

The Timken Company

3Q 2021 Earnings Investor Presentation

November 1, 2021

Advancing as a Global Industrial Leader



Agenda

INTRODUCTION

Neil Frohnapple – Director, Investor Relations

OVERVIEW AND BUSINESS UPDATE

Rich Kyle – President and Chief Executive Officer

FINANCIAL REVIEW

Phil Fracassa – Executive Vice President and Chief Financial Officer

Q&A

Question and Answer Session

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

Certain statements in this presentation (including statements regarding the company's forecasts, beliefs, estimates and expectations) that are not historical in nature are "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. In particular, the statements related to Timken's plans, outlook, future financial performance, targets, projected sales, cash flows, liquidity, cost reduction measures and expectations regarding the future financial performance of the company, including the information under the headings, "Outlook Commentary", "Business Spotlight – Linear Motion", "Key Takeaways", "3Q 2021 Financial Comparison – Net Income & Diluted EPS" and "Cash Flow, Leverage & Capital Allocation" are forward-looking.

The Company cautions that actual results may differ materially from those projected or implied in forward-looking statements due to a variety of important factors, including: the finalization of the company's financial statements for the third quarter; the company's ability to respond to changes in its end markets that could affect demand for the company's products or services; unanticipated changes in business relationships with customers or their purchases from the company; changes in the financial health of the company's customers, which may have an impact on the company's revenues, earnings and impairment charges; fluctuations in material and energy costs; logistical issues associated with port closures or congestion, delays or increased costs; the impact of changes to the company's accounting methods; political risks associated with government instability; recent world events that have increased the risk posed by international trade disputes, tariffs and sanctions; weakness in global or regional economic conditions and capital markets; the company's ability to satisfy its obligations under its debt agreements and renew or refinance borrowings on favorable terms; fluctuations in currency valuations; changes in the expected costs associated with product warranty claims; the ability to achieve satisfactory operating results in the integration of acquired companies, including realizing any accretion, synergies, and expected cashflow generation within expected timeframes or at all; the impact on operations of general economic conditions; fluctuations in customer demand; the impact on the company's pension obligations and assets due to changes in interest rates, investment performance and other tactics designed to reduce risk; the introduction of new disruptive technologies; unplanned plant shutdowns; the effects of government-imposed restrictions meant to address climate change; unanticipated litigation, claims, investigations or assessments; the Company's ability to maintain appropriate relations with unions and works councils; negative impacts to the company's business, results of operations, financial position or liquidity as a result of COVID-19 or other epidemics and associated governmental measures such as restrictions on travel and manufacturing operations; and the company's ability to complete and achieve the benefits of announced plans, programs, initiatives, acquisitions and capital investments. Additional factors are discussed in the company's filings with the Securities and Exchange Commission, including the company's Annual Report on Form 10-K for the year ended Dec. 31, 2020, quarterly reports on Form 10-Q and current reports on Form 8-K. Except as required by the federal securities laws, the company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

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

The Timken Company

Overview and Business Update

Rich Kyle
President and Chief Executive Officer

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3Q 2021 Performance Highlights

Sales of \$1.04 billion in 3Q-21 (record for 3Q), up 16% from prior-year period

- Revenue up 13% organically
 - Double-digit organic growth in both Mobile and Process Industries
 - Served customers' strong demand despite supply chain disruptions
 - Positive pricing in the quarter
 - Ended the quarter with a higher backlog

Adjusted EBITDA margin of 17.2% compared to 19.4% in prior-year period

- YOY margin performance impacted by inflation and elevated operating costs to serve customers

Adjusted EPS of \$1.18 (record for 3Q), up from \$1.13 per share in the prior-year period

Advanced manufacturing footprint initiatives

- New bearing plant in Mexico continues to ramp; announced closure of bearing plant in Italy

Returned \$53 million of cash to shareholders during the quarter

- Payment of 397th consecutive quarterly dividend and repurchase of 400K shares

Completed acquisition of Intelligent Machine Solutions (iMS), enhancing linear motion product line

Outlook Commentary

Planning for 4Q-21 sales to be down from 3Q-21

- Seasonally lower revenue, including fewer shipping days in the fourth quarter compared to 3Q-21
- In addition, expecting supply chain and customer disruptions to persist
- 4Q-21 adjusted EBITDA margins lower than 3Q-21 on the lower revenue

Positive early view on 2022

- Strong backlog and positive customer sentiment
- Low channel inventories across many end-market sectors
- Outgrowth initiatives will contribute to top-line performance
- Expecting significant price realization in 2022
- Positive impact from manufacturing footprint and operational excellence initiatives

Business Spotlight – Linear Motion

Overview

- The acquisition of Rollon in 2018 expanded Timken's power transmission portfolio into engineered linear motion products
 - A leader in linear motion guides, telescopic rails, actuators and systems
 - Provides growth opportunities in attractive market sectors such as robotics and automation
 - Timken's linear motion revenue mix is ~80% Process Industries

Timken continues to grow its highly profitable linear motion product line

- Organic sales growth expected to be higher than the company average in 2021
- Total revenue expected to be up more than 15% from 2019 (pre-COVID levels)
- EBITDA margin running well above Process Industries' average
- The acquisition of iMS during 3Q-21 further expanded Rollon's linear motion capabilities with a specific focus on factory automation

Expecting strong revenue CAGR for linear motion through 2025

- Driven by Timken outgrowth initiatives and attractive linear motion fundamentals
 - Secured several new business wins with global customers in 3Q-21



2020 Corporate Social Responsibility Report: Creating Real-World Impact

A Culture of Problem Solvers

Employee learning and development

Diversity and inclusion

Compensation, benefits and well-being



Commitment to Ethics & Community

Ethics and corporate governance

STEM and mentorship

Community and charitable giving



Sustainable Products & Practices

Product stewardship

Health, safety and mitigation

Energy, emissions and waste reduction



Key Takeaways

Looking back on 3Q-21

- Achieved double-digit revenue growth compared to the prior year, despite challenging environment
- Margins impacted by inflation and higher costs to serve customers
- Adj. EPS up 4% versus 3Q-20 and a record for the third quarter
- Continued to advance strategic initiatives
- Significantly increased pricing activities in the quarter

Looking ahead

- Positive outlook for industrial markets for the rest of 2021 and throughout 2022
 - Strong order intake rates, growing backlog and positive customer sentiment
- Expecting supply chain and inflationary pressures to persist at elevated levels into 2022
 - Continue to implement operational excellence initiatives to mitigate
- Planning for significant price realization in 2022
- Capital deployment will continue to help accelerate earnings growth; look to drive strategy further with M&A
- Remain committed to serving customers and advancing our growth strategy

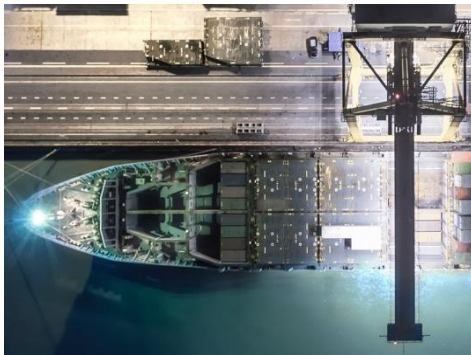
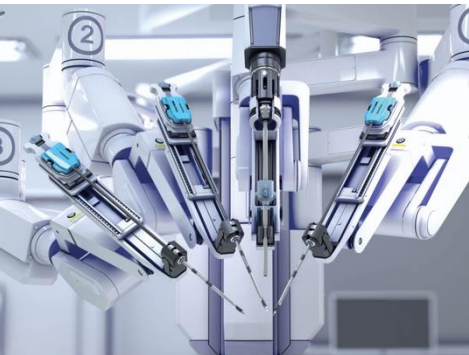
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Financial Performance

Phil Fracassa

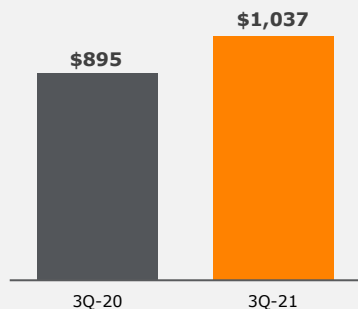
Executive Vice President and Chief Financial Officer

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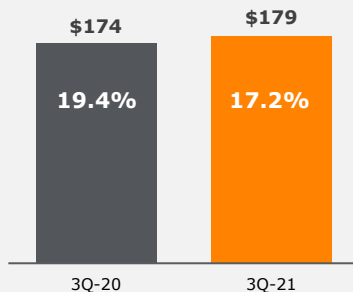


3Q 2021 Financial Overview

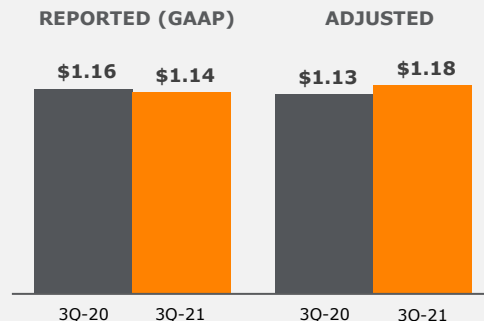
Net Sales (\$M)



Adjusted EBITDA (\$M)



Earnings Per Share



Sales of \$1.04 billion (record for 3Q), up 16% from 3Q-20

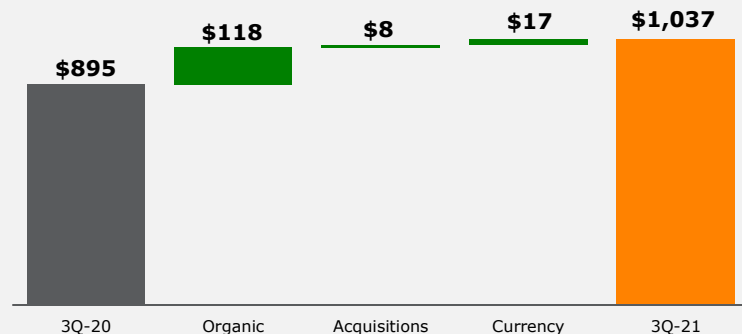
- Increase driven by organic growth across most end-market sectors, higher pricing and the benefit of currency translation and acquisitions

Adjusted EBITDA margin of 17.2%, down 220 bps from 3Q-20

- YOY EBITDA margin performance impacted by higher operating costs, partially offset by the impact of higher volume and related manufacturing utilization

Third quarter adjusted EPS of \$1.18 per diluted share (record for 3Q), up 4% from 3Q-20

3Q 2021 Financial Highlights - Sales



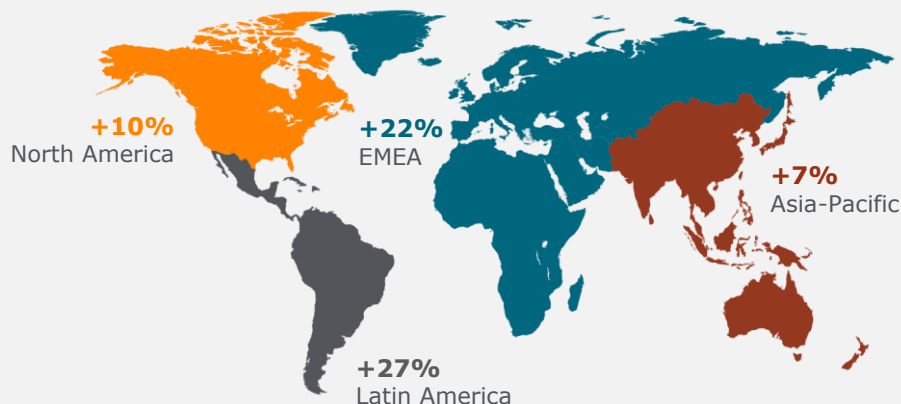
Sales of \$1.04 billion, up 16.0% from a year ago

- Organically, revenue was up 13.2% in the quarter
- Double-digit organic growth from both bearings and power transmission product lines
- Acquisitions contributed 0.9%; currency added 1.9%

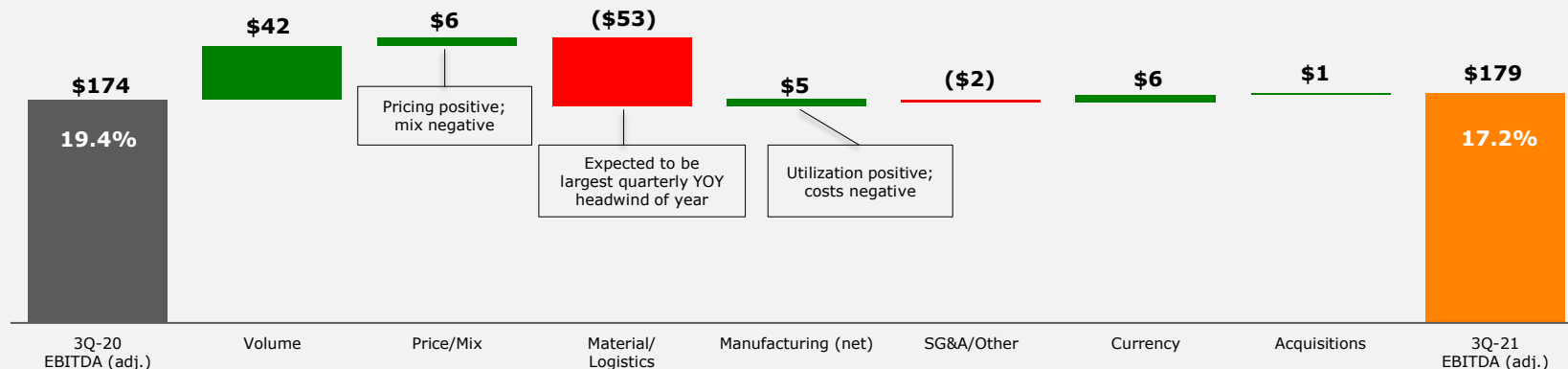
Organic revenue up in all regions

- All regions up, led by LatAm and EMEA
- Most regions saw broad-based growth across most end-market sectors

3Q-21 vs. 3Q-20 SALES BY GEOGRAPHY – ORGANIC (Excludes Acquisitions and Currency Impact)



3Q 2021 Financial Comparison – Adjusted EBITDA



Adjusted EBITDA of \$179 million or 17.2% of sales compared with \$174 million or 19.4% of sales in the same period a year ago

- The increase in adjusted EBITDA reflects the impact of higher volume and related manufacturing utilization, positive price/mix and favorable currency, partially offset by higher operating costs
- Material & logistics cost performance impacted by material inflation and higher freight costs to serve customer demand

3Q 2021 Financial Comparison – Net Income & Diluted EPS

	3Q-20		3Q-21	
	\$M	EPS	\$M	EPS
Net Income / EPS	\$88.8	\$1.16	\$88.1	\$1.14
Adjustments	(2.4)	(0.03)	2.9	0.04
Adjusted Net Income / Adjusted EPS	\$86.4	\$1.13	\$91.0	\$1.18
Average diluted shares outstanding:	76.3 million		77.0 million	
GAAP tax rate:	22.6%		18.2%	
Adjusted tax rate:	24.1%		23.3%	

Adjusted EPS of \$1.18, up 4% from the prior year

- Net interest expense of \$14.3 million in the quarter, down from \$15.4 million in 3Q-20
- Average diluted shares up slightly YOY

GAAP tax rate of 18.2% in 3Q-21, versus rate of 22.6% in 3Q-20

- Lower rate reflects more favorable impact from discrete tax items in the current period

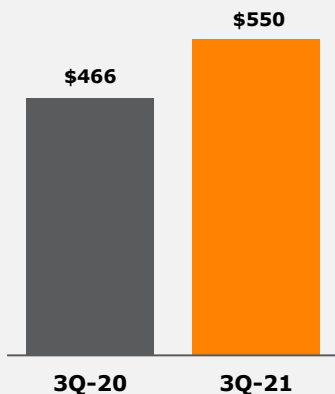
Adjusted tax rate of 23.3% in 3Q-21, down slightly from 24.1% in 3Q-20

- Reflects geographic mix of earnings and impact of tax planning initiatives; currently expect FY 2021 adj. tax rate of 24.5% (same as YTD)

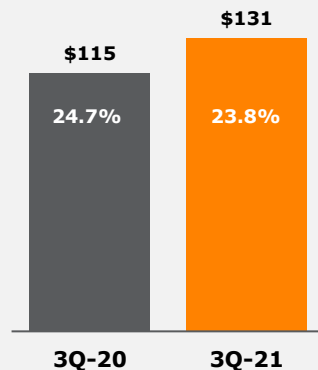
3Q 2021 Segment Performance

Process Industries

Net Sales (\$M)



Adjusted EBITDA (\$M)



Sales of \$550 million, up 18% from the same period last year

- Organically, sales up 14.6% YOY: distribution and general industrial posted the largest gains; marine also up; other sectors flat to up slightly; pricing positive
- Lubrication systems and linear motion posted the strongest percentage gains among non-bearing product lines
- Sales up 2.6% from currency; acquisitions added 0.8%

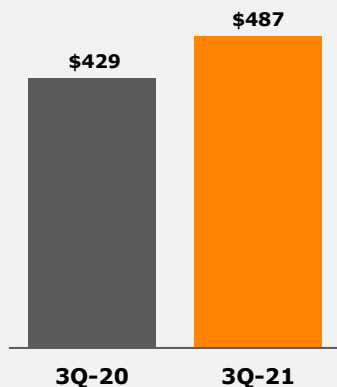
Adjusted EBITDA of \$131 million, or 23.8% of sales

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

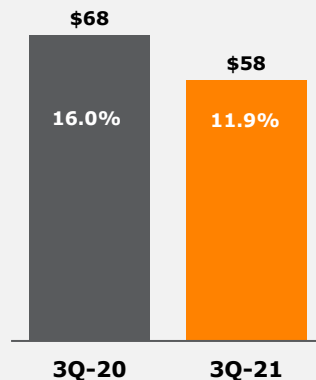
3Q 2021 Segment Performance

Mobile Industries

Net Sales (\$M)



Adjusted EBITDA (\$M)



Sales of \$487 million, up 13.7% from the same period last year

- Organically, sales up 11.7% YOY: off-highway and heavy truck posted strong gains; rail and aerospace relatively flat; automotive down; pricing positive
- Sales up 1.1% from currency; acquisitions added 0.9%
- Sales below expectations in the quarter reflecting global supply chain constraints impacting customers, including semi-conductor chip shortages

Adjusted EBITDA of \$58 million, or 11.9% of sales

- Decrease in adjusted EBITDA reflects the impact of higher material and other operating costs, partially offset by higher volume and related manufacturing utilization, and positive price/mix
- Supply chain and customer disruptions impacted Mobile Industries to a greater degree, which resulted in higher manufacturing inefficiencies

Cash Flow, Leverage & Capital Allocation

(\$M)	3Q-20	3Q-21	YTD-20	YTD-21	Capital Structure (\$M)		
						<u>12/31/20</u>	<u>09/30/21</u>
Net Cash from Operations	\$153.6	\$105.8	\$457.2	\$284.6	Cash	\$320	\$262
Capital Expenditures	(29.2)	(43.1)	(85.7)	(103.6)	Total Debt	<u>1,565</u>	<u>1,456</u>
Free Cash Flow (FCF)	\$124.4	\$62.7	\$371.5	\$181.0	Net Debt	<u>\$1,244</u>	<u>\$1,194</u>
					Adjusted EBITDA (TTM)	\$659	\$727
					Net Debt/Adj. EBITDA	1.9x	1.6x

Higher working capital to support sales growth; increased CapEx to fuel growth initiatives

Commentary:

- Cash flow impacted by higher working capital needs (mainly inventory) to compensate for supply chain disruptions and serve customers
- CapEx of \$43M in 3Q-21 (\$104M YTD-21, or 3.3% of sales); spending supports growth and operational excellence initiatives
- Paid 397th consecutive quarterly dividend of \$0.30/share during the 3rd quarter
- Repurchased 400K shares in the quarter; 9.6 million shares remaining for repurchase under the current authorization
- Net debt/adj. EBITDA of 1.6x as of September 30 (TTM), well within 1.5-2.5x targeted range

Outlook Commentary

Planning for 4Q-21 sales to be down from 3Q-21

- Seasonally lower revenue, including fewer shipping days in the fourth quarter compared to 3Q-21
- In addition, expecting supply chain and customer disruptions to persist
- 4Q-21 adjusted EBITDA margins lower than 3Q-21 on the lower revenue

Positive early view on 2022

- Strong backlog and positive customer sentiment
- Low channel inventories across many end-market sectors
- Outgrowth initiatives will contribute to top-line performance
- Expecting significant price realization in 2022
- Positive impact from manufacturing footprint and operational excellence initiatives

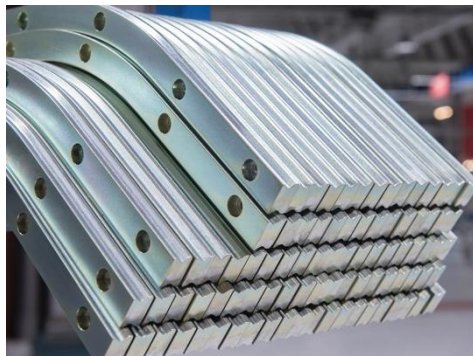
Other FY-21 items:

- *CapEx of ~\$150M; supports organic growth and operational excellence initiatives*
- *Net interest expense of ~\$58M (pre-tax)*
- *Full-year adjusted tax rate of ~24.5%*

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Appendix: Backup Slides and GAAP Reconciliations

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Supplemental Information: EBITDA Adjustments and Depreciation & Amortization by Segment

(Unaudited)

(Dollars in millions)	Three Months Ended September 30, 2021				Three Months Ended September 30, 2020			
	Mobile Industries	Process Industries	Corporate	Timken	Mobile Industries	Process Industries	Corporate	Timken
Cost of products sold	\$ 2.4	\$ 0.7	\$ —	\$ 3.1	\$ (1.5)	\$ 0.4	\$ —	\$ (1.1)
Selling, general and administrative expense	—	—	1.4	1.4	—	—	0.1	0.1
Impairment and restructuring charges	2.6	0.3	—	2.9	6.0	5.6	0.4	12.0
Other expense (income), net	—	—	3.6	3.6	(0.1)	—	(11.9)	(12.0)
Total Adjustments to EBITDA	\$ 5.0	\$ 1.0	\$ 5.0	\$ 11.0	\$ 4.4	\$ 6.0	\$ (11.4)	\$ (1.0)

(Unaudited)

(Dollars in millions)	Three Months Ended September 30, 2021				Three Months Ended September 30, 2020			
	Mobile Industries	Process Industries	Corporate	Timken	Mobile Industries	Process Industries	Corporate	Timken
Depreciation and amortization expense (GAAP)	\$ 19.8	\$ 21.3	\$ 0.2	\$ 41.3	\$ 19.3	\$ 21.7	\$ 0.2	\$ 41.2
Adjusted depreciation and amortization expense	19.8	21.0	0.2	41.0	19.3	21.5	0.2	41.0
Total Adjustments to Depreciation and Amortization	\$ —	\$ 0.3	\$ —	\$ 0.3	\$ —	\$ 0.2	\$ —	\$ 0.2
Total Adjustments to Income Before Income Taxes	\$ 5.0	\$ 1.3	\$ 5.0	\$ 11.3	\$ 4.4	\$ 6.2	\$ (11.4)	\$ (0.8)

Supplemental Information: EBITDA Adjustments and Depreciation & Amortization by Segment

(Unaudited)

(Dollars in millions)

	Nine Months Ended September 30, 2021				Nine Months Ended September 30, 2020			
	Mobile Industries	Process Industries	Corporate	Timken	Mobile Industries	Process Industries	Corporate	Timken
Cost of products sold	\$ 3.0	\$ 2.4	\$ —	\$ 5.4	\$ 2.8	\$ 2.2	\$ —	\$ 5.0
Selling, general and administrative expense	—	—	1.9	1.9	—	—	0.6	0.6
Impairment and restructuring charges	3.9	4.3	—	8.2	7.9	10.3	0.5	18.7
Other (income) expense, net	—	—	7.4	7.4	(2.2)	—	(3.2)	(5.4)
Total Adjustments to EBITDA	\$ 6.9	\$ 6.7	\$ 9.3	\$ 22.9	\$ 8.5	\$ 12.5	\$ (2.1)	\$ 18.9

(Unaudited)

(Dollars in millions)

	Nine Months Ended September 30, 2021				Nine Months Ended September 30, 2020			
	Mobile Industries	Process Industries	Corporate	Timken	Mobile Industries	Process Industries	Corporate	Timken
Depreciation and amortization expense (GAAP)	\$ 60.4	\$ 65.3	\$ 0.8	\$ 126.5	\$ 59.6	\$ 65.0	\$ 0.6	\$ 125.2
Adjusted depreciation and amortization expense	60.4	64.5	0.8	125.7	57.7	64.1	0.6	122.4
Total Adjustments to Depreciation and Amortization	\$ —	\$ 0.8	\$ —	\$ 0.8	\$ 1.9	\$ 0.9	\$ —	\$ 2.8
Total Adjustments to Income Before Income Taxes	\$ 6.9	\$ 7.5	\$ 9.3	\$ 23.7	\$ 10.4	\$ 13.4	\$ (2.1)	\$ 21.7

GAAP Reconciliation: Net Income & EPS

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

The following reconciliation is provided as additional relevant information about the Company's performance deemed useful to investors. Management believes that the non-GAAP measures of adjusted net income and adjusted diluted earnings per share are important financial measures used in the management of the business, including decisions concerning the allocation of resources and assessment of performance. Management believes that reporting adjusted net income and adjusted diluted earnings per share is useful to investors as these measures are representative of the Company's core operations.

(Dollars in millions, except share data)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2021	EPS	2020	EPS	2021	EPS	2020	EPS
Net Income Attributable to The Timken Company	\$ 88.1	\$ 1.14	\$ 88.8	\$ 1.16	\$ 306.2	\$ 3.97	\$ 231.4	\$ 3.04
Adjustments: ⁽¹⁾								
Impairment, restructuring and reorganization charges ⁽²⁾	\$ 5.9		\$ 13.3		\$ 13.3		\$ 24.9	
Corporate pension and other postretirement benefit related expense (income) ⁽³⁾	3.9		(11.9)		8.3		(3.1)	
Acquisition-related charges ⁽⁴⁾	1.5		(0.5)		2.1		3.7	
Property losses (recoveries) and related expenses ⁽⁵⁾	—		(1.7)		—		(3.8)	
Noncontrolling interest of above adjustments	—		—		0.2		—	
Provision for income taxes ⁽⁶⁾	(8.4)		(1.6)		(26.3)		(5.0)	
Total Adjustments:	2.9	0.04	(2.4)	(0.03)	(2.4)	(0.03)	16.7	0.21
Adjusted Net Income Attributable to The Timken Company	\$ 91.0	\$ 1.18	\$ 86.4	\$ 1.13	\$ 303.8	\$ 3.94	\$ 248.1	\$ 3.25

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

⁽²⁾ Impairment, restructuring and reorganization charges (including items recorded in cost of products sold) relate to: (i) plant closures; (ii) the rationalization of certain plants; (iii) severance related to cost reduction initiatives and (iv) related depreciation and amortization. The Company re-assesses its operating footprint and cost structure periodically, and makes adjustments as needed that result in restructuring charges. However, management believes these actions are not representative of the Company's core operations.

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

⁽⁵⁾ Represents property loss and related expenses during the period presented (net of insurance recoveries received in 2020) resulting from property loss that occurred during the first quarter of 2019 at one of the Company's warehouses in Knoxville, Tennessee and during the third quarter of 2019 at one of the Company's warehouses in Yantai, China.

⁽⁶⁾ Provision for income taxes includes the net tax impact on pre-tax adjustments (listed above), the impact of discrete tax items recorded during the respective periods as well as other adjustments to reflect the use of one overall effective tax rate on adjusted pre-tax income in interim periods.

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

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.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	Percentage to Net Sales	2020	Percentage to Net Sales	2021	Percentage to Net Sales
Net Income	\$ 91.6	8.8 %	\$ 91.3	10.2 %	\$ 314.8	10.1 %
Provision for income taxes	20.4		26.6		75.1	
Interest expense	14.8		16.3		45.0	
Interest income	(0.5)		(0.9)		(1.7)	
Depreciation and amortization	41.3		41.2		126.5	
Consolidated EBITDA	\$ 167.6	16.2 %	\$ 174.5	19.5 %	\$ 559.7	17.9 %
Adjustments:						
Impairment, restructuring and reorganization charges ⁽¹⁾	\$ 5.6		\$ 13.1		\$ 12.5	
Corporate pension and other postretirement benefit related expense (income) ⁽²⁾	3.9		(11.9)		8.3	
Acquisition-related charges ⁽³⁾	1.5		(0.5)		2.1	
Property losses (recoveries) and related expenses ⁽⁴⁾	—		(1.7)		—	
Total Adjustments	11.0	1.0 %	(1.0)	(0.1) %	22.9	0.7 %
Adjusted EBITDA	\$ 178.6	17.2 %	\$ 173.5	19.4 %	\$ 582.6	18.6 %

⁽¹⁾ Impairment, restructuring and reorganization charges (including items recorded in cost of products sold) relate to: (i) plant closures; (ii) the rationalization of certain plants; and (iii) severance related to cost reduction initiatives. The Company re-assesses its operating footprint and cost structure periodically, and makes adjustments as needed that result in restructuring charges. However, management believes these actions are not representative of the Company's core operations.

⁽²⁾ Corporate pension and other postretirement benefit related expense (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⁾ Acquisition-related charges represent deal-related expenses associated with completed and certain unsuccessful transactions, as well as any resulting inventory step-up impact and measurement period adjustments to the bargain purchase gain on the acquisition of the assets of Aurora that closed on November 30, 2020.

⁽⁴⁾ Represents property loss and related expenses during the period presented (net of insurance recoveries received in 2020) resulting from property loss that occurred during the first quarter of 2019 at one of the Company's warehouses in Knoxville, Tennessee and during the third quarter of 2019 at one of the Company's warehouses in Yantai, China.

GAAP Reconciliation: Segment EBITDA & EBITDA Margin

Reconciliation of segment EBITDA Margin, After Adjustments, to segment EBITDA as a Percentage of Sales and segment EBITDA, After Adjustments, to segment EBITDA:

(Unaudited)

The following reconciliation is provided as additional relevant information about the Company's Mobile Industries and Process Industries segment performance deemed useful to investors. Management believes that non-GAAP measures of adjusted EBITDA and adjusted EBITDA margin for the segments are useful to investors as they are representative of each segment's core operations and are used in the management of the business, including decisions concerning the allocation of resources and assessment of performance.

Mobile Industries

(Dollars in millions)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2021	Percentage to Net Sales	2020	Percentage to Net Sales	2021	Percentage to Net Sales	2020	Percentage to Net Sales
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$ 53.2	10.9 %	\$ 64.0	14.9 %	\$ 200.1	13.5 %	\$ 177.9	14.4 %
Impairment, restructuring and reorganization charges ⁽¹⁾	4.8		6.6		6.3		10.2	
Acquisition-related charges ⁽²⁾	0.2		(0.5)		0.6		2.1	
Property losses (recoveries) and related expenses ⁽³⁾	—		(1.7)		—		(3.8)	
Adjusted EBITDA	\$ 58.2	11.9 %	\$ 68.4	16.0 %	\$ 207.0	13.9 %	\$ 186.4	15.1 %

Process Industries

(Dollars in millions)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2021	Percentage to Net Sales	2020	Percentage to Net Sales	2021	Percentage to Net Sales	2020	Percentage to Net Sales
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$ 129.7	23.6 %	\$ 109.2	23.4 %	\$ 401.9	24.5 %	\$ 343.0	24.8 %
Impairment, restructuring and reorganization charges ⁽¹⁾	0.8		6.2		6.2		11.5	
Acquisition-related charges ⁽²⁾	0.2		(0.2)		0.5		1.0	
Adjusted EBITDA	\$ 130.7	23.8 %	\$ 115.2	24.7 %	\$ 408.6	24.9 %	\$ 355.5	25.7 %

⁽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; and (iii) severance related to cost reduction initiatives. The Company re-assesses its operating footprint and cost structure periodically, and makes adjustments as needed that result in restructuring charges. However, management believes these actions are not representative of the Company's core operations.

⁽²⁾ The acquisition-related charges represent the inventory step-up impact.

⁽³⁾ Represents property loss and related expenses during the period presented (net of insurance recoveries received in 2020) resulting from property loss that occurred during the first quarter of 2019 at one of the Company's warehouses in Knoxville, Tennessee and during the third quarter of 2019 at one of the Company's warehouses in Yantai, China.

GAAP Reconciliation: Consolidated EBITDA

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

(Unaudited)

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

(Dollars in millions)	Twelve Months Ended September 30, 2021		Twelve Months Ended December 31, 2020	
Net Income	\$	370.1	\$	292.4
Provision for income taxes		94.8		103.9
Interest expense		60.3		67.6
Interest income		(2.4)		(3.7)
Depreciation and amortization		168.4		167.1
Consolidated EBITDA	\$	691.2	\$	627.3
Adjustments:				
Impairment, restructuring and reorganization charges ⁽¹⁾	\$	16.3	\$	25.9
Corporate pension and other postretirement benefit related expense ⁽²⁾		29.9		18.5
Acquisition-related charges ⁽³⁾		3.0		3.7
Acquisition-related gain ⁽⁴⁾		(12.0)		(11.1)
Gain on sale of real estate		(0.4)		(0.4)
Property losses (recoveries) and related expenses ⁽⁵⁾		(1.7)		(5.5)
Tax indemnification and related items		0.5		0.5
Total Adjustments		35.6		31.6
Adjusted EBITDA	\$	726.8	\$	658.9

⁽¹⁾ Impairment, restructuring and reorganization charges (including items recorded in cost of products sold) relate to: (i) plant closures; (ii) the rationalization of certain plants and (iii) severance related to cost reduction initiatives. The Company re-assesses its operating footprint and cost structure periodically, and makes adjustments as needed that result in restructuring charges. However, management believes these actions are not representative of the Company's core operations.

⁽²⁾ Corporate pension and other postretirement benefit related expense represents actuarial losses and (gains) that resulted from the remeasurement of plan assets and obligations as a result of changes in assumptions or experience. The Company recognizes actuarial losses and (gains) in connection with the annual remeasurement in the fourth quarter, or if specific events trigger a remeasurement.

⁽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 gain on the acquisition of the assets of Aurora that closed on November 30, 2020.

⁽⁵⁾ Represents property loss and related expenses during the periods presented (net of insurance recoveries received in 2020) resulting from property loss that occurred during the first quarter of 2019 at one of the Company's warehouses in Knoxville, Tennessee and during the third quarter of 2019 at one of the Company's warehouses in Yantai, China.

GAAP Reconciliation: Net Debt & Free Cash Flow

Reconciliation of Total Debt to Net Debt, the Ratio of Net Debt to Capital, and the Ratio of Net Debt to Adjusted EBITDA:

(Unaudited)

These reconciliations are provided as additional relevant information about the Company's financial position deemed useful to investors. Capital, used for the ratio of net debt to capital, is a non-GAAP measure defined as total debt less cash and cash equivalents plus total shareholders' equity. Management believes Net Debt, the Ratio of Net Debt to Capital, Adjusted EBITDA (see below), and the Ratio of Net Debt to Adjusted EBITDA are important measures of the Company's financial position, due to the amount of cash and cash equivalents on hand. The Company presents net debt to adjusted EBITDA because it believes it is more representative of the Company's financial position as it is reflective of the ability to cover its net debt obligations with results from its core operations.

(Dollars in millions)

	September 30, 2021	December 31, 2020
Short-term debt, including current portion of long-term debt	\$ 39.0	\$ 130.7
Long-term debt	1,417.0	1,433.9
Total Debt	\$ 1,456.0	\$ 1,564.6
Less: Cash and cash equivalents	(261.8)	(320.3)
Net Debt	\$ 1,194.2	\$ 1,244.3
Total Equity	\$ 2,376.4	\$ 2,225.2
Ratio of Net Debt to Capital	33.4 %	35.9 %
Adjusted EBITDA for the Twelve Months Ended	\$ 726.8	\$ 658.9
Ratio of Net Debt to Adjusted EBITDA	1.6	1.9

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

(Unaudited)

Management believes that free cash flow is a non-GAAP measure that is useful to investors because it is a meaningful indicator of cash generated from operating activities available for the execution of its business strategy.

(Dollars in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net cash provided by operating activities	\$ 105.8	\$ 153.6	\$ 284.6	\$ 457.2
Less: capital expenditures	(43.1)	(29.2)	(103.6)	(85.7)
Free cash flow	\$ 62.7	\$ 124.4	\$ 181.0	\$ 371.5