

TIMKEN CO

Form 10-Q

May 01, 2019

false--12-31Q120192019-03-3110-Q000009836276119662falseLarge Accelerated FilerTimken

Co.false0.01000.02800.00290.00341574400000158440000021900000165000000.270.28002000000002000000009837513598

<div style="line-height: 120%; font-size: 10pt;">Note - Property, Plant and Equipment </div><div

cellspacing="0" style="font-family: Times New

Roman; font-size: 10pt; width: 100%; border-collapse: collapse; text-align: left;"><tr><td colspan="7"

rowspan="1"></td></tr><tr><td style="width: 72%;" rowspan="1" colspan="1"></td><td style="width: 1%;" rowspan="1" colspan="1"></td><td style="width: 12%;" rowspan="1" colspan="1"></td><td style="width: 1%;" rowspan="1" colspan="1"></td><td style="width: 12%;" rowspan="1" colspan="1"></td><td style="width: 12%;" rowspan="1" colspan="1"></td></tr><tr><td style="vertical-align: bottom; border-bottom: 1px solid

#000000; padding-left: 2px; padding-top: 2px; padding-bottom: 2px; padding-right: 2px; border-top: 1px solid #000000;" rowspan="1" colspan="1"><div style="overflow: hidden; font-size: 10pt;"><font

#000000; padding-left: 2px; padding-top: 2px; padding-bottom: 2px; padding-right: 2px; border-top: 1px solid #000000;" rowspan="1"><div style="text-align: center; font-size: 9pt;"><font

clear="none"/>2019</div></td><td colspan="3" style="vertical-align: bottom; border-bottom: 1px solid

#000000; padding-left: 2px; padding-top: 2px; padding-bottom: 2px; padding-right: 2px; border-top: 1px solid #000000;" rowspan="1"><div style="text-align: center; font-size: 9pt;"><font

clear="none"/>2018</div></td></tr><tr><td

clear="none"/></div></td><td

clear="none"/></div></td><td

clear="none"/></div></td><td

484.1		
Machinery and equipment		
2,004.1		
2,002.4		
Subtotal		
\$		
2,480.6		
\$		
2,486.5		
Accumulated depreciation		
(1,584.4)		
>		

style="vertical-align:bottom;border-bottom:1px solid
 #000000;padding-left:2px;padding-top:2px;padding-bottom:2px;border-top:1px solid #000000;" rowspan="1"><div
 style="text-align:right;font-size:10pt;"><font
 style="font-family:Arial;font-size:10pt;">(1,574.4</div></td><td
 style="vertical-align:bottom;border-bottom:1px solid
 #000000;padding-right:2px;padding-top:2px;padding-bottom:2px;border-top:1px solid #000000;" rowspan="1"
 colspan="1"><div style="text-align:left;font-size:10pt;"><font
 style="font-family:Arial;font-size:10pt;"></div></td></tr><tr><tr><td
 style="vertical-align:top;border-bottom:2px solid
 #000000;background-color:#cceeef;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;"
 rowspan="1" colspan="1"><div style="text-align:left;font-size:10pt;"><font
 style="font-family:Arial;font-size:10pt;">Property, plant and equipment, net</div></td><td
 style="vertical-align:bottom;border-bottom:2px solid
 #000000;padding-left:2px;padding-top:2px;padding-bottom:2px;background-color:#cceeef;" rowspan="1"
 colspan="1"><div style="text-align:left;font-size:10pt;"><font
 style="font-family:Arial;font-size:10pt;font-weight:bold;">\$</div></td><td
 style="vertical-align:bottom;border-bottom:2px solid
 #000000;background-color:#cceeef;padding-top:2px;padding-bottom:2px;" rowspan="1" colspan="1"><div
 style="text-align:right;font-size:10pt;"><font
 style="font-family:Arial;font-size:10pt;font-weight:bold;">896.2</div></td><td
 style="vertical-align:bottom;border-bottom:2px solid #000000;background-color:#cceeef;" rowspan="1"
 colspan="1"><div style="text-align:left;font-size:10pt;"><br
 clear="none"/></div></td><td style="vertical-align:bottom;border-bottom:2px solid
 #000000;padding-left:2px;padding-top:2px;padding-bottom:2px;background-color:#cceeef;" rowspan="1"
 colspan="1"><div style="text-align:left;font-size:10pt;"><font
 style="font-family:Arial;font-size:10pt;">\$</div></td><td style="vertical-align:bottom;border-bottom:2px
 solid #000000;background-color:#cceeef;padding-top:2px;padding-bottom:2px;" rowspan="1" colspan="1"><div
 style="text-align:right;font-size:10pt;">912.1</div></td><td
 style="vertical-align:bottom;border-bottom:2px solid #000000;background-color:#cceeef;" rowspan="1"
 colspan="1"><div style="text-align:left;font-size:10pt;"><br
 clear="none"/></div></td></tr></table></div><br
 clear="none"/></div><div style="line-height:120%;font-size:10pt;"><font
 style="font-family:Arial;font-size:10pt;"><br clear="none"/></div><div
 style="line-height:120%;text-align:justify;font-size:10pt;">Total
 depreciation expense for the <font
 style="font-family:Arial;font-size:10pt;color:#000000;text-decoration:none;">first<font
 style="font-family:Arial;font-size:10pt;"> months ended <font
 style="font-family:Arial;font-size:10pt;color:#000000;text-decoration:none;">March 31, 2019<font
 style="font-family:Arial;font-size:10pt;"> and <font
 style="font-family:Arial;font-size:10pt;color:#000000;text-decoration:none;">2018<font
 style="font-family:Arial;font-size:10pt;"> was \$0.0
 million and <font
 style="font-family:Arial;font-size:10pt;color:#000000;text-decoration:none;">\$99.2 million<font
 style="font-family:Arial;font-size:10pt;">, respectively.</div></div><div style="font-family:Times New
 Roman;font-size:10pt;"><div style="line-height:120%;padding-top:8px;font-size:10pt;"><font
 style="font-family:Arial;font-size:10pt;">The components of property, plant and equipment at <font
 style="font-family:Arial;font-size:10pt;">March 31, 2019<font
 style="font-family:Arial;font-size:10pt;"> and <font
 style="font-family:Arial;font-size:10pt;">December 31, 2018<font
 style="font-family:Arial;font-size:10pt;"> were as follows:</div><div
 style="line-height:120%;font-size:10pt;"><div

style="padding-left:0px;text-indent:0px;line-height:normal;padding-top:10px;"><table cellpadding="0" cellspacing="0" style="font-family:Times New Roman;font-size:10pt;width:100%;border-collapse:collapse;text-align:left;"><tr><td colspan="7" rowspan="1"></td></tr><tr><td style="width:72%;" rowspan="1" colspan="1"></td><td style="width:1%;" rowspan="1" colspan="1"></td><td style="width:12%;" rowspan="1" colspan="1"></td><td style="width:1%;" rowspan="1" colspan="1"></td><td style="width:12%;" rowspan="1" colspan="1"></td><td style="width:1%;" rowspan="1" colspan="1"></td><td style="width:12%;" rowspan="1" colspan="1"></td></tr><tr><td style="vertical-align:bottom;border-bottom:1px solid #000000;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;border-top:1px solid #000000;" rowspan="1" colspan="1"><div style="overflow:hidden;font-size:10pt;"> </div></td><td colspan="3" rowspan="1" colspan="1"><div style="vertical-align:bottom;border-bottom:1px solid #000000;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;border-top:1px solid #000000;" rowspan="1"><div style="text-align:center;font-size:9pt;">March 31, <br clear="none"/>2019</div></td><td colspan="3" rowspan="1" colspan="1" style="vertical-align:bottom;border-bottom:1px solid #000000;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;border-top:1px solid #000000;" rowspan="1"><div style="text-align:center;font-size:9pt;">December 31, <br clear="none"/>2018</div></td></tr><tr><td style="vertical-align:top;background-color:#cceeef;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;" rowspan="1" colspan="1"><div style="text-align:left;font-size:10pt;">Land and buildings</div></td><td style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;background-color:#cceeef;" rowspan="1" colspan="1"><div style="text-align:left;font-size:10pt;">\$</div></td><td style="vertical-align:bottom;background-color:#cceeef;padding-top:2px;padding-bottom:2px;" rowspan="1" colspan="1"><div style="text-align:right;font-size:10pt;">476.5</div></td><td style="vertical-align:bottom;background-color:#cceeef;" rowspan="1" colspan="1"><div style="text-align:left;font-size:10pt;"><br clear="none"/></div></td><td style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;background-color:#cceeef;" rowspan="1" colspan="1"><div style="text-align:left;font-size:10pt;">\$</div></td><td style="vertical-align:bottom;background-color:#cceeef;padding-top:2px;padding-bottom:2px;" rowspan="1" colspan="1"><div style="text-align:right;font-size:10pt;">484.1</div></td><td style="vertical-align:bottom;background-color:#cceeef;" rowspan="1" colspan="1"><div style="text-align:left;font-size:10pt;"><br clear="none"/></div></td></tr><tr><td style="vertical-align:top;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;" rowspan="1" colspan="1"><div style="text-align:left;font-size:10pt;">Machinery and equipment</div></td><td colspan="2" rowspan="1" colspan="2"><div style="vertical-align:bottom;padding-left:2px;padding-top:2px;padding-bottom:2px;" rowspan="1" colspan="1"><div style="text-align:right;font-size:10pt;">2,004.1</div></td><td style="vertical-align:bottom;" rowspan="1" colspan="1"><div style="text-align:left;font-size:10pt;"><br clear="none"/></div></td><td colspan="2" rowspan="1" colspan="2"><div style="vertical-align:bottom;border-bottom:1px solid #000000;padding-left:2px;padding-top:2px;padding-bottom:2px;" rowspan="1" colspan="1"><div

Edgar Filing: TIMKEN CO - Form 10-Q

[illegible]

Edgar Filing: TIMKEN CO - Form 10-Q

style="font-family:Arial;font-size:10pt;font-weight:bold;">\$</div></td><td style="vertical-align:bottom;border-bottom:2px solid #000000;background-color:#cceeef;padding-top:2px;padding-bottom:2px;" rowspan="1" colspan="1"><div style="text-align:right;font-size:10pt;">896.2</div></td><td style="vertical-align:bottom;border-bottom:2px solid #000000;background-color:#cceeef;" rowspan="1" colspan="1"><div style="text-align:left;font-size:10pt;"><br clear="none"/></div></td><td style="vertical-align:bottom;border-bottom:2px solid #000000;padding-left:2px;padding-top:2px;padding-bottom:2px;background-color:#cceeef;" rowspan="1" colspan="1"><div style="text-align:left;font-size:10pt;">\$</div></td><td style="vertical-align:bottom;border-bottom:2px solid #000000;background-color:#cceeef;padding-top:2px;padding-bottom:2px;" rowspan="1" colspan="1"><div style="text-align:right;font-size:10pt;">912.1</div></td><td style="vertical-align:bottom;border-bottom:2px solid #000000;background-color:#cceeef;" rowspan="1" colspan="1"><div style="text-align:left;font-size:10pt;"><br clear="none"/></div></td></tr></table></div></div></div> 0000098362 2019-01-01 2019-03-31 0000098362 2019-03-31 0000098362 2018-01-01 2018-03-31 0000098362 2018-12-31 0000098362 us-gaap:PreferredClassBMember 2018-12-31 0000098362 us-gaap:PreferredClassAMember 2019-03-31 0000098362 us-gaap:PreferredClassBMember 2019-03-31 0000098362 us-gaap:PreferredClassAMember 2018-12-31 0000098362 2018-03-31 0000098362 2017-12-31 0000098362 us-gaap:NewAccountingPronouncementMember 2019-01-01 0000098362 2019-01-01 0000098362 us-gaap:ShortTermDebtMember tkr:A2018AcquisitionsMember 2018-12-31 0000098362 tkr:A2018AcquisitionsMember us-gaap:PensionPlansDefinedBenefitMember 2018-12-31 0000098362 tkr:A2018AcquisitionsMember 2018-12-31 0000098362 tkr:A2018AcquisitionsMember 2019-03-31 0000098362 us-gaap:AccruedLiabilitiesMember tkr:A2018AcquisitionsMember 2018-12-31 0000098362 tkr:A2018AcquisitionsMember 2019-01-01 2019-03-31 0000098362 tkr:A2018AcquisitionsMember us-gaap:OtherPostretirementBenefitPlansDefinedBenefitMember 2019-03-31 0000098362 us-gaap:OtherNoncurrentAssetsMember tkr:A2018AcquisitionsMember 2019-01-01 2019-03-31 0000098362 us-gaap:ShortTermDebtMember tkr:A2018AcquisitionsMember 2019-03-31 0000098362 us-gaap:ShortTermDebtMember tkr:A2018AcquisitionsMember 2019-01-01 2019-03-31 0000098362 tkr:IncomeTaxesPayableMember tkr:A2018AcquisitionsMember 2018-12-31 0000098362 us-gaap:PropertyPlantAndEquipmentMember tkr:A2018AcquisitionsMember 2019-01-01 2019-03-31 0000098362 tkr:A2018AcquisitionsMember us-gaap:OtherPostretirementBenefitPlansDefinedBenefitMember 2018-12-31 0000098362 tkr:DeferredTaxLiabilityMember tkr:A2018AcquisitionsMember 2019-01-01 2019-03-31 0000098362 us-gaap:OtherCurrentLiabilitiesMember tkr:A2018AcquisitionsMember 2019-03-31 0000098362 us-gaap:OtherCurrentLiabilitiesMember tkr:A2018AcquisitionsMember 2019-01-01 2019-03-31 0000098362 us-gaap:LongTermDebtMember tkr:A2018AcquisitionsMember 2019-01-01 2019-03-31 0000098362 us-gaap:OtherIntangibleAssetsMember tkr:A2018AcquisitionsMember 2019-01-01 2019-03-31 0000098362 us-gaap:OtherNoncurrentLiabilitiesMember tkr:A2018AcquisitionsMember 2019-03-31 0000098362 us-gaap:InventoriesMember tkr:A2018AcquisitionsMember 2019-01-01 2019-03-31 0000098362 tkr:IncomeTaxesPayableMember tkr:A2018AcquisitionsMember 2019-03-31 0000098362 us-gaap:OtherNoncurrentLiabilitiesMember tkr:A2018AcquisitionsMember 2018-12-31 0000098362 tkr:A2018AcquisitionsMember us-gaap:PensionPlansDefinedBenefitMember 2019-03-31 0000098362 us-gaap:OtherCurrentLiabilitiesMember tkr:A2018AcquisitionsMember 2018-12-31 0000098362 tkr:RollonGroupMember 2018-09-18 2018-09-18 0000098362 tkr:ABCBearingsMember 2018-08-30 2018-08-30 0000098362 tkr:ConeDriveMember 2018-09-01 2018-09-01 0000098362 us-gaap:TechnologyBasedIntangibleAssetsMember 2019-03-31 0000098362 us-gaap:TrademarksMember 2019-03-31 0000098362 us-gaap:UnclassifiedIndefinitelivedIntangibleAssetsMember 2019-03-31 0000098362 us-gaap:TechnologyBasedIntangibleAssetsMember 2018-12-31 0000098362 us-gaap:ComputerSoftwareIntangibleAssetMember 2019-03-31 0000098362 us-gaap:ComputerSoftwareIntangibleAssetMember 2018-12-31 0000098362 us-gaap:CustomerRelationshipsMember 2019-03-31 0000098362 us-gaap:UnclassifiedIndefinitelivedIntangibleAssetsMember 2018-12-31 0000098362

Edgar Filing: TIMKEN CO - Form 10-Q

us-gaap:TrademarksMember 2018-12-31 0000098362 us-gaap:CustomerRelationshipsMember 2018-12-31 0000098362 tkr:MobileIndustriesMember 2019-01-01 2019-03-31 0000098362 tkr:ProcessIndustriesMember 2019-01-01 2019-03-31 0000098362 tkr:MobileIndustriesMember 2019-03-31 0000098362 tkr:MobileIndustriesMember 2018-12-31 0000098362 tkr:ProcessIndustriesMember 2018-12-31 0000098362 tkr:ProcessIndustriesMember 2019-03-31 0000098362 tkr:SeniorUnsecuredNotes4.5Member 2018-09-06 2018-09-06 0000098362 tkr:EuroSeniorUnsecuredNotes2.02Member 2017-09-07 2017-09-07 0000098362 tkr:SeniorUnsecuredNotes4.5Member 2019-03-31 0000098362 tkr:LineOfCreditAccountsReceivableSecuritizationMember 2019-03-31 0000098362 tkr:EuroSeniorUnsecuredNotes2.02Member 2019-03-31 0000098362 tkr:ForeignSubsidiaryMember 2019-03-31 0000098362 tkr:TermLoanVariableRateMember 2018-09-11 2018-09-11 0000098362 tkr:EuroTermLoanVariableRateMember 2019-03-31 0000098362 tkr:SeniorUnsecuredNotesVariableRateMember 2019-03-31 0000098362 tkr:EuroTermLoanVariableRateMember 2017-09-18 2017-09-18 0000098362 tkr:LineOfCreditAccountsReceivableSecuritizationMember 2019-01-01 2019-03-31 0000098362 tkr:SeniorUnsecuredNotesVariableRateMember 2019-01-01 2019-03-31 0000098362 tkr:EuroTermLoanVariableRateMember 2019-01-01 2019-03-31 0000098362 tkr:SeniorUnsecuredNotes3.875Member 2019-03-31 0000098362 tkr:TermLoanVariableRateMember 2019-03-31 0000098362 tkr:EuroTermLoanVariableRateMember 2018-12-31 0000098362 tkr:EuroSeniorUnsecuredNotes2.02Member 2018-12-31 0000098362 tkr:LineOfCreditAccountsReceivableSecuritizationMember 2018-12-31 0000098362 tkr:TermLoanVariableRateMember 2018-12-31 0000098362 tkr:SeniorUnsecuredNotesVariableRateMember 2018-12-31 0000098362 tkr:SeniorUnsecuredNotes3.875Member 2018-12-31 0000098362 tkr:OtherLongTermDebtMember 2019-03-31 0000098362 tkr:SeriesMediumTermNoteMember 2018-12-31 0000098362 tkr:SeriesMediumTermNoteMember 2019-03-31 0000098362 tkr:SeniorUnsecuredNotes4.5Member 2018-12-31 0000098362 tkr:OtherLongTermDebtMember 2018-12-31 0000098362 tkr:ForeignSubsidiaryMember 2018-12-31 0000098362 tkr:SeriesMediumTermNoteMember 2019-01-01 2019-03-31 0000098362 tkr:EuroSeniorUnsecuredNotes2.02Member 2019-03-31 0000098362 tkr:EuroTermLoanVariableRateMember 2018-12-31 0000098362 tkr:TermLoanVariableRateMember 2019-01-01 2019-03-31 0000098362 currency:EUR tkr:SeniorUnsecuredNotesVariableRateMember 2018-12-31 0000098362 currency:EUR tkr:SeniorUnsecuredNotesVariableRateMember 2019-03-31 0000098362 tkr:EuroTermLoanVariableRateMember 2019-01-01 2019-03-31 0000098362 tkr:EuroTermLoanVariableRateMember 2019-03-31 0000098362 tkr:SeniorUnsecuredNotes3.875Member 2019-03-31 0000098362 srt:MaximumMember tkr:SeriesMediumTermNoteMember 2019-03-31 0000098362 tkr:SeniorUnsecuredNotes3.875Member 2019-01-01 2019-03-31 0000098362 tkr:EuroSeniorUnsecuredNotes2.02Member 2019-01-01 2019-03-31 0000098362 srt:MinimumMember tkr:SeriesMediumTermNoteMember 2019-03-31 0000098362 tkr:SeniorUnsecuredNotes4.5Member 2019-01-01 2019-03-31 0000098362 us-gaap:TreasuryStockMember 2018-01-01 2018-03-31 0000098362 us-gaap:RetainedEarningsUnappropriatedMember 2018-01-01 2018-03-31 0000098362 us-gaap:OtherAdditionalCapitalMember 2018-01-01 2018-03-31 0000098362 tkr:AccountingStandardUpdate201802Member 2018-03-31 0000098362 tkr:AccountingStandardUpdate201802Member us-gaap:RetainedEarningsUnappropriatedMember 2018-03-31 0000098362 tkr:AccountingStandardUpdate201802Member us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-03-31 0000098362 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-01-01 2018-03-31 0000098362 us-gaap:NoncontrollingInterestMember 2018-01-01 2018-03-31 0000098362 us-gaap:AccountingStandardsUpdate201409Member us-gaap:RetainedEarningsUnappropriatedMember 2018-03-31 0000098362 us-gaap:AccountingStandardsUpdate201409Member 2018-03-31 0000098362 us-gaap:TreasuryStockMember 2019-01-01 2019-03-31 0000098362 us-gaap:OtherAdditionalCapitalMember 2019-01-01 2019-03-31 0000098362 us-gaap:NoncontrollingInterestMember 2019-01-01 2019-03-31 0000098362 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2019-01-01 2019-03-31 0000098362 us-gaap:RetainedEarningsUnappropriatedMember 2019-01-01 2019-03-31 0000098362 us-gaap:AccountingStandardsUpdate201409Member 2018-01-01 2018-03-31 0000098362 tkr:ForeignCurrencyTranslationAdjustmentMember 2017-12-31 0000098362

Edgar Filing: TIMKEN CO - Form 10-Q

tkr:AccountingStandardUpdate201802Member tkr:ForeignCurrencyTranslationAdjustmentMember 2018-01-01
2018-03-31 0000098362 tkr:DerivativeFinancialInstrumentsFairValueAdjustmentMember 2017-12-31 0000098362
tkr:DerivativeFinancialInstrumentsFairValueAdjustmentMember 2018-03-31 0000098362
tkr:DerivativeFinancialInstrumentsFairValueAdjustmentMember 2018-01-01 2018-03-31 0000098362
tkr:ForeignCurrencyTranslationAdjustmentMember 2018-01-01 2018-03-31 0000098362
tkr:AccountingStandardUpdate201802Member tkr:PensionAndPostretirementLiabilityAdjustmentMember
2018-01-01 2018-03-31 0000098362 tkr:AccountingStandardUpdate201802Member
tkr:DerivativeFinancialInstrumentsFairValueAdjustmentMember 2018-01-01 2018-03-31 0000098362
tkr:PensionAndPostretirementLiabilityAdjustmentMember 2018-01-01 2018-03-31 0000098362
tkr:AccountingStandardUpdate201802Member tkr:PensionAndPostretirementLiabilityAdjustmentMember
2017-12-31 0000098362 tkr:AccountingStandardUpdate201802Member 2017-12-31 0000098362
tkr:AccountingStandardUpdate201802Member tkr:ForeignCurrencyTranslationAdjustmentMember 2017-12-31
0000098362 tkr:PensionAndPostretirementLiabilityAdjustmentMember 2018-03-31 0000098362
tkr:PensionAndPostretirementLiabilityAdjustmentMember 2017-12-31 0000098362
tkr:ForeignCurrencyTranslationAdjustmentMember 2018-03-31 0000098362
tkr:AccountingStandardUpdate201802Member 2018-01-01 2018-03-31 0000098362
tkr:AccountingStandardUpdate201802Member tkr:DerivativeFinancialInstrumentsFairValueAdjustmentMember
2017-12-31 0000098362 tkr:DerivativeFinancialInstrumentsFairValueAdjustmentMember 2019-01-01 2019-03-31
0000098362 tkr:PensionAndPostretirementLiabilityAdjustmentMember 2018-12-31 0000098362
tkr:ForeignCurrencyTranslationAdjustmentMember 2018-12-31 0000098362
tkr:PensionAndPostretirementLiabilityAdjustmentMember 2019-01-01 2019-03-31 0000098362
tkr:ForeignCurrencyTranslationAdjustmentMember 2019-01-01 2019-03-31 0000098362
tkr:PensionAndPostretirementLiabilityAdjustmentMember 2019-03-31 0000098362
tkr:ForeignCurrencyTranslationAdjustmentMember 2019-03-31 0000098362
tkr:DerivativeFinancialInstrumentsFairValueAdjustmentMember 2018-12-31 0000098362
tkr:DerivativeFinancialInstrumentsFairValueAdjustmentMember 2019-03-31 0000098362
us-gaap:TransferredOverTimeMember 2019-01-01 2019-03-31 0000098362 tkr:ServiceRevenueMember 2019-01-01
2019-03-31 0000098362 tkr:U.S.GovernmentMember 2019-01-01 2019-03-31 0000098362
us-gaap:TransferredOverTimeMember 2018-01-01 2018-03-31 0000098362 tkr:U.S.GovernmentMember 2018-01-01
2018-03-31 0000098362 us-gaap:EMEAMember 2019-01-01 2019-03-31 0000098362
tkr:CanadaMexicoandSouthAmericaMember tkr:MobileIndustriesMember 2019-01-01 2019-03-31 0000098362
country:US tkr:MobileIndustriesMember 2019-01-01 2019-03-31 0000098362 us-gaap:EMEAMember
tkr:MobileIndustriesMember 2018-01-01 2018-03-31 0000098362 tkr:CanadaMexicoandSouthAmericaMember
tkr:MobileIndustriesMember 2018-01-01 2018-03-31 0000098362 srt:AsiaPacificMember
tkr:ProcessIndustriesMember 2019-01-01 2019-03-31 0000098362 tkr:ProcessIndustriesMember 2018-01-01
2018-03-31 0000098362 srt:AsiaPacificMember tkr:MobileIndustriesMember 2019-01-01 2019-03-31 0000098362
country:US tkr:ProcessIndustriesMember 2018-01-01 2018-03-31 0000098362 us-gaap:EMEAMember
tkr:ProcessIndustriesMember 2019-01-01 2019-03-31 0000098362 country:US 2019-01-01 2019-03-31 0000098362
us-gaap:EMEAMember tkr:ProcessIndustriesMember 2018-01-01 2018-03-31 0000098362 us-gaap:EMEAMember
tkr:MobileIndustriesMember 2019-01-01 2019-03-31 0000098362 srt:AsiaPacificMember 2018-01-01 2018-03-31
0000098362 country:US tkr:MobileIndustriesMember 2018-01-01 2018-03-31 0000098362
tkr:CanadaMexicoandSouthAmericaMember tkr:ProcessIndustriesMember 2018-01-01 2018-03-31 0000098362
srt:AsiaPacificMember 2019-01-01 2019-03-31 0000098362 tkr:MobileIndustriesMember 2018-01-01 2018-03-31
0000098362 tkr:CanadaMexicoandSouthAmericaMember 2018-01-01 2018-03-31 0000098362
us-gaap:EMEAMember 2018-01-01 2018-03-31 0000098362 srt:AsiaPacificMember tkr:MobileIndustriesMember
2018-01-01 2018-03-31 0000098362 tkr:CanadaMexicoandSouthAmericaMember 2019-01-01 2019-03-31
0000098362 tkr:CanadaMexicoandSouthAmericaMember tkr:ProcessIndustriesMember 2019-01-01 2019-03-31
0000098362 srt:AsiaPacificMember tkr:ProcessIndustriesMember 2018-01-01 2018-03-31 0000098362 country:US
tkr:ProcessIndustriesMember 2019-01-01 2019-03-31 0000098362 country:US 2018-01-01 2018-03-31 0000098362
us-gaap:SalesChannelThroughIntermediaryMember 2018-01-01 2018-03-31 0000098362
us-gaap:SalesChannelDirectlyToConsumerMember 2018-01-01 2018-03-31 0000098362

us-gaap:SalesChannelDirectlyToConsumerMember 2019-01-01 2019-03-31 0000098362
us-gaap:SalesChannelThroughIntermediaryMember 2019-01-01 2019-03-31 0000098362
us-gaap:PensionPlansDefinedBenefitMember 2019-01-01 2019-03-31 0000098362
us-gaap:OtherPostretirementBenefitPlansDefinedBenefitMember 2019-01-01 2019-03-31 0000098362
us-gaap:PensionPlansDefinedBenefitMember 2018-01-01 2018-03-31 0000098362 us-gaap:DomesticPlanMember
us-gaap:PensionPlansDefinedBenefitMember 2019-01-01 2019-03-31 0000098362 us-gaap:DomesticPlanMember
us-gaap:PensionPlansDefinedBenefitMember 2018-01-01 2018-03-31 0000098362 us-gaap:ForeignPlanMember
us-gaap:PensionPlansDefinedBenefitMember 2018-01-01 2018-03-31 0000098362 us-gaap:ForeignPlanMember
us-gaap:PensionPlansDefinedBenefitMember 2019-01-01 2019-03-31 0000098362 us-gaap:DomesticPlanMember
us-gaap:PensionPlansDefinedBenefitMember 2019-03-31 0000098362
us-gaap:OtherPostretirementBenefitPlansDefinedBenefitMember 2018-01-01 2018-03-31 0000098362
us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember 2018-12-31 0000098362
us-gaap:FairValueMeasurementsRecurringMember 2018-12-31 0000098362 us-gaap:FairValueInputsLevel1Member
us-gaap:FairValueMeasurementsRecurringMember 2018-12-31 0000098362 us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsRecurringMember 2018-12-31 0000098362 us-gaap:FairValueInputsLevel2Member
us-gaap:FairValueMeasurementsRecurringMember 2019-03-31 0000098362
us-gaap:FairValueMeasurementsRecurringMember 2019-03-31 0000098362 us-gaap:FairValueInputsLevel1Member
us-gaap:FairValueMeasurementsRecurringMember 2019-03-31 0000098362 us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsRecurringMember 2019-03-31 0000098362 2019-04-01 2019-04-01 0000098362
tkr:DiamondChainMember 2019-01-01 2019-03-31 xbrli:pure xbrli:shares iso4217:EUR iso4217:USD xbrli:shares
iso4217:USD

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

FORM 10-Q

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

For the quarterly period ended March 31, 2019

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 number: 1-1169

THE TIMKEN COMPANY

(Exact name of registrant as specified in its charter)

OHIO

**(State or other jurisdiction of
incorporation or organization)**

34-0577130

**(I.R.S. Employer
Identification No.)**

**4500 Mount Pleasant Street NW
North Canton, Ohio**

**(Address of principal executive offices) (Zip Code)
234.262.3000**

44720-5450

(Registrant's telephone number, including area code)

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 12 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 ☐

Edgar Filing: TIMKEN CO - Form 10-Q

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐

Non-accelerated filer ☐ Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common shares, as of the latest practicable date.

Class	Outstanding at March 31, 2019
Common Shares, without par value	76,119,662 shares

Table of Contents

THE TIMKEN COMPANY
INDEX TO FORM 10-Q REPORT

	<u>PAGE</u>
I. <u>PART I.</u>	
Item 1. <u>Financial Statements</u>	<u>1</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>22</u>
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	<u>37</u>
Item 4. <u>Controls and Procedures</u>	<u>37</u>
II. <u>PART II.</u>	
Item 1. <u>Legal Proceedings</u>	<u>38</u>
Item1A. <u>Risk Factors</u>	<u>38</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>38</u>
Item 6. <u>Exhibits</u>	<u>39</u>

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS
THE TIMKEN COMPANY AND SUBSIDIARIES****Consolidated Statements of Income
(Unaudited)**

	Three Months Ended March 31,	
	2019	2018
(Dollars in millions, except per share data)		
Net sales	\$979.7	\$883.1
Cost of products sold	677.1	618.2
Gross Profit	302.6	264.9
Selling, general and administrative expenses	152.7	148.6
Impairment and restructuring charges	—	0.2
Operating Income	149.9	116.1
Interest expense	(18.0)	(10.0)
Interest income	1.3	0.4
Non-service pension and other postretirement income	0.1	1.6
Other income, net	3.3	0.7
Income Before Income Taxes	136.6	108.8
Provision for income taxes	41.3	28.3
Net Income	95.3	80.5
Less: Net income attributable to noncontrolling interest	3.4	0.3
Net Income Attributable to The Timken Company	\$91.9	\$80.2
Net Income per Common Share Attributable to The Timken Company Common Shareholders		
Basic earnings per share	\$1.21	\$1.03
Diluted earnings per share	\$1.19	\$1.02

See accompanying Notes to the Consolidated Financial Statements.

**Consolidated Statements of Comprehensive Income
(Unaudited)**

	Three Months Ended March 31,	
	2019	2018
(Dollars in millions)		
Net Income	\$95.3	\$80.5
Other comprehensive (loss) income, net of tax:		
Foreign currency translation adjustments	(4.2)	8.4
Pension and postretirement liability adjustment	(0.1)	—
Change in fair value of derivative financial instruments	(0.6)	0.8
Other comprehensive (loss) income, net of tax	(4.9)	9.2
Comprehensive Income, net of tax	90.4	89.7
Less: comprehensive income (loss) attributable to noncontrolling interest	4.3	(0.3)

Comprehensive Income Attributable to The Timken Company	\$86.1	\$90.0
--	---------------	---------------

See accompanying Notes to the Consolidated Financial Statements.

Table of Contents**Consolidated Balance Sheets**

	(Unaudited)	
	March 31, 2019	December 31, 2018
(Dollars in millions)		
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 239.5	\$ 132.5
Restricted cash	0.6	0.6
Accounts receivable, less allowances (2019 – \$16.5 million; 2018 – \$21.9 million)	611.3	546.6
Unbilled receivables	123.2	116.6
Inventories, net	839.4	835.7
Deferred charges and prepaid expenses	32.3	28.2
Other current assets	73.3	77.0
Total Current Assets	1,919.6	1,737.2
Property, Plant and Equipment, net	896.2	912.1
Operating Lease Assets	114.9	—
Other Assets		
Goodwill	953.2	960.5
Other intangible assets	713.9	733.2
Non-current pension assets	10.4	6.2
Deferred income taxes	49.7	59.0
Other non-current assets	22.8	37.0
Total Other Assets	1,750.0	1,795.9
Total Assets	\$ 4,680.7	\$ 4,445.2
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt	\$ 26.0	\$ 33.6
Current portion of long-term debt	9.0	9.4
Short-term operating lease liabilities	29.3	—
Accounts payable, trade	294.3	273.2
Salaries, wages and benefits	120.9	174.9
Income taxes payable	41.8	23.5
Other current liabilities	162.3	171.0
Total Current Liabilities	683.6	685.6
Non-Current Liabilities		
Long-term debt	1,746.5	1,638.6
Accrued pension cost	161.6	161.3
Accrued postretirement benefits cost	109.6	108.7
Long-term operating lease liabilities	71.1	—
Deferred income taxes	126.8	138.0
Other non-current liabilities	75.6	70.3
Total Non-Current Liabilities	2,291.2	2,116.9
Shareholders' Equity		
Class I and II Serial Preferred Stock, without par value:		
Authorized – 10,000,000 shares each class, none issued	—	—
Common shares, without par value:		
Authorized – 200,000,000 shares		
Issued (including shares in treasury) (2019 – 98,375,135 shares; 2018 – 98,375,135 shares)		

Edgar Filing: TIMKEN CO - Form 10-Q

Stated capital	53.1	53.1
Other paid-in capital	938.2	951.9
Earnings invested in the business	1,700.8	1,630.2
Accumulated other comprehensive loss	(101.1)	) (95.3)
Treasury shares at cost (2019 – 22,255,473 shares; 2018 – 22,421,213 shares)	(952.5)	) (960.3)
Total Shareholders' Equity	1,638.5	1,579.6
Noncontrolling Interest	67.4	63.1
Total Equity	1,705.9	1,642.7
Total Liabilities and Equity	\$ 4,680.7	\$ 4,445.2

See accompanying Notes to the Consolidated Financial Statements.

Table of Contents**Consolidated Statements of Cash Flows
(Unaudited)**

**Three Months
Ended
March 31,
2019 2018**

(Dollars in millions)

CASH PROVIDED (USED)**Operating Activities**

Net income attributable to The Timken Company	\$91.9	\$80.2
Net income attributable to noncontrolling interest	3.4	0.3
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	39.5	35.8
(Gain) loss on sale of assets	(1.8)	) 0.6
Deferred income tax provision	0.4	(0.2)
Stock-based compensation expense	7.8	10.3
Pension and other postretirement expense	2.9	2.0
Pension contributions and other postretirement benefit contributions	(4.9)	) (6.1)
Operating lease expense	9.9	—
Operating lease payments	(8.9)	) —
Changes in operating assets and liabilities:		
Accounts receivable	(65.0)	) (72.1)
Unbilled receivables	(6.6)	) (11.5)
Inventories	(4.1)	) (53.8)
Accounts payable, trade	20.2	(2.3)
Other accrued expenses	(58.0)	) (38.7)
Income taxes	24.7	13.6
Other, net	0.9	(2.4)
Net Cash Provided by (Used in) Operating Activities	52.3	(44.3)

Investing Activities

Capital expenditures	(16.2)	) (17.8)
Acquisitions, net of cash received	(2.9)	) —
Proceeds from disposal of property, plant and equipment	2.1	0.1
Investments in short-term marketable securities, net	(2.7)	) 3.7
Other	0.1	—
Net Cash Used in Investing Activities	(19.6)	) (14.0)

Financing Activities

Cash dividends paid to shareholders	(21.3)	) (21.1)
Purchase of treasury shares	(8.3)	) (22.7)
Proceeds from exercise of stock options	1.0	8.4
Shares surrendered for taxes	(6.4)	) (4.4)
Accounts receivable facility borrowings	25.0	51.0
Accounts receivable facility payments	—	(15.0)
Proceeds from long-term debt	207.0	75.0
Payments on long-term debt	(116.8)	) (42.4)
Short-term debt activity, net	(6.8)	) 24.6
Other	—	(1.1)
Net Cash Provided by Financing Activities	73.4	52.3
Effect of exchange rate changes on cash	0.9	0.9

Edgar Filing: TIMKEN CO - Form 10-Q

Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	107.0	(5.1)
Cash, cash equivalents and restricted cash at beginning of year	133.1	125.4
Cash, Cash Equivalents and Restricted Cash at End of Period	\$240.1	\$ 120.3

See accompanying Notes to the Consolidated Financial Statements.

Table of ContentsNOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(Dollars in millions, except per share data)*Note 1 - Basis of Presentation*

The accompanying Consolidated Financial Statements (unaudited) for The Timken Company (the "Company") have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and notes required by the accounting principles generally accepted in the United States ("U.S. GAAP") for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) and disclosures considered necessary for a fair presentation have been included. For further information, refer to the Consolidated Financial Statements and accompanying Notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

Note 2 - Significant Accounting Policies

The Company's significant accounting policies are detailed in "Note 1 - Significant Accounting Policies" of the Annual Report on Form 10-K for the year ended December 31, 2018. In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, "Leases (Topic 842)", which was adopted by the Company on January 1, 2019. In August 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities", which was adopted by the Company on January 1, 2019. Updates to the Company's accounting policies as a result of adopting ASU 2016-02 and ASU 2017-12 are discussed below:

Recent Accounting Pronouncements:**New Accounting Guidance Adopted:**

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." ASU 2016-02 was issued to increase transparency and comparability among entities by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about lease arrangements. The Company adopted the new leasing standard on January 1, 2019 using the cumulative-effect adjustment transition method. The Company also elected several practical expedients to not reassess the following: (1) whether any expired or existing contracts contain leases; (2) the lease classification between finance and operating leases for any expired or existing leases; and (3) the recognition of initial direct costs for existing leases. The Company also elected to not to recognize leases with a term of 12 months or less on the Consolidated Balance Sheets. The adoption of the lease standard had no impact to the Company's consolidated results of operations or the captions on the consolidated statements of cash flows. The cumulative effect of the changes made to the balance sheet as of January 1, 2019 for the adoption of the new lease standard was as follows:

	Balance at Effect of December 31, 2018	Accounting Change	Balance at January 1, 2019
Operating lease assets	\$ —	\$ 114.1	114.1
Other intangible assets	733.2	0.7	733.9
Other non-current assets ⁽¹⁾	37.0	(15.3)	) 21.7
Total Assets	4,445.2	99.5	4,544.7
Short-term operating lease liability —		29.8	29.8
Long-term operating lease liability —		69.7	69.7

Total Liabilities	\$ 2,802.5	\$ 99.5	\$2,902.0
-------------------	-------------------	----------------	------------------

⁽¹⁾ Due to the adoption of the new leasing standard, the Company recognized operating lease assets and corresponding operating lease liabilities on the Consolidated Balance Sheet at March 31, 2019. In conjunction with the adoption of the new leasing standard, the Company reclassified \$15.3 million of lease assets related to purchasing accounting adjustments from the ABC Bearing acquisition from Other assets to Operating lease assets. These assets do not have material corresponding lease liabilities.

Table of Contents

The Company determines if any arrangement is a lease at the inception of a contract. For leases where the Company is the lessee, it recognizes lease assets and related lease liabilities at the lease commencement date based on the present value of lease payments over the lease term. Most of the Company's leases do not provide an implicit interest rate. As a result, the Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The lease assets also consist of amounts for favorable or unfavorable lease terms related to acquisitions. Lease expense for operating leases is recognized on a straight-line basis over the lease term as an operating expense while the expense for finance leases is recognized as depreciation expense and interest expense using the accelerated interest method of recognition. A lease asset and lease liability are not recorded for leases with an initial term of less than 12 months or less and the lease expenses related to these leases is recognized as incurred over the lease term.

In August 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities", which impacts both designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. ASU 2017-12 amends and clarifies the requirements to qualify for hedge accounting, removes the requirement to recognize changes in fair value from certain hedges in current earnings, and specifies the presentation of changes in fair value in the income statement for all hedging instruments. ASU 2017-12 is effective for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company adopted ASU 2017-12 effective January 1, 2019, and the impact of adoption was not material to the Company's results of operations and financial condition.

New Accounting Guidance Issued and Not Yet Adopted:

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." ASU 2016-13 changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The new guidance will replace the current incurred loss approach with an expected loss model. The new expected credit loss impairment model will apply to most financial assets measured at amortized cost and certain other instruments, including trade and other receivables, loans, held-to-maturity debt instruments, net investments in leases, loan commitments and standby letters of credit. Upon initial recognition of the exposure, the expected credit loss model requires entities to estimate the credit losses expected over the life of an exposure (or pool of exposures). The estimate of expected credit losses should consider historical information, current information and reasonable and supportable forecasts, including estimates of prepayments. Financial instruments with similar risk characteristics should be grouped together when estimating expected credit losses. ASU 2016-13 does not prescribe a specific method to make the estimate, so its application will require significant judgment. ASU 2016-13 is effective for public companies in fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company is currently evaluating the effect that the adoption of ASU 2016-13 will have on the Company's results of operations and financial condition.

Table of Contents*Note 3 - Acquisitions*

During 2018, the Company completed three acquisitions. On September 18, 2018

On

September 1, 2018,

In January 2019, the Company paid a working capital adjustment of \$2.9 million in connection with the Cone Drive acquisition, which was accrued and reflected in the purchase price in 2018. Also, certain measurement period adjustments were recorded in 2019, resulting in a \$3.0 million increase to Goodwill. The following table presents the purchase price allocation at fair value, net of cash acquired, for the 2018 acquisitions:

	Initial Purchase Price Allocation	Adjustments	Preliminary Purchase Price Allocation
Assets:			
Accounts receivable, net	\$ 42.5		\$ 42.5
Inventories, net	61.6	(0.1)	61.5
Other current assets	8.5		8.5
Property, plant and equipment, net	71.7	(6.6)	65.1
Goodwill	468.2	3.0	471.2
Other intangible assets	372.6	2.5	375.1
Other non-current assets	20.2	(1.9)	18.3
Total assets acquired	\$ 1,045.3	\$ (3.1)	\$ 1,042.2
Liabilities:			
Accounts payable, trade	\$ 35.2		\$ 35.2
Salaries, wages and benefits	9.1		9.1
Income taxes payable	2.5		2.5
Other current liabilities	8.2	0.5	8.7
Short-term debt	2.5	(0.6)	1.9
Long-term debt	3.0	(1.4)	1.6
Accrued pension cost	5.7		5.7
Accrued postretirement benefits cost	11.7		11.7
Deferred income taxes	116.2	(1.6)	114.6
Other non-current liabilities	16.9		16.9
Total liabilities assumed	\$ 211.0	\$ (3.1)	\$ 207.9
Net assets acquired	\$ 834.3	\$ —	\$ 834.3

This purchase price allocation, including the residual amount allocated to goodwill, is based on preliminary information and is subject to change as additional information concerning final asset and liability valuations is obtained. The purchase price allocation is preliminary as a result of the continued evaluation of contingent liabilities and the finalization of the Company's review pertaining to a limited set of valuation

calculations and inputs. The primary areas of the preliminary purchase price allocation that have not been finalized relate to the fair value of net property, plant, and equipment, other intangible assets, contingencies and the related impacts on deferred income taxes and goodwill. During the measurement period, we will adjust assets and liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have resulted in revised estimated values of those assets or liabilities as of that date. The effect of measurement period adjustments to the estimated fair values will be reflected as if the adjustments had been completed on the acquisition date.

Table of Contents*Note 4 - Inventories*

The components of inventories at March 31, 2019 and December 31, 2018 were as follows:

	March 31, December 31,	
	2019	2018
Manufacturing supplies	\$ 33.1	\$ 32.4
Raw materials	103.4	102.4
Work in process	292.0	287.7
Finished products	451.5	452.7
Subtotal	880.0	875.2
Allowance for obsolete and surplus inventory	(40.6)	(39.5)
Total Inventories, net	\$ 839.4	\$ 835.7

Inventories are valued at net realizable value, with approximately 56% valued on the first-in, first-out ("FIFO") method and the remaining 44% valued on the last-in, first-out ("LIFO") method. The majority of the Company's domestic inventories are valued on the LIFO method and all of the Company's international inventories are valued on the FIFO method.

The LIFO reserve at March 31, 2019 and December 31, 2018 was \$174.5 million and \$173.9 million, respectively. An actual valuation of the inventory under the LIFO method can be made only at the end of each year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations must be based on management's estimates of expected year-end inventory levels and costs. Because these calculations are subject to many factors beyond management's control, annual results may differ from interim results as they are subject to the final year-end LIFO inventory valuation.

Table of Contents*Note 5 - Goodwill and Other Intangible Assets*

The changes in the carrying amount of goodwill for the three months ended March 31, 2019 were as follows:

	Mobile Industries	Process Industries	Total
Beginning balance	\$ 349.7	\$ 610.8	\$960.5
Acquisitions	—	3.0	3.0
Foreign currency translation adjustments and other changes	(4.0)	(6.3)	(10.3)
Ending balance	\$ 345.7	\$ 607.5	\$953.2

The \$3.0 million addition of goodwill from acquisitions resulted from certain measurement period adjustments recorded in 2019 related to 2018 acquisitions. The Company is still evaluating the tax deductibility of goodwill from the ABC Bearings acquisition. Refer to *Note 3 - Acquisitions* for further information.

The following table displays intangible assets as of March 31, 2019 and December 31, 2018:

	Balance at March 31, 2019			Balance at December 31, 2018		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets subject to amortization:						
Customer relationships	\$478.7	\$ 106.9	\$371.8	\$481.5	\$ 99.8	\$381.7
Technology and know-how	243.7	43.9	199.8	245.0	40.4	204.6
Trade names	12.0	5.1	6.9	11.3	4.8	6.5
Capitalized software	267.4	238.7	28.7	266.4	236.5	29.9
Other	41.0	36.2	4.8	40.8	35.2	5.6
	\$1,042.8	\$ 430.8	\$612.0	\$1,045.0	\$ 416.7	\$628.3
Intangible assets not subject to amortization:						
Trade names	\$93.2		\$93.2	\$96.2		\$96.2
FAA air agency certificates	8.7		8.7	8.7		8.7
	\$101.9		\$101.9	\$104.9		\$104.9
Total intangible assets	\$1,144.7	\$ 430.8	\$713.9	\$1,149.9	\$ 416.7	\$733.2

Amortization expense for intangible assets was \$14.5 million and \$10.8 million for the three months ended March 31, 2019 and 2018, respectively. Amortization expense for intangible assets is projected to be \$56.0 million in 2019; \$51.3 million in 2020; \$47.3 million in 2021; \$42.8 million in 2022; and \$40.0 million in 2023.

Table of Contents*Note 6 - Leasing*

The Company enters into operating and finance leases for manufacturing facilities, warehouses, sales offices, information technology equipment, plant equipment, vehicles and certain other equipment.

Lease expense for the three months ended March 31, 2019 was as follows:

	March 31, 2019
Operating lease expense	\$ 9.9
Amortization of right-of-use assets on finance leases	0.4
Total lease expense	\$ 10.3

The following tables present the impact of leasing on the Consolidated Balance Sheet.

Operating Leases	March 31, 2019
-------------------------	---------------------------

Lease assets:	
Operating lease assets	\$ 114.9
Lease liabilities:	
Short-term operating lease liabilities	\$ 29.3
Long-term operating lease liabilities	71.1
Total operating lease liabilities	\$ 100.4

Finance Leases	March 31, 2019
-----------------------	---------------------------

Lease assets:	
Property, plant and equipment, net	\$ 3.4
Lease liabilities:	
Current portion of long-term debt	\$ 0.6
Long-term debt	2.1
Total finance lease liabilities	\$ 2.7

Future minimum lease payments under non-cancellable leases at March 31, 2019 were as follows:

	Operating Leases	Finance Leases
Year Ending December 31,		
2019	\$ 25.3	\$ 0.6
2020	27.3	0.8
2021	17.4	0.7
2022	11.5	0.6
2023	7.8	0.1
Thereafter	27.8	—
Total future minimum lease payments	117.1	2.8
Less: imputed interest	(16.7)	(0.1)
Total	\$ 100.4	\$ 2.7

Table of Contents

The following table presents other information related to leases:

	March 31, 2019	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 8.9	
Financing cash flows from finance leases	1.0	
Lease assets added in the period:		
Operating leases	2.9	
Finance leases	0.6	
Weighted-average remaining lease term:		
Operating leases	5.5	
	years	
Finance leases	3.8	
	years	
Weighted-average discount rate:		
Operating leases	4.23	%
Finance leases	2.50	%

Table of Contents*Note 7 - Financing Arrangements*

Short-term debt at March 31, 2019 and December 31, 2018 was as follows:

	March 31, 2019	December 31, 2018
Borrowings under variable-rate lines of credit for certain of the Company's foreign subsidiaries with various banks with interest rates ranging from 0.34% to 2.80% at March 31, 2019 and 0.29% to 1.00% at December 31, 2018	\$ 26.0	\$ 33.6
Short-term debt	\$ 26.0	\$ 33.6

The lines of credit for certain of the Company's foreign subsidiaries provide for short-term borrowings up to \$272.0 million in the aggregate. Most of these lines of credit are uncommitted. At March 31, 2019, the Company's foreign subsidiaries had borrowings outstanding of \$26.0 million and bank guarantees of \$0.5 million, which reduced the aggregate availability under these facilities to \$245.5 million.

Long-term debt at March 31, 2019 and December 31, 2018 was as follows:

	March 31, 2019	December 31, 2018
Variable-rate Senior Credit Facility with an average interest rate on U.S. Dollar of 3.59% and Euro of 1.10% at March 31, 2019 and 3.40% and 1.10%, respectively, at December 31, 2018	\$141.2	\$ 43.9
Variable-rate Euro Term Loan ⁽¹⁾ , maturing on September 18, 2020, with an interest rate of 1.13% at March 31, 2019 and December 31, 2018	99.8	107.1
Variable-rate Accounts Receivable Facility, maturing on May 8, 2028, with an interest rate of 3.47% at March 31, 2019 and 3.22% at December 31, 2018	100.0	75.0
Variable-rate Term Loan ⁽¹⁾ , maturing on September 11, 2023, with an interest rate of 3.75% at March 31, 2019 and 3.77% at December 31, 2018	344.9	347.1
Fixed-rate Senior Unsecured Notes ⁽¹⁾ , maturing on September 1, 2024, with an interest rate of 3.875%	347.9	347.7
Fixed-rate Euro Senior Unsecured Notes ⁽¹⁾ , maturing on September 7, 2027, with an interest rate of 2.02%	167.7	171.4
Fixed-rate Senior Unsecured Notes ⁽¹⁾ , maturing on December 15, 2028, with an interest rate of 4.50%	395.9	395.8
Fixed-rate Medium-Term Notes, Series A ⁽¹⁾ , maturing at various dates through May 2028, with interest rates ranging from 6.74% to 7.76%	154.6	154.6
Other	3.5	5.4
	1,755.5	1,648.0
Less: Current maturities	9.0	9.4
Long-term debt	\$1,746.5	\$ 1,638.6

⁽¹⁾ Net of discounts and fees

The Company has a \$100 million Amended and Restated Asset Securitization Agreement (the "Accounts Receivable Facility"), which matures on November 30, 2021. Under the terms of the Accounts Receivable Facility, the Company sells, on an ongoing basis, certain domestic trade receivables to Timken Receivables Corporation, a wholly-owned consolidated subsidiary that, in turn, uses the trade receivables to secure borrowings that are funded through a vehicle that issues commercial paper in the short-term market. Borrowings under the Accounts Receivable Facility may be limited by certain borrowing base limitations; however, availability under the Accounts Receivable Facility was not reduced by any such borrowing base limitations at March 31, 2019. As of March 31, 2019, there were outstanding borrowings of \$100.0 million under the Accounts Receivable Facility, which reduced the availability under this facility to zero. The cost of

this facility, which is the prevailing commercial paper rate plus facility fees, is considered a financing cost and is included in "Interest expense" in the Consolidated Statements of Income.

The Company has a \$500 million Amended and Restated Credit Agreement ("Senior Credit Facility"), which matures on June 19, 2020. At March 31, 2019, the Company had \$141.2 million of outstanding borrowings under the Senior Credit Facility, which reduced the availability under this facility to \$358.8 million. The Senior Credit Facility has two financial covenants: a consolidated leverage ratio and a consolidated interest coverage ratio. At March 31, 2019, the Company was in full compliance with both of these covenants.

Table of Contents

On September 6, 2018, the Company issued \$400 million aggregate principal amount of fixed-rate 4.50% senior unsecured notes that mature on December 15, 2028 (the "2028 Notes"). On September 11, 2018, the Company entered into a \$350 million variable-rate term loan that matures on September 11, 2023 (the "2023 Term Loan"). Proceeds from the 2028 Notes and the 2023 Term Loan were used to fund the acquisitions of Cone Drive and Rollon, which closed on September 1, 2018 and September 18, 2018, respectively.

On September 7, 2017, the Company issued €150 million aggregate principal amount of fixed-rate 2.02% senior unsecured notes that mature on September 7, 2027 (the "2027 Notes"). On September 18, 2017, the Company entered into a €100 million variable-rate term loan that matures on September 18, 2020 (the "2020 Term Loan"). On March 22, 2019, the Company repaid €4.5 million under the 2020 Term Loan bringing the total paid to-date to €11 million, which reduced the principal balance to €89 million as of March 31, 2019.

All of these debt instruments, except the 2028 Notes and the Accounts Receivable Facility, have two financial covenants: a consolidated leverage ratio and a consolidated interest coverage ratio. These covenants are similar to those in the Senior Credit Facility. At March 31, 2019, the Company was in full compliance with both of these covenants. The 2028 Notes, Accounts Receivable Facility and the short-term lines of credit do not have these types of financial covenants.

Note 8 - Contingencies

The Company and certain of its subsidiaries have been identified as potentially responsible parties for investigation and remediation under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), known as the Superfund, or similar state laws with respect to certain sites. Claims for investigation and remediation have been asserted against numerous other entities, which are believed to be financially solvent and are expected to fulfill their proportionate share of the obligation.

On December 28, 2004, the United States Environmental Protection Agency ("USEPA") sent Lovejoy, Inc. ("Lovejoy") a Special Notice Letter that identified Lovejoy as a potentially responsible party, together with at least 14 other companies, at the Ellsworth Industrial Park Site, Downers Grove, DuPage County, Illinois (the "Site"). The Company acquired Lovejoy in 2016. Lovejoy's Downers Grove property is situated within the Ellsworth Industrial Complex. The USEPA and the Illinois Environmental Protection Agency ("IEPA") allege there have been one or more releases or threatened releases of hazardous substances, allegedly including, but not limited to, a release or threatened release on or from Lovejoy's property, at the Site. The relief sought by the USEPA and IEPA includes further investigation and potential remediation of the Site and reimbursement of response costs. Lovejoy's allocated share of past and future costs related to the Site, including for investigation and/or remediation, could be significant. All previously pending property damage and personal injury lawsuits against Lovejoy related to the Site have been settled or dismissed.

The Company had total environmental accruals of \$5.4 million and \$5.5 million for various known environmental matters that are probable and reasonably estimable at March 31, 2019 and December 31, 2018, respectively, which includes the Lovejoy matter discussed above. These accruals were recorded based upon the best estimate of costs to be incurred in light of the progress made in determining the magnitude of remediation costs, the timing and extent of remedial actions required by governmental authorities and the amount of the Company's liability in proportion to other responsible parties.

In addition, the Company is subject to various lawsuits, claims and proceedings, which arise in the ordinary course of its business. The Company accrues costs associated with legal and non-income tax matters when they become probable and reasonably estimable. Accruals are established based on the estimated

undiscounted cash flows to settle the obligations and are not reduced by any potential recoveries from insurance or other indemnification claims. Management believes that any ultimate liability with respect to these actions, in excess of amounts provided, will not materially affect the Company's Consolidated Financial Statements.

In October 2014, the Brazilian government antitrust agency announced that it had opened an investigation of alleged antitrust violations in the bearing industry. The Company's Brazilian subsidiary, Timken do Brasil Comercial Importadora Ltda, was included in the investigation. While the Company is unable to predict the ultimate length, scope or results of the investigation, management believes that the outcome will not have a material effect on the Company's consolidated financial position. However, any such outcome may be material to the results of operations of any particular period in which costs, if any, are recognized. Based on current facts and circumstances, the low end of the range for potential penalties, if any, would be immaterial to the Company.

Table of Contents**Product Warranties:**

In addition to the contingencies above, the Company provides limited warranties on certain of its products. The product warranty liability included in "Other current liabilities" on the Consolidated Balance Sheets was \$7.6 million and \$7.1 million at March 31, 2019 and December 31, 2018, respectively. The Company is also currently evaluating claims raised by certain customers with respect to the performance of bearings sold into the wind energy sector. Management believes that the outcome of these claims will not have a material effect on the Company's consolidated financial position; however, the effect of any such outcome may be material to the results of operations of any particular period in which costs in excess of amounts provided, if any, are recognized.

Note 9 - Equity

The following tables present the changes in the components of equity for the first three months ended March 31, 2019 and 2018, respectively:

	The Timken Company Shareholders					
	Total	Stated Capital	Other Paid-In Capital	Earnings Invested in the Business	Accumulated Other Comprehensive (Loss)	Treasury Stock Non-controlling Interest
Balance at December 31, 2018	\$1,642.7	\$53.1	\$951.9	\$1,630.2	\$ (95.3)	\$(960.3) \$ 63.1
Net income	95.3			91.9		3.4
Foreign currency translation adjustment	(4.2)				(5.1)	0.9
Pension and postretirement liability adjustments	(0.1)				(0.1)	
Change in fair value of derivative financial instruments, net of reclassifications	(0.6)				(0.6)	
Dividends – \$0.28 per share	(21.3)			(21.3)		
Stock-based compensation	7.8		7.8			
Stock purchased at fair market value	(8.3)					(8.3)
Stock option exercise activity	1.0		(0.6)			1.6
Restricted share activity	—		(20.9)			20.9
Shares surrendered for taxes	(6.4)					(6.4)
Balance at March 31, 2019	\$1,705.9	\$53.1	\$938.2	\$1,700.8	\$ (101.1)	\$(952.5) \$ 67.4

	The Timken Company Shareholders					
	Total	Stated Capital	Other Paid-In Capital	Earnings Invested in the Business	Accumulated Other Comprehensive (Loss)	Treasury Stock Non-controlling Interest
Balance at December 31, 2017	\$1,474.9	\$53.1	\$903.8	\$1,408.4	\$ (38.3)	\$(884.3) \$ 32.2
Cumulative effect of adopting ASU 2014-09 (net of income tax benefit of \$2.6 million) ⁽¹⁾	7.7			7.7		
Cumulative effect of adopting ASU 2018-02	—			0.7	(0.7)	
Net income	80.5			80.2		0.3
Foreign currency translation adjustment	8.4				9.0	(0.6)
Change in fair value of derivative financial instruments, net of reclassifications	0.8				0.8	
Dividends – \$0.27 per share	(21.1)			(21.1)		
Stock-based compensation	10.3		10.3			
Stock purchased at fair market value	(22.7)					(22.7)
Stock option exercise activity	8.4		(1.4)			9.8
Restricted share activity	—		(11.2)			11.2
Shares surrendered for taxes	(4.4)					(4.4)

Edgar Filing: TIMKEN CO - Form 10-Q

Balance at March 31, 2018 **\$1,542.8 \$53.1\$901.5 \$1,475.9 \$ (29.2) \$(890.4)\$ 31.9**

⁽¹⁾ On January 1, 2018, the Company recognized the cumulative effect of adopting the revenue recognition guidance in ASU 2014-09 and related amendments as an adjustment to the opening balance of earnings invested in the business for the year ended December 31, 2018. Refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2018 for further information.

Table of Contents*Note 10 - Accumulated Other Comprehensive Income (Loss)*

The following tables present details about components of accumulated other comprehensive loss for the three months ended March 31, 2019 and 2018, respectively:

	Foreign currency translation adjustments	Pension and postretirement liability adjustments	Change in fair value of derivative financial instruments	Total
Balance at December 31, 2018	\$ (95.6)	\$ —	\$ 0.3	\$(95.3)
Other comprehensive (loss) income before reclassifications and income taxes	(4.2)	(0.1)	0.4	(3.9)
Amounts reclassified from accumulated other comprehensive (loss) income, before income tax	—	—	(1.2)	(1.2)
Income tax expense	—	—	0.2	0.2
Net current period other comprehensive loss, net of income taxes	(4.2)	(0.1)	(0.6)	(4.9)
Noncontrolling interest	(0.9)	—	—	(0.9)
Net current period comprehensive loss, net of income taxes and noncontrolling interest	(5.1)	(0.1)	(0.6)	(5.8)
Balance at March 31, 2019	\$(100.7)	\$ (0.1)	\$ (0.3)	\$(101.1)
	Foreign currency translation adjustments	Pension and postretirement liability adjustments	Change in fair value of derivative financial instruments	Total
Balance at December 31, 2017	\$ (35.1)	\$ (0.3)	\$ (2.9)	\$(38.3)
Cumulative effect of ASU 2018-02	—	(0.1)	(0.6)	(0.7)
Balance at January 1, 2018	(35.1)	(0.4)	(3.5)	(39.0)
Other comprehensive income (loss) before reclassifications and income taxes	8.4	—	(0.4)	8.0
Amounts reclassified from accumulated other comprehensive (loss) income, before income tax	—	—	1.4	1.4
Income tax expense	—	—	(0.2)	(0.2)
Net current period other comprehensive income, net of income taxes	8.4	—	0.8	9.2
Noncontrolling interest	0.6	—	—	0.6
Net current period comprehensive income (loss), net of income taxes and noncontrolling interest	9.0	(0.1)	0.2	9.1
Balance at March 31, 2018	\$ (26.1)	\$ (0.4)	\$ (2.7)	\$(29.2)

Other comprehensive income (loss) before reclassifications and income taxes includes the effect of foreign currency.

Table of Contents*Note 11 - Earnings Per Share*

The following table sets forth the reconciliation of the numerator and the denominator of basic earnings per share and diluted earnings per share for the three months ended March 31, 2019 and 2018, respectively:

	Three Months Ended March 31, 2019 2018	
Numerator:		
Net income attributable to The Timken Company	\$91.9	\$ 80.2
Less: undistributed earnings allocated to nonvested stock	—	—
Net income available to common shareholders for basic and diluted earnings per share	\$91.9	\$ 80.2
Denominator:		
Weighted average number of shares outstanding - basic	75,986,285	74,153
Effect of dilutive securities:		
Stock options and awards - based on the treasury stock method	1,026,288	9,032
Weighted average number of shares outstanding, assuming dilution of stock options and awards	77,012,573	83,185
Basic earnings per share	\$1.21	\$ 1.03
Diluted earnings per share	\$1.19	\$ 1.02

The exercise prices for certain stock options that the Company has awarded exceeded the average market price of the Company's common shares during each period presented. Such stock options are antidilutive and were not included in the computation of diluted earnings per share. The antidilutive stock options outstanding during the three months ended March 31, 2019 and 2018 were 1,191,056 and 699,902, respectively.

Table of Contents*Note 12 - Revenue*

The following table presents details deemed most relevant to the users of the financial statements about total revenue for the three months ended March 31, 2019 and 2018, respectively:

	Three Months Ended			Three Months Ended		
	March 31, 2019			March 31, 2018		
	Mobile Process Total			Mobile Process Total		
United States	\$273.7	\$209.7	\$483.4	\$257.4	\$178.6	\$436.0
Americas excluding United States	48.5	43.6	92.1	55.2	46.7	101.9
Europe / Middle East / Africa	101.7	125.0	226.7	102.9	88.0	190.9
Asia-Pacific	76.1	101.4	177.5	73.0	81.3	154.3
Net sales	\$500.0	\$479.7	\$979.7	\$488.5	\$394.6	\$883.1

When reviewing revenue by sales channel, the Company separates net sales to original equipment manufacturers from sales to distributors and end users. The following table presents the percent of revenue by sales channel for the three months ended March 31, 2019:

	Three Months Ended		Three Months Ended	
Revenue by sales channel	March 31, 2019		March 31, 2018	
Original equipment manufacturers	57%		57%	
Distribution/end users	43%		43%	

In addition to disaggregating revenue by segment and geography and by sales channel as shown above, the Company believes information about the timing of transfer of goods or services, type of customer and distinguishing service revenue from product sales is also relevant. During the three months ended March 31, 2019 and March 31, 2018, approximately 10% and 9%, respectively, of total net sales were recognized on an over-time basis because of the continuous transfer of control to the customer, with the remainder recognized as of a point in time. The payment terms with the U.S. government or its contractors, which represented approximately 7% and 6% of total net sales during the three months ended March 31, 2019 and March 31, 2018, respectively, differ from those of non-government customers. Finally, approximately 5% of total net sales represented service revenue during the three months ended March 31, 2019 and March 31, 2018, respectively.

Remaining Performance Obligations:

Remaining performance obligations represent the transaction price of orders meeting the definition of a contract for which work has not been performed and excludes unexercised contract options. Performance obligations having a duration of more than one year are concentrated in contracts for certain products and services provided to the U.S. government or its contractors. The aggregate amount of the transaction price allocated to remaining performance obligations for such contracts with a duration of more than one year was approximately \$129 million at March 31, 2019.

Unbilled Receivables:

The following table contains a rollforward of unbilled receivables for the three months ended March 31, 2019:

	March 31,
	2019
Beginning balance, January 1	\$ 116.6
Additional unbilled revenue recognized	95.5
Less: amounts billed to customers	(88.9)
Ending balance	\$ 123.2

There were no impairment losses recorded on unbilled receivables for the three months ended March 31, 2019.

Table of Contents*Note 13 - Segment Information*

The primary measurement used by management to measure the financial performance of each segment is earnings before interest and taxes ("EBIT").

	Three Months Ended March 31, 2019		2018
Net sales:			
Mobile Industries	\$500.0		\$488.5
Process Industries	479.7		394.6
Net sales	\$979.7		\$883.1
Segment EBIT:			
Mobile Industries	\$61.4		\$51.1
Process Industries	106.2		81.6
Total EBIT, for reportable segments	\$167.6		\$132.7
Corporate expenses	(14.3)		(14.3)
Interest expense	(18.0)		(10.0)
Interest income	1.3		0.4
Income before income taxes	\$136.6		\$108.8

Note 14 - Retirement Benefit Plans

The following table sets forth the net periodic benefit cost for the Company's defined benefit pension plans. The amounts for the three months ended March 31, 2019 are based on calculations prepared by the Company's actuaries and represent the Company's best estimate of the respective period's proportionate share of the amounts to be recorded for the year ending December 31, 2019.

	U.S. Plans		International Plans		Total	
	Three Months Ended March 31, 2019	2018	Three Months Ended March 31, 2019	2018	Three Months Ended March 31, 2019	2018
Components of net periodic benefit cost:						
Service cost	\$2.6	\$3.2	\$0.4	\$0.4	\$3.0	\$3.6
Interest cost	6.0	5.9	1.9	1.9	7.9	7.8
Expected return on plan assets	(6.4)	(7.3)	(2.6)	(3.0)	(9.0)	(10.3)
Amortization of prior service cost	0.4	0.4	—	—	0.4	0.4
Net periodic benefit cost	\$2.6	\$2.2	\$(0.3)	\$(0.7)	\$2.3	\$1.5

The Company currently expects to make contributions and payments related to its global defined benefit pension plans totaling approximately \$34 million in 2019. Approximately \$24 million of this total relates to the expected 2019 payout of deferred compensation to a former executive officer of the Company, which is expected to trigger a pension settlement during the third quarter of 2019.

Table of Contents*Note 15 - Other Postretirement Benefit Plans*

The following table sets forth the net periodic benefit cost for the Company's other postretirement benefit plans. The amounts for the three months ended March 31, 2019 are based on calculations prepared by the Company's actuaries and represent the Company's best estimate of the respective period's proportionate share of the amounts to be recorded for the year ending December 31, 2019.

	Three Months Ended March 31, 2019 2018	
Components of net periodic benefit cost:		
Interest cost	\$1.9	\$1.8
Expected return on plan assets	(0.8)	(0.9)
Amortization of prior service credit	(0.5)	(0.4)
Net periodic benefit cost	\$0.6	\$0.5

Note 16 - Income Taxes

The Company's provision for income taxes in interim periods is computed by applying the estimated annual effective tax rates to income or loss before income taxes for the period. In addition, non-recurring or discrete items are recorded during the period(s) in which they occur.

	Three Months Ended March 31, 2019 2018	
Provision for income taxes	\$41.3	\$28.3
Effective tax rate	30.2 %	26.0 %

The income tax expense for the three months ended March 31, 2019 was calculated using the forecasted multi-jurisdictional annual effective tax rates to determine a blended annual effective tax rate. The effective tax rate differs from the U.S. federal statutory rate of 21% primarily due to the projected mix of earnings in international jurisdictions with relatively higher tax rates and U.S. state and local income taxes. It was further impacted by additional accruals recorded discretely for uncertain tax positions related to the Tax Cuts and Jobs Act of 2017 ("U.S. Tax Reform").

The effective tax rate of 30.2% for the three months ended March 31, 2019 is higher than the three months ended March 31, 2018 primarily due to additional accruals recorded discretely for uncertain tax positions related to U.S. Tax Reform.

Table of Contents*Note 17 - Fair Value*

Fair value is defined as the price that would be expected to be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The FASB provides accounting rules that classify the inputs used to measure fair value into the following hierarchy:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Unadjusted quoted prices in active markets for similar assets or liabilities, or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3 – Unobservable inputs for the asset or liability.

The following tables present the fair value hierarchy for those financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2019 and December 31, 2018:

March 31, 2019

	Total	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	\$211.2	\$208.9	\$ 2.3	\$ —
Cash and cash equivalents measured at net asset value	28.3			
Restricted cash	0.6	0.6	—	—
Short-term investments	24.9	—	24.9	—
Short-term investments measured at net asset value	0.1			
Foreign currency hedges	6.6	—	6.6	—
Total Assets	\$271.7	\$209.5	\$ 33.8	\$ —
Liabilities:				
Foreign currency hedges	\$0.7	\$—	\$ 0.7	\$ —
Total Liabilities	\$0.7	\$—	\$ 0.7	\$ —

December 31, 2018

	Total	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	\$105.9	\$104.4	\$ 1.5	\$ —
Cash and cash equivalents measured at net asset value	26.6			
Restricted cash	0.6	0.6	—	—
Short-term investments	21.8	—	21.8	—
Foreign currency hedges	4.6	—	4.6	—
Total Assets	\$159.5	\$105.0	\$ 27.9	\$ —
Liabilities:				
Foreign currency hedges	\$0.7	\$—	\$ 0.7	\$ —
Total Liabilities	\$0.7	\$—	\$ 0.7	\$ —

Cash and cash equivalents are highly liquid investments with maturities of three months or less when purchased and are valued at the redemption value. Short-term investments are investments with maturities between four months and one year and generally are valued at amortized cost, which approximates fair value. A portion of the cash and cash equivalents and short-term investments are valued based on net

asset value. The Company uses publicly available foreign currency forward and spot rates to measure the fair value of its foreign currency forward contracts.

Table of Contents

Additionally, the Company remeasures certain assets at fair value, using Level 3 inputs, as a result of the occurrence of triggering events such as purchase accounting for acquisitions. See *Note 3 - Acquisitions* for further discussion.

The Company does not believe it has significant concentrations of risk associated with the counterparties to its financial instruments.

No other material assets were measured at fair value on a nonrecurring basis during the three months ended March 31, 2019 and 2018, respectively.

Financial Instruments:

The Company's financial instruments consist primarily of cash and cash equivalents, short-term investments, accounts receivable, trade accounts payable, short-term borrowings and long-term debt. Due to their short-term nature, the carrying value of cash and cash equivalents, short-term investments, accounts receivable, trade accounts payable and short-term borrowings are a reasonable estimate of their fair value. Due to the nature of fair value calculations for variable-rate debt, the carrying value of the Company's long-term variable-rate debt is a reasonable estimate of its fair value. The fair value of the Company's long-term fixed-rate debt, based on quoted market prices, was \$1,098.4 million and \$1,077.5 million at March 31, 2019 and December 31, 2018, respectively. The carrying value of this debt was \$1,066.9 million and \$1,070.7 million at March 31, 2019 and December 31, 2018, respectively. The fair value of long-term fixed-rate debt was measured using Level 2 inputs.

Note 18 - Derivative Instruments and Hedging Activities

The Company is exposed to certain risks relating to its ongoing business operations. The primary risks managed by using derivative instruments are foreign currency exchange rate risk and interest rate risk. Forward contracts on various foreign currencies are entered into in order to manage the foreign currency exchange rate risk associated with certain of the Company's commitments denominated in foreign currencies. From time to time, interest rate swaps are used to manage interest rate risk associated with the Company's fixed and floating-rate borrowings.

The Company designates certain foreign currency forward contracts as cash flow hedges of forecasted revenues and certain interest rate hedges as cash flow hedges of fixed-rate borrowings.

The Company does not purchase or hold any derivative financial instruments for trading purposes. As of March 31, 2019 and December 31, 2018, the Company had \$217.3 million and \$218.8 million, respectively, of outstanding foreign currency forward contracts at notional value. Refer to *Note 17 - Fair Value* for the fair value disclosure of derivative financial instruments.

Cash Flow Hedging Strategy:

For certain derivative instruments that are designated and qualify as cash flow hedges (*i.e.*, hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), the gain or loss on the derivative instrument is reported as a component of other comprehensive income and reclassified into earnings in the same line item associated with the forecasted transaction and in the same period or periods during which the hedged transaction affects earnings.

To protect against a reduction in the value of forecasted foreign currency cash flows resulting from export sales, the Company has instituted a foreign currency cash flow hedging program. The Company hedges portions of its forecasted cash flows denominated in foreign currencies with forward contracts. When the

dollar strengthens significantly against foreign currencies, the decline in the present value of future foreign currency revenue is offset by gains in the fair value of the forward contracts designated as hedges. Conversely, when the dollar weakens, the increase in the present value of future foreign currency cash flows is offset by losses in the fair value of the forward contracts.

The maximum length of time over which the Company hedges its exposure to the variability in future cash flows for forecast transactions is generally eighteen months or less.

Table of Contents**Purpose for Derivative Instruments not designated as Hedging Instruments:**

For derivative instruments that are not designated as hedging instruments, the instruments are typically forward contracts. In general, the practice is to reduce volatility by selectively hedging transaction exposures including intercompany loans, accounts payable and accounts receivable. Intercompany loans between entities with different functional currencies typically are hedged with a forward contract at the inception of the loan with a maturity date corresponding to the maturity of the loan. The revaluation of these contracts, as well as the revaluation of the underlying balance sheet items, is recorded directly to the income statement so the adjustment generally offsets the revaluation of the underlying balance sheet items to protect cash payments and reduce income statement volatility.

The following table presents the impact of derivative instruments not designated as hedging instruments for the three months ended March 31, 2019 and 2018, respectively, and their location within the Consolidated Statements of Income:

		Amount of gain or (loss) recognized in income Three Months Ended March 31,
Derivatives not designated as hedging instruments:	Location of gain or (loss) recognized in income	20192018
Foreign currency forward contracts	Other income (expense), net	\$3.0 \$(4.4)

Note 19 - Subsequent Events

On April 1, 2019, the Company completed the acquisition of The Diamond Chain Company ("Diamond Chain"), a leading supplier of high-performance roller chains for industrial markets. Diamond Chain serves a diverse range of market sectors, including industrial distribution, material handling, food and beverage, agriculture, construction and other process industries. Diamond Chain, located in Indianapolis, Indiana, operates primarily in the United States and China and had annual sales of approximately \$60 million for the twelve months ended March 31, 2019.

Table of Contents

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

(Dollars in millions, except per share data)

Overview

Introduction:

The Timken Company designs and manages a growing portfolio of engineered bearings and power transmission products. With more than a century of innovation and increasing knowledge, the Company continuously improves the reliability and efficiency of global machinery and equipment to move the world forward. The Company's growing product and services portfolio features many strong industrial brands, such as Timken®, Fafnir®, Philadelphia Gear®, Diamond Chain®, Drives®, Cone Drive®, Rollon®, Lovejoy® and Groeneveld®. Timken employs more than 18,000 people globally in 35 countries. The Company operates under two reportable segments: (1) Mobile Industries and (2) Process Industries. The following further describes these business segments:

Mobile Industries serves OEM customers that manufacture off-highway equipment for the agricultural, mining and construction markets; on-highway vehicles including passenger cars, light trucks, and medium- and heavy-duty trucks; rail cars and locomotives; outdoor power equipment; rotorcraft and fixed-wing aircraft; and other mobile equipment. Beyond service parts sold to OEMs, aftermarket sales and services to individual end users, equipment owners, operators and maintenance shops are handled directly or through the Company's extensive network of authorized automotive and heavy-truck distributors.

Process Industries serves OEM and end-user customers in industries that place heavy demands on the fixed operating equipment they make or use in heavy and other general industrial sectors. This includes metals, cement and aggregate production; coal power generation and renewable energy sources; oil and gas extraction and refining; pulp and paper and food processing; automation and robotics; and health and critical motion control equipment. Other applications include marine equipment, gear drives, cranes, hoists and conveyors. This segment also supports aftermarket sales and service needs through its global network of authorized industrial distributors and through the provision of services directly to end users.

Timken creates value by understanding customer needs and applying its know-how to serve a broad range of customers in attractive markets and industries across the globe. The Company's business strengths include its product technology, end-market diversity, geographic reach and aftermarket mix. Timken collaborates with OEMs to improve equipment efficiency with its engineered products and captures subsequent equipment replacement cycles by selling largely through independent channels in the aftermarket. Timken focuses its international efforts and footprint in regions of the world where strong macroeconomic factors such as urbanization, infrastructure development and sustainability create demand for its products and services.

The Company's strategy has three primary elements:

Outgrowing Our Markets. The Company intends to expand into new and existing markets by leveraging its collective knowledge of metallurgy, friction management and mechanical power transmission to create value for Timken customers. Using a highly collaborative technical selling approach, the Company places particular emphasis on creating unique solutions for challenging and/or demanding applications. The Company intends to grow in attractive market sectors around the world, emphasizing those spaces that are highly fragmented, demand high service and value the reliability and efficiency offered by Timken products. The Company also targets those applications that offer significant aftermarket demand, thereby providing product and services revenue throughout the equipment's lifetime.

Operating With Excellence. Timken operates with a relentless drive for exceptional results and a passion for superior execution. The Company embraces a continuous improvement culture that is charged with

increasing efficiency, lowering costs, eliminating waste, encouraging organizational agility and building greater brand equity to fuel future growth. This requires the Company's ongoing commitment to attract, retain and develop the best talent across the world.

Deploying Capital to Drive Shareholder Value. The Company is intently focused on providing the highest returns for shareholders through its capital allocation framework, which includes: (1) investing in the core business through capital expenditures, research and development and other organic growth initiatives; (2) pursuing strategic acquisitions to broaden its portfolio and capabilities across diverse markets, with a focus on bearings, adjacent power transmission products and related services; (3) returning capital to shareholders through dividends and share repurchases; and (4) maintaining a strong balance sheet and sufficient liquidity. As part of this framework, the Company may also restructure, reposition or divest underperforming product lines or assets.

Table of Contents

On April 1, 2019, the Company completed the acquisition of Diamond Chain, a leading supplier of high-performance roller chains for industrial markets. Diamond Chain serves a diverse range of market sectors, including industrial distribution, material handling, food and beverage, agriculture, construction and other process industries. Diamond Chain, located in Indianapolis, Indiana, operates primarily in the United States and China and had annual sales of approximately \$60 million for the twelve months ended March 31, 2019.

Other Events:

The Company incurred costs related to a severe flood caused by heavy rainstorms in Knoxville, Tennessee during the first quarter, which directly impacted one of the Company's warehouses. During the first quarter of 2019, the Company recorded property damage and related expenses of \$6.0 million, net of expected insurance proceeds. The Company expects to quantify and incur additional costs over the next few months that are expected to be covered by the Company's insurance policies. In addition, the inability to access inventory and the time to replace lost inventory temporarily impacted the product shipments to customers from this facility. The Company is in the process of calculating the financial impact and preparing business interruption claims to submit to the Company's insurance provider over the next few months.

Table of Contents**Overview:**

	Three Months Ended March 31,			
	2019	2018	\$ Change	% Change
Net sales	\$979.7	\$ 883.1	\$ 96.6	10.9 %
Net income	95.3	80.5	14.8	18.4 %
Net income attributable to noncontrolling interest	3.4	0.3	3.1	NM
Net income attributable to The Timken Company	\$91.9	\$ 80.2	\$ 11.7	14.6 %
Diluted earnings per share	\$1.19	\$ 1.02	\$ 0.17	16.7 %
Average number of shares – diluted	77,012,573	75,135,185	—	(2.5)%

The increase in net sales for the first three months of 2019 compared with the first three months of 2018 was primarily driven by the benefit of acquisitions, higher end-market demand and the impact of higher pricing, partially offset by the unfavorable impact of foreign currency exchange rate changes. The increase in net income for the first three months of 2019 compared with the first three months of 2018 was primarily due to improved performance across the business, driven by the impact of higher volume, favorable price/mix, the net benefit of acquisitions and improved manufacturing performance, partially offset by higher income tax and interest expense, higher material costs and property loss from flood damage at the Company's facility in Knoxville, Tennessee.

Outlook:

The Company expects 2019 full-year sales to increase approximately 8% to 10% compared with 2018 primarily due to organic growth in Process Industries and the benefit of acquisitions, including the recently completed Diamond Chain, Rollon, Cone Drive and ABC Bearings acquisitions, partially offset by the unfavorable impact of foreign currency exchange rate changes. The Company's earnings are expected to be higher in 2019 compared with 2018, primarily due to favorable price/mix, the impact of higher volume, the benefit of acquisitions, improved manufacturing performance, lower logistics costs and the impact of lower net actuarial losses ("mark-to-market charges"), partially offset by the unfavorable impact of foreign currency exchange rate changes, higher material costs, as well as higher income tax and interest expenses. The 2019 outlook does not account for mark-to-market charges because the amount will not be known unless a specific event triggers a remeasurement or until the fourth quarter of 2019.

The Company expects to generate operating cash of approximately \$510 million in 2019, an increase from 2018 of approximately \$178 million or 53%, as the Company anticipates higher net income and lower working capital requirements. The Company expects capital expenditures of approximately \$150 million in 2019, compared with \$113 million in 2018.

Table of Contents***The Statement of Income*****Sales:**

**Three
Months
Ended
March 31,**

2019 2018 \$ Change % Change

Net Sales **\$979.7** \$883.1 \$ 96.6 10.9 %

Net sales increased for the first three months of 2019 compared with the first three months of 2018, primarily due to the benefit of acquisitions of \$71 million and higher organic revenue of \$56 million, partially offset by the unfavorable impact of foreign currency exchange rate changes of \$31 million. The increase in organic revenue was driven by improved demand across most end-market sectors led by aerospace, wind energy and industrial distribution. The increase in organic revenue was also due to the impact of improved pricing.

Gross Profit:

**Three Months
Ended
March 31,**

2019 2018 \$ Change % Change

Gross profit **\$302.6** \$264.9 \$ 37.7 14.2%

Gross profit % to net sales **30.9** % 30.0 % 90 bps

Gross profit increased in the first three months of 2019 compared with the first three months of 2018, primarily due to the benefit of acquisitions of \$23 million, the impact of higher volume of \$17 million, favorable price/mix of \$15 million and improved manufacturing performance of \$7 million. These factors were partially offset by higher material costs of \$12 million, the unfavorable impact of foreign currency exchange rate changes of \$7 million and property losses and related expenses of \$6 million from flood damage.

Selling, General and Administrative Expenses:

**Three Months
Ended
March 31,**

2019 2018 \$ Change % Change

Selling, general and administrative expenses **\$152.7** \$148.6 \$ 4.1 2.8%

Selling, general and administrative expenses % to net sales **15.6** % 16.8 % (120) bps

Selling, general and administrative expenses increased in the first three months of 2019 compared with the first three months of 2018, primarily due to the impact of acquisitions of \$16 million, partially offset by the favorable impact of foreign currency exchange rate changes, lower compensation expense and the impact of other cost reductions.

Interest Income and Expense:

**Three Months
Ended
March 31,**

2019 2018 \$ Change % Change

Interest expense **\$(18.0)** \$(10.0) \$ (8.0) 80.0 %

Interest income **\$1.3** \$0.4 \$ 0.9 225.0 %

The increase in interest expense for the first three months of 2019 compared with the first three months of 2018 was primarily due to an increase in outstanding debt to fund the acquisitions of Rollon and Cone Drive.

Table of Contents**Other Income (Expense):**

	Three Months Ended March 31,			
	2019	2018	\$ Change	% Change
Non-service pension and other postretirement income	\$0.1	\$1.6	\$ (1.5)	(93.8)%
Other income, net	3.3	0.7	2.6	371.4 %
Total other income, net	\$3.4	\$2.3	\$ 1.1	47.8 %

Non-service pension and other postretirement income decreased in the first three months of 2019 compared with the first three months of 2018, primarily due to lower expected returns on lower plan assets for defined benefit pension plans in 2019. Other income, net increased in the first three months of 2019 compared with the first three months of 2018, primarily due to the gain on the sale of the former manufacturing facility in Pulaski, Tennessee.

Income Tax Expense:

	Three Months Ended March 31,			
	2019	2018	\$ Change	% Change
Provision for income taxes	\$41.3	\$28.3	\$ 13.0	45.9 %
Effective tax rate	30.2	%26.0	%	420 bps

Income tax expense increased \$13 million for the first three months of 2019 compared with the first three months of 2018 primarily due to \$5.8 million of income taxes on higher pre-tax earnings. Income tax expense also increased \$5.4 million due to additional accruals recorded discretely for uncertain tax positions related to U.S. Tax Reform. Refer to *Note 16 - Income Taxes* for more information on the computation of the income tax expense in interim periods.

Table of Contents**Business Segments**

The Company's reportable segments are business units that serve different industry sectors. While the segments often operate using shared infrastructure, each reportable segment is managed to address specific customer needs in these diverse market sectors. The primary measurement used by management to measure the financial performance of each segment is EBIT. Refer to *Note 13 - Segment Information* for the reconciliation of EBIT by segment to consolidated income before income taxes.

The presentation of segment results below includes a reconciliation of the changes in net sales for each segment reported in accordance with U.S. GAAP to net sales adjusted to remove the effects of acquisitions and divestitures completed in 2018 and foreign currency exchange rate changes. The effects of acquisitions, divestitures and foreign currency exchange rate changes on net sales are removed to allow investors and the Company to meaningfully evaluate the percentage change in net sales on a comparable basis from period to period.

The following items highlight the Company's acquisitions and divestitures completed in 2018 by segment based on the customers and underlying markets served:

The Company acquired Rollon, Cone Drive and ABC Bearings during the third quarter of 2018.

Substantially all of the results for Cone Drive and Rollon are reported in the Process Industries segment.

Substantially all of the results for ABC Bearings are reported in the Mobile Industries segment.

The Company divested Groeneveld Information Technology Holding B.V. (the "ICT Business") on September 19, 2018. Results for the ICT Business were reported in the Mobile Industries segment.

Mobile Industries Segment:

	Three Months Ended March 31,			
	2019	2018	\$ Change	% Change
Net sales	\$500.0	\$488.5	\$ 11.5	2.4 %
EBIT	\$61.4	\$51.1	\$ 10.3	20.2%
EBIT margin	12.3	%10.5	%	180 bps

	Three Months Ended March 31,			
	2019	2018	\$ Change	% Change
Net sales	\$500.0	\$488.5	\$ 11.5	2.4 %
Less: Acquisitions	21.9	—	21.9	NM
Divestitures	(3.4)	—	(3.4)	NM
Currency	(16.4)	—	(16.4)	NM
Net sales, excluding the impact of acquisitions, divestitures and currency	\$497.9	\$488.5	\$ 9.4	1.9 %

The Mobile Industries segment's net sales, excluding the effects of acquisitions, divestitures and foreign currency exchange rate changes, increased \$9 million or 1.9% in the first three months of 2019 compared with the first three months of 2018, reflecting organic growth in the aerospace market sector, as well as higher pricing. EBIT increased by \$10 million or 20.2% in the first three months of 2019 compared with the first three months of 2018, primarily due to improved manufacturing performance and lower SG&A expense of \$6 million, respectively, the net benefit of acquisitions and favorable price/mix. These factors were partially offset by higher material costs of \$7 million and property loss of \$6 million from flood damage and related expenses at the Company's facility in Knoxville, Tennessee.

Full-year sales for the Mobile Industries segment are expected to be up approximately 1% to 3% in 2019 compared with 2018. This reflects the benefit of acquisitions, net of divestitures, partially offset by the unfavorable impact of foreign currency exchange rate changes. EBIT for the Mobile Industries segment is expected to increase in 2019 compared with 2018 primarily due to the impact of favorable price/mix, the impact of acquisitions, and lower logistics and SG&A costs, partially offset by the impact of lower volume and unfavorable foreign currency exchange rate changes.

Table of Contents**Process Industries Segment:**

	Three Months Ended March 31,			
	2019	2018	\$ Change	Change
Net sales	\$479.7	\$394.6	\$ 85.1	21.6%
EBIT	\$106.2	\$81.6	\$ 24.6	30.1%
EBIT margin	22.1	%20.7	%	140 bps

	Three Months Ended March 31,			
	2019	2018	\$ Change	% Change
Net sales	\$479.7	\$394.6	\$ 85.1	21.6 %
Less: Acquisitions	52.4	—	52.4	NM
Currency	(14.1)	—	(14.1)	NM
Net sales, excluding the impact of acquisitions and currency	\$441.4	\$394.6	\$ 46.8	11.9 %

The Process Industries segment's net sales, excluding the effects of acquisitions and foreign currency exchange rate changes, increased \$47 million or 11.9% in the first three months of 2019 compared with the first three months of 2018. The increase was primarily driven by increased demand across most sectors, led by wind energy, industrial distribution and heavy industries. EBIT increased \$25 million or 30.1% in the first three months of 2019 compared with the first three months of 2018 primarily due to the impact of higher volume of \$17 million, favorable price/mix of \$10 million and the net benefit of acquisitions of \$5 million. These factors were partially offset by higher material costs of \$5 million.

Full-year sales for the Process Industries segment are expected to be up approximately 16% to 18% in 2019 compared with 2018. This reflects expected organic growth across most sectors, led by industrial distribution and wind energy, as well as the benefit of acquisitions, partially offset by the unfavorable impact of foreign currency exchange rate changes. EBIT for the Process Industries segment is expected to increase in 2019 compared with 2018 primarily due to the impact of favorable price/mix, higher volume, the benefit of acquisitions, and improved manufacturing performance, partially offset by higher SG&A expenses and higher material and logistics costs.

Corporate:

	Three Months Ended March 31,			
	2019	2018	\$ Change	Change
Corporate expenses	\$14.3	\$14.3	\$ —	%
Corporate expenses % to net sales	1.5	%1.6	%	(10) bps

Table of Contents**The Balance Sheet**

The following discussion is a comparison of the Consolidated Balance Sheets at March 31, 2019 and December 31, 2018.

Current Assets:

	March 31, 2019	December 31, 2018	\$ Change	% Change	
Cash and cash equivalents	\$ 239.5	\$ 132.5	\$ 107.0	80.8	%
Restricted cash	0.6	0.6	—	—	%
Accounts receivable, net	611.3	546.6	64.7	11.8	%
Unbilled receivables	123.2	116.6	6.6	5.7	%
Inventories, net	839.4	835.7	3.7	0.4	%
Deferred charges and prepaid expenses	32.3	28.2	4.1	14.5	%
Other current assets	73.3	77.0	(3.7)	(4.8)	%
Total current assets	\$ 1,919.6	\$ 1,737.2	\$ 182.4	10.5	%

Refer to the "Cash Flows" section for discussion on the change in Cash and cash equivalents. Accounts receivable increased primarily due to higher sales in March 2019 compared to December 2018. In addition, the Company wrote-off approximately \$4 million of receivables that had been fully reserved for in the allowance for doubtful accounts.

Property, Plant and Equipment, Net:

	March 31, 2019	December 31, 2018	\$ Change	% Change	
Property, plant and equipment	\$ 2,480.6	\$ 2,486.5	\$ (5.9)	(0.2)	%
Less: accumulated depreciation	(1,584.4)	(1,574.4)	(10.0)	0.6	%
Property, plant and equipment, net	\$ 896.2	\$ 912.1	\$ (15.9)	(1.7)	%

The decrease in net property, plant and equipment in the first three months of 2019 was primarily due to current-year depreciation of \$25 million and purchase price adjustments of \$7 million for the businesses acquired during 2018, partially offset by capital expenditures of \$16 million.

Operating Lease Assets

	March 31, 2019	December 31, 2018	\$ Change	% Change	
Operating lease assets	\$ 114.9	\$ —	\$ 114.9	NM	

The increase in operating lease assets in the first three months of 2019 was primarily due to the adoption of the new lease accounting standard. The increase also includes the reclassification of \$15.3 million of lease assets from non-current assets to operating lease assets related to purchasing accounting adjustments from the ABC Bearing acquisition. These assets do not have corresponding lease liabilities. Refer to Note 2 - Significant Accounting Policies in the Notes to the Consolidated Financial Statements for further discussion.

Table of Contents**Other Assets:**

	March 31,	December 31,	\$ Change % Change		
	2019	2018			
Goodwill	\$ 953.2	\$ 960.5	\$ (7.3)	(0.8)	%
Non-current pension assets	10.4	6.2	4.2	67.7	%
Other intangible assets	713.9	733.2	(19.3)	(2.6)	%
Deferred income taxes	49.7	59.0	(9.3)	(15.8)	%
Other non-current assets	22.8	37.0	(14.2)	(38.4)	%
Total other assets	\$ 1,750.0	\$ 1,795.9	\$ (45.9)	(2.6)	%

The decrease in goodwill was primarily due to the impact of foreign currency translations adjustments of \$10.3 million, partially offset by purchase price adjustments for prior year acquisitions of \$3.0 million. The decrease in other intangible assets was primarily due to current-year amortization of \$14.5 million and the impact of foreign currency translation adjustments of \$8.3 million, partially offset by purchase price adjustments for prior year acquisitions of \$2.5 million. The decrease in other non-current assets was primarily due to the reclassification of \$15.3 million of lease assets from non-current assets to operating lease assets related to the ABC Bearings acquisition.

Current Liabilities:

	March 31,	December 31,	\$ Change % Change		
	2019	2018			
Short-term debt	\$ 26.0	\$ 33.6	\$ (7.6)	(22.6)	%
Current portion of long-term debt	9.0	9.4	(0.4)	(4.3)	%
Short-term operating lease liabilities	29.3	—	29.3	NM	
Accounts payable	294.3	273.2	21.1	7.7	%
Salaries, wages and benefits	120.9	174.9	(54.0)	(30.9)	%
Income taxes payable	41.8	23.5	18.3	77.9	%
Other current liabilities	162.3	171.0	(8.7)	(5.1)	%
Total current liabilities	\$ 683.6	\$ 685.6	\$ (2.0)	(0.3)	%

The decrease in short-term debt was primarily due to lower borrowings under foreign lines of credit. The increase in short-term operating lease liabilities was primarily due to the adoption of the new lease accounting standard. Refer to *Note 2 - Significant Accounting Policies* in the Notes to the Consolidated Financial Statements for further discussion.

The increase in accounts payable was primarily due to an increase in normal seasonal purchase activity to meet higher demand.

e. The increase in income taxes payable was primarily due to income tax expense of \$41.3 million, partially offset by cash payments of \$13.6 million.

Table of Contents**Non-Current Liabilities:**

	March 31, 2019	December 31, 2018	\$ Change	% Change	
Long-term debt	\$ 1,746.5	\$ 1,638.6	\$ 107.9	6.6	%
Accrued pension cost	161.6	161.3	0.3	0.2	%
Accrued postretirement benefits cost	109.6	108.7	0.9	0.8	%
Long-term operating lease liabilities	71.1	—	71.1	NM	
Deferred income taxes	126.8	138.0	(11.2)	(8.1)	)%
Other non-current liabilities	75.6	70.3	5.3	7.5	%
Total non-current liabilities	\$ 2,291.2	\$ 2,116.9	\$ 174.3	8.2	%

The increase in long-term debt was primarily due to additional borrowings under the Senior Credit Facility used primarily to finance the Diamond Chain acquisition, which occurred on April 1, 2019.

The increase in long-term operating lease liabilities was primarily due to the adoption of the new lease accounting standard. Refer to *Note 2 - Significant Accounting Policies* in the Notes to the Consolidated Financial Statements for further discussion.

Shareholders' Equity:

	March 31, 2019	December 31, 2018	\$ Change	% Change	
Common shares	\$ 991.3	\$ 1,005.0	\$ (13.7)	(1.4)	)%
Earnings invested in the business	1,700.8	1,630.2	70.6	4.3	%
Accumulated other comprehensive loss	(101.1)	(95.3)	(5.8)	(6.1)	%
Treasury shares	(952.5)	(960.3)	7.8	(0.8)	)%
Noncontrolling interest	67.4	63.1	4.3	6.8	%
Total shareholders' equity	\$ 1,705.9	\$ 1,642.7	\$ 63.2	3.8	%

Common shares decreased primarily due to the vesting of performance-based restricted stock units and time-based restricted stock units, partially offset by stock compensation expense recognized for the first three months of 2019. Earnings invested in the business in the first three months of 2019 increased by net income attributable to the Company of \$92 million, partially offset by dividends declared of \$21 million.

The decrease in treasury shares was primarily due to the issuance of \$16 million of shares for stock compensation plans (net of shares surrendered for taxes) during the first three months of 2019, partially offset by the Company's purchase of 208,856 of its common shares for \$8.3 million.

Table of Contents**Cash Flows**

	Three Months Ended March 31,		
	2019	2018	\$ Change
Net cash provided by (used in) operating activities	\$52.3	\$(44.3)	\$ 96.6
Net cash used in investing activities	(19.6)	(14.0)	(5.6)
Net cash provided by financing activities	73.4	52.3	21.1
Effect of exchange rate changes on cash	0.9	0.9	—
Increase (decrease) in cash, cash equivalents and restricted cash	\$107.0	\$(5.1)	\$ 112.1

Operating Activities:

The increase in net cash provided by operating activities for the first three months of 2019 compared with the first three months of 2018 was primarily due to a decrease in cash used for working capital items of \$64.9 million, higher net income of \$14.8 million and the favorable impact of income taxes on cash of \$11.7 million. Refer to the table below for additional detail of the impact of each line item on net cash provided by operating activities.

The following table displays the impact of working capital items on cash during the first three months of 2019 and 2018, respectively:

	Three Months Ended March 31,		
	2019	2018	\$ Change
Cash (Used) Provided:			
Accounts receivable	\$(65.0)	\$(72.1)	\$ 7.1
Unbilled receivables	(6.6)	(11.5)	4.9
Inventories	(4.1)	(53.8)	49.7
Trade accounts payable	20.2	(2.3)	22.5
Other accrued expenses	(58.0)	(38.7)	(19.3)
Cash used in working capital items	\$(113.5)	\$(178.4)	\$ 64.9

The following table displays the impact of income taxes on cash during the first three months of 2019 and 2018, respectively:

	Three Months Ended March 31,		
	2019	2018	\$ Change
Accrued income tax expense	\$41.3	\$28.3	\$ 13.0
Income tax payments	(13.6)	(11.0)	(2.6)
Other miscellaneous items	(2.6)	(3.9)	1.3
Change in income taxes	\$25.1	\$13.4	\$ 11.7

Financing Activities:

The increase in net cash provided by financing activities for the first three months of 2019 compared with the first three months of 2018 was primarily due to an increase in net borrowings of \$15.2 million, primarily used to fund the acquisition of Diamond Chain on April 1, 2019, and the decrease in cash used for share

repurchases of \$14.4 million, partially offset by a reduction in proceeds from stock option activity of \$7.4 million.

Table of Contents**Liquidity and Capital Resources:**

Reconciliation of total debt to net debt and the ratio of net debt to capital:

Net Debt:

	March 31,	December 31,
	2019	2018
Short-term debt	\$ 26.0	\$ 33.6
Current portion of long-term debt	9.0	9.4
Long-term debt	1,746.5	1,638.6
Total debt	\$ 1,781.5	\$ 1,681.6
Less: Cash and cash equivalents	239.5	132.5
Restricted cash	0.6	0.6
Net debt	\$ 1,541.4	\$ 1,548.5

Ratio of Net Debt to Capital:

	March 31,	December 31,
	2019	2018
Net debt	\$ 1,541.4	\$ 1,548.5
Total equity	1,705.9	1,642.7
Net debt plus total equity (capital)	\$ 3,247.3	\$ 3,191.2
Ratio of net debt to capital	47.5	%48.5 %

The Company presents net debt because it believes net debt is more representative of the Company's financial position than total debt due to the amount of cash and cash equivalents held by the Company and the ability to utilize such cash and cash equivalents to reduce debt if needed.

At March 31, 2019, \$151.5 million of the Company's \$239.5 million of cash and cash equivalents resided in jurisdictions outside the U.S. It is the Company's practice to use available cash in the U.S. to pay down its Senior Credit Facility or Accounts Receivable Facility in order to minimize total interest expense. The Company had increased cash and borrowings in the U.S. at March 31, 2019 to fund the acquisition of Diamond Chain on April 1, 2019. Repatriation of non-U.S. cash could be subject to taxes and some portion may be subject to governmental restrictions. Part of the Company's strategy is to grow in attractive market sectors, many of which are outside the U.S. This strategy includes making investments in facilities, equipment and potential new acquisitions. The Company plans to fund these investments, as well as meet working capital requirements, with cash and cash equivalents and unused lines of credit within the geographic location of these investments where feasible.

The Company expects that any cash requirements in excess of cash on hand and cash generated from operating activities will be met by the committed funds available under its Accounts Receivable Facility and Senior Credit Facility. Management believes it has sufficient liquidity to meet its obligations through the term of the Senior Credit Facility and expects to renew the Senior Credit Facility prior to its maturity.

The Company has a \$100 million Accounts Receivable Facility, which matures on November 30, 2021. The Accounts Receivable Facility is subject to certain borrowing base limitations and is secured by certain domestic accounts receivable of the Company. Borrowings under the Accounts Receivable Facility were not reduced by any such borrowing base limitations at March 31, 2019. As of March 31, 2019, the Company had \$100.0 million in outstanding borrowings, which reduced the availability under the facility to zero. The interest rate on the Accounts Receivable Facility is variable and was 3.47% as of March 31,

2019, which reflects the prevailing commercial paper rate plus facility fees.

Table of Contents

The Company has a \$500 million Senior Credit Facility, which matures on June 19, 2020. At March 31, 2019, the Senior Credit Facility had outstanding borrowings of \$141.2 million, which reduced the availability to \$358.8 million. Proceeds from the Senior Credit Facility were used to fund the acquisition of Diamond Chain. The Senior Credit Facility has two financial covenants: a consolidated leverage ratio and a consolidated interest coverage ratio. The maximum consolidated leverage ratio permitted under the Senior Credit Facility is 3.5 to 1.0 (3.75 to 1.0 for a limited period up to four quarters following an acquisition with a purchase price of \$200 million or greater). As of March 31, 2019, the Company's consolidated leverage ratio was 2.50 to 1.0. The minimum consolidated interest coverage ratio permitted under the Senior Credit Facility is 3.5 to 1.0. As of March 31, 2019, the Company's consolidated interest coverage ratio was 12.49 to 1.0.

The interest rate under the Senior Credit Facility is variable and with a spread based on the Company's debt rating. This average rate on outstanding U.S. Dollar borrowings was 3.59% and the average rate on outstanding Euro borrowings was 1.10% as of March 31, 2019. In addition, the Company pays a facility fee based on the consolidated leverage ratio multiplied by the aggregate commitments of all of the lenders under the Senior Credit Facility.

Other sources of liquidity include short-term lines of credit for certain of the Company's foreign subsidiaries, which provide for borrowings of up to approximately \$272.0 million. Most of these credit lines are uncommitted. At March 31, 2019, the Company had borrowings outstanding of \$26.0 million and bank guarantees of \$0.5 million, which reduced the aggregate availability under these facilities to approximately \$245.5 million.

On September 6, 2018, the Company issued the 2028 Notes in the aggregate principal amount of \$400 million. On September 11, 2018, the Company entered into the 2023 Term Loan and borrowed \$350 million. Proceeds from the 2028 Notes and 2023 Term Loan were used to fund the acquisitions of Cone Drive and Rollon, which closed on September 1, 2018 and September 18, 2018, respectively. Refer to *Note 7 - Financing Arrangements* to the Notes to the Consolidated Financial Statements for additional information.

On September 7, 2017, the Company issued the 2027 Notes in the aggregate principal amount of €150 million. On September 18, 2017, the Company entered into the 2020 Term Loan and borrowed €100 million. On March 22, 2019, the Company repaid €4.5 million under the 2020 Term Loan bringing the total paid to-date to €11 million, which reduced the principal balance to €89 million as of March 31, 2019. Refer to *Note 7 - Financing Arrangements* to the Notes to the Consolidated Financial Statements for additional information.

All of these debt instruments, except the 2028 Notes, Accounts Receivable Facility and the short-term lines of credit, have two financial covenants: a consolidated leverage ratio and a consolidated interest coverage ratio. At March 31, 2019, the Company was in full compliance with these covenants. The Company expects to remain in compliance with its debt covenants. However, the Company may need to limit its borrowings under the Senior Credit Facility or other facilities in order to remain in compliance. As of March 31, 2019, the Company could have borrowed the full amounts available under the Senior Credit Facility and Accounts Receivable Facility and still would have been in compliance with its debt covenants. The 2028 Notes, Accounts Receivable Facility and the short-term lines of credit do not have these types of financial covenants.

The Company expects cash from operations of approximately \$510 million in 2019, an increase from 2018 of approximately \$178 million or 53%, as the Company anticipates higher net income and lower working

capital requirements. The Company expects capital expenditures of approximately \$150 million in 2019, compared with \$113 million in 2018.

Financing Obligations and Other Commitments:

During the first three months of 2019, the Company made cash contributions of \$4.5 million to its global defined benefit pension plans and \$0.3 million to its other postretirement benefit plans. The Company currently expects to make contributions and payments related to its global defined benefit pension plans totaling approximately \$34 million in 2019. Approximately \$24 million of this total relates to the expected 2019 payout of deferred compensation to a former executive officer of the Company, which is expected to trigger a pension settlement during the third quarter of 2019. The Company also expects to make payments of approximately \$5 million to its other postretirement benefit plans in 2019. Excluding mark-to-market charges, the Company expects slightly lower pension expense. Mark-to-market charges are not accounted for in the 2019 outlook because the amount will not be known until the fourth quarter of 2019, or on an interim basis if specific events trigger a remeasurement.

The Company does not have any off-balance sheet arrangements with unconsolidated entities or other persons.

Table of Contents

Critical Accounting Policies and Estimates:

The Company's financial statements are prepared in accordance with accounting principles generally accepted in the U.S. 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 Company reviews its critical accounting policies throughout the year. The Company has concluded that there have been no significant changes to its critical accounting policies or estimates, as described in its Annual Report on Form 10-K for the year ended December 31, 2018, during the three months ended March 31, 2019.

Other Matters

Foreign Currency:

Assets and liabilities of subsidiaries are translated at the rate of exchange in effect on the balance sheet date; income and expenses are translated at the average rates of exchange prevailing during the reporting period. Related translation adjustments are reflected as a separate component of accumulated other comprehensive loss. Foreign currency gains and losses resulting from transactions, and the related hedging activity, are included in the Consolidated Statements of Income.

For the three months ended March 31, 2019, the Company recorded negative foreign currency translation adjustments of \$5.1 million that decreased shareholders' equity, compared with positive foreign currency translation adjustments of \$9.0 million that increased shareholders' equity for the first three months ended March 31, 2018. The foreign currency translation adjustments for the first three months ended March 31, 2019 were negatively impacted by the strengthening of the U.S. dollar relative to other foreign currencies, including the Euro and Romanian Leu.

Foreign currency exchange gains and losses, net of hedging activity, resulting from transactions included in the Company's operating results for the first three months of 2019 totaled \$0.9 million of net gains, compared with \$1.2 million of net losses during the first three months of 2018.

Table of Contents

Forward-Looking Statements

Certain statements set forth in this Form 10-Q and in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 that are not historical in nature (including the Company's forecasts, beliefs and expectations) are "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. In particular, Management's Discussion and Analysis contains numerous forward-looking statements. Forward-looking statements generally will be accompanied by words such as "anticipate," "believe," "could," "estimate," "expect," "forecast," "outlook," "intend," "may," "possible," "potential," "pre-" "project" or other similar words, phrases or expressions. You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this Form 10-Q. The Company cautions readers that actual results may differ materially from those expressed or implied in forward-looking statements made by or on behalf of the Company due to a variety of factors, such as:

- deterioration in world economic conditions, or in economic conditions in any of the geographic regions in which the Company or its customers or suppliers conduct business, including adverse effects from a global economic slowdown, terrorism or hostilities. This includes: political risks associated with the potential instability of governments and legal systems in countries in which the Company or its customers or suppliers conduct business, changes in currency valuations and recent world events that have increased the risks posed by international trade disputes, tariffs and sanctions;
- the effects of fluctuations in customer demand on sales, product mix and prices in the industries in which the Company operates. This includes: the ability of the Company to respond to rapid changes in customer demand, the effects of customer or supplier bankruptcies or liquidations, the impact of changes in industrial business cycles and whether conditions of fair trade continue in the Company's markets;
- competitive factors, including changes in market penetration, increasing price competition by existing or new foreign and domestic competitors, the introduction of new products by existing and new competitors and new technology that may impact the way the Company's products are sold or distributed;
- changes in operating costs. This includes: the effect of changes in the Company's manufacturing processes; changes in costs associated with varying levels of operations and manufacturing capacity; availability and cost of raw materials and energy; changes in the expected costs associated with product warranty claims; changes resulting from inventory management and cost reduction initiatives; the effects of unplanned plant shutdowns; and changes in the cost of labor and benefits;
- the success of the Company's operating plans, announced programs, initiatives and capital investments;
- the ability to integrate acquired companies; and the ability of acquired companies to achieve satisfactory operating results, including results being accretive to earnings;
- the Company's ability to maintain appropriate relations with unions or works councils that represent Company associates in certain locations in order to avoid disruptions of business;
- unanticipated litigation, claims, investigations or assessments. This includes: claims or problems related to intellectual property, product liability or warranty, environmental issues and taxes;
- changes in worldwide financial and capital markets, including availability of financing and interest rates on satisfactory terms, which affect the Company's cost of funds and/or ability to raise capital, as well as customer demand and the ability of customers to obtain financing to purchase the Company's products or equipment that contain the Company's products;
- the Company's ability to satisfy its obligations under its debt agreements, as well as its ability to renew or refinance borrowings on favorable terms;
- the impact on the Company's pension obligations and assets due to changes in interest rates, investment performance and other tactics designed to reduce risk; and
- those items identified under Item 1A. Risk Factors in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

Additional risks relating to the Company's business, the industries in which the Company operates, or the Company's common shares may be described from time to time in the Company's filings with the Securities

and Exchange Commission. All of these risk factors are difficult to predict, are subject to material uncertainties that may affect actual results and may be beyond the Company's control.

Readers are cautioned that it is not possible to predict or identify all of the risks, uncertainties and other factors that may affect future results and that the above list should not be considered to be a complete list. Except as required by the federal securities laws, the Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Table of Contents

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Refer to information appearing under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Form 10-Q. Furthermore, a discussion of market risk exposures is included in Part II, Item 7A. Quantitative and Qualitative Disclosure about Market Risk, of the Company’s Annual Report on Form 10-K for the year ended December 31, 2018. There have been no material changes in reported market risk since the inclusion of this discussion in the Company’s Annual Report on Form 10-K referenced above.

ITEM 4. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company’s management, including the Company’s principal executive officer and principal financial officer, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)). Based upon that evaluation, the principal executive officer and principal financial officer concluded that the Company’s disclosure controls and procedures were effective as of the end of the period covered by this report.

(b) Changes in Internal Control Over Financial Reporting

During the Company’s most recent fiscal quarter, there have been no changes in the Company’s internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

During the third quarter of 2018, the Company acquired ABC Bearings, Cone Drive and Rollon. The results of these acquisitions are included in the Company’s consolidated financial statements for the three months ended March 31, 2019. The combined total assets of ABC Bearings, Cone Drive, and Rollon represent 23% and 49% of the Company’s total and net assets, respectively as of March 31, 2019. The combined net sales and net income of ABC Bearings, Cone Drive, and Rollon represented 8% of the Company’s consolidated net sales and 6% of the Company’s consolidated net income for the three months ended March 31, 2019. The Company is currently integrating these acquisitions into its internal control processes and as permitted by U.S. Securities and Exchange Commission rules and regulations, the Company has not yet included these acquisitions in the assessment of the effectiveness of internal controls over financial reporting. The Company will include ABC Bearings, Cone Drive, and Rollon in the internal control over financial reporting assessment as of December 31, 2019.

Table of Contents**PART II. OTHER INFORMATION****Item 1. Legal Proceedings**

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position or results of operations.

Item 1A. Risk Factors

Our Annual Report on Form 10-K for the fiscal year ended December 31, 2018, included a detailed discussion of our risk factors. There have been no material changes to the risk factors included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**Issuer Purchases of Common Shares**

The following table provides information about purchases by the Company of its common shares during the quarter ended March 31, 2019.

Period	Total number of shares purchased ⁽¹⁾	Average price paid per share ⁽²⁾	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs ⁽³⁾
1/1/19 - 1/31/19	189,227	\$ 39.40	188,856	6,600,710
2/1/19 - 2/28/19	167,429	42.98	20,000	6,580,710
3/1/19 - 3/31/19	361	43.22	—	6,580,710
Total	357,017	\$ 41.08	208,856	

Of the shares purchased in January, February and March, 371, 147,429, and 361, respectively, (1) represent common shares of the Company that were owned and tendered by employees to exercise stock options and to satisfy withholding obligations in connection with the exercise of stock options or vesting of restricted shares.

For shares tendered in connection with the vesting of restricted shares, the average price paid per share is an average calculated using the daily high and low of the Company's common shares as quoted on (2) the New York Stock Exchange at the time of vesting. For shares tendered in connection with the exercise of stock options, the price paid is the real-time trading stock price at the time the options are exercised.

On February 6, 2017, the Company announced that its Board of Directors approved a share purchase plan pursuant to which the Company may purchase up to ten million of its common shares in the (3) aggregate. This share repurchase plan expires on February 28, 2021. The Company may purchase shares from time to time in open market purchases or privately negotiated transactions. The Company may make all or part of the purchases pursuant to accelerated share repurchases or Rule 10b5-1 plans.

Table of Contents

Item 6. Exhibits

- 10.1 The Timken Company 1996 Deferred Compensation Plan for officers and other key employees, amended and restated effective as of January 1, 2019.
- 10.2 Form of Nonqualified Stock Option Agreement (U.S.), as adopted February 7, 2019 and pursuant to the Timken Company 2011 Long-Term Incentive Plan.
- 10.3 Form of Nonqualified Stock Option Agreement (non-U.S.), as adopted February 7, 2019 and pursuant to the Timken Company 2011 Long-Term Incentive Plan.
- 10.4 Form of Nonqualified Stock Option Agreement (U.S., retirement age 62), as adopted February 7, 2019 and pursuant to the Timken Company 2011 Long-Term Incentive Plan.
- 10.5 Form of Nonqualified Stock Option Agreement (non-U.S., retirement age 62), as adopted February 7, 2019 and pursuant to the Timken Company 2011 Long-Term Incentive Plan.
- 10.6 Form of Time-Based Restricted Stock Unit Agreement, as adopted February 7, 2019 and pursuant to the Timken Company 2011 Long-Term Incentive Plan.
- 10.7 Form of Time-Based Restricted Stock Unit Agreement (retirement age 62), as adopted February 7, 2019 and pursuant to the Timken Company 2011 Long-Term Incentive Plan.
- 10.8 Form of Performance-Based Restricted Stock Unit Agreement, as adopted February 7, 2019 and pursuant to the Timken Company 2011 Long-Term Incentive Plan.
- 10.9 Form of Performance-Based Restricted Stock Unit Agreement (retirement age 62), as adopted February 7, 2019 and pursuant to the Timken Company 2011 Long-Term Incentive Plan.
- 10.10 Form of Deferred Shares Agreement (three year cliff vesting), as adopted February 7, 2019 and pursuant to the Timken Company 2011 Long-Term Incentive Plan.
- 10.11 Form of Deferred Shares Agreement (five year cliff vesting), as adopted February 7, 2019 and pursuant to the Timken Company 2011 Long-Term Incentive Plan.
- 10.12 Form of Deferred Shares Agreement (three year cliff vesting, retirement age 62), as adopted February 7, 2019 and pursuant to the Timken Company 2011 Long-Term Incentive Plan.
- 10.13 Form of Deferred Shares Agreement (five year cliff vesting, retirement age 62), as adopted February 7, 2019 and pursuant to the Timken Company 2011 Long-Term Incentive Plan.
- 10.14 Form of Deferred Share Equivalents Agreement (three year cliff vesting), as adopted February 7, 2019 and pursuant to the Timken Company 2011 Long-Term Incentive Plan.
- 10.15 Form of Deferred Share Equivalents Agreement five year cliff vesting), as adopted February 7, 2019 and pursuant to the Timken Company 2011 Long-Term Incentive Plan.
- 10.16 Form of Deferred Share Equivalents Agreement (three year cliff vesting, retirement age 62), as adopted February 7, 2019 and pursuant to the Timken Company 2011 Long-Term Incentive Plan.

10.17 Form of Deferred Share Equivalents Agreement (five year cliff vesting, retirement age 62), as adopted February 7, 2019 and pursuant to the Timken Company 2011 Long-Term Incentive Plan.

10.18 Form of Nonqualified Stock Option Agreement (U.S.) as adopted February 7, 2019 and to be granted pursuant to the Timken Company 2019 Equity and Incentive Compensation Plan.

10.19 Form of Nonqualified Stock Option Agreement (non-U.S.) as adopted February 7, 2019 and to be granted pursuant to the Timken Company 2019 Equity and Incentive Compensation Plan.

Form of Nonqualified Stock Option Agreement (U.S., retirement age 62), as adopted February 7, 10.20 2019 and to be granted pursuant to the Timken Company 2019 Equity and Incentive Compensation Plan.

Form of Nonqualified Stock Option Agreement (non-U.S., retirement age 62), as adopted February 7, 10.21 2019 and to be granted pursuant to the Timken Company 2019 Equity and Incentive Compensation Plan.

10.22 Form of Time-Based Restricted Stock Unit Agreement, as adopted February 7, 2019 and to be granted pursuant to the Timken Company 2019 Equity and Incentive Compensation Plan.

Form of Time-Based Restricted Stock Unit Agreement (retirement age 62), as adopted February 7, 10.23 2019 and to be granted pursuant to the Timken Company 2019 Equity and Incentive Compensation Plan.

Table of Contents

- 10.24 Form of Performance-Based Restricted Stock Unit Agreement, as adopted February 7, 2019 and to be granted pursuant to the Timken Company 2019 Equity and Incentive Compensation Plan.
- 10.25 Form of Performance-Based Restricted Stock Unit Agreement (retirement age 62), as adopted February 7, 2019 and to be granted pursuant to the Timken Company 2019 Equity and Incentive Compensation Plan.
- 10.26 Form of Deferred Shares Agreement (three year cliff vesting), as adopted February 7, 2019 and to be granted pursuant to the Timken Company 2019 Equity and Incentive Compensation Plan.
- 10.27 Form of Deferred Shares Agreement (five year cliff vesting), as adopted February 7, 2019 and to be granted pursuant to the Timken Company 2019 Equity and Incentive Compensation Plan.
- 10.28 Form of Deferred Shares Agreement (three year cliff vesting, retirement age 62), as adopted February 7, 2019 and to be granted pursuant to the Timken Company 2019 Equity and Incentive Compensation Plan.
- 10.29 Form of Deferred Shares Agreement (five year cliff vesting, retirement age 62), as adopted February 7, 2019 and to be granted pursuant to the Timken Company 2019 Equity and Incentive Compensation Plan.
- 10.30 Form of Deferred Share Equivalents Agreement (three year cliff vesting), as adopted February 7, 2019 and to be granted pursuant to the Timken Company 2019 Equity and Incentive Compensation Plan.
- 10.31 Form of Deferred Share Equivalents Agreement (five year cliff vesting, as adopted February 7, 2019 and to be granted pursuant to the Timken Company 2019 Equity and Incentive Compensation Plan.
- 10.32 Form of Deferred Share Equivalents Agreement (three year cliff vesting, retirement age 62), as adopted February 7, 2019 and to be granted pursuant to the Timken Company 2019 Equity and Incentive Compensation Plan.
- 10.33 Form of Deferred Share Equivalents Agreement (five year cliff vesting, retirement age 62), as adopted February 7, 2019 and to be granted pursuant to the Timken Company 2019 Equity and Incentive Compensation Plan.
- 10.34 Form of Time-Based Restricted Stock Unit Agreement for Nonemployee Directors (new member grant), as adopted February 7, 2019.
- 10.35 Form of Time-Based Restricted Stock Unit Agreement for Nonemployee Directors (annual grant), as adopted February 7, 2019.
- 12 Computation of Ratio of Earnings to Fixed Charges.
- 31.1 Certification of Richard G. Kyle, President and Chief Executive Officer (principal executive officer) of The Timken Company, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Philip D. Fracassa, Executive Vice President and Chief Financial Officer (principal financial officer) of The Timken Company, pursuant to Section 302 of the Sarbanes-Oxley Act of

2002.

32 Certifications of Richard G. Kyle, President and Chief Executive Officer (principal executive officer) and Philip D. Fracassa, Executive Vice President and Chief Financial Officer (principal financial officer) of The Timken Company, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101 Financial statements from the quarterly report on Form 10-Q of The Timken Company for the quarter ended March 31, 2019, filed on May 1, 2019, formatted in XBRL: (i) the Consolidated Statements of Income, (ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Cash Flows and (v) the Notes to the Consolidated Financial Statements.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE TIMKEN COMPANY

Date: May 1, 2019 By: /s/ Richard G. Kyle
Richard G. Kyle
President and Chief Executive Officer
(Principal Executive Officer)

Date: May 1, 2019 By: /s/ Philip D. Fracassa
Philip D. Fracassa
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)