TIMKEN CO
Form 424B5
February 13, 2003

TABLE OF CONTENTS

WHERE YOU CAN FIND MORE INFORMATION
PROSPECTUS SUPPLEMENT SUMMARY
Recent Financial Information
RISK FACTORS
USE OF PROCEEDS
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 NOTES
DESCRIPTION OF THE TORRINGTON PURCHASE AGREEMENT AND RELATED AGREEMENTS
DESCRIPTION OF CERTAIN INDEBTEDNESS
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

As Filed Pursuant to Rule 424(B)(5)
Registration Statement No. 333-100731

PROSPECTUS SUPPLEMENT
(To prospectus dated February 11, 2003)

$250,000,000

The Timken Company

5.75% Notes due 2010

The notes will bear interest at the rate of 5.75% per year. The notes will mature on February 15, 2010. We will pay interest on the notes on February 15 and August 15 of each year. The first interest payment will be made on August 15, 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 and from time to 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 existing and future 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 in 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-20 of this prospectus supplement.

	Per Note	Total
Public offering price	99.428%	$248,570,000
Underwriting discounts and commissions	.650%	$ 1,625,000
Proceeds to Timken, before expenses	98.778%	$246,945,000

The initial public offering price set forth above does not include accrued interest, if any. Interest on the notes will accrue from February 18, 2003 and must be paid by the purchaser if the notes are delivered after February 18, 2003.

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, Clearstream, Luxembourg or the Euroclear System against payment in New York, New York on February 18, 2003.

Banc of America Securities LLC

Merrill Lynch & Co.

Morgan Stanley

McDonald Investments Inc.

Banc One Capital Markets, Inc.

HSBC

BNY Capital Markets, Inc.	**Banca IMI**	**SG Cowen**	**SunTrust Robinson Humphrey**

The date of this prospectus supplement is February 12, 2003.

TABLE OF CONTENTS

Prospectus Supplement

	Page
Where You Can Find More Information	S-4
Prospectus Supplement Summary	S-5
Risk Factors	S-20
Use of Proceeds	S-29
Capitalization	S-30
Unaudited Pro Forma Financial Information	S-31
Selected Historical Financial Information of Timken	S-40
Management s Discussion and Analysis of Financial Condition and Results of Operations	S-42
Business	S-56
Management	S-71
Description of the Notes	S-75
Description of the Torrington Purchase Agreement and Related Agreements	S-82
Description of Certain Indebtedness	S-89
Underwriting	S-96
Legal Matters	S-98
Experts	S-98
Index to Financial Statements	F-1

Prospectus

	Page
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 notes.

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, a Ohio corporation, and its consolidated subsidiaries.

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.

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 this information.

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 supersede 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, December 24, 2002, January 22, 2003 and February 7, 2003.

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

PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights basic information about us, the Torrington acquisition described below and the notes 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 have facilities in 27 countries on six continents, and we employed approximately 18,000 people as of December 31, 2002.

We had net sales of $2.5 billion, $2.6 billion and $2.4 billion for the years ended December 31, 1999, 2000 and 2001 and $1.9 billion for the nine months ended September 30, 2002. We reported income (loss) before cumulative effect of change in accounting principle of $62.6 million, $45.9 million and ($41.7 million) for the years ended December 31, 1999, 2000 and 2001 and $15.0 million for the nine months ended 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, attained primarily through internal cost cutting and reorganization, 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 December 31, 2002, we had achieved an estimated annualized rate of pre-tax savings of approximately $80 million from our strategic manufacturing initiative, and we expect to increase this savings rate to approximately $120 million by the end of 2004. See Business Overview Strategic Manufacturing Initiative.

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 $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. 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 competitors, although we will also become more susceptible to the risks associated with international operations. Nevertheless, we believe that 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 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 order to capitalize on these opportunities, we may have to overcome difficulties and incur costs in connection with retraining our skilled engineers and sales personnel, coordinating geographically diverse organizations and retooling and reprogramming our equipment and information technology systems. Ultimately, 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 to become 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 believe we can 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. We may not, however, be able to realize the anticipated cost savings or other benefits from the integration of Torrington, either in the amount or the time frame we currently expect, and the costs of achieving these benefits may be higher than we currently expect.

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. Although we may face initial challenges in consolidating functions and integrating procedures and technologies, we anticipate that ultimately 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 $250 million of notes;
- the net proceeds from the concurrent public offering of 11 million shares of our common stock;
- 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 $224 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
  - up to $125 million of borrowings under our new accounts receivable facility.

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, with operations on six continents. 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. Maintaining this 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 and successfully integrate Torrington into our operations.

- *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. Many of these industries, however, are cyclical, and our exposure in these areas could negatively impact our business during general economic or industry-specific downturns. 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, allowing us to offset to some extent the cyclicality within the industries we serve.

- *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. Our ability to reduce costs, however, is dependent on many complex factors, including economic conditions, severance requirements and engineering achievements, as well as our ability to implement changes to our existing operations without disruption.

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 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 more than 80-year 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.

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.

Recent Financial Information

The Timken Company

On January 22, 2003, we announced our earnings for the year ended December 31, 2002. The following table presents important financial results for 2001 and 2002. We derived the financial results for 2001 set forth below from our audited financial statements for the year ended December 31, 2001. We derived the financial results as of and for the year ended December 31, 2002 and for the three months ended December 31, 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 year ended December 31, 2002 and the three months ended December 31, 2001 and 2002 include, in our opinion, all adjustments necessary for a fair presentation of the results for each period.

	Year Ended December 31,		Three Months Ended December 31,	
	2001	**2002**	**2001**	**2002**
		(unaudited)	(unaudited)	
	(in thousands, except per share data)			
Statement of Operations Data:				
Net sales	$2,447,178	$2,550,075	$ 573,575	$ 644,898
Gross profit	400,720	469,577	80,672	115,372
Impairment and restructuring charges	54,689	32,143	5,284	7,157
Operating (loss) income	(17,652)	78,568	(11,640)	15,728
Income (Loss) before cumulative effect of change in accounting principle, as reported	(41,666)	51,451	1,218	36,466
Cumulative effect of change in accounting principle		(12,702)		
Net income (loss)	(41,666)	38,749	1,218	36,466
Earnings (loss) per share, as reported(1)	(0.69)	0.63	0.02	0.58
Diluted earnings (loss) per share, as reported(2)	(0.69)	0.62	0.02	0.57
Weighted-average shares outstanding	59,948	61,128	59,841	63,347
Diluted weighted-average shares outstanding (3)	59,948	61,635	59,955	63,758
Balance Sheet Data (as of end of period):				
Cash and cash equivalents	$ 33,392	$ 82,050	$ 33,392	$ 82,050
Total assets	2,533,084	2,748,356	2,533,084	2,748,356
Total debt	497,015	461,219	497,015	461,219
Shareholders equity	781,735	609,086	781,735	609,086
Other Data:				
Net cash provided by operating activities	$ 179,871	$ 200,199	$ 144,348	$ 111,143
Net cash used by investing activities	(99,334)	(73,508)	(36,332)	(32,908)
Net cash used by financing activities	(55,487)	(80,507)	(99,755)	(34,616)
Depreciation and amortization	152,467	146,535	38,452	35,579

(1) Basic earnings per share before cumulative effect of change in accounting principle was $(0.69) and $0.84 for the years ended December 31, 2001 and 2002, respectively, and $0.02 and $0.58 for the three months ended December 31, 2001 and 2002, respectively.

(2) 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 diluted weighted-average number of shares of common stock outstanding. Diluted earnings per share before cumulative effect of change in accounting principle was $(0.69) and $0.83 for the year ended December 31, 2001 and 2002, respectively, and $0.02 and $0.57 for the three months ended December 31, 2001 and 2002, respectively.

(3) 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.

For the year ended December 31, 2002, we reported sales of $2.6 billion, a 4% increase from 2001. We had income before cumulative effect of change in accounting principle of $51.4 million, or $0.83 per diluted share, in 2002 versus a loss of $41.7 million, or $0.69 per diluted share, in 2001. Including a goodwill impairment write-off of $12.7 million after taxes reflecting the cumulative effect of change in accounting principle, we had net income of $38.7 million, or $0.62 per diluted share, in 2002. Excluding

the $50.2 million and $29.6 million payments (net of expenses) we received under the U.S. Continued Dumping Subsidy Offset Act, or CDO, in 2002 and 2001, respectively, restructuring and reorganization charges and adjustments for goodwill amortization, net income in 2002 was $53.3 million, or $0.87 per diluted share, versus $0.7 million, or $0.01 per diluted share, in 2001. Net debt at the end of 2002 was $379.2 million, down 18.2% from $463.6 million at the end of 2001.

Net income for the three months ended December 31, 2002 was $36.5 million, or $0.57 per diluted share, versus $1.2 million, or $0.02 per diluted share, in the same period of 2001, when the economy was particularly weak. Net sales were $644.9 million for the three months ended December 31, 2002, 12% above the $573.6 million recorded during the same period in 2001, despite a decline in U.S. industrial production in the fourth quarter of 2002 and a continued sluggish U.S. and global economy. However, strong automotive markets in North America, the impact of our strategic manufacturing initiative and the higher CDO payment improved results in the fourth quarter of 2002. Excluding the CDO payment, restructuring and reorganization charges and adjustments for goodwill amortization, fourth quarter 2002 net income was $12 million, or $0.19 per diluted share, compared to a loss of $11.4 million, or $0.19 per diluted share, during the same period in 2001.

Pension-related factors affected our financial results in 2002. Lower investment performance in 2002, caused by lower stock market returns and a decline in prevailing interest rates, increased our defined benefit pension obligations. This increase, as well as our ongoing practice of managing our funding obligations over time, have led us to determine to prepay a portion of our funding obligations under our pension plans. In 2002, we contributed $106.4 million to our domestic pension plans, $54.5 million of which consisted of shares of our common stock. As a result of a negative 6% return on our domestic pension investments and a reduction in our discount rate from 7.5% to 6.6%, we recorded a $401.6 million equity-related minimum pension liability increase in 2002. This reduced shareholders equity by $254.3 million and increased deferred tax assets by $147.3 million. As a result of declines in the financial markets, we are changing our assumption for expected rate of return on plan assets from 9.5% to 8.75% for 2003. We expect that this change, along with the lower discount rate, will result in an increase in 2003 pretax pension expense of approximately $25 million.

For the year ended December 31, 2002, our automotive bearings segment reported net sales of $840.8 million compared to $751.0 million for 2001, our industrial bearings segment reported net sales of $883.5 million compared to $882.3 million for 2001, and our steel segment reported net sales of $981.3 million (including intersegment sales of $155.5 million) compared to $960.4 million (including intersegment sales of $146.5 million) for 2001. For the three months ended December 31, 2002, our automotive bearings segment reported net sales of $210.8 million compared to $185.3 million for the same period in 2001, our industrial bearings segment reported net sales of $225.3 million compared to $204.2 million for the same period in 2001, and our steel business segment reported net sales of $240.7 million (including intersegment sales of $31.8 million) compared to $216.1 million (including intersegment sales of $32.0 million) for the same period in 2001.

Torrington

On January 23, 2003, Ingersoll-Rand announced earnings for the year ended December 31, 2002, including financial results for Torrington. The following table presents financial results for 2001 and 2002 for Torrington. We derived the financial results for 2001 and 2002 set forth below from Torrington s audited combined financial statements for the years ended December 31, 2001 and 2002 included or incorporated by reference in this prospectus supplement.

	Year Ended December 31,	
	2001	**2002**
	(in thousands)	
Statement of Income Data:		
Total net sales	$1,088,712	$1,215,952
Restructuring charges	19,338	3,040
Allocated Ingersoll-Rand costs	21,812	21,727
Operating income	77,453	110,114
Other income	25,209	37,488
Income before income taxes(1)	84,356	131,163
Net earnings	47,819	77,455
Balance Sheet Data (as of end of period):		
Total assets	$1,013,362	$1,040,857
Total debt	16,414	11,579
Business equity	170,588	223,966
Other Data:		
Net cash provided by operating activities	$ 103,633	$ 140,370
Net cash used in investing activities	(54,391)	(35,300)
Net cash used in financing activities	(52,591)	(97,017)
EBITDA(2)	147,034	199,950
Depreciation and amortization	44,372	52,348

(1) Income before income taxes included approximately $48 million and $68 million (net of expenses) in pre-tax benefits received under the CDO for the years ended December 31, 2001 and 2002, respectively.

(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 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, 2001 and 2002 of $19.3 million and $3.0 million, respectively, and (b) CDO payments (net of expenses and reserves) for the years ended December 31, 2001 and 2002 of $25.3 million and $35.3 million, respectively. We also do not exclude from other income (expense) additional CDO payments for the years ended December 31, 2001 and 2002 of $22.4 million and $32.8 million. The total pre-tax income related to the CDO payment for the years ended December 31, 2001 and 2002 was $47.7 million and $68.1 million, respectively. EBITDA for the years ended December 31, 2001 and 2002 includes $21.8 million and $21.7 million of allocated Ingersoll-Rand costs for services provided to Torrington. We estimate that we would have incurred approximately $7.4 million annually to provide these services to Torrington for the years ended December 31, 2001 and 2002. 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 item calculated in accordance with GAAP, or as an indication of our operating performance. Our definition of EBITDA

may not be comparable with EBITDA as defined by other companies. We believe EBITDA is commonly used by financial analysts and others in the bearing and steel industries and thus provides useful information to investors. Our management uses EBITDA as one measure of our leverage capacity and debt servicing ability, and it is shown here with respect to Torrington for comparative purposes. Following is a reconciliation of EBITDA to operating income:

	Year Ended December 31,	
	2001	2002
	(in thousands)	
Operating income	$ 77,453	$ 110,114
Other income	25,209	37,488
Depreciation and amortization	44,372	52,348
EBITDA	$ 147,034	$ 199,950

SUMMARY OF THE OFFERING

Issuer	The Timken Company
Securities Offered	$250,000,000 aggregate principal amount of 5.75% notes due 2010.
Interest Payment Dates	February 15 and August 15 of each year, beginning August 15, 2003.
Maturity Date	February 15, 2010.
Minimum Denominations	$1,000 and integral multiples of $1,000.
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 under Description of the Notes Optional Redemption in this prospectus supplement.
Ranking	The notes: are unsecured; rank equally with all of 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 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.
Covenants	The terms of the notes contain covenants for your benefit. These covenants restrict our ability, with certain exceptions, to: incur debt secured by liens; and engage in sale and leaseback transactions. See Description of the Notes Material Covenants in this prospectus supplement.
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

	under Description of the Notes Further Issues in this prospectus supplement.
Form	One or more fully registered global notes in book-entry form.
Delivery and Clearance	We will deposit the global notes with The Depository Trust Company, which we refer to as 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-20 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 at a public offering price of $14.90 per share. 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.

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 included or 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 included or 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 historical and pro forma statement of operations data for the nine months ended September 30, 2002 reflects our adoption of Statement of Financial Accounting Standards, or SFAS, No. 142, pursuant to which goodwill is no longer amortized.

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 of $250 million aggregate principal amount of senior unsecured notes, our concurrent offering of our common stock and borrowings under our new senior credit facility and our new accounts receivable 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)						
Statement of Operations Data:							
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)	(26,902)	(42,884)	14,985	41,899
Diluted earnings per share, as reported [(1)]	1.01	0.76	(0.69)	(0.33)	(0.71)	0.25	0.51
Dividends per share	0.72	0.72	0.67		0.54	0.39	
Balance Sheet Data (as of end of period):							
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	1,061,575
Shareholders equity	1,045,981	1,004,682	781,735		914,700	819,073	1,122,973
Other Data:							
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[(2)]	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[3]	3.85	2.96	(4)		(5)	2.15	

(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 included or incorporated by reference in this prospectus supplement. Pro forma diluted earnings per share for the year ended December 31, 2001 and the nine months ended September 30, 2002 are based on an assumed 80,343,541 and 81,394,516 weighted-average shares outstanding, respectively.

(2) EBITDA is a measurement not calculated in accordance with 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) the payment received from the U.S. Treasury Department under the CDO of $29.6 million (net of expenses) 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. We believe EBITDA is commonly used by financial analysts and others in the bearing and steel industries and thus provides useful information to investors. Management uses EBITDA as one measure of our 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.

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. In the opinion of Torrington s management, the unaudited information set forth below has been prepared on the same basis as the audited combined financial statements and includes all adjustments, consisting only of normal recurring adjustments, necessary for fair presentation of the financial position and results of operations for the periods presented. You should read the following summary historical combined financial information in conjunction with Torrington s audited and unaudited combined financial statements and related notes included in this prospectus supplement.

	Year Ended December 31,			Nine Months Ended September 30,	
	1999	2000	2001	2001	2002
			(in thousands)		
Statements of Income Data:					
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 earnings	75,110	90,077	47,819	14,173	28,001
Balance Sheet Data (as of end of period):					
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
Other Data:					
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[1]	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) an additional CDO payment (net of expenses and reserves) for the year ended December 31, 2001 of $25.3 million. The total pre-tax income related to the CDO payment was $47.7 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 Torrington s operating performance. Our definition of

EBITDA may not be comparable with EBITDA as defined by other companies. We believe EBITDA is commonly used by financial analysts and others in the bearing and steel industries and thus provides useful information to investors. Our management uses EBITDA as one measure of our leverage capacity and debt servicing ability, and it is shown here with respect to Torrington for comparative purposes. 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

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 our notes.

Risks Related to the Torrington Acquisition

In addition to increasing the risks relating to our business described further below, the increased scale, global reach and level of indebtedness associated with the Torrington acquisition will also expose us to the following risks.

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 dedicate 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 operations, margins, sales and reputation 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 in the amount or 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 anticipated utilization of cash resources, which may be in excess of the approximately $130 million we currently expect, on integration and implementation activities over the next four years (and such activities may result in restructuring changes) 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.

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, materially affect our financial condition and results of operations.

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 may not 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. If a significant number of small claims for which we cannot seek indemnification are brought against us, they may, in the aggregate, amount to a considerable sum, and the total liabilities may exceed our estimates or the $400 million cap.

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.

We may not be able to acquire certain of Torrington s assets, which could reduce the strategic benefits of the Torrington acquisition to us.

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 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, which may materially affect the business of the combined company, our long-term business strategy and our projected access to certain customers or relationships. As a result, we may not achieve all of the expected benefits of the Torrington acquisition.

In particular, we currently believe that Ingersoll-Rand is unlikely to obtain the necessary waivers or consents of NSK Ltd. with respect to the transfer of Torrington s unconsolidated joint venture interest in NSK Torrington Co., Ltd. to us. NSK Torrington, a Japanese needle bearing manufacturing company, contributed approximately $3.6 million to Torrington s 2001 income before income taxes. If Ingersoll-Rand is unable to obtain the necessary waivers or consents, then, upon consummation of the Torrington acquisition, NSK Ltd. will have the right to acquire Torrington s interest in NSK Torrington. Moreover, we and Torrington have existing marketing and technology sharing arrangements with NSK Ltd., which we or NSK may seek to renegotiate or terminate if Ingersoll-Rand is unable to obtain the waivers or consents described above. These arrangements may be material to our long-term business strategies, and therefore the modifications of such arrangements could have a material negative effect on the sales of our products.

Risks Related to our Industries

The bearing industry is highly competitive and this competition results in significant pricing pressure for our products that could affect our revenues and profitability.

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 pricing pressure for our products.

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 revenues and profitability. 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. Furthermore, 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 negative environment. An extension of the current economic downturn would have a material adverse impact on our revenues and profitability by reducing demand and margins for our products.

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. This reduced demand and any resulting reduced margins for our products could have a material adverse impact on our revenues and profitability.

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.

Although Ingersoll-Rand has agreed to indemnify us in the purchase agreement for certain specified environmental liabilities with respect to Torrington, Torrington s operations, including past disposal practices, may subject us to potential significant liabilities relating to the investigation and clean-up of contaminated properties and to potential claims alleging personal injury. Torrington s environmental liabilities may exceed our estimates and the indemnity provided for in the purchase agreement may not be sufficient to address these potential liabilities.

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.

The tariffs imposed by the United States on hot-rolled and cold-finished steel bar imports, which are among our products, are currently being challenged before the World Trade Organization, or WTO, by several countries. See Business Trade Law Enforcement. Retaliatory tariffs threatened by or imposed on U.S. steel and other products by a number of affected countries would increase the cost of our products in those markets, potentially reducing sales. In addition, a reduction or adverse change in the scope or duration of the remedy granted by the President 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.

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

We received an approximately $31 million payment in 2001 and an approximately $54 million payment in 2002 under the CDO. See Business Continued Dumping and Subsidy Offset Act. In January 2003, the WTO upheld its earlier ruling that CDO payments violate international trade rules and stated that the CDO should be repealed. We may not receive future payments under the CDO, and we cannot predict the amount of any such payment we may receive. Although Torrington received a payment of approximately $62.0 million under the CDO in 2001 and approximately $72.1 million in 2002, Ingersoll-Rand retained 100% of the payment Torrington received in 2002, and under the terms of the purchase agreement, we will be obligated to pay Ingersoll-Rand 80% of any payments Torrington receives in 2003 and 2004.

Risks Related to our Business

The failure to fully carry out our strategic manufacturing initiative could lessen the benefits of our anticipated cost savings and, as a result, materially adversely affect our gross margins and profitability.

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 may not achieve these estimates, either in the amount or 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 gross margins and profitability. 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 profitability.

We have taken approximately $80.9 million in restructuring and impairment charges from our strategic manufacturing initiative from the second quarter of 2001 through December 31, 2002. Moreover, Torrington has also taken restructuring charges of approximately $19.3 million and $3.0 million for the years ended December 31, 2001 and 2002, respectively, related to a workforce reduction and facility consolidation effort that is substantially complete. Changes in business or economic conditions, our business strategy or any restructuring in connection with the Torrington acquisition may require us to take additional charges in the future.

Our level of indebtedness and other demands on our cash resources could materially affect our operations and business strategy.

As of September 30, 2002, we had approximately $482 million of total consolidated debt. We expect to incur significant additional indebtedness to finance the Torrington acquisition through this offering, our new senior credit facility and our new accounts receivable facility. After giving pro forma effect to the Torrington acquisition, the financing of the Torrington acquisition and the application of the proceeds of those financings, based on the assumptions described under Unaudited Pro Forma Financial Information, as of September 30, 2002, we would have had total consolidated debt of approximately $1.1 billion. In addition, we expect to have approximately $276 million undrawn availability under our new revolving credit facility. Our total consolidated debt could increase due to this additional borrowing capacity. 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. In addition to the debt service requirements 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 our operations and business strategy. 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, 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 February 12, 2003, S&P and Moody s announced that each had lowered its respective ratings on our outstanding debt. These announcements were in response to the pending Torrington acquisition and the related financings. S&P and/or Moody s may, in the future, 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 and could materially adversely affect our future ability to obtain funding or materially increase the cost of any additional funding.

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 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 is 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 8.1% from 2001 to 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 operating costs, revenues and the price of our products.

Our international operations expose us to risks not present in a purely domestic business, including primarily:

- changes in tariff regulations, which may make our products more costly to export;
- difficulties establishing and maintaining relationships with local distributors and dealers;
- 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; and
- difficulty in staffing and managing geographically diverse operations.

These and related risks may 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. The Torrington acquisition would have increased our sales derived from international operations in 2001 from approximately $540 million to approximately $830 million on a pro forma basis. As a result, following the Torrington acquisition, we will be more susceptible to the adverse consequences of the risks described above.

Terrorism or the threat or initiation of armed hostilities in the Middle East or other parts of the world may have an adverse impact on the industries we serve. While the precise effects of any such world events are difficult to predict, they may adversely affect our revenues and profitability. 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 result in reductions in our pension fund asset values, which have caused and may continue to cause a significant reduction in our net worth.

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. 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. Primarily as a result of a negative return on our pension fund assets and further reductions in interest rate levels in 2002, we were required to further reduce shareholders equity by $254.3 million as of December 31, 2002. We may be required to take further charges related to pension liabilities in the future and these charges may 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.

Declines in prevailing interest rates and the stock market will require us to increase our pension liability and expense for 2003 and may do so in future fiscal years; this may also lead us to accelerate funding of our pension obligations and divert funds from other uses.

A decline in prevailing interest rates and lower investment performance caused by lower stock market returns have increased our defined benefit pension obligations. The increase in our defined benefit pension obligations, as well as our ongoing practice of managing our funding obligations over time, have led us to prepay a portion of our funding obligations under our pension plans. In 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 also made cash contributions of $56.8 million during 2000 and $84.8 million during 2001 to our pension plans. We currently expect to make significant additional cash contributions to our pension plans in the near term, but we cannot predict whether changing economic conditions or other factors will lead or require us to make contributions in excess of our current expectations, diverting funds we would otherwise apply to other uses.

As a result of the decline in the financial markets, we are changing our assumption for our expected rate of return on plan assets from 9.5% to 8.75% for 2003. We expect that this change, together with the reduction in our discount rate to 6.6% from 7.5%, will result in an increase in 2003 pretax pension expense of approximately $25 million. We continue to review our assumptions regarding rates of return and discount rates in light of the factors mentioned above and other relevant considerations, and our future pension expense may further increase as a result. See Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates.

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

Our new senior credit facility restricts 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 or consolidate with another company.

In addition, the indenture that will govern the notes that we are offering by this prospectus supplement 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. Our future indebtedness may also contain restrictions on our ability to engage in particular activities. See Description of the Notes and Description of Certain Indebtedness in this prospectus supplement.

We may not be able to maintain profitability or a positive ratio of earnings to fixed charges or meet certain financial standards required by our debt agreements.

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 2002 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, and we may not be able to reduce fixed costs sufficiently to improve our operating ratios.

In addition, our existing senior credit facility and our new senior credit facility contain financial covenants that 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. Our ability to meet the financial covenants or requirements in our senior credit facilities may be affected by events beyond our control, and we may not be able to 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, our assets may not be sufficient to repay in full the payments due under those facilities or our other indebtedness.

In addition, 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, possibly at a higher cost to us 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.

Moreover, we may not be able to implement any of these strategies on satisfactory terms, if at all.

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. We may not be able to attract and retain talented personnel and replace key personnel should the need arise, and our inability to do so could have a material adverse effect on our ability to successfully execute our business strategy, market and develop our products and serve our customers. 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. Our ability to efficiently develop and deliver our products could be adversely affected by a shortage of available skilled employees.

Strikes or work stoppages by our unionized associates could disrupt our manufacturing operations, reduce our revenues or increase our labor costs.

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

Risks Relating to the Notes

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 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 significant 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 to some extent 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 trading market. An active trading market for the notes may not develop. If a market were to develop, the notes could trade at prices that may be higher or lower than the initial offering price or the price at which an investor purchased the notes 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.

USE OF PROCEEDS

We expect to receive net proceeds from this offering, after deducting the discounts and commissions of the underwriters and estimated offering expenses payable by us, of approximately $246.5 million. We also expect to receive approximately $156.1 million of net proceeds, after deducting the discounts and commissions and estimated offering expenses, from the concurrent public offering of our common stock, based on the public offering price of $14.90 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 and our new accounts receivable 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):

Sources of Funds	
Senior unsecured notes[1]	$250.0
Common stock[3][4]	163.9
Revolving credit facility[5]	224.2
Accounts receivable facility	125.0
Equity issuance to Ingersoll-Rand	140.0
Total sources of funds	$903.1

Uses of Funds	
The Torrington acquisition[2]	$836.5
Fees and expenses of the Torrington acquisition	40.0
Refinancing of our existing commercial paper[5]	26.6
Total uses of funds	$903.1

(1) This amount does not reflect original issue discount, underwriting discounts and commissions or offering expenses payable by us.

(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) This amount does not reflect underwriting discounts and commissions and offering expenses payable by us.

(4) 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, as 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 under our new senior credit facility in order to finance the Torrington acquisition.

(5) 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 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 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.

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, the concurrent offering of our common stock at the public offering price of $14.90 per share, the Torrington acquisition and the other related financings and the application of the 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 the offering of our common stock. The closing of this offering is conditioned on the closing of the offering of our common stock and each offering is conditioned on the closing of the Torrington acquisition. 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 related notes, each included or incorporated by reference in this prospectus supplement.

	As of September 30, 2002	
	Actual	Pro Forma, As Adjusted
	(in thousands)	
Cash and cash equivalents	$ 36,812	$ 40,284
Short-term debt:		
Accounts receivable facility	$	$ 125,000
Other short-term debt and commercial paper	107,888	88,288
Current portion of long-term debt	23,544	23,544
Long-term debt, net of current portion:		
Revolving credit facility(1)		224,228
Senior unsecured notes		250,000
Other long-term debt	350,515	350,515
Total debt	481,947	1,061,575
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, actual; 83,711,643 shares issued and outstanding, pro forma, as adjusted		
Stated capital	53,064	53,064
Other paid-in capital(2)	256,664	560,563
Earnings invested in the business	736,212	736,213
Accumulated other comprehensive loss	(226,867)	(226,867)
Total shareholders equity(3)	819,073	1,122,973
Total capitalization	$1,301,020	$2,184,548

(1) 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 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. See Description of Certain Indebtedness.

(2)

Reflects the common stock to be issued by us to Ingersoll-Rand and in the concurrent public offering of our common stock to finance a portion of the Torrington acquisition, based on the public offering price per share of $14.90, without reduction for the fees and expenses of the common stock offering, including underwriting discounts and commissions.

(3) Total shareholders equity for the year ended December 31, 2002 was $609.1 million, reflecting primarily an increase in minimum pension liability and consequent $254.3 million reduction in accumulated other comprehensive loss recorded in the fourth quarter of 2002. The combined issuance of approximately 20.4 million shares of our common stock to Ingersoll-Rand and in our concurrent offering of our common stock will result in an increase in our total shareholders equity of approximately $300 million.

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 included 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 included 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 Torrington acquisition and the financing of the $700 million cash component of the purchase price through (1) approximately $224 million of borrowings under our new senior credit facility, including amounts borrowed to refinance approximately $27 million of outstanding commercial paper, (2) this offering of $250 million of senior unsecured notes, (3) $125 million of borrowings under our new accounts receivable facility and (4) a public offering of 11 million shares of our common stock at the public offering price per share of $14.90. The unaudited pro forma financial statements also give effect to the issuance to Ingersoll-Rand of $140 million of our common stock at the public offering price per share of $14.90, as required by the purchase agreement, which is equivalent to an aggregate of 9,395,973 shares. 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 estimate of the allocation of the purchase price for the acquisition of Torrington, which is 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.

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.

	Timken Historical	Torrington Historical	Reclassifications*	Pro forma Adjustments	Pro forma
Assets					
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)		
Total current assets	920,412	450,810	(17,479)	(25,902)	1,327,841
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
Total assets	$2,542,043	$1,060,408	$	$ 64,412	$3,666,863
Liabilities and Shareholders Equity					
Current liabilities:					
Short-term debt and commercial paper	$ 107,888	$ 10,660	$	$ 94,740 (l)	$ 213,288
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

Total current liabilities	666,977	415,980		(160,633)	922,324
Long-term debt	350,515	3,573		470,655 (l)	824,743
Amounts due to affiliates		198,700		(198,700)(d)	
Accrued pension cost	270,179		17,377	1,723 (i)	289,279
Accrued postretirement benefits cost	413,319		156,084	(90,884)(n)	478,519

	Timken Historical	Torrington Historical	Reclassifications*	Pro forma Adjustments	Pro forma
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
Total liabilities	1,722,970	858,212		(37,292)	2,543,890
Shareholders equity:					
Preferred stock (par)					
Stated capital	53,064				53,064
Other paid-in capital	256,664			303,900 (q)	560,563
Earnings invested in the business	736,212	216,493		(216,493)(r)	736,213
Accumulated other comprehensive (loss)	(226,867)	(14,297)		14,297 (r)	(226,867)
Total shareholders equity	819,073	202,196		101,704	1,122,973
Total liabilities and shareholders equity	$2,542,043	$1,060,408	$	$ 64,412	$3,666,863

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

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 described 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 in this offering to finance a portion of the Torrington acquisition and our refinancing of commercial paper, as follows:

	Current	**Long-term**
	(in thousands)	
Torrington debt amounts not assumed by us	$ (3,660)	$ (3,573)
Our issuance of senior unsecured notes		250,000
Our refinancing of commercial paper	(26,600)	
Our draw under our new revolving credit facility (including $26.6 million to refinance commercial paper)		224,228
Our draw under our new accounts receivable facility	125,000	
	$ 94,740	$470,655

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) 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.

q) Reflects the common stock to be issued by us to Ingersoll-Rand and in the public offering of our common stock to finance a portion of the Torrington acquisition, based on the public offering price per share of $14.90, without reduction for the fees and expenses of the common stock offering, including underwriting discounts and commissions.

r) Reflects the elimination of the historical equity of Torrington.

UNAUDITED PRO FORMA STATEMENT OF OPERATIONS

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

	Timken Historical	Torrington Historical	Reclassifications*	Pro Forma Adjustments	Pro Forma
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)		(8,609)(d)	(60,316)
Interest income	2,109				2,109
Receipt of CDO payment (net of expense)	29,555		47,700	(47,700)(e)	29,555
Other (expense) income	(7,494)	25,209	(25,300)		(7,585)
(Loss) Income before income taxes	(26,883)	84,356		(55,092)	2,381
Provision for income taxes	14,783	36,537		(22,037)(f)	29,283
Net (loss) income	$ (41,666)	$ 47,819	$	$ (33,055)	$ (26,902)
Earnings per share	$ (0.69)				$ (0.33)
Earnings per share assuming dilution	$ (0.69)				$ (0.33)
Average shares outstanding	59,947,568			(g)	80,343,541
Average shares outstanding assuming dilution	59,947,568			(g)	80,343,541

* 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.

UNAUDITED PRO FORMA STATEMENT OF OPERATIONS

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

	Timken Historical	Torrington Historical	Reclassifications	Pro Forma Adjustments	Pro Forma
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)		(7,577)(d)	(44,572)
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		(1,812)	71,652
Provision for income taxes	12,360	18,118		(725)(f)	29,753
Income before cumulative effect of change in accounting principle	$ 14,985	$ 28,001	$	$ (1,087)	$ 41,899
Before cumulative effect of change in accounting principle:					
Earnings per share	$ 0.25				$ 0.52
Earnings per share assuming dilution	$ 0.25				$ 0.51
Average shares outstanding	60,459,277			(g)	80,855,250
Average shares outstanding assuming dilution	60,998,543			(g)	81,394,516

* 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.

NOTES TO PRO FORMA STATEMENTS OF OPERATIONS

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

(b) Reflects the following:

	December 31, 2001	September 30, 2002
	(in thousands)	
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)
	$(14,766)	$(14,808)

(c) Reflects the following:

	December 31, 2001	September 30, 2002
	(in thousands)	
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)
	$2,925	$ 1,605

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

	December 31, 2001	September 30, 2002
	(in thousands)	
i) $250.0 million aggregate principal amount of unsecured senior notes at 5.75%	$ 14,375	$ 10,781
ii) $224.2 million in borrowings under our new senior credit facility at 4.0%	8,969	6,727
iii) Commitment fee on $275.8 million of unused revolver at 0.375%	1,034	776
iv) $125.0 million in borrowings under our new accounts receivable facility at 2.0%	2,500	1,875

v) Elimination of Torrington s interest expense	(17,737)	(12,183)
vi) Elimination of commercial paper interest expense at 2.0%	(532)	(399)
	$ 8,609	$ 7,577

(e) Reflects the elimination of receipts in 2001 under the CDO. Pursuant to the purchase agreement, the approximately $72.1 million payment received by Torrington under the CDO in the fourth quarter of

2002 will be retained by Ingersoll-Rand. We will pay to Ingersoll-Rand eighty percent (80%) of any amounts received by Torrington under the CDO for 2003 and 2004.

(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 9,395,973 shares issued to Ingersoll-Rand based on the public offering price of $14.90 per share for the shares of common stock to be sold in the concurrent offering of our common stock, as required by the purchase agreement, and 11 million shares issued to the public in the common stock offering.

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 included 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 included 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. 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)				
Statement of Operations Data:					
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, as reported	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[(1)]	1.01	0.76	(0.69)	(0.71)	0.04
Diluted earnings per share, as reported [(1)]	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[(2)]	62,026	60,723	59,948	59,980	60,999
Balance Sheet Data (as of end of period):					
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
Other Data:					
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[3]	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[4]	3.85	2.96	(5)	(6)	2.15

(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, 1999, 2000 and 2001, and by $0.05 per share for the nine months ended September 30, 2001. See Note 5 to our audited consolidated financial statements included 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 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) the CDO payment of $29.6 million (net of expenses) 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. We believe EBITDA is commonly used by financial analysts and others in the bearing and steel industries and thus provides useful information to investors. Management uses EBITDA as one measure of our 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 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.

(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.

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 each included elsewhere and incorporated by reference 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, and we employed approximately 18,000 people as of December 31, 2002.

We had net sales of $2.5 billion, $2.6 billion and $2.4 billion for the years ended December 31, 1999, 2000 and 2001 and $1.9 billion for the nine months ended September 30, 2002. We reported net income (loss) before cumulative effect of change in accounting principle of $62.6 million $45.9 million and ($41.7 million) for the years ended December 31, 1999, 2000 and 2001 and $15.0 million for the nine months ended 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 in 2002 the automotive industry recovered from the downturn, we believe that output in the global automotive industry will be softer in 2003 compared to 2002. Moreover, 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 cyclicality 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, attained primarily through internal cost cutting and reorganization, are creating focused factories for each product line or component; reducing our fixed costs; 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 facilities in higher cost locations in 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. 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. We took approximately $107.4 million in restructuring, impairment and reorganization charges from our strategic manufacturing initiative from the second quarter of 2001 through December 31, 2002.

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 $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 this offering 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. We currently expect that, in connection with the Torrington acquisition, we will utilize cash resources of approximately $130 million on integration and implementation activities over the next four years, and such activities may result in restructuring 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. On February 12, 2003, S&P and Moody s announced that each had lowered its respective ratings on our outstanding debt, with a stable outlook. 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 reduction in our cash payments for income taxes and therefore will 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.

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 began in December 2002, and production is expected to begin in the first quarter of 2004. Ownership of this joint venture, Timken-NSK Bearings (Suzhou) Co. Ltd., is 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 that 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, 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 increased 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. Primarily as a result of a negative return on our pension fund assets and a further reduction in interest rate levels, we were required to further reduce shareholders equity by $254.3 million as of December 31, 2002. In addition, we expect that these factors will cause an increase in our pension expense in 2003. See Critical Accounting Policies and Estimates.

These same factors of lower investment performance and a decline in prevailing interest rates increased our defined benefit pension obligations. This increase, as well as 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 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 to our pension plans in the near-term, but we cannot predict whether changing economic conditions or other factors will require or lead 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 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.

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 that 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 increased 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 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. Given current market conditions and interest rates, and in light of the Torrington acquisition, we will apply a discount rate of 6.6% and an expected long-term rate of return of 8.75% on our pension plan assets, for expense purposes in 2003. We expect that these changes will increase our pretax pension expense by approximately $25 million in 2003.

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 in which 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 in which 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 included and 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 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%, medium and heavy truck production was down 35% and trailer production was 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 in 2001 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 and efficiency improvements from the strategic manufacturing initiative, as well as aggressive business cost control. Also, 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 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. Sales of our aerospace and super precision products increased about 10% in 2001 compared to 2000, but were offset by the continued decline in sales of our rail products. North American railcar production in 2001 was at its lowest level since 1992. Excluding $33.6 million in restructuring, impairment and implementation charges and the favorable $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 lower 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 over 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 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 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 first nine months 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, these increases were 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 a loss of $5.6 million in the same period in 2001. The lower 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 facilities in higher cost locations such as 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. From the second quarter of 2001 through September 30, 2002, we reduced our workforce by approximately 1,700 associates.

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. We received payments of $29.6 million in the fourth quarter of 2001 and $50.2 million in the fourth quarter of 2002, in each case, net of expenses, resulting from the CDO. We may not receive any future payments under the CDO, and we cannot predict the amount of any such payments we may receive.

Year Ended December 31, 2001 Compared to Year Ended December 31, 2000. We reported net sales of $2.4 billion in 2001, 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. We recorded $54.7 million in restructuring and impairment costs and $12.6 million in implementation and reorganization costs in 2001, compared to $27.8 million in restructuring and impairment 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 severance 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 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 a gain of $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. Our total-debt-to-total-capital ratio at September 30, 2002 was 37.0%, although pro forma for the Torrington acquisition, the ratio would have been 48.6%. As of December 31, 2002, our total-debt-to-total-capital ratio increased to 43.1%, due primarily to the decrease in shareholders equity described above. 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 any available borrowings under our new 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 expenditures 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.

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 September 30, 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 at September 30, 2002 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 first nine months 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 period. 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 lead or 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):

		Payment Due by Period			
	Total	**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	81.3(2)	81.3			
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 to repay all or a portion of such amounts.

Our capital lease obligations are immaterial.

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 be outstanding under this facility at the closing of the acquisition 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.

Excluding letters of credit and guarantees supporting current outstanding debt, we have approximately $31.5 million in various letters of credit and guarantees outstanding. We are also the guarantor of a $27.5 million letter of credit for PEL Technologies, LLC, one of our U.S. joint ventures.

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 in shares of our common stock. In connection with the Torrington acquisition, on December 31, 2002, we entered 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 are acting as co-administrative agents, KeyBank is acting as paying agent and Banc of America Securities LLC and KeyBank are acting as joint lead arrangers and book managers, Merrill Lynch is acting as syndication agent, and Morgan Stanley Bank is acting as documentation agent. This facility provides for borrowings in foreign currencies of up to $100 million and the issuance of letters of credit of up to $150 million, each of which are sublimits of the revolving credit facility. The revolving credit facility expires 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.

We expect to borrow under our new senior credit facility to fund, in part, the Torrington acquisition, and to fund our working capital, capital expenditures and other lawful requirements. 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 may also use borrowings under our new senior credit facility to repay up to $81.3 million of additional short-term debt, based on the amount outstanding at September 30, 2002.

We do not expect to borrow under the term loan component of our new senior credit facility unless we are unable to consummate this 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.

Acquiring Torrington will increase our level of debt as a consequence of the related financings we will undertake through this offering, our new senior credit facility and our new accounts receivable facility, as well as the working capital needs of Torrington. Subject to the limits contained in our senior credit facilities, accounts receivable facility 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 the concurrent offering of our common stock 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 receivables have yet been sold under the facility. We intend to borrow up to $125 million under this facility to finance a portion of the consideration for 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 the continued weakening of currencies.

Total shareholders equity 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 $1.3 million, with a 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 December 31, 2002, there were $72.1 million of hedges in place. A uniform 10% weakening of the dollar against all currencies would have resulted in a change of $6.5 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.

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 any 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.

In November 2002, the FASB issued Interpretation No. 45, Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others. Interpretation No. 45 s disclosure requirements are effective for financial statements of interim or annual periods ending after December 15, 2002. The initial recognition and initial measurement provisions are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. Interpretation No. 45 requires certain guarantees to be recorded at fair value. We are currently evaluating the effect of Interpretation No. 45 on our previous accounting for guarantees issued prior to the date of initial application.

In January 2003, the FASB issued Interpretation No. 46, Consolidation of Variable Interest Entities. In general, a variable interest entity is a corporation, partnership, trust or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. Interpretation No. 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity s activities or entitled to receive a majority of the entity s residual returns or both. The consolidation requirements of Interpretation No. 46 apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements apply to pre-existing entities in the first fiscal year or interim period beginning after June 15, 2003. Certain of the disclosure requirements apply in all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. We are currently evaluating the impact of Interpretation No. 46 on our financial position.

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 have facilities in 27 countries on six continents, and we employed approximately 18,000 people as of December 31, 2002.

We had net sales of $2.5 billion, $2.6 billion and $2.4 billion for the years ended December 31, 1999, 2000 and 2001 and $1.9 billion for the nine months ended September 30, 2002. We reported income (loss) before cumulative effect of change in accounting principle of $62.6 million, $45.9 million and ($41.7 million) for the years ended December 31, 1999, 2000 and 2001 and $15.0 million for the nine months ended 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

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 to external customers of $814 million and $617 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, England, which 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, attained primarily through internal cost cutting and reorganization, 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 December 31, 2002, we had achieved an estimated annualized rate of pre-tax savings of approximately $80 million from our strategic manufacturing initiative, and we expect to increase this savings rate to approximately $120 million by the end of 2004.

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. 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 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, although we will also become more susceptible to the risks associated with international operations. Nevertheless, we believe that 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 order to capitalize on these opportunities, we may have to overcome difficulties and incur costs in connection with retraining our skilled engineers and sales personnel, coordinating geographically diverse organizations and retooling and reprogramming our equipment and information technology systems. Ultimately, 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 to become 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 believe we can 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. We may not, however, be able to realize the anticipated cost savings or other benefits from the integration of Torrington, either in the amount or the time frame we currently expect, and the costs of achieving these benefits may be higher than we currently expect.

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. Although we may face initial challenges in consolidating functions and integrating procedures and technologies, we anticipate that ultimately 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 international distribution networks that can match diverse geographic sourcing needs. The aftermarket is also 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 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, with operations on six continents. 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. Maintaining this 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 and successfully integrate Torrington into our operations.

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. Many of these industries, however, are cyclical, and our exposure in these areas could negatively impact our business during general economic or industry-specific downturns. 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, allowing us to offset to some extent the cyclicality within the industries we serve.

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. Our ability to reduce costs is, however, dependent on many complex factors, including economic conditions, severance requirements and engineering achievements, as well as our ability to implement changes to our existing operations without disruption.

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 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 more than 80-year 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	Products and Services	Applications
Automotive Bearings		
Automotive Applications	Bearings and related parts.	Axles, front and rear wheels, transmissions, transaxles and continuously variable transmissions for light-, medium- and heavy-duty trucks, passenger cars, motorcycles, recreational vehicles and heavy-duty truck trailers.
Automotive Engineered Solutions (Torrington)	Bearings and related parts, engine valvetrain components, steering column sub-assemblies and components.	Engines, transmissions, chassis applications, steering applications and engine applications.
Industrial Bearings		
Industrial Applications	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.
Industrial Engineered Solutions (Torrington)	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.
Rail Applications	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.

Business Segment	Products and Services	Applications
Aerospace and Super Precision Applications	Bearings, new and refurbished components and precision assemblies.	*Aerospace:* aircraft and helicopter engines, gearboxes, transmissions, landing wheels and flight and fuel controls. *Super Precision:* semiconductor robotic equipment, x-ray machines, medical instruments and other industrial assemblies. *Dental:* handpiece components, assemblies and repairs.
Steel		
Alloy Steel	High-quality bar and seamless mechanical tubing.	*Aerospace:* aircraft engine main shafts, landing gear and high-strength fasteners and oil and gas drilling tools and guns. *Construction and Farming:* hydraulic cylinders, bearings, axles and crankshafts. *Automotive and Truck:* powertrain and driveline performance components, including gears, shifter sleeves, bearings, crankshafts and constant velocity joint components.
Precision Steel Components	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.
Specialty Steel	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 and dental, computer disk drive 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 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.

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 industrial goods.

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 for these products 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, 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 are 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 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, 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, Linamar and overseas companies such as Showa Seiko, SKF and FormFlo. In the specialty steel category, manufacturers 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, 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 Timken-NSK Bearings (Suzhou) Co. Ltd. to build a plant near Shanghai, China to manufacture certain tapered roller bearing product lines. Construction of the plant began in December 2002, and production is expected to begin in the first quarter of 2004. Ownership of this joint venture is 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 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 at the beginning of November 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 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, Industriewerk Schaffler INA-Ingenieurdienst GmBH and Reliance, is called Endorsia.com International AB. This 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.

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 to 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 businesses 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.

Maintaining these high standards of product quality and reliability while keeping production costs competitive is essential to our ability to compete in both the anti-friction bearing and steel business. Our strategic manufacturing initiative described above is one method we have used to achieve those goals. See Overview Strategic Manufacturing Initiative.

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 of steels, from carbon grade to intermediate alloy, that are in turn 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 8.1% from 2001 to 2002. We believe that the availability of raw materials and alloys is adequate for our needs, and, in general, we are not dependent on any single source of supply.

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. We have filed an appeal of the ITC s decision regarding Japan, which is still pending. The ITC upheld the anti-dumping duty order against China.

In June 2001, President Bush directed the ITC to initiate an investigation on steel imports under Section 201 of the U.S. Trade Act, calling for multilateral negotiations to reduce global excess steel capacity and 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 our 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 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.

Continued Dumping and Subsidy Offset Act

We received payments of $29.6 million in December 2001 and $50.2 million in December 2002 (in each case, net of expenses) from the U.S. Treasury Department under the CDO. These payments related to our industrial and automotive bearings segments and 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. The U.S. Trade Representative appealed this ruling; however, the WTO upheld the ruling on January 16, 2003 and called for the repeal of the CDO. We continue to believe the U.S. law is appropriate and justified. However, we may not receive payments under the CDO in 2003 or future years, and we cannot predict the amount of any such payments we may receive.

Torrington received a payment of approximately $62.0 million under the CDO in 2001 and approximately $72.1 million in 2002. Ingersoll-Rand retained 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.

MANAGEMENT

Executive Officers, Directors and Director Nominee

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 February 10, 2003 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. Timken, Jr.	64	Chairman Board of Directors and Director
James W. Griffith	49	President, Chief Executive Officer and Director
Ward J. Timken	60	Vice President and Director
Ward J. 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 Industrial Integration
Michael C. Arnold	46	President Industrial
Sallie B. Bailey	43	Senior Vice President Finance and Controller
William R. Burkhart	37	Senior Vice President and General Counsel
Donna J. Demerling	52	Senior Vice President Supply Chain Transformation
Jon T. Elsasser	50	Senior Vice President e-Business and Corporate Planning
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	Senior Vice President Automotive Integration
Scott A. Scherff	48	Corporate Secretary and Assistant General Counsel
Stanley C. Gault	77	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
Joseph W. Ralston	59	Nominee for Director

W. R. Timken, Jr. has been a director of the company since 1965 and the Chairman of the Board of Directors since 1975. From 1998 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. Mr. Timken has been nominated by the President of the United States to be a Director of the Securities Investor Protection Corporation and will serve as Chairman, upon his confirmation.

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 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. 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. 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 and the 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 Industrial Integration since January 1, 2003. Previously he was 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 Senior Vice President Finance and Controller since January 1, 2003. Previously she served as 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. 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 our Senior Vice President Supply Chain Transformation since January 1, 2003. Previously, she was our 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 e-Business and Corporate Planning since January 1, 2003. Previously, he was 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 (Latrobe Steel) since 1996. Mr. Sack joined Timken in 1990. Mr. Sack is also a member of the Board of Directors of Specialty Steel Industry of North America and the University of Pittsburgh/ Greensburg Advisory Board and a Member of the Advisory Council at the Alex G. McKenna School of Business at Saint Vincent College.

Mark J. Samolczyk has been our Senior Vice President Automotive Integration since January 1, 2003. Prior to that he was our 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 our Corporate Secretary, and from 1993 to 1999, he was our Director Legal Services and Assistant Secretary. 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 Chairman and Chief Executive Officer of MeadWestvaco Corporation. Until December 1, 2002, he was 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 Company, Inc. and MeadWestvaco Corporation.

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 Chairman of the Federal Reserve Bank of Cleveland and Mercy Medical Center, Canton, Ohio.

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, Apache Corporation and Founders Funds, Inc. and Chairman of the Board of Hermes Consolidated 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, an SBC Company, a telecommunications company. Ms. Woods also serves as a director of The Andersons, Inc. and OfficeMax, Inc.

Joseph W. Ralston has been nominated to serve as a director. He will stand for election at our 2003 annual meeting, which will be held in April 2003. From 2000 to January 17, 2003 he served as commander, U.S. European Command and Supreme Allied Commander Europe, NATO. From 1996 to 2000, he served as vice chairman of the Joint Chiefs of Staff. He has been a General Officer in the United States Air Force since 1988.

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 description is only a summary of certain terms of the notes and the indenture governing the notes. We urge you to read the indenture in its entirety because the indenture, and not this summary, defines your rights as a holder of the notes. The following summary 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, 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. We provide our definitions for the capitalized terms in this section that we otherwise do not define either at the end of the relevant subsection or at the end of this section. For purposes of this section, references to we , us , our and the Company refer to The Timken Company and not its subsidiaries.

General

The notes will mature on February 15, 2010. 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 February 18, 2003 at a rate of 5.75% per year. Interest on the notes will be payable semi-annually on February 15 and August 15, beginning on August 15, 2003, to the persons who are registered holders of the notes at the close of business on February 1 and August 1 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 most recent preceding interest payment date (or, in the case of the first interest period, February 18, 2003) to, but excluding, the relevant interest payment date.

All payments on the notes, including principal, premium, if any, and interest 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, any 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 The Bank of New York, 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 $250 million aggregate principal amount. The indenture does not limit the aggregate principal amount of debt securities that we may issue thereunder and provides that we may issue debt securities 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 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

We may redeem the notes at our option, in whole at any time or in part from time to time, at a redemption price equal to the greater of (1) 100% of the principal amount of the notes to be redeemed, and (2) as determined by the Quotation Agent, 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 plus 25 basis points, plus, in each case, accrued and unpaid interest on the notes 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, (1) the average of the Reference Treasury Dealer Quotations for the date of redemption, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (2) if the Quotation Agent obtains fewer than three Reference Treasury Dealer Quotations, the average of all such Reference Treasury Dealer Quotations.

Quotation Agent means Morgan Stanley & Co. Incorporated, which we refer to as Morgan Stanley, or another Reference Treasury Dealer appointed by us.

Reference Treasury Dealer means (1) each of Morgan Stanley, Banc of America Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated, which we refer to as Merrill Lynch, any other dealer selected by Morgan Stanley, 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 (2) 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 Quotation Agent, 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 Quotation Agent 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.

Material Covenants

Limitations on Liens

So long as 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, which we refer to as Debt, secured by any mortgage or other encumbrance, which we refer to as a 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 own 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 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 (a) existing at the time of acquisition thereof (including acquisition through merger or consolidation), (b) to secure the payment of all or any part of the purchase price or construction cost thereof or (c) 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 cost 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, department, agency or other instrumentality thereof, to secure progress, advance or other payments pursuant to any contract or provision of any 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 incurrence, 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

So long as 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 of the Company or any Domestic Subsidiary acquired, constructed or placed into service more than 180 days before such lease arrangement. This restriction does not apply if (a) the Company or such Domestic Subsidiary 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 greater of the net proceeds of such sale or the fair market value of the Principal Manufacturing Property to be subject to such arrangement.

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 of the Company or any Domestic Subsidiary 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 rate per annum borne by the notes.

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 liabilities 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 GAAP.

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 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: (1) 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 (2) 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 twelve months from the date as of which the amount thereof is to be determined, or having a maturity of less than twelve months from the date as of which the amount thereof is to be determined but by its terms being renewable or extendible beyond twelve months 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 Subsidiary. The term Principal Manufacturing Property does not include any of the above referenced property: (a) financed through the issuance of tax exempt governmental obligations or (b) that the Board of Directors of the Company determines 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 or by the Company and one or more 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:

any successor corporation formed by or surviving any consolidation or merger or any person to which a conveyance, transfer or lease has been made that, in either case, is a corporation organized under the laws of the United States of America, any state thereof or the District of Columbia;

such successor corporation expressly assumes all of our obligations under the indenture and the notes;

there is no default under the indenture immediately after giving effect to the merger, consolidation or conveyance, lease or transfer, as the case may be; and

the trustee receives, if requested, an opinion of counsel that the merger, consolidation or conveyance, lease or transfer, as the case may be, complies with the applicable provisions of the indenture.

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 will be consolidated and form a single series with, and have the same terms as to status, redemption or otherwise as, the notes.

We may at any time and from time to time purchase notes in the open market or otherwise.

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 institutions that have accounts with DTC (participants).

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, which notes we refer to as 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 its 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 of 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 of that interest, may be impaired by the lack of a 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.

We expect that DTC or its nominee, upon receipt of any payment of principal or inte