depositary receipts, but not in definitive form. Definitive depositary receipts will be prepared without unreasonable delay, and the temporary depositary receipts will be exchangeable for definitive depositary receipts at our expense.

**Dividends and Other Distributions**

The depositary will distribute all cash dividends or other cash distributions in respect of the preferred stock to the record depositary shareholders based on the number of depositary shares owned by that holder on the relevant record date. The depositary will distribute only that amount which can be distributed without attributing to any depositary shareholders a fraction of one cent, and any balance not so distributed will be added to and treated as part of the next sum received by the depositary for distribution to the depositary shareholders of record.

If there is a distribution other than in cash, the depositary will distribute property to the depositary shareholders of record on a pro rata basis, unless the depositary determines that it is not feasible to make that distribution. In that case, the depositary may, with our consultation, adopt a method it deems equitable and practicable for making that distribution, including any sale of property and the distribution of the net proceeds from that sale to the concerned holders.

Each deposit agreement will also contain provisions relating to the manner in which any subscription or similar rights we offer to preferred stockholders of the relevant series will be made available to depositary shareholders.

**Withdrawal of Stock**

Upon surrender of depositary receipts at the depositary's office, the holder of the relevant depositary shares will be entitled to the number of whole shares of the related series of preferred stock and any money or



## **Table of Contents**

other property those depositary shares represent. Depositary shareholders will be entitled to receive whole shares of the related preferred stock series on the basis described in the relevant prospectus supplement, but holders of those whole preferred stock shares will not afterward be entitled to receive depositary shares in exchange for their shares. If the depositary receipts the holder delivers evidence a depositary share number exceeding the whole share number of the related preferred stock series to be withdrawn, the depositary will deliver to that holder a new depositary receipt evidencing the excess depositary share number.

### **Redemption; Liquidation**

The terms on which the depositary shares relating to the preferred stock of any series may be redeemed, and any amounts distributable upon our liquidation, dissolution or winding up, will be described in the relevant prospectus supplement.

### **Conversion or Exchange**

The depositary shares, as such, are not convertible or exchangeable into our common stock or any of our other securities or property. Nevertheless, the prospectus supplement relating to an offering of depositary shares may provide that the holders of depositary receipts may surrender their depositary receipts to the depositary with written instructions to the depositary to instruct us to cause the conversion or exchange of the preferred stock represented by these depositary shares. If only some of the depositary shares are to be converted or exchanged, a new depositary receipt or receipts will be issued for any depositary shares not converted or exchanged.

### **Voting**

Upon receiving notice of any meeting at which preferred stockholders of any series of preferred stock underlying the depositary shares are entitled to vote, the depositary will mail the information contained in that notice to the depositary shareholders of record relating to that series of preferred stock. Each depositary shareholder on the record date (which will, if practicable, be the same as the record date for the preferred stock) will be entitled to instruct the depositary on how to vote the shares of preferred stock underlying that holder's depositary shares. The depositary will vote the preferred stock shares underlying those depositary shares according to those instructions, and we will take actions we deem necessary to enable the depositary to do so. If the depositary does not receive specific instructions from the depositary shareholders relating to that series of preferred stock, it will abstain from voting those preferred stock shares, unless otherwise mentioned in the relevant prospectus supplement.

### **Amendment and Termination of Deposit Agreement**

The depositary receipt form evidencing the depositary shares and the relevant deposit agreement may be amended by us and the depositary. However, any amendment that significantly and adversely affects the rights of the depositary shareholders will not be effective unless a majority of the outstanding depositary shareholders approve that amendment. We or the depositary may terminate a deposit agreement only if:

we have redeemed or reacquired all outstanding depositary shares relating to the deposit agreement;

all preferred stock of the relevant series has been withdrawn from the depositary account;

there has been a final distribution in respect of the relevant series of preferred stock in connection with our liquidation, dissolution or winding up and that distribution has been made to the relevant depositary shareholders;

all outstanding depositary shares have been converted into or exchanged for other securities; or

we have provided 60 days prior written notice to the shareholders that we have determined to terminate the deposit agreement.

**Table of Contents**

**Charges of Depositary**

We will pay all charges of each depositary in connection with the initial deposit and any redemption of the depositary shares relating to the preferred stock. Depositary shareholders will be required to pay any other transfer and other taxes and governmental charges and any other charges expressly provided in the deposit agreement to be for their accounts.

**Reports**

The depositary will forward to all holders of depositary shares all reports and communications from us that we deliver to the depositary and that we are required to furnish to the holders of the underlying preferred stock.

**Miscellaneous**

Each depositary will forward to the relevant depositary shareholders all reports and communications that we are required to furnish to our preferred stockholders.

Neither any depositary nor we will be liable if it is prevented or delayed by law or any circumstance beyond its control in performing its obligations under any deposit agreement. The obligations of each depositary under any deposit agreement will be limited to performance in good faith of its duties under that agreement, and it will not be obligated to prosecute or defend any legal proceeding in respect of any depositary shares or preferred stock unless it is provided with satisfactory indemnity. The depositary may rely upon written advice of counsel or accountants, or information provided by persons presenting preferred stock for deposit, depositary shareholders or other persons believed to be competent, and on documents believed to be genuine.

**Title**

We, each depositary and any of their agents may treat the registered owner of any depositary share as the absolute owner of that share, whether or not any payment for that depositary share is overdue and despite any notice to the contrary, for any purpose.

**Resignation and Removal of Depositary**

A depositary may resign at any time by delivering to us notice of its election to resign, and we may remove a depositary, and resignation or removal will take effect upon the appointment of a successor depositary and its acceptance of appointment.

**Table of Contents**

**DESCRIPTION OF STOCK PURCHASE CONTRACTS  
AND STOCK PURCHASE OR EQUITY UNITS**

We may issue stock purchase contracts, including contracts obligating holders to purchase from us, and obligating us to sell to the holders, a specified number of shares of our common stock, or our preferred stock, at a future date or dates. The price per share of common stock or preferred stock may be fixed at the time the stock purchase contracts are issued or may be determined by reference to a formula set forth in the stock purchase contracts. The stock purchase contracts may be issued separately or as part of stock purchase or equity units consisting of (1) a stock purchase contract and (2) debt securities, preferred securities or debt obligations of our company or third parties, including U.S. Treasury securities, securing the holders' obligations to purchase our common stock or preferred stock under the stock purchase contracts. The stock purchase contracts may require us to make periodic payments to the holders of the stock purchase or equity units or vice versa, and such payments may be unsecured or prefunded on some basis. The stock purchase contracts may require holders to secure their obligations thereunder in a specified manner. The prospectus supplement will describe the terms of any stock purchase contracts or stock purchase or equity units.

Unless otherwise specified in the prospectus supplement, the securities related to the stock purchase contracts will be pledged to a collateral agent, for our benefit, under a pledge agreement. The pledged securities will secure the obligations of the holders of stock purchase contracts to purchase shares of our common stock or our preferred stock under the related stock purchase contracts. The rights of holders of stock purchase contracts to the related pledged securities will be subject to our security interest in those pledged securities.

The security interest in the pledged securities will be created by a pledge agreement. No holder of stock purchase contracts will be permitted to withdraw the pledged securities related to such stock purchase contracts from the pledge arrangement except upon the termination or early settlement of the related stock purchase contracts. Subject to that security interest and the terms of the purchase contract agreement and the pledge agreement, each holder of a stock purchase contract will retain full beneficial ownership of the related pledged securities.

Except as described in the applicable prospectus supplement, the collateral agent will, upon receipt of distributions on the pledged securities, distribute those payments to us or a purchase contract agent, as provided in the pledge agreement. The purchase contract agent will in turn distribute payments it receives as provided in the stock purchase contract.

**Table of Contents**

**PLAN OF DISTRIBUTION**

We may sell the offered securities in and outside the United States:

through underwriters or dealers;

directly to purchasers, including our affiliates and shareholders in a rights offering,

through agents;

by or through broker-dealers in connection with, or upon the termination or expiration of, equity derivative contracts between us or our affiliates and such broker-dealers or their affiliates; or

through a combination of any of these methods.

The prospectus supplement will include the following information when not otherwise described in this prospectus.

the terms of the offering,

the names of any underwriters, dealers or agents;

the name or names of any managing underwriter or underwriters;

the purchase price or initial public offering price of the securities,

the net proceeds from the sale of the securities;

any underwriting discounts, commissions and other items constituting underwriters' compensation;

any discounts or concessions allowed or reallocated or paid to dealers; and

any commissions paid to agents.

**Sale through Underwriters or Dealers**

If underwriters are used in the sale, the underwriters will acquire the securities for their own account. The underwriters may resell the securities from time to time in one or more transactions on the New York Stock Exchange or in negotiated transactions or a combination of these methods, at a fixed public offering price, at market prices prevailing at the time of sale or at prices related to such market prices, at varying prices determined at the time of sale or at other negotiated prices. Underwriters may offer securities to the public either through underwriting syndicates represented by one or more managing underwriters or directly by one or more firms acting as underwriters. If an underwriting syndicate is used, the managing underwriters will be specified on the cover of the prospectus supplement. Unless we inform you otherwise in the prospectus supplement, the obligations of the underwriters to purchase the securities will be subject to certain conditions, and the underwriters will be obligated to purchase all the offered securities if they purchase any of them. The underwriters may change from time to time any initial public offering price and any discounts or concessions allowed or reallocated or paid to dealers.

During and after an offering through underwriters, the underwriters may purchase and sell the securities in the open market. These transactions may include over-allotment and stabilizing transactions and purchases to cover syndicate short positions created in connection with the offering. The underwriters may also impose a penalty bid, which means that selling concessions allowed to syndicate members or other broker-dealers for the offered securities sold for their account may be reclaimed by the syndicate if the offered securities are repurchased by the syndicate in stabilizing or covering transactions. These activities may stabilize, maintain or otherwise affect the market price of the offered securities, which may be higher than the price that might otherwise prevail in the open market. If commenced, the underwriters may discontinue these activities at any time.

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Some or all of the securities that we offer through this prospectus may be new issues of securities with no established trading market. Any underwriters to whom we sell our securities for public offering and sale may make a market in those securities, but they will not be obligated to do so and they may discontinue any market

## **Table of Contents**

making at any time without notice. Accordingly, we cannot assure you of the liquidity of, or continued trading markets for, any securities that we offer.

If dealers are used in the sale of securities, we will sell the securities to them as principals. The dealers may then resell those securities to the public at varying prices determined by the dealers at the time of resale. We will include in the prospectus supplement the names of the dealers and the terms of the transaction.

### **Direct Sales and Sales through Agents**

We may sell the securities directly. In this case, no underwriters or agents would be involved. As one of the means of direct issuance of offered securities, we may utilize the services of an electronic auction system to conduct an electronic Dutch auction or similar offering of the offered securities among potential purchasers who are eligible to participate in the auction or offering of the offered securities, if so described in the applicable prospectus supplement.

We may also sell the securities through agents designated from time to time. In the prospectus supplement, we will name any agent involved in the offer or sale of the offered securities, and we will describe any commissions payable to the agent. Unless we inform you otherwise in the prospectus supplement, any agent will agree to use its reasonable best efforts to solicit purchases for the period of its appointment.

We may sell the securities directly to institutional investors or others who may be deemed to be underwriters within the meaning of the Securities Act with respect to any sale of those securities. In addition, dealers and agents named in a prospectus supplement may also be deemed to be underwriters within the meaning of the Securities Act. We will describe the terms of any sales of these securities in the prospectus supplement.

### **Remarketing Arrangements**

Offered securities may also be offered and sold, if so indicated in the applicable prospectus supplement, in connection with a remarketing upon their purchase, in accordance with a redemption or repayment pursuant to their terms, or otherwise, by one or more remarketing firms, acting as principals for their own accounts or as agents for us. Any remarketing firm will be identified and the terms of its agreements, if any, with us and its compensation will be described in the applicable prospectus supplement.

### **General Information**

Underwriters, dealers and agents may be entitled to indemnification by us against specific civil liabilities, including liabilities under the Securities Act, or to contribution with respect to payments which the underwriters or agents may be required to make in respect thereof, under underwriting or other agreements. The terms of any indemnification provisions will be set forth in a prospectus supplement. Certain underwriters, dealers or agents and their associates may engage in transactions with and perform services for us in the ordinary course of business.

Unless otherwise indicated in the applicable prospectus supplement, each series of securities will be a new issue of securities and will have no established trading market, other than the common stock which is listed on the New York Stock Exchange. Any common stock sold pursuant to a prospectus supplement will be eligible for listing and trading on the New York Stock Exchange, subject to official notice of issuance. The securities, other than the common stock, may or may not be listed on a national securities exchange or eligible for quotation and trading on any automated quotation system.

**Table of Contents**

**LEGAL MATTERS**

Except as set forth in the applicable prospectus supplement, Jones, Day, Reavis & Pogue will opine for us upon the validity of the securities offered hereby.

**EXPERTS**

Ernst & Young LLP, independent auditors, have audited our consolidated financial statements and schedule included or incorporated by reference in our Annual Report on Form 10-K for the year ended December 31, 2001, as set forth in their report, which is incorporated by reference in this prospectus and elsewhere in the registration statement. Our financial statements and schedule are incorporated by reference in reliance on Ernst & Young LLP's report, given on their authority as experts in accounting and auditing.

The combined financial statements of Ingersoll-Rand Engineered Solutions Business (an operating business unit of Ingersoll-Rand Company Limited) as of December 31, 2000 and 2001 and for each of the three years in the period ended December 31, 2001 incorporated by reference in this prospectus have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

**Table of Contents**

The information in this prospectus supplement is not complete and may be changed. We may not sell these securities until the related registration statement filed with the Securities and Exchange Commission is effective. This prospectus supplement is not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

**[Alternate Pages for Senior Unsecured Notes Prospectus Supplement]  
SUBJECT TO COMPLETION, DATED DECEMBER 24, 2002**

**PROSPECTUS SUPPLEMENT**

(To prospectus dated \_\_\_\_\_, \_\_\_\_\_)

**\$ \_\_\_\_\_,000,000**

**\_\_\_\_\_  
% Notes due 20\_\_\_\_**

The notes will bear interest at the rate of \_\_\_\_\_ % per year. The notes will mature on \_\_\_\_\_ . We will pay interest on the notes on \_\_\_\_\_ and \_\_\_\_\_ of each year. The first interest payment will be made on \_\_\_\_\_, 2003. We will issue the notes in minimum denominations of \$1,000 and integral multiples of \$1,000.

We have the option to redeem some or all of the notes at any time, subject to the payment of a make-whole premium described in this prospectus supplement under the heading Description of the Notes Optional Redemption.

The notes will be our unsecured obligations and will rank equally with all of our other unsecured and unsubordinated indebtedness, but will be effectively junior to any secured indebtedness which we may incur in the future. The notes will not be the obligation of any of our subsidiaries. For a more detailed description of the notes, see Description of the Notes beginning on page S-\_\_\_\_\_ of this prospectus supplement.

We will use the net proceeds from this offering to finance a portion of the cost of acquiring the engineered solutions business of Ingersoll-Rand Company Limited. Concurrently with this offering of the notes, we are offering, by means of a separate prospectus supplement, 11 million shares of our common stock to finance a portion of the acquisition mentioned above. We refer you to Prospectus Supplement Summary Concurrent Offering of Our Common Stock in this prospectus supplement. This offering is conditioned on the closing of both the acquisition referred to above and the concurrent offering of our common stock.

**Investing in the notes involves risks. See Risk Factors beginning on page S-\_\_\_\_\_ of this prospectus supplement.**

	<u>Per Note</u>	<u>Total</u>
Public offering price	%	\$
Underwriting discounts and commissions	%	\$
Proceeds to Timken, before expenses	%	\$

The initial public offering price set forth above does not include accrued interest, if any. Interest on the notes will accrue from \_\_\_\_\_ and must be paid by the purchaser if the notes are delivered after \_\_\_\_\_.



**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

\_\_\_\_\_

The notes will not be listed on any securities exchange. Currently, there is no public market for the notes.

The underwriters expect to deliver the notes in book-entry form only through the facilities of The Depository Trust Company, which we refer to as DTC, against payment in New York, New York on \_\_\_\_\_, 2003.

\_\_\_\_\_

**The date of this prospectus supplement is \_\_\_\_\_, 2003.**

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**Table of Contents**

**SUMMARY OF THE OFFERING**

Issuer	The Timken Company
Securities Offered	\$ ,000,000 aggregate principal amount of % notes due 20
Interest Payment Dates	and of each year, beginning , 2003
Maturity Date	, 20
Minimum Denominations	\$1,000 and integral multiples thereof
Optional Redemption	We may redeem the notes, in whole at any time or in part from time to time, at our option on not less than 30 nor more than 60 days notice, subject to the payment of a make-whole premium, as described more fully in Description of the Notes Optional Redemption on page S- of this prospectus supplement.
Ranking	<p>The notes:</p> <p>are unsecured;</p> <p>rank equally with all of our existing and future unsecured and unsubordinated indebtedness; and</p> <p>are senior to our future subordinated indebtedness.</p> <p>The notes will be exclusively our obligation, and not the obligation of any of our subsidiaries. Our rights and the rights of any holder of the notes (or other of our creditors) to participate in the assets of any subsidiary upon that subsidiary's liquidation or recapitalization will be subject to the prior claims of the subsidiary's creditors, except to the extent that we may be a creditor with recognized claims against the subsidiary. In addition, the notes will effectively rank junior in right of payment to any secured indebtedness that we may incur in the future to the extent of the assets securing such indebtedness.</p>
Covenants	<p>The terms of the notes contain covenants for your benefit. These covenants restrict our ability, with certain exceptions, to:</p> <p>incur debt secured by liens; and</p> <p>engage in sale and leaseback transactions.</p>
Use of Proceeds	We expect to use the net proceeds from this offering and the concurrent offering of our common stock, together with additional debt financing, to finance the cash consideration to be paid for the Torrington acquisition. The closing of this offering is conditioned on the closing of the Torrington acquisition and the common stock offering. See Use of Proceeds.
Further Issues	We may from time to time, without notice to or the consent of the registered holders of the notes, create and issue additional debt securities having the same terms as and ranking equally and ratably with the notes in all respects, as described more fully in Description of the Notes Further Issues on page S- of this prospectus supplement.
Form	One or more fully registered global notes in book-entry form.

**Table of Contents**

Delivery and Clearance	We will deposit the global notes with DTC. You may hold an interest in the global notes through DTC, directly as a DTC participant or indirectly through organizations that are DTC participants.
Risk Factors	You should carefully consider all of the information in this prospectus supplement and the accompanying prospectus. In particular, you should evaluate the information set forth in the section of this prospectus supplement entitled "Risk Factors" beginning on page S- of this prospectus supplement before deciding whether to invest in the notes.

**Concurrent Offering of Our Common Stock**

Concurrently with this offering of the notes, we are offering, by means of a separate prospectus supplement, 11 million shares of our common stock. This offering is conditioned on the closing of both the Torrington acquisition and the common stock offering. As a result, if we are unable to consummate our common stock offering or the Torrington acquisition, we will not consummate this offering. Our common stock offering is not conditioned on the closing of this offering but is conditioned on the closing of the Torrington acquisition.

**Table of Contents**

**Risks Relating to the Debt Offering**

*The notes are our unsecured obligations. A substantial portion of our operations are conducted through our direct and indirect subsidiaries, and the claims of creditors of our subsidiaries are effectively senior to claims of holders of the notes.*

The notes are our unsecured obligations exclusively and will rank equally in right of payment with all of our other existing and future unsecured, unsubordinated obligations. The notes are not secured by any of our assets. Any future claims of secured lenders with respect to assets securing their loans will be prior to any claim of the holders of the notes with respect to those assets. A substantial portion of our operations are conducted through our subsidiaries. As a result, our ability to service our debts, including our obligations under the notes, and other obligations is dependent on the earnings of our subsidiaries and the payment of those earnings to us in the form of dividends, loans or advances and through repayment of loans or advances from us. Our subsidiaries are separate and distinct legal entities. Our subsidiaries have no obligation to pay any amounts due on the notes or to provide us with funds to meet our payment obligations on the notes, whether in the form of dividends, distributions, loans or other payments. In addition, any payment of dividends, loans or advances by our subsidiaries could be subject to statutory or contractual restrictions. Payments to us by our subsidiaries will also be contingent upon our subsidiaries' earnings and business considerations. Our right to receive any assets of any of our subsidiaries upon our liquidation or reorganization, and therefore the right of the holders of the notes to participate in those assets, will be effectively subordinated to the claims of that subsidiary's creditors, including trade creditors. In addition, even if we are a creditor of any of our subsidiaries, our rights as a creditor would be subordinate to any security interest in the assets of our subsidiaries and any indebtedness of our subsidiaries senior to that held by us.

*An active trading market for the notes may not develop.*

The notes constitute a new issue of securities for which there is no existing market. We cannot provide you with any assurance regarding whether a trading market for the notes will develop, the ability of holders of the notes to sell their notes or the price at which holders may be able to sell their notes. If a market were to develop, the notes could trade at prices that may be higher or lower than the initial offering price depending on many factors, including prevailing interest rates, our financial performance, developments in the industries in which we conduct business and changes in the overall market for investment grade securities. The underwriters have advised us that they currently intend to make a market in the notes. However, the underwriters are not obligated to do so, and any market-making with respect to the notes may be discontinued at any time without notice. If no active trading market develops, you may not be able to resell your notes at their fair market value or at all.

**Table of Contents****USE OF PROCEEDS**

We expect to receive net proceeds from this offering, after deducting the estimated discounts and commissions of the underwriters and other offering expenses, of approximately \$ million. We also expect to receive approximately \$ of net proceeds, after deducting the estimated discounts and commissions and other expenses, from the concurrent public offering of our common stock, based on an assumed offering price of \$ per share, assuming the underwriters for that offering do not exercise their overallotment option in that offering. We intend to use the net proceeds from this offering and the offering of our common stock, together with borrowings under our new senior credit facility, to finance the cash consideration to be paid for the Torrington acquisition and the related fees and expenses. The closing of this offering is conditioned on the closing of the offering of our common stock and the closing of the Torrington acquisition. As a result, if we are unable to consummate our common stock offering or the Torrington acquisition, we will not consummate this offering.

The following table sets forth the estimated sources and uses of funds in connection with the Torrington acquisition (in millions of dollars):

<b>Sources of Funds</b>	
Senior unsecured notes <sup>(1)</sup>	\$ 375.0
Common stock <sup>(1)(3)</sup>	162.2
Revolving credit facility <sup>(4)</sup>	225.9
Equity issuance to Ingersoll-Rand	140.0
	<hr/>
Total sources of funds	\$903.1
	<hr/>
<b>Uses of Funds</b>	
The Torrington acquisition <sup>(2)</sup>	\$ 836.5
Fees and expenses of the Torrington acquisition	40.0
Refinancing of our existing commercial paper <sup>(4)</sup>	26.6
	<hr/>
Total uses of funds	\$903.1
	<hr/>

- (1) Excludes underwriting discounts and commissions and offering expenses payable by us in connection with this offering and the concurrent offering of our common stock.
- (2) Pursuant to the purchase agreement, the purchase price of the Torrington acquisition is subject to adjustment after the closing of the Torrington acquisition. The purchase price in the table above reflects an estimated purchase price adjustment of approximately \$3.5 million as of September 30, 2002. See Description of Torrington Purchase Agreement and Related Agreements Stock and Asset Purchase Agreement Consideration Payable By Us.
- (3) The common stock is being offered in a concurrent offering. If we do not consummate our common stock offering, we will not consummate the Torrington acquisition or this offering. The amount of common stock to be issued set forth in the table above assumes that the underwriters do not exercise the overallotment option granted to them in connection with our common stock offering. If such overallotment option is exercised, we may choose to borrow less in connection with the Torrington acquisition.
- (4) The revolving credit facility is part of our new senior credit facility. See Description of Certain Indebtedness. Upon the closing of the Torrington acquisition, the revolving credit facility will replace our existing senior credit facility. Under the terms of our new senior credit facility we are required to use the proceeds of the revolving credit facility to repay all amounts outstanding under our existing senior credit facility and then terminate our existing senior credit facility. As of September 30, 2002, no amounts were outstanding under our existing senior credit facility. We intend to borrow up to \$26.6 million under our new senior credit facility to repay all of our outstanding

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commercial paper. As of September 30, 2002, the weighted average interest rate of our outstanding commercial paper was 2.0% and the weighted average maturity was . We may also choose to repay additional amounts of short-term debt upon the closing of the Torrington acquisition. See Capitalization. The above table assumes that the actual amounts of commercial paper outstanding will equal the amount outstanding as of September 30, 2002. Actual amounts borrowed and repaid at the closing of the Torrington acquisition are subject to change.

A-5

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**Table of Contents****DESCRIPTION OF THE NOTES**

*The following description of the notes (referred to in the accompanying prospectus generally as debt securities) supplements the more general description of the debt securities that appears in the accompanying prospectus. You should read this section together with the section entitled "Description of the Debt Securities" in the accompanying prospectus. If there are any inconsistencies between the information in this section and the information in the accompanying prospectus, the information in this section controls. The following summary of certain terms of the notes and the indenture governing the notes does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the Trust Indenture Act of 1939, as amended, which we refer to as the TIA, and to all of the provisions of the indenture and those terms made a part of the indenture by reference to the TIA as in effect on the date of the closing of the offering of the notes.*

**General**

The notes will mature on . The notes will be issued in fully registered form only in minimum denominations of \$1,000 and integral multiples of \$1,000. Interest on the notes will accrue from at a rate of % per year. Interest on the notes will be payable semi-annually on and , beginning on , to the persons in whose names the notes are registered at the close of business on and of each year immediately preceding the respective interest payment dates, except that interest payable at maturity will be paid to the same persons to whom principal of the notes is payable.

Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months. The interest period relating to an interest payment date (including the maturity date) shall be the period from, and including, the preceding interest payment date (or, in the case of the first interest period, , 2003) to, but excluding, the relevant interest payment date.

Principal of, premium, if any, and interest on the notes will be payable at the corporate trust office of the trustee, as paying agent under the indenture as set forth in the indenture.

If any interest payment date, maturity date or redemption date of a note falls on a day that is not a business day, the required payment of principal and interest will be made on the next succeeding business day as if made on the date that the payment was due and no interest will accrue on that payment for the period from and after that interest payment date, maturity date or redemption date as the case may be, to the date of that payment on the next succeeding business day. The term "business day" means, with respect to any note, and day other than a Saturday, a Sunday or a day on which banking institutions or trust companies in The City of New York, New York or Canton, Ohio are authorized or required by law, regulation or executive order to close.

The notes will constitute a series of debt securities to be issued under an indenture between us and , as trustee, the terms of which are more fully described elsewhere in this prospectus supplement and in the accompanying prospectus. Initially, the notes will be limited to \$ million aggregate principal amount. The indenture does not limit the aggregate principal amount of debt securities that may be issued thereunder and provides that debt securities may be issued thereunder from time to time in one or more additional series. The terms of the notes do not limit our ability to incur additional indebtedness. The terms of the notes do not necessarily afford holders of notes protection in the event of a highly leveraged transaction or other transaction involving us that may adversely affect holders.

The notes will not be subject to any sinking fund.

**Ranking**

The notes are unsecured, rank equally with all our existing and future unsecured and unsubordinated indebtedness and are senior to our future subordinated indebtedness. The notes will be exclusively our obligation and not the obligation of any of our subsidiaries. Our rights and the rights of any holder of the notes (or other of our creditors) to participate in the assets of any subsidiary upon that subsidiary's liquidation or recapitalization will be subject to the prior claims of the subsidiary's creditors, except to the extent that we may be a creditor with recognized claims against the subsidiary. In addition, the notes will effectively rank

## **Table of Contents**

junior in right of payment to any secured indebtedness which we may incur in the future to the extent of the assets securing such indebtedness.

### **Optional Redemption**

The notes will be redeemable, in whole at any time or in part from time to time, at our option at a redemption price equal to the greater of (i) 100% of the principal amount thereof to be redeemed, and (ii) as determined by the Quotation Agent (as defined below), the sum of the present values of the remaining scheduled payments of principal and interest on the notes to be redeemed (not including any portion of those payments of interest accrued to the date of redemption) from the redemption date to the maturity date of the notes being redeemed, in each case, discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate (as defined below) plus \_\_\_\_\_ basis points, plus, in each case, accrued and unpaid interest thereon to the date of redemption.

Adjusted Treasury Rate means, with respect to any date of redemption, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that date of redemption.

Comparable Treasury Issue means the United States Treasury security selected by the Quotation Agent that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the notes.

Comparable Treasury Price means, with respect to any date of redemption, (i) the average of the Reference Treasury Dealer Quotations for the date of redemption, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (ii) if the trustee obtains fewer than three Reference Treasury Dealer Quotations, the average of all such Reference Treasury Dealer Quotations.

Quotation Agent means \_\_\_\_\_ or another Reference Treasury Dealer appointed by us.

Reference Treasury Dealer means (i) each of \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_, any other dealer selected by \_\_\_\_\_, and the respective successors of the foregoing; provided, however, that if any of the foregoing shall cease to be a primary U.S. Government securities dealer in New York City (a Primary Treasury Dealer), we shall substitute another Primary Treasury Dealer, and (ii) any other Primary Treasury Dealer selected by us.

Reference Treasury Dealer Quotations means, with respect to each Reference Treasury Dealer and any date of redemption, the average, as determined by the trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the trustee by that Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding that date of redemption.

We will mail notice of any redemption at least 30 days, but not more than 60 days, before the date of redemption to each holder of the notes to be redeemed. If less than all the notes are to be redeemed at any time, the trustee will select notes to be redeemed on a pro rata basis or by any other method the trustee deems fair and appropriate. Unless we default in payment of the redemption price, on and after the date of redemption, interest will cease to accrue on the notes or portions thereof called for redemption.

### **Certain Covenants**

#### *Limitations on Liens*

While any notes are outstanding, the Company will not, nor will it permit any Domestic Subsidiary to, incur, issue, assume or guarantee any indebtedness for money borrowed ( Debt ) secured by any mortgage or other encumbrance ( Mortgage ) on any Principal Manufacturing Property of the Company or its Domestic Subsidiaries or any shares of stock or Debt of any Domestic Subsidiaries which owns a Principal Manufacturing Property, without concurrently securing the notes equally and ratably with such Debt so long as such Debt shall be so secured. This restriction does not apply to Debt secured by (1) Mortgages of the Company or its



**Table of Contents**

Domestic Subsidiaries existing at the time of the indenture; (2) Mortgages on property of, or on any shares of stock of, any corporation existing at the time it becomes a Domestic Subsidiary; (3) Mortgages on property or shares of stock of a Domestic Subsidiary existing at the time of acquisition thereof (including acquisition through merger or consolidation) or to secure the payment of all or any part of the purchase price or construction cost thereof or to secure any Debt incurred prior to, at the time of, or within 180 days after, the acquisition of such property or shares or the completion of any such construction and commencement of full operation of such property for the purpose of financing all or any portion of the purchase price or construction thereof; (4) Mortgages in favor of the Company or any Domestic Subsidiary; (5) Mortgages in favor of the United States, any state or any subdivision thereof, or any federal or state department, agency or instrumentality, to secure progress, advance or other payments pursuant to any contract or statute; or (6) extensions, renewals or replacements (or successive extensions, renewals or replacements), in whole or in part, of any Mortgage referred to in (1) through (5).

Notwithstanding the limitations on liens described above, the Company or any Domestic Subsidiary may incur, issue, assume or guarantee any Debt secured by a Mortgage on any Principal Manufacturing Property of the Company or its Domestic Subsidiaries or any shares of stock or Debt of any Domestic Subsidiary, in addition to that permitted above and without any obligation to secure the notes, provided that at the time of such incurrences, issuance, assumption or guarantee of such Debt, and after giving effect thereto, Exempted Debt, in the aggregate, does not exceed 15% of the Consolidated Net Tangible Assets of the Company and its Subsidiaries, taken as a whole.

*Limitation on Sale and Leaseback*

While any notes are outstanding, the Company will not, nor will it permit any Domestic Subsidiary to, sell and leaseback for more than three years any Principal Manufacturing Property acquired or placed into service more than 180 days before such lease arrangement, unless (a) the Company would be entitled as described in Limitations on Liens above to incur Debt secured by a Mortgage on such Principal Manufacturing Property in a principal amount equivalent to the Attributable Debt in respect of such arrangement without equally and ratably securing the notes or (b) the Company retires Funded Debt or causes Funded Debt to be retired equal to the net proceeds of such sale.

Notwithstanding the limitations on sale and leaseback transactions described above, the Company or any Domestic Subsidiary may enter into a sale and leaseback transaction of a Principal Manufacturing Property in addition to that permitted above and without any obligation to retire any notes or other indebtedness referred to above, provided that at the time of entering into such sale and leaseback transaction and after giving effect thereto, Exempted Debt, in the aggregate, does not exceed 15% of the Consolidated Net Tangible Assets of the Company and its Subsidiaries, taken as a whole.

The term *Attributable Debt* means, as to any particular lease under which any person (as defined in the indenture) is at the time liable, at any date as of which the amount thereof is to be determined, the total net amount of rent required to be paid by such person under such lease during the remaining term thereof (after giving effect to any extensions at the option of the lessee), discounted from the respective due dates thereof to such date at the average rate per annum borne by the notes for the preceding 365 days.

The term *Company* means The Timken Company.

The term *Consolidated Net Tangible Assets* means the aggregate amount of assets (less applicable reserves and other properly deductible items) after deducting therefrom (a) all current liabilities (excluding any thereof constituting Funded Debt by reason of being renewable or extendible) and (b) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other intangibles, all as set forth on the most recent consolidated balance sheet of the Company and its consolidated Subsidiaries and computed in accordance with generally accepted accounting principles.

The term *Domestic Subsidiary* means a Subsidiary of the Company except a Subsidiary (a) which neither transacts any substantial portion of its business nor regularly maintains any substantial portion of its

## **Table of Contents**

fixed assets within the United States of America, or (b) which is engaged primarily in financing the operation of the Company or its Subsidiaries, or both, outside the United States of America.

The term **Exempted Debt** means the sum of the following items outstanding as of the date Exempted Debt is being determined: (i) indebtedness of the Company and its Subsidiaries incurred after the date of the indenture and secured by Mortgages created or assumed pursuant to the second paragraph under **Limitations on Liens** above and (ii) **Attributable Debt** of the Company and its Subsidiaries in respect of every sale and leaseback transaction entered into after the date of the indenture and pursuant to the second paragraph under **Limitation on Sale and Leaseback** above.

The term **Funded Debt** means all indebtedness for money borrowed having a maturity of more than one year from the date as of which the amount thereof is to be determined or having a maturity of less than one year but by its terms being renewable or extendible beyond one year from such date at the option of the borrower.

The term **principal** includes premium, if any.

The term **Principal Manufacturing Property** means any building, structure or other facility, together with the land upon which it is erected and fixtures comprising a part thereof, used primarily for manufacturing or warehousing and located in the United States of America, owned or leased by the Company or any Domestic Subsidiary. The term **Principal Manufacturing Property** does not include: (a) property financed through the issuance of tax exempt governmental obligations or (b) any property that the Board of Directors of the Company determines in good faith is not materially important to the total business of the Company and its Subsidiaries.

The term **Subsidiary** means any corporation at least a majority of the voting stock of which is owned or controlled, directly or indirectly, by the Company or any of its Subsidiaries.

## **Consolidation, Merger and Sale of Assets**

The Company may, without the consent of the trustee or the holders of outstanding notes, consolidate or merge with or into, or convey, transfer or lease its properties and assets substantially as an entirety to, any other corporation, provided that (i) any successor corporation is a corporation organized under the laws of the United States of America, any state thereof or the District of Columbia, (ii) such successor corporation expressly assumes all of our obligations under the indenture and the notes (iii) there is no event of default under the indenture immediately after giving effect to the merger, consolidation or conveyance, lease or transfer, as the case may be, and (iv) that certain other conditions are met, and thereafter, except with respect to a lease, we will be relieved of all our obligations under the indenture and the notes.

## **Same-Day Settlement and Payment**

The notes will trade in the same-day funds settlement system of DTC until maturity or until we issue the notes in definitive form. DTC will therefore require secondary market trading activity in the notes to settle in immediately available funds. We can give no assurance as to the effect, if any, of settlement in immediately available funds on trading activity in the notes.

## **Further Issues**

We may from time to time, without notice to or the consent of the registered holders of the notes, create and issue additional debt securities having the same terms as and ranking equally and ratably with the notes in all respects (or in all respects except for the payment of interest accruing prior to the issue date of such additional debt securities or except for the first payment of interest following the issue date of such additional debt securities), so that such additional debt securities shall be consolidated and form a single series with, and shall have the same terms as to status, redemption or otherwise as, the notes.

## **Table of Contents**

### **Book-Entry System; Delivery and Form**

The notes will be represented by one or more global notes in definitive, fully registered form without interest coupons. Each global note will be deposited with the trustee as custodian for DTC and registered in the name of a nominee of DTC in New York, New York for the accounts of participants in DTC.

Investors may hold their interests in a global note directly through DTC if they are DTC participants, or indirectly through organizations that are DTC participants. Except in the limited circumstances described below, holders of notes represented by interests in a global note will not be entitled to receive their notes in fully registered definitive form ( definitive notes ).

DTC has advised us as follows: DTC is a limited-purpose trust company organized under New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code and a clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities of institutions that have accounts with DTC ( participants ) and to facilitate the clearance and settlement of securities transactions among its participants in such securities through electronic book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of securities certificates. DTC's participants include securities brokers and dealers (which may include the underwriters), banks, trust companies, clearing corporations and certain other organizations. Access to DTC's book-entry systems is also available to others such as banks, brokers, dealers, and trust companies that clear through or maintain a custodial relationship with a participant, whether directly or indirectly.

#### *Ownership of Beneficial Interests*

We expect that, pursuant to the procedures established by DTC, upon the issuance of each global note, DTC will credit, on its book-entry registration and transfer system, the respective principal amount of the individual beneficial interests represented by the global note to the accounts of participants. Ownership of beneficial interests in each global note will be limited to participants or persons that may hold interests through participants. Ownership of beneficial interests in each global note will be shown on, and the transfer of those ownership interests will be effected only through, records maintained by DTC (with respect to participants' interests) and such participants (with respect to the owners of beneficial interests in the global note other than participants).

So long as DTC, or its nominee, is the registered holder and owner of a global note, DTC or such nominee, as the case may be, will be considered the sole legal owner of the notes represented by the global note for all purposes under the indenture, the notes and applicable law. Except as set forth below, owners of beneficial interests in a global note will not be entitled to receive definitive notes, will not be entitled to have the notes represented by the global note registered in their names and will not be considered to be the owners or holders of any notes under the global note. We understand that under existing industry practice, in the event an owner of a beneficial interest in a global note desires to take any actions that DTC, as the holder of the global note, is entitled to take, DTC would authorize the participants to take such action, and that participants would authorize beneficial owners owning through such participants to take such action or would otherwise act upon the instructions of beneficial owners owning through them. No beneficial owner of an interest in a global note will be able to transfer the interest except in accordance with DTC's applicable procedures. Because DTC can only act on behalf of participants, who in turn act on behalf of others, the ability or a person having a beneficial interest in a global note to pledge that interest to persons that do not participate in the DTC system, or otherwise to take actions in respect for that interest, may be impaired by the lack of physical certificate of that interest.

All payments on the notes represented by a global note registered in the name of and held by DTC or its nominee will be made to DTC or its nominee, as the case may be, as the registered owner and holder of the global note.

## **Table of Contents**

We expect that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a global note, will credit participants accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the global note as shown on the records of DTC or its nominee. We also expect that payments by participants to owners of beneficial interests in the global note held through such participants will be governed by standing instructions and customary practices as is now the case with securities held for accounts for customers in the names of nominees for such customers. Such payments, however, will be the responsibility of such participants and indirect participants, and neither we, the underwriters, the trustee nor any paying agent will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in any global note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests or for any other aspect of the relationship between DTC and its participants or the relationship between such participants and the owners of beneficial interests in the global note.

Unless and until it is exchanged in whole or in part for definitive notes, each global note may not be transferred except as a whole by DTC to a nominee of DTC or by a nominee of DTC to DTC or another nominee of DTC. Transfers between participants in DTC will be affected in the ordinary way in accordance with DTC rules and will be settled in same-day funds.

We expect that DTC will take any action permitted to be taken by a holder of notes (including the presentation of notes for exchange as described below) only at the direction of one or more participants to whose account the DTC interests in a global note are credited and only in respect of such portion of the aggregate principal amount of the notes as to which such participant or participants has or have given such direction. However, if there is an event of default under the notes, DTC will exchange each global note for definitive notes, which it will distribute to its participants.

Although we expect that DTC will agree to the foregoing procedures in order to facilitate transfers of interests in each global note among participants of DTC, DTC is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the underwriters, the trustee, nor we will have any responsibility for the performance or nonperformance by DTC or their participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

The indenture provides that if:

DTC notifies us that it is unwilling or unable to continue as depository or if DTC ceases to be eligible under the indenture and we do not appoint a successor depository within 90 days;

we determine that the notes shall no longer be represented by global notes and execute and deliver to the trustee, in our discretion, a company order to such effect; or

an event of default with respect to the notes shall have occurred and be continuing  
the global notes will be exchanged for notes in definitive form of like tenor and of an equal principal amount, in authorized denominations. Such definitive notes shall be registered in such name or names as DTC shall instruct the trustee. It is expected that such instructions may be based upon directions received by DTC from participants with respect to ownership of beneficial interest in global securities.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that we believe to be reliable, but we do not take responsibility for its accuracy.

### *Holding Through Euroclear and Clearstream, Luxembourg*

If the depository for a global security is DTC, you may hold interests in the global security through Clearstream Banking, *société anonyme* ( Clearstream, Luxembourg ), or Euroclear Bank S.A./ NV, as operator of the Euroclear System ( Euroclear ), in each case, as a participant in DTC. Euroclear and Clearstream, Luxembourg will hold interests, in each case, on behalf of their participants through customers' securities accounts in the names of Euroclear and Clearstream, Luxembourg on the books of their respective

**Table of Contents**

depositories, which in turn will hold such interests in customers' securities in the depositories' names on DTC's books.

Payments, deliveries, transfers, exchanges, notices and other matters relating to the notes made through Euroclear or Clearstream, Luxembourg must comply with the rules and procedures of those systems. Those systems could change their rules and procedures at any time. We have no control over those systems or their participants and we take no responsibility for their activities. Transactions between participants in Euroclear or Clearstream, Luxembourg, on one hand, and other participants in DTC, on the other hand, would also be subject to DTC's rules and procedures.

Investors will be able to make and receive through Euroclear and Clearstream, Luxembourg payments, deliveries, transfers, exchanges, notices and other transactions involving any securities held through those systems only on days when those systems only on days when those systems are open for business. Those systems may not be open for business on days when banks, brokers and other institutions are open for business in the United States.

In addition, because of time-zone differences, U.S. investors who hold their interests in the notes through these systems and wish to transfer their interests, or to receive or make a payment or delivery or exercise any other right with respect to their interests, on a particular day may find that the transaction will not be effected until the next business day in Luxembourg or Brussels, as applicable. Thus, investors who wish to exercise rights that expire on a particular day may need to act before the expiration date. In addition, investors who hold their interests through both DTC and Euroclear or Clearstream, Luxembourg may need to make special arrangements to finance any purchase or sales of their interests between the U.S. and European clearing systems, and those transactions may settle later than transactions within one clearing system.

**Table of Contents****UNDERWRITING**

We and the underwriters for the offering named below have entered into an underwriting agreement with respect to the notes. Subject to certain conditions, each underwriter has severally agreed to purchase the principal amount of notes indicated in the following table.

Underwriters	Principal Amount of Notes
Total	\$ ,000,000

The underwriters are committed to take and pay for all of the notes being offered, if any are taken.

Notes sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus supplement. Any notes sold by the underwriters to securities dealers may be sold at a discount from the initial public offering price of up to % of the principal amount of notes. Any such securities dealers may resell any notes purchased from the underwriters to certain other brokers or dealers at a discount from the initial public offering price of up to % of the principal amount of notes. If all of the notes are not sold at the initial public offering price, the underwriters may change the offering price and the other selling terms.

The notes are a new issue of securities with no established trading market. We do not intend to apply for listing of the notes on a national securities exchange but we have been advised by the underwriters that the underwriters intend to make a market in the notes but they are not obligated to do so and may discontinue market making at any time without notice. We cannot assure you as to the liquidity of the trading market for the notes.

In connection with this offering, the underwriters may purchase and sell notes in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of notes than they are required to purchase in this offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the notes while this offering is in progress.

The underwriters also may impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriters' discount received by it because the representatives have repurchased notes sold by or for the account of such underwriter in stabilizing or short covering transactions.

These activities by the underwriters may stabilize, maintain or otherwise affect the market price of the notes. As a result, the price of the notes may be higher than the price that otherwise might exist in the open market. The underwriters are not required to engage in these activities and if these activities are commenced, they may be discontinued by the underwriters at any time. These transactions may be effected in the over-the-counter market or otherwise.

We estimate that our total expenses for this offering, excluding the underwriters' discount, will be approximately \$ .

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act or to contribute to payments the underwriters may be required to make because of any of those liabilities.

Certain of the underwriters and their affiliates have provided from time to time, and expect to provide in the future, investment and commercial banking and financial advisory services to us and our affiliates in the ordinary course of business, for which they have received and may continue to receive customary fees and commissions.

**Table of Contents**

Affiliates of certain of the underwriters are part of a syndicate of financial institutions that has committed to lend up to \$       million to us under our new senior credit facility, comprised of a term loan facility of up to \$       million and a revolving credit facility of up to \$       million, that we intend to enter into to finance the Torrington acquisition. Affiliates of certain of the underwriters are also part of a syndicate of financial institutions that have committed to lend up to \$300 million to us under our existing credit facility. The existing credit facility will be terminated when we enter into our new senior credit facility.

Concurrently with this offering, we are also offering 11 million shares of our common stock, for which some of the underwriters of this offering are also acting as underwriters under a separate purchase agreement.

**Table of Contents****PART II****INFORMATION NOT REQUIRED IN PROSPECTUS****Item 14. Other Expenses of Issuance and Distribution.**

The following is a list of the estimated expenses of the issuance and distribution of the securities being registered, other than any underwriting discounts or commissions, all of which are payable by The Timken Company (the registrant, we or us).

SEC registration fee	\$ 82,800
Legal fees and expenses	*
Accounting fees and expenses	*
Listing fees and expenses	*
Trustees, registrant and transfer agents, warrant agents and depositaries fees and expenses	*
Printing fees	*
Blue Sky fees and expenses	*
Miscellaneous	*
	_____
Total	\$ *
	_____

\* To be filed by amendment.

All of the above items, except for the SEC registration fee, are estimates.

**Item 15. Indemnification of Directors and Officers**

Under Ohio law, Ohio corporations are authorized to indemnify directors, officers, employees and agents within prescribed limits and must indemnify them under certain circumstances. Ohio law does not provide statutory authorization for a corporation to indemnify directors, officers, employees and agents for settlements, fines or judgments in the context of derivative suits. However, it provides that directors (but not officers, employees and agents) are entitled to mandatory advancement of expenses, including attorneys' fees, incurred in defending any action, including derivative actions, brought against the director, provided that the director agrees to cooperate with the corporation concerning the matter and to repay the amount advanced if it is proved by clear and convincing evidence that his act or failure to act was done with deliberate intent to cause injury to the corporation or with reckless disregard of the corporation's best interests.

Ohio law does not authorize payment of judgments to a director, officer, employee or agent after a finding of negligence or misconduct in a derivative suit absent a court order. Indemnification is permitted, however, to the extent such person succeeds on the merits. In all other cases, if a director, officer, employee or agent acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, indemnification is discretionary except as otherwise provided by a corporation's articles, code of regulations or by contract except with respect to the advancement of expenses of directors.

Under Ohio law, a director is not liable for monetary damages unless it is proved by clear and convincing evidence that his action or failure to act was undertaken with deliberate intent to cause injury to the corporation or with reckless disregard for the best interests of the corporation. There is, however, no comparable provision limiting the liability of officers, employees or agents of a corporation. The statutory right to indemnification is not exclusive in Ohio, and Ohio corporations may, among other things, procure insurance for such persons.



**Table of Contents**

Article IV of our Amended Regulations provides that we shall indemnify our directors, officers and employees, and may indemnify our agents, to the fullest extent permitted by law under various conditions and subject to various qualifications, and reads as follows:

**SECTION 1. Indemnification**

The Corporation shall indemnify, to the fullest extent then permitted by law, any person who was or is a 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 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 of 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.

We have entered into contracts with some of our directors and officers that indemnify them against many of the types of claims that may be made against them. We also maintain insurance coverage for the benefit of directors and officers with respect to many types of claims that may be made against them, some of which may be in addition to those described in our Amended Regulations.

**Item 16. Exhibits**

Exhibit Number	Description of Document
1.1*	Form of underwriting agreement relating to the securities registered hereunder.
4.1	Amended Articles of Incorporation of the registrant, incorporated by reference to Exhibit 4(a) to the registrant's Form S-8, dated April 16, 1996 (File No. 333-02553).
4.2	Amended Regulations of the registrant, incorporated by reference to the registrant's Form 10-K for the fiscal year ended December 31, 1992 (File No. 1-01169).
4.3*	Form of Indenture relating to debt securities.
4.4*	Form of debt securities (to be included in Exhibit 4.3).
4.5*	Form of Warrant Agreement for equity securities.
4.6*	Form of Warrant Agreement for debt securities.
4.7*	Form of Warrant Certificate for equity securities (to be included in Exhibit 4.5).

**Table of Contents**

Exhibit Number	Description of Document
4.8*	Form of Warrant Certificate for debt securities (to be included in Exhibit 4.6).
4.9*	Form of Deposit Agreement.
4.10*	Form of Share Purchase Contract.
5.1**	Opinion of Jones, Day, Reavis & Pogue.
12.1***	Computation of Ratio of Earnings to Fixed Charges.
23.1***	Consent of Ernst & Young LLP.
23.2**	Consent of Jones, Day, Reavis & Pogue (contained in Exhibit 5.1).
23.3	Consent of PricewaterhouseCoopers LLP, incorporated by reference to the registrant's Current Report on Form 8-K filed December 24, 2002 (File No. 1-01169).
24.1**	Power of Attorney.
25.1****	Form T-1 Statement of Eligibility under the Trust Indenture Act of 1939 of the trustee under the indenture relating to the debt securities.

\* To be filed either by amendment or as an exhibit to a report filed under the Securities Exchange Act of 1934 and incorporated herein by reference.

\*\* Previously filed.

\*\*\* Filed herewith.

\*\*\*\* To be filed in accordance with the requirements of Section 305(b)(2) of the Trust Indenture Act and Rule 5b-3 thereunder.

**Item 17. Undertakings.**

The undersigned registrant hereby undertakes:

1. To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933 (the "Securities Act"),

(ii) To reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof), which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Securities and Exchange Commission ( "SEC" ) pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective Registration Statement.

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement, provided, however, that the undertakings set forth in paragraphs (1)(i) and (1)(ii) above do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the SEC by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") that are incorporated by reference in this Registration Statement.

2. That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

**Table of Contents**

3. To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

4. That, for purposes of determining any liability under the Securities Act, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's manual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in this Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

5. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

6. That, for purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

7. That, for the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

8. To file an application for the purpose of determining the eligibility of the trustee to act under subsection (a) of Section 310 of the Trust Indenture Act of 1939 in accordance with the rules and regulations prescribed by the SEC under Section 305(b)(2) of the Trust Indenture Act.

**Table of Contents****SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement, or amendment thereto, to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Canton, the State of Ohio, on December 24, 2002.

THE TIMKEN COMPANY

By: /s/ WILLIAM R. BURKHART

Name: William R. Burkhart

Title: Senior Vice President and General Counsel

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement, or amendment thereto, has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
* _____ James W. Griffith	President, Chief Executive Officer and Director (Principal Executive Officer)	December 24, 2002
* _____ Glenn A. Eisenberg	Executive Vice President Finance and Administration (Principal Financial and Accounting Officer)	December 24, 2002
* _____ W.R. Timken Jr.	Director and Chairman	December 24, 2002
* _____ Stanley C. Gault	Director	December 24, 2002
* _____ John A. Luke, Jr.	Director	December 24, 2002
* _____ Robert W. Mahoney	Director	December 24, 2002
* _____ Jay A. Precourt	Director	December 24, 2002
* _____ W.J. Timken, Jr.	Director	December 24, 2002
* _____ John M. Timken, Jr.	Director	December 24, 2002

Director

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W.J. Timken

II-5

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**Table of Contents**

<u>Signature</u>	<u>Title</u>	<u>Date</u>
* <hr/> Joseph F. Toot, Jr.	Director	December 24, 2002
* <hr/> Martin D. Walker	Director	December 24, 2002
* <hr/> Jacqueline F. Woods	Director	December 24, 2002

\* The undersigned, pursuant to a Power of Attorney executed by each of the directors and officers identified above and filed with the SEC, by signing his name hereto, does hereby sign and execute this Registration Statement on behalf of each of the persons noted above, in the capacities indicated.

By: /s/ WILLIAM R. BURKHART

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Name: William R. Burkhart  
Attorney-in-Fact

**Table of Contents****EXHIBIT INDEX**

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\*\*\* Filed herewith.

\*\*\*\* To be filed in accordance with the requirements of Section 305(b)(2) of the Trust Indenture Act and Rule 5b-3 thereunder.