



Fourth-Quarter and Full Year 2021 Results

January 31, 2022

TRANE
TECHNOLOGIES

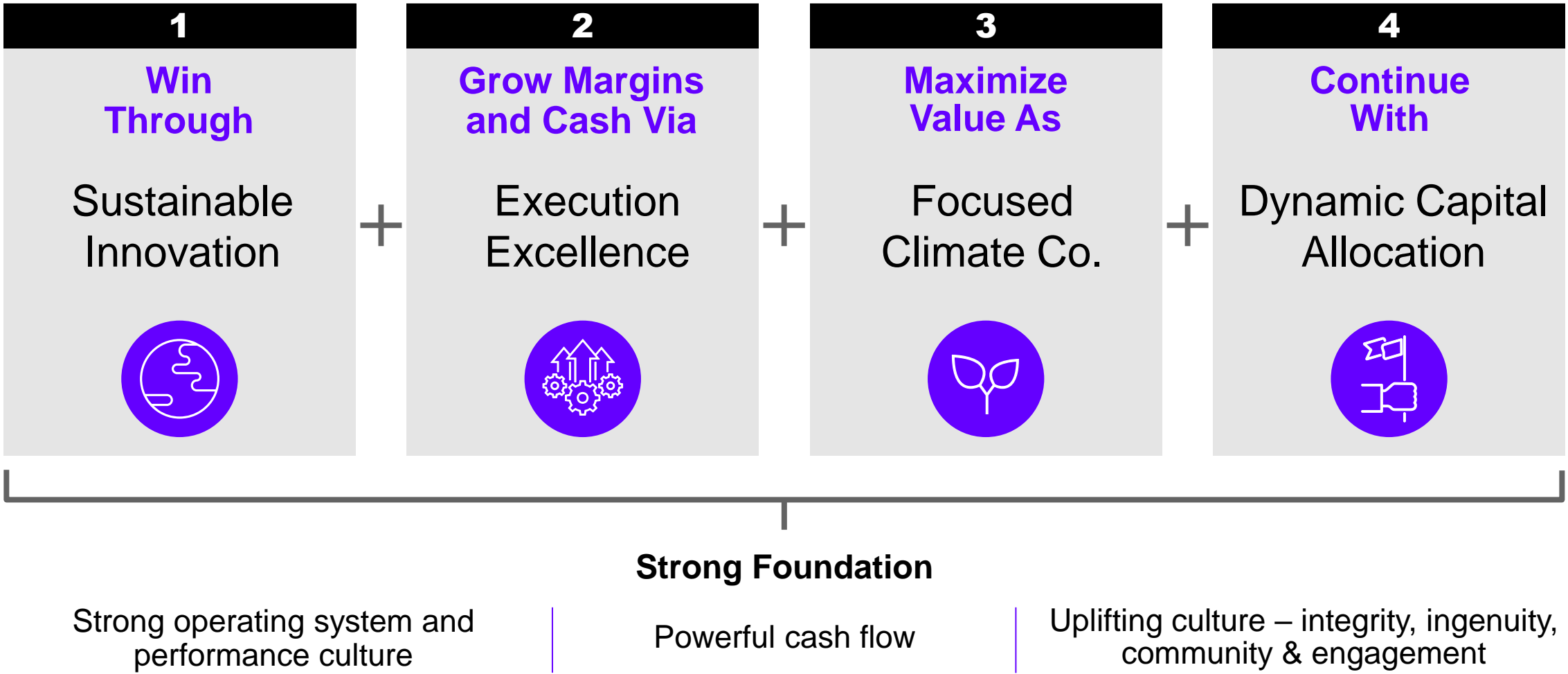
Safe Harbor

This presentation includes “forward-looking statements” which are statements that are not historical facts, including statements that relate to our future performance, statements relating to the continued impact of the COVID-19 global pandemic, capital deployment including the amount and timing of our dividends, our share repurchase program including the amount of shares to be repurchased and the timing of such repurchases and our capital allocation strategy including acquisitions (if any); our projected free cash flow and usage of such cash; our available liquidity; performance of the markets in which we operate; restructuring activity and cost savings associated with such activity; our projected financial performance and targets including assumptions regarding our effective tax rate.

These forward-looking statements are based on our current expectations and are subject to risks and uncertainties, which may cause actual results to differ materially from our current expectations. Such factors include, but are not limited to, the impact of the global COVID-19 pandemic on our business, our suppliers and our customers, global economic conditions taking into account the global COVID-19 pandemic, disruption and volatility in the financial markets due to the COVID-19 pandemic, improvement in market conditions (if any) with global vaccine administration, commodity shortages, supply chain constraints and price increases, the outcome of any litigation, risks and uncertainties associated with the Chapter 11 proceedings for our deconsolidated subsidiaries Aldrich Pump LLC and Murray Boiler LLC, cybersecurity issues, demand for our products and services, and tax audits and tax law changes and interpretations. Additional factors that could cause such differences can be found in our Form 10-K for the year ended December 31, 2020, as well as our subsequent reports on Form 10-Q and other SEC filings. We assume no obligation to update these forward-looking statements.

This presentation also includes non-GAAP financial information which should be considered supplemental to, not a substitute for, or superior to, the financial measure calculated in accordance with GAAP. The definitions of our non-GAAP financial information are included as an appendix in our presentation and reconciliations can be found in our earnings releases for the relevant periods located on our website at www.tranetechnologies.com. Unless otherwise indicated, all data beyond the fourth quarter of 2021 are estimates.

Focused Strategy Delivers Differentiated Shareholder Returns



Strong Q4 & 2021 Despite Challenging Environment; Record Bookings / Backlog, Healthy End Markets, Solid Foundation for 2022 & Beyond

- **Strong close to 2021 in Q4**
 - Organic bookings +27%, organic revenues +11%, adj. EPS +32%
 - Solid incremental margins despite mat'l inflation & significant negative productivity impacts from supply chain, freight/tight logistics, labor (Omicron)
 - Delivered high-end of \$50M to \$75M revenues pushed from Q3 to Q4
- **Record 2021 performance across bookings, revenue, backlog, operating margin and adj. EPS growth**
 - Strong free cash flow and capital deployment
 - Record price realization demonstrating power of business operating system
- **Well-positioned for profitable growth in 2022 and 2023**
 - Backlog at historic levels; underlying market demand remains healthy
 - Growth, margins limited near term by supply / inflation, not demand fundamentals
 - Backlog expected to remain elevated well into 2023
- **Powerful FCF, financial position, liquidity and balance sheet bolster resilience and optionality**
- **Initiating 2022 guidance w/ HSD organic revenue growth and adj. EPS of \$6.95 to \$7.15, constrained by supply chain and inflation**
 - Expect challenging 1H, strong 2H cadence
- **Leader in addressing customers' most complex sustainability challenges**
 - Drives consistent financial performance and differentiated shareholder returns over long term

* Includes certain Non-GAAP financial measures. See the company's Q4 2021 earnings release for additional details and reconciliations.

Strong Execution in 2021; Exceeded Financial Commitments & Delivered 37% EPS Growth Despite Dynamic Macroeconomic Landscape

	2021 Initial Guidance**	2021 Results	
Organic Revenue*	+5% to +7%	+11%	✓
Organic Operating Leverage*	~30%	29%	✓
Adj EPS*	\$5.30 to \$5.50	\$6.09	✓
Free Cash Flow*	≥ 100% Adj. Net Earnings	97% Adj. Net Earnings	✓

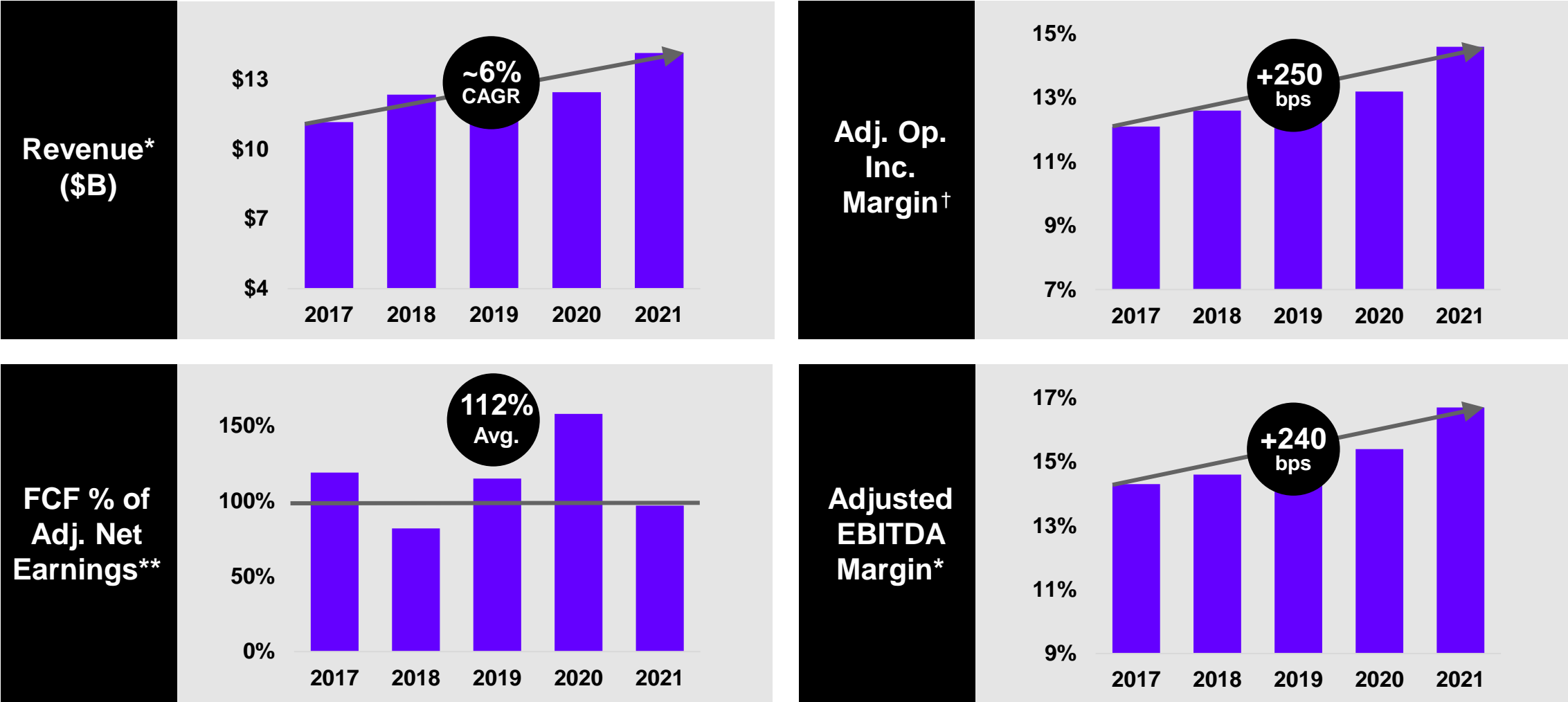


- Robust revenue, end market outgrowth and strong margin expansion
- Strong organic operating leverage despite price / cost and supply chain impacts
- Powerful free cash flow of ~\$1.43B

* Includes certain Non-GAAP financial measures. See the company's Q4 2021 earnings release for additional details and reconciliations.

** Initial 2021 guidance, February 5, 2021

Relentless Investments in Innovation & Customer Focus Driving Top-Quartile Financial Performance



* 2017, 2018, 2019 and 2020 historical information restated to reflect Ingersoll Rand Industrial segment in discontinued operations
** 2017 and 2018 free cash flow conversion history based on pre-RMT transaction consolidated Ingersoll Rand financial statements
† 2018, 2019 and 2020 historical information restated to reflect Ingersoll Rand Industrial segment in discontinued operations. 2017 calculated based on historical Climate segment adj. op. inc. less adj. unallocated corporate costs divided by Climate segment revenues

Leading ESG Performance in 2021; Exceeded Annual Targets on Glidepath to 2030 Sustainability Commitments



ENVIRONMENTAL

- Gigaton Challenge (target reduction in customer GHG emissions in 2021) ✓
- Carbon-neutral operations (target reduction in internal GHG emissions in 2021) ✓

Recent ESG Recognition



SOCIAL

- Gender parity in senior leadership (increase % women in management roles in 2021) ✓
- Workforce diversity reflective of communities (increase % US racial / ethnic diversity in 2021) ✓



**Forbes
World's Best
Employers
2021**



GOVERNANCE

- Linked 2021 annual incentive compensation for 2,300 leaders to specific ESG metrics ✓

Look for more details on our 2030 commitments in our 2021 ESG report to be published in Q2

Robust Bookings w/ Broad-Based Growth in All Segments; Strong Revenue Growth Despite Supply Chain Impacts

Q4 Organic* Y-O-Y Change

	Bookings	Revenue
Enterprise	+ 27%	+ 11%
Americas	+ 31%	+ 14%
Commercial HVAC	+	+
Residential HVAC	+	+
Transport	+	+
EMEA	+ 13%	+ 5%
Commercial HVAC	+	-
Transport	+	+
Asia Pacific	+ 18%	+ 4%
Commercial HVAC	+	+
Transport	-	-

Americas

- CHVAC bookings up mid 20s vs down MSD comp PY; Revs up HSD w/ strong growth in equip and svcs
- Res HVAC bookings up 30+%; Revs up mid-to-high teens on tough PY comp (20+%)
- Transport bookings up 40+%, order book open for first 3 quarters of 2022; Revs up 30+%; FY bookings up 70+%, FY revs up 30+% w/ trailer and APU each 30+%, outpacing transport end mkts
- Americas – record backlog entering 2022

EMEA

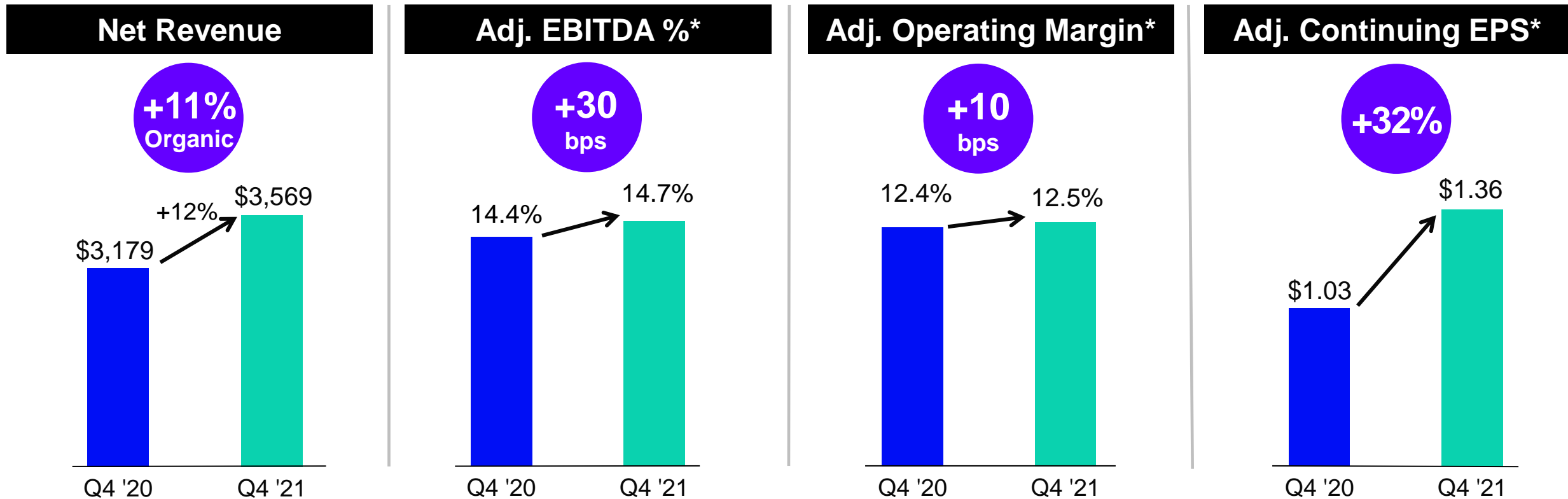
- CHVAC bookings up HSD; Revs down MSD, w/ svcs growth offset by supply chain impacted equip rev delays
- Transport bookings and revs up high-teens; FY bookings up 40+%, FY revs up 20+%, outpacing transport end mkts
- EMEA – record backlog entering 2022

Asia Pacific

- CHVAC bookings up 20+%; Revs up HSD w/ growth across region
- Transport bookings down HSD and revs down mid-teens
- COVID-19 pandemic remains a challenge in the region overall
- Asia Pacific – record backlog entering 2022

*Organic bookings and organic revenues exclude acquisitions and currency

Strong Revenue and EPS Growth Despite Challenging Macro Backdrop



- Org rev growth driven by strong demand for innovative systems / svcs & price execution (+~\$175M)
- Low-teens org equip rev growth (incl. sales pushed from Q3); MSD org svcs rev growth

- Strong incrementals on volume growth
- Slightly positive price / cost despite persistent material inflation
- Productivity / other inflation significantly impacted by supply chain / freight / tight logistics / labor availability (Omicron)
- Continued incremental business reinvestment in innovation, technology, productivity

- Primarily driven by higher op income
- FY21 adj. eff tax rate (18.7%) consistent w/ FY21 outlook of ~19% to ~20%

*Includes certain Non-GAAP financial measures. See the company's Q4 2021 earnings release for additional details and reconciliations.

Strong Organic Revenue Growth in Dynamic Macroeconomic Environment

\$M	Revenue Org. Growth	Adj. EBITDA% vs PY	Adj. OI% vs PY	Highlights
Americas	\$2,750 +14%	15.9% -30 bps	13.6% -40 bps	<ul style="list-style-type: none"> Strong incrementals from volume growth / positive price / cost offset by significant productivity impacts from supply chain, freight / logistics, Omicron and business reinvestment Sustainability-focused innovation, strong end markets, IAQ full systems approach (svcs, controls, equip) driving strong demand
EMEA	\$483 +5%	15.7% -50 bps	14.0% -60 bps	<ul style="list-style-type: none"> Strong execution / productivity / price / volume / cost controls impacted by material inflation / supply chain / logistics Electrification of heat / transport new product launches driving strong demand
Asia Pacific	\$337 +4%	19.2% +100 bps	18.0% +30 bps	<ul style="list-style-type: none"> Rev growth across mixed end markets Strong execution / productivity / cost controls Price / cost challenging near term

* Includes certain Non-GAAP financial measures. See the company's Q4 2021 earnings release for additional details and reconciliations.

Record Backlog, Strong Underlying Demand for Sustainability-Focused Systems and Services Support 2022 / 2023 Outlook

Americas

Commercial HVAC

- Strong backlog entering 2022; End markets improving, e.g., strong GDP growth, ABI > 50 since Feb 2021
- Data center / warehouse / education / healthcare remain strong; systems and services well-positioned to take advantage of education stimulus spending
- IAQ demand strong for comprehensive end-to-end solutions; IAQ remains long-term tailwind

Residential HVAC

- Record backlog entering 2022; dynamic environment near term; strong price realization / tough comps from 2021
- Continuing to meet customer demand while ramping capacity

Transport

- Strong mkt outgrowth in 2021, up 30+%; wtd avg mkt growth outlook remains strong, ~12% in 2022
- Expect partial backlog burn / bookings declines in 2022 (particularly Q1), w/ strong backlog entering 2023

EMEA

- **CHVAC** continued underlying demand for innovative, sustainability-focused products and services
- **Transport** strong rev growth during 2021, up 20+%; growth expected to continue in 2022 w/ ~3% wtd avg mkt growth; IHS forecasting modest Europe trailer growth in 2022 and 2023

Asia Pacific

- **China** vertical markets mixed with cont'd strength in data center, electronics, pharma and healthcare
- **Rest of Asia** outlook remains mixed, partial lockdowns in some countries driving continued challenges / uncertainty

Leveraging Value Creation Framework to Outgrow Markets In Dynamic Environment

Organic Revenues	+ HSD*	<ul style="list-style-type: none"> Guidance reflects strong end mkt demand / opening backlog / supply chain constraints
Adj. EPS	\$6.95 to \$7.15* (+14% to +17%)	<ul style="list-style-type: none"> Expect strong 2H w/ easing inflation and improving supply chain
Operating Leverage	Organic ~20%	<ul style="list-style-type: none"> Price / cost slightly positive FY, 1H negative Supply chain, tight logistics, labor (Omicron) impacting margins (esp. 1H) Continue to reinvest; innovation, productivity
Free Cash Flow	= / > Adj. Net Earnings	<ul style="list-style-type: none"> Capex ~2% of revs for automation, growth, supply chain resiliency, decarbonization Expect modest working capital investment

*2022 FX unknown. FX revs leverage at translational OI% (~15% in 2021); ~1pt of FX rev headwind = ~\$0.05 EPS

**See pg. 22 for additional details

***2022 guidance excludes ~\$15M expense / ~\$60M in cash related to executive retirements and ~\$270M in cash related to creating a qualified settlement fund which we expect to fund during Q1 2022 (for more info see 8-K filed 9/24/2021 and other SEC filings)

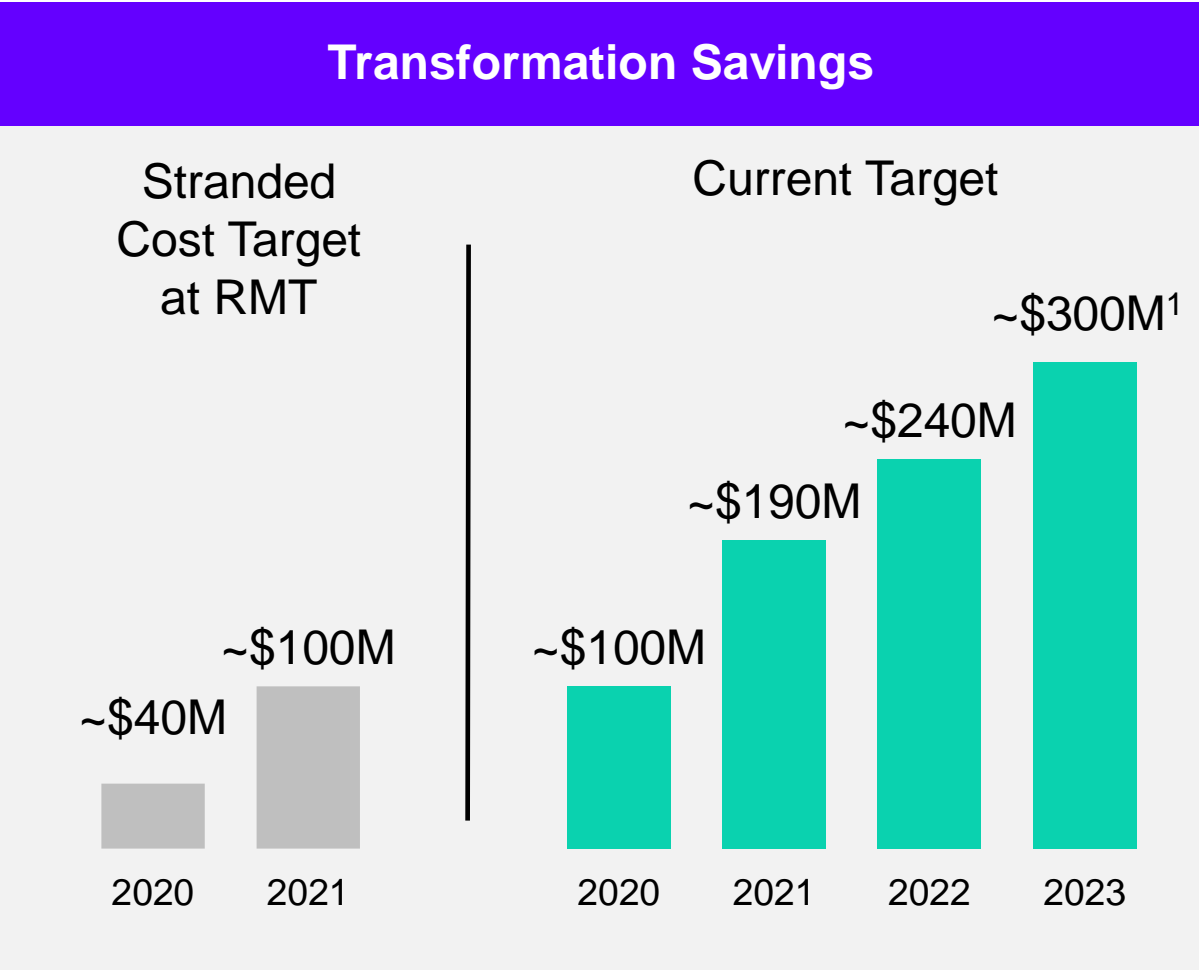
Leveraging Proven Business Operating System in Challenging Macroeconomic Environment

Organic Revenues	+LSD to +MSD	<ul style="list-style-type: none"> Supply chain, logistics, labor avail (Omicron) constrained output level Growth largely from strong price realization, unit volume flat to modestly down
Adj. EPS	~\$0.95 to ~\$1.00*	<ul style="list-style-type: none"> Expect OI down YOY ~\$35M Unit volume flat / down; negligible OI YOY Price / cost minus ~\$30M to ~\$40M YOY (lapping strong price / modest mat'l infl. in PY) Supply chain, logistics, labor constraints limiting productivity Maintain strategic business reinvestment
Other Items (for modeling purposes)	~\$56M Interest Expense ~17% Adj. Eff. Tax Rate ~238M Share Count	<ul style="list-style-type: none"> Assumes tax rate flat to PY Tax rate seasonally low in Q1 due to stock based compensation

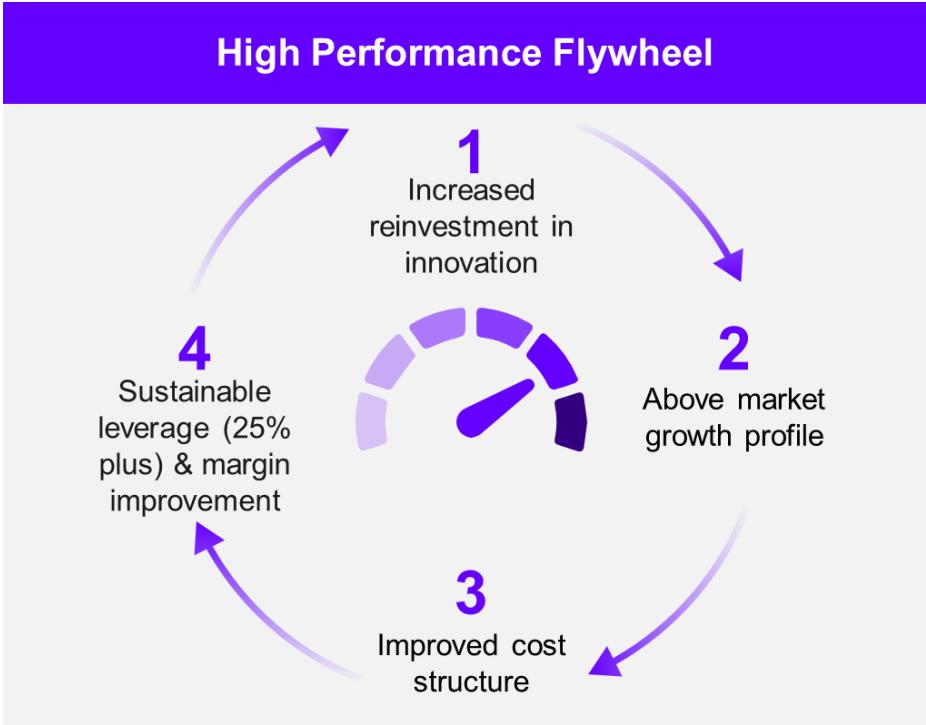
*Anticipate FX revenues to leverage at translational OI % (~12% in Q1 2021); ~1.0 pts of FX rev headwind = ~\$0.01 EPS

**Current guidance includes ~1.0 pts of FX rev headwind in Q1

On Track to Deliver ~\$300M Total Transformation Savings by 2023; Fueling Innovation / Investments Across Portfolio



- Delivered ~\$90M incremental savings in 2021 after delivering stranded / fixed cost take-out of ~\$100M in 2020; 2021 total = ~\$190M
- ~\$300M transformation savings adds fuel to high-performance flywheel



1. Expenses Related to Achieving Cost Reductions \$100M - \$150M through 2022; ~\$4M spent in Q4; ~\$126M cumulative 2020 and 2021

Strong FCF Drives Continued Balanced Capital Deployment Strategy

1

Invest for Growth

- Strengthen the core business and extend product & market leadership
- Invest in new technology and innovation
- Fully invest in strategic, value-accretive M&A

2

Maintain Healthy, Efficient Balance Sheet

- Expect to deliver FCF \geq 100% of adjusted net earnings
- Strengthening balance sheet
- Strong BBB investment grade rating offers optionality as markets evolve

3

Return Capital to Shareholders

- Expect to consistently deploy 100% of excess cash over time
- Pay competitive dividend and grow dividend at or above rate of earnings growth over time
- Repurchase shares with excess cash when intrinsic value provides high returns

* Includes certain Non-GAAP financial measures. See the company's Q4 2021 earnings release for additional details and reconciliations.

Deployed \$2.4B in Balanced Capital Allocation in FY 2021; ~\$2.5B Expected in 2022

Balanced Capital Deployment

	FY 2021	FY 2022
Dividends	\$0.6B	~\$0.6B
M&A, investments	\$0.3B	~\$1.9B
Share repurchases	\$1.1B	
Debt retirement	\$0.4B	N/A
Total Capital Deployed	\$2.4B	~\$2.5B

FY 2022 Outlook

- **Balanced capital deployment of ~\$2.5B**
- Announced intended 14% 1Q 2022 quarterly dividend increase to \$2.68 per share annualized, up 26% since the launch of Trane Technologies (Mar 2020)
- M&A pipeline remains active (channel and technology)
- Shares remain attractive, trading below intrinsic value; ~\$350M shares repurchased Jan YTD



Topics of Interest

Significant Market Outgrowth in 2021; Expect Continued Market Growth in 2022

N.A. and EMEA Market Results / Forecast

2021 Transport N.A. Market Results*

Trailer / Truck / APU wtd avg

+19%

(30+% Thermo King)

2022 Transport N.A. Market Outlook**

Trailer / Truck / APU wtd avg

+16%

2021 Transport EMEA Market Results

Trailer / Truck wtd avg

+17%

(30+% Thermo King)

2022 Transport EMEA Market Outlook

Trailer / Truck wtd avg

+4%

Source: ACT / IHS / Company Estimates

*Includes 2021 N.A. Trailer build of 38.5K, up 19%

**Includes 2022 N.A. Trailer build fcst of 44.7K, up 16%

N.A. and EMEA 2022 Strong Market Outlook EMEA / N.A. Expected Growth in 2022 & 2023

- **Trailer/Truck/APU: ~2/3^{rds} of Total Transport Revenue**
 - N.A. growth estimates up ~16%; EMEA growth estimates up ~4%
- **Marine/Bus/Rail/Air/Aftermarket (“all other”): ~1/3rd of Total Transport Revenue**
 - N.A. and EMEA wtd avg. growth estimates up LSD

Total Transport wtd avg growth: Truck/Trailer/APU/Marine/Bus/Rail/Air

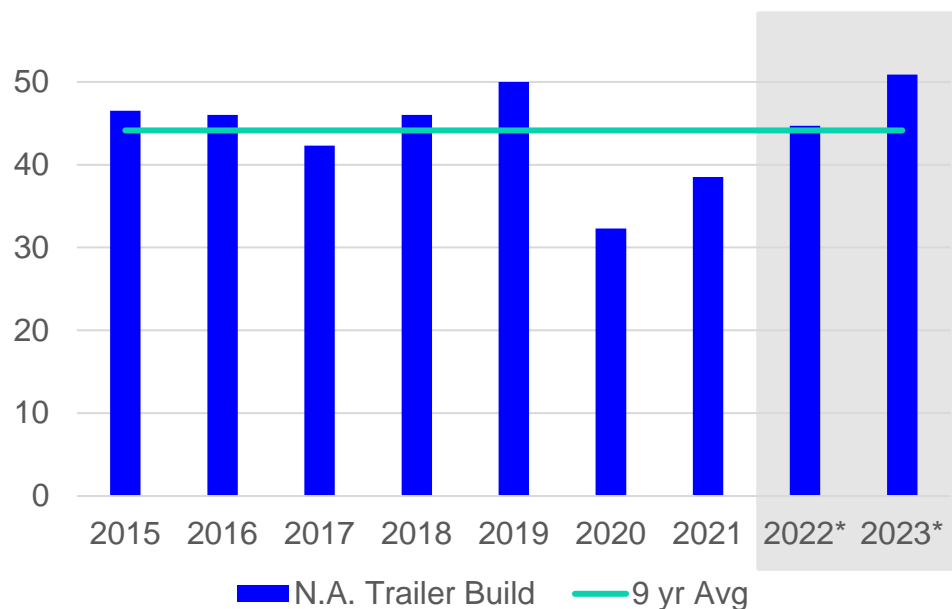
	2021 Mkt	2021 TK	2022 Mkt
Americas	15%	30+%	12%
EMEA	13%	20+%	3%

- **Diversified Americas / EMEA transport business outperformed end-markets in 2021; Expect continued outperformance in 2022**

*** Americas and EMEA represent ~50% and ~40% of global Transport revenues, respectively

Transport Growth Outlook: ACT / IHS Projecting Continued Growth into 2022 / 2023

North America Trailer Market Outlook



* Forecast shown in grey
Source: ACT

N.A. / EMEA Strong Market Outlook into 2022 / 23

- Underlying transport refrigeration demand remains strong
- 2021 N.A. OEM build capacity constrained for trailer/truck/APU
- Underlying demand pushing out to 2022 / 23
 - ACT N.A. Trailer 2022 / 23 outlook strong, +16% and +14%, respectively
 - ACT N.A. Truck / APU forecasts also strong; projecting double-digit growth in 2022 / 23
 - IHS forecasts modest Europe Trailer growth in 2022 / 23
- Diversified Americas / EMEA transport businesses poised to outperform end-markets w/ cont'd innovation / execution

IN SUMMARY

Positioned to Outperform. Consistently.

Secular Tailwinds

The markets we serve will continue to outgrow GDP fueled by long-term sustainability megatrends

Sustainability Focused Innovation

We are positioned to outgrow the market and expand margins with market-leading sustainable innovations

Margin Expansion

Our execution excellence and transformational work position us to maximize margins and cash generation

Financial Strength

Our strong balance sheet, exceptional cash generation and balanced capital allocation strategy deliver significant value to shareholders



Appendix

FY 2022 Detailed Guidance for Modeling Purposes

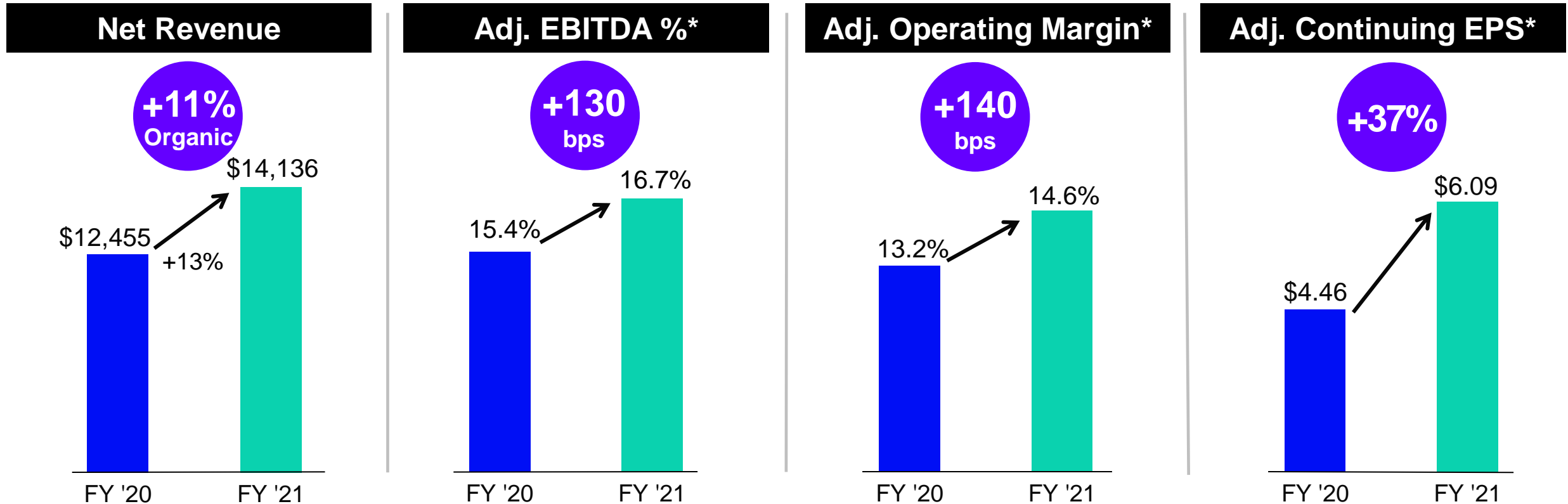
Organic Revenue	Adj. EPS	Commentary
+ HSD	\$6.95 to \$7.15	<ul style="list-style-type: none"> • Expect strong 2H w/ easing inflation and improving supply chain • ~20% FY organic leverage
		Other Items
		<ul style="list-style-type: none"> • ~\$240M Corporate Costs • ~\$225M Interest Expense • ~19% to ~20% Adj. Eff. Tax Rate • ~236M Diluted Shares • ~\$20M in transformation and other restructuring costs (excluded from adj. EPS)**

*Includes certain Non-GAAP financial measures. See the company's Q4 2021 earnings release for additional details and reconciliations.

**Supports initiatives to deliver ~\$300M in annualized savings by 2023 (3X initial \$100M RMT stranded cost reduction target)

***2022 guidance excludes ~\$15M expense / ~\$60M in cash related to executive retirements and ~\$270M in cash related to creating a qualified settlement fund which we expect to fund during Q1 2022 (for more info see 8-K filed 9/24/2021 and other SEC filings)

Strong Execution in 2021; Delivered 37% EPS Growth Despite Dynamic Macroeconomic Landscape



*Includes certain Non-GAAP financial measures. See the company's Q4 2021 earnings release for additional details and reconciliations.

Trane Technologies Core Sustainability Strategy: Challenge Possible

Global Megatrends



CLIMATE CHANGE



DEMOGRAPHICS



URBANIZATION

DIGITAL
CONNECTEDNESSRESOURCE
SCARCITYINDOOR AIR
QUALITY (IAQ)

Our Commitments

The Gigaton Challenge

Reducing one gigaton of carbon emissions (CO₂e) from our customers' footprint by 2030

Leading by Example

Achieving carbon neutral operations, 10% absolute energy reduction, zero waste to landfill and net positive water

Opportunity for All

Creating gender parity in leadership, workforce diversity, investing in STEM education

Material Issues to Focus Our Efforts

Operations

Emissions intensity
Renewable energy
Water usage
Heating electrified

Products and Services

Energy efficiency
Low-emission products
Technology & innovation
Emerging market innovations
Product life cycle

Supply Chain

Responsible sourcing
Supplier diversity

Employees

Diversity and inclusion
Ethics and integrity
Safety
Development
Engagement

Communities

Access to cooling
Food and wellness
Education
Workforce development

Governance

Board oversight
Financial performance
Public policy

Targets Align with Global Priorities



2 Zero Hunger



4 Quality Education



5 Gender Equality



6 Clean Water & Sanitation



7 Affordable & Clean Energy



8 Decent Work & Economic Growth



9 Industry, Innovation & Infrastructure



11 Sustainable Cities & Communities



12 Responsible Consumption & Production



13 Climate Action



We have more than 37,000 amazing, talented people around the world who are aligned to a singular purpose - to boldly challenge what's possible for a sustainable world. — DAVE REGNERY, Chair & CEO

Widely Recognized for Environmental, Social and Governance Performance

Business and Sustainability



11 Consecutive Years

World & North America Index in 2021



Top 100

#2 in Industry Category



B

Climate Change disclosure identified as "Industry Leader"

ecovadis

97th Percentile

72/100; Advanced Overall;
Gold Medal winner



**Top Decile Globally
(5th percentile)**

Identified as "Industry Leader"



**2021 Responsible
Business Awards**

Business Transformation
Award Recipient



Inaugural Recipient

Presented by HRH the Prince
of Wales for Sustainable
Market Transformation



68% higher

score than industry average

FTSE4Good

People and Citizenship



9 years

Most Admired Companies list

Named to Fortune 2021 Best Workplaces in
Manufacturing and Production list



Certified in 2021

for one year through rigorous, data-
based model and employee survey



3rd consecutive year – Diversity

Forbes Best Employers for Diversity
Forbes Best Employers for Women
Forbes America's Best Large Companies
Forbes Global 2000

CEO **ACT!ON** FOR
DIVERSITY & INCLUSION

Continued industry leadership

CEO Action for D&I (since 2017)
Paradigm for Parity (since 2017)
OneTen (since 2020, founding member)



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Q4 Organic Bookings Up 27% Y-O-Y; Organic Revenues Up 11%

Organic* Bookings	2019					2020					2021				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Americas	-2%	-4%	+2%	-7%	-3%	+11%	-5%	+8%	+2%	+4%	+36%	+29%	+20%	+31%	+29%
EMEA	-9%	+0%	-2%	-1%	-3%	-2%	-20%	+6%	+9%	-3%	+18%	+53%	+25%	+13%	+27%
Asia Pacific	+0%	-6%	+3%	-5%	-2%	-17%	-2%	-5%	+2%	-6%	+14%	+12%	+11%	+18%	+14%
Total	-3%	-4%	+2%	-6%	-3%	+6%	-7%	+7%	+3%	+2%	+31%	+30%	+20%	+27%	+27%

Organic* Revenue	2019					2020					2021				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Americas	+12%	+7%	+10%	+9%	+10%	-2%	-13%	+2%	+1%	-3%	+9%	+19%	+4%	+14%	+11%
EMEA	+1%	-3%	+3%	+1%	+1%	-3%	-15%	-6%	-6%	-8%	+12%	+28%	+8%	+5%	+13%
Asia Pacific	+2%	+0%	-4%	-1%	-1%	-34%	-5%	-2%	-6%	-11%	+34%	+2%	+1%	+4%	+7%
Total	+10%	+5%	+8%	+7%	+7%	-5%	-13%	+50bps	-1%	-5%	+11%	+18%	+4%	+11%	+11%

*Organic revenues and bookings exclude acquisitions and currency

Q4 Non-GAAP Measures Definitions

Organic bookings is defined as reported orders in the current period adjusted for the impact of currency and acquisitions. Organic revenue is defined as GAAP net revenues adjusted for the impact of currency and acquisitions

Adjusted operating income in 2021 and 2020 is defined as GAAP operating income plus restructuring costs and transformation costs.

Adjusted operating margin is defined as the ratio of adjusted operating income divided by net revenues.

Adjusted earnings from continuing operations attributable to Trane Technologies plc (adjusted net earnings) in 2021 is defined as GAAP earnings from continuing operations attributable to Trane Technologies plc plus restructuring costs and transformation costs less the gain on release of a pension indemnification liability, net of tax impacts. Adjusted net earnings in 2020 is defined as GAAP earnings from continuing operations attributable to Trane Technologies plc plus restructuring costs and transformation costs less the gain on M&A transaction, net of tax impacts plus separation-related tax costs.

Adjusted continuing EPS in 2021 is defined as GAAP continuing EPS plus restructuring costs and transformation costs less the gain on release of a pension indemnification liability, net of tax impacts. Adjusted continuing EPS in 2020 is defined as GAAP continuing EPS plus restructuring costs and transformation costs less the gain on M&A transaction, net of tax impacts plus separation-related tax costs.

Adjusted EBITDA in 2021 is defined as adjusted operating income plus depreciation and amortization expense plus or minus other income / (expense), net less the gain on release of a pension indemnification liability. Adjusted EBITDA in 2020 is defined as adjusted operating income plus depreciation and amortization expense plus or minus other income / (expense), net less the gain on M&A transaction.

Adjusted EBITDA margin is defined as the ratio of adjusted EBITDA divided by net revenues.

Q4 Non-GAAP Measures Definitions

Free cash flow in 2021 and 2020 is defined as net cash provided by (used in) continuing operating activities, less capital expenditures, plus cash payments for restructuring costs and transformation costs.

Working capital measures a firm's operating liquidity position and its overall effectiveness in managing the enterprise's current accounts.

- Working capital is calculated by adding net accounts and notes receivables and inventories and subtracting total current liabilities that exclude short-term debt, dividend payables and income tax payables.
- Working capital as a percent of revenue is calculated by dividing the working capital balance (e.g. as of December 31) by the annualized revenue for the period (e.g. reported revenues for the three months ended December 31 multiplied by 4 to annualize for a full year).

Adjusted effective tax rate for 2021 is defined as the ratio of income tax provision less the net tax effect of adjustments for restructuring costs, transformation costs and the gain on release of a pension indemnification liability divided by earnings from continuing operations before income taxes plus restructuring costs and transformation costs less the gain on release of a pension indemnification liability. Adjusted effective tax rate for 2020 is defined as the ratio of income tax provision less the net tax effect of adjustments for restructuring costs, transformation costs and the gain on M&A transaction less separation-related tax costs divided by earnings from continuing operations before income taxes plus restructuring costs and transformation costs less the gain on M&A transaction. This measure allows for a direct comparison of the effective tax rate between periods.

Operating leverage is defined as the ratio of the change in adjusted operating income for the current period (e.g. Q4 2021) less the prior period (e.g. Q4 2020), divided by the change in net revenues for the current period less the prior period.