

4Q 2022 Earnings Investor Presentation

February 6, 2023

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 2023 By Market/Sector", "2023 Outlook", "Acquisition of Nadella Group", "Looking Ahead", "4Q and FY-22 Financial Comparison – Net Income & Diluted EPS", "Cash Flow, Leverage & Capital Allocation" and "Adjusted EPS", 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 fourth quarter and full year 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, sanctions, and hostilities; 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, commercial requirements and company goals associated with climate change and emissions or other waste reduction initiatives; 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 and to attract, retain and develop management and other key employees; 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



4Q 2022 Performance Highlights

Sales of \$1.08 billion in 4Q-22, up 7.4% from prior-year period

- Revenue up more than 10% organically
 - Growth across most end-market sectors, led by industrial distribution, off-highway and heavy industries
 - Continued price realization across the portfolio
- Ended the year with a solid backlog; up organically compared to a year ago

Adjusted EBITDA margin of 17.2% compared to 13.4% in prior year

- Strong margin performance (+380 bps YOY) driven by positive price-cost and improved execution

Adjusted EPS of \$1.22, up from \$0.78 per share in the prior-year period

- Company record for the 4th quarter

Completed acquisition of GGB Bearings

- Strengthens and expands Timken's engineered bearings portfolio

Returned \$41 million of cash to shareholders during the quarter

- Repurchased 250K shares and paid 402nd consecutive quarterly dividend

Free cash flow (FCF) of \$186 million in the 4th quarter; FCF of \$285 million for the full year

2022 in Review

Record sales of \$4.5 billion, up 8.8% compared to 2021

- Revenue up almost 12% organically; second consecutive year of double-digit organic growth
 - Up double-digits in both Process Industries and Mobile Industries
 - Diversity of portfolio and outgrowth initiatives contributed to strong performance
 - Strong price realization for the full year

Adjusted EBITDA margin of 19.0% compared to 17.4% in prior year

- Strong margin expansion (+160 bps YOY) driven by favorable price-cost, positive mix and solid execution on higher volumes

Achieved new record for adjusted EPS of \$6.02, up 28% from 2021

- Successfully adapted to a rising cost environment and performed well

Increased investments in growth and operational excellence initiatives

- Invested \$178 million toward CapEx focused on growth, labor efficiencies and footprint optimization
- Completed the acquisitions of GGB Bearings and Spinea – strengthening engineered bearings and industrial motion portfolios

Returned \$303 million of cash to shareholders

- Repurchased 3.25M shares, or over 4 percent of total shares outstanding
- 2022 marked the 9th consecutive year of higher annual dividends

Organic Growth Outlook – FY 2023 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+)
		General Industrial	Aerospace	Renewable Energy
		Heavy Truck	Automotive	
		Ind. Distribution	Heavy Industries	
		Industrial Services	Marine	
			Off-Highway	
			Rail	

Expect revenue to be up 6% in total, 3% organic, in 2023 (at mid-point)

- Positive price realization
- Modest volume growth

■ Process Industries ■ Mobile Industries

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

2023 Outlook

Current 2023 Outlook (February 6, 2023)

Net Sales

4% to 8%

Adjusted EPS*

\$6.50 to \$7.10

Free Cash Flow

~\$400M

Current Outlook: Full Year 2023 vs. 2022

Sales up ~6% YOY at the mid-point (organic: +3%; M&A: +3.5%; FX: -0.5%)

- Positive pricing and modest volume growth at the mid-point
- Includes ARB; Nadella to be added after close

Adj. EBITDA margin of ~19% for FY-23 at the mid-point (flattish with FY-22)

- Favorable price-cost outlook for FY-23 and improved operational execution
- Expect higher manufacturing and SG&A costs, including labor inflation
- Unfavorable YOY impact from currency (difficult comps.)

Adj. EPS (new definition) up ~5% at the mid-point compared to 2022

- Assumes adjusted tax rate of ~25.5% and higher YOY interest expense

Free cash flow generation expected to step-up from FY-22 (>\$100M)

- Higher earnings and improved working capital
- Represents ~90% of GAAP net income (at mid-point)

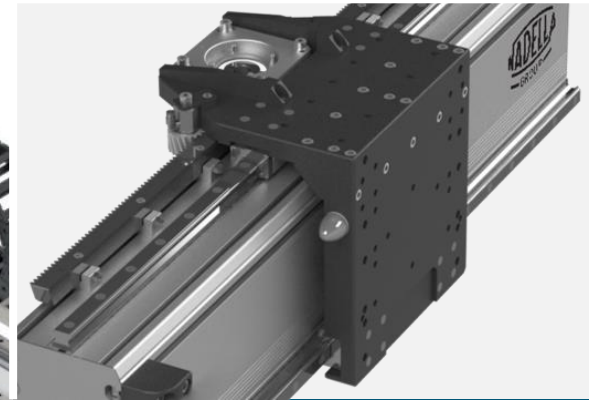
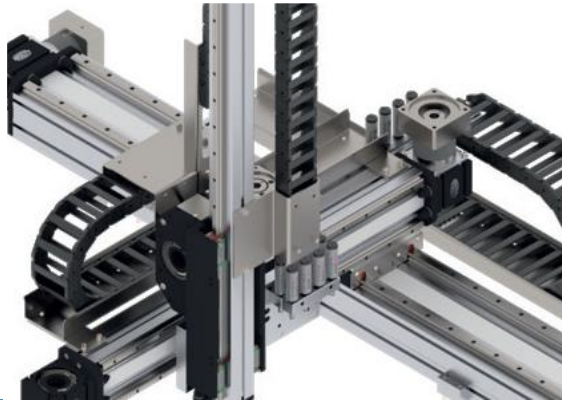
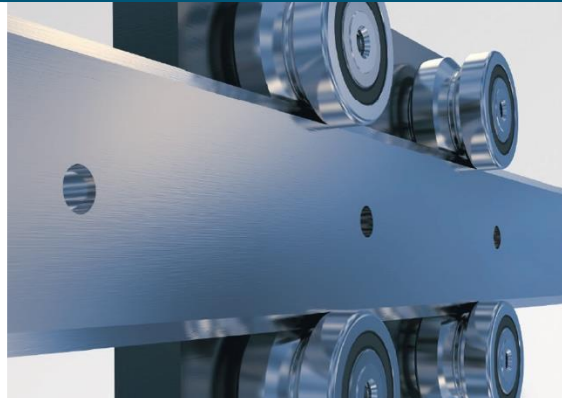
EPS outlook does not include the impact of any potential future mark-to-market pension remeasurement adjustments or other unplanned special items. See appendix for reconciliations of adjusted EPS and free cash flow to their most directly comparable GAAP financial measures. Free cash flow is defined as net cash provided by operating activities minus capital expenditures.

*Adj. EPS is shown under the new definition (i.e., excludes acquisition intangible amortization expense)

Acquisition of Nadella Group

Nadella will expand Timken's linear motion portfolio

- Leading manufacturer of linear guides, telescopic rails, actuators and systems
- Differentiated solutions, custom engineered for premium applications in attractive and growing market sectors
 - Packaging, automation, medical, food & beverage, etc.
- Manufacturing in Europe and China
- Strong synergies with Rollon
- Nadella posted revenue of approximately €100 million in 2022
- Majority of sales in Process Industries
- EBITDA margin slightly above company average
- Expected to be financed with debt (committed credit lines)



Acquisition of American Roller Bearing (ARB)

ARB enhances Timken's market position in engineered bearings

- U.S. provider of industrial bearing solutions
- End-market mix, customer base and aftermarket position closely aligned with Timken Business Model
- Large U.S. installed base and strong aftermarket business
- Generated sales of over \$30 million in 2022
- Majority of sales in Process Industries
- Closed acquisition on January 31; financed with cash on hand



Looking Ahead

Planning for another year of record revenue and earnings in 2023

- Expect strong start to the year driven by robust demand environment and healthy backlog
- Organic outgrowth initiatives to contribute positively
- Positive price-cost and improving operational execution
- Accretion from acquisitions
- Uncertainty remains elevated in certain parts of the world

Continue to scale as a diversified industrial leader and deliver top-quartile financial performance

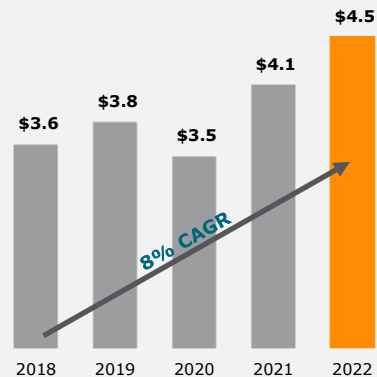
- Advance strategic growth initiatives – both organically and through M&A
- Timken well-positioned to deliver stronger and more resilient performance over time
 - On-track to achieve long-term financial targets

Capital allocation

- Planning for a sizeable step-up in free cash flow generation in 2023
- Profitable growth through M&A remains a priority while maintaining a strong balance sheet
- Nearly 6 million shares remaining on share buyback authorization

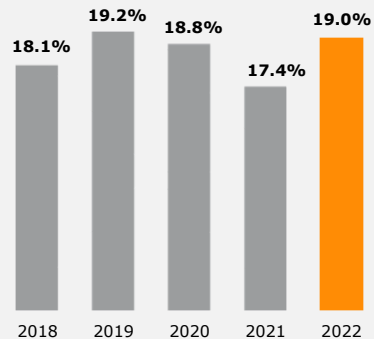
Consistent, Growing and Strong Performance

Revenue (\$B)



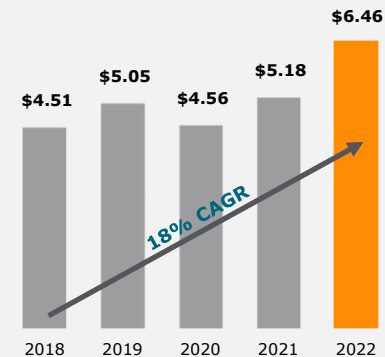
Record revenue four out of five years
Organic outgrowth initiatives adding to top-line performance
Acquisitions also contributing meaningfully to revenue growth

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

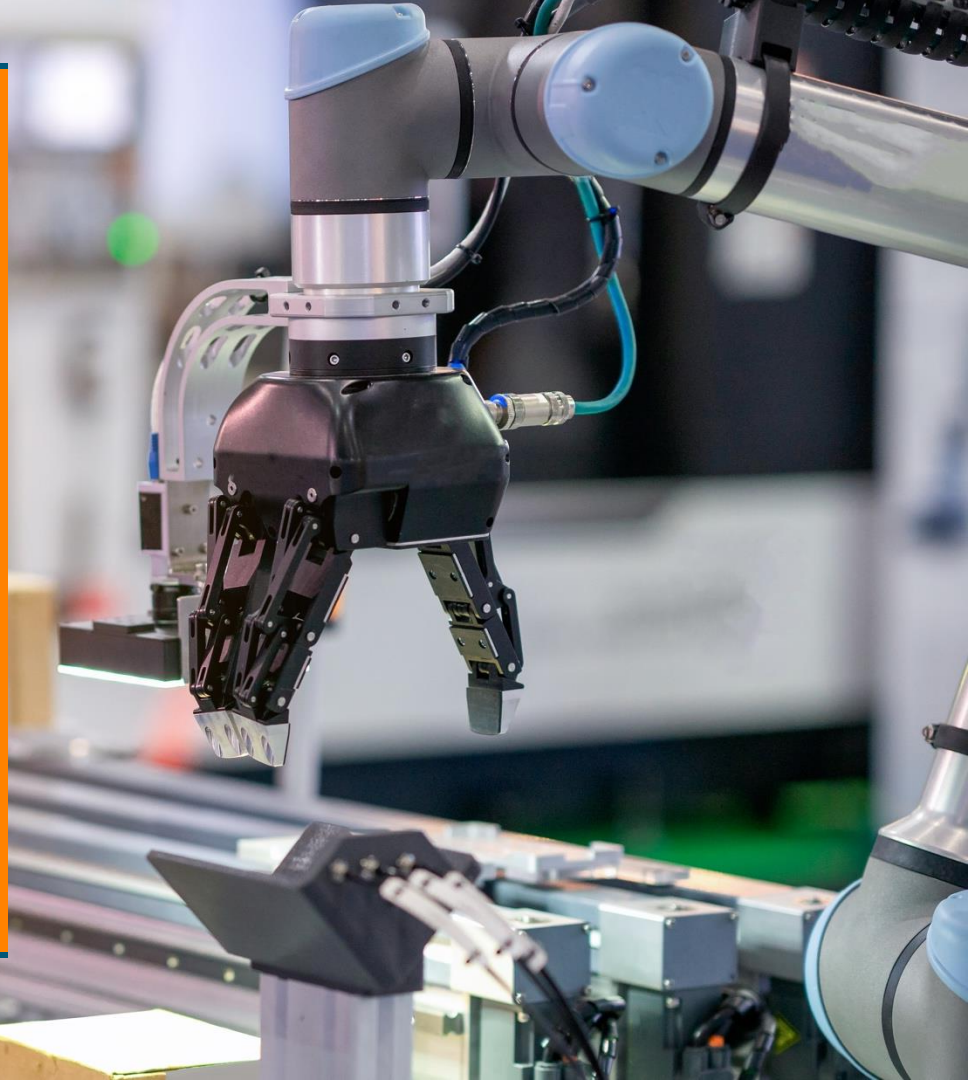


Record earnings four out of five years; up ~25% YOY in 2022
Consistently growing the earnings power and cash generation of the company through varying macro-economic conditions
Adj. EPS reflects new definition (excludes acquisition intangible amortization expense) in all periods

Financial Performance

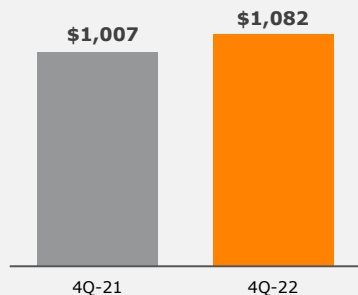
Phil Fracassa
Executive Vice President
and Chief Financial Officer

The Timken Company

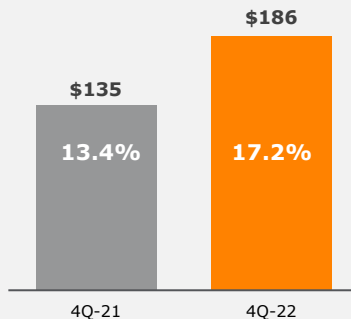


4Q 2022 Financial Overview

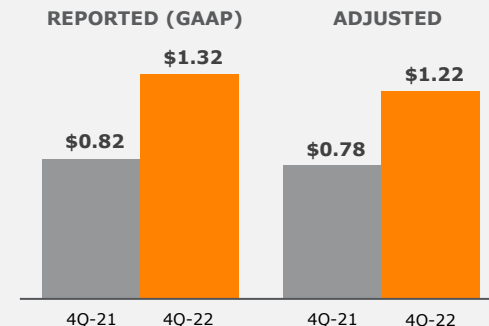
Net Sales (\$M)



Adjusted EBITDA (\$M)



Earnings Per Share



Sales of \$1.08 billion, up 7.4% from 4Q-21

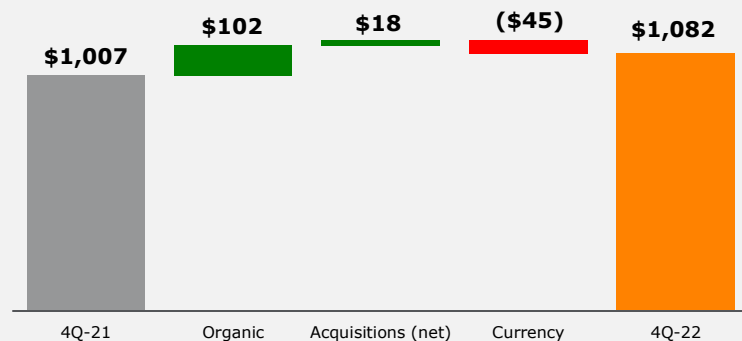
- Increase driven by strong growth across most end-market sectors, and the favorable impact of acquisitions (net), partially offset by unfavorable foreign currency translation

Adjusted EBITDA margin of 17.2%, up 380 bps from 4Q-21

- Strong YOY incremental EBITDA margin performance driven by the impact of positive price/mix and strong execution

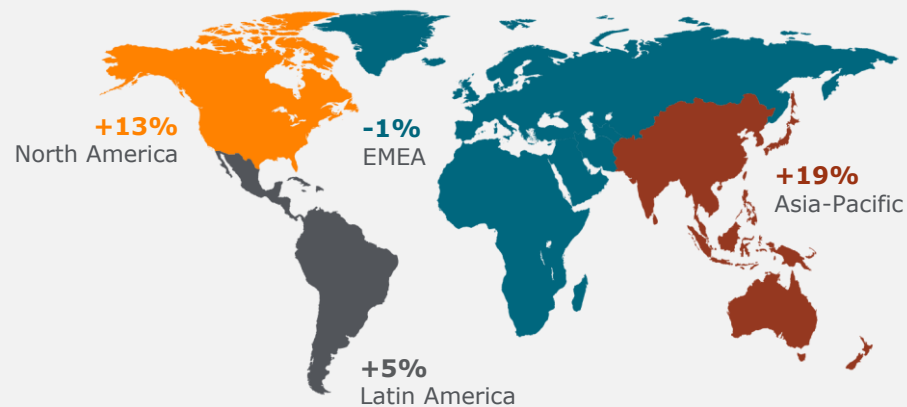
Fourth quarter adjusted EPS of \$1.22 per diluted share (record for the 4th quarter), up 56% from 4Q-21

4Q 2022 Financial Highlights - Sales



4Q-22 vs. 4Q-21 Sales by Geography – ORGANIC

(Excludes Acquisitions (net) and Currency Impact)



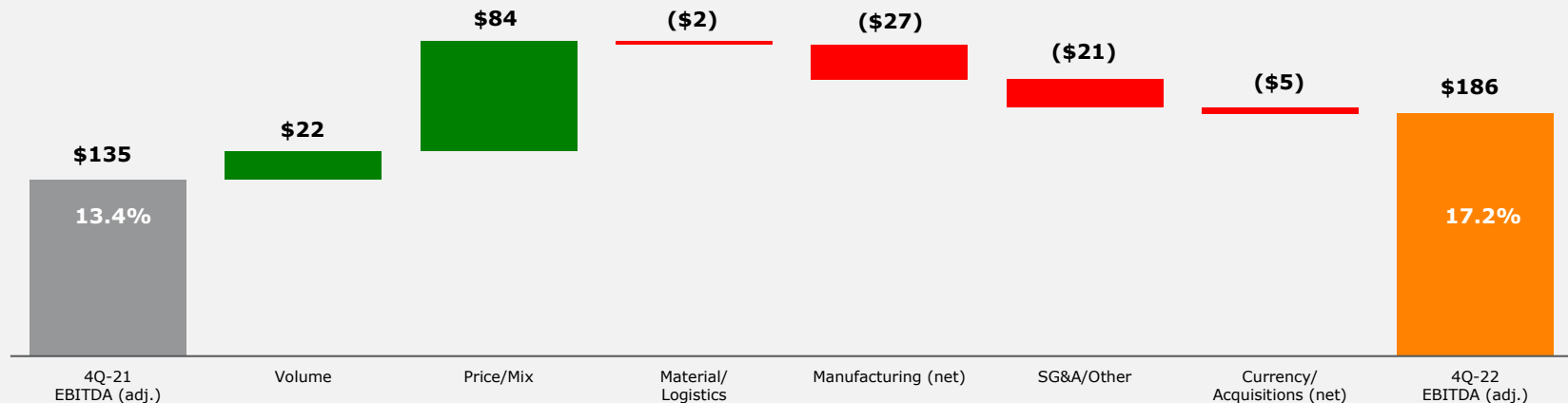
Sales of \$1.08 billion, up 7.4% from a year ago

- Organically, revenue was up 10.2% in the quarter
- Currency was negative 4.5%; acquisitions (net) added 1.7%

Organic revenue up in most regions

- Double-digit organic growth in Asia-Pacific and North America
- Latin America also up; down only slightly in EMEA (up excluding Russia impact)

4Q 2022 Financial Comparison – Adjusted EBITDA



Adjusted EBITDA of \$186 million or 17.2% of sales compared with \$135 million or 13.4% of sales in the same period a year ago

- The increase in adjusted EBITDA reflects the impact of positive price/mix and higher sales volume, which more than offset higher manufacturing and SG&A costs
- Strong YOY margin expansion (+380 bps) driven by positive price-cost, with material & logistics costs flattish versus last year
- Manufacturing reflects continued cost inflation (including costs capitalized to inventory in prior periods) and lower production volume

4Q and FY-22 Financial Comparison – Net Income & Diluted EPS

	4Q-21		4Q-22		FY-21		FY-22	
	\$M	EPS	\$M	EPS	\$M	EPS	\$M	EPS
Net Income / EPS	\$62.9	\$0.82	\$97.2	\$1.32	\$369.1	\$4.79	\$407.4	\$5.48
Adjustments	(3.3)	(0.04)	(7.6)	(0.10)	(5.7)	(0.07)	40.4	0.54
Adjusted Net Income / Adjusted EPS	\$59.6	\$0.78	\$89.6	\$1.22	\$363.4	\$4.72	\$447.8	\$6.02
Average diluted shares outstanding:	76.6 million		73.6 million		77.0 million		74.3 million	
GAAP tax rate:	23.1%		20.1%		20.0%		24.3%	
Adjusted tax rate:	21.3%		25.5%		24.0%		25.5%	

4Q-22 adjusted EPS of \$1.22, up 56% from the prior year

- Net interest expense of \$21.6 million in the quarter, up from \$13.2 million in 4Q-21
- Average diluted shares down YOY reflecting increased share buybacks

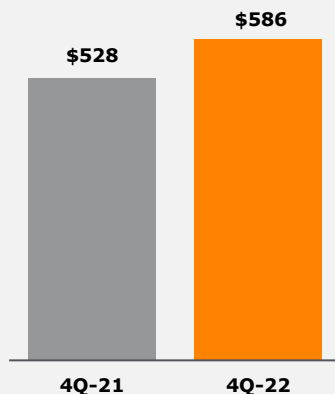
Adjusted tax rate of 25.5% in 4Q-22, in line with expectations

- FY-22 adjusted tax rate higher than 2021, due to geographic mix and higher US effective rate
- Expect ~25.5% adjusted tax rate for FY-23

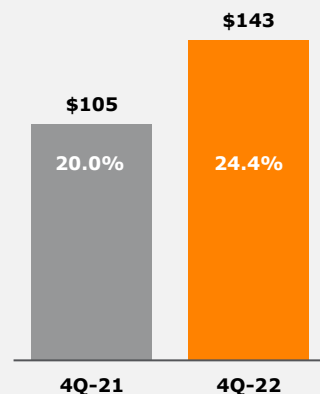
4Q 2022 Segment Performance

Process Industries

Net Sales (\$M)



Adjusted EBITDA (\$M)



Sales of \$586 million, up 11.1% from the same period last year

- Organically, sales up 13.5% YOY: all sectors up versus last year; distribution, heavy industries and general industrial posted the largest gains
- Sales down 5.3% from currency; acquisitions (net) added 2.9%

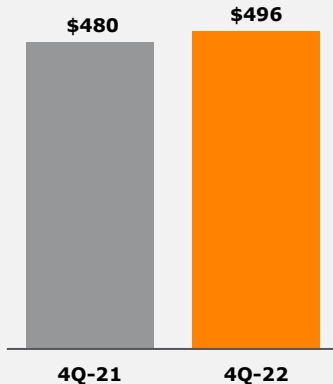
Adjusted EBITDA of \$143 million, or 24.4% of sales

- Increase in adjusted EBITDA reflects impact of positive price/mix and higher volume, partially offset by higher manufacturing and SG&A costs and the unfavorable impact of currency
- Strong YOY incremental margin performance driven by positive price-cost, favorable mix and solid execution on higher volumes

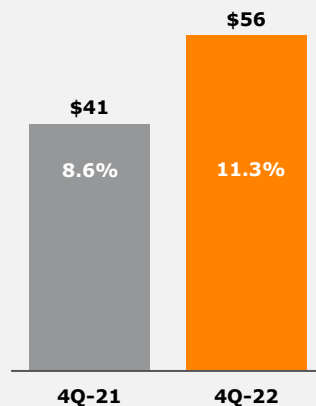
4Q 2022 Segment Performance

Mobile Industries

Net Sales (\$M)



Adjusted EBITDA (\$M)



Sales of \$496 million, up 3.3% from the same period last year

- Organically, sales up 6.4% YOY: off-highway and rail posted the largest gains; heavy truck also up; aerospace and automotive relatively flat
- Sales down 3.7% from currency; acquisitions (net) added 0.5%

Adjusted EBITDA of \$56 million, or 11.3% of sales

- Increase in adjusted EBITDA reflects positive price/mix, partially offset by higher manufacturing and SG&A costs
- Strong YOY incremental margin performance driven by positive price-cost and moderating material & logistic costs
- Margins up sequentially despite seasonally lower revenue

Cash Flow, Leverage & Capital Allocation

(\$M)	4Q-21	4Q-22	FY-21	FY-22
Net Cash from Operations	\$102.8	\$241.5	\$387.3	463.8
Capital Expenditures	(44.7)	(55.9)	(148.3)	(178.4)
Free Cash Flow (FCF)	\$58.1	\$185.6	\$239.0	\$285.4

Capital Structure (\$M)

	12/31/21	12/31/22
Cash	\$ 257	\$ 332
Total Debt	<u>1,465</u>	<u>1,963</u>
Net Debt	\$1,208	\$1,632
Adjusted EBITDA (TTM)	\$ 718	\$ 856
Net Debt/Adj. EBITDA	1.7x	1.9x

FY-22 Highlights:

- Increase in FCF driven by higher earnings, which more than offset the impact of higher working capital and CapEx
- Returned a total of \$303M of cash to shareholders in 2022
 - Repurchased 3.25M shares during the year
- Expanded the portfolio with acquisitions of GGB Bearings and Spinea
- Completed important debt financings during the year
- Net debt/adj. EBITDA of 1.9x as of December 31 (TTM)

FY-23 Outlook:

- CapEx of ~4% of sales; spend supports long-term growth and operational excellence initiatives
- FY-23 net interest expense: ~\$85M (pre-tax)
- Continue to pay an attractive dividend⁽¹⁾
- Intend to deploy capital to accretive M&A and/or share repurchases, while maintaining a strong balance sheet
 - Net leverage target: 1.5-2.5x net debt/adj. EBITDA

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

2023 Outlook

Current 2023 Outlook (February 6, 2023)

Net Sales

4% to 8%

Adjusted EPS*

\$6.50 to \$7.10

Free Cash Flow

~\$400M

Current Outlook: Full Year 2023 vs. 2022

Sales up ~6% YOY at the mid-point (organic: +3%; M&A: +3.5%; FX: -0.5%)

- Positive pricing and modest volume growth at the mid-point
- Includes ARB; Nadella to be added after close

Adj. EBITDA margin of ~19% for FY-23 at the mid-point (flattish with FY-22)

- Favorable price-cost outlook for FY-23 and improved operational execution
- Expect higher manufacturing and SG&A costs, including labor inflation
- Unfavorable YOY impact from currency (difficult comps.)

Adj. EPS (new definition) up ~5% at the mid-point compared to 2022

- Assumes adjusted tax rate of ~25.5% and higher YOY interest expense

Free cash flow generation expected to step-up from FY-22 (>\$100M)

- Higher earnings and improved working capital
- Represents ~90% of GAAP net income (at mid-point)

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.

*Adj. EPS is shown under the new definition (i.e., excludes acquisition intangible amortization expense)

Adjusted EPS

	2022	2023 Outlook
GAAP EPS	\$5.48	\$5.80-\$6.40
Adjustments (prior definition, net of tax)	<u>\$0.54</u>	<u>\$0.20</u>
Adjusted EPS (prior definition)	\$6.02	\$6.00-\$6.60
Acquisition intangible amortization exp. (net of tax)	<u>\$0.44</u>	<u>\$0.50</u>
Adjusted EPS (new definition)	\$6.46	\$6.50-\$7.10

Starting in 2023, adjusted EPS will exclude acquisition intangible amortization expense

- Amortization expense has increased significantly in recent years driven by acquisitions
 - \$0.44/share in 2022 (after-tax)
- Better representation of core operating earnings
- Improves comparability of performance versus peers

Long-Term Financial Goals*

Goals

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

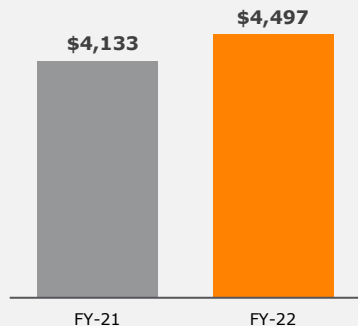
Appendix: Backup Slides and GAAP Reconciliations

The Timken Company

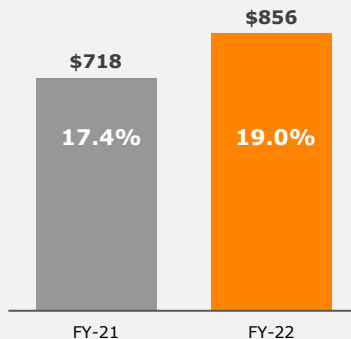


Full Year 2022 Financial Overview

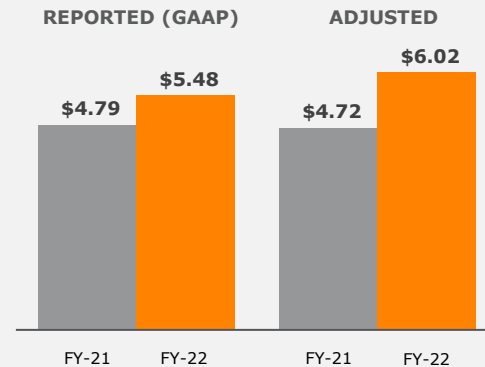
Net Sales (\$M)



Adjusted EBITDA (\$M)



Earnings Per Share



Sales of \$4.5 billion, up 8.8% from 2021

- Increase driven by growth across most end-market sectors and the impact of higher pricing and acquisitions, partially offset by unfavorable FX translation
- Organically, 2022 sales were up 11.6% versus 2021

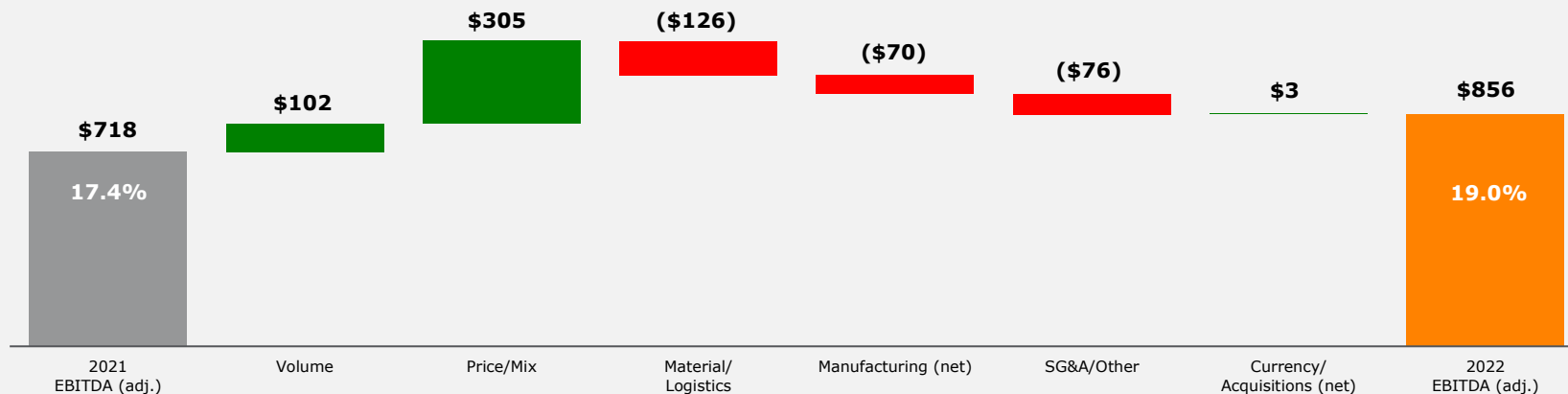
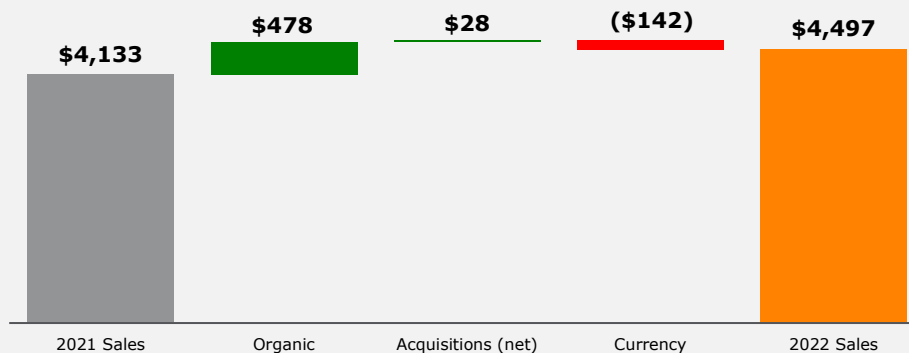
Adjusted EBITDA margin of 19.0%, up 160 bps from 2021

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

2022 adjusted EPS of \$6.02 (a record year)

- Adjusted EPS up 28% due mainly to positive price/mix, higher volume and a lower share count, partially offset by significantly higher operating costs

FY-22 Financial Overview – Sales and Adjusted EBITDA



Certain data contained in the bar graph above has been rounded for presentation purposes. See appendix for reconciliations of adjusted EBITDA and adj. EBITDA margin to their most directly comparable GAAP financial measures.

GAAP Reconciliation: Net Income & EPS (Prior Definition)

Reconciliations of Adjusted Net Income to GAAP Net Income and Adjusted Earnings Per Share to GAAP Earnings Per Share (Prior Definition):

(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 December 31,				Twelve Months Ended December 31,			
	2022	EPS	2021	EPS	2022	EPS	2021	EPS
Net Income Attributable to The Timken Company	\$ 97.2	\$ 1.32	\$ 62.9	\$ 0.82	\$ 407.4	\$ 5.48	\$ 369.1	\$ 4.79
Adjustments: ⁽¹⁾								
Impairment, restructuring and reorganization charges ⁽²⁾	\$ 3.8		\$ 1.8		\$ 39.5		\$ 15.1	
Corporate pension and other postretirement benefit related (income) expense ⁽³⁾	(12.3)		(8.0)		2.9		0.3	
Russia-related charges ⁽⁴⁾	0.3		—		15.6		—	
Acquisition-related charges ⁽⁵⁾	9.1		0.2		14.8		2.3	
Gain on divestitures and sale of real estate ⁽⁶⁾	(2.9)		—		(2.9)		—	
Tax indemnification and related items	0.3		0.2		0.3		0.2	
Noncontrolling interest of above adjustments	0.4		(0.2)		(5.3)		—	
Provision for income taxes ⁽⁷⁾	(6.3)		2.7		(24.5)		(23.6)	
Total Adjustments:	(7.6)	(0.10)	(3.3)	(0.04)	40.4	0.54	(5.7)	(0.07)
Adjusted Net Income Attributable to The Timken Company	\$ 89.6	\$ 1.22	\$ 59.6	\$ 0.78	\$ 447.8	\$ 6.02	\$ 363.4	\$ 4.72

⁽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; (iv) impairment of assets held for sale; and (v) related depreciation and amortization. Impairment, restructuring and reorganization charges for 2022 included \$29.3 million related to the sale of Timken Aerospace Drives Systems, LLC ("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.

⁽³⁾ Corporate pension and other postretirement benefit related (income) 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 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⁾ 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 annual report on Form 10-K for additional information.

⁽⁵⁾ Acquisition-related charges represent 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.

⁽⁶⁾ Represents the net gain resulting from divestitures and the sale of real estate.

⁽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.

GAAP Reconciliation: 2017-2021 Net Income & EPS (Prior Definition)

Reconciliations of Adjusted Net Income to GAAP Net Income and Adjusted Earnings Per Share to GAAP Earnings Per Share (Prior Definition): (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) ⁽¹⁾	\$	0.3	\$	18.5	\$	(4.1)	\$	12.8	\$	18.1
Impairment, restructuring and reorganization charges ⁽²⁾		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 ⁽³⁾		3.2		3.7		15.5		20.6		9.0
Acquisition-related gain ⁽⁴⁾		(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 ⁽⁵⁾		—		(5.5)		7.6		—		—
Brazil legal matter ⁽⁶⁾		—		—		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
Adjusted Net Income Attributable to The Timken Company	\$	363.4	\$	313.1	\$	353.8	\$	327.5	\$	207.5
Diluted Earnings per Share (EPS)	\$	4.79	\$	3.72	\$	4.71	\$	3.86	\$	2.58
Adjusted EPS	\$	4.72	\$	4.10	\$	4.60	\$	4.18	\$	2.63
Diluted Shares		77,006,589		76,401,366		76,896,565		78,337,481		78,911,149

⁽¹⁾ 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.

⁽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 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.

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

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

⁽⁵⁾ 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.

⁽⁶⁾ 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: 2017-2022 Net Income & EPS (Excluding Intangible Amortization Expense)

Reconciliations of Adjusted Net Income to GAAP Net Income and Adjusted Earnings Per Share to GAAP Earnings Per Share (New Definition):

(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 (see the previous two pages) 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. Going forward, the Company is excluding intangible amortization expense in its adjusted net income and adjusted earnings per share calculation. Amortization expense has grown in recent years due to the large number of acquisitions completed, and the Company believes this change will better reflect its core operating earnings and improve comparability.

(Dollars in millions, except share data)	2022	EPS	2021	EPS	2020	EPS	2019	EPS	2018	EPS	2017	EPS
Adjusted Net Income (Prior Definition)	\$ 447.8	\$ 6.02	\$ 363.4	\$ 4.72	\$ 313.1	\$ 4.10	\$ 353.8	\$ 4.60	\$ 327.5	\$ 4.18	\$ 207.5	\$ 2.63
Intangible amortization, net	32.6	0.44	35.6	0.46	35.2	0.46	34.3	0.45	25.6	0.33	17.8	0.23
Adjusted Net Income (Excluding Intangible Amortization Expense)	\$ 480.4	\$ 6.46	\$ 399.0	\$ 5.18	\$ 348.3	\$ 4.56	\$ 388.1	\$ 5.05	\$ 353.1	\$ 4.51	\$ 225.3	\$ 2.86
Diluted Shares	74,323,839		77,006,589		76,401,366		76,896,565		78,337,481		78,911,149	

GAAP Reconciliation: 2022 Quarterly Net Income & EPS (Excluding Intangible Amortization Expense)

Reconciliations of Adjusted Net Income to GAAP Net Income and Adjusted Earnings Per Share to GAAP Earnings Per Share (New Definition):

(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. Going forward, the Company is excluding intangible amortization expense in its adjusted net income and adjusted earnings per share calculation. Amortization expense has grown in recent years due to the large number of acquisitions completed, and the Company believes this change will better reflect its core operating earnings and improve comparability.

(Dollars in millions, except share data)	March 31, 2022		June 30, 2022		September 30, 2022		December 31, 2022	
Net Income Attributable to The Timken Company	\$	118.2	\$	105.0	\$	87.0	\$	97.2
Adjustments:								
Intangible amortization	\$	10.9	\$	10.6	\$	10.7	\$	11.7
Impairment, restructuring and reorganization charges ⁽¹⁾		1.6		2.0		32.1		3.8
Corporate pension and other postretirement benefit related expense (income) ⁽²⁾		2.6		11.6		1.0		(12.3)
Russia-related charges ⁽³⁾		4.6		8.4		2.3		0.3
Acquisition-related charges ⁽⁴⁾		1.1		1.6		3.0		9.1
Gain on divestitures and sale of real estate ⁽⁵⁾		—		—		—		(2.9)
Tax indemnification and related items		—		—		—		0.3
Noncontrolling interest of above adjustments		(1.3)		(4.5)		0.1		0.4
Provision for income taxes ⁽⁶⁾		(7.9)		(2.9)		(15.7)		(9.3)
Total Adjustments:		11.6		26.8		33.5		1.1
Adjusted Net Income (Excluding Intangible Amortization Expense)	\$	129.8	\$	131.8	\$	120.5	\$	98.3
Diluted EPS	\$	1.56	\$	1.42	\$	1.18	\$	1.32
Adjusted EPS (Excluding Intangible Amortization Expense)	\$	1.72	\$	1.78	\$	1.63	\$	1.34
Diluted Shares		75,545,665		74,182,793		73,866,743		73,578,675

⁽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; (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 2022 included \$29.3 million related to the sale of 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.

⁽²⁾ Corporate pension and other postretirement benefit related (income) 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 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⁾ 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 annual report on Form 10-K for additional information.

⁽⁴⁾ Acquisition-related charges represent deal-related expenses associated with completed transactions and certain unsuccessful transactions, as well as any resulting inventory step-up impact.

⁽⁵⁾ Represents the net gain resulting from divestitures and the sale of real estate.

⁽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

31

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 December 31,				Twelve Months Ended December 31,			
	2022	Percentage to Net Sales	2021	Percentage to Net Sales	2022	Percentage to Net Sales	2021	Percentage to Net Sales
Net Income	\$ 99.1	9.2 %	\$ 66.7	6.6 %	\$ 417.0	9.3 %	\$ 381.5	9.2 %
Provision for income taxes	25.0		20.0		133.9		95.1	
Interest expense	22.7		13.8		74.6		58.8	
Interest income	(1.1)		(0.6)		(3.8)		(2.3)	
Depreciation and amortization	42.0		41.3		164.0		167.8	
Consolidated EBITDA	\$ 187.7	17.3 %	\$ 141.2	14.0 %	\$ 785.7	17.5 %	\$ 700.9	17.0 %
Adjustments:								
Impairment, restructuring and reorganization charges ⁽¹⁾	\$ 3.8		\$ 1.8		\$ 39.5		\$ 14.3	
Corporate pension and other postretirement benefit related (income) expense ⁽²⁾	(12.3)		(8.0)		2.9		0.3	
Russia-related charges ⁽³⁾	0.3		—		15.6		—	
Acquisition-related charges ⁽⁴⁾	9.1		0.2		14.8		2.3	
Gain on divestitures and sale of real estate ⁽⁵⁾	(2.9)		—		(2.9)		—	
Tax indemnification and related items	0.3		0.2		0.3		0.2	
Total Adjustments	(1.7)	(0.1)%	(5.8)	(0.6)%	70.2	1.5 %	17.1	0.4 %
Adjusted EBITDA	\$ 186.0	17.2 %	\$ 135.4	13.4 %	\$ 855.9	19.0 %	\$ 718.0	17.4 %

⁽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; (iii) severance related to cost reduction initiatives; and (iv) impairment of assets held for sale. Impairment, restructuring and reorganization charges for 2022 included \$29.3 million related to the sale of 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.

⁽²⁾ Corporate pension and other postretirement benefit related (income) 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 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⁾ 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 annual report on Form 10-K for additional information.

⁽⁴⁾ Acquisition-related charges represent 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.

⁽⁵⁾ Represents the net gain resulting from divestitures and the sale of real estate.

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 prior two pages), 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)

	December 31, 2022	December 31, 2021
Short-term debt, including current portion of long-term debt	\$ 49.0	\$ 53.8
Long-term debt	1,914.2	1,411.1
Total Debt	\$ 1,963.2	\$ 1,464.9
Less: Cash and cash equivalents	(331.6)	(257.1)
Net Debt	\$ 1,631.6	\$ 1,207.8
Total Equity	\$ 2,352.9	\$ 2,377.7
Ratio of Net Debt to Capital	40.9 %	33.7 %
Adjusted EBITDA for the Twelve Months Ended	\$ 855.9	\$ 718.0
Ratio of Net Debt to Adjusted EBITDA	1.9	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 December 31,		Twelve Months Ended December 31,	
	2022	2021	2022	2021
Net cash provided by operating activities	\$ 241.5	\$ 102.8	\$ 463.8	\$ 387.3
Less: capital expenditures	(55.9)	(44.7)	(178.4)	(148.3)
Free cash flow	\$ 185.6	\$ 58.1	\$ 285.4	\$ 239.0

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 December 31,				Twelve Months Ended December 31,			
	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)	\$ 52.9	10.7 %	\$ 40.0	8.3 %	\$ 217.1	10.3 %	\$ 240.1	12.2 %
Impairment, restructuring and reorganization charges ⁽¹⁾	2.6		1.0		35.4		7.3	
Russia-related charges ⁽²⁾	0.2		—		16.8		—	
Acquisition-related charges ⁽³⁾	3.1		0.1		3.1		0.7	
Gain on divestitures and sale of real estate ⁽⁴⁾	(2.9)		—		(2.7)		—	
Tax indemnification and related items	0.3		0.2		0.3		0.2	
Adjusted EBITDA	\$ 56.2	11.3 %	\$ 41.3	8.6 %	\$ 270.0	12.8 %	\$ 248.3	12.6 %

Process Industries

(Dollars in millions)	Three Months Ended December 31,				Twelve Months Ended December 31,			
	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)	\$ 137.1	23.4 %	\$ 104.4	19.8 %	\$ 621.5	26.0 %	\$ 506.3	23.4 %
Impairment, restructuring and reorganization charges ⁽¹⁾	1.2		0.8		4.1		7.0	
Russia-related charges ⁽²⁾	0.1		—		(1.2)		—	
Acquisition-related charges ⁽³⁾	4.5		0.1		8.0		0.6	
Gain on divestitures and sale of real estate ⁽⁴⁾	—		—		(0.2)		—	
Adjusted EBITDA	\$ 142.9	24.4 %	\$ 105.3	20.0 %	\$ 632.2	26.4 %	\$ 513.9	23.7 %

⁽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; (iii) severance related to cost reduction initiatives; and (iv) impairment of assets held for sale. Impairment, restructuring and reorganization charges for 2022 included \$29.3 million related to the sale of 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.

⁽²⁾ 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 annual report on Form 10-K for additional information.

⁽³⁾ The acquisition-related charges represent the inventory step-up impact of the acquisitions.

⁽⁴⁾ Represents the net gain resulting from divestitures and the sale of real estate.

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

⁽¹⁾ 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.

⁽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 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.

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

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

⁽⁵⁾ 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.

⁽⁶⁾ 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: 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.

	Three Months Ended December 31, 2022		Three Months Ended December 31, 2021		\$ Change	% Change
Net sales	\$ 1,082.0	\$	1,007.3	\$	74.7	7.4 %
Less: Acquisitions and divestitures	17.8		—		17.8	NM
Currency	(45.4)		—		(45.4)	NM
Net sales, excluding the impact of acquisitions, divestitures and currency	\$ 1,109.6	\$	1,007.3	\$	102.3	10.2 %

	Twelve Months Ended December 31, 2022		Twelve Months Ended December 31, 2021		\$ Change	% Change
Net sales	\$ 4,496.7	\$	4,132.9	\$	363.8	8.8 %
Less: Acquisitions and divestitures	28.2		—		28.2	NM
Currency	(142.4)		—		(142.4)	NM
Net sales, excluding the impact of acquisitions, divestitures and currency	\$ 4,610.9	\$	4,132.9	\$	478.0	11.6 %

GAAP Reconciliation: Adjusted EBITDA to GAAP Net Income Outlook

Reconciliation of Adjusted EBITDA to GAAP Net Income for Full Year 2023 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)

	2023 Outlook	
Net Sales	\$	4,765
Net Income		460
Income taxes, interest, depreciation and amortization		425
Consolidated EBITDA	\$	885
Adjustments:		
Restructuring and other special items, net ⁽¹⁾	\$	20
Total Adjustments		20
Adjusted EBITDA	\$	905
Adjusted EBITDA Margin (% of net sales)		19.0 %

⁽¹⁾ 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: Adjusted EPS and Free Cash Flow Conversion Outlook

Reconciliation of Adjusted Earnings per Share to GAAP Earnings per Share for Full Year 2023 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	\$ 5.80	\$ 6.40
Forecasted Adjustments:		
Restructuring and other special items, net ⁽¹⁾	0.20	0.20
Forecasted full year adjusted diluted earnings per share (prior definition)	\$ 6.00	\$ 6.60
Acquisition-related intangible amortization expense, net	0.50	0.50
Forecasted full year adjusted diluted earnings per share (excluding intangible amortization expense)	\$ 6.50	\$ 7.10

⁽¹⁾ 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 2023 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.

Reconciliation of Free Cash Flow	Free Cash Flow Outlook
Net cash provided from operating activities	\$ 590.0
Less: capital expenditures	190.0
Free cash flow	\$ 400.0

Supplemental Information: EBITDA Adjustments and Depreciation & Amortization by Segment

(Unaudited)

(Dollars in millions)

	Three Months Ended December 31, 2022				Three Months Ended December 31, 2021			
	Mobile Industries	Process Industries	Corporate	Timken	Mobile Industries	Process Industries	Corporate	Timken
Cost of products sold	\$ 3.5	\$ 5.3	\$ —	\$ 8.8	\$ 0.7	\$ 0.8	\$ —	\$ 1.5
Selling, general and administrative expense	0.1	0.4	1.5	2.0	0.1	—	—	0.1
Impairment and restructuring charges	1.8	—	—	1.8	0.3	0.4	—	0.7
Other expense (income), net	(2.1)	0.1	(12.3)	(14.3)	0.2	(0.3)	(8.0)	(8.1)
Total Adjustments to EBITDA	\$ 3.3	\$ 5.8	\$ (10.8)	\$ (1.7)	\$ 1.3	\$ 0.9	\$ (8.0)	\$ (5.8)

(Unaudited)

(Dollars in millions)

	Three Months Ended December 31, 2022				Three Months Ended December 31, 2021			
	Mobile Industries	Process Industries	Corporate	Timken	Mobile Industries	Process Industries	Corporate	Timken
Depreciation and amortization expense (GAAP)	\$ 19.0	\$ 22.7	\$ 0.3	\$ 42.0	\$ 19.7	\$ 21.3	\$ 0.3	\$ 41.3
Adjusted depreciation and amortization expense	19.0	22.7	0.3	42.0	19.7	21.3	0.3	41.3
Total Adjustments to Depreciation and Amortization	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Total Adjustments to Income Before Income Taxes	\$ 3.3	\$ 5.8	\$ (10.8)	\$ (1.7)	\$ 1.3	\$ 0.9	\$ (8.0)	\$ (5.8)

Supplemental Information: EBITDA Adjustments and Depreciation & Amortization by Segment

(Unaudited)

(Dollars in millions)	Twelve Months Ended December 31, 2022				Twelve Months Ended December 31, 2021			
	Mobile Industries	Process Industries	Corporate	Timken	Mobile Industries	Process Industries	Corporate	Timken
Cost of products sold	\$ 8.0	\$ 9.9	\$ —	\$ 17.9	\$ 3.7	\$ 3.2	\$ —	\$ 6.9
Selling, general and administrative expense	1.1	0.4	3.7	5.2	0.1	—	1.9	2.0
Impairment and restructuring charges	43.6	0.5	—	44.1	4.2	4.7	—	8.9
Other expense (income), net	0.2	(0.1)	2.9	3.0	0.2	(0.3)	(0.6)	(0.7)
Total Adjustments to EBITDA	\$ 52.9	\$ 10.7	\$ 6.6	\$ 70.2	\$ 8.2	\$ 7.6	\$ 1.3	\$ 17.1

(Unaudited)

(Dollars in millions)	Twelve Months Ended December 31, 2022				Twelve Months Ended December 31, 2021			
	Mobile Industries	Process Industries	Corporate	Timken	Mobile Industries	Process Industries	Corporate	Timken
Depreciation and amortization expense (GAAP)	\$ 75.2	\$ 87.6	\$ 1.2	\$ 164.0	\$ 80.1	\$ 86.6	\$ 1.1	\$ 167.8
Adjusted depreciation and amortization expense	75.2	87.6	1.2	164.0	80.1	85.8	1.1	167.0
Total Adjustments to Depreciation and Amortization	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 0.8	\$ —	\$ 0.8
Total Adjustments to Income Before Income Taxes	\$ 52.9	\$ 10.7	\$ 6.6	\$ 70.2	\$ 8.2	\$ 8.4	\$ 1.3	\$ 17.9