

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

FORM 10-Q

(MARK ONE)

—
☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD
ENDED JUNE 30, 2002, OR
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD
FROM _____ TO _____

COMMISSION FILE NO. 0-3134

PARK OHIO HOLDINGS CORP.
(Exact name of registrant as specified in its charter)

OHIO 34-1867219

(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

23000 EUCLID AVENUE, CLEVELAND, OHIO 44117

(Address of principal executive offices) (Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: 216/692-7200
PARK OHIO HOLDINGS CORP. IS A SUCCESSOR ISSUER TO PARK OHIO INDUSTRIES, INC.

Indicate by check mark whether the registrant:

(1) Has filed all reports required to be filed by Section 13 or 15(d) of
the Securities Exchange Act of 1934 during the preceding twelve months
(or for such shorter period that the registrant was required to file
such reports):

and

(2) Has been subject to such filing requirements for the past 90 days.

YES ☒ NO ☐

Number of shares outstanding of registrant's Common Stock, par value \$1.00 per
share, as of July 31, 2002: 10,496,191.

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PARK OHIO HOLDINGS CORP. AND SUBSIDIARIES

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~~PARK OHIO HOLDINGS CORP. AND SUBSIDIARIES~~

~~CONSOLIDATED BALANCE SHEETS~~

(UNAUDITED)
JUNE 30 DECEMBER 31
2002 2001

(DOLLARS IN THOUSANDS)

ASSETS		
Current Assets		
Cash and cash equivalents.....	\$ 8,590	\$ 3,872
Accounts receivable, less allowances for doubtful accounts of \$2,950 at June 30, 2002 and \$2,680 at December 31, 2001.....	109,102	99,241
Inventories.....	149,617	151,463
Other current assets.....	22,180	23,108
Total Current Assets.....	289,489	277,684
Property, Plant and Equipment.....	222,331	214,480
Less accumulated depreciation.....	113,735	105,155
	108,596	109,325
Other Assets		
Goodwill.....	130,263	130,263
Net assets held for sale.....	26,587	22,733
Prepaid pension and other.....	49,114	50,371
	\$604,049	\$590,376

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities

Trade accounts payable.....	\$ 79,311	\$ 65,131
Accrued expenses.....	30,670	28,482
Current portion of long term liabilities.....	2,504	3,787

Total Current Liabilities..... 112,485 97,400

Long Term Liabilities, less current portion

Long term debt.....	326,059	328,731
Other postretirement benefits.....	23,606	24,001
Other.....	15,421	15,277

365,086 368,009

Shareholders' Equity

Capital stock, par value \$1 a share:

Serial Preferred Stock.....	0	0
Common Stock.....	11,210	11,210
Additional paid in capital.....	56,135	56,135
Retained earnings.....	70,767	71,239
Treasury stock, at cost.....	(9,092)	(9,092)
Accumulated other comprehensive loss.....	(2,362)	(4,252)
Unearned compensation — restricted stock awards.....	(180)	(273)

126,478 124,967

\$604,049 \$590,376

Note: The balance sheet at December 31, 2001 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

See notes to consolidated financial statements.

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2002	2001	2002	2001
	(AMOUNTS IN THOUSANDS -- EXCEPT PER SHARE DATA)			
Net sales.....	\$166,625	\$164,162	\$320,468	\$333,573
Cost of products sold.....	142,245	139,503	274,390	281,793
Gross profit.....	24,380	24,659	46,078	51,780
Selling, general and administrative expenses.....	14,698	17,566	28,954	34,276
Amortization of goodwill.....	0	902	0	1,857
Restructuring and other non-recurring expenses.....	3,635	303	4,256	303
Operating income.....	6,047	5,888	12,868	15,344
Interest expense.....	6,959	7,847	13,639	15,800
Non-operating expenses.....	0	900	0	1,850
Loss before income taxes.....	(912)	(2,859)	(771)	(2,306)
Income tax (benefit).....	(365)	(1,326)	(299)	(1,072)
Net loss.....	\$ (547)	\$ (1,533)	\$ (472)	\$ (1,234)
Net loss per common share:				
Basic.....	\$ (.05)	\$ (.15)	\$ (.05)	\$ (.12)
Diluted.....	\$ (.05)	\$ (.15)	\$ (.05)	\$ (.12)
Common shares used in the computation:				
Basic.....	10,434	10,434	10,434	10,434
Diluted.....	10,434	10,434	10,434	10,434

See notes to consolidated financial statements.

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PARK OHIO HOLDINGS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (UNAUDITED)

	COMMON STOCK	PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK	COMPREHENSIVE INCOME (LOSS)	ACCUMULATED OTHER UNEARNED COMPENSATION	TOTAL
	(DOLLARS IN THOUSANDS)						
Balance January 1, 2002....	\$11,210	\$56,135	\$71,239	\$(9,092)	\$(4,252)	\$(273)	\$124,967
Comprehensive income							
— (loss):							
Net loss.....			(472)				(472)
— Foreign currency							
— translation							
adjustment.....					1,890		1,890
— Comprehensive income							
(loss).....							1,418
Amortization of restricted							
stock.....						93	93
Balance June 30, 2002.....	\$11,210	\$56,135	\$70,767	\$(9,092)	\$(2,362)	\$(180)	\$126,478

See notes to consolidated financial statements.

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PARK OHIO HOLDINGS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	SIX MONTHS ENDED JUNE 30	
	2002	2001
	(DOLLARS IN THOUSANDS)	
OPERATING ACTIVITIES		
Net loss.....	\$ (472)	\$ (1,234)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation and amortization.....	8,474	10,049
Changes in operating assets and liabilities:		
Accounts receivable.....	(9,861)	2,745
Inventories and other current assets.....	2,774	2,709
Accounts payable and accrued expenses.....	16,367	(15,512)
Other.....	(3,812)	(7,970)
Net Cash Provided (Used) by Operating Activities.....	13,470	(9,213)
INVESTING ACTIVITIES		
Purchases of property, plant and equipment, net.....	(7,282)	(7,817)
Proceeds from sale of Castle Rubber.....	2,486	0
Net Cash Used by Investing Activities.....	(4,796)	(7,817)
FINANCING ACTIVITIES		
Proceeds from bank arrangements.....	1,510	19,000
Payments on debt.....	(5,466)	(3,107)
Net Cash (Used) Provided by Financing Activities.....	(3,956)	15,893
Increase (Decrease) in Cash and Cash Equivalents.....	4,718	(1,137)
Cash and Cash Equivalents at Beginning of Period.....	3,872	2,612
Cash and Cash Equivalents at End of Period.....	\$ 8,590	\$ 1,475
Taxes refunded.....	\$ (4,639)	\$ (1,641)
Interest paid.....	12,827	15,263

See notes to consolidated financial statements.

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PARK OHIO HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

JUNE 30, 2002

(AMOUNTS IN THOUSANDS — EXCEPT PER SHARE DATA)

NOTE A — BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Park Ohio Holdings Corp. and its subsidiaries ("the Company"). All significant intercompany transactions have been eliminated in consolidation.

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month and six month periods ended June 30, 2002 are not necessarily indicative of the results that may be expected for the year ending December 31, 2002. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2001.

Certain amounts have been reclassified to conform to current year presentation.

NOTE B — DISPOSITIONS

On December 21, 2001, the Company completed the sale of substantially all

of the assets of Cleveland City Forge for cash of approximately \$6.1 million. Cleveland City Forge was a non-core business in the Manufactured Products Segment, producing clevises and turnbuckles for the construction industry.

On April 26, 2002, the Company completed the sale of substantially all of the assets of Castle Rubber Company for cash of approximately \$2.5 million. Castle Rubber, a non-core business in the Manufactured Products Segment, had been identified as a business the Company was discontinuing as part of its restructuring activities during 2001.

NOTE C INVENTORIES

The components of inventory consist of the following:

	JUNE 30 2002	DECEMBER 31 2001
	-----	-----
In process and finished goods.....	\$135,268	\$137,021
Raw materials and supplies.....	14,349	14,442
	-----	-----
	\$149,617	\$151,463
	-----	-----

NOTE D SHAREHOLDERS' EQUITY

At June 30, 2002, capital stock consists of (i) Serial Preferred Stock of which 632,470 shares were authorized and none were issued and (ii) Common Stock of which 40,000,000 shares were authorized and 10,496,191 shares were issued and outstanding.

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PARK OHIO HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) CONTINUED

NOTE E NET LOSS PER COMMON SHARE

The following table sets forth the computation of basic and diluted net loss per share:

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	-----	-----	-----	-----
	2002	2001	2002	2001
	-----	-----	-----	-----
NUMERATOR				
Net loss.....	\$ (547)	\$ (1,533)	\$ (472)	\$ (1,234)
	-----	-----	-----	-----
DENOMINATOR				
Denominator for basic earnings per				
share-weighted average shares.....	10,434	10,434	10,434	10,434
Effect of dilutive securities:				
Employee stock options and awards.....	0 (a)	0 (a)	0 (a)	0 (a)
	-----	-----	-----	-----
Denominator for diluted earnings per				
share-adjusted weighted average shares				
and assumed conversions.....	10,434	10,434	10,434	10,434
	-----	-----	-----	-----
Net loss per common share basic.....	\$ (.05)	\$ (.15)	\$ (.05)	\$ (.12)
	-----	-----	-----	-----
Net loss per common share diluted.....	\$ (.05)	\$ (.15)	\$ (.05)	\$ (.12)
	-----	-----	-----	-----

(a) The addition of 501 and 22 shares for the three months ended June 30, 2002 and 2001, respectively, and 439 and 22 shares for the six months ended June 30, 2002 and 2001, respectively, would result in anti-dilution.

NOTE F ACCOUNTING PRONOUNCEMENTS

The Company adopted Financial Accounting Standard No. 142 "Goodwill and

Other Intangible Assets" ("FAS 142") as of January 1, 2002. Under FAS 142, the Company no longer amortizes goodwill, but is required to review goodwill for impairment annually, or more frequently if impairment indicators arise.

In accordance with FAS 142, prior period amounts were not restated. A reconciliation of the previously reported net income (loss) and earnings (loss) per share for the three months and six months ended June 30, 2001 to the amounts adjusted for the reduction of amortization expense is as follows:

	THREE MONTHS ENDED JUNE 30, 2001			SIX MONTHS ENDED JUNE 30, 2001		
	NET INCOME (LOSS)	BASIC EARNINGS (LOSS) PER SHARE	DILUTED EARNINGS (LOSS) PER SHARE	NET INCOME (LOSS)	BASIC EARNINGS (LOSS) PER SHARE	DILUTED EARNINGS (LOSS) PER SHARE
Reported.....	\$ (1,533)	\$ (.15)	\$ (.15)	\$ (1,234)	\$ (.12)	\$ (.12)
Add: Amortization adjustment...	902	.09	.09	1,857	.18	.18
Adjusted.....	\$ (631)	\$ (.06)	\$ (.06)	\$ 623	\$.06	\$.06

Pursuant to the adoption of FAS 142, the Company has completed the initial valuation analysis required by the transitional goodwill impairment tests which indicates that the fair value of each of the Company's three reporting units as of January 1, 2002 was less than the carrying value for financial reporting purposes and that up to \$50 million of goodwill is impaired. Once the transitional impairment tests have been completed, the related non-cash impairment charge will be recorded by December 31, 2002 and reflected as a cumulative

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PARK OHIO HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) CONTINUED

effect of a change in accounting principle. This non-cash transitional impairment charge will have no effect on the future operating results of the company.

In October 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("FAS 144"), which supercedes FAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of". Although retaining many of the fundamental impairment and measurement provisions of FAS 121, the new rules supercede the provisions of APB Opinion 30 with regard to reporting the effects of a disposal of a segment of a business. The adoption of this standard by the Company on January 1, 2002 did not impact the Company's financial position, results of operations or cash flows.

In April 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections," ("FAS 145"). FAS 145 rescinds FAS 4 and FAS 64 related to classification of gains and losses on debt extinguishment such that most debt extinguishment gains and losses will no longer be classified as extraordinary. FAS 145 also amends FAS 13 with respect to sales leaseback transactions. The Company adopted the provisions of FAS 145 effective April 1, 2002, and the adoption had no impact on the Company's reported results of operations or financial position.

In June 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," ("FAS 146"), which addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (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)." FAS 146 is effective for exit and disposal activities that are initiated after December 31, 2002. It is currently the Company's policy to recognize restructuring costs as announced in December 2001 in accordance with EITF Issue No. 94-3.

NOTE G --- INDUSTRY SEGMENTS

The Company operates through three segments. Integrated Logistics Solutions ("ILS"), Aluminum Products and Manufactured Products. ILS is a leading logistics provider of production components to large, multinational manufacturing companies, other manufacturers and distributors. In connection with the supply of such production components, ILS provides a variety of value added, cost effective supply chain management services. The principal customers of ILS are in the semiconductor equipment, technology, industrial equipment, aerospace and defense, electrical controls, HVAC, heavy duty truck, vehicle parts and accessories, appliances and motors, and lawn and garden equipment industries. Aluminum Products manufactures cast aluminum components for automotive, agricultural equipment, heavy duty truck and construction equipment. Aluminum Products also provides value added services such as design and engineering, machining and assembly. Manufactured Products operates a diverse group of niche manufacturing businesses that design and manufacture a broad range of high quality products engineered for specific customer applications. The principal customers of Manufactured Products are equipment manufacturers and end users in the aerospace, automotive, railroad, truck and oil industries. Intersegment sales are immaterial.

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PARK OHIO HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) CONTINUED

Results by business segment were as follows:

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2002	2001	2002	2001
Net sales				
ILS.....	\$103,985	\$108,466	\$199,742	\$226,320
Aluminum products.....	30,028	21,300	56,503	41,958
Manufactured products.....	32,612	34,396	64,223	65,295
	\$166,625	\$164,162	\$320,468	\$333,573
Income (loss) before income taxes:				
ILS.....	\$ 4,904	\$ 6,287	\$ 10,366	\$ 16,346
Aluminum products.....	1,631	(726)	3,751	(1,135)
Manufactured products.....	612	1,968	1,168	3,080
	7,147	7,529	15,285	18,291
Corporate costs.....	(1,100)	(1,641)	(2,417)	(2,947)
Interest expense.....	(6,959)	(7,847)	(13,639)	(15,800)
Non operating expenses.....	0	(900)	0	(1,850)
	\$ (912)	\$ (2,859)	\$ (771)	\$ (2,306)

JUNE 30 DECEMBER 31
2002 2001

Identifiable assets were as follows:

ILS.....	\$318,735	\$312,288
Aluminum products.....	108,370	95,021
Manufactured products.....	153,953	139,045
General corporate.....	22,991	44,022
	\$604,049	\$590,376

NOTE H COMPREHENSIVE INCOME (LOSS)

Total comprehensive income (loss) was as follows:

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2002	2001	2002	2001
Net loss.....	\$ (547)	\$ (1,533)	\$ (472)	\$ (1,234)
Foreign currency translation.....	2,099	(127)	1,890	(1,239)
Total comprehensive income (loss).....	\$1,552	\$ (1,660)	\$1,418	\$ (2,473)

NOTE I ~~NON-OPERATING EXPENSES~~

~~In June 2000, the Company's Cicero Flexible Products plant was destroyed in a fire. In the first half of 2001, the Company expensed \$1.85 million (\$900 thousand in the second quarter) of non-recurring business interruption costs, which were not covered by insurance.~~

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~~PARK OHIO HOLDINGS CORP. AND SUBSIDIARIES~~

~~NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) CONTINUED~~

NOTE J ~~RESTRUCTURING ACTIVITIES~~

~~During 2001, the Company recorded pretax charges of \$28.5 million (of which \$6.9 million related to severance and exit costs) as a result of a restructuring plan aimed at positioning the Company for stronger profitability. The charges consisted of asset write-downs, employee termination and severance costs related to workforce reductions of approximately 525 employees, and other exit costs related to the shutdown of facilities. The Company continues to re-evaluate the asset write-down reserves and severance and exit cost liabilities, and expects to substantially complete these restructuring actions in 2002. For further details on the restructuring plan, see Note M to the audited financial statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2001.~~

~~The accrued liability balance for severance and exit costs and related cash payments consisted of:~~

Severance and exit charges recorded in 2001.....	\$6,883
Cash payments made in 2001.....	(2,731)
Balance at December 31, 2001.....	4,152
Severance and exit charges recorded in 2002.....	1,292
Cash payments made in 2002.....	(3,338)
Balance at June 30, 2002.....	\$2,106

~~As of June 30, 2002, all of the 525 employees identified in 2001 had been terminated. Severance costs related to additional work force reductions of 290 employees were recorded in the first half of 2002. The workforce reductions under the restructuring plan consisted of hourly and salaried employees at various operating facilities due to either closure or consolidation.~~

~~Net sales for Ajax Manufacturing (business held for sale) were \$3,090 and \$2,536 for the six months ended June 30, 2002 and 2001, respectively. Operating income (loss) for this entity was \$(467) and \$207 for the six months ended June 30, 2002 and 2001, respectively.~~

~~During the second quarter of 2002 the Company sold Castle Rubber for \$2.5 million and completed the closure of a manufacturing facility. The difference between the proceeds received and the carrying value of net assets sold was charged to asset write-down reserves established in 2001. Included in restructuring and other non-recurring expenses is a \$2.7 million charge for the curtailment of the two pension plans at these facilities, as determined by consulting actuaries.~~

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~~INDEPENDENT ACCOUNTANTS' REVIEW REPORT~~

~~Board of Directors and Shareholders
Park Ohio Holdings Corp.~~

~~We have reviewed the accompanying consolidated balance sheet of Park Ohio Holdings Corp. and subsidiaries as of June 30, 2002 and the related consolidated statements of operations for the three month and six month periods ended June 30, 2002 and 2001, the consolidated statement of shareholders' equity for the six month period ended June 30, 2002 and the consolidated statements of cash flows for the six month periods ended June 30, 2002 and 2001. These financial statements are the responsibility of the Company's management.~~

~~We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States, which will be performed for the full year with the objective of expressing an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.~~

~~Based upon our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States.~~

~~As discussed in Note F to the consolidated financial statements, effective January 1, 2002, the Company changed its method of accounting for goodwill.~~

~~We have previously audited, in accordance with auditing standards generally accepted in the United States, the consolidated balance sheet of Park Ohio Holdings Corp. and subsidiaries as of December 31, 2001 and the related consolidated statements of operations, shareholders' equity, and cash flows for the year then ended, not presented herein, and in our report dated March 1, 2002, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2001, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.~~

~~/s/Ernst & Young LLP~~

~~Cleveland, Ohio
August 12, 2002~~

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~~ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS
OF OPERATIONS~~

~~The consolidated financial statements of the Company include the accounts of Park Ohio Holdings Corp. and its subsidiaries. All significant intercompany transactions have been eliminated in consolidation. Financial information for the three month and six month periods ended June 30, 2002 is not directly comparable to the financial information for the same three month and six month periods in 2001, for several reasons. Effective January 1, 2002, the Company no longer amortizes goodwill. Goodwill amortization was \$955 thousand and \$902 thousand in the first and second quarters of 2001, respectively. During second quarter 2002, the Company continued its announced restructuring activities and recorded \$935 thousand of cash restructuring charges, plus \$2.7 million of pension plan curtailment charges related to the sale of Castle Rubber and closure of a manufacturing plant. In the first and second quarters of 2001, the Company expensed \$950 thousand and \$900 thousand respectively, of non-recurring business interruption costs related to a June 2000 fire, which destroyed the Company's Cicero Flexible Products plant. The Company sold substantially all the assets of Cleveland City Forge on December 21, 2001 for cash of approximately \$6.1 million. The Company sold substantially all the assets of Castle Rubber Company on April 26, 2002 for cash of approximately \$2.5 million.~~

~~OVERVIEW~~

~~The Company operates through three segments: Integrated Logistics Solutions ("ILS"), Aluminum Products and Manufactured Products. ILS is a leading logistics provider of production components to large, multinational manufacturing~~

companies, other manufacturers and distributors. In connection with the supply of such production components, ILS provides a variety of value added, cost effective supply chain management services. The principal customers of ILS are semiconductor equipment, technology, industrial equipment, aerospace and defense, electrical controls, HVAC, heavy duty truck, vehicle parts and accessories, appliances and motors and lawn and garden equipment industries. Aluminum Products manufactures cast aluminum components for automotive, agricultural equipment, heavy duty truck and construction equipment. Aluminum Products also provides value added services such as design and engineering, machining and assembly. Manufactured Products operates a diverse group of niche manufacturing businesses that design and manufacture a broad range of high quality products engineered for specific customer applications. The principal customers of Manufactured Products are original equipment manufacturers and end users in the aerospace, automotive, railroad, truck and oil industries.

— The Company's sales volumes and profitability declined during 2001, due to overall weakness in the manufacturing economy, and particularly to contraction in the heavy duty truck and automotive industries. Despite these sales declines, the Company believes it has retained or gained market share in most major markets served. The Company has responded to this economic downturn by reducing costs, increasing prices on targeted products, restructuring businesses and selling non-core manufacturing assets. Costs were reduced primarily by negotiating supplier price concessions, reducing headcount through layoffs and attrition (approximately 600 or 15% during 2001), and operating more efficiently. Despite customer pricing pressures, the Company negotiated significantly increased prices for several, particularly low margin product lines in the Aluminum Products and Manufactured Products segments. The Company restructured many of its businesses, including planned closure of twenty logistics warehouses and closure or sale of eight manufacturing plants. With regard to these actions, in 2001 the Company recorded restructuring and impairment charges of \$28.5 million before tax consisting of \$6.9 million for severance and exit costs, \$10.3 million recorded in cost of products sold, primarily to write down inventory of discontinued businesses and other product lines to fair value, and \$11.3 million for the impairment of property and equipment and other long-term assets. The Company continued to work toward the sale of non-core manufacturing assets, including the December, 2001 sale of substantially all the assets of Cleveland City Forge for cash of \$6.1 million.

— The Company's sales volume and profitability improved in the first half of 2002. Sales increased approximately \$7.2 million, or 5% in first quarter 2002 over fourth quarter 2001, and in second quarter 2002 sales increased a further \$12.8 million, or 8% over first quarter, and the company returned to profitability (excluding the non-cash pension plan curtailment charges). During first half 2002, the Company continued to

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reduce costs and restructure businesses as previously planned, including closing or consolidating four logistics warehouses, and one manufacturing plant, and selling Castle Rubber.

— On January 1, 2002 the Company adopted Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets" ("FAS 142"). Under FAS 142, goodwill and intangible assets with indefinite lives are no longer amortized, but are reviewed for impairment annually, or more frequently if impairment indicators arise.

— Pursuant to FAS 142, the Company has completed the initial valuation analysis required by the transitional goodwill impairment tests which indicates that the fair value of each of the Company's three reporting units as of January 1, 2002 (the bottom of the economic cycle) was less than the carrying value for financial reporting purposes and that up to \$50 million of the goodwill is impaired. Once the transitional impairment tests have been completed, the related non-cash impairment charge will be recorded by December 31, 2002, and reflected as the cumulative effect of a change in accounting principle. This non-cash transitional impairment charge will have no effect on the future operating results of the Company.

RESULTS OF OPERATIONS

First Half 2002 versus First Half 2001

— Net sales declined by \$13.1 million, or 4%, from \$333.6 million in first half 2001 to \$320.5 million in 2002. ILS net sales declined 12%, or \$26.6 million, due primarily to shrinkage in heavy truck and other customer industries. Aluminum Products net sales increased 35%, or \$14.5 million. This increase included \$7.7 million in new production contracts and \$8.5 million from higher volumes and price increases in ongoing contracts, partially offset by a

~~\$1.7 million decrease relating to the ending of certain production contracts. Manufactured Products net sales decreased 2%, or \$1.1 million, primarily due to the sale of Cleveland City Forge and Castle Rubber.~~

~~———— Gross profit declined by \$5.7 million, or 11%, to \$46.1 million for first half 2002, from \$51.8 million for first half 2001, and the Company's gross margin declined to approximately 14.4% for first half 2002, from 15.5% for first half 2001. ILS gross margin declined despite cost reductions, primarily due to the absorption of fixed operational overheads over a smaller sales base. Aluminum Products gross margins increased significantly, due to the absorption of fixed manufacturing overheads over a larger production base, cost reductions and higher margins on new contracts. Gross margins in the Manufactured Products segment decreased primarily due to pricing pressure and the divestiture of the high margin sales of Cleveland City Forge.~~

~~———— Selling, general and administrative expenses ("SG&A") decreased by 15% or \$5.3 million, to \$29.0 million for first half 2002 from \$34.3 million for the same period in 2001. SG&A decreased through cost reductions in the ILS and Manufactured Products segments, offset by a small increase in the Aluminum Products segment. Manufactured Products SG&A was reduced by \$.7 million in first half 2002 due to the sale of Cleveland City Forge and Castle Rubber. During the first half of 2002, SG&A was negatively affected by a decrease of \$.6 million in net pension credits, reflecting less favorable investment returns on pension plan assets. Consolidated SG&A expenses as a percentage of net sales were 9.0% for first half 2002 as compared to 10.3% for first half 2001. Amortization of goodwill (reported separately from SG&A for clarity) has been eliminated in 2002, in accordance with FAS 142, eliminating \$1.9 million of first half expenses.~~

~~———— Interest expense decreased \$2.2 million from \$15.8 million in first half 2001 to \$13.6 million in first half 2002 due to lower average debt outstanding and lower average interest rates in 2002. During the first six months of 2002, the Company averaged outstanding borrowings of \$333.8 million as compared to \$357.7 million for the corresponding period of the prior year. The \$23.9 million decrease related primarily to lower working capital levels in ongoing units and cash from the sale of Cleveland City Forge and Castle Rubber. The average interest rate of 8.17% for the current half was 67 basis points lower than the average rate of 8.84% for first half 2001, primarily due to decreased rates on the Company's revolving credit facility.~~

~~———— The effective income tax rate for the six month period ended June 30, 2002 was 39%, compared to 46% for the corresponding period in 2001. The rate for 2001 was negatively impacted by the amortization of goodwill, which is not deductible for income tax purposes.~~

Second Quarter 2002 versus Second Quarter 2001

~~———— Net sales grew by \$2.4 million, or 2%, from \$164.2 million in second quarter 2001 to \$166.6 million in 2002. ILS net sales declined 4%, or \$4.5 million, due primarily to shrinkage in heavy truck and other customer industries. Aluminum Products net sales increased 41%, or \$8.7 million. This increase included \$5.1 million in new production contracts and \$4.9 million from higher volumes and price increases in ongoing contracts, partially offset by a \$1.3 million decrease relating to the ending of certain production contracts. Manufactured Products net sales decreased 5%, or \$1.8 million, primarily due to the sale of Cleveland City Forge and Castle Rubber.~~

~~———— Gross profit declined by \$.2 million, or 1%, to \$24.4 million for second quarter 2002, from \$24.6 million for second quarter 2001, and the Company's gross margin declined to approximately 14.6% for second quarter 2002, from 15.0% for second quarter 2001. ILS gross margin declined slightly despite cost reductions, primarily due to reduced volumes resulting in the absorption of fixed operational overheads over a smaller sales base. Aluminum Products gross margins increased significantly, due to the absorption of fixed manufacturing overheads over a larger production base, cost reductions and higher margins on new contracts. Gross margins in the Manufactured Products segment decreased primarily due to pricing pressure and the divestiture of the high margin sales of Cleveland City Forge.~~

~~———— Selling, general and administrative expenses ("SG&A") decreased by 16% or \$2.9 million, to \$14.7 million for second quarter 2002 from \$17.6 million for the same period in 2001. SG&A decreased through cost reductions in the ILS and Manufactured Products segments, offset by a small increase in the Aluminum Products segment. Manufactured Products SG&A was reduced by \$.5 million in second quarter 2002 due to the sales of Cleveland City Forge and Castle Rubber. During the first quarter of 2002, SG&A was negatively affected by a decrease of \$.3 million in net pension credits, reflecting less favorable investment returns~~

on pension plan assets. Consolidated SG&A expenses as a percentage of net sales were 8.8% for second quarter 2002 as compared to 10.7% for second quarter 2001. Amortization of goodwill (reported separately from SG&A for clarity) has been eliminated in 2002, in accordance with FAS 142, eliminating \$.9 million of second quarter expenses.

Interest expense decreased \$.8 million from \$7.8 million in second quarter 2001 to \$7.0 million in second quarter 2002 due to lower average debt outstanding and lower average interest rates in 2002. During second quarter 2002, the Company averaged outstanding borrowings of \$329.7 million as compared to \$359.4 million for the corresponding period of the prior year. The \$29.7 million decrease related primarily to lower working capital levels in ongoing units and cash from the sale of Cleveland City Forge and Castle Rubber. The average interest rate of 8.44% for the current quarter was 29 basis points lower than the average rate of 8.73% for second quarter 2001, primarily due to decreased rates on the Company's revolving credit facility.

The effective income tax rate for the three month period ended June 30, 2002 was 40%, compared to 46% for the corresponding period in 2001. The rate for 2001 was negatively impacted by the amortization of goodwill, which is not deductible for income tax purposes.

LIQUIDITY AND SOURCES OF CAPITAL

The Company's liquidity needs are primarily for working capital and capital expenditures. The Company's primary sources of liquidity have been funds provided by operations and funds available from existing bank credit arrangements and the sale of Senior Subordinated Notes. The Company is party to a credit and security agreement dated December 21, 2000, as amended ("Credit Agreement"), with a group of banks under which it may borrow up to \$180 million secured by substantially all the assets of the Company. The proceeds from the Credit Agreement, which expires on December 31, 2003, will be used for general corporate purposes. Amounts borrowed under the Credit Agreement may be borrowed at Park Ohio's election at either (i) the bank's prime lending rate plus up to 50-150 basis points or (ii) LIBOR plus 275-350 basis points. The Company's ability to select LIBOR-based interest and the interest rate are dependent on the Company's ratio of senior funded indebtedness to EBITDA, as defined in the credit agreement. As of June 30, 2002, the Company was limited to prime based borrowings (5.75% at that date) and \$121.0 million was outstanding under the facility.

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The Credit Agreement currently provides for a detailed borrowing base formula to be developed in 2002. This borrowing base formula will provide borrowing capacity to the Company based on negotiated percentages of eligible accounts receivable, inventory and fixed assets. The minimum borrowing capacity at the implementation date of the detailed borrowing base will be at least 10% greater than borrowings on that date. Until the implementation date, borrowings are limited to \$160 million.

Current financial resources (working capital and available bank borrowing arrangements) and anticipated funds from operations are expected to be adequate to meet current cash requirements. The future availability of bank borrowings is based on the Company's ability to meet various financial covenants, which could be materially impacted in the event of a renewal of negative economic trends. Failure to meet financial covenants could materially impact the availability and interest rate of future borrowings. At June 30, 2002, the Company is in compliance with all financial covenants under the Credit Agreement.

The ratio of current assets to current liabilities was 2.57 at June 30, 2002 versus 2.85 at December 31, 2001. Working capital decreased by \$3.3 million to \$177.0 million at June 30, 2002 from \$180.3 million at December 31, 2001.

During the first six months of 2002, the Company provided \$13.5 million from operating activities as compared to using \$9.2 million in the first six months of 2001. During first half 2002, the Company invested \$7.3 million in capital expenditures and received \$2.5 million from the sale of Castle Rubber. These activities, less a net pay down of borrowings of \$4.0 million, resulted in an increase in cash during first half 2002 of \$4.7 million.

SEASONALITY, VARIABILITY OF OPERATING RESULTS

The Company's results of operations are typically stronger in the first six months rather than the last six months of each calendar year due to scheduled plant maintenance in the third quarter to coincide with customer plant shutdowns and to holidays in the fourth quarter.

The timing of orders placed by the Company's customers has varied with,

among other factors, orders for customers' finished goods, customer production schedules, competitive conditions and general economic conditions. The variability of the level and timing of orders has, from time to time, resulted in significant periodic and quarterly fluctuations in the operations of the Company's business units. Such variability is particularly evident at the capital equipment businesses, included in the Manufactured Products segment, which typically ship a few large systems per year.

FORWARD-LOOKING STATEMENTS

— This Form 10-Q contains certain statements that are "forward looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Certain statements in this Management's Discussion and Analysis of Financial Condition and Results of Operations contain forward-looking statements, including without limitation, discussion regarding the Company's anticipated amounts of restructuring charges, credit availability, levels and funding of capital expenditures and trends for the remainder of 2002. Forward looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside our control, which could cause actual results to differ materially from such statements. These uncertainties and other factors include such things as: general business conditions, competitive factors, including pricing pressures and product innovation and quality; raw material availability and pricing; changes in our relationships with customers and suppliers; the ability of the Company to successfully integrate recent and future acquisitions into its existing operations; changes in general domestic economic conditions such as inflation rates, interest rates, foreign currency exchange rates; tax rates and adverse impacts to us, our suppliers and customers from acts of terrorism or hostilities; our ability to meet various covenants, including financial covenants, contained in our credit agreement and the indenture governing the Senior Subordinated Notes; increasingly stringent domestic and foreign governmental regulations including those affecting the environment; inherent uncertainties involved in assessing our potential liability for environmental remediation related activities; the outcome of pending and future litigation and other claims; dependence on the automotive and heavy truck industries; dependence on key management; and

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dependence on information systems. Any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise. In light of these and other uncertainties, the inclusion of a forward looking statement herein should not be regarded as a representation by us that the our plans and objectives will be achieved.

REVIEW BY INDEPENDENT ACCOUNTANTS

— The consolidated financial statements at June 30, 2002, and for the three month and six month periods ended June 30, 2002 and 2001, have been reviewed, prior to filing, by Ernst & Young LLP, the Company's independent accountants, and their report is included herein.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

— The Company is exposed to market risk including changes in interest rates. The Company is subject to interest rate risk on its floating rate revolving credit facility which consisted of borrowings of \$121 million at June 30, 2002. A 100 basis point increase in the interest rate would have resulted in an increase in interest expense of approximately \$.6 million during the six month period ended June 30, 2002.

— The Company's foreign subsidiaries generally conduct business in local currencies. During the first half of 2002, the Company recorded a favorable foreign currency translation adjustment of \$1.9 million related to net assets located outside the United States. This foreign currency translation adjustment resulted primarily from the weakening of the United States dollar in relation to the Canadian dollar and the euro. Our foreign operations are also subject to other customary risks of operating in a global environment, such as unstable political situations, the effect of local laws and taxes, tariff increases and regulations and requirements for export licenses, the potential imposition of trade or foreign exchange restrictions and transportation delays.

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PART II

OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

~~The Company held its annual meeting of stockholders on May 23, 2002. The stockholders approved the election of three directors to serve until the annual meeting of stockholders in the year 2005. The votes cast for each nominee were as follows:~~

	FOR -----	WITHHELD -----
Edward F. Crawford.....	9,878,116	618,075
Kevin R. Greene.....	9,887,696	608,495
Ronna Romney.....	9,865,030	631,161

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

~~The following exhibits are included herein:~~

- ~~(15) Letter re: unaudited financial information~~
- ~~(99) Certification requirement under Section 906 of the Sarbanes-Oxley Act of 2002~~

~~The Company did not file any reports on Form 8-K during the three months ended June 30, 2002.~~

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SIGNATURE

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

PARK OHIO HOLDINGS CORP.

(Registrant)

By /s/ RICHARD P. ELLIOTT

Name: Richard P. Elliott
Title: Vice President and Chief
Financial Officer (Principal
Financial and Accounting
Officer)

Dated August 14, 2002

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EXHIBIT INDEX

QUARTERLY REPORT ON FORM 10-Q

PARK OHIO HOLDINGS CORP. AND SUBSIDIARIES
FOR THE QUARTER ENDED JUNE 30, 2002

EXHIBIT

- - - - -

- ~~(15) Letter re: unaudited financial information~~
- ~~(99) Certification requirement under Section 906 of the Sarbanes-Oxley Act of 2002~~

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~~EXHIBIT (15) LETTER RE: UNAUDITED FINANCIAL INFORMATION~~

~~Board of Directors and Shareholders
Park Ohio Holdings Corp.~~

~~We are aware of the incorporation by reference in the following
Registration Statements of Park Ohio Holdings Corp., for the registration of its
common stock of our report dated August 12, 2002 relating to the unaudited
consolidated interim financial statements of Park Ohio Holdings Corp., which are
included in its Form 10-Q for the quarter ended June 30, 2002.~~

REGISTRATION STATEMENT	DESCRIPTION	SHARES REGISTERED
Form S-8 (33-01047)	Individual Account Retirement Plan	1,500,000
Form S-8 (333-58161)	1998 Long-Term Incentive Plan	550,000

~~/s/ Ernst & Young LLP~~

~~Cleveland, Ohio
August 14, 2002~~

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EX-99
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195359aexv99.txt
EXHIBIT 99

~~EXHIBIT 99~~

~~CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002~~

~~In connection with the quarterly report of Park Ohio Holdings Corp. (the
"Company") on Form 10-Q for the period ended June 30, 2002, as filed with the
Securities and Exchange Commission on the date hereof (the "Report"), each of
the undersigned officers of the Company certifies, pursuant to 18 U.S.C. sec.
1350, as adopted pursuant to sec. 906 of the Sarbanes-Oxley Act of 2002, that,
to such officer's knowledge:~~

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

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

~~Dated: August 14, 2002~~

~~By /s/ EDWARD F. CRAWFORD~~

~~Name: Edward F. Crawford
Title: Chairman, Chief Executive
Officer and President~~

~~By /s/ RICHARD P. ELLIOTT~~

~~Name: Richard P. Elliott
Title: Vice President and Chief
Financial Officer~~

~~The foregoing certification is being furnished solely pursuant to 18 U.S.C.~~

~~sec. 1350 and is not being filed as part of the Report or as a separate disclosure document.~~