

Appendix: GAAP Reconciliations

The Timken Company



GAAP Reconciliation: Segment EBITDA & EBITDA Margin

Reconciliation of segment EBITDA, after adjustments, to segment EBITDA, and segment EBITDA, after adjustments, as a percentage of sales to segment EBITDA, as a percentage of sales:

(Unaudited)

The following reconciliation is provided as additional relevant information about the Company's Engineered Bearings and Industrial Motion 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.

Engineered Bearings

(Dollars in millions)	Three Months Ended December 31,				Twelve Months Ended December 31,			
	2023	Percentage to Net Sales	2022	Percentage to Net Sales	2023	Percentage to Net Sales	2022	Percentage to Net Sales
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$ 123.0	17.0%	\$ 129.6	17.5%	\$ 661.7	20.3%	\$ 615.8	19.9%
Impairment, restructuring and reorganization charges ⁽¹⁾	3.7		1.7		14.3		4.4	
Russia-related charges ⁽²⁾	4.7		0.3		8.5		15.6	
Acquisition-related charges ⁽³⁾	0.4		6.2		3.6		6.2	
Loss (gain) on divestitures and sale of certain assets ⁽⁴⁾	0.7		(3.6)		(5.5)		(3.5)	
Adjusted EBITDA	\$ 132.5	18.3%	\$ 134.2	18.1%	\$ 682.6	21.0%	\$ 638.5	20.7%

Industrial Motion

(Dollars in millions)	Three Months Ended December 31,				Twelve Months Ended December 31,			
	2023	Percentage to Net Sales	2022	Percentage to Net Sales	2023	Percentage to Net Sales	2022	Percentage to Net Sales
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$ 62.6	17.1%	\$ 60.4	17.8%	\$ 262.0	17.3%	\$ 222.8	15.9%
Impairment, restructuring and reorganization charges ⁽¹⁾	3.8		2.0		36.5		35.1	
Acquisition-related charges ⁽³⁾	15.2		1.4		21.0		4.9	
Loss on divestitures and sale of certain assets ⁽⁴⁾	—		0.8		0.3		0.6	
Tax indemnification and related items	—		0.3		—		0.3	
Adjusted EBITDA	\$ 81.6	22.2%	\$ 64.9	19.1%	\$ 319.8	21.2%	\$ 263.7	18.8%

⁽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. Impairment, restructuring and reorganization charges for 2023 included \$28.3 million related to the impairment of goodwill. 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 and write-down of Russia JV 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 completed acquisitions.

⁽⁴⁾ Represents the net loss (gain) resulting from divestitures and sale of certain assets.

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 December 31,				Twelve Months Ended December 31,			
	2023	EPS	2022	EPS	2023	EPS	2022	EPS
Net Income Attributable to The Timken Company	\$ 58.7	\$ 0.83	\$ 97.2	\$ 1.32	\$ 394.1	\$ 5.47	\$ 407.4	\$ 5.48
Adjustments: ⁽¹⁾								
Acquisition intangible amortization	\$ 17.4		\$ 11.7		\$ 65.7		\$ 43.9	
Impairment, restructuring and reorganization charges ⁽²⁾	7.5		3.8		51.6		39.5	
Corporate pension and other postretirement benefit related expense (income) ⁽³⁾	22.3		(12.3)		20.6		2.9	
Russia-related charges ⁽⁴⁾	4.7		0.3		8.5		15.6	
Acquisition-related charges ⁽⁵⁾	19.0		9.1		31.8		14.8	
Loss (gain) on divestitures and sale of certain assets ⁽⁶⁾	0.7		(2.9)		(5.2)		(2.9)	
Tax indemnification and related items	—		0.3		—		0.3	
Noncontrolling interest of above adjustments	(0.1)		0.4		(2.1)		(5.3)	
Provision for income taxes ⁽⁷⁾	(32.9)		(9.4)		(56.9)		(35.9)	
Total Adjustments:	38.6	0.54	1.0	0.02	114.0	1.58	72.9	0.98
Adjusted Net Income Attributable to The Timken Company	\$ 97.3	\$ 1.37	\$ 98.2	\$ 1.34	\$ 508.1	\$ 7.05	\$ 480.3	\$ 6.46

⁽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; and (v) related depreciation and amortization. Impairment, restructuring and reorganization charges for 2023 included \$28.3 million related to the impairment of goodwill. 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 expense (income) represents actuarial losses and (gains) that resulted from the remeasurement of plan assets and obligations as a result of changes in assumptions or experience. The Company recognizes actuarial losses and (gains) in connection with the annual remeasurement in the fourth quarter, or if specific events trigger a remeasurement. Refer to the Retirement Benefit Plans and Other Postretirement Benefit Plans footnotes within the Company's annual reports on Form 10-K and quarterly reports on Form 10-Q for additional discussion.

⁽⁴⁾ Russia-related charges include impairments or allowances recorded against certain property, plant and equipment, inventory and trade receivables and write-down of a 51%-owned joint venture ("Russian JV") 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 any resulting inventory step-up impact.

⁽⁶⁾ Represents the net loss (gain) resulting from divestitures and sale of certain assets.

⁽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: 2019-2022 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)	2022	2021	2020	2019
Net Income Attributable to The Timken Company	\$ 407.4	\$ 369.1	\$ 284.5	\$ 362.1
Adjustments:				
Corporate pension and other postretirement benefit related expense (income) ⁽¹⁾	\$ 2.9	\$ 0.3	\$ 18.5	\$ (4.1)
Intangible amortization	43.9	46.8	47.3	46.7
Impairment, restructuring and reorganization charges ⁽²⁾	39.5	15.1	29.0	9.8
Gain on divestitures and sale of real estate	(2.9)	—	(0.4)	(4.5)
'Russia-related charges ⁽³⁾	15.6	—	—	—
Acquisition-related charges ⁽⁴⁾	14.8	2.3	(7.4)	15.5
Tax indemnification and related items	0.3	0.2	0.5	0.7
Property losses (recoveries) and related expenses ⁽⁵⁾	—	—	(5.5)	7.6
Brazil legal matter ⁽⁶⁾	—	—	—	1.8
Noncontrolling interest	(5.3)	—	(0.1)	(0.5)
Provision for income taxes	(35.8)	(34.8)	(18.1)	(47.0)
Total Adjustments:	73.0	29.9	63.8	26.0
Adjusted Net Income Attributable to The Timken Company	\$ 480.4	\$ 399.0	\$ 348.3	\$ 388.1
Diluted Earnings per Share (EPS)	\$ 5.48	\$ 4.79	\$ 3.72	\$ 4.71
Adjusted EPS	\$ 6.46	\$ 5.18	\$ 4.56	\$ 5.05
Diluted Shares	74,323,839	77,006,589	76,401,366	76,896,565

⁽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; (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.

⁽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 the 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 and certain unsuccessful transactions, as well as any resulting inventory step-up impact. In addition, the 2021 and 2020 acquisition-related charges include an acquisition-related gain due to the bargain purchase gain related to a prior year acquisition.

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

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

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

(Dollars in millions)	Three Months Ended December 31,				Twelve Months Ended December 31,			
	2023	Percentage to Net Sales	2022	Percentage to Net Sales	2023	Percentage to Net Sales	2022	Percentage to Net Sales
Net Income	\$ 61.9	5.7%	\$ 99.1	9.2%	\$ 408.0	8.6%	\$ 417.0	9.3%
Provision for (benefit from) income taxes	(0.4)		25.0		122.5		133.9	
Interest expense	30.8		22.7		110.7		74.6	
Interest income	(3.3)		(1.1)		(9.3)		(3.8)	
Depreciation and amortization	52.3		42.0		201.3		164.0	
Consolidated EBITDA	\$ 141.3	12.9%	\$ 187.7	17.3%	\$ 833.2	17.5%	\$ 785.7	17.5%
Adjustments:								
Impairment, restructuring and reorganization charges ⁽¹⁾	\$ 7.4		\$ 3.8		\$ 50.8		\$ 39.5	
Corporate pension and other postretirement benefit related expense (income) ⁽²⁾	22.3		(12.3)		20.6		2.9	
Russia-related charges ⁽³⁾	4.7		0.3		8.5		15.6	
Acquisition-related charges ⁽⁴⁾	19.0		9.1		31.8		14.8	
Loss (gain) on divestitures and sale of certain assets ⁽⁵⁾	0.7		(2.9)		(5.2)		(2.9)	
Tax indemnification and related items	—		0.3		—		0.3	
Total Adjustments	54.1	5.0%	(1.7)	(0.1)%	106.5	2.2%	70.2	1.5%
Adjusted EBITDA	\$ 195.4	17.9%	\$ 186.0	17.2%	\$ 939.7	19.7%	\$ 855.9	19.0%

⁽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. Impairment, restructuring and reorganization charges for 2023 included \$28.3 million related to the impairment of goodwill. 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 expense (income) represents actuarial losses and (gains) that resulted from the remeasurement of plan assets and obligations as a result of changes in assumptions or experience. The Company recognizes actuarial losses and (gains) in connection with the annual remeasurement in the fourth quarter, or if specific events trigger a remeasurement. Refer to the Retirement Benefit Plans and Other Postretirement Benefit Plans footnotes within the Company's annual reports on Form 10-K and quarterly reports on Form 10-Q for additional discussion.

⁽³⁾ Russia-related charges include impairments or allowances recorded against certain property, plant and equipment, inventory and trade receivables and write-down of Russian JV 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 any resulting inventory step-up impact.

⁽⁵⁾ Represents the net loss (gain) resulting from divestitures and sale of certain assets.

GAAP Reconciliation: 2019-2022 EBITDA, and EBITDA, After Adjustments to Net Income

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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	2022	2021	2020	2019
Net Sales	\$ 4,496.7	\$ 4,132.9	\$ 3,513.2	\$ 3,789.9
Net Income	417.0	381.5	292.4	374.7
Provision for income taxes	133.9	95.1	103.9	97.7
Interest expense, net	70.8	56.5	63.9	67.2
Depreciation and amortization	164.0	167.8	167.1	160.6
Consolidated Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)	\$ 785.7	\$ 700.9	\$ 627.3	\$ 700.2
Adjustments:				
Corporate pension and other postretirement benefit related expense (income) ⁽¹⁾	\$ 2.9	\$ 0.3	\$ 18.5	\$ (4.1)
Impairment, restructuring and reorganization charges ⁽²⁾	39.5	14.3	25.9	9.1
Gain on divestitures and sale of real estate	(2.9)	—	(0.4)	(4.5)
Acquisition related charges ⁽³⁾	14.8	2.3	(7.4)	15.5
Russia-related charges ⁽⁴⁾	15.6	—	—	—
Tax indemnification and related items	0.3	0.2	0.5	0.7
Property losses (recoveries) and related expenses ⁽⁵⁾	—	—	(5.5)	7.6
Brazil legal matter ⁽⁶⁾	—	—	—	1.8
Total Adjustments	70.2	17.1	31.6	26.1
Adjusted EBITDA	\$ 855.9	\$ 718.0	\$ 658.9	\$ 726.3
Adjusted EBITDA Margin (% of net Sales)	19.0%	17.4%	18.8%	19.2%

⁽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 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.

⁽³⁾ Acquisition-related charges represent deal-related expenses associated with completed and certain unsuccessful transactions, as well as any resulting inventory step-up impact. In addition, the 2021 and 2020 acquisition-related charges include an acquisition-related gain due to the bargain purchase gain related to a prior year acquisition.

⁽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 the 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.

⁽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.