TIMKEN CO
Form 8-K
July 19, 2002

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

FORM 8-K

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

Date of report (Date of earliest event reported): July 19, 2002

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

Ohio	1-1169	34-0577130
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1835 Dueber Avenue, S.W., Canton, Ohio	44706-2798
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: (330) 438-3000

ITEM 5. OTHER EVENTS

Press Releases

On July 18, 2002, The Timken Company issued the following press release:

Earnings Up

The Timken Company Announces Second Quarter Results

CANTON, Ohio, July 18, 2002 -- The Timken Company (NYSE: TKR) today reported second quarter 2002 earnings of $0.28 per diluted share, excluding restructuring and reorganization charges and goodwill amortization, on sales of $660.8 million compared to $0.05 per diluted share and sales of $634.4 million a year ago. Earnings were above consensus analyst estimates of $0.27 per share.

Earnings before interest and taxes (EBIT) increased 91 percent to $34.5 million in the second quarter from $18.1 million a year ago, as margins rose to 5.2 percent from 2.8 percent last year.

"The path we have taken for the last 18 months continues to strengthen our financial performance," said W.R. Timken, Jr., chairman and chief executive officer. "While we are benefiting from ongoing strength in the automotive industry, we also are deriving strength from internal performance in terms of increasing productivity and manufacturing efficiencies. Indeed, although certain of our industrial markets continue to lag, we expect to continue realizing gains from our manufacturing strategy work and cost reduction efforts."

Including the special charges, the company reported second quarter net income of $4.0 million or $0.07 per diluted share versus a net loss last year of $14.6 million or a loss of $0.24 per share.

The company's restructuring initiatives have achieved an annualized savings rate of $58 million and are on target to produce an annualized savings rate of $80 million by the end of 2002. The company has reduced employment by nearly 2,000 positions since the beginning of 2001 -- with about 1,100 resulting from these initiatives and the remainder due to economic conditions.

Despite similar sales performance in the first six months, net income excluding special items more than doubled from a year ago to $30.7 million or $0.51 per diluted share from $13.9 million or $0.23 per diluted share. Including special items, the company had net income of $13.1 million or $0.22 per diluted share in the first half of 2002 versus a loss of $12.4 million or a loss of $0.21 per diluted share a year ago.

The following segment results exclude restructuring and reorganization charges and goodwill amortization.

Automotive Bearings' Results

Automotive second-quarter EBIT was $3.7 million compared to $0.1 million a year ago. Results in the second quarter were helped by increased volume, the impact of the company's ongoing manufacturing restructuring and administrative cost reductions. Automotive performance would have been even stronger except for currency exchange losses, constrained capacity due to moving equipment between facilities as a result of the manufacturing restructuring and one-time costs incurred with the addition of new aftermarket distributors.

Sales in the second quarter increased 12 percent to $219.2 million from $195.0 million a year ago due to continued strong demand in North America, including new platform launches designed with Timken bearings. Sales outside North America were up slightly.

For the first half, EBIT was $19.0 million on sales of $422.9 million compared to a loss of $1.5 million in 2001 on sales of $389.2 million.

Late in the quarter, the Automotive Business formed a joint venture in the U.S. with two Japanese companies for producing hot forged and machined rings for high-volume bearing manufacture. The joint venture will acquire the assets of Timken's Winchester, Kentucky plant, supporting the company's manufacturing strategy to reduce asset intensity.

Industrial Bearings' Results

Second quarter EBIT in Industrial was $16.3 million versus $11.3 million last year. Volume improvement, the impact of the restructuring and administrative cost reductions accounted for the increase.

General industrial markets strengthened, but were offset by weaker demand in aerospace and rail sectors. Second quarter sales of industrial bearings were up slightly to $228.1 million compared to $221.9 million a year ago.

In the first half, EBIT was $19.6 million on sales of $441.0 million versus $27.9 million on sales of $463.9 million in the first half of 2001.

At the end of the quarter, the Industrial Business sold the Ashland, Ohio, tooling plant as part of the manufacturing restructuring.

Steel Business Results

Despite flat sales, the Steel Business significantly improved EBIT as a result of tight cost controls and increased productivity. EBIT was $14.6 million versus $7.0 million in last year's second quarter. Steel's second quarter net sales, including intersegment sales, were $255.4 million -- about even with the second quarter of last year. Robust sales to the automotive sector and increased market share were offset by declining sales to other sectors.

For the first half, Steel's EBIT was $26.7 million in the first half of 2002 on sales of $493.7 million versus $18.1 million on sales of $522.2 million for the first half of 2001.

Outlook

"Industrial activity in the second half of this year should be stronger than last year's second half, but the industrial recovery is proceeding slowly. We haven't yet begun to see appreciable improvement in many industrial segments. We continue to experience a strong automotive sector, although we expect some seasonal adjustment in the second half," said W .R. Timken, Jr. "Results exceeded our expectations for the first six months and were well ahead of last year, and operating improvements will continue to drive our performance. We foresee a much stronger second half performance for The Timken Company than last year."

The Timken Company (NYSE: TKR) (http://www.timken.com) is a leading international manufacturer of highly engineered bearings, alloy and specialty steels and components, as well as a provider of related products and services. With operations in 24 countries, the company employs about 18,500 people worldwide and reported 2001 sales of U.S. $2.4 billion.

The company will conduct a teleconference on Thursday, July 18 at 1 p.m. Eastern Time on its second quarter earnings. Dial 706-634-0975 (reference Timken) or link to http://www.timken.com for the Web cast. Replay will be available at 706-645-9291, beginning at 4 p.m. Eastern Time, July 18 through 11:59 p.m. Eastern Time, July 26, 2002. Access Code 4717573.

NOTE: Certain statements in this news release (including statements regarding the company's forecasts, beliefs and expectations) that are not historical in nature are "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. The company cautions that actual results may differ materially from those projected or implied in forward-looking statements due to a variety of important factors, including general economic conditions, customer demand and the company's ability to achieve the benefits of its ongoing restructuring programs. These and additional factors are described in greater detail in the company's 2001 Annual Report, page 39, the Annual Report on Form 10-K for the year ended December 31, 2001 and the Form 10-Q for the quarterly period ended March 31, 2002. The company undertakes no obligation to update or revise any forward-looking statement.

CONSOLIDATED STATEMENT OF INCOME AS REPORTED
(Thousands of U.S. dollars, except share data)

	2Q 02	2Q 01	Six Months 02	Six Months 01
Net sales	$660,829	$634,389	$1,276,586	$1,295,905
Cost of products sold	533,746	521,686	1,028,562	1,060,042
Goodwill amortization	0	1,535	0	3,079
Reorganization expenses - cost of products sold	2,782	85	5,081	3,687
Gross Profit	$124,301	$111,083	$242,943	$229,097
Selling, administrative & general expenses (SG&A)	90,965	92,939	174,213	188,504
Reorganization expenses - SG&A	2,040	350	4,784	1,323
Impairment and restructuring	14,226	16,859	17,283	24,766
Operating Income	$17,070	$935	$46,663	$14,504
Other income (expense)	(1,607)	(1,685)	(9,075)	(2,895)
Earnings Before Interest and Taxes (EBIT)	$15,463	($750)	$37,588	$11,609
Interest expense	(7,889)	(8,487)	(15,924)	(17,381)
Interest income	317	608	697	1,097
Income Before Income Taxes	$7,891	($8,629)	$22,361	($4,675)
Provision for income taxes	3,931	5,945	9,213	7,677
Net (Loss) Income	$3,960	($14,574)	$13,148	($12,352)
Earnings Per Share	$0.07	($0.24)	$0.22	($0.21)
Earnings Per Share- assuming dilution	$0.07	($0.24)	$0.22	($0.21)
Average Shares Outstanding	60,239,065	60,015,025	60,092,322	59,999,194
Average Shares Outstanding -assuming dilution	61,038,029	60,276,721	60,732,056	60,200,827

CONSOLIDATED STATEMENT OF INCOME ADJUSTED (1)
(Thousands of U.S. dollars, except share data)

	2Q 02	2Q 01	Six Months 02	Six Months 01
Net sales	$660,829	$634,389	$1,276,586	$1,295,905

Cost of products sold	533,746	521,686	1,028,562	1,060,042
Goodwill amortization	0	0	0	0
Reorganization expenses - cost of products sold	0	0	0	0
Gross Profit	$127,083	$112,703	$248,024	$235,863
Selling, administrative & general expenses (SG&A)	90,965	92,939	174,213	188,504
Reorganization expenses - SG&A	0	0	0	0
Impairment and restructuring	0	0	0	0
Operating Income	$36,118	$19,764	$73,811	$47,359
Other income (expense)	(1,607)	(1,685)	(9,075)	(2,895)
Earnings Before Interest and Taxes (EBIT)	$34,511	$18,079	$64,736	$44,464
Interest expense	(7,889)	(8,487)	(15,924)	(17,381)
Interest income	317	608	697	1,097
Income Before Income Taxes	$26,939	$10,200	$49,509	$28,180
Provision for income taxes	10,116	7,163	18,763	14,304
Net (Loss) Income	$16,823	$3,037	$30,746	$13,876
Earnings Per Share	$0.28	$0.05	$0.51	$0.23
Earnings Per Share-assuming dilution	$0.28	$0.05	$0.51	$0.23
Average Shares Outstanding	60,239,065	60,015,025	60,092,322	59,999,194
Average Shares Outstanding -assuming dilution	61,038,029	60,276,721	60,732,056	60,200,827

(1) "Adjusted" statements exclude the impact of restructuring and reorganization charges for all quarters shown and elimination of goodwill amortization in 2001.

BUSINESS SEGMENTS	AS REPORTED			
(Thousands of U.S. dollars)	2Q 02	2Q 01	Six Months 02	Six Months 01
Automotive Bearings				
Net sales to external customers	$219,177	$194,986	$422,873	$389,243
Impairment and restructuring	12,529	179	14,461	261
Reorganization expenses	2,931	138	5,074	432
Goodwill amortization	0	23	0	46
Earnings before interest and taxes (EBIT) *	($11,776)	($220)	($563)	($2,206)
EBIT Margin	-5.4%	-0.1%	-0.1%	-0.6%
Industrial Bearings				
Net sales to external customers	$228,058	$221,917	$440,998	$463,911
Impairment and restructuring	1,940	16,309	2,896	23,702
Reorganization expenses	1,891	297	4,791	3,556
Goodwill amortization	0	1,204	0	2,412
Earnings before interest and taxes (EBIT) *	$12,510	($6,538)	$11,904	($1,764)
EBIT Margin	5.5%	-2.9%	2.7%	-0.4%
Steel				
Net sales to external customers	$213,594	$217,486	$412,715	$442,751
Intersegment sales	41,759	37,000	81,032	79,477
Total net sales	$255,353	$254,486	$493,747	$522,228
Impairment and restructuring	(243)	371	(74)	803
Reorganization expenses	0	0	0	1,023

Goodwill amortization	0	308	0	621
Earnings before interest and taxes (EBIT) *	$14,811	$6,329	$26,761	$15,611
EBIT Margin	5.8%	2.5%	5.4%	3.0%

* Automotive Bearings, Industrial Bearings and Steel EBIT do not equal Consolidated EBIT due to intersegment adjustments which are eliminated upon consolidation.

BUSINESS SEGMENTS		ADJUSTED (1)		
(Thousands of U.S. dollars)	2Q 02	2Q 01	Six Months 02	Six Months 01
Automotive Bearings				
Net sales to external customers	$219,177	$194,986	$422,873	$389,243
Impairment and restructuring	0	0	0	0
Reorganization expenses	0	0	0	0
Goodwill amortization	0	0	0	0
Earnings before interest and taxes (EBIT) *	$3,684	$120	$18,972	($1,467)
EBIT Margin	1.7%	0.1%	4.5%	-0.4%
Industrial Bearings				
Net sales to external customers	$228,058	$221,917	$440,998	$463,911
Impairment and restructuring	0	0	0	0
Reorganization expenses	0	0	0	0
Goodwill amortization	0	0	0	0
Earnings before interest and taxes (EBIT) *	$16,341	$11,272	$19,591	$27,906
EBIT Margin	7.2%	5.1%	4.4%	6.0%
Steel				
Net sales to external customers	$213,594	$217,486	$412,715	$442,751
Intersegment sales	41,759	37,000	81,032	79,477
Total net sales	$255,353	$254,486	$493,747	$522,228
Impairment and restructuring	0	0	0	0
Reorganization expenses	0	0	0	0
Goodwill amortization	0	0	0	0
Earnings before interest and taxes (EBIT) *	$14,568	$7,008	$26,687	$18,058
EBIT Margin	5.7%	2.8%	5.4%	3.5%

* Automotive Bearings, Industrial Bearings and Steel EBIT do not equal Consolidated EBIT due to intersegment adjustments which are eliminated upon consolidation.

(1) "Adjusted" statements exclude the impact of restructuring and reorganization charges for all quarters shown and elimination of goodwill amortization in 2001.

CONSOLIDATED STATEMENT OF CASH FLOWS	For the six months ended	
	June 31	June 31
(Thousands of U.S. dollars)	2002	2001
Cash Provided (Used)		
OPERATING ACTIVITIES		
Net Income (Loss)	$13,148	($12,352)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	73,855	76,221

Provision (credit) for deferred income taxes	24,033	(937)
Stock issued in lieu of cash to employee benefit plans	5,416	1,030
Non-cash impact of impairment and restructuring charges	(9,071)	20,761
Changes in operating assets and liabilities:		
Accounts receivable	(69,329)	(40,004)
Inventories	(23,465)	14,065
Other assets	(17,304)	(24,259)
Accounts payable and accrued expenses	27,243	(6,756)
Foreign currency translation	3,732	3,724
Net Cash Provided by Operating Activities	$28,258	$31,493
INVESTING ACTIVITIES		
Purchases of property, plant and equipment, net	(20,627)	(39,973)
Acquisitions	(6,751)	(1,170)
Net Cash Used by Investing Activities	($27,378)	($41,143)
FINANCING ACTIVITIES		
Cash dividends paid to shareholders	(15,640)	(21,602)
Payments on long-term debt	(1,423)	(992)
Proceeds from issuance of long-term debt	0	18
Short-term debt activity - net	13,106	38,058
Net Cash (Used) Provided by Financing Activities	($3,957)	$15,482
Effect of exchange rate changes on cash	779	(1,107)
(Decrease) Increase in Cash and Cash Equivalents	(2,298)	4,725
Cash and Cash Equivalents at Beginning of Period	$33,392	$10,927
Cash and Cash Equivalents at End of Period	$31,094	$15,652

CONSOLIDATED BALANCE SHEET (Thousands of U.S. dollars)	June 30 2002	Dec 31 2001
ASSETS		
Cash & cash equivalents	$31,094	$33,392
Accounts receivable	382,943	307,759
Refundable income taxes	14,208	15,103
Deferred income taxes	43,964	42,895
Inventories	458,793	429,231
Total Current Assets	$931,002	$828,380
Property, plant & equipment	1,264,026	1,305,345
Other assets	408,036	399,359
Total Assets	$2,603,064	$2,533,084
LIABILITIES		
Accounts payable & other liabilities	$296,415	$258,001
Short-term debt & commercial paper	148,800	128,864
Accrued expenses	274,811	254,291
Total Current Liabilities	$720,026	$641,156
Long-term debt	367,996	368,151
Accrued pension cost	290,380	317,297
Accrued postretirement benefits	411,656	406,568
Deferred income taxes	0	0
Other non-current liabilities	23,782	18,177
Total Liabilities	$1,813,840	$1,751,349

SHAREHOLDERS' EQUITY	789,224	781,735
Total Liabilities and Shareholders' Equity	$2,603,064	$2,533,084

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

THE TIMKEN COMPANY

By: /s/ Glenn A. Eisenberg

Glenn A. Eisenberg
Executive Vice President -
Finance & Administration

Dated: July 19, 2002