

# 3Q 2022 Earnings Investor Presentation

**October 26, 2022**

**The Timken Company**



# 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 2022 By Market/Sector", "2022 Outlook", "GGB Bearings: Strong Value Creation for Timken Shareholders", "Key Takeaways", "Consistent, Growing and Strong Performance," "3Q-22 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 third quarter of 2022; 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; logistical issues associated with port closures or congestion, delays or increased 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 general economic conditions and capital markets; the impact of inflation on employee expenses, shipping costs, raw material costs, energy and fuel prices, and other production costs; the company's ability to satisfy its obligations under its debt agreements and renew or refinance borrowings on favorable terms in a rising interest rate environment; 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, synergies, and expected cashflow generation within expected timeframes or at all; 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 and commercial requirements meant to address climate change; unanticipated litigation, claims, investigations or assessments; the Company's ability to maintain appropriate relations with unions and works councils; the company's ability to compete for skilled labor; negative impacts to the company's operations or financial position as a result of COVID-19 or other epidemics and associated governmental measures; 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, 2021, 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.

# Overview and Business Update

**Rich Kyle**  
**President and**  
**Chief Executive Officer**

**The Timken Company**



## 3Q 2022 Performance Highlights

### **Sales of \$1.14 billion in 3Q-22, up 9.6% from prior-year period**

- Revenue up 13.6% organically, an acceleration in the YOY growth rate from ~11% in 1H-22
  - Double-digit organic growth in both Mobile Industries and Process Industries
  - Growth across most end-market sectors, led by industrial distribution and off-highway
  - Continued price realization across the portfolio
- Strong backlog at quarter end; up double-digits compared to a year ago

### **Adjusted EBITDA margin of 18.8% compared to 17.2% in prior-year period**

- Strong margin performance (+160 bps YOY) driven by positive price-cost and improved execution

### **Adjusted EPS of \$1.52, up from \$1.18 per share in the prior-year period**

- Company record for the third quarter

### **Returned \$72 million of cash to shareholders during the quarter**

- Repurchased 750K shares and paid 401st consecutive quarterly dividend

### **Announced agreement to acquire GGB Bearings in September**

- Will strengthen and expand Timken's engineered bearings portfolio

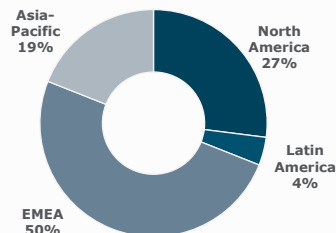
# GGB Bearings: Strong Value Creation for Timken Shareholders

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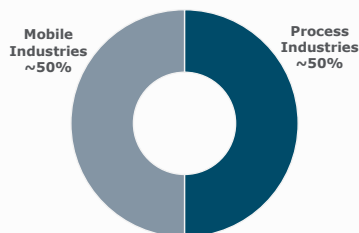
## A Strategic Acquisition

- GGB Bearings is a global supplier of premium, highly engineered and customized plain bearings and a global leader in metal-polymer bearings
- Diverse and fragmented global customer base
- Highly complementary to Timken's engineered bearings portfolio
- Meaningfully expands Timken's targeted addressable market with solid growth outlook
- FY-2022E revenue: ~\$200M
- Expect run-rate synergies exceeding 7% of GGB FY-22 revenue by Year 3
- Estimated to be accretive to earnings immediately\*
- Closing expected in 4Q-22

Geographic Mix



Segment Mix



\* Accretive to adjusted EPS starting with the first full quarter of ownership.

# Timken Corporate Social Responsibility Report

**As an engineering culture, we develop new and better solutions for our customers' most challenging problems.**

**We apply the same approach to CSR to:**

**Improve the lives of individuals & communities**

**Protect and benefit the planet**

**Strengthen our business**



## 2021 Corporate Social Responsibility



# Organic Growth Outlook – FY 2022 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+)
	Renewable Energy	Aerospace	Automotive	General Industrial
				Heavy Industries
				Heavy Truck
				Ind. Distribution
				Industrial Services
				Marine
				Off-Highway
				Rail

**Expect revenue to be up 9% in total, 11.5% organic, in 2022 (at mid-point)**

- Higher demand across most end markets
- Positive price realization

■ Process Industries ■ Mobile Industries

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

# 2022 Outlook

	Prior Outlook (Jul. 28, 2022)	Current Outlook (Oct. 26, 2022)
Net Sales	~+7%	~+9%
Adjusted EPS	\$5.50 to \$5.80	\$5.80 to \$5.95
Free Cash Flow	\$270M*	~\$250M

## Current Outlook: Full Year 2022 vs. 2021

- Total sales up ~9% for the year (organic: +11.5%; FX: -3.5%; M&A: +1%)
  - Higher demand across most end markets and positive pricing
  - Reflects unfavorable impact from FX and ceasing operations in Russia
  - Includes impact from GGB Bearings acquisition and ADS divestiture (assumes mid 4Q-22 close)
- Adj. EBITDA margin up ~125 bps YOY at the mid-point (vs. ~+100 bps prior)
  - Positive impact from higher volume and price-mix
  - Favorable price-cost outlook for FY-22
  - Higher operating costs YOY, including labor and energy inflation
- Adj. EPS up 25% at the mid-point compared to 2021
  - Higher EPS outlook reflects strong YTD and expected 4Q performance
  - Assumes adjusted tax rate of ~25.5% and higher YOY interest expense
  - Positive impact from year-to-date share repurchases
- Expecting strong free cash flow generation in 4Q-22
  - Cash conversion adversely impacted by higher working capital due to strong sales growth and supply chain challenges

*EPS outlook does not include the impact of any potential future mark-to-market pension remeasurement adjustments or other unplanned special items. See appendix for reconciliations of adjusted EPS and free cash flow to their most directly comparable GAAP financial measures. Free cash flow is defined as net cash provided by operating activities minus capital expenditures. See our Investor Day presentation, dated September 28, 2022, and available at investors.timken.com for a reconciliation of our prior outlook.*

*\*At the mid-point of our prior free cash flow outlook provided in our Investor Day presentation.*

# Key Takeaways

## Looking back on 3Q-22

- Record third-quarter revenue and adjusted EPS performance
- Advanced strategic growth initiatives, including reaching an agreement to acquire GGB Bearings
- Held Investor Day – provided new long-term financial targets to drive further shareholder value
- Issued annual CSR report, announced 2030 target to reduce greenhouse gas emissions intensity by 50 percent\*
- Reached agreement in October to divest Aerospace Drive Systems (ADS) business, a supplier of drive system components and sub-assemblies for military and civil rotorcraft applications; closing expected in 4Q-22

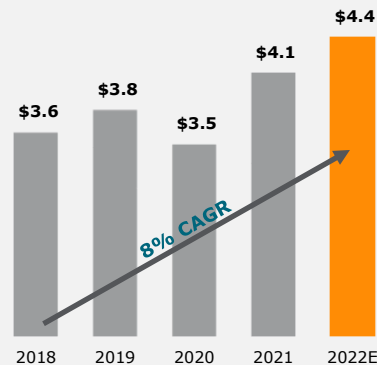
## Looking ahead

- Remain focused on delivering best-in-class customer service and continue to deliver outgrowth
- Advance operational excellence initiatives and drive margin expansion
- Generate strong free cash flow in 4Q-22, with a step-up expected in 2023
  - Capital allocation to be accretive to earnings growth
- Timken well-positioned to deliver stronger and more resilient performance over time
- Continue to scale as a diversified industrial leader and deliver top-quartile financial performance

\*Based off of a 2018 baseline.

# Consistent, Growing and Strong Performance

## Revenue (\$B)

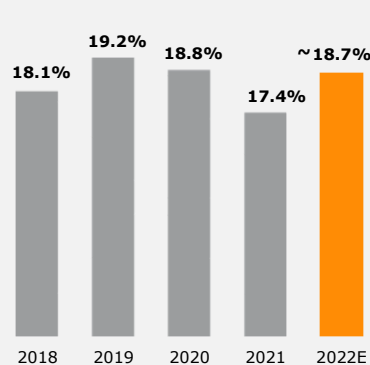


Record revenue four out of five years (including 2022E)

Organic outgrowth initiatives adding to top-line performance

Acquisitions also contributing meaningfully to revenue growth

## Adj. EBITDA Margin

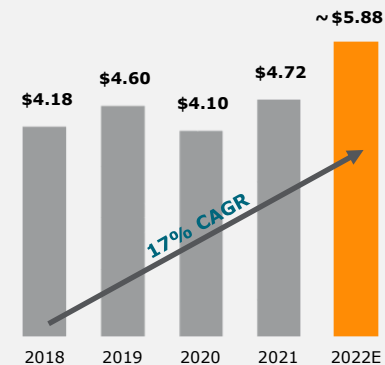


Consistent margin performance through dynamic operating environments

Attractive margin profile; higher and more consistent performance

Growth, price/mix, acquisitions and operational excellence delivering next-level results

## Adj. EPS



Record earnings four out of five years (including 2022E); up ~25% YOY in 2022E

Consistently growing the earnings power and cash generation of the company through varying macro-economic conditions



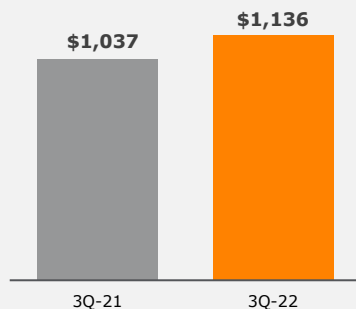
# Financial Performance

**Phil Fracassa**  
**Executive Vice President**  
**and Chief Financial Officer**

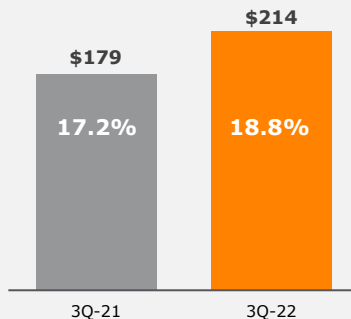
**The Timken Company**

# 3Q 2022 Financial Overview

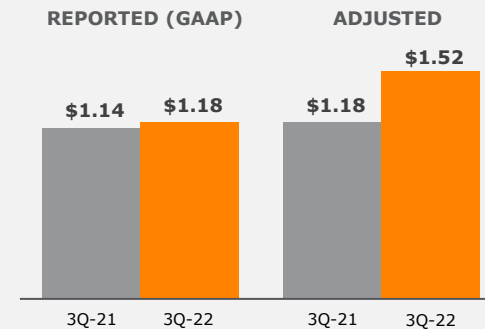
## Net Sales (\$M)



## Adjusted EBITDA (\$M)



## Earnings Per Share



### Sales of \$1.14 billion, up 9.6% from 3Q-21

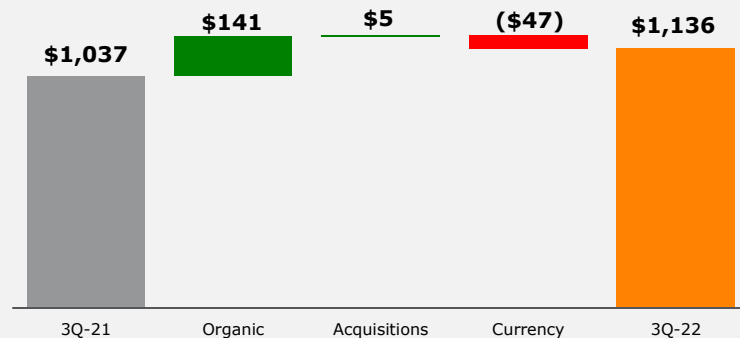
- Increase driven by growth across most end-market sectors and the impact of higher pricing, partially offset by unfavorable FX translation

### Adjusted EBITDA margin of 18.8%, up 160 bps from 3Q-21

- Strong EBITDA margin performance, with favorable price/mix and the impact of higher volume more than offsetting higher operating costs

### Third quarter adjusted EPS of \$1.52 per diluted share (record for the third quarter), up 29% from 3Q-21

## 3Q 2022 Financial Highlights - Sales



### Sales of \$1.14 billion, up 9.6% from a year ago

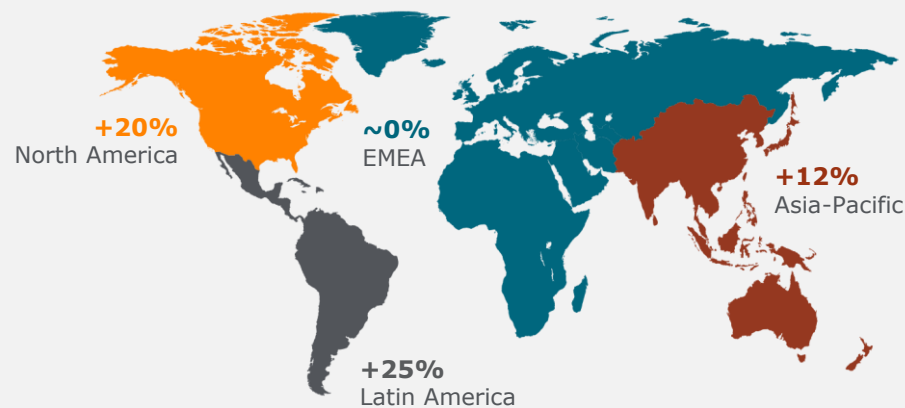
- Organically, revenue was up 13.6% in the quarter
- Currency was negative 4.5%; acquisitions added 0.5%

### Organic revenue up double-digits in most regions

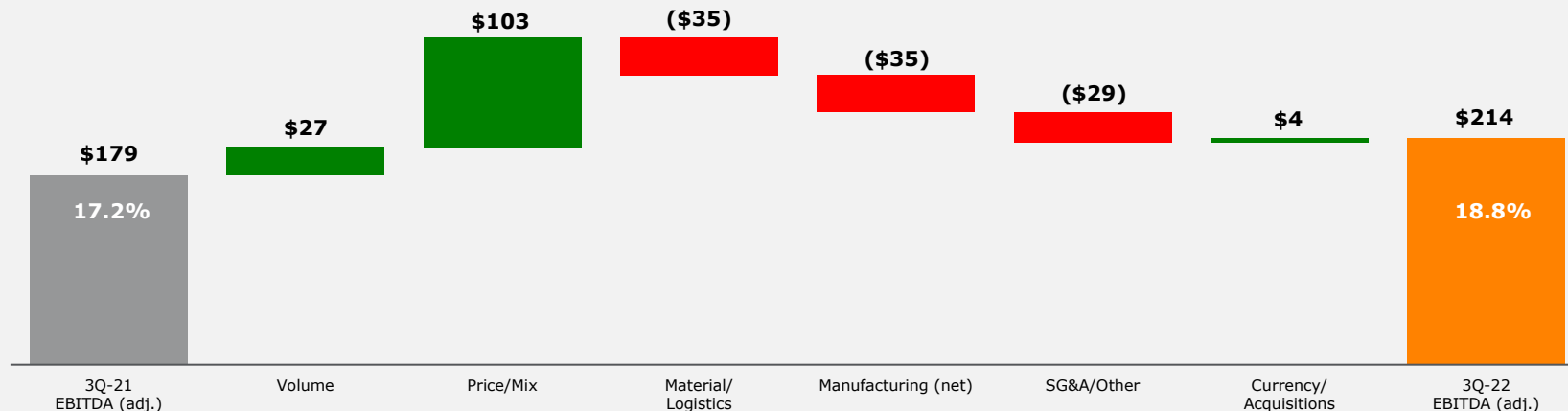
- The Americas posted the strongest growth
- Double-digit organic growth in APAC; flat in EMEA

### 3Q-22 vs. 3Q-21 Sales by Geography – ORGANIC

(Excludes Acquisitions and Currency Impact)



## 3Q 2022 Financial Comparison – Adjusted EBITDA



### Adjusted EBITDA of \$214 million or 18.8% of sales compared with \$179 million or 17.2% of sales in the same period a year ago

- The increase in adjusted EBITDA reflects favorable price/mix, the impact of higher sales volume, and strong execution, partially offset by higher operating costs
- Positive price-mix more than offset higher material & logistics and net manufacturing costs in the quarter
- SG&A expense up in dollars (as expected) to support sales growth and higher compensation; SG&A expense flattish compared to 2Q-22

## 3Q 2022 Financial Comparison – Net Income & Diluted EPS

	3Q-21		3Q-22	
	\$M	EPS	\$M	EPS
<b>Net Income / EPS</b>	<b>\$88.1</b>	<b>\$1.14</b>	<b>\$87.0</b>	<b>\$1.18</b>
<b>Adjustments</b>	<b>2.9</b>	<b>0.04</b>	<b>25.6</b>	<b>0.34</b>
<b>Adjusted Net Income / Adjusted EPS</b>	<b>\$91.0</b>	<b>\$1.18</b>	<b>\$112.6</b>	<b>\$1.52</b>
<b>Average diluted shares outstanding:</b>	<b>77.0 million</b>		<b>73.9 million</b>	
<b>GAAP tax rate:</b>	<b>18.2%</b>		<b>22.8%</b>	
<b>Adjusted tax rate:</b>	<b>23.3%</b>		<b>25.5%</b>	

### Adjusted EPS of \$1.52, up 29% from the prior year

- Net interest expense of \$18.2 million in the quarter, up from \$14.3 million in 3Q-21
- Average diluted shares down YOY reflecting increased share buybacks
- GAAP EPS includes an impairment charge related to the planned divestiture of ADS

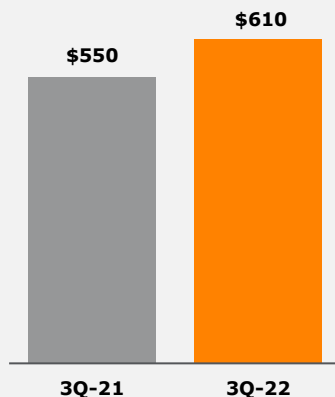
### Adjusted tax rate of 25.5% in 3Q-22, compared to 23.3% in the prior year

- Higher adjusted rate driven by geographic mix and higher US effective rate
- Expect FY 2022 adj. tax rate of ~25.5% (unchanged from prior outlook)

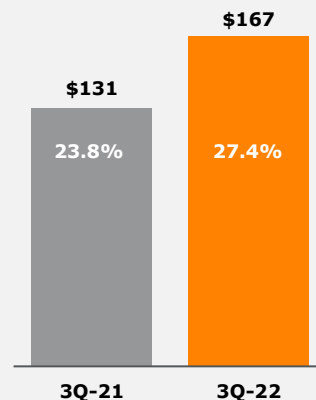
# 3Q 2022 Segment Performance

## Process Industries

### Net Sales (\$M)



### Adjusted EBITDA (\$M)



### Sales of \$610 million, up 10.8% from the same period last year

- Organically, sales up 14.7% YOY: distribution, general industrial and heavy industries posted the largest gains; marine also up; services up modestly; renewable energy down; pricing positive
- Sales down 4.9% from currency; acquisitions added 1.0%

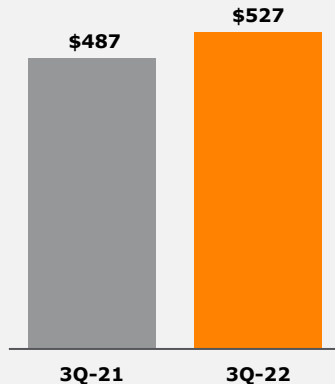
### Adjusted EBITDA of \$167 million, or 27.4% of sales

- Increase in adjusted EBITDA reflects positive price/mix and the favorable impact of higher volume, partially offset by higher operating costs

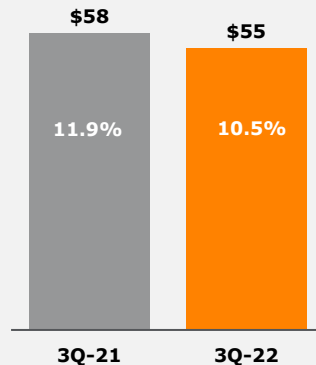
# 3Q 2022 Segment Performance

## Mobile Industries

### Net Sales (\$M)



### Adjusted EBITDA (\$M)



### Sales of \$527 million, up 8.1% from the same period last year

- Organically, sales up 12.3% YOY: off-highway and automotive posted the largest gains; heavy truck and aerospace also up; rail relatively flat; pricing positive
- Sales down 4.2% from currency

### Adjusted EBITDA of \$55 million, or 10.5% of sales

- Decrease in adjusted EBITDA reflects significantly higher operating costs, mostly offset by positive price/mix and the impact of higher volume
- Higher material and manufacturing costs continuing to impact margin performance in Mobile Industries

# Cash Flow, Leverage & Capital Allocation

(\$M)	3Q-21	3Q-22
Net Cash from Operations	<b>\$105.8</b>	<b>\$145.2</b>
Capital Expenditures	<b>(43.1)</b>	<b>(47.3)</b>
Free Cash Flow (FCF)	<b>\$62.7</b>	<b>\$97.9</b>

## Capital Structure (\$M)

	12/31/21	09/30/22
Cash	\$ 257	\$ 301
Total Debt	<u>1,465</u>	<u>1,783</u>
Net Debt	\$1,208	\$1,482
Adjusted EBITDA (TTM)	\$ 718	\$ 805
Net Debt/Adj. EBITDA	1.7x	1.8x

### 3Q and YTD Commentary:

- Strong cash flow in 3Q; expect even stronger cash flow in 4Q
- Repurchased 750K shares in 3Q and 3M shares YTD
- Paid 401st consecutive quarterly dividend in September
- Announced agreement to acquire GGB Bearings on Sep. 6
- Net debt/adj. EBITDA of 1.8x as of September 30 (TTM)
- Reached agreement to divest ADS earlier this month

### FY-22 Outlook:

- CapEx of ~4% of sales; spend supports long-term growth and operational excellence initiatives
- FY-22 net interest expense: ~\$70M (pre-tax)
- Continue to pay an attractive dividend<sup>(1)</sup>
- Drive profitable growth strategy with accretive M&A
- Close on GGB Bearings acquisition and ADS divestiture in 4Q

Free cash flow is defined as net cash provided by operating activities minus capital expenditures.  
See appendix for reconciliations of net debt, adjusted EBITDA and net debt/adjusted EBITDA to their most directly comparable GAAP equivalents.  
(1) Subject to Board approval

# 2022 Outlook

	Prior Outlook (Jul. 28, 2022)	Current Outlook (Oct. 26, 2022)
Net Sales	~+7%	~+9%
Adjusted EPS	\$5.50 to \$5.80	\$5.80 to \$5.95
Free Cash Flow	\$270M*	~\$250M

## Current Outlook: Full Year 2022 vs. 2021

- Total sales up ~9% for the year (organic: +11.5%; FX: -3.5%; M&A: +1%)
  - Higher demand across most end markets and positive pricing
  - Reflects unfavorable impact from FX and ceasing operations in Russia
  - Includes impact from GGB Bearings acquisition and ADS divestiture (assumes mid 4Q-22 close)
- Adj. EBITDA margin up ~125 bps YOY at the mid-point (vs. ~+100 bps prior)
  - Positive impact from higher volume and price-mix
  - Favorable price-cost outlook for FY-22
  - Higher operating costs YOY, including labor and energy inflation
- Adj. EPS up 25% at the mid-point compared to 2021
  - Higher EPS outlook reflects strong YTD and expected 4Q performance
  - Assumes adjusted tax rate of ~25.5% and higher YOY interest expense
  - Positive impact from year-to-date share repurchases
- Expecting strong free cash flow generation in 4Q-22
  - Cash conversion adversely impacted by higher working capital due to strong sales growth and supply chain challenges

*EPS outlook does not include the impact of any potential future mark-to-market pension remeasurement adjustments or other unplanned special items. See appendix for reconciliations of adjusted EPS and free cash flow to their most directly comparable GAAP financial measures. Free cash flow is defined as net cash provided by operating activities minus capital expenditures. See our Investor Day presentation, dated September 28, 2022, and available at [investors.timken.com](http://investors.timken.com) for a reconciliation of our prior outlook.*

*\*At the mid-point of our prior free cash flow outlook provided in our Investor Day presentation.*

# Long-Term Financial Goals\*

Goals

<p><b>Strong Top-Line Growth</b></p> <ul style="list-style-type: none"> <li>▪ Positive macros (incl. new markets); strong pricing power</li> <li>▪ Organic outgrowth driven by new products and innovation</li> <li>▪ Strategic acquisitions will enhance growth</li> </ul>	<p>Organic Growth CAGR: 4-5% Inorganic Growth CAGR: 2-3% Total Growth CAGR: 6-8%</p>
<p><b>Earnings Growth</b></p> <ul style="list-style-type: none"> <li>▪ Strong EPS growth over the cycle</li> <li>▪ Operational excellence delivers improved EBITDA margins</li> <li>▪ Share buyback will continue to contribute</li> </ul>	<p>Adj. EPS CAGR: &gt;10% Adj. EBITDA Margins: +200 bps versus 2017-2021 period</p>
<p><b>Robust Cash Generation</b></p> <ul style="list-style-type: none"> <li>▪ Expect strong cash flow to continue</li> <li>▪ Continued focus on working capital and asset efficiency</li> <li>▪ Supports overall capital allocation strategy</li> </ul>	<p>Free Cash Flow: &gt;100% Conversion on Net Income</p>
<p><b>Value-Creating Capital Deployment</b></p> <ul style="list-style-type: none"> <li>▪ Organic growth remains top priority with greatest returns</li> <li>▪ Acquisitions provide long-term value creation potential</li> <li>▪ Pay an attractive dividend; continue share buybacks</li> </ul>	<p>Adj. ROIC: 13%+ Leverage: 1.5-2.5x Net Debt-to-Adj. EBITDA</p>

Long-Term Targets (5-Year)

\* 5-year forward targets – i.e., covering the 2022E-2026E period  
ROIC is defined as ANOPAT divided by average invested capital for the applicable year

# Appendix: GAAP Reconciliations

**The Timken Company**



## Supplemental Information: EBITDA Adjustments and Depreciation & Amortization by Segment

(Unaudited)

(Dollars in millions)	Three Months Ended September 30, 2022				Three Months Ended September 30, 2021			
	Mobile Industries	Process Industries	Corporate	Timken	Mobile Industries	Process Industries	Corporate	Timken
Cost of products sold	\$ 1.7	\$ 0.9	\$ —	\$ 2.6	\$ 2.4	\$ 0.7	\$ —	\$ 3.1
Selling, general and administrative expense	0.1	0.3	0.9	1.3	—	—	1.4	1.4
Impairment and restructuring charges	31.1	0.2	—	31.3	2.6	0.3	—	2.9
Other expense (income), net	2.2	—	1.0	3.2	—	—	3.6	3.6
Total Adjustments to EBITDA	\$ 35.1	\$ 1.4	\$ 1.9	\$ 38.4	\$ 5.0	\$ 1.0	\$ 5.0	\$ 11.0

(Unaudited)

(Dollars in millions)	Three Months Ended September 30, 2022				Three Months Ended September 30, 2021			
	Mobile Industries	Process Industries	Corporate	Timken	Mobile Industries	Process Industries	Corporate	Timken
Depreciation and amortization expense (GAAP)	\$ 18.1	\$ 21.5	\$ 0.3	\$ 39.9	\$ 19.8	\$ 21.3	\$ 0.2	\$ 41.3
Adjusted depreciation and amortization expense	18.1	21.5	0.3	39.9	19.8	21.0	0.2	41.0
Total Adjustments to Depreciation and Amortization	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 0.3	\$ —	\$ 0.3
<b>Total Adjustments to Income Before Income Taxes</b>	<b>\$ 35.1</b>	<b>\$ 1.4</b>	<b>\$ 1.9</b>	<b>\$ 38.4</b>	<b>\$ 5.0</b>	<b>\$ 1.3</b>	<b>\$ 5.0</b>	<b>\$ 11.3</b>

## Supplemental Information: EBITDA Adjustments and Depreciation & Amortization by Segment

(Unaudited)

(Dollars in millions)	Nine Months Ended September 30, 2022				Nine Months Ended September 30, 2021			
	Mobile Industries	Process Industries	Corporate	Timken	Mobile Industries	Process Industries	Corporate	Timken
Cost of products sold	\$ 4.5	\$ 4.6	\$ —	\$ 9.1	\$ 3.0	\$ 2.4	\$ —	\$ 5.4
Selling, general and administrative expense	1.0	—	2.2	3.2	—	—	1.9	1.9
Impairment and restructuring charges	41.8	0.5	—	42.3	3.9	4.3	—	8.2
Other expense (income), net	2.3	(0.2)	15.2	17.3	—	—	7.4	7.4
Total Adjustments to EBITDA	\$ 49.6	\$ 4.9	\$ 17.4	\$ 71.9	\$ 6.9	\$ 6.7	\$ 9.3	\$ 22.9

(Unaudited)

(Dollars in millions)	Nine Months Ended September 30, 2022				Nine Months Ended September 30, 2021			
	Mobile Industries	Process Industries	Corporate	Timken	Mobile Industries	Process Industries	Corporate	Timken
Depreciation and amortization expense (GAAP)	\$ 56.2	\$ 64.9	\$ 0.9	\$ 122.0	\$ 60.4	\$ 65.3	\$ 0.8	\$ 126.5
Adjusted depreciation and amortization expense	56.2	64.9	0.9	122.0	60.4	64.5	0.8	125.7
Total Adjustments to Depreciation and Amortization	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 0.8	\$ —	\$ 0.8
<b>Total Adjustments to Income Before Income Taxes</b>	<b>\$ 49.6</b>	<b>\$ 4.9</b>	<b>\$ 17.4</b>	<b>\$ 71.9</b>	<b>\$ 6.9</b>	<b>\$ 7.5</b>	<b>\$ 9.3</b>	<b>\$ 23.7</b>

## 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.

(Dollars in millions, except share data)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2022	EPS	2021	EPS	2022	EPS	2021	EPS
Net Income Attributable to The Timken Company	\$ 87.0	\$ 1.18	\$ 88.1	\$ 1.14	\$ 310.2	\$ 4.16	\$ 306.2	\$ 3.97
Adjustments: <sup>(1)</sup>								
Impairment, restructuring and reorganization charges <sup>(2)</sup>	\$ 32.1		\$ 5.9		\$ 35.7		\$ 13.3	
Corporate pension and other postretirement benefit related expense <sup>(3)</sup>	1.0		3.9		15.2		8.3	
Russia-related charges <sup>(4)</sup>	2.3		—		15.3		—	
Acquisition-related charges <sup>(5)</sup>	3.0		1.5		5.7		2.1	
Noncontrolling interest of above adjustments	0.1		—		(5.7)		0.2	
Provision for income taxes <sup>(6)</sup>	(12.9)		(8.4)		(18.2)		(26.3)	
Total Adjustments:	25.6	0.34	2.9	0.04	48.0	0.64	(2.4)	(0.03)
Adjusted Net Income Attributable to The Timken Company	\$ 112.6	\$ 1.52	\$ 91.0	\$ 1.18	\$ 358.2	\$ 4.80	\$ 303.8	\$ 3.94

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

<sup>(2)</sup> 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; (iv) impairment of assets held for sale; and (v) related depreciation and amortization. Impairment, restructuring and reorganization charges for the third quarter of 2022 included \$29.3 million related to Timken Aerospace Drive Systems ("ADS"). 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.

<sup>(3)</sup> 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.

<sup>(4)</sup> Russia-related charges include impairments or allowances recorded against certain property, plant and equipment, inventory and trade receivables to reflect the current impact of Russia's invasion of Ukraine (and associated sanctions) on the Company's operations. In addition to impairments and allowances recorded, the Company recorded a loss on the divestiture of its Timken-Rus Service Company ooo ("Timken Russia") business during the third quarter of 2022. Refer to Russia Operations in Management Discussion and Analysis within the Company's quarterly report on Form 10-Q for additional information.

<sup>(5)</sup> Acquisition-related charges represent the contingent consideration related to the acquisition of Intelligent Machine Solutions ("iMS") that closed on August 20, 2021, and deal-related expenses associated with completed transactions and certain unsuccessful transactions, as well as any resulting inventory step-up impact. In addition, the 2021 acquisition-related charges includes an acquisition-related gain due to 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.

<sup>(6)</sup> 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

### 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,			
	2022	Percentage to Net Sales	2021	Percentage to Net Sales	2022	Percentage to Net Sales	2021	Percentage to Net Sales
Net Income	\$ 90.4	8.0 %	\$ 91.6	8.8 %	\$ 317.9	9.3 %	\$ 314.8	10.1 %
Provision for income taxes	26.7		20.4		108.9		75.1	
Interest expense	19.3		14.8		51.9		45.0	
Interest income	(1.1)		(0.5)		(2.7)		(1.7)	
Depreciation and amortization	39.9		41.3		122.0		126.5	
Consolidated EBITDA	\$ 175.2	15.4 %	\$ 167.6	16.2 %	\$ 598.0	17.5 %	\$ 559.7	17.9 %
Adjustments:								
Impairment, restructuring and reorganization charges <sup>(1)</sup>	\$ 32.1		\$ 5.6		\$ 35.7		\$ 12.5	
Corporate pension and other postretirement benefit related expense <sup>(2)</sup>	1.0		3.9		15.2		8.3	
Russia-related charges <sup>(3)</sup>	2.3		—		15.3		—	
Acquisition-related charges <sup>(4)</sup>	3.0		1.5		5.7		2.1	
Total Adjustments	38.4	3.4 %	11.0	1.0 %	71.9	2.1 %	22.9	0.7 %
Adjusted EBITDA	\$ 213.6	18.8 %	\$ 178.6	17.2 %	\$ 669.9	19.6 %	\$ 582.6	18.6 %

<sup>(1)</sup> 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) impairment of assets held for sale. Impairment, restructuring and reorganization charges for the third quarter of 2022 included \$29.3 million related to ADS. 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> Russia-related charges include impairments or allowances recorded against certain property, plant and equipment, inventory and trade receivables to reflect the current impact of Russia's invasion of Ukraine (and associated sanctions) on the Company's operations. In addition to impairments and allowances recorded, the Company recorded a loss on the divestiture of its Timken Russia business during the third quarter of 2022. Refer to Russia Operations in Management Discussion and Analysis within the Company's quarterly report on Form 10-Q for additional information.

<sup>(4)</sup> Acquisition-related charges represent the contingent consideration related to the acquisition of IMS that closed on August 20, 2021, and deal-related expenses associated with completed transactions and certain unsuccessful transactions, as well as any resulting inventory step-up impact. In addition, the 2021 acquisition-related charges includes an acquisition-related gain due to measurement period adjustments to the bargain purchase gain on the acquisition of the assets of Aurora that closed on November 30, 2020.

## 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 September 30,			Nine Months Ended September 30,				
	2022	Percentage to Net Sales	2021	Percentage to Net Sales	2022	Percentage to Net Sales	2021	Percentage to Net Sales
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$ 20.0	3.8 %	\$ 53.2	10.9 %	\$ 164.2	10.2 %	\$ 200.1	13.5 %
Impairment, restructuring and reorganization charges <sup>(1)</sup>	31.0		4.8		33.0		6.3	
Russia-related charges <sup>(2)</sup>	4.1		—		16.6		—	
Acquisition-related charges <sup>(3)</sup>	—		0.2		—		0.6	
Adjusted EBITDA	\$ 55.1	10.5 %	\$ 58.2	11.9 %	\$ 213.8	13.3 %	\$ 207.0	13.9 %

#### Process Industries

(Dollars in millions)	Three Months Ended September 30,			Nine Months Ended September 30,				
	2022	Percentage to Net Sales	2021	Percentage to Net Sales	2022	Percentage to Net Sales	2021	Percentage to Net Sales
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$ 165.3	27.1 %	\$ 129.7	23.6 %	\$ 484.4	26.9 %	\$ 401.9	24.5 %
Impairment, restructuring and reorganization charges <sup>(1)</sup>	1.1		0.8		2.7		6.2	
Russia-related charges <sup>(2)</sup>	(1.8)		—		(1.3)		—	
Acquisition-related charges <sup>(3)</sup>	2.1		0.2		3.5		0.5	
Adjusted EBITDA	\$ 166.7	27.4 %	\$ 130.7	23.8 %	\$ 489.3	27.1 %	\$ 408.6	24.9 %

<sup>(1)</sup> 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) impairment of assets held for sale. Impairment, restructuring and reorganization charges for the third quarter of 2022 included \$29.3 million related to ADS. 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.

<sup>(2)</sup> Russia-related charges include impairments or allowances recorded against certain property, plant and equipment, inventory and trade receivables to reflect the current impact of Russia's invasion of Ukraine (and associated sanctions) on the Company's operations. In addition to impairments and allowances recorded, the Company recorded a loss on the divestiture of its Timken Russia business during the third quarter of 2022. Refer to Russia Operations in Management Discussion and Analysis within the Company's quarterly report on Form 10-Q for additional information.

<sup>(3)</sup> The acquisition-related charges represent contingent consideration related to the acquisition of iMS that closed on August 20, 2021 and the inventory step-up impact of the acquisitions.

## 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 the subsequent page), 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 ability to cover its net debt obligations with results from its core operations.

#### (Dollars in millions)

	September 30, 2022	December 31, 2021
Short-term debt, including current portion of long-term debt	\$ 371.8	\$ 53.8
Long-term debt	1,411.3	1,411.1
Total Debt	\$ 1,783.1	\$ 1,464.9
Less: Cash and cash equivalents	(300.9)	(257.1)
Net Debt	\$ 1,482.2	\$ 1,207.8
Total Equity	\$ 2,178.8	\$ 2,377.7
Ratio of Net Debt to Capital	40.5 %	33.7 %
Adjusted EBITDA for the Twelve Months Ended	\$ 805.3	\$ 718.0
Ratio of Net Debt to Adjusted EBITDA	1.8	1.7

### 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,	
	2022	2021	2022	2021
Net cash provided by operating activities	\$ 145.2	\$ 105.8	\$ 222.3	\$ 284.6
Less: capital expenditures	(47.3)	(43.1)	(122.5)	(103.6)
Free cash flow	\$ 97.9	\$ 62.7	\$ 99.8	\$ 181.0

## 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 September 30, 2022		Twelve Months Ended December 31, 2021	
Net Income	\$	384.6	\$	381.5
Provision for income taxes		128.9		95.1
Interest expense		65.7		58.8
Interest income		(3.3)		(2.3)
Depreciation and amortization		163.3		167.8
Consolidated EBITDA	\$	739.2	\$	700.9
Adjustments:				
Impairment, restructuring and reorganization charges <sup>(1)</sup>	\$	37.5	\$	14.3
Corporate pension and other postretirement benefit related expense <sup>(2)</sup>		7.2		0.3
Acquisition-related charges <sup>(3)</sup>		5.9		2.3
Russia-related charges <sup>(4)</sup>		15.3		—
Tax indemnification and related items		0.2		0.2
Total Adjustments		66.1		17.1
Adjusted EBITDA	\$	805.3	\$	718.0

<sup>(1)</sup> 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) impairment of assets held for sale. Impairment, restructuring and reorganization charges for the twelve months ended September 30, 2022 included \$29.3 million related to ADS. 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> Acquisition-related charges represent contingent consideration related to the acquisition of IMS that closed on August 20, 2021, and deal-related expenses associated with completed transactions and certain unsuccessful transactions, as well as any resulting inventory step-up impact. Also included is the acquisition-related gain related to measurement period adjustments to the bargain purchase gain on the acquisition of the assets of Aurora that closed on November 30, 2020.

<sup>(4)</sup> Russia-related charges include impairments or allowances recorded against certain property, plant equipment, inventory and trade receivables to reflect the current impact of Russia's invasion of Ukraine (and associated sanctions) on the Company's operations. In addition to impairments and allowances recorded, the Company recorded a loss on the divestiture of its Timken Russia business during the third quarter of 2022. Refer to Russia Operations in Management Discussion and Analysis within the Company's quarterly report on Form 10-Q for additional information.

# GAAP Reconciliation: Net Sales to Organic Sales and Adjusted EBITDA to GAAP Net Income Outlook

## Reconciliation of Net Sales to Organic Sales

### (Unaudited)

The following reconciliation is provided as additional relevant information about the Company's performance deemed useful to investors. Management believes that net sales, excluding the impact of acquisitions, divestitures and foreign currency exchange rate changes, allow investors and the Company to meaningfully evaluate the percentage change in net sales on a comparable basis from period to period.

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	\$ Change	% Change
Net sales	\$ 1,136.4	\$ 1,037.3	\$ 99.1	9.6 %
Less: Acquisitions and divestitures	5.2	—	5.2	NM
Currency	(47.2)	—	(47.2)	NM
Net sales, excluding the impact of acquisitions, divestitures and currency	\$ 1,178.4	\$ 1,037.3	\$ 141.1	13.6 %

## Reconciliation of Adjusted EBITDA to GAAP Net Income for Full Year 2022 Outlook:

### (Unaudited)

The following reconciliation is provided as additional relevant information about the Company's outlook deemed useful to investors. Management believes forecasted adjusted 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 expectation for the performance of its core business operations and are used in the management of the business, including decisions concerning the allocation of resources and assessment of performance.

### (Dollars in millions)

	2022 Outlook
Net Sales	\$ 4,505
Net Income	405
Income taxes, interest, depreciation and amortization	365
Consolidated EBITDA	\$ 770
Adjustments:	
Restructuring and other special items, net <sup>(1)</sup>	\$ 72
Total Adjustments	72
Adjusted EBITDA	\$ 842
Adjusted EBITDA Margin (% of net sales)	18.7 %

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

## GAAP Reconciliation: Net Sales to Organic Sales

### Reconciliation of Net Sales to Organic Sales

#### (Unaudited)

The following reconciliation is provided as additional relevant information about the Company's performance deemed useful to investors. Management believes that net sales, excluding the impact of acquisitions, divestitures and foreign currency exchange rate changes, allow investors and the Company to meaningfully evaluate the percentage change in net sales on a comparable basis from period to period.

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021	\$ Change	% Change
Net sales	\$ 2,278.3	\$ 2,088.3	\$ 190.0	9.1 %
Less: Acquisitions	5.1	—	5.1	NM
Currency	(49.9)	—	(49.9)	NM
Net sales, excluding the impact of acquisitions, divestitures and currency	\$ 2,323.1	\$ 2,088.3	\$ 234.8	11.2 %

## GAAP Reconciliation: Adjusted EPS and FCF Conversion Outlook

### Reconciliation of Adjusted Earnings per Share to GAAP Earnings per Share for Full Year 2022 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	\$ 5.15	\$ 5.30
Forecasted Adjustments:		
Restructuring and other special items, net <sup>(1)</sup>	0.65	0.65
Total Adjustments:	\$ 0.65	\$ 0.65
Forecasted full year adjusted diluted earnings per share	\$ 5.80	\$ 5.95

<sup>(1)</sup> Restructuring and other special items, net do not include the impact of any potential future 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 in Full Year 2022 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.

<b>Reconciliation of Free Cash Flow</b>	Low End Free Cash Flow Outlook	High End Free Cash Flow Outlook
Net cash provided from operating activities	\$ 420.0	\$ 440.0
Less: capital expenditures	180.0	180.0
Free cash flow	\$ 240.0	\$ 260.0

## GAAP Reconciliation: 2017-2021 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)	2021		2020		2019		2018		2017	
Net Income Attributable to The Timken Company	\$	369.1	\$	284.5	\$	362.1	\$	302.8	\$	203.4
Adjustments:										
Corporate pension and other postretirement benefit related expense (income) <sup>(1)</sup>		0.3		18.5		(4.1)		12.8		18.1
Impairment, restructuring and reorganization charges <sup>(2)</sup>		15.1		29.0		9.8		7.1		13.1
(Gain) loss on divestitures and sale of real estate		—		(0.4)		(4.5)		0.8		(3.6)
Acquisition-related charges <sup>(3)</sup>		3.2		3.7		15.5		20.6		9.0
Acquisition-related gain <sup>(4)</sup>		(0.9)		(11.1)		—		—		—
Tax indemnification and related items		0.2		0.5		0.7		1.5		(1.0)
Health care plan modification costs		—		—		—		—		(0.7)
Property losses (recoveries) and related expenses <sup>(5)</sup>		—		(5.5)		7.6		—		—
Brazil legal matter <sup>(6)</sup>		—		—		1.8		—		—
Noncontrolling interest		—		(0.1)		(0.5)		(1.3)		—
Provision for income taxes		(23.6)		(6.0)		(34.6)		(16.8)		(30.8)
Total Adjustments:		(5.7)		28.6		(8.3)		24.7		4.1
<b>Adjusted Net Income Attributable to The Timken Company</b>	<b>\$</b>	<b>363.4</b>	<b>\$</b>	<b>313.1</b>	<b>\$</b>	<b>353.8</b>	<b>\$</b>	<b>327.5</b>	<b>\$</b>	<b>207.5</b>
Diluted Earnings per Share (EPS) - Continuing Operations	\$	4.79	\$	3.72	\$	4.71	\$	3.86	\$	2.58
<b>Adjusted EPS - Continuing Operations</b>	<b>\$</b>	<b>4.72</b>	<b>\$</b>	<b>4.10</b>	<b>\$</b>	<b>4.60</b>	<b>\$</b>	<b>4.18</b>	<b>\$</b>	<b>2.63</b>
Diluted Shares		77,006,589		76,401,366		76,896,565		78,337,481		78,911,149

<sup>(1)</sup> Corporate pension and other postretirement benefit related expense (income) represent actuarial losses and (gains) that resulted from the remeasurement of plan assets and obligations as a result of changes in assumptions. 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> Acquisition-related charges represent deal-related expenses associated with completed and certain unsuccessful transactions, as well as any resulting inventory step-up impact.

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

<sup>(5)</sup> Represents property loss and related expenses during the year (net of insurance proceeds) 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.

<sup>(6)</sup> 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.

# GAAP Reconciliation: 2017-2021 EBITDA, and EBITDA, After Adjustments to Net Income

## Reconciliations of GAAP to Non-GAAP Measures:

### (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 non-GAAP measures adjusted EBITDA and adjusted 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.

Reconciliation of Adjusted EBITDA and Margin	2021	2020	2019	2018	2017
Net Sales	\$ 4,132.9	\$ 3,513.2	\$ 3,789.9	\$ 3,580.8	\$ 3,003.8
Net Income	381.5	292.4	374.7	305.5	202.3
Provision for income taxes	95.1	103.9	97.7	102.6	57.6
Interest expense, net	56.5	63.9	67.2	49.6	34.2
Depreciation and amortization	167.8	167.1	160.6	146.0	137.7
<b>Consolidated Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)</b>	<b>\$ 700.9</b>	<b>\$ 627.3</b>	<b>\$ 700.2</b>	<b>\$ 603.7</b>	<b>\$ 431.8</b>
Adjustments:					
Corporate pension and other postretirement benefit related expense (income) <sup>(1)</sup>	0.3	18.5	(4.1)	12.8	18.1
Impairment, restructuring and reorganization charges <sup>(2)</sup>	14.3	25.9	9.1	7.1	11.2
(Gain) loss on divestitures and sale of real estate	—	(0.4)	(4.5)	0.8	(3.6)
Acquisition related charges <sup>(3)</sup>	3.2	3.7	15.5	20.6	9.0
Acquisition-related gain <sup>(4)</sup>	(0.9)	(11.1)	—	—	—
Tax indemnification and related items	0.2	0.5	0.7	1.5	(1.0)
Health care plan modification costs	—	—	—	—	(0.7)
Property losses (recoveries) and related expenses <sup>(5)</sup>	—	(5.5)	7.6	—	—
Brazil legal matter <sup>(6)</sup>	—	—	1.8	—	—
<b>Total Adjustments</b>	<b>17.1</b>	<b>31.6</b>	<b>26.1</b>	<b>42.8</b>	<b>33.0</b>
<b>Adjusted EBITDA</b>	<b>\$ 718.0</b>	<b>\$ 658.9</b>	<b>\$ 726.3</b>	<b>\$ 646.5</b>	<b>\$ 464.8</b>
<b>Adjusted EBITDA Margin (% of net Sales)</b>	<b>17.4 %</b>	<b>18.8 %</b>	<b>19.2 %</b>	<b>18.1 %</b>	<b>15.5 %</b>

<sup>(1)</sup> Corporate pension and other postretirement benefit related expense (income) represent actuarial losses and (gains) that resulted from the remeasurement of plan assets and obligations as a result of changes in assumptions. 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> Acquisition-related charges represent deal-related expenses associated with completed and certain unsuccessful transactions, as well as any resulting inventory step-up impact.

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

<sup>(5)</sup> Represents property loss and related expenses during the year (net of insurance proceeds) 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.

<sup>(6)</sup> 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.