GAAP Reconciliation: Net Debt

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 above), 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, 2021		December 31, 2020
Short-term debt, including current portion of long-term debt	**$**	**53.8**	$	130.7
Long-term debt		**1,411.1**		1,433.9
Total Debt	**$**	**1,464.9**	$	1,564.6
Less: Cash and cash equivalents		**(257.1)**		(320.3)
Net Debt	**$**	**1,207.8**	$	1,244.3
Total Equity	**$**	**2,377.7**	$	2,225.2
Ratio of Net Debt to Capital		**33.7 %**		35.9 %
Adjusted EBITDA for the Twelve Months Ended	**$**	**718.0**	$	658.5
Ratio of Net Debt to Adjusted EBITDA		**1.7**		1.9

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 (Loss) 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 loss 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) - Continuing Operations	$ 4.79	$ 3.72	$ 4.71	$ 3.86	$ 2.58
Adjusted EPS - Continuing Operations	$ 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 Bearing Company ("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: 2017-2021 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
Consolidated Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)	$ 700.9	$ 627.3	$ 700.2	$ 603.7	$ 431.8
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]	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 [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 loss and related expenses [5]	—	(5.5)	7.6	—	—
Brazil legal matter [6]	—	—	1.8	—	—
Total Adjustments	17.1	31.6	26.1	42.8	33.0
Adjusted EBITDA	$ 718.0	$ 658.9	$ 726.3	$ 646.5	$ 464.8
Adjusted EBITDA Margin (% of net Sales)	17.4 %	18.8 %	19.2 %	18.1 %	15.5 %

[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: 2017-2021 Consolidated Free Cash Flow

Reconciliation of Free Cash Flow to GAAP Net Cash Provided by Operating Activities:

(Unaudited)

The following reconciliation is provided as additional relevant information about the Company's 2017-2021 performance deemed useful to investors. 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.

Reconciliation of Free Cash Flow	2021	2020	2019	2018	2017
Net cash provided from operating activities	$ 387.3	$ 577.6	$ 550.1	$ 332.5	$ 236.8
Less: capital expenditures	(148.3)	(121.6)	(140.6)	112.6	104.7
Free cash flow	$ 239.0	$ 456.0	$ 409.5	$ 219.9	$ 132.1