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The Timken Company

1Q 2021 Earnings Investor Presentation

April 28, 2021

Advancing as a Global Industrial Leader



Agenda

INTRODUCTION

Neil Frohnapple – Director, Investor Relations

OVERVIEW AND BUSINESS UPDATE

Rich Kyle – President and Chief Executive Officer

FINANCIAL REVIEW

Phil Fracassa – Executive Vice President and Chief Financial Officer

Q&A

Question and Answer Session

Forward-Looking Statements Safe Harbor and Non-GAAP Financial Information

Certain statements in this presentation (including statements regarding the company's forecasts, beliefs, estimates 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 Timken's plans, outlook, future financial performance, targets, projected sales, cash flows, liquidity, cost reduction measures and expectations regarding the future financial performance of the company, including the information under the headings, "Organic Growth Outlook – FY 2021 by Market/Sector", "2021 Outlook", "Key Takeaways", "1Q 2021 Financial Comparison – Net Income & Diluted EPS" and "Cash Flow, Leverage & Capital Allocation" 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 first quarter; the company's ability to respond to 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 risk 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 effects of government-imposed restrictions meant to address climate change; unanticipated litigation, claims, investigations or assessments; the Company's ability to maintain appropriate 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, 2020, 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.

This presentation includes certain non-GAAP financial measures as defined by the rules and regulations of the Securities and Exchange Commission. Reconciliation of those measures to the most directly comparable GAAP financial measures are provided in the Appendix to this presentation.

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The Timken Company

Overview and Business Update

Rich Kyle
President and Chief Executive Officer

Advancing as a Global Industrial Leader



1Q 2021 Performance Highlights

Record sales of \$1.03 billion in 1Q-21, up 11% from prior year

- Revenue up 7.5% organically
 - Most end-market sectors experienced higher sales led by strong growth in renewable energy and off-highway
 - Diversity of portfolio and outgrowth initiatives contributed to strong performance
- Total sales up 15% from 4Q-20; strong sequential improvement in nearly all sectors
- Backlog grew in the quarter

Adjusted EBITDA margin of 19.9% compared to 19.2% in prior-year period

- Margin expansion driven by solid execution on higher volumes, despite unfavorable mix, supply chain issues and cost headwinds

Record adjusted EPS of \$1.38, up from \$1.11 per share in the prior-year period

Continued progress on integrating recent acquisitions

- Solid performance from Aurora Bearing during the quarter

Returned \$50 million of cash to shareholders during the quarter

- Payment of 395th consecutive quarterly dividend and repurchase of 350K shares

Net debt to TTM adjusted EBITDA at 1.9x as of March 31, 2021

Organic Growth Outlook – FY 2021 By Market/Sector

(Market/Sector Placement Reflects Mid-Point of Guidance)

NEGATIVE (down HSD+)	----- (down MSD)	NEUTRAL (flat to +/- LSD)	----- (up MSD)	POSITIVE (up HSD+)
	Aerospace	Heavy Industries	Marine	Automotive
			Rail	General Industrial
				Heavy Truck
				Ind. Distribution
				Industrial Services
				Off-Highway
				Renewable Energy

Planning for revenue to be up roughly 15% organically in 2021 (at mid-point)

- Both segments up double-digits organically with higher growth in Mobile Industries

■ Process Industries ■ Mobile Industries

LSD = low-single digit percentage change
 MSD = mid-single digit percentage change
 HSD = high-single digit percentage change


2021 Outlook

	PRIOR OUTLOOK (FEB. 4, 2021)	CURRENT OUTLOOK (APR. 28, 2021)
Net Sales	~+12%*	~+18%*
Adjusted EPS	\$4.70 to \$5.10	\$5.15 to \$5.45
Free Cash Flow	\$300M+	\$325M to \$350M


* YOY growth at mid-point of guidance

CURRENT OUTLOOK: FULL YEAR 2021 vs. 2020

Net sales up ~+18% at the mid-point


~+15%
Organic


~+1%
Acquisitions


~+2%
Currency

Components (at mid-point)

Organic revenue up ~15% for the year, up from prior outlook of ~+9%

- Reflects robust and improving market conditions

Adj. EPS of \$5.30 at the mid-point, up almost 30% compared to 2020

- Positive impact from higher volume and strong execution
- Partially offset by higher costs including the non-recurrence of 2020 temporary cost reduction actions
- Adj. EBITDA margin up slightly YOY at the mid-point

Free cash flow estimated at >80% of adjusted net income at mid-point

Key Takeaways

Looking back on 1Q-21

- Record revenue and adjusted EPS performance
- Delivered strong operating margins, despite supply chain and cost headwinds
 - Adjusted EBITDA margin of 19.9% up 70 basis points vs. 1Q-20
- Solid execution by the Timken team

Looking ahead

- Continue to navigate COVID-19 environment, prioritizing the safety of our employees and stakeholders and managing supply chain challenges
- Raising full-year revenue and earnings guidance
 - Demand continuing to strengthen from Q1 to Q2; backlog up from start of year
 - Operational execution to continue to mitigate cost and mix challenges and deliver strong margins
 - Timken attractive end-market mix and outgrowth initiatives continuing to deliver results
- Focus on customer service
- Expect strong free cash flow for the remainder of the year
- Continue to advance our growth strategy

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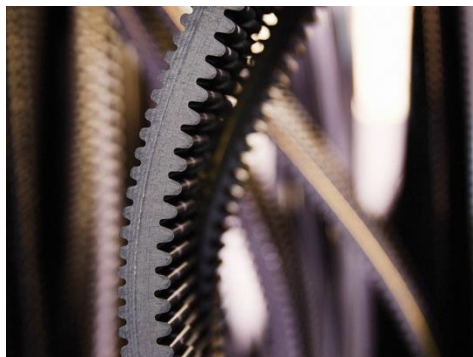
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Financial Performance

Phil Fracassa

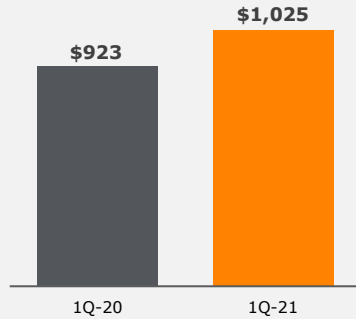
Executive Vice President and Chief Financial Officer

Advancing as a Global Industrial Leader

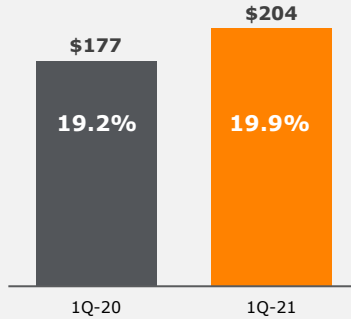


1Q 2021 Financial Overview

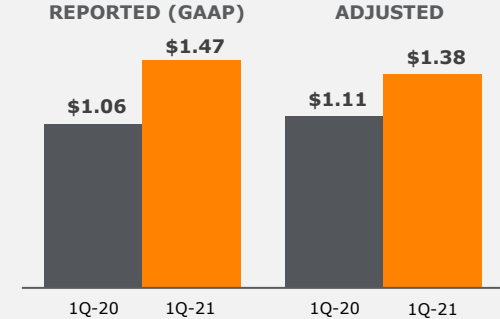
Net Sales (\$M)



Adjusted EBITDA (\$M)



Earnings Per Share



Sales of \$1.03 billion, up 11% from 1Q-20

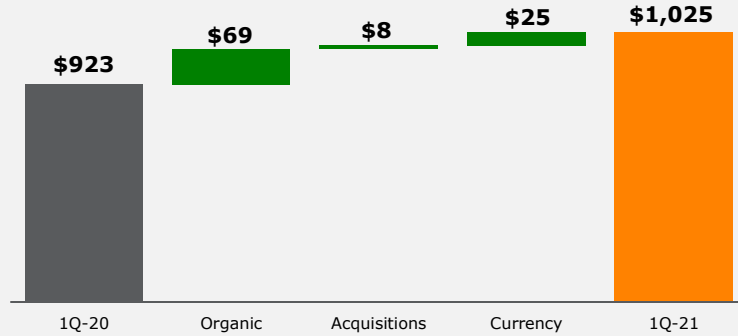
- Increase driven by organic growth across most end-market sectors, as well as the benefit of currency translation and the Aurora Bearing acquisition

Adjusted EBITDA margin of 19.9%, up 70 bps from 1Q-20

- Solid YOY incremental EBITDA margin performance driven by higher volume and strong operational execution, which more than offset the impact of unfavorable mix, supply chain challenges and other cost headwinds

First quarter adjusted EPS of \$1.38 per diluted share (a quarterly record), up 24% from 1Q-20

1Q 2021 Financial Highlights - Sales



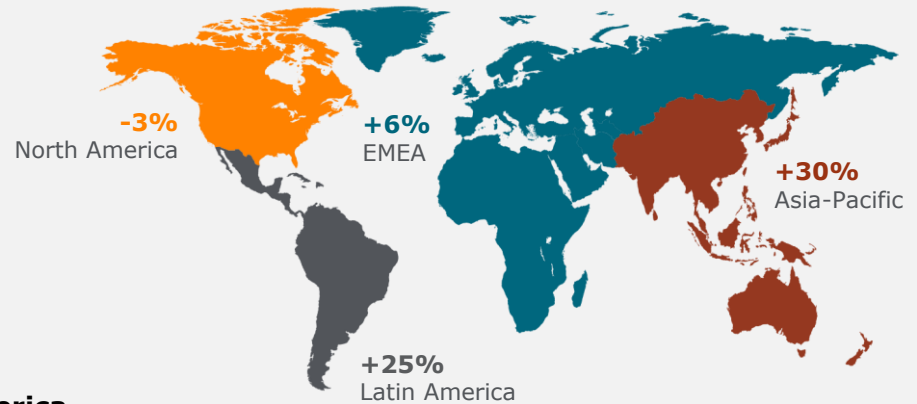
Sales of \$1.03 billion, up 11% from a year ago

- Organically, revenue was up 7.5% in the quarter
- Aurora Bearing contributed 0.8%; currency added 2.7%

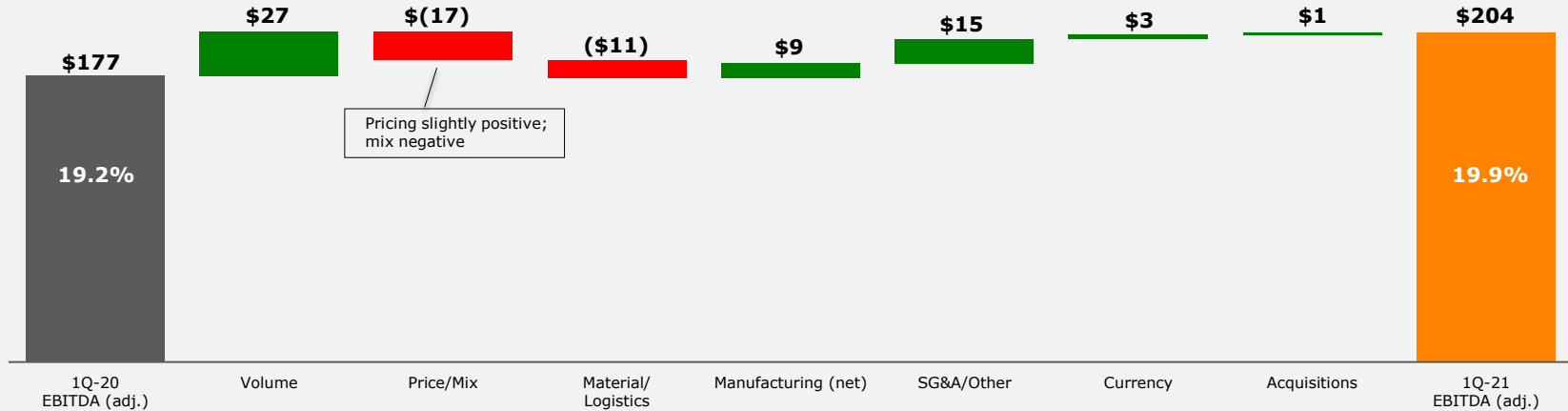
Organic revenue up in all regions outside of North America

- Asia-Pac up significantly again this quarter, driven by renewable energy and growth across other markets
- NA down YOY, but up double-digits sequentially

1Q-21 vs. 1Q-20 SALES BY GEOGRAPHY – ORGANIC (Excludes Acquisitions and Currency Impact)



1Q 2021 Financial Comparison – Adjusted EBITDA



Adjusted EBITDA of \$204 million or 19.9% of sales compared with \$177 million or 19.2% of sales in the same period a year ago

- The increase in adjusted EBITDA driven primarily by the impact of higher volume, favorable manufacturing performance and lower SG&A/other expenses, partially offset by unfavorable mix and higher material/logistics costs
- Reduced SG&A expenses reflect the benefit of lower discretionary spending and cost-reduction actions

1Q 2021 Financial Comparison – Net Income & Diluted EPS

	1Q-20		1Q-21	
	\$M	EPS	\$M	EPS
Net Income / EPS	\$80.7	\$1.06	\$113.3	\$1.47
Adjustments	4.0	0.05	(6.6)	(0.09)
Adjusted Net Income / Adjusted EPS	\$84.7	\$1.11	\$106.7	\$1.38
Average diluted shares outstanding:	76.3 million		77.3 million	
GAAP tax rate:	26.1%		17.9%	
Adjusted tax rate:	27.0%		25.5%	

Adjusted EPS of \$1.38, up 24% from the prior year

- Net interest expense of \$14.4 million in the quarter, down slightly from \$15.6 million in 1Q-20
- Average diluted shares up YOY

GAAP tax rate of 17.9% in 1Q-21, versus rate of 26.1% in 1Q-20

- Lower rate reflects the impact of discrete tax benefits in the current period

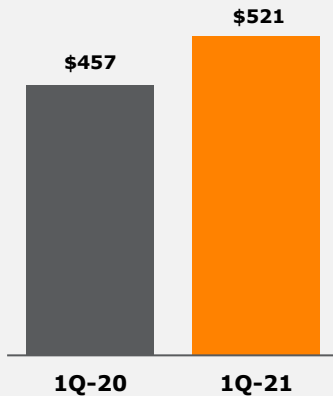
Adjusted tax rate of 25.5% in 1Q-21, down from 27.0% in 1Q-20

- Expect adjusted tax rate of approximately 25.5% for the full year 2021

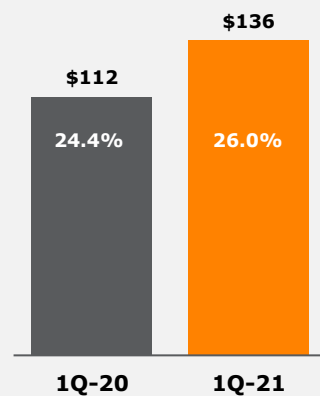
1Q 2021 Segment Performance

Process Industries

Net Sales (\$M)



Adjusted EBITDA (\$M)



Sales of \$521 million, up 14.1% from the same period last year

- Organically, sales up 9.8%: growth in the renewable energy, distribution and general industrial sectors; marine revenue down
- Sales up 3.5% from currency; Aurora Bearing added 0.8%

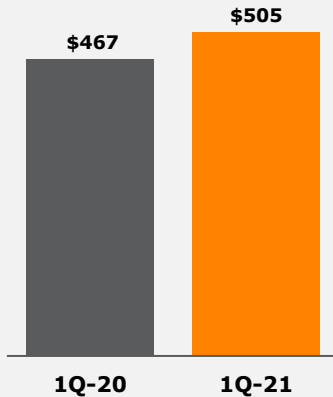
Adjusted EBITDA of \$136 million, or 26.0% of sales

- Increase in adjusted EBITDA reflects higher volume, favorable manufacturing performance, lower SG&A expenses and the benefit of currency, partially offset by unfavorable mix and higher material/logistics costs

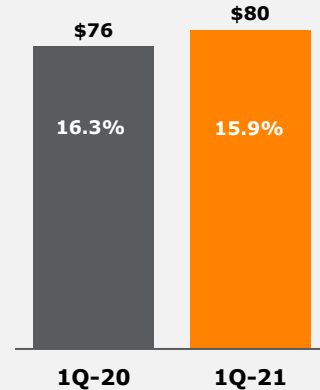
1Q 2021 Segment Performance

Mobile Industries

Net Sales (\$M)



Adjusted EBITDA (\$M)



Sales of \$505 million, up 8.1% from the same period last year

- Organically, sales up 5.2%: higher revenue in off-highway, heavy truck and automotive sectors; rail and aerospace down
- Sales up 2.0% from currency; Aurora Bearing added 0.9%

Adjusted EBITDA of \$80 million, or 15.9% of sales

- Increase in adjusted EBITDA reflects higher volume and lower SG&A expenses, partially offset by unfavorable mix and higher material and logistics costs

Cash Flow, Leverage & Capital Allocation

(\$M)	1Q-20	1Q-21	Capital Structure (\$M)		
			12/31/20	03/31/21	
Net Cash from Operations	\$56.2	\$31.7	Cash	\$320	\$302
Capital Expenditures	(31.8)	(29.4)	Total Debt	1,565	1,602
Free Cash Flow (FCF)	\$24.4	\$2.3	Net Debt	1,244	1,300
			Adjusted EBITDA (TTM)	\$659	\$686
			Net Debt/Adj. EBITDA	1.9x	1.9x

1Q-21 FCF negatively impacted by higher working capital needs to support sales growth

Commentary:

- 1Q is normally the seasonal low-point for free cash flow; expect significant step-up from 1Q over the rest of the year
- Paid 395th consecutive quarterly dividend of \$0.29/share in 1Q-21
- Repurchased 350 thousand shares during the first quarter
- Net debt/adj. EBITDA of 1.9x as of March 31 (TTM)

FY-21 Outlook:

- CapEx of ~\$150M (~3.6% of sales mid-point); supports long-term growth and operational excellence initiatives
- FY-21 net interest expense: ~\$60M (pre-tax)
- Continue to pay an attractive dividend⁽¹⁾
- Continue to drive synergies with respect to recent acquisitions; look to drive strategy further with M&A

2021 Outlook

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Free Cash Flow	\$300M+	\$325M to \$350M


* YOY growth at mid-point of guidance

CURRENT OUTLOOK: FULL YEAR 2021 vs. 2020

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~+15%
Organic


~+1%
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~+2%
Currency

Components (at mid-point)

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- Reflects robust and improving market conditions

Adj. EPS of \$5.30 at the mid-point, up almost 30% compared to 2020

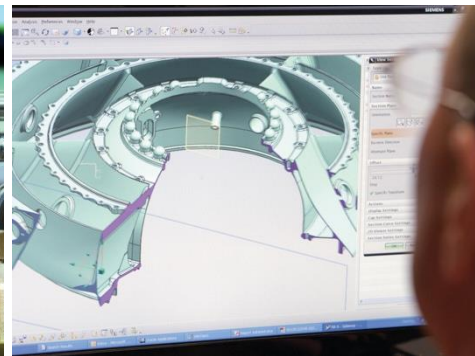
- Positive impact from higher volume and strong execution
- Partially offset by higher costs including the non-recurrence of 2020 temporary cost reduction actions
- Adj. EBITDA margin up slightly YOY at the mid-point

Free cash flow estimated at >80% of adjusted net income at mid-point

The Timken Company

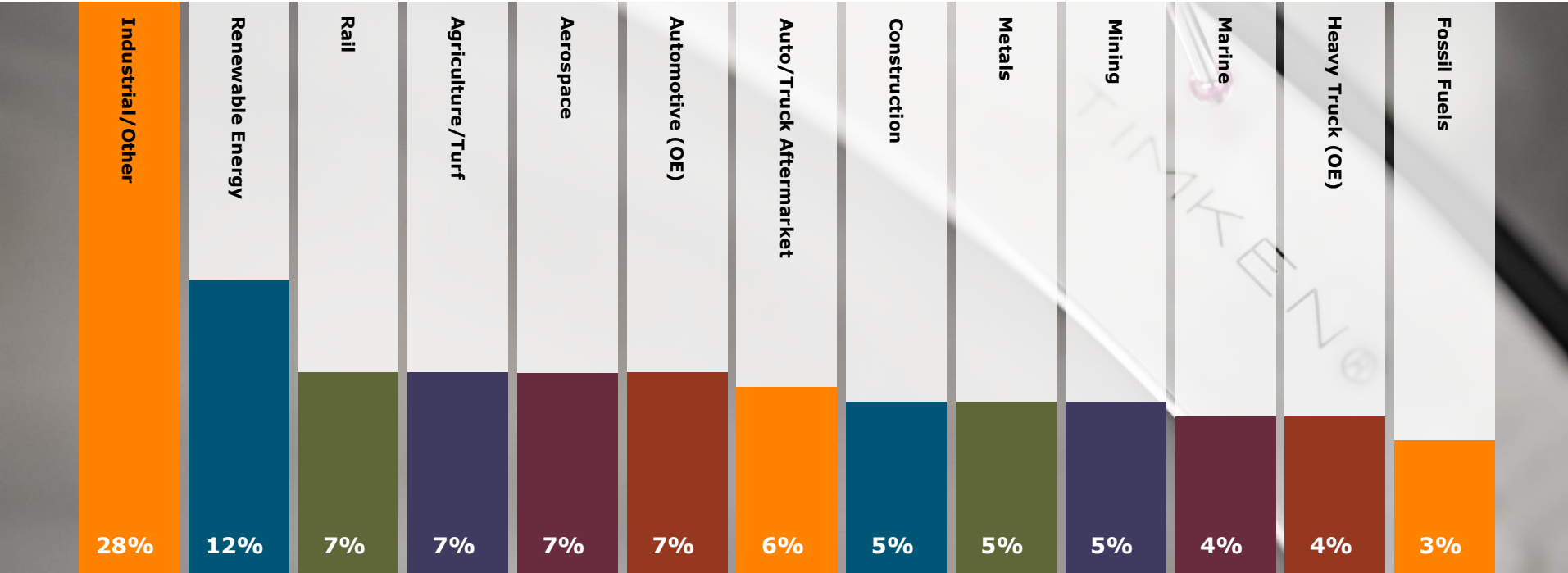
Appendix: Backup Slides and GAAP Reconciliations

Advancing as a Global Industrial Leader



Serving an Attractive and Diverse End-Market Sector Mix

(End-market sector sales mix based on 2020 full year actual sales)



Supplemental Information: EBITDA Adjustments and Depreciation & Amortization by Segment

(Unaudited)

(Dollars in millions)	Three Months Ended March 31, 2021				Three Months Ended March 31, 2020			
	Mobile Industries	Process Industries	Corporate	Timken	Mobile Industries	Process Industries	Corporate	Timken
Cost of products sold	\$ 0.3	\$ 0.9	\$ —	\$ 1.2	\$ 2.3	\$ 1.2	\$ —	\$ 3.5
Selling, general and administrative expense	—	—	(0.5)	(0.5)	—	—	0.5	0.5
Impairment and restructuring charges	0.2	3.8	—	4.0	0.7	2.8	0.1	3.6
Other expense (income), net	—	—	0.3	0.3	(2.1)	—	—	(2.1)
Total Adjustments to EBITDA	\$ 0.5	\$ 4.7	\$ (0.2)	\$ 5.0	\$ 0.9	\$ 4.0	\$ 0.6	\$ 5.5

(Unaudited)

(Dollars in millions)	Three Months Ended March 31, 2021				Three Months Ended March 31, 2020			
	Mobile Industries	Process Industries	Corporate	Timken	Mobile Industries	Process Industries	Corporate	Timken
Depreciation and amortization expense (GAAP)	\$ 20.4	\$ 22.3	\$ 0.3	\$ 43.0	\$ 20.1	\$ 22.0	\$ 0.2	\$ 42.3
Adjusted depreciation and amortization expense	20.4	22.0	0.3	42.7	19.1	21.6	0.2	40.9
Total Adjustments to Depreciation and Amortization	\$ —	\$ 0.3	\$ —	\$ 0.3	\$ 1.0	\$ 0.4	\$ —	\$ 1.4
Total Adjustments to Income Before Income Taxes	\$ 0.5	\$ 5.0	\$ (0.2)	\$ 5.3	\$ 1.9	\$ 4.4	\$ 0.6	\$ 6.9

GAAP Reconciliation: Net Income & EPS

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.

	Three Months Ended March 31,			
	2021	EPS	2020	EPS
(Dollars in millions, except share data)				
Net Income Attributable to The Timken Company	\$ 113.3	\$ 1.47	\$ 80.7	\$ 1.06
Adjustments: ⁽¹⁾				
Impairment, restructuring and reorganization charges ⁽²⁾	\$ 5.2		\$ 5.8	
Corporate pension and other postretirement benefit related expense ⁽³⁾	0.9		—	
Acquisition-related (gain) charges ⁽⁴⁾	(0.8)		3.3	
Property (recoveries) losses and related expenses ⁽⁵⁾	—		(2.2)	
Noncontrolling interest of above adjustments	0.2		—	
Provision for income taxes ⁽⁶⁾	(12.1)		(2.9)	
Total Adjustments:	(6.6)	(0.09)	4.0	0.05
Adjusted Net Income Attributable to The Timken Company	\$ 106.7	\$ 1.38	\$ 84.7	\$ 1.11

⁽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⁾ Corporate pension and other postretirement benefit related expense represents actuarial losses and (gains) that resulted from the remeasurement of plan assets and obligations as a result of changes in assumptions or experience. The Company recognizes actuarial losses and (gains) 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.

⁽⁴⁾ The acquisition-related (gain) charges represent measurement period adjustments to the bargain purchase gain on the acquisition of the assets of Aurora Bearing Company ("Aurora") that closed on November 30, 2020, as well as acquisition transaction costs and the inventory step-up impact.

⁽⁵⁾ Represents property loss and related expenses during the period presented (net of insurance recoveries received in 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.

⁽⁶⁾ 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.

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

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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 March 31,			
	2021	Percentage to Net Sales	2020	Percentage to Net Sales
Net Income	\$ 116.0	11.3 %	\$ 84.0	9.1 %
Provision for income taxes	25.3		29.6	
Interest expense	14.9		17.1	
Interest income	(0.5)		(1.5)	
Depreciation and amortization	43.0		42.3	
Consolidated EBITDA	\$ 198.7	19.4 %	\$ 171.5	18.6 %
Adjustments:				
Impairment, restructuring and reorganization charges ⁽¹⁾	\$ 4.9		\$ 4.4	
Corporate pension and other postretirement benefit related expense ⁽²⁾	0.9		—	
Acquisition-related (gain) charges ⁽³⁾	(0.8)		3.3	
Property (recoveries) losses and related expenses ⁽⁴⁾	—		(2.2)	
Total Adjustments	5.0	0.5 %	5.5	0.6 %
Adjusted EBITDA	\$ 203.7	19.9 %	\$ 177.0	19.2 %

⁽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⁾ Corporate pension and other postretirement benefit related expense represents actuarial losses and (gains) that resulted from the remeasurement of plan assets and obligations as a result of changes in assumptions or experience. The Company recognizes actuarial losses and (gains) 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.

⁽³⁾ The acquisition-related (gain) charges represent measurement period adjustments to the bargain purchase gain on the acquisition of the assets of Aurora that closed on November 30, 2020, as well as acquisition transaction costs and the inventory step-up impact.

⁽⁴⁾ Represents property loss and related expenses during the period presented (net of insurance recoveries received in 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.

GAAP Reconciliation: Segment EBITDA & EBITDA Margin

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 March 31,			
	2021	Percentage to Net Sales	2020	Percentage to Net Sales
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$ 79.6	15.8 %	\$ 75.1	16.1 %
Impairment, restructuring and reorganization charges ⁽¹⁾	0.3		1.2	
Acquisition-related charges ⁽²⁾	0.2		1.9	
Property (recoveries) losses and related expenses ⁽³⁾	—		(2.2)	
Adjusted EBITDA	\$ 80.1	15.9 %	\$ 76.0	16.3 %

Process Industries

(Dollars in millions)	Three Months Ended March 31,			
	2021	Percentage to Net Sales	2020	Percentage to Net Sales
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$ 131.0	25.1 %	\$ 107.5	23.5 %
Impairment, restructuring and reorganization charges ⁽¹⁾	4.6		3.1	
Acquisition-related charges ⁽²⁾	0.1		0.9	
Adjusted EBITDA	\$ 135.7	26.0 %	\$ 111.5	24.4 %

⁽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 acquisition-related charges represent the inventory step-up impact.

⁽³⁾ Represents property loss and related expenses during the period presented (net of insurance recoveries received in 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.

GAAP Reconciliation: Consolidated EBITDA

Reconciliation of EBITDA and 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 March 31, 2021		Twelve Months Ended December 31, 2020	
Net Income	\$	324.4	\$	292.4
Provision for income taxes		99.6		103.9
Interest expense		65.4		67.6
Interest income		(2.7)		(3.7)
Depreciation and amortization		167.8		167.1
Consolidated EBITDA	\$	654.5	\$	627.3
Adjustments:				
Impairment, restructuring and reorganization charges ⁽¹⁾	\$	26.4	\$	25.9
Corporate pension and other postretirement benefit related expense ⁽²⁾		19.4		18.5
Acquisition-related charges ⁽³⁾		0.2		3.7
Acquisition-related gain ⁽⁴⁾		(11.7)		(11.1)
Gain on sale of real estate		(0.4)		(0.4)
Property (recoveries) losses and related expenses ⁽⁵⁾		(3.3)		(5.5)
Tax indemnification and related items		0.5		0.5
Total Adjustments		31.1		31.6
Adjusted EBITDA	\$	685.6	\$	658.9

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

⁽³⁾ The acquisition-related charges represent transaction costs and the inventory step-up impact.

⁽⁴⁾ The acquisition-related gain represents a bargain purchase gain on the acquisition of the assets of Aurora that closed on November 30, 2020.

⁽⁵⁾ Represents property loss and related expenses during the periods presented (net of insurance recoveries received in 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.

GAAP Reconciliation: Net Debt & Free Cash Flow

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. The Company presents net debt to adjusted EBITDA because it believes it is more representative of the Company's financial position as it is reflective of the Company's ability to cover its net debt obligations with results from its core operations.

(Dollars in millions)	March 31, 2021	December 31, 2020
Short-term debt, including current portion of long-term debt	\$ 178.3	\$ 130.7
Long-term debt	1,423.7	1,433.9
Total Debt	\$ 1,602.0	\$ 1,564.6
Less: Cash and cash equivalents	(302.3)	(320.3)
Net Debt	\$ 1,299.7	\$ 1,244.3
Total Equity	\$ 2,250.1	\$ 2,225.2
Ratio of Net Debt to Capital	36.6 %	35.9 %
Adjusted EBITDA for the Twelve Months Ended	\$ 685.6	\$ 658.9
Ratio of Net Debt to Adjusted EBITDA	1.9	1.9

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 March 31, 2021	2020
Net cash provided by operating activities	\$ 31.7	\$ 56.2
Less: capital expenditures	(29.4)	(31.8)
Free cash flow	\$ 2.3	\$ 24.4

GAAP Reconciliation: Adjusted EPS & Free Cash Flow Outlook

Reconciliation of Adjusted Earnings per Share to GAAP Earnings per Share for Full Year 2021 Outlook:

(Unaudited)

The following reconciliation is provided as additional relevant information about the Company's outlook deemed useful to investors. Forecasted full year adjusted diluted earnings per share is an important financial measure that management believes is useful to investors as it is representative of the Company's expectation for the performance of its core business operations.

	Low End Earnings Per Share	High End Earnings Per Share
Forecasted full year GAAP diluted earnings per share	\$ 5.00	\$ 5.30
Forecasted Adjustments:		
Restructuring and other special items, net ⁽¹⁾	0.15	0.15
Total Adjustments:	\$ 0.15	\$ 0.15
Forecasted full year adjusted diluted earnings per share	\$ 5.15	\$ 5.45

⁽¹⁾ Restructuring and other special items, net do not include the impact of any potential mark-to-market pension and other postretirement remeasurement adjustments, because the amounts will not be known until incurred.

Reconciliation of Free Cash Flow to GAAP Net Cash Provided by Operating Activities for Full Year 2021 Outlook:

(Unaudited)

Forecasted full year free cash flow is a non-GAAP measure that is useful to investors because it is representative of the Company's expectation of cash that will be generated from operating activities and available for the execution of its business strategy.

(Dollars in Millions)	Low End Free Cash Flow	High End Free Cash Flow
Net cash provided by operating activities	\$ 475.0	\$ 500.0
Less: capital expenditures	(150.0)	(150.0)
Free cash flow	\$ 325.0	\$ 350.0

GAAP Reconciliation: 2020 Net Income & EPS

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)

	Twelve Months Ended December 31,	
	2020	EPS
Net Income Attributable to The Timken Company	\$ 284.5	\$ 3.72
Adjustments: ⁽¹⁾		
Impairment, restructuring and reorganization charges ⁽²⁾	\$ 29.0	
Property (recoveries) losses and related expenses ⁽³⁾	(5.5)	
Acquisition-related charges ⁽⁴⁾	3.7	
Acquisition-related gain ⁽⁵⁾	(11.1)	
Gain on sale of real estate	(0.4)	
Corporate pension and other postretirement benefit related expense ⁽⁶⁾	18.5	
Tax indemnification and related items	0.5	
Noncontrolling interest of above adjustments	(0.1)	
Provision for income taxes ⁽⁷⁾	(6.0)	
Total Adjustments:	28.6	0.38
Adjusted Net Income Attributable to The Timken Company	\$ 313.1	\$ 4.10

⁽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 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⁾ The acquisition-related charges represent acquisition transaction costs and the inventory step-up impact.

⁽⁵⁾ The acquisition-related gain represents a bargain purchase price gain on the acquisition of the assets of Aurora that closed on November 30, 2020.

⁽⁶⁾ Corporate pension and other postretirement benefit related expense (income) represents actuarial losses and (gains) that resulted from the remeasurement of plan assets and obligations as a result of changes in assumptions or experience. The Company recognizes actuarial losses and (gains) 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.

⁽⁷⁾ 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.