TIMKEN CO
Form 10-Q
October 25, 2017
false--12-31Q320172017-09-3010-Q000009836277617122Large Accelerated FilerTimken Co.0.00500.01750.00500.0032P0Y20200000205000000.800020000000020000000098375135983751350.0150.016520200.00
0000098362 2017-01-01 2017-09-30 0000098362 2017-09-30 0000098362 2016-01-01 2016-09-30 0000098362 2016-07-01 2016-09-30 0000098362 2017-07-01 2017-09-30 0000098362 2016-12-31 0000098362 2016-09-30 0000098362 2015-12-31 0000098362 us-gaap:RetainedEarningsMember 2017-01-01 0000098362 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-01-01 0000098362 us-gaap:RestatementAdjustmentMember 2017-01-01 0000098362 us-gaap:RestatementAdjustmentMember 2017-01-01 2017-09-30 0000098362 us-gaap:ScenarioPreviouslyReportedMember 2016-01-01 2016-09-30 0000098362 us-gaap:RestatementAdjustmentMember 2016-01-01 2016-09-30 0000098362 tkr:ScenarioPreviousAccountingGuidanceMember 2017-01-01 2017-09-30 0000098362 us-gaap:RestatementAdjustmentMember 2017-09-30 0000098362 us-gaap:RestatementAdjustmentMember 2016-12-31 0000098362 us-gaap:ScenarioPreviouslyReportedMember 2016-12-31 0000098362 tkr:ScenarioPreviousAccountingGuidanceMember 2017-09-30 0000098362 tkr:ScenarioPreviousAccountingGuidanceMember 2016-12-31 0000098362 us-gaap:RestatementAdjustmentMember 2017-07-01 2017-09-30 0000098362 us-gaap:RestatementAdjustmentMember 2016-07-01 2016-09-30 0000098362 us-gaap:ScenarioPreviouslyReportedMember 2016-07-01 2016-09-30 0000098362 tkr:ScenarioPreviousAccountingGuidanceMember 2017-07-01 2017-09-30 0000098362 us-gaap:NewAccountingPronouncementMember 2016-01-01 2016-09-30 0000098362 us-gaap:NewAccountingPronouncementMember 2017-01-01 2017-09-30 0000098362 us-gaap:ShortTermDebtMember tkr:A2017AcquisitionsMember 2017-09-30 0000098362 tkr:A2017AcquisitionsMember 2017-09-30 0000098362 tkr:TorsionControlProductsMember 2017-04-03 2017-04-03 0000098362 tkr:LovejoyMember 2016-07-08 2016-07-08 0000098362 tkr:A2017AcquisitionsMember 2017-01-01 2017-09-30 0000098362 tkr:EDTMember 2016-10-31 2016-10-31 0000098362 tkr:A2017AcquisitionsMember 2016-04-01 2017-03-31 0000098362 tkr:GroeneveldMember 2017-07-03 2017-07-03 0000098362 tkr:ABCBearingsMember 2017-07-05 2017-07-05 0000098362 tkr:PTTechMember 2017-05-05 2017-05-05 0000098362 us-gaap:NoncompeteAgreementsMember 2017-09-30 0000098362 us-gaap:ComputerSoftwareIntangibleAssetMember 2017-09-30 0000098362 us-gaap:CustomerRelationshipsMember 2017-09-30 0000098362 us-gaap:NoncompeteAgreementsMember 2017-01-01 2017-09-30 0000098362 tkr:KnowHowMember 2017-09-30 0000098362 us-gaap:TradeNamesMember 2017-09-30 0000098362 us-gaap:CustomerRelationshipsMember 2017-01-01 2017-09-30 0000098362 us-gaap:TradeNamesMember 2017-01-01 2017-09-30 0000098362 tkr:KnowHowMember 2017-01-01 2017-09-30 0000098362 us-gaap:ComputerSoftwareIntangibleAssetMember 2017-01-01 2017-09-30 0000098362 us-gaap:AssetsTotalMember 2017-01-01 2017-09-30 0000098362 us-gaap:LiabilitiesTotalMember 2017-01-01 2017-09-30 0000098362 us-gaap:OtherCurrentLiabilitiesMember 2017-01-01 2017-09-30 0000098362 us-gaap:OtherCurrentAssetsMember 2017-01-01 2017-09-30 0000098362 us-gaap:OtherNoncurrentLiabilitiesMember 2017-01-01 2017-09-30 0000098362 tkr:GroeneveldMember us-gaap:TradeNamesMember 2017-01-01 2017-09-30 0000098362 tkr:LovejoyMember 2017-01-01 2017-09-30 0000098362 tkr:A2017AcquisitionsMember 2017-01-01 2017-09-30 0000098362 tkr:MobileIndustriesMember 2017-01-01 2017-09-30 0000098362 tkr:EDTMember 2017-01-01 2017-03-31 0000098362 us-gaap:UnclassifiedIndefinitelivedIntangibleAssetsMember 2016-12-31 0000098362 us-gaap:TradeNamesMember 2017-09-30 0000098362 us-gaap:TrademarksMember 2017-09-30 0000098362 us-gaap:TrademarksMember 2016-12-31 0000098362 us-gaap:ComputerSoftwareIntangibleAssetMember 2016-12-31 0000098362 tkr:FAAairagencycertificatesMember 2016-12-31 0000098362 us-gaap:TechnologyBasedIntangibleAssetsMember 2017-09-30 0000098362 tkr:FAAairagencycertificatesMember 2017-09-30 0000098362 us-gaap:CustomerRelationshipsMember 2016-12-31 0000098362 us-gaap:TechnologyBasedIntangibleAssetsMember 2016-12-31 0000098362 us-gaap:TradeNamesMember 2016-12-31 0000098362 us-gaap:UnclassifiedIndefinitelivedIntangibleAssetsMember 2017-09-30 0000098362 us-gaap:CustomerRelationshipsMember 2017-09-30 0000098362 tkr:ProcessIndustriesMember 2017-09-30 0000098362 tkr:ProcessIndustriesMember 2017-01-01 2017-09-30 0000098362 tkr:MobileIndustriesMember

2017-09-30 0000098362 tkr:MobileIndustriesMember 2016-12-31 0000098362 tkr:ProcessIndustriesMember 2016-12-31 0000098362 tkr:ForeignSubsidiaryMember us-gaap:LineOfCreditMember 2016-12-31 0000098362 tkr:ForeignSubsidiaryMember us-gaap:LineOfCreditMember 2017-09-30 0000098362 tkr:LineOfCreditAccountsReceivableSecuritizationMember us-gaap:LineOfCreditMember 2016-12-31 0000098362 tkr:LineOfCreditAccountsReceivableSecuritizationMember us-gaap:LineOfCreditMember 2017-09-30 0000098362 tkr:EuroSeniorUnsecuredNotes2.02Member 2016-12-31 0000098362 tkr:SeniorUnsecuredNotesVariableRateMember 2017-09-30 0000098362 tkr:SeriesMediumTermNoteMember 2017-09-30 0000098362 tkr:EuroSeniorUnsecuredNotes2.02Member 2017-09-30 0000098362 tkr:SeniorUnsecuredNotes3.875Member 2017-09-30 0000098362 tkr:OtherLongTermDebtMember 2017-09-30 0000098362 tkr:SeriesMediumTermNoteMember 2016-12-31 0000098362 tkr:SeniorUnsecuredNotes3.875Member 2016-12-31 0000098362 tkr:EuroTermLoanVariableRateMember 2017-09-30 0000098362 tkr:OtherLongTermDebtMember 2016-12-31 0000098362 tkr:SeniorUnsecuredNotesVariableRateMember 2016-12-31 0000098362 tkr:EuroTermLoanVariableRateMember 2016-12-31 0000098362 tkr:LineOfCreditAccountsReceivableSecuritizationMember 2017-09-30 0000098362 tkr:LineofCredit2020Member 2017-09-18 2017-09-18 0000098362 tkr:LineofCredit2027NotesMember 2017-09-07 2017-09-07 0000098362 tkr:ForeignSubsidiaryMember 2017-09-30 0000098362 tkr:LineofCredit2020Member 2017-01-01 2017-09-30 0000098362 tkr:LineofCredit2027NotesMember 2017-01-01 2017-09-30 0000098362 tkr:SeniorUnsecuredNotesVariableRateMember 2017-01-01 2017-09-30 0000098362 tkr:LineOfCreditAccountsReceivableSecuritizationMember 2017-01-01 2017-09-30 0000098362 tkr:SeniorUnsecuredNotes3.875Member 2017-01-01 2017-09-30 0000098362 tkr:LineOfCreditAccountsReceivableSecuritizationMember 2017-09-30 0000098362 tkr:SeriesMediumTermNoteMember us-gaap:MinimumMember 2017-09-30 0000098362 tkr:EuroSeniorUnsecuredNotes2.02Member 2017-01-01 2017-09-30 0000098362 tkr:SeriesMediumTermNoteMember 2017-01-01 2017-09-30 0000098362 tkr:SeriesMediumTermNoteMember us-gaap:MaximumMember 2017-09-30 0000098362 tkr:LineOfCreditAccountsReceivableSecuritizationMember 2016-12-31 0000098362 tkr:EuroTermLoanVariableRateMember 2017-01-01 2017-09-30 0000098362 tkr:ForeignSubsidiaryMember tkr:VariableRateLinesOfCreditMember 2017-09-30 0000098362 tkr:ForeignSubsidiaryMember tkr:VariableRateLinesOfCreditMember 2016-12-31 0000098362 2016-01-01 2016-12-31 0000098362 us-gaap:RetainedEarningsUnappropriatedMember 2017-09-30 0000098362 us-gaap:TreasuryStockMember 2017-01-01 2017-09-30 0000098362 us-gaap:NoncontrollingInterestMember 2017-09-30 0000098362 us-gaap:OtherAdditionalCapitalMember 2017-01-01 2017-09-30 0000098362 tkr:AccountingStandardUpdate201609Domain 2017-09-30 0000098362 tkr:AccountingStandardUpdate201609Domain us-gaap:AdditionalPaidInCapitalMember 2017-09-30 0000098362 us-gaap:AdditionalPaidInCapitalMember 2017-09-30 0000098362 us-gaap:TreasuryStockMember 2017-09-30 0000098362 us-gaap:NoncontrollingInterestMember 2017-01-01 2017-09-30 0000098362 us-gaap:RetainedEarningsUnappropriatedMember 2017-01-01 2017-09-30 0000098362 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-09-30 0000098362 us-gaap:OtherAdditionalCapitalMember 2017-09-30 0000098362 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-01-01 2017-09-30 0000098362 tkr:PensionAndPostretirementLiabilityAdjustmentMember 2016-01-01 2016-09-30 0000098362 tkr:PensionAndPostretirementLiabilityAdjustmentMember 2016-09-30 0000098362 tkr:DerivativeFinancialInstrumentsFairValueAdjustmentMember 2016-01-01 2016-09-30 0000098362 tkr:ForeignCurrencyTranslationAdjustmentMember 2016-01-01 2016-09-30 0000098362 tkr:DerivativeFinancialInstrumentsFairValueAdjustmentMember 2015-12-31 0000098362 tkr:DerivativeFinancialInstrumentsFairValueAdjustmentMember 2016-09-30 0000098362 tkr:ForeignCurrencyTranslationAdjustmentMember 2015-12-31 0000098362 tkr:PensionAndPostretirementLiabilityAdjustmentMember 2015-12-31 0000098362 tkr:ForeignCurrencyTranslationAdjustmentMember 2016-09-30 0000098362 tkr:PensionAndPostretirementLiabilityAdjustmentMember 2017-09-30 0000098362 tkr:PensionAndPostretirementLiabilityAdjustmentMember 2017-07-01 2017-09-30 0000098362 tkr:ForeignCurrencyTranslationAdjustmentMember 2017-07-01 2017-09-30 0000098362 tkr:DerivativeFinancialInstrumentsFairValueAdjustmentMember 2017-07-01 2017-09-30 0000098362 tkr:PensionAndPostretirementLiabilityAdjustmentMember 2017-06-30 0000098362 tkr:DerivativeFinancialInstrumentsFairValueAdjustmentMember 2017-06-30 0000098362 tkr:ForeignCurrencyTranslationAdjustmentMember 2017-06-30 0000098362 tkr:DerivativeFinancialInstrumentsFairValueAdjustmentMember 2017-09-30 0000098362 tkr:ForeignCurrencyTranslationAdjustmentMember 2017-09-30 0000098362 2017-06-30 0000098362 tkr:ForeignCurrencyTranslationAdjustmentMember 2016-12-31 0000098362 tkr:ForeignCurrencyTranslationAdjustmentMember 2017-01-01 2017-09-30 0000098362 tkr:PensionAndPostretirementLiabilityAdjustmentMember 2017-01-01 2017-09-30 0000098362 tkr:DerivativeFinancialInstrumentsFairValueAdjustmentMember 2016-12-31 0000098362 tkr:DerivativeFinancialInstrumentsFairValueAdjustmentMember 2017-01-01 2017-09-30 0000098362 tkr:PensionAndPostretirementLiabilityAdjustmentMember 2016-12-31 0000098362 tkr:PensionAndPostretirementLiabilityAdjustmentMember 2016-07-01 2016-09-30 0000098362 tkr:PensionAndPostretirementLiabilityAdjustmentMember 2016-06-30 0000098362 tkr:ForeignCurrencyTranslationAdjustmentMember 2016-07-01 2016-09-30 0000098362 tkr:DerivativeFinancialInstrumentsFairValueAdjustmentMember 2016-07-01 2016-09-30 0000098362 tkr:DerivativeFinancialInstrumentsFairValueAdjustmentMember 2016-06-30 0000098362 2016-06-30 0000098362 tkr:ForeignCurrencyTranslationAdjustmentMember 2016-06-30 0000098362 tkr:MobileIndustriesMember 2017-07-01 2017-09-30 0000098362 tkr:MobileIndustriesMember 2016-01-01 2016-09-30 0000098362 tkr:ProcessIndustriesMember 2016-01-01 2016-09-30 0000098362 tkr:ProcessIndustriesMember 2017-07-01 2017-09-30 0000098362 us-gaap:CorporateMember 2017-01-01 2017-09-30 0000098362 us-gaap:CorporateMember 2016-01-01 2016-09-30 0000098362 tkr:ProcessIndustriesMember 2016-07-01 2016-09-30 0000098362 tkr:MobileIndustriesMember 2016-07-01 2016-09-30 0000098362 us-gaap:CorporateMember 2017-07-01 2017-09-30 0000098362 tkr:WorkforceReductionMember tkr:PulaskiMember 2017-07-01 2017-09-30 0000098362 tkr:WorkforceReductionMember tkr:BenoniMember 2017-01-01 2017-09-30 0000098362 tkr:PulaskiMember 2017-01-01 2017-09-30 0000098362 tkr:WorkforceReductionMember tkr:PulaskiMember 2017-01-01 2017-09-30 0000098362 tkr:BenoniMember 2016-01-01 2016-09-30 0000098362 tkr:WorkforceReductionMember tkr:ProcessIndustriesMember 2016-01-01 2016-09-30 0000098362 tkr:AltavistaBearingPlantMemberMember 2016-07-01 2016-09-30 0000098362 tkr:WorkforceReductionMember 2017-01-01 2017-09-30 0000098362 tkr:AltavistaBearingPlantMemberMember 2016-01-01 2016-09-30 0000098362 tkr:AltavistaBearingPlantMemberMember 2017-01-01 2017-09-30 0000098362 tkr:WorkforceReductionMember tkr:BenoniMember 2016-01-01 2016-09-30 0000098362 tkr:WorkforceReductionMember 2017-07-01 2017-09-30 0000098362 tkr:WorkforceReductionMember 2016-07-01 2016-09-30 0000098362 tkr:WorkforceReductionMember 2016-01-01 2016-09-30 0000098362 tkr:WorkforceReductionMember tkr:MobileIndustriesMember 2016-01-01 2016-09-30 0000098362 us-gaap:CorporateMember 2016-07-01 2016-09-30 0000098362 us-gaap:PensionPlansDefinedBenefitMember 2016-07-01 2016-09-30 0000098362 us-gaap:ForeignPlanMember 2016-07-01 2016-09-30 0000098362 us-gaap:ForeignPlanMember 2017-07-01 2017-09-30 0000098362 us-gaap:PensionPlansDefinedBenefitMember 2017-07-01 2017-09-30 0000098362 us-gaap:ForeignPlanMember 2017-01-01 2017-09-30 0000098362 us-gaap:PensionPlansDefinedBenefitMember 2017-01-01 2017-09-30 0000098362 us-gaap:PensionPlansDefinedBenefitMember 2016-01-01 2016-09-30 0000098362 us-gaap:ForeignPlanMember 2016-01-01 2016-09-30 0000098362 us-gaap:OtherPostretirementBenefitPlansDefinedBenefitMember 2017-01-01 2017-09-30 0000098362 us-gaap:OtherPostretirementBenefitPlansDefinedBenefitMember 2016-01-01 2016-09-30 0000098362 us-gaap:OtherPostretirementBenefitPlansDefinedBenefitMember 2016-07-01 2016-09-30 0000098362 us-gaap:OtherPostretirementBenefitPlansDefinedBenefitMember 2017-07-01 2017-09-30 0000098362 2017-01-01 0000098362 us-gaap:LandMember 2016-09-30 0000098362 us-gaap:LandMember 2016-01-01 2016-09-30 0000098362 us-gaap:PropertyPlantAndEquipmentMember tkr:BenoniMember 2016-09-30 0000098362 us-gaap:PropertyPlantAndEquipmentMember tkr:BenoniMember 2016-01-01 2016-09-30 0000098362 tkr:AltavistaBearingPlantMemberMember 2016-09-30 0000098362 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember 2017-09-30 0000098362 us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember 2017-09-30 0000098362 us-gaap:FairValueInputsLevel2Member

2017-09-30 0000098362 us-gaap:FairValueMeasurementsRecurringMember 2017-09-30 0000098362 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember 2017-09-30 0000098362 us-gaap:FairValueInputsLevel1Member 2017-09-30 0000098362 us-gaap:FairValueInputsLevel3Member 2017-09-30 0000098362 us-gaap:FairValueInputsLevel2Member 2016-12-31 0000098362 us-gaap:FairValueMeasurementsRecurringMember 2016-12-31 0000098362 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember 2016-12-31 0000098362 us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember 2016-12-31 0000098362 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember 2016-12-31 0000098362 us-gaap:FairValueInputsLevel1Member 2016-12-31 0000098362 us-gaap:FairValueInputsLevel3Member 2016-12-31 0000098362 tkr:AltavistaBearingPlantMemberMember 2016-03-31 0000098362 tkr:AltavistaBearingPlantMemberMember 2016-01-01 2016-03-31 0000098362 2016-04-01 0000098362 2016-07-01 xbrli:pure xbrli:shares iso4217:USD xbrli:shares iso4217:USD tkr:Positions

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

FORM 10-Q

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

For the quarterly period ended September 30, 2017

OR

o **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	**34-0577130**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
4500 Mount Pleasant Street NW North Canton, Ohio	**44720-5450**
(Address of principal executive offices)	**(Zip Code)**

234.262.3000

(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 ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ý No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer,” a “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	ý	Accelerated filer	o
Non-accelerated filer	o	Smaller reporting company	o
		Emerging growth company	o

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. o

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

Yes o No ý

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

Class	Outstanding at September 30, 2017
Common Shares, without par value	77,617,122 shares

Table of Contents

THE TIMKEN COMPANY
INDEX TO FORM 10-Q REPORT

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
THE TIMKEN COMPANY AND SUBSIDIARIES
Consolidated Statements of Income
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
(Dollars in millions, except per share data)		(Revised)		(Revised)
Net sales	**$771.4**	$ 657.4	**$2,225.8**	$2,015.0
Cost of products sold	**554.4**	487.7	**1,626.5**	1,477.7
Gross Profit	**217.0**	169.7	**599.3**	537.3
Selling, general and administrative expenses	**134.0**	107.2	**377.4**	331.3
Pension settlement expenses	**—**	0.1	**—**	1.3
Impairment and restructuring charges	**1.3**	5.3	**3.8**	18.7
Operating Income	**81.7**	57.1	**218.1**	186.0
Interest expense	**(10.1)**	(8.0)	**(26.5)**	(25.1)
Interest income	**0.7**	0.4	**2.0**	1.1
Continued Dumping & Subsidy Offset Act income (expense), net	**—**	(0.2)	**—**	53.6
Other income (expense), net	**2.9**	(0.1)	**9.1**	(1.8)
Income Before Income Taxes	**75.2**	49.2	**202.7**	213.8
Provision for income taxes	**21.1**	15.2	**28.5**	65.8
Net Income	**54.1**	34.0	**174.2**	148.0
Less: Net income attributable to noncontrolling interest	**0.6**	0.4	**—**	0.3
Net Income attributable to The Timken Company	**$53.5**	$ 33.6	**$174.2**	$147.7
Net Income per Common Share attributable to The Timken Company's Common Shareholders				
Basic earnings per share	**$0.69**	$ 0.43	**$2.24**	$1.87
Diluted earnings per share	**$0.68**	$ 0.43	**$2.21**	$1.86
Dividends per share	**$0.27**	$ 0.26	**$0.80**	$0.78

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
(Dollars in millions)		(Revised)		(Revised)
Net Income	**$54.1**	$ 34.0	**$174.2**	$ 148.0
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	**10.9**	3.7	**42.8**	5.2
Pension and postretirement liability adjustment	**0.1**	0.4	**0.2**	1.2
Change in fair value of derivative financial instruments	**(2.0)**	—	**(4.2)**	(1.6)

Other comprehensive income, net of tax	**9.0**	4.1	**38.8**	4.8
Comprehensive Income, net of tax	**63.1**	38.1	**213.0**	152.8
Less: comprehensive income attributable to noncontrolling interest	**0.5**	1.0	**1.9**	2.2
Comprehensive Income attributable to The Timken Company	**$62.6**	$ 37.1	**$211.1**	$ 150.6

See accompanying Notes to the Consolidated Financial Statements.

1

Table of Contents

Consolidated Balance Sheets

(Dollars in millions)	**(Unaudited) September 30, 2017**	(Revised) December 31, 2016
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 137.2**	$ 148.8
Restricted cash	**3.3**	2.7
Accounts receivable, less allowances (2017 – $20.5 million; 2016 – $20.2 million)	**542.2**	438.0
Inventories, net	**687.5**	553.7
Deferred charges and prepaid expenses	**39.9**	20.3
Other current assets	**64.2**	48.4
Total Current Assets	**1,474.3**	1,211.9
Property, Plant and Equipment, net	**842.2**	804.4
Other Assets		
Goodwill	**510.3**	357.5
Non-current pension assets	**31.6**	32.1
Other intangible assets	**428.9**	271.0
Deferred income taxes	**47.9**	51.4
Other non-current assets	**28.4**	34.9
Total Other Assets	**1,047.1**	746.9
Total Assets	**$ 3,363.6**	$ 2,763.2
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Short-term debt	**$ 41.1**	$ 19.2
Current portion of long-term debt	**5.0**	5.0
Accounts payable, trade	**248.1**	176.2
Salaries, wages and benefits	**112.2**	85.9
Income taxes payable	**7.4**	16.9
Other current liabilities	**154.9**	149.5
Total Current Liabilities	**568.7**	452.7
Non-Current Liabilities		
Long-term debt	**959.8**	635.0
Accrued pension cost	**160.3**	154.7
Accrued postretirement benefits cost	**126.7**	131.5
Deferred income taxes	**44.9**	3.9
Other non-current liabilities	**47.3**	74.5
Total Non-Current Liabilities	**1,339.0**	999.6
Shareholders' Equity		
Class I and II Serial Preferred Stock, without par value:		
Authorized – 10,000,000 shares each class, none issued	**—**	—
Common stock, without par value:		
Authorized – 200,000,000 shares		

Issued (including shares in treasury) (2017 – 98,375,135 shares; 2016 – 98,375,135 shares)		
Stated capital	**53.1**	53.1
Other paid-in capital	**898.2**	906.9
Earnings invested in the business	**1,400.2**	1,289.3
Accumulated other comprehensive loss	**(41.0)**	(77.9)
Treasury shares at cost (2017 – 20,758,013 shares; 2016 – 20,925,492 shares)	**(887.5)**	(891.7)
Total Shareholders' Equity	**1,423.0**	1,279.7
Noncontrolling Interest	**32.9**	31.2
Total Equity	**1,455.9**	1,310.9
Total Liabilities and Shareholders' Equity	**$ 3,363.6**	$ 2,763.2

See accompanying Notes to the Consolidated Financial Statements.

Table of Contents

Consolidated Statements of Cash Flows (Unaudited)

(Dollars in millions)	Nine Months Ended September 30, 2017	2016 (Revised)
CASH PROVIDED (USED)		
Operating Activities		
Net income attributable to The Timken Company	**$174.2**	$147.7
Net income attributable to noncontrolling interest	**—**	0.3
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**102.5**	98.3
Impairment charges	**—**	3.8
(Gain) loss on sale of assets	**(2.6)**	0.8
Deferred income tax provision	**7.5**	4.6
Stock-based compensation expense	**18.2**	10.9
Pension and other postretirement expense	**12.6**	14.5
Pension contributions and other postretirement benefit payments	**(16.3)**	(22.3)
Changes in operating assets and liabilities:		
Accounts receivable	**(61.6)**	12.2
Inventories	**(85.4)**	(13.6)
Accounts payable, trade	**55.7**	15.0
Other accrued expenses	**15.9**	(17.5)
Income taxes	**(59.6)**	22.9
Other, net	**(18.2)**	1.1
Net Cash Provided by Operating Activities	**142.9**	278.7
Investing Activities		
Capital expenditures	**(62.5)**	(84.4)
Acquisitions, net of cash received	**(347.2)**	(62.8)
Proceeds from disposal of property, plant and equipment	**6.8**	1.5
Investments in short-term marketable securities, net	**(4.2)**	2.1
Other	**(0.3)**	0.3
Net Cash Used in Investing Activities	**(407.4)**	(143.3)
Financing Activities		
Cash dividends paid to shareholders	**(62.4)**	(61.4)
Purchase of treasury shares	**(41.0)**	(83.3)
Proceeds from exercise of stock options	**27.7**	0.7
Shares surrendered for taxes	**(10.8)**	(1.6)
Accounts receivable facility borrowings	**51.2**	50.0
Accounts receivable facility payments	**(25.3)**	(30.1)
Proceeds from long-term debt	**862.7**	275.5
Payments on long-term debt	**(574.4)**	(290.1)
Deferred financing costs	**(1.1)**	—
Short-term debt activity, net	**12.8**	(1.4)
Increase in restricted cash	**(0.5)**	(2.5)
Other	**(2.6)**	4.5

Net Cash Provided by (Used in) Financing Activities	**236.3**	(139.7)
Effect of exchange rate changes on cash	**16.6**	3.7
Decrease in Cash and Cash Equivalents	**(11.6)**	(0.6)
Cash and cash equivalents at beginning of year	**148.8**	129.6
Cash and Cash Equivalents at End of Period	**$137.2**	$129.0

See accompanying Notes to the Consolidated Financial Statements.

3

Table of Contents

NOTES 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 endedDecember 31, 2016. Certain amounts recorded in 2016 consolidated financial statements and accompanying footnotes have been reclassified to conform to the current presentation.

Note 2 - Change in Accounting Principles
Effective January 1, 2017, the Company voluntarily changed its accounting principles for recognizing actuarial gains and losses and expected returns on plan assets for its defined benefit pension and other postretirement benefit plans, with retrospective application to prior periods. Prior to 2017, the Company amortized, as a component of pension and other postretirement expense, unrecognized actuarial gains and losses (included within accumulated other comprehensive income (loss)) over the average remaining service period of active plan participants expected to receive benefits under the plan, or average remaining life expectancy of inactive plan participants when all or almost all of individual plan participants were inactive. The Company also historically calculated the market-related value of plan assets based on a five-year market adjustment. Under the new principles, actuarial gains and losses will be immediately recognized through net periodic benefit cost in the Statement of Income, upon the annual remeasurement in the fourth quarter, or on an interim basis if specific events trigger a remeasurement. In addition, the Company has changed its accounting policy for measuring the market-related value of plan assets from a calculated amount (based on a five-year smoothing of asset returns) to fair value. The Company believes these changes are preferable as they result in an accelerated recognition of actuarial gains and losses and changes in fair value of plan assets in its Consolidated Statement of Income, which provides greater transparency and better aligns with fair value principles by fully reflecting the impact of interest rate and economic changes on the Company's pension and other postretirement benefit liabilities and assets in the Company's operating results in the year in which the gains and losses are incurred. As of January 1, 2017, the cumulative effect of the change in accounting principles resulted in a decrease of $239 million in earnings invested in the business and a corresponding increase of $244 million in accumulated other comprehensive loss that was partially offset by the net impact of the direct effects of these changes on inventory and deferred taxes of $5 million.
The following tables reflect the changes to financial statement line items as a result of the change in accounting principles for the periods presented in the accompanying unaudited consolidated financial statements:
Consolidated Statements of Income:

	Three Months Ended					
	September 30, 2017			September 30, 2016		
	Previous Accounting Method	**As Reported**	**Effect of Accounting Change**	As Previously Reported	Revised	Effect of Accounting Change
Cost of products sold	**$556.7**	**$ 554.4**	**$ (2.3)**	$489.9	$ 487.7	$ (2.2)
Gross profit	**214.7**	**217.0**	**2.3**	167.5	169.7	2.2
Selling, general and administrative expense	**136.8**	**134.0**	**(2.8)**	109.5	107.2	(2.3)

Pension settlement expenses	**3.9**	**—**	**(3.9)**	10.3	0.1	(10.2)
Operating income	**72.7**	**81.7**	**9.0**	42.4	57.1	14.7
Income before income taxes	**66.2**	**75.2**	**9.0**	34.5	49.2	14.7
Provision for income taxes	**18.0**	**21.1**	**3.1**	13.5	15.2	1.7
Net income	**48.2**	**54.1**	**5.9**	21.0	34.0	13.0
Net income attributable to The Timken Company	**$47.6**	**$ 53.5**	**$ 5.9**	$20.6	$33.6	$ 13.0
Basic earnings per share	**$0.61**	**$ 0.69**	**$ 0.08**	$0.26	$0.43	$ 0.17
Diluted earnings per share	**$0.60**	**$ 0.68**	**$ 0.08**	$0.26	$0.43	$ 0.17

4

Table of Contents

Consolidated Statements of Income:

	Nine Months Ended September 30, 2017			September 30, 2016		
	Previous Accounting Method	**As Reported**	**Effect of Accounting Change**	As Previously Reported	Revised	Effect of Accounting Change
Cost of products sold	**$1,630.9**	**$1,626.5**	**$ (4.4)**	$1,484.3	$1,477.7	$ (6.6)
Gross profit	**594.9**	**599.3**	**4.4**	530.7	537.3	6.6
Selling, general and administrative expense	**383.8**	**377.4**	**(6.4)**	338.0	331.3	(6.7)
Pension settlement expenses	**15.7**	**—**	**(15.7)**	11.9	1.3	(10.6)
Operating income	**191.6**	**218.1**	**26.5**	162.1	186.0	23.9
Income before income taxes	**176.2**	**202.7**	**26.5**	189.9	213.8	23.9
Provision for income taxes	**19.3**	**28.5**	**9.2**	61.1	65.8	4.7
Net income	**156.9**	**174.2**	**17.3**	128.8	148.0	19.2
Net income attributable to The Timken Company	**$156.9**	**$174.2**	**$ 17.3**	$128.5	$147.7	$ 19.2
Basic earnings per share	**$2.02**	**$2.24**	**$ 0.22**	$1.63	$1.87	$ 0.24
Diluted earnings per share	**$1.99**	**$2.21**	**$ 0.22**	$1.62	$1.86	$ 0.24

Consolidated Statements of Comprehensive Income:

	Three Months Ended September 30, 2017			September 30, 2016		
	Previous Accounting Method	**As Reported**	**Effect of Accounting Change**	As Previously Reported	Revised	Effect of Accounting Change
Net Income	**$48.2**	**$ 54.1**	**$ 5.9**	$21.0	$ 34.0	$ 13.0
Foreign currency translation adjustments	**10.9**	**10.9**	**—**	2.2	3.7	1.5
Pension and postretirement liability adjustment	**6.0**	**0.1**	**(5.9)**	15.0	0.4	(14.6)
Other comprehensive income, net of tax	**14.9**	**9.0**	**(5.9)**	17.2	4.1	(13.1)
Comprehensive Income, net of tax	**63.1**	**63.1**	**—**	38.2	38.1	(0.1)
Less: comprehensive income attributable to noncontrolling interest	**0.5**	**0.5**	**—**	0.9	1.0	0.1
Comprehensive income attributable to The Timken Company	**$62.6**	**$ 62.6**	**$ —**	$37.3	$ 37.1	$ (0.2)

	Nine Months Ended September 30, 2017			September 30, 2016		
	Previous Accounting Method	**As Reported**	**Effect of Accounting Change**	As Previously Reported	Revised	Effect of Accounting Change
Net Income	**$156.9**	**$ 174.2**	**$ 17.3**	$128.8	$148.0	$ 19.2
Foreign currency translation adjustments	**42.8**	**42.8**	**—**	(1.4)	5.2	6.6
Pension and postretirement liability adjustment	**17.5**	**0.2**	**(17.3)**	27.0	1.2	(25.8)
Other comprehensive income, net of tax	**56.1**	**38.8**	**(17.3)**	24.0	4.8	(19.2)
Comprehensive Income, net of tax	**213.0**	**213.0**	**—**	152.8	152.8	—
Less: comprehensive income attributable to noncontrolling interest	**1.9**	**1.9**	**—**	2.1	2.2	0.1
Comprehensive income attributable to The Timken Company	**$211.1**	**$ 211.1**	**$ —**	$150.7	$150.6	$ (0.1)

Table of Contents

Consolidated Balance Sheets:

	September 30, 2017			December 31, 2016		
	Previous Accounting Method	**As Reported**	**Effect of Accounting Change**	As Previously Reported	Revised	Effect of Accounting Change
Inventories, net	**$679.6**	**$687.5**	**$ 7.9**	$545.8	$553.7	$ 7.9
Total current assets	**1,466.4**	**1,474.3**	**7.9**	1,204.0	1,211.9	7.9
Deferred income taxes	**50.9**	**47.9**	**(3.0)**	54.4	51.4	(3.0)
Total other assets	**1,050.1**	**1,047.1**	**(3.0)**	749.9	746.9	(3.0)
Total assets	**3,358.7**	**3,363.6**	**4.9**	2,758.3	2,763.2	4.9
Earnings invested in the business	**1,622.2**	**1,400.2**	**(222.0)**	1,528.6	1,289.3	(239.3)
Accumulated other comprehensive loss	**(267.8)**	**(41.0)**	**226.8**	(322.0)	(77.9)	244.1
Total shareholders' equity	**1,418.2**	**1,423.0**	**4.8**	1,274.9	1,279.7	4.8
Noncontrolling interest	**32.8**	**32.9**	**0.1**	31.1	31.2	0.1
Total equity	**1,451.0**	**1,455.9**	**4.9**	1,306.0	1,310.9	4.9
Total liabilities and shareholders' equity	**$3,358.7**	**$3,363.6**	**$ 4.9**	$2,758.3	$2,763.2	$ 4.9

Consolidated Statements of Cash Flows:

	Nine Months Ended					
	September 30, 2017			September 30, 2016		
	Previous Accounting Method	**As Reported**	**Effect of Accounting Change**	As Previously Reported	Revised	Effect of Accounting Change
Net income attributable to The Timken Company	**$156.9**	**$ 174.2**	**$ 17.3**	$128.5	$147.7	$ 19.2
Deferred income tax (benefit) provision	**(1.7)**	**7.5**	**9.2**	(0.1)	4.6	4.7
Pension and other postretirement expense	**39.1**	**12.6**	**(26.5)**	38.4	14.5	(23.9)

Table of Contents

Note 3 - Recent Accounting Pronouncements

New Accounting Guidance Adopted:
In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting." ASU 2016-09 simplifies various aspects of the accounting for stock-based payments. The simplifications include:

a. recording all tax effects associated with stock-based compensation through the income statement, as opposed to recording certain amounts in other paid-in capital, which eliminates the requirements to calculate a “windfall pool”;
b. allowing entities to withhold shares to satisfy the employer’s statutory tax withholding requirement up to the highest marginal tax rate applicable to employees rather than the employer’s minimum statutory rate, without requiring liability classification for the award;
c. modifying the requirement to estimate the number of awards that will ultimately vest by providing an accounting policy election to either estimate the number of forfeitures or recognize forfeitures as they occur;
d. changing certain presentation requirements in the statement of cash flows, including removing the requirement to present excess tax benefits as an inflow from financing activities and an outflow from operating activities and requiring the cash paid to taxing authorities arising from withheld shares to be classified as a financing activity; and
e. amending the assumed proceeds from applying the treasury stock method when computing earnings per share to exclude the amount of excess tax benefits that would be recognized in additional paid-in capital.

On January 1, 2017, the Company adopted the provisions of ASU 2016-09. The presentation of the Consolidated Statement of Cash Flows for shares surrendered by employees to meet the minimum statutory withholding requirement was applied retrospectively. As a result of the adoption of ASU 2016-09, $1.6 million was reclassified from the other accrued expenses line in the operating activities section of the Consolidated Statement of Cash Flows to the shares surrendered for taxes line in the financing activities section for the first nine months of 2016.

In addition, the adoption of ASU 2016-09 resulted in the Company making an accounting policy election to change how it will recognize the number of stock awards that will ultimately vest. In the past, the Company applied a forfeiture rate to shares granted. With the adoption of ASU 2016-09, the Company will recognize forfeitures as they occur. This change resulted in the Company making a cumulative effect change to retained earnings of $0.9 million. For additional information, refer to *Note 10 - Equity* for the disclosure of the cumulative effect change. In addition, the Company began recording the tax effects associated with stock-based compensation through the income statement on a prospective basis, which resulted in a tax benefit of $1.9 million for the first nine months of 2017. Finally, the Company adjusted dilutive shares to remove the excess tax benefits from the calculation of earnings per share on a prospective basis. The revised calculation is more dilutive, but it did not change earnings per share for prior years.

In July 2015, the FASB issued ASU 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory." ASU 2015-11 requires inventory to be measured at the lower of cost and net realizable value, which is defined as the estimated selling price in the ordinary course of business less reasonably predictable costs of completion, disposal and transportation. Under existing guidance, net realizable value is one of several acceptable measures of market value that could be used to measure inventory at the lower of cost or market and, as such, the new guidance reduces the complexity in the measurement. On January 1, 2017, the Company adopted the provisions of ASU 2015-11 on a prospective basis. The adoption of ASU 2015-11 did not have a material impact on the Company's results of operations or financial condition. For our disclosures related to inventories, refer to *Note 5 - Inventories*.

New Accounting Guidance Issued and Not Yet Adopted:

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 2017-02 is effective for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted, including in any interim period for which financial statements have not yet been issued, but the effect of adoption is required to be reflected as of the beginning of the fiscal year of adoption. The Company is currently evaluating the effect that the adoption of ASU 2017-12 will have on the Company's results of operations and financial condition.

In May 2017, the FASB issued ASU 2017-09, "Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting." ASU 2017-09 provides clarity on which changes to the terms or conditions of share-based payment awards require entities to apply the modification accounting provisions required in Topic 718. ASU 2017-09 is effective for public companies for annual reporting periods beginning after December 15, 2017, with early adoption permitted, including adoption in any interim period for which financial statements have not yet been issued. The Company does not expect that the adoption of ASU 2017-09 will have a material impact on the Company's results of operations and financial condition, as the Company does not anticipate future modifications of share-based payment awards.

In March 2017, the FASB issued ASU 2017-07, “Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.” ASU 2017-07 impacts where the components of net benefit cost are presented within an entity’s income statement. Service cost will be included in other employee compensation costs within operating income and is the only component that may be capitalized when applicable. The other components of net periodic benefit cost will be presented separately outside of operating income. ASU 2017-07 is effective for public companies for annual reporting periods beginning after December 15, 2017 and interim periods within that reporting period. Early adoption is permitted as of the beginning of an annual reporting period for which financial statements have not been issued or made available for issuance. Our initial assessment has indicated that the adoption of ASU 2017-07 will result in the reclassification of certain amounts out of "Cost of products sold" and "Selling, general and administrative ("SG&A") expenses" into "Other expense, net" in the Consolidated Statement of Income. Also, the adoption of this standard will result in the reclassification of certain amounts from "Cost of products sold" and "SG&A expenses" for the Mobile Industries and Process Industries segments into Corporate "Other expense, net". The amounts impacted may be material. The Company is currently performing further analysis on the effect that the adoption of ASU 2017-07 will have on the Company's results of operations.

In January 2017, the FASB issued ASU 2017-04, “Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.” Prior to the issuance of the new accounting guidance, entities first assessed qualitative factors to determine whether a two-step goodwill impairment test was necessary. When entities bypassed or failed the qualitative analysis, they were required to apply a two-step goodwill impairment test. Step 1 compared a reporting unit’s fair value to its carrying amount to determine if there is a potential impairment. If the carrying amount of a reporting unit exceeds its fair value, Step 2 was required to be completed. Step 2 involved determining the implied fair value of goodwill and comparing it to the carrying amount of that goodwill to measure the impairment loss, if any. ASU 2017-04 eliminates Step 2 of the current goodwill impairment test. ASU 2017-04 will require that a goodwill impairment loss be measured at the amount by which a reporting unit's carrying amount exceeds its fair value, not to exceed the carrying amount of goodwill. ASU 2017-04 is effective for public companies for years beginning after December 15, 2019, with early adoption permitted, and must be applied prospectively. The Company is currently evaluating the effect that the adoption of ASU 2017-04 will have on the Company's results of operations and financial condition.

Table of Contents

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.

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. ASU 2016-02 is effective for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company is currently evaluating the effect that the adoption of ASU 2016-02 will have on the Company's results of operations and financial condition.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)." ASU 2014-09 introduces a new five-step revenue recognition model in which an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 also requires disclosures sufficient to enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers, including qualitative and quantitative disclosures about contracts with customers, significant judgments and changes in judgments and assets recognized from the costs to obtain or fulfill a contract. On July 9, 2015, the FASB decided to delay the effective date of this new accounting guidance by one year, which will result in it being effective for public companies for annual periods beginning after December 15, 2017. Although early adoption is permitted, the Company intends to adopt the new accounting standard effective January 1, 2018.

The two permitted transition methods under the new standard are: (1) the full retrospective method, in which case the standard would be applied to each prior reporting period presented, subject to allowable practical expedients and the cumulative effect of applying the standard would be recognized at the earliest period shown and (2) the modified retrospective method, in which case the cumulative effect of applying the standard would be recognized at the date of initial application accompanied by additional disclosures comparing the current period results presented under the new standard to the prior periods presented under the current revenue recognition standards. The Company plans to use the modified retrospective method.

The Company has substantially completed the assessment phase of the project, which has identified potential differences from the application of the new standard. Upon adoption, the Company expects that certain revenue streams currently accounted for using a point-in-time model will utilize an over-time model due to the continuous transfer of control to customers. The Company is currently designing and implementing procedures and related internal controls to address the potential differences identified, including the expanded disclosure requirements resulting from the new standard, and performing a deeper analysis of those potential differences to quantify the impacts of applying the new standard. The Company expects to finalize its evaluation of these potential differences that may result from applying the new standard to the Company's contracts with customers in 2017 and will provide updates on its progress in future filings.

Table of Contents

Note 4 - Acquisitions

During the first nine months of 2017, the Company completed three acquisitions. On July 3, 2017, the Company completed the acquisition of Groeneveld Group ("Groeneveld"), a leading provider of automatic lubrication solutions used in on- and off-highway applications. On May 5, 2017, the Company completed the acquisition of the assets of PT Tech, Inc. ("PT Tech"), a manufacturer of engineered clutches, brakes, hydraulic power take-off units and other torque management devices used in mining, aggregate, wood recycling and metals industries. On April 3, 2017, the Company completed the acquisition of Torsion Control Products, Inc. ("Torsion Control Products"), a manufacturer of engineered torsional couplings used in the construction, agriculture and mining industries. Aggregate sales for these companies for the most recent twelve months prior to their respective acquisitions totaled approximately $146.2 million. The total purchase price for these acquisitions was $346.6 million, net of $35.0 million cash received. The Company incurred acquisition-related costs of $3.6 million to complete these acquisitions. The 2017 acquisitions are subject to post-closing purchase price allocation adjustments.

results for Groeneveld, PT Tech and Torsion Control Products are reported in the Mobile Industries segment.

The following table presents the initial purchase price allocation for acquisitions in 2017:

	Initial Purchase Price Allocation
Assets:	
Accounts receivable, net	**$ 27.6**
Inventories, net	**29.1**
Other current assets	**4.7**
Property, plant and equipment, net	**31.6**
Goodwill	**147.6**
Other intangible assets	**175.3**
Other non-current assets	**1.9**
Total assets acquired	**$ 417.8**
Liabilities:	
Accounts payable, trade	**$ 9.5**
Salaries, wages and benefits	**5.8**
Other current liabilities	**8.2**
Short-term debt	**1.0**
Long-term debt	**2.0**
Deferred income taxes	**42.4**
Other non-current liabilities	**2.3**
Total liabilities assumed	**$ 71.2**
Net assets acquired	**$ 346.6**

The following table summarizes the initial purchase price allocation for identifiable intangible assets acquired in 2017:

	Initial Purchase Price Allocation

		Weighted - Average Life
Trade names (indefinite life)	$33.4	Indefinite
Trade names (finite life)	2.2	13 years
Technology and know-how	29.9	16 years
Customer relationships	108.2	17 years
Other	0.2	5 years
Capitalized software	1.4	3 years
Total intangible assets	$175.3	

Table of Contents

On July 5, 2017, the Company announced that the Company's majority-owned subsidiary, Timken India Ltd. ("Timken India"), entered into a definitive agreement to acquire ABC Bearings Limited ("ABC Bearings"). Timken India is a public limited company listed on the National Stock Exchange of India Limited and BSE Limited. ABC Bearings is a manufacturer of tapered, cylindrical and spherical roller bearings and slewing rings in India.

The transaction is subject to receipt of various approvals in India, which are expected to . ABC Bearings, located in Mumbai, India, operates primarily out of manufacturing facilities in Bharuch, Gujarat and Dehradun, Uttarakhand and had annual sales of approximately $29 million for the twelve months ended March 31, 2017.

During 2016, the Company completed two acquisitions. On October 31, 2016, the Company completed the acquisition of EDT Corp. ("EDT"), a manufacturer of polymer housed units and stainless steel ball bearings used primarily in the food and beverage industry. On July 8, 2016, the Company completed the acquisition of Lovejoy Inc. ("Lovejoy"), a manufacturer of premium industrial couplings and universal joints.

In January 2017, the Company paid a net purchase price adjustment of $0.6 million in connection with the EDT acquisition, resulting in an adjustment to goodwill. During the second quarter of 2017, the Company re-evaluated the fair value of certain contingent liabilities assumed in the Lovejoy acquisition, resulting in adjustments to other current assets, goodwill, other current liabilities and other non-current liabilities. The following table presents the final purchase price allocation for both the Lovejoy and the EDT acquisitions:

	Initial Purchase Price Allocation	**Adjustment**	**Final Purchase Price Allocation**
Assets:			
Accounts receivable, net	**$ 8.4**		**$ 8.4**
Inventories, net	**17.8**		**17.8**
Other current assets	**5.3**	**(0.2)**	**5.1**
Property, plant and equipment, net	**16.5**		**16.5**
Goodwill	**29.9**	**(1.1)**	**28.8**
Other intangible assets	**27.9**		**27.9**
Other non-current assets	**0.1**		**0.1**
Total assets acquired	**$ 105.9**	**$ (1.3)**	**$ 104.6**
Liabilities:			
Accounts payable, trade	**$ 8.1**		**$ 8.1**
Salaries, wages and benefits	**1.3**		**1.3**
Other current liabilities	**4.4**	**(0.6)**	**3.8**
Long-term debt	**2.2**		**2.2**
Deferred taxes	**10.4**		**10.4**
Other non-current liabilities	**7.6**	**(1.3)**	**6.3**
Total liabilities assumed	**$ 34.0**	**$ (1.9)**	**$ 32.1**
Net assets acquired	**$ 71.9**	**$ 0.6**	**$ 72.5**

Table of Contents

Note 5 - Inventories

The components of inventories at September 30, 2017 and December 31, 2016 were as follows:

	September 30, 2017	December 31, 2016
Manufacturing supplies	**$ 29.5**	$ 28.2
Raw materials	**85.7**	54.9
Work in process	**238.4**	182.9
Finished products	**367.4**	308.8
Subtotal	**$ 721.0**	$ 574.8
Allowance for obsolete and surplus inventory	**(33.5)**	(21.1)
Total Inventories, net	**$ 687.5**	