

Timken Reports Third-Quarter 2020 Results

- ***Posted third-quarter sales of \$895 million, down 2.1 percent from last year***
- ***Third-quarter earnings per diluted share were \$1.16 on a GAAP basis, with adjusted EPS of \$1.13***
- ***Generated strong cash from operations of \$154 million and free cash flow of \$124 million in the quarter***

NORTH CANTON, Ohio: October 29, 2020 — The Timken Company (NYSE: TKR; www.timken.com), a world leader in engineered bearings and power transmission products, today reported third-quarter 2020 sales of \$894.6 million, down 2.1 percent from the same period a year ago. The decline from the prior year was driven by lower demand in most end markets, partially offset by significant growth in renewable energy and the favorable impact of acquisitions. Third quarter sales were up 11.3 percent from the second quarter.

In the third quarter, Timken posted net income of \$88.8 million or \$1.16 per diluted share, versus net income of \$64.2 million or \$0.84 per diluted share for the same period a year ago. The year-over-year increase was driven primarily by pension remeasurement income, lower operating expenses reflecting the impact of cost reduction initiatives, favorable manufacturing performance and a lower tax rate, partially offset by the unfavorable impact of lower volume, price/mix and currency, and higher restructuring charges.

Excluding pension remeasurement, restructuring and other special items detailed in the attached tables, adjusted net income in the third quarter was \$86.4 million or \$1.13 per diluted share versus adjusted net income of \$87.4 million or \$1.14 per diluted share for the same period in 2019.

Net cash from operations for the third quarter was \$153.6 million, up from \$144.9 million in the same period a year ago. Free cash flow for the quarter was \$124.4 million, which compares to \$101.2 million in the year-ago period. For the nine months ended September 30, 2020, net cash from operations was \$457.2 million and free cash flow was \$371.5 million. During the third quarter, Timken paid its 393rd consecutive quarterly dividend.

“We are pleased with our performance in the third quarter,” said Richard G. Kyle, Timken president and chief executive officer. “Our markets continued to recover from the April trough, and with our strong execution, revenue exceeded our expectations and approached last year’s level. Additionally, our strategy to diversify our portfolio and increase our presence in sectors like renewable energy is contributing to our top-line performance in 2020. I am proud of how our Timken associates have shown resilience through the global pandemic. We continue to keep our operations safe, serve customers, deliver solid financial results and position the company for long-term success.”

Third-Quarter 2020 Segment Results

Process Industries sales of \$466.0 million increased 1.5 percent from the same period a year ago. The year-over-year increase was driven primarily by strong growth in renewable energy, positive pricing and the benefit of acquisitions, partially offset by lower revenue across most other sectors.

Earnings before interest, taxes, depreciation and amortization (EBITDA) in the quarter were \$109.2 million or 23.4 percent of sales, compared with EBITDA of \$116.5 million or 25.4 percent of sales for the same period a year ago. The decrease in EBITDA was driven primarily by the unfavorable impact of price/mix and currency, along with higher restructuring expenses, partially offset by the favorable impact of cost reductions and manufacturing performance.

Excluding special items detailed in the attached tables, adjusted EBITDA in the quarter was \$115.2 million or 24.7 percent of sales, compared with \$119.2 million or 26.0 percent of sales in the third quarter last year.

Mobile Industries sales of \$428.6 million decreased 5.8 percent compared with the same period a year ago. The decline was driven primarily by lower shipments across most sectors, partially offset by the benefit of acquisitions. Mobile Industries' third quarter sales were up 25.1 percent from the second quarter.

EBITDA for the quarter was \$64.0 million or 14.9 percent of sales, compared with EBITDA of \$70.1 million or 15.4 percent of sales for the same period a year ago. The decrease in EBITDA reflects the impact of lower volume and higher restructuring expenses, partially offset by the favorable impact of cost reductions and manufacturing performance, lower material and logistics costs and the positive impact of acquisitions.

Excluding special items detailed in the attached tables, adjusted EBITDA in the quarter was \$68.4 million or 16.0 percent of sales, compared with \$71.9 million or 15.8 percent of sales in the third quarter last year.

Balance Sheet, Liquidity and Cost Savings Update

Timken ended the third quarter with a net debt to EBITDA ratio of 2.0 times. During the third quarter, the company reduced net debt by over \$80 million. Timken has strong liquidity, with \$313 million of cash on hand and over \$600 million of availability under committed credit facilities as of September 30, 2020. The company expects to generate strong cash flow and further reduce net debt in the fourth quarter.

Timken continues to execute on cost reduction and other operational excellence initiatives across the enterprise. In total, cost reduction actions are now expected to generate year-on-year savings of approximately \$55 to \$60 million in the second half of 2020 compared to our previous outlook of \$50 to \$60 million.

"Timken is demonstrating our ability to perform through challenging times, as evidenced by our year-to-date results," said Kyle. "We expect markets to remain relatively stable with normal seasonality through the end of the year, and we are focused on finishing 2020 strong. While there remains a fair amount of uncertainty surrounding the pandemic, we're seeing solid demand across most of our markets and combined with our strong balance sheet and cash flow, we are well positioned heading into 2021. We remain focused on our strategy to deliver long-term profitable growth and advance Timken as a high-performing global industrial leader."

The company is not providing full year 2020 sales and earnings guidance at this time.

Conference Call Information

Timken will host a conference call today at 11 a.m. Eastern Time to review its financial results. Presentation materials will be available online in advance of the call for interested investors and securities analysts.

Conference Call: Thursday, October 29, 2020
 11:00 a.m. Eastern Time
 Live Dial-In: 800-458-4121
 Or +1 323-794-2093
 (Call in 10 minutes prior to be included.)
 Conference ID: Timken's 3Q Earnings Call
 Or Click to Join: <https://tmkn.biz/34yogAH>

Conference Call Replay: Replay Dial-In available through
 November 12, 2020:
 888-203-1112 or 719-457-0820
 Replay Passcode: 8801158

Live Webcast: <http://investors.timken.com>

About The Timken Company

The Timken Company (NYSE: TKR; www.timken.com) designs a growing portfolio of engineered bearings and power transmission products. With more than a century of knowledge and innovation, we continuously improve the reliability and efficiency of global machinery and equipment to move the world forward. Timken posted \$3.8 billion in sales in 2019 and employs more than 17,000 people globally, operating from 42 countries.

Certain statements in this release (including statements regarding the company's forecasts, estimates, plans and expectations) that are not historical in nature are "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. In particular, the statements related to expectations regarding the company's future financial performance and cost reduction measures, including information under the heading "Balance Sheet, Liquidity and Cost Savings Update," are forward-looking.

The company cautions that actual results may differ materially from those projected or implied in forward-looking statements due to a variety of important factors, including: the finalization of the company's financial statements for the third quarter of 2020; the company's ability to respond to the changes in its end markets that could affect demand for the company's products or services; unanticipated changes in business relationships with customers or their purchases from the company; changes in the financial health of the company's customers, which may have an impact on the company's revenues, earnings and impairment charges; fluctuations in material and energy costs; the impact of changes to the company's accounting methods; political risks associated with government instability; recent world events that have increased the risks posed by international trade disputes, tariffs and sanctions; weakness in global or regional economic conditions and capital markets; the company's ability to satisfy its obligations under its debt agreements and renew or refinance borrowings on favorable terms; fluctuations in currency valuations; changes in the expected costs associated with product warranty claims; the ability to achieve satisfactory operating results in the integration of acquired companies, including realizing any accretion within expected timeframes or at all; the impact on operations of general economic conditions; fluctuations in customer demand; 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; the introduction of new disruptive technologies; unplanned plant shutdowns; the company's ability to maintain positive relations with unions and works councils; negative impacts to the company's business, results of operations, financial position or liquidity as a result of COVID-19 or other epidemics and associated governmental measures such as restrictions on travel and manufacturing operations; and the company's ability to complete and achieve the benefits of announced plans, programs, initiatives, acquisitions and capital investments. Additional factors are discussed in the company's filings with the Securities and Exchange Commission, including the company's Annual Report on Form 10-K for the year ended Dec. 31, 2019, quarterly reports on Form 10-Q and current reports on Form 8-K. 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.

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The Timken Company

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Dollars in millions, except share data) (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net sales	\$ 894.6	\$ 914.0	\$ 2,621.5	\$ 2,893.7
Cost of products sold	630.9	636.5	1,848.6	2,007.9
Gross Profit	263.7	277.5	772.9	885.8
Selling, general & administrative expenses	132.7	148.0	398.1	459.4
Impairment and restructuring charges	12.0	1.6	18.7	3.5
Operating Income	119.0	127.9	356.1	422.9
Non-service pension and other postretirement income (expense)	15.3	(14.4)	13.4	(14.1)
Other income (expense), net	(1.0)	5.8	1.1	10.5
Interest expense, net	(15.4)	(17.1)	(49.3)	(52.0)
Income Before Income Taxes	117.9	102.2	321.3	367.3
Provision for income taxes	26.6	35.5	84.2	110.4
Net Income	91.3	66.7	237.1	256.9
Less: Net income attributable to noncontrolling interest	2.5	2.5	5.7	8.3
Net Income Attributable to The Timken Company	\$ 88.8	\$ 64.2	\$ 231.4	\$ 248.6
Net Income per Common Share Attributable to The Timken Company Common Shareholders				
Basic Earnings per share	\$ 1.18	\$ 0.85	\$ 3.07	\$ 3.28
Diluted Earnings per share	\$ 1.16	\$ 0.84	\$ 3.04	\$ 3.23
Average Shares Outstanding	75,223,462	75,628,410	75,288,567	75,864,544
Average Shares Outstanding - assuming dilution	76,286,136	76,592,694	76,131,920	76,902,426

BUSINESS SEGMENTS**(Unaudited)**

(Dollars in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Mobile Industries				
Net sales	\$ 428.6	\$ 455.1	\$ 1,237.9	\$ 1,448.8
Earnings before interest, taxes, depreciation and amortization (EBITDA) ⁽¹⁾	\$ 64.0	\$ 70.1	\$ 177.9	\$ 227.4
EBITDA Margin ⁽¹⁾	14.9 %	15.4 %	14.4 %	15.7 %
Process Industries				
Net sales	\$ 466.0	\$ 458.9	\$ 1,383.6	\$ 1,444.9
Earnings before interest, taxes, depreciation and amortization (EBITDA) ⁽¹⁾	\$ 109.2	\$ 116.5	\$ 343.0	\$ 369.8
EBITDA Margin ⁽¹⁾	23.4 %	25.4 %	24.8 %	25.6 %
Corporate earnings before interest, taxes, depreciation and amortization (EBITDA) ⁽¹⁾	\$ (10.6)	\$ (11.2)	\$ (28.2)	\$ (40.6)
Corporate pension and other postretirement benefit related income (expense) ⁽²⁾	11.9	(16.9)	3.1	(16.9)
Consolidated				
Net sales	\$ 894.6	\$ 914.0	\$ 2,621.5	\$ 2,893.7
Earnings before interest, taxes, depreciation and amortization (EBITDA) ⁽¹⁾	\$ 174.5	\$ 158.5	\$ 495.8	\$ 539.7
EBITDA Margin ⁽¹⁾	19.5 %	17.3 %	18.9 %	18.7 %

⁽¹⁾ EBITDA is a non-GAAP measure defined as operating income plus other income (expense) and excluding depreciation and amortization. EBITDA Margin is a non-GAAP measure defined as EBITDA as a percentage of net sales. EBITDA and EBITDA Margin are important financial measures used in the management of the business, including decisions concerning the allocation of resources and assessment of performance. Management believes that reporting EBITDA and EBITDA Margin is useful to investors as these measures are representative of the core operations of the segments and Company, respectively.

⁽²⁾ Corporate pension and other postretirement benefit related income (expense) represent actuarial gains and (losses) that resulted from the remeasurement of plan assets and obligations as a result of changes in assumptions. The Company recognizes actuarial gains and (losses) in connection with the annual remeasurement in the fourth quarter, or if specific events trigger a remeasurement. Refer to the Retirement Benefit Plans and Other Postretirement Benefit Plans footnotes within the Company's annual reports on Form 10-K and quarterly reports on Form 10-Q for additional discussion.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in millions)

	(Unaudited)	
	September 30, 2020	December 31, 2019
ASSETS		
Cash and cash equivalents	\$ 313.1	\$ 209.5
Restricted cash	0.9	6.7
Accounts receivable, net	571.5	545.1
Unbilled receivables	141.1	129.2
Inventories, net	789.9	842.0
Other current assets	148.0	142.1
Total Current Assets	1,964.5	1,874.6
Property, plant and equipment, net	980.2	989.2
Operating lease assets	105.4	114.1
Goodwill and other intangible assets	1,758.3	1,752.2
Non-current pension assets	9.0	3.4
Non-current other postretirement benefit assets	—	36.6
Other assets	91.7	89.8
Total Assets	\$ 4,909.1	\$ 4,859.9
LIABILITIES		
Accounts payable	\$ 306.7	\$ 301.7
Short-term debt, including current portion of long-term debt	75.6	82.0
Short-term operating lease liabilities	26.6	28.3
Income taxes	23.3	17.8
Accrued expenses	308.2	306.8
Total Current Liabilities	740.4	736.6
Long-term debt	1,533.0	1,648.1
Accrued pension benefits	161.5	165.1
Accrued postretirement benefits	44.8	31.8
Long-term operating lease liabilities	66.0	71.3
Other non-current liabilities	264.4	252.2
Total Liabilities	2,810.1	2,905.1
EQUITY		
The Timken Company shareholders' equity	2,028.1	1,868.2
Noncontrolling Interest	70.9	86.6
Total Equity	2,099.0	1,954.8
Total Liabilities and Equity	\$ 4,909.1	\$ 4,859.9

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(Dollars in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Cash Provided by (Used in)				
OPERATING ACTIVITIES				
Net Income	\$ 91.3	\$ 66.7	\$ 237.1	\$ 256.9
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	41.2	39.2	125.2	120.4
Stock-based compensation expense	7.8	5.8	19.2	20.7
Pension and other postretirement (income) expense	(12.1)	17.4	(3.9)	23.2
Pension and other postretirement benefit contributions and payments	(4.3)	(28.2)	(12.9)	(37.1)
Changes in operating assets and liabilities:				
Accounts receivable	(19.2)	29.5	(27.6)	(6.4)
Unbilled receivables	(14.9)	1.6	(11.9)	(35.0)
Inventories	6.6	21.2	47.9	37.8
Accounts payable	31.7	(20.8)	2.8	(7.4)
Accrued expenses	44.1	16.4	49.4	(28.7)
Income taxes	(18.1)	8.3	5.7	10.7
Other, net	(0.5)	(12.2)	26.2	(0.3)
Net Cash Provided by Operating Activities	\$ 153.6	\$ 144.9	\$ 457.2	\$ 354.8
INVESTING ACTIVITIES				
Capital expenditures	\$ (29.2)	\$ (43.7)	\$ (85.7)	\$ (82.9)
Acquisitions, net of cash received	—	0.3	(6.7)	(82.7)
Investments in short-term marketable securities, net	(8.8)	(0.1)	(10.4)	0.1
Other, net	1.3	1.1	1.4	3.3
Net Cash Used in Investing Activities	\$ (36.7)	\$ (42.4)	\$ (101.4)	\$ (162.2)
FINANCING ACTIVITIES				
Cash dividends paid to shareholders	\$ (21.1)	\$ (21.2)	\$ (65.0)	\$ (63.8)
Purchase of treasury shares	—	(32.5)	(42.3)	(56.1)
Proceeds from exercise of stock options	10.7	1.0	18.2	9.9
Payments related to tax withholding for stock-based compensation	(1.6)	(1.2)	(12.0)	(9.3)
Net (payments) proceeds from credit facilities	(187.5)	2.0	(76.0)	41.8
Net payments on long-term debt	(11.1)	(28.3)	(63.2)	(57.7)
Other, net	(15.8)	(0.3)	(17.4)	(2.2)
Net Cash Used in Financing Activities	\$ (226.4)	\$ (80.5)	\$ (257.7)	\$ (137.4)
Effect of exchange rate changes on cash	7.4	(7.5)	(0.3)	(6.4)
Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	\$ (102.1)	\$ 14.5	\$ 97.8	\$ 48.8
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	416.1	167.4	216.2	133.1
Cash, Cash Equivalents and Restricted Cash at End of Period	\$ 314.0	\$ 181.9	\$ 314.0	\$ 181.9

**Reconciliations of Adjusted Net Income to GAAP Net Income and Adjusted Earnings Per Share to GAAP Earnings Per Share:
(Unaudited)**

The following reconciliation is provided as additional relevant information about the Company's performance deemed useful to investors. Management believes that the non-GAAP measures of adjusted net income and adjusted diluted earnings per share are important financial measures used in the management of the business, including decisions concerning the allocation of resources and assessment of performance. Management believes that reporting adjusted net income and adjusted diluted earnings per share is useful to investors as these measures are representative of the Company's core operations.

(Dollars in millions, except share data)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020	EPS	2019	EPS	2020	EPS	2019	EPS
Net Income Attributable to The Timken Company	\$ 88.8	\$ 1.16	\$ 64.2	\$ 0.84	\$ 231.4	\$ 3.04	\$ 248.6	\$ 3.23
Adjustments: ⁽¹⁾								
Impairment, restructuring and reorganization charges ⁽²⁾	\$ 13.3		\$ 2.3		\$ 24.9		\$ 4.5	
Property (recoveries) losses and related expenses ⁽³⁾	(1.7)		0.7		(3.8)		6.5	
Acquisition-related charges ⁽⁴⁾	(0.5)		2.9		3.7		10.8	
Brazil legal matter ⁽⁵⁾	—		—		—		3.3	
Gain on sale of real estate ⁽⁶⁾	—		—		—		(1.7)	
Corporate pension and other postretirement benefit related (income) expense ⁽⁷⁾	(11.9)		16.9		(3.1)		16.9	
Tax indemnification and related items	—		—		—		0.5	
Noncontrolling interest of above adjustments	—		0.1		—		(0.1)	
Provision for income taxes ⁽⁸⁾	(1.6)		0.3		(5.0)		0.2	
Total Adjustments:	(2.4)	(0.03)	23.2	0.30	16.7	0.21	40.9	0.52
Adjusted Net Income Attributable to The Timken Company	\$ 86.4	\$ 1.13	\$ 87.4	\$ 1.14	\$ 248.1	\$ 3.25	\$ 289.5	\$ 3.75

⁽¹⁾ Adjustments are pre-tax, with the net tax provision listed separately.

⁽²⁾ Impairment, restructuring and reorganization charges (including items recorded in cost of products sold) relate to: (i) plant closures; (ii) the rationalization of certain plants, (iii) severance related to cost reduction initiatives and (iv) related depreciation and amortization. The Company re-assesses its operating footprint and cost structure periodically, and makes adjustments as needed that result in restructuring charges. However, management believes these actions are not representative of the Company's core operations.

⁽³⁾ Represents property loss and related expenses during the periods presented (net of insurance recoveries received in first and third quarter of 2020) resulting from property loss that occurred during the first quarter of 2019 at one of the Company's warehouses in Knoxville, Tennessee and during the third quarter of 2019 at one of the Company's warehouses in Yantai, China.

⁽⁴⁾ Acquisition-related charges in the third quarter of 2020 primarily related to the BEKA Lubrication ("BEKA") acquisition, including transaction costs and inventory step-up impact. Acquisition-related charges in the third quarter of 2019 primarily related to the Rollon S.p.A. ("Rollon") and The Diamond Chain Company ("Diamond Chain") acquisitions, including transaction costs and inventory step-up impact.

⁽⁵⁾ The Brazil legal matter represents expense recorded to establish a liability associated with an investigation into alleged antitrust violations in the bearing industry that was settled in the fourth quarter of 2019.

⁽⁶⁾ The gain on sale of real estate is related to the sale of a manufacturing facility in Pulaski, Tennessee. This amount was recorded in other income.

⁽⁷⁾ Corporate pension and other postretirement benefit related (income) expense represent actuarial (gains) and losses that resulted from the remeasurement of plan assets and obligations as a result of changes in assumptions. The Company recognizes actuarial (gains) and losses in connection with the annual remeasurement in the fourth quarter, or if specific events trigger a remeasurement. Refer to the Retirement Benefit Plans and Other Postretirement Benefit Plans footnotes within the Company's annual reports on Form 10-K and quarterly reports on Form 10-Q for additional discussion.

⁽⁸⁾ Provision for income taxes includes the net tax impact on pre-tax adjustments (listed above), the impact of discrete tax items recorded during the respective periods, as well as other adjustments to reflect the use of one overall effective tax rate on adjusted pre-tax income in interim periods.

Reconciliation of EBITDA to GAAP Net Income, EBITDA Margin to Net Income as a Percentage of Sales, and EBITDA Margin, After Adjustments, to Net Income as a Percentage of Sales, and EBITDA, After Adjustments, to Net Income:

(Unaudited)

The following reconciliation is provided as additional relevant information about the Company's performance deemed useful to investors. Management believes consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) is a non-GAAP measure that is useful to investors as it is representative of the Company's performance and that it is appropriate to compare GAAP net income to consolidated EBITDA. Management also believes that adjusted EBITDA, adjusted EBITDA margin and EBITDA margin are useful to investors as they are representative of the Company's core operations and are used in the management of the business, including decisions concerning the allocation of resources and assessment of performance.

(Dollars in millions)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020	Percentage to Net Sales	2019	Percentage to Net Sales	2020	Percentage to Net Sales	2019	Percentage to Net Sales
Net Income	\$ 91.3	10.2 %	\$ 66.7	7.3 %	\$ 237.1	9.0 %	\$ 256.9	8.9 %
Provision for income taxes	26.6		35.5		84.2		110.4	
Interest expense	16.3		18.2		52.3		55.5	
Interest income	(0.9)		(1.1)		(3.0)		(3.5)	
Depreciation and amortization	41.2		39.2		125.2		120.4	
Consolidated EBITDA	\$ 174.5	19.5 %	\$ 158.5	17.3 %	\$ 495.8	18.9 %	\$ 539.7	18.7 %
Adjustments:								
Impairment, restructuring and reorganization charges ⁽¹⁾	\$ 13.1		\$ 2.3		\$ 22.1		\$ 4.5	
Property (recoveries) losses and related expenses ⁽²⁾	(1.7)		0.7		(3.8)		6.5	
Acquisition-related charges ⁽³⁾	(0.5)		2.9		3.7		10.8	
Brazil legal matter ⁽⁴⁾	—		—		—		3.3	
Gain on sale of real estate ⁽⁵⁾	—		—		—		(1.7)	
Corporate pension and other postretirement benefit related (income) expense ⁽⁶⁾	(11.9)		16.9		(3.1)		16.9	
Tax indemnification and related items	—		—		—		0.5	
Total Adjustments	(1.0)	(0.1)%	22.8	2.5 %	18.9	0.7 %	40.8	1.4 %
Adjusted EBITDA	\$ 173.5	19.4 %	\$ 181.3	19.8 %	\$ 514.7	19.6 %	\$ 580.5	20.1 %

⁽¹⁾ Impairment, restructuring and reorganization charges (including items recorded in cost of products sold) relate to: (i) plant closures; (ii) the rationalization of certain plants and (iii) severance related to cost reduction initiatives. The Company re-assesses its operating footprint and cost structure periodically, and makes adjustments as needed that result in restructuring charges. However, management believes these actions are not representative of the Company's core operations.

⁽²⁾ Represents property loss and related expenses during the periods presented (net of insurance recoveries received in first and third quarter of 2020) resulting from property loss that occurred during the first quarter of 2019 at one of the Company's warehouses in Knoxville, Tennessee and during the third quarter of 2019 at one of the Company's warehouses in Yantai, China.

⁽³⁾ Acquisition-related charges in the third quarter of 2020 primarily related to the BEKA acquisition, including transaction costs and inventory step-up impact. Acquisition-related charges in the third quarter of 2019 primarily related to the Rollon and Diamond Chain acquisitions, including transaction costs and inventory step-up impact.

⁽⁴⁾ The Brazil legal matter represents expense recorded to establish a liability associated with an investigation into alleged antitrust violations in the bearing industry that was settled in the fourth quarter of 2019.

⁽⁵⁾ The gain on sale of real estate is related to the sale of a manufacturing facility in Pulaski, Tennessee. This amount was recorded in other income.

⁽⁶⁾ Corporate pension and other postretirement benefit related (income) expense represent actuarial (gains) and losses that resulted from the remeasurement of plan assets and obligations as a result of changes in assumptions. The Company recognizes actuarial (gains) and losses in connection with the annual remeasurement in the fourth quarter, or if specific events trigger a remeasurement. Refer to the Retirement Benefit Plans and Other Postretirement Benefit Plans footnotes within the Company's annual reports on Form 10-K and quarterly reports on Form 10-Q for additional discussion.

Reconciliation of segment EBITDA Margin, After Adjustments, to segment EBITDA as a Percentage of Sales and segment EBITDA, After Adjustments, to segment EBITDA:

(Unaudited)

The following reconciliation is provided as additional relevant information about the Company's Mobile Industries and Process Industries segment performance deemed useful to investors. Management believes that non-GAAP measures of adjusted EBITDA and adjusted EBITDA margin for the segments are useful to investors as they are representative of each segment's core operations and are used in the management of the business, including decisions concerning the allocation of resources and assessment of performance.

Mobile Industries

(Dollars in millions)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020	Percentage to Net Sales	2019	Percentage to Net Sales	2020	Percentage to Net Sales	2019	Percentage to Net Sales
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$ 64.0	14.9 %	\$ 70.1	15.4 %	\$ 177.9	14.4 %	\$ 227.4	15.7 %
Impairment, restructuring and reorganization charges ⁽¹⁾	6.6		1.1		10.2		2.1	
Gain on sale of real estate ⁽²⁾	—		—		—		(1.7)	
Property (recoveries) losses and related expenses ⁽³⁾	(1.7)		0.7		(3.8)		6.5	
Acquisition-related charges ⁽⁴⁾	(0.5)		—		2.1		0.1	
Adjusted EBITDA	\$ 68.4	16.0 %	\$ 71.9	15.8 %	\$ 186.4	15.1 %	\$ 234.4	16.2 %

Process Industries

(Dollars in millions)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020	Percentage to Net Sales	2019	Percentage to Net Sales	2020	Percentage to Net Sales	2019	Percentage to Net Sales
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$ 109.2	23.4 %	\$ 116.5	25.4 %	\$ 343.0	24.8 %	\$ 369.8	25.6 %
Impairment, restructuring and reorganization charges ⁽¹⁾	6.2		1.2		11.5		2.4	
Acquisition-related charges ⁽⁴⁾	(0.2)		1.5		1.0		7.9	
Adjusted EBITDA	\$ 115.2	24.7 %	\$ 119.2	26.0 %	\$ 355.5	25.7 %	\$ 380.1	26.3 %

⁽¹⁾ Impairment, restructuring and reorganization charges (including items recorded in cost of products sold) relate to: (i) plant closures; (ii) the rationalization of certain plants and (iii) severance related to cost reduction initiatives. The Company re-assesses its operating footprint and cost structure periodically, and makes adjustments as needed that result in restructuring charges. However, management believes these actions are not representative of the Company's core operations.

⁽²⁾ The gain on sale of real estate is related to the sale of a manufacturing facility in Pulaski, Tennessee. This amount was recorded in other income.

⁽³⁾ Represents property loss and related expenses during the periods presented (net of insurance recoveries received in first and third quarter of 2020) resulting from property loss that occurred during the first quarter of 2019 at one of the Company's warehouses in Knoxville, Tennessee and during the third quarter of 2019 at one of the Company's warehouses in Yantai, China.

⁽⁴⁾ Acquisition-related charges in the third quarter of 2020 primarily related to the inventory step-up impact of the BEKA acquisition. Acquisition-related charges in the third quarter of 2019 primarily related to the inventory step-up impact of the Rollon and Diamond Chain acquisitions.

Reconciliation of Total Debt to Net Debt, the Ratio of Net Debt to Capital, and the Ratio of Net Debt to Adjusted EBITDA:**(Unaudited)**

These reconciliations are provided as additional relevant information about the Company's financial position deemed useful to investors. Capital, used for the ratio of net debt to capital, is a non-GAAP measure defined as total debt less cash and cash equivalents plus total shareholders' equity. Management believes Net Debt, the Ratio of Net Debt to Capital, Adjusted EBITDA (see below), and the Ratio of Net Debt to Adjusted EBITDA are important measures of the Company's financial position, due to the amount of cash and cash equivalents on hand.

(Dollars in millions)

	September 30, 2020	December 31, 2019
Short-term debt, including current portion of long-term debt	\$ 75.6	\$ 82.0
Long-term debt	1,533.0	1,648.1
Total Debt	\$ 1,608.6	\$ 1,730.1
Less: Cash and cash equivalents	(313.1)	(209.5)
Net Debt	\$ 1,295.5	\$ 1,520.6
Total Equity	\$ 2,099.0	\$ 1,954.8
Ratio of Net Debt to Capital	38.2 %	43.8 %
Adjusted EBITDA for the Twelve Months Ended	\$ 660.5	\$ 726.3
Ratio of Net Debt to Adjusted EBITDA	2.0	2.1

Reconciliation of Free Cash Flow to GAAP Net Cash Provided by Operating Activities:**(Unaudited)**

Management believes that free cash flow is a non-GAAP measure that is useful to investors because it is a meaningful indicator of cash generated from operating activities available for the execution of its business strategy.

(Dollars in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net cash provided by operating activities	\$ 153.6	\$ 144.9	\$ 457.2	\$ 354.8
Less: capital expenditures	(29.2)	(43.7)	(85.7)	(82.9)
Free cash flow	\$ 124.4	\$ 101.2	\$ 371.5	\$ 271.9

Reconciliation of EBITDA, After Adjustments, to GAAP Net Income:

(Unaudited)

The following reconciliation is provided as additional relevant information about the Company's performance deemed useful to investors. Management believes consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) is a non-GAAP measure that is useful to investors as it is representative of the Company's performance and that it is appropriate to compare GAAP net income to consolidated EBITDA. Management also believes that the non-GAAP measure of adjusted EBITDA is useful to investors as it is representative of the Company's core operations and is used in the management of the business, including decisions concerning the allocation of resources and assessment of performance.

(Dollars in millions)	Twelve Months Ended September 30, 2020	Twelve Months Ended December 31, 2019
Net Income	\$ 354.9	\$ 374.7
Provision for income taxes	71.5	97.7
Interest expense	68.9	72.1
Interest income	(4.4)	(4.9)
Depreciation and amortization	165.4	160.6
Consolidated EBITDA	\$ 656.3	\$ 700.2
Adjustments:		
Impairment, restructuring and reorganization charges ⁽¹⁾	\$ 26.7	\$ 9.1
Acquisition-related charges ⁽²⁾	8.4	15.5
Brazil legal matter ⁽³⁾	(1.5)	1.8
Gain on sale of real estate ⁽⁴⁾	(2.8)	(4.5)
Corporate pension and other postretirement benefit related (income) expense ⁽⁵⁾	(24.1)	(4.1)
Insurance (proceeds) / property loss and related expenses ⁽⁶⁾	(2.7)	7.6
Tax indemnification and related items	0.2	0.7
Total Adjustments	4.2	26.1
Adjusted EBITDA	\$ 660.5	\$ 726.3

⁽¹⁾ Impairment, restructuring and reorganization charges (including items recorded in cost of products sold) relate to: (i) plant closures; (ii) the rationalization of certain plants and (iii) severance related to cost reduction initiatives. The Company re-assesses its operating footprint and cost structure periodically, and makes adjustments as needed that result in restructuring charges. However, management believes these actions are not representative of the Company's core operations.

⁽²⁾ Acquisition-related charges in 2020 primarily related to the BEKA acquisition, including transaction costs and inventory step-up impact. Acquisition-related charges in 2019 primarily related to the Rollon, Diamond Chain and BEKA acquisitions, including transaction costs and inventory step-up impact.

⁽³⁾ The Brazil legal matter represents expense recorded to establish a liability associated with an investigation into alleged antitrust violations in the bearing industry that was settled in the fourth quarter of 2019.

⁽⁴⁾ The gain on sale of real estate related to the sale of a manufacturing facility in Pulaski, Tennessee during the first quarter of 2019 and disposal of land in Colmar, France during the fourth quarter of 2019. These amounts were recorded in other income.

⁽⁵⁾ Corporate pension and other postretirement benefit related charges represent actuarial (gains) and losses that resulted from the remeasurement of plan assets and obligations as a result of changes in assumptions. The Company recognizes actuarial (gains) and losses in connection with the annual remeasurement in the fourth quarter, or if specific events trigger a remeasurement.

⁽⁶⁾ Represents property loss and related expenses during the periods presented (net of insurance proceeds received in first and third quarter of 2020) resulting from property loss that occurred during the first quarter of 2019 at one of the Company's warehouses in Knoxville, Tennessee and during the third quarter of 2019 at one of the Company's warehouses in Yantai, China.