Fourth Quarter 2020 Earnings Call

John Plant: Executive Chairman and Co-Chief Executive Officer
Tolga Oal: Co-Chief Executive Officer
Ken Giacobbe: EVP and Chief Financial Officer

February 3, 2021

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Important Information

Forward–Looking Statements

This presentation contains statements that relate to future events and expectations and as such constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include those containing such words as "anticipates," "believes," "could," "estimates," "expects," "forecasts," "goal," "guidance," "intends," "may," "outlook," "plans," "projects," "seeks," "sees," "should," "targets," "will," "would," or other words of similar meaning. All statements that reflect Howmet Aerospace's expectations, assumptions or projections about the future, other than statements of historical fact, are forward-looking statements, including, without limitation, statements, forecasts and outlook relating to the condition of end markets; future financial results or operating performance; future strategic actions; Howmet Aerospace's strategies, outlook, and business and financial prospects; and any future share repurchases, which may be subject to market conditions, legal requirements and other considerations. These statements reflect beliefs and assumptions that are based on Howmet Aerospace's perception of historical trends, current conditions and expected future developments, as well as other factors Howmet Aerospace believes are appropriate in the circumstances. Forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and changes in circumstances that are difficult to predict, which could cause actual results to differ materially from those indicated by these statements. Such risks and uncertainties include, but are not limited to: (a) uncertainty of the duration, extent and impact of the COVID-19 pandemic on Howmet Aerospace's business, results of operations, and financial condition; (b) deterioration in global economic and financial market conditions generally, including as a result of pandemic health issues (including COVID-19 and its effects, among other things, on global supply, demand, and distribution disruptions as the COVID-19 pandemic continues and results in an increasingly prolonged period of travel, commercial and/or other similar restrictions and limitations); (c) unfavorable changes in the markets served by Howmet Aerospace; (d) the impact of potential cyber attacks and information technology or data security breaches; (e) the loss of significant customers or adverse changes in customers' business or financial conditions; (f) manufacturing difficulties or other issues that impact product performance, quality or safety; (g) the inability to achieve the level of revenue growth, cash generation, cost savings, improvement in profitability and margins, fiscal discipline, or strengthening of competitiveness and operations anticipated or targeted; (h) competition from new product offerings, disruptive technologies or other developments; (i) geopolitical, economic, and regulatory risks relating to Howmet Aerospace's global operations, including compliance with U.S. and foreign trade and tax laws, sanctions, embargoes and other regulations; (j) the outcome of contingencies, including legal proceedings, government or regulatory investigations, and environmental remediation, which can expose Howmet Aerospace to substantial costs and liabilities; (k) failure to comply with government contracting regulations; (l) adverse changes in discount rates or investment returns on pension assets; (m) inability of suppliers to deliver goods due to disruptions; (n) the impact of changes in raw material prices and foreign currency exchange rates on costs and results; and (o) the other risk factors summarized in Howmet Aerospace's Form 10-K for the year ended December 31, 2019 and Forms 10-Q for the quarters ended March 31, 2020, June 30, 2020 and September 30, 2020, along with other reports filed with the U.S. Securities and Exchange Commission. Market projections are subject to the risks discussed above and other risks in the market. The statements in this release are made as of the date of this release, even if subsequently made available by Howmet Aerospace on its website or otherwise. Howmet Aerospace disclaims any intention or obligation to update publicly any forward-looking statements, whether in response to new information, future events, or otherwise, except as required by applicable law.

Important Information (continued)

On April 1, 2020, Arconic Inc. completed the separation of its businesses into two independent, publicly-traded companies: Howmet Aerospace Inc. (the new name for Arconic Inc.) and Arconic Corporation. The historical results of the businesses that comprise Arconic Corporation are presented as discontinued operations in Howmet Aerospace's consolidated financial statements (other than cash flows, equity and comprehensive income related to Arconic Corporation, which have not been segregated and are included in the Statement of Consolidated Cash Flows and Statement of Consolidated Comprehensive Loss, respectively). Income statement values shown in this presentation are on the basis of continuing operations only, and exclude the effects of discontinued operations. The calculation of adjusted free cash flow is on the basis of continuing and discontinued operations.

Non-GAAP Financial Measures

Some of the information included in this presentation is derived from Howmet Aerospace's consolidated financial information but is not presented in Howmet Aerospace's financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Certain of these data are considered "non-GAAP financial measures" under SEC rules. These non-GAAP financial measures supplement our GAAP disclosures and should not be considered an alternative to the GAAP measure. Reconciliations to the most directly comparable GAAP financial measures and management's rationale for the use of the non-GAAP financial measures can be found in the Appendix to this presentation. Howmet Aerospace has not provided reconciliations of any forward-looking non-GAAP financial measures, such as adjusted EBITDA, adjusted EBITDA margin, adjusted free cash flow and adjusted earnings per share (or earnings per share excluding special items), to the most directly comparable GAAP financial measures because such reconciliations are not available without unreasonable efforts due to the variability and complexity with respect to the charges and other components excluded from the non-GAAP measures, such as the effects of foreign currency movements, equity income, gains or losses on sales of assets, taxes, and any future restructuring or impairment charges. These reconciling items are in addition to the inherent variability already included in the GAAP measures, which includes, but is not limited to, price/mix and volume. Howmet Aerospace believes such reconciliations would imply a degree of precision that would be confusing or misleading to investors.

"Adjusted free cash flow" is cash provided from (used for) operations, less capital expenditures, plus cash receipts from sold receivables. Any reference to historical EBITDA means adjusted EBITDA for which we have provided calculations and reconciliations in the Appendix.

References to "Pro Forma" reflect metrics further adjusted for Separation-related allocations, as if the Arconic Inc. Separation had occurred at the beginning of the periods presented.

4Q and Full Year 2020 Highlights

Revenue and Profitability

	4Q 2020	FY 2020[6]
Revenue	$1.238B	$5.257B
Adjusted EBITDA Excluding Special Items[1]	$282M	$1,083M
Adjusted EBITDA Margin Excluding Special Items[1]	22.8%	20.6%
Operating Income Excluding Special Items[2]	$215M	$814M
Earnings Per Share from Continuing Ops Excluding Special Items[3]	$0.21	$0.77

Balance Sheet and Cash Flow

- **2Q – 4Q Adj Free Cash Flow of $487M**[4]
    - Includes ($80M) reduction in A/R Securitization, ($70M) voluntary pension contributions, ($46M) severance, $45M tax refund
- FY Adj Free Cash Flow of $387M[4,6]
    - Includes ($100M) reduction in A/R Securitization, ($70M) voluntary pension contributions, ($51M) severance, $78M tax refund
- FY Adj Free Cash Flow Conversion of 115%[5,6]
- Ending Cash balance of $1.6B after repurchasing $73M of common stock at an average price of $18.98

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1) 4Q 2020 Income from Continuing Ops (GAAP) = $106M, FY 2020 Income from Continuing Ops (GAAP) = $211M 2) 4Q 2020 Operating income (GAAP) = $221M, FY 2020 Operating Income (GAAP) = $626M 3) 4Q 2020 EPS from Continuing Ops (GAAP) = $0.24, FY 2020 EPS from Continuing Ops (GAAP) = $0.48 4) 2Q 2020 – 4Q 2020 (GAAP): Cash provided from operations = $217M, Cash used for financing activities = ($1,514M), Cash provided from investing activities = $260M; FY 2020 (GAAP): Cash provided from operations = $9M, Cash used for financing activities = ($369M); Cash provided from investing activities = $271M 5) Free Cash Flow Conversion = Adjusted Free Cash Flow excluding separation costs divided by Income from Continuing Ops after income taxes excluding special items 6) Full Year 2020 reflects Pro Forma *See appendix for reconciliations*

Focus on Safety, Cost Containment and Cash Preservation

Markets / Operations

- Increased COVID cases worldwide in 4Q. Safety of our people is a top priority
- Secured continuity of operations and protected customer deliveries successfully

Cost Reduction / Cash Preservation

- Structural cost reductions exceeded outlook
- Focus on variable cost flexing and fixed cost management continues
- Strong cash performance with strict capital expenditure and effective working capital management
- Stranded inventory discussions continue with key customers

Healthy Incremental Margins in All Segments versus 3Q 2020

Engine Products

- Sequential commercial aerospace revenue increase with 3Q 2020 seasonal shut-downs behind us
- Strong Defense Aerospace & Industrial Gas Turbine growth continues
- Permanent cost reductions ahead of plan; Strong incremental margins versus 3Q 2020
- On-going stranded inventory discussions with key customers

Fastening Systems

- Sequential revenue relatively flat
- Industrial recovery mitigated Commercial Aerospace distribution business declines
- Permanent cost reductions gained traction, furloughs; Strong incremental margins versus 3Q 2020

Engineered Structures

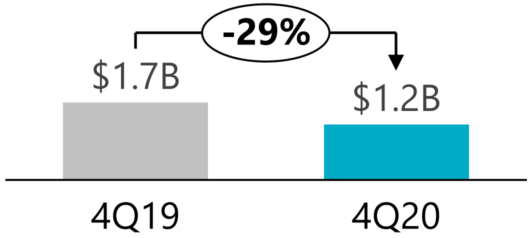
- Slight increase in revenue with level loaded production for long lead time orders
- Permanent cost reduction actions ahead of plan with additional reductions for 787 announcements

Forged Wheels

- Commercial Truck market recovery strong in 4Q 2020 versus 3Q 2020 as expected
- Fixed costs remained compressed with increased revenue, efficient variable cost flexing
- Low-cost country content continued to increase with innovative 39lb wheel, increasing market share
- Record margins in 4Q 2020

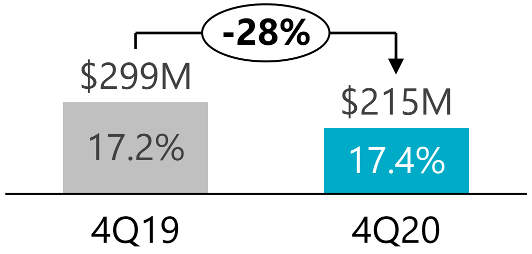
4Q 2020 Above Expectations; Strong Margins and Cash Generation

Revenue



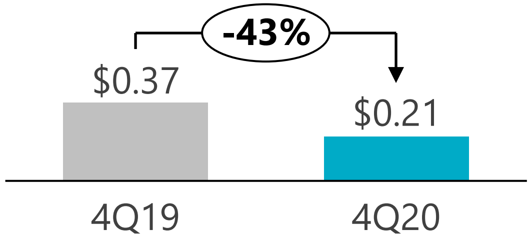
- – Declines in Commercial Aerospace (51%). Sequential improvement of 5%
- – Commercial Transportation down (10%). Sequential improvement of 15%
- + Growth in Defense Aerospace of 24%. Sequential improvement of 10%
- + Growth in Industrial Gas Turbine (IGT) of 38%. Sequential improvement of 24%

Operating Income Excluding Special Items[1]



- – Declines in Commercial Aerospace, Commercial Transportation
- – COVID-19 productivity and cost impacts
- – Unfavorable product mix, 4Q 2020 Commercial Aero ~40% of total revenue
- + Cost reductions of $60M in 4Q 2020 and $197M in FY 2020
- + Price increase of $11M in 4Q 2020 and $39M in FY 2020

EPS Excluding Special Items[2]



- – Declines in Commercial Aerospace, Commercial Transportation

Balance Sheet and Cash Flow

- Adj Free Cash Flow $268M[3] includes ($25M) voluntary pension contribution, ($13M) of severance, ($5M) reduction in A/R Securitization and $45M tax credit
- Cash Balance increased to $1.6B after repurchasing $22M of common stock at an average price $23.99
- Net Debt-to-LTM EBITDA of 3.20x[4]. Revolving Credit Facility of $1B undrawn

4Q 2020 YoY Total Segment Decremental Margin of 24%[1]

HOWMET AEROSPACE

1) 4Q 2020 Operating income (GAAP) = $221M, 4Q 2019 Operating income (GAAP) = $285M 2) 4Q 2020 EPS from Continuing Ops (GAAP) = $0.24, 4Q 2019 EPS from Continuing Ops (GAAP) = $0.27 3) 4Q 2020 (GAAP): Cash provided from operations = $151M, Cash used for financing activities = ($30M); Cash provided from investing activities = $119M 4) Adjusted for special items; Last twelve month (LTM) Howmet adjusted EBITDA *See appendix for reconciliations*

4Q 2020 Adjusted EBITDA Margin 22.8%[2]; Same as 4Q 2019 on 29% Less Revenue

	4Q19[3]	2019[3]	1Q20[3]	2Q20	3Q20	4Q20	2020[3]
3rd Party Revenue[1]	**$1,734M**	$7,106M	$1,632M	$1,253M	$1,134M	**$1,238M**	$5,257M
Adjusted EBITDA[2]	$395M	$1,568M	$386M	$247M	$168M	$282M	$1,083M
Adjusted EBITDA Margin[2]	**22.8%**	22.1%	23.7%	19.7%	14.8%	**22.8%**	20.6%

2020 YoY

Adjusted EBITDA[2]

- Price increase YoY:
  - 4Q 2020 of $11M
  - FY 2020 of $39M
- Cost reductions YoY:
  - 4Q 2020 of $60M
  - FY 2020 of $197M vs Outlook of $185M

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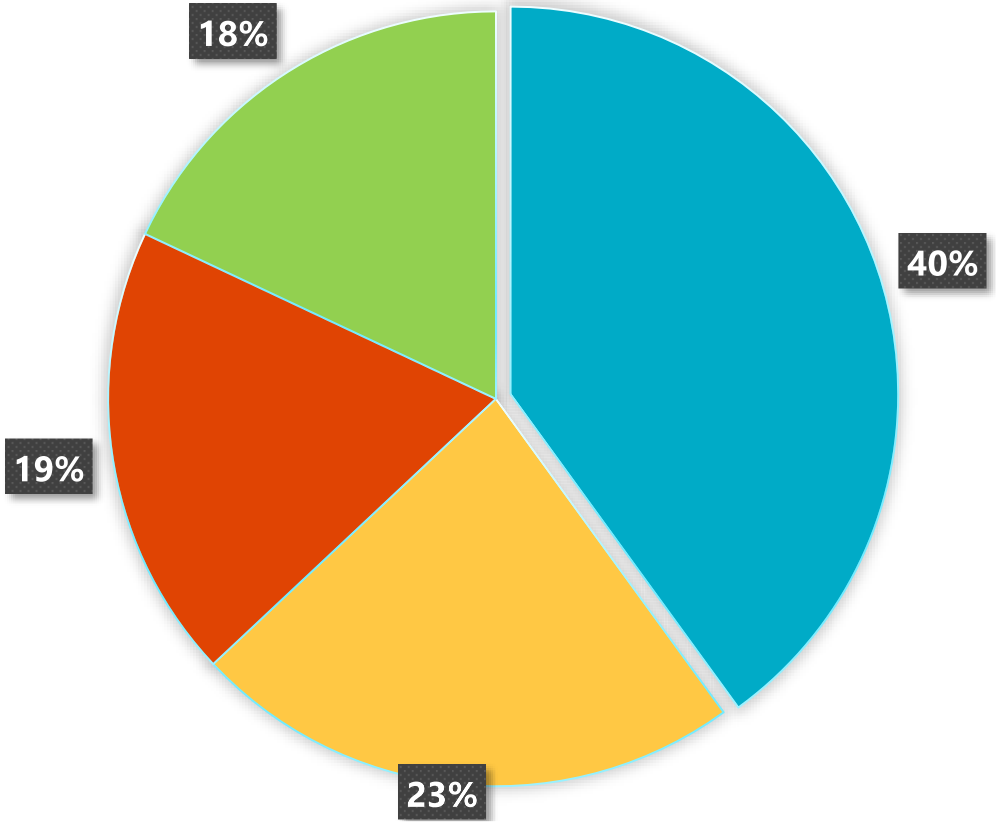
1) Howmet Consolidated: 4Q 2019 Revenue (GAAP) = $1,734M, FY 2019 Revenue (GAAP) = $7,098M, 1Q 2020 Revenue (GAAP) = $1,634M, 2Q 2020 Revenue (GAAP) = $1,253M, 3Q 2020 Revenue (GAAP) = $1,134M, 4Q 2020 Revenue (GAAP) = $1,238M 2) Howmet Consolidated: 4Q 2019 Income from Continuing Ops (GAAP) = $118M, FY 2019 Income from Continuing Ops (GAAP) = $126M, 1Q 2020 Income from Continuing Ops (GAAP) = $153M, 2Q 2020 Loss from Continuing Ops (GAAP) = ($84M), 3Q 2020 Income from Continuing Ops (GAAP) = $36M, 4Q 2020 Income from Continuing Ops (GAAP) = $106M 3) Reflects Pro Forma *See appendix for reconciliations*

4Q20 Revenue Down (29%) YoY, Commercial Aero ~40% of Revenue

Revenue by Market
(% of total)



Revenue by Market YoY
(% change)

Aerospace - Commercial	(51%)
Aerospace - Defense	24%
Subtotal - Aerospace	**(37%)**
Commercial Transportation	(10%)
Industrial & Other[1]	**Flat**
Total Revenue	**(29%)**

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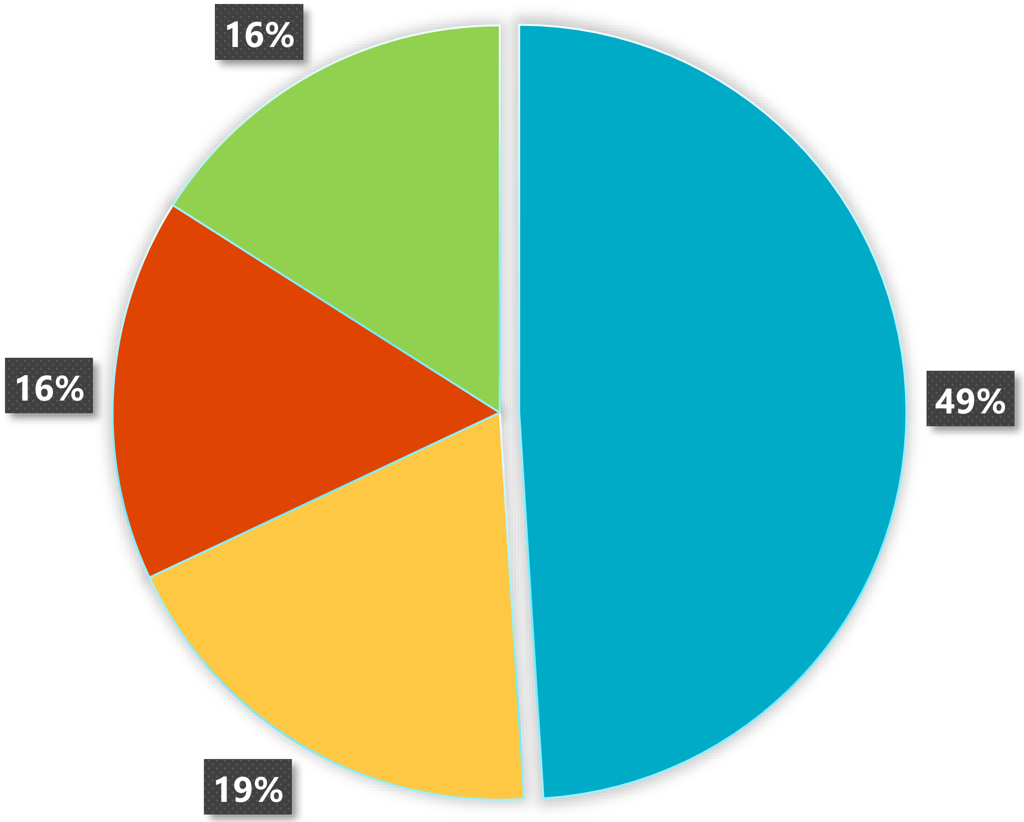
1) *IGT represents ~45%, general Industrial represents ~40%, and Oil & Gas represents ~15% of total Industrial & Other*

FY20 Revenue Down (26%) YoY, Commercial Aero ~50% of Revenue

Revenue by Market
(% of total)



Revenue by Market YoY
(% change)

Aerospace - Commercial	(38%)
Aerospace - Defense	14%
Subtotal - Aerospace	(29%)
Commercial Transportation	(31%)
Industrial & Other[1]	1%
Total Revenue	(26%)

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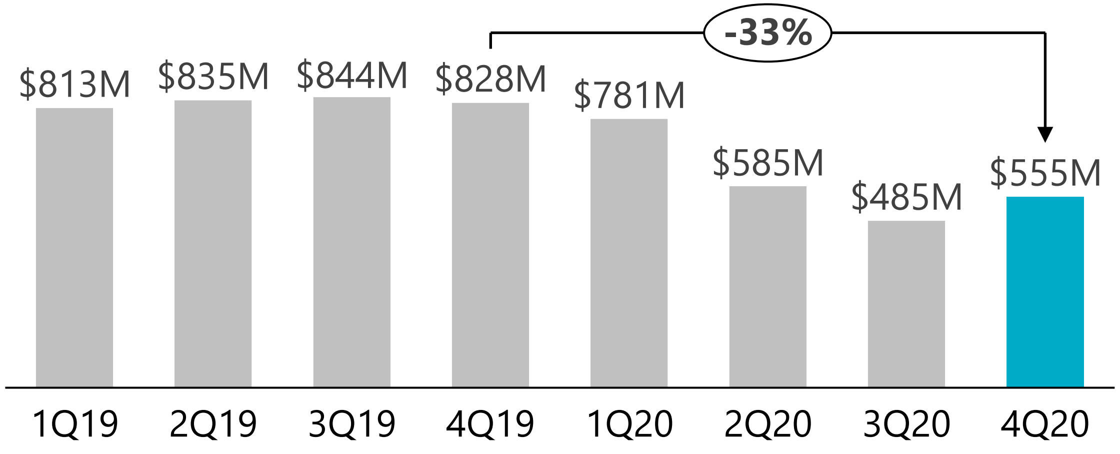
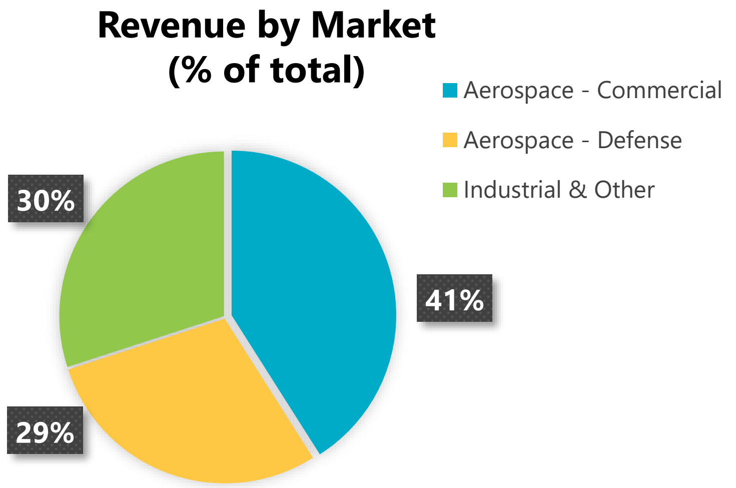
1) *IGT represents ~40%, general Industrial represents ~40%, and Oil & Gas represents ~20% of total Industrial & Other*

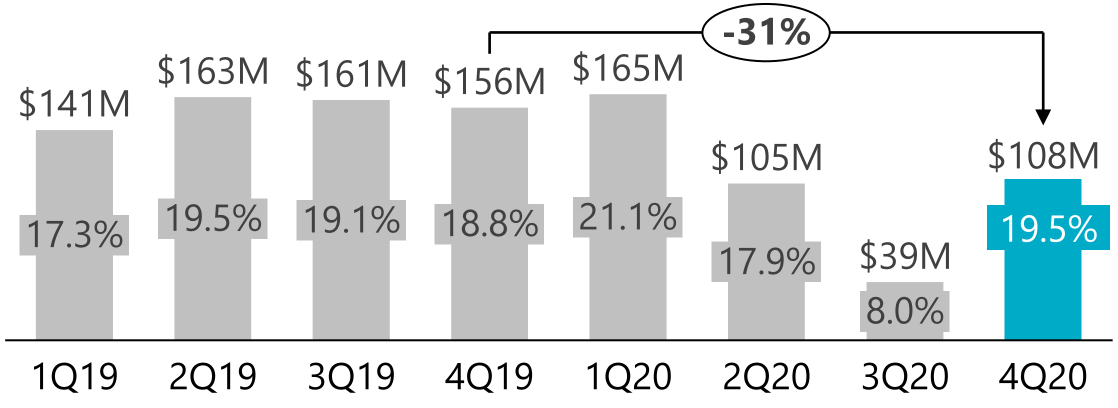
Engine Products: Commercial Aero Inventory Correction; Cost Reductions

3rd Party Revenue





Segment Operating Profit and Margin



4Q 2020 YoY

– Commercial Aerospace Inventory Corrections

– Boeing 737 MAX Production Declines

– COVID-19 Productivity and Cost Impacts

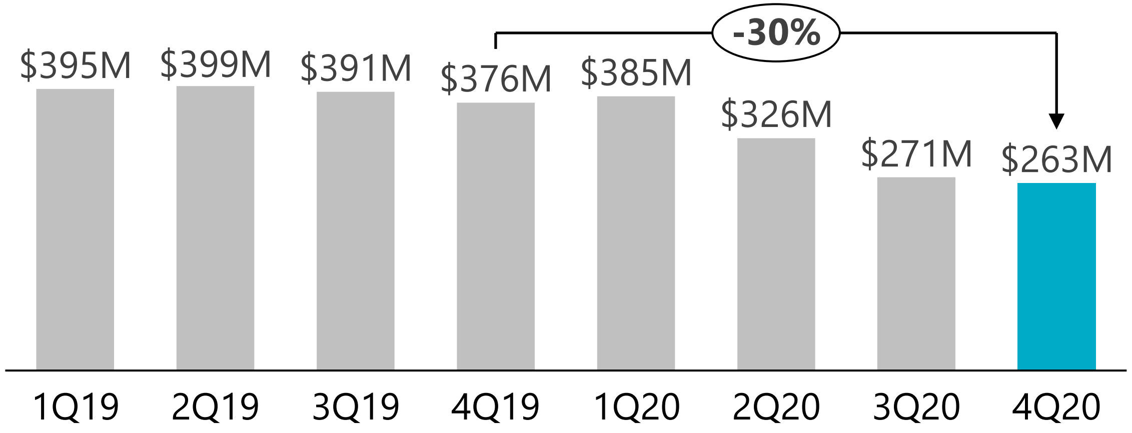
+ Defense Aero & Industrial Gas Turbine Growth

+ Cost Reductions

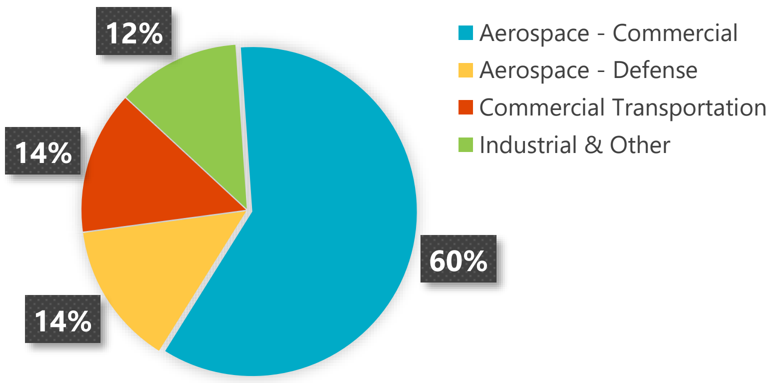
4Q 2020 D&A of $31M, 5.6% of Segment Revenue
See appendix for reconciliations

Fastening Systems: Commercial Aero Inventory Correction; Cost Reductions

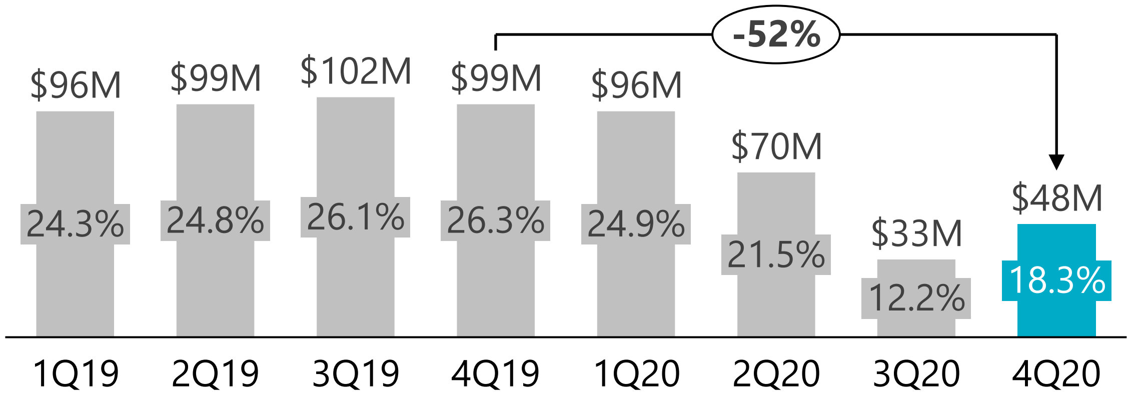
3rd Party Revenue



Revenue by Market (% of total)



Segment Operating Profit and Margin



4Q 2020 YoY

– Commercial Aerospace Inventory Corrections

– Boeing 737 MAX and 787 Production Declines

– Product Mix

– Decline in Commercial Transportation

– COVID-19 Productivity and Cost Impacts

\+ Cost Reductions

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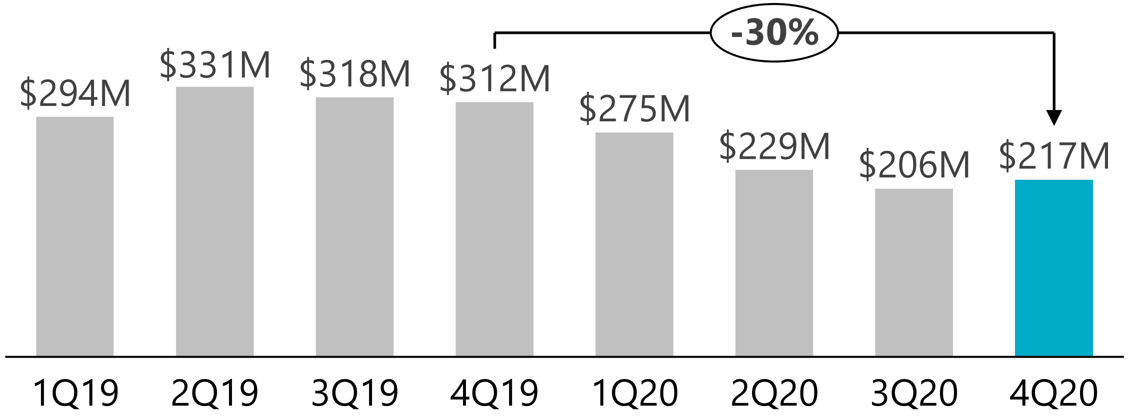
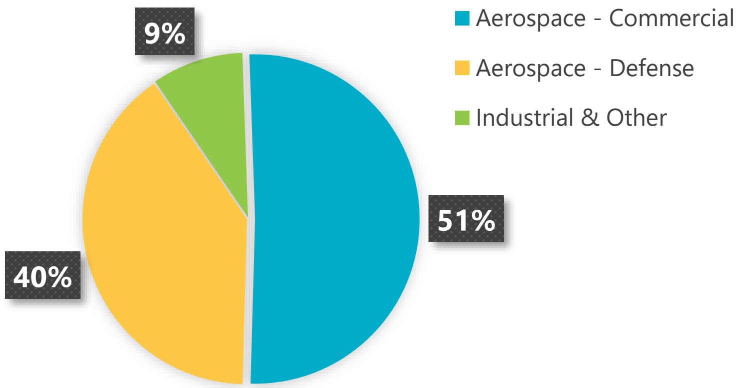
4Q 2020 D&A of $12M, 4.6% of Segment Revenue
See appendix for reconciliations

Engineered Structures: Commercial Aero Inventory Correction; Cost Reductions

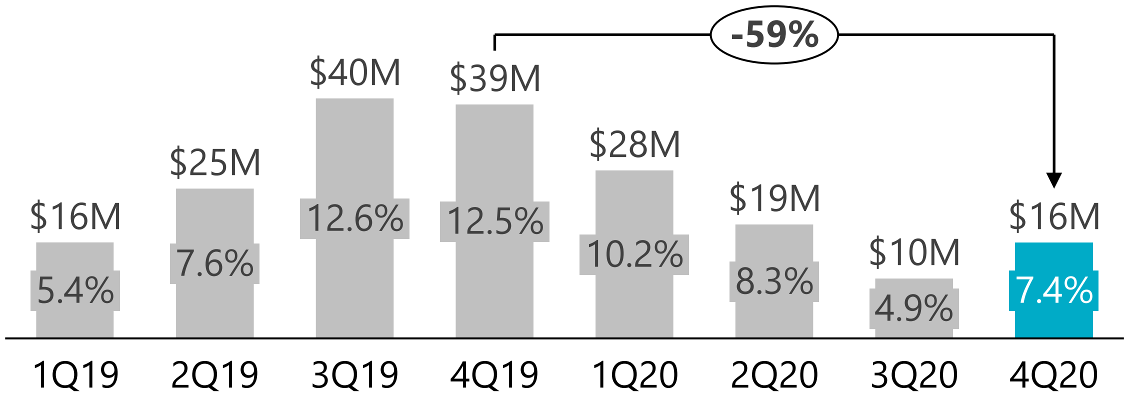
3rd Party Revenue



Revenue by Market (% of total)



Segment Operating Profit and Margin



4Q 2020 YoY

– Commercial Aerospace Inventory Corrections
– Boeing 787 and 737 Max Production Declines
– COVID-19 Productivity and Cost Impacts
– Product Mix
+ Defense Aero Growth
+ Cost Reductions

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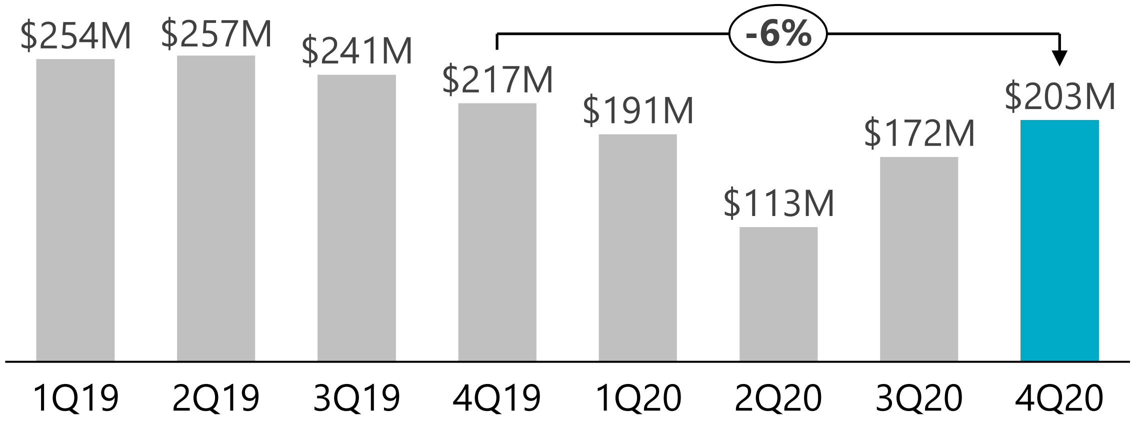
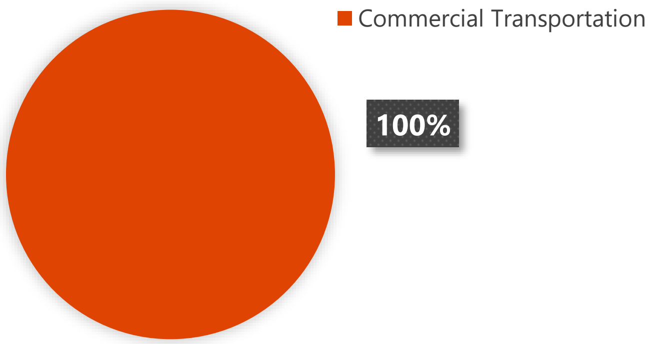
4Q 2020 D&A of $12M, 5.5% of Segment Revenue
See appendix for reconciliations

Forged Wheels: Market Recovery; Q4 Profitability Exceeds 2019 Levels on Less Revenue

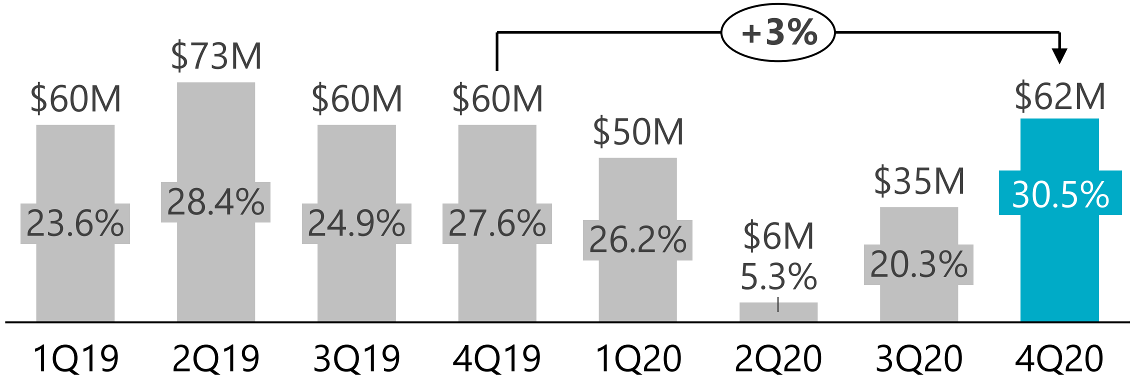
3rd Party Revenue



Revenue by Market (% of total)



Segment Operating Profit and Margin



4Q 2020 YoY

+ Cost Reductions
+ At reduced volumes, maximizing Production in Low-Cost Countries
+ Increasing 39lb. wheel market share
+ Sequential Improvement
– Decline in Commercial Transportation
– COVID-19 Productivity and Cost Impacts

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4Q 2020 D&A of $10M, 4.9% of Segment Revenue
See appendix for reconciliations

$14M of Favorable Special Items Driven By Plant Fire Proceeds and Tax

4Q 2020 Special Items ($M, except per share amounts)	Income (Loss) before income taxes	Income (Loss) from Continuing Ops	Earnings per diluted share
AS REPORTED	**$71**	**$106**	**$0.24**
Severance costs	$9	$6	
St. Cosme Fasteners/Barberton Wheels plant fire insurance proceeds	($19)	($14)	
Other miscellaneous items	$4	$4	
Discrete and other tax related items	$62	($10)	
Subtotal: Special items	**$56**	**($14)**	
EXCLUDING SPECIAL ITEMS	**$127**	**$92**	**$0.21**

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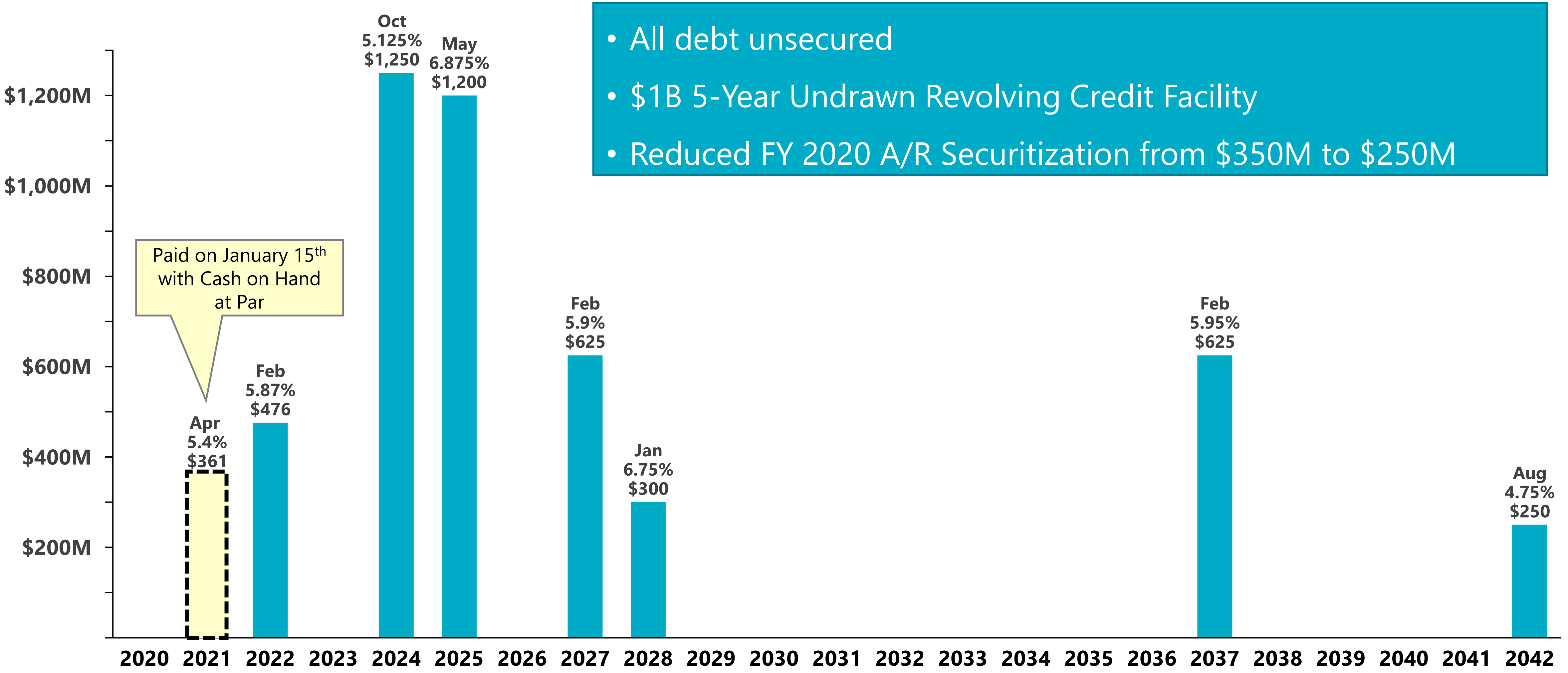
( ) = income to be deducted from As Reported number; + = expense to be added to As Reported number

See appendix for additional details

Next Significant Maturity October 2024



- All debt unsecured
- $1B 5-Year Undrawn Revolving Credit Facility
- Reduced FY 2020 A/R Securitization from $350M to $250M

Summary: 4Q 2020 and FY 2020[1] Results

Revenue / Profit

- Revenue in line with outlook; profit and margin exceeded outlook
- Price increases in line with expectations
- Cost Reductions accelerated and above outlook
- 4Q 2020 Adj EBITDA Margin Exit rate of 22.8% and at the same rate as 4Q 2019[2]

Liquidity

- Adjusted Free Cash Flow[3] and Cash Balance exceeded outlook
- FY 2020 AR Securitization reduced ($100M), Voluntary Pension ($70M), Severance ($51M), Tax Refund $78M
- FY 2020 Capex was ~3% of revenue at $155M. Depreciation and Amortization was $269M.
- Adjusted Free Cash Flow[3] $487M for 2Q-4Q 2020 and ~$387M for FY 2020 Pro Forma
- Net debt reduction of ~$370M[4]. UK gross pension liability reduced ~$320M
- Cash increased to $1.6B after repurchasing $73M of common stock at average price of $18.98

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1) Reflects Pro Forma 2) Howmet Consolidated: 4Q 2019 Income from Continuing Ops (GAAP) = $118M, 4Q 2020 Income from Continuing Ops (GAAP) = $106M 3) 2Q 2020 – 4Q 2020 (GAAP): Cash provided from operations = $217M, Cash used for financing activities = ($1,514M), Cash provided from investing activities = $260M; FY 2020 (GAAP): Cash provided from operations = $9M, Cash used for financing activities = ($369M); Cash provided from investing activities = $271M 4) Year-end 2020 net debt = $3.46B; Pro Forma net debt as of April 24, 2020 = $3.83B *See appendix for reconciliations*

2021 Outlook

	1Q 21 Outlook			FY 2021 Outlook		
	Low	Baseline	High	Low	Baseline	High
Revenue	$1.15B	$1.2B	$1.25B	$5.05B	$5.1B	$5.25B
Adj EBITDA[1]	$245M	$250M	$265M	$1.07B	$1.1B	$1.15B
Adj EBITDA Margin[1]	*21.3%*	*20.8%*	*21.2%*	*21.2%*	*21.6%*	*21.9%*
Adj Earnings per Share[1]	$0.15	$0.16	$0.19	$0.75	$0.80	$0.89
Adj Free Cash Flow				$350M	$400M	$450M

What we expect in 2021

- Commercial Aerospace Markets Continue to be Uncertain
- Cost Reduction Carryover of ~$100M+
- Price Increases greater than 2020
- Pension/OPEB Contributions of ~$160M
- Operational Tax Rate: 26.5% - 28.5%
- Adj Free Cash Flow Conversion ~115%
- Cash Tax Rate ~15%
- Capex of ~$200M - $220M

1) Excluding special items

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Appendix

2020 Results

	Full Year 2020[1]	2020 Comments
Corporate Overhead	$76M	• Adj Operating Income excluding special items • 1Q 2020 reflects estimate of Howmet Corporate costs
Depreciation & Amortization	$269M	• Excludes special items
Interest Expense	$317M	• Excludes debt issuance, breakage and tender fees
Operational Tax Rate for Continuing Ops	27.5%	
Pension / OPEB-related Expense	$35M Total $27M Non-Service	
Post-Tax Unfunded Pension / OPEB-related Liability	$782M Pension Liability; $170M OPEB Liability	• Applied U.S. federal corporate tax rate of 21%
Pension / OPEB Contributions	$236M	• Included 2Q discretionary ~$45M related to UK pension plan to reduce gross liability by ~$320M and discretionary ~$25M contribution in 4Q
Capex	$155M	• Excludes separation related Capex
Diluted Share Count Average	439M	

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1) *Reflects Pro Forma; Excludes Arconic Corp*

Historical Combined Segment Results [1]

	1Q19	2Q19	3Q19	4Q19	2019	1Q20	2Q20	3Q20	4Q20	2020
Engine Products	$813M	$835M	$844M	$828M	$3,320M	$781M	$585M	$485M	$555M	$2,406M
Fastening Systems	$395M	$399M	$391M	$376M	$1,561M	$385M	$326M	$271M	$263M	$1,245M
Engineered Structures	$294M	$331M	$318M	$312M	$1,255M	$275M	$229M	$206M	$217M	$927M
Forged Wheels	$254M	$257M	$241M	$217M	$969M	$191M	$113M	$172M	$203M	$679M
Combined Segment 3rd Party Revenue[2]	**$1,756M**	**$1,822M**	**$1,794M**	**$1,733M**	**$7,105M**	**$1,632M**	**$1,253M**	**$1,134M**	**$1,238M**	**$5,257M**
Engine Products	$141M	$163M	$161M	$156M	$621M	$165M	$105M	$39M	$108M	$417M
Fastening Systems	$96M	$99M	$102M	$99M	$396M	$96M	$70M	$33M	$48M	$247M
Engineered Structures	$16M	$25M	$40M	$39M	$120M	$28M	$19M	$10M	$16M	$73M
Forged Wheels	$60M	$73M	$60M	$60M	$253M	$50M	$6M	$35M	$62M	$153M
Combined Segment Operating Profit[3]	**$313M**	**$360M**	**$363M**	**$354M**	**$1,390M**	**$339M**	**$200M**	**$117M**	**$234M**	**$890M**
Engine Products	17.3%	19.5%	19.1%	18.8%	18.7%	21.1%	17.9%	8.0%	19.5%	17.3%
Fastening Systems	24.3%	24.8%	26.1%	26.3%	25.4%	24.9%	21.5%	12.2%	18.3%	19.8%
Engineered Structures	5.4%	7.6%	12.6%	12.5%	9.6%	10.2%	8.3%	4.9%	7.4%	7.9%
Forged Wheels	23.6%	28.4%	24.9%	27.6%	26.1%	26.2%	5.3%	20.3%	30.5%	22.5%
Combined Segment Operating Profit Margin	**17.8%**	**19.8%**	**20.2%**	**20.4%**	**19.6%**	**20.8%**	**16.0%**	**10.3%**	**18.9%**	**16.9%**

1) All metrics exclude Corporate 2) Howmet Consolidated: 1Q 2019 Revenue (GAAP) = $1,752M, 2Q 2019 Revenue (GAAP) = $1,818M, 3Q 2019 Revenue (GAAP) = $1,794M, 4Q 2019 Revenue (GAAP) = $1,734M, 1Q 2020 Revenue (GAAP) = $1,634M, 2Q 2020 Revenue (GAAP) = $1,253M, 3Q 2020 Revenue (GAAP) = $1,134M, 4Q 2020 Revenue (GAAP) = $1,238M 3) Howmet Consolidated: 1Q 2019 Operating income (GAAP) = $214M, 2Q 2019 Operating loss (GAAP) = ($176M), 3Q 2019 Operating income (GAAP) = $256M, 4Q 2019 Operating income (GAAP) = $285M, 1Q 2020 Operating income (GAAP) = $258M, 2Q 2020 Operating income (GAAP) = $74M, 3Q 2020 Operating income (GAAP) = $73M, 4Q 2020 Operating income (GAAP) = $221M

Historical Combined Segment Results [1] (continued)

	1Q19	2Q19	3Q19	4Q19	2019	1Q20	2Q20	3Q20	4Q20	2020
Engine Products	$34M	$35M	$31M	$31M	$131M	$30M	$31M	$31M	$31M	$123M
Fastening Systems	$12M	$12M	$12M	$12M	$48M	$12M	$12M	$12M	$12M	$48M
Engineered Structures	$17M	$14M	$15M	$12M	$58M	$13M	$14M	$13M	$12M	$52M
Forged Wheels	$8M	$8M	$8M	$8M	$32M	$10M	$9M	$10M	$10M	$39M
Combined Segment Depreciation and Amortization[2]	**$71M**	**$69M**	**$66M**	**$63M**	**$269M**	**$65M**	**$66M**	**$66M**	**$65M**	**$262M**
Engine Products	4.2%	4.2%	3.7%	3.7%	3.9%	3.8%	5.3%	6.4%	5.6%	5.1%
Fastening Systems	3.0%	3.0%	3.1%	3.2%	3.1%	3.1%	3.7%	4.4%	4.6%	3.9%
Engineered Structures	5.8%	4.2%	4.7%	3.8%	4.6%	4.7%	6.1%	6.3%	5.5%	5.6%
Forged Wheels	3.1%	3.1%	3.3%	3.7%	3.3%	5.2%	8.0%	5.8%	4.9%	5.7%
Combined Segment Depreciation and Amortization as % of Segment Revenue	**4.0%**	**3.8%**	**3.7%**	**3.6%**	**3.8%**	**4.0%**	**5.3%**	**5.8%**	**5.3%**	**5.0%**
Engine Products	$71M	$55M	$39M	$46M	$211M	$19M	$14M	$15M	$29M	$77M
Fastening Systems	$9M	$8M	$7M	$12M	$36M	$8M	$7M	$9M	$15M	$39M
Engineered Structures	$11M	$7M	$4M	$5M	$27M	$3M	$5M	$3M	$8M	$19M
Forged Wheels	$25M	$20M	$11M	$14M	$70M	$7M	$4M	$6M	$6M	$23M
Combined Segment Capital Expenditures[3]	**$116M**	**$90M**	**$61M**	**$77M**	**$344M**	**$37M**	**$30M**	**$33M**	**$58M**	**$158M**

HOWMET AEROSPACE

1) All metrics exclude Corporate 2) Howmet Consolidated: 1Q 2019 D&A (GAAP) = $76M, 2Q 2019 D&A (GAAP) = $78M, 3Q 2019 D&A (GAAP) = $70M, 4Q 2019 D&A (GAAP) = $71M, 1Q 2020 D&A (GAAP) = $71M, 2Q 2020 D&A (GAAP) = $73M, 3Q 2020 D&A (GAAP) = $68M; 4Q 2020 D&A (GAAP) = $67M 3) Howmet Consolidated: 1Q 2019 Capex (GAAP) = $245M, 2Q 2019 Capex (GAAP) = $160M, 3Q 2019 Capex (GAAP) = $127M, 4Q 2019 Capex (GAAP) = $109M, 1Q 2020 Capex (GAAP) = $152M, 2Q 2020 Capex (GAAP) = $32M, 3Q 2020 Capex (GAAP) = $36M, 4Q 2020 Capex (GAAP) = $47M; Differences between Segment and Consolidated totals are in Corporate

Combined Segment Decremental Margins [1]

	3Q19	3Q20	3Q20 YoY	4Q19	4Q20	4Q20 YoY	2019	2020	2020 YoY
Engine Products	$844M	$485M	($359M)	$828M	$555M	($273M)	$3,320M	$2,406M	($914M)
Fastening Systems	$391M	$271M	($120M)	$376M	$263M	($113M)	$1,561M	$1,245M	($316M)
Engineered Structures	$318M	$206M	($112M)	$312M	$217M	($95M)	$1,255M	$927M	($328M)
Forged Wheels	$241M	$172M	($69M)	$217M	$203M	($14M)	$969M	$679M	($290M)
Combined Segment 3rd Party Revenue[2]	**$1,794M**	**$1,134M**	**($660M)**	**$1,733M**	**$1,238M**	**($495M)**	**$7,105M**	**$5,257M**	**($1,848M)**

	3Q19	3Q20	3Q20 YoY	4Q19	4Q20	4Q20 YoY	2019	2020	2020 YoY
Engine Products	$161M	$39M	($122M)	$156M	$108M	($48M)	$621M	$417M	($204M)
Fastening Systems	$102M	$33M	($69M)	$99M	$48M	($51M)	$396M	$247M	($149M)
Engineered Structures	$40M	$10M	($30M)	$39M	$16M	($23M)	$120M	$73M	($47M)
Forged Wheels	$60M	$35M	($25M)	$60M	$62M	$2M	$253M	$153M	($100M)
Combined Segment Operating Profit[3]	**$363M**	**$117M**	**($246M)**	**$354M**	**$234M**	**($120M)**	**$1,390M**	**$890M**	**($500M)**

	3Q19	3Q20	3Q20 YoY	4Q19	4Q20	4Q20 YoY	2019	2020	2020 YoY
Engine Products			34.0%			17.6%			22.3%
Fastening Systems			57.5%			45.1%			47.2%
Engineered Structures			26.8%			24.2%			14.3%
Forged Wheels			36.2%			-14.3%			34.5%
Combined Segment Decremental Margin			**37.3%**			**24.2%**			**27.1%**

HOWMET AEROSPACE

1) All metrics exclude Corporate 2) Howmet Consolidated: 3Q 2019 Revenue (GAAP) = $1,794M, 4Q 2019 Revenue (GAAP) = $1,734M, 3Q 2020 Revenue (GAAP) = $1,134M, 4Q 2020 Revenue (GAAP) = $1,238M, FY 2019 Revenue (GAAP) = $7,098M, FY 2020 Revenue (GAAP) = $5,259M 3) Howmet Consolidated: 3Q 2019 Operating income (GAAP) = $256M, 4Q 2019 Operating income (GAAP) = $285M, 3Q 2020 Operating income (GAAP) = $73M, 4Q 2020 Operating income (GAAP) = $221M, FY 2019 Operating income (GAAP) = $579M, 2020 Operating income (GAAP) = $626M

Reconciliation of income from continuing operations excluding Special items

($ in millions, except per-share amounts)	Income from continuing operations excluding Special items		Diluted EPS excluding Special items		Income from continuing operations excluding Special items		Diluted EPS excluding Special items	
	Quarter ended		Quarter ended		Year ended		Year ended	
	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020
Income from continuing operations	$118	$106	$0.27	$0.24	$126	$211	$1.03	$0.59
Special items:								
Restructuring and other charges	10	16			582	182		
Discrete tax items[(1)]	(2)	(76)			(25)	(115)		
Other special items[(2)]	52	44			37	135		
Tax impact[(3)]	(14)	2			(130)	(59)		
Income from continuing operations excluding Special items	$164	$92	$0.37	$0.21	$590	$354	$1.29	$0.80
Allocation adjustments[(4)]						$(13)		
Income from continuing operations excluding Special items and Allocation adjustments						$341		$0.77

Income from continuing operations excluding Special items, Income from continuing operations excluding Special items and Allocation adjustments, Diluted EPS excluding Special items and Diluted EPS excluding Special items and Allocation adjustments are non-GAAP financial measures. Management believes that these measures are meaningful to investors because management reviews the operating results of the Company excluding the impacts of Restructuring and other charges, Discrete tax items, and Other special items (collectively, "Special items"). In addition, management believes that the Income from continuing operations excluding Special items and Allocation adjustments and Diluted EPS excluding Special items and Allocation adjustments are meaningful to investors as it reflects how management reviewed the standalone costs of Howmet in the quarter ended March 31, 2020 as if the Arconic Inc. Separation Transaction had happened on January 1, 2020. There can be no assurances that additional special items will not occur in future periods. To compensate for this limitation, management believes that it is appropriate to consider both Income (loss) from continuing operations determined under GAAP as well as Income (loss) from continuing operations excluding Special items.

(1) Discrete tax items for each period are discussed further on the Reconciliation of the Operational Tax Rate.

(2) For the quarter ended December 31, 2019, the special items relate primarily to a $66 unfavorable impact resulting from the differences between the consolidated estimated annual effective tax rate and the statutory rate applicable to special items, and other costs of $4, offset by an ($18) benefit related to the interim period treatment of operational losses in certain foreign jurisdictions for which no tax benefit was recognized. For the quarter ended December 31, 2020, the special items relate primarily to a $53 cost to reverse indemnification receivables as a result of a favorable Spanish tax case which relieved Alcoa Corp. and Arconic Corp. of their share of the liability, a $9 cost for a reserve related to investment tax credits, and other net charges of $1, offset by a ($19) net benefit for insurance proceeds related to fires at two plants. For the year ended December 31, 2019, a benefit associated with the deduction of foreign taxes that were previously claimed as a U.S. foreign tax credit ($24), a net benefit for foreign tax rate changes ($12), and a net benefit for a number of small tax items ($1), partially offset by a net charge related to the adjustments of prior year taxes $9, and a charge for interest accruals for potential underpayment of taxes $3. For the year ended December 31, 2020, a benefit related to the release of a reserve as a result of a favorable Spanish tax case decision ($64), a benefit related to the recognition of a previously uncertain U.S. tax position ($30), a benefit for a U.S. tax law change ($30), and a net benefit for a number of small tax items ($3), partially offset by charges resulting from the remeasurement of deferred tax balances in various jurisdictions as a result of the Arconic Inc. Separation Transactions $8, and a charge related to tax rate changes in various jurisdictions $4.

(3) The tax impact on Special items is based on the applicable statutory rates whereby the difference between such rates and the Company's consolidated estimated annual effective tax rate is itself a Special item.

(4) Adjustments include differences between allocations as required under discontinued operations as part of general accepted accounting principles and estimated actual spending in selling, general, administrative, and other expenses and miscellaneous non-operating income related to pension, other post retirement benefits, and foreign exchange related to Howmet on a standalone basis as if the Arconic Inc. Separation Transaction had occurred on January 1, 2020.

HOWMET AEROSPACE

Reconciliation of Operational Tax Rate

($ in millions)

	Quarter ended December 31, 2020			Year ended December 31, 2020		
	As reported	Special items (1)(2)	As adjusted	As reported	Special items (1)(2)	As adjusted
Income from continuing operations before income taxes	$71	$56	$127	$171	$317	$488
Provision (benefit) for income taxes	(35)	70	35	(40)	174	134
Operational tax rate	(49.3)%		27.6%	(23.4)%		27.5%

Operational tax rate is a non-GAAP financial measure. Management believes that this measure is meaningful to investors because management reviews the operating results of the Company excluding the impacts of Special items. There can be no assurances that additional Special items will not occur in future periods. To compensate for this limitation, management believes that it is appropriate to consider both the Effective tax rate determined under GAAP as well as the Operational tax rate.

1. Special items for the quarter ended December 31, 2020 include $16 of Restructuring and other charges and ($22) related to plant-related fire costs and legal and other advisory costs related to Grenfell Tower. Special items for the year ended December 31, 2020 include $182 of Restructuring and other charges, $72 of new debt and tender fees, $5 costs associated with the Arconic Inc. Separation Transaction, $3 in net costs related to plant-related fire costs, ($12) reimbursement of legal and advisory costs related to Grenfell Tower, $7 in interest costs and $3 for impairment costs related to facilities closures.

2. Tax Special items includes discrete tax items and tax impact on Special items which is based on the applicable statutory rates whereby the difference between such rates and the Company's consolidated estimated annual effective tax rate and other tax related items. Discrete tax items for each period included the following:

- for the quarter ended December 31, 2020, a discrete tax benefit of ($64) related to the release of a reserve as a result of a favorable Spanish tax case decision, a ($30) benefit related to the recognition of a previously uncertain U.S. tax position, offset by a charge for an adjustment of $6 related to a U.S. law change, a charge of $4 related to tax rate changes in various jurisdictions, a charge of $4 for prior year items, and a net charge of $4 for other items; and

- for the year ended December 31, 2020, a discrete tax benefit of ($64) related to the release of a reserve as a result of a favorable Spanish tax case decision, a ($30) benefit related to the recognition of a previously uncertain U.S. tax position, a ($30) benefit for a U.S. tax law change, and a net ($3) benefit for a number of small items, offset by an $8 charge resulting from the remeasurement of deferred tax balances in various jurisdictions as a result of the Arconic Inc. Separation Transaction, and a $4 charge related to tax rates in various jurisdictions. The U.S. tax law change resulted from final regulations issued in July 2020 that provided an election to exclude from global intangible low-taxed income any foreign earnings subject to a local country tax rate of at least 90% of the U.S. tax rate.

Calculation of Segment Operating Profit Margin

	1Q19	2Q19	3Q19	4Q19	2019	1Q20	2Q20	3Q20	4Q20	2020
Engine Products										
Third-party sales	$ 813	$ 835	$ 844	$ 828	$ 3,320	$ 781	$ 585	$ 485	$ 555	$ 2,406
Inter-segment sales	$ 5	$ 3	$ 1	$ 2	$ 11	$ 2	$ 1	$ 1	$ 1	$ 5
Segment operating profit	$ 141	$ 163	$ 161	$ 156	$ 621	$ 165	$ 105	$ 39	$ 108	$ 417
Segment operating profit margin	17.3 %	19.5 %	19.1 %	18.8 %	18.7 %	21.1 %	17.9 %	8.0 %	19.5 %	17.3 %
Provision for depreciation and amortization	$ 34	$ 35	$ 31	$ 31	$ 131	$ 30	$ 31	$ 31	$ 31	$ 123
Depreciation and amortization % of Revenue	4.2 %	4.2 %	3.7 %	3.7 %	3.9 %	3.8 %	5.3 %	6.4 %	5.6 %	5.1 %
Restructuring and other charges[1]	$ 3	$ 250	$ 43	$ 1	$ 297	$ 13	$ 22	$ 9	$ (8)	$ 36
Capital expenditures	$ 71	$ 55	$ 39	$ 46	$ 211	$ 19	$ 14	$ 15	$ 29	$ 77
Fastening Systems										
Third-party sales	$ 395	$ 399	$ 391	$ 376	$ 1,561	$ 385	$ 326	$ 271	$ 263	$ 1,245
Inter-segment sales	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Segment operating profit	$ 96	$ 99	$ 102	$ 99	$ 396	$ 96	$ 70	$ 33	$ 48	$ 247
Segment operating profit margin	24.3 %	24.8 %	26.1 %	26.3 %	25.4 %	24.9 %	21.5 %	12.2 %	18.3 %	19.8 %
Provision for depreciation and amortization	$ 12	$ 12	$ 12	$ 12	$ 48	$ 12	$ 12	$ 12	$ 12	$ 48
Depreciation and amortization % of Revenue	3.0 %	3.0 %	3.1 %	3.2 %	3.1 %	3.1 %	3.7 %	4.4 %	4.6 %	3.9 %
Restructuring and other charges	$ 5	$ 1	$ —	$ —	$ 6	$ 2	$ 24	$ —	$ 13	$ 39
Capital expenditures	$ 9	$ 8	$ 7	$ 12	$ 36	$ 8	$ 7	$ 9	$ 15	$ 39

[1] Restructuring and other charges in 2Q19 included a portion of the $428 charge for impairment of long-lived assets of the Disks business.

Differences between the total segment and consolidated totals are in Corporate.

Calculation of Segment Operating Profit Margin (continued)

	1Q19	2Q19	3Q19	4Q19	2019	1Q20	2Q20	3Q20	4Q20	2020
Engineered Structures										
Third-party sales	$ 294	$ 331	$ 318	$ 312	$ 1,255	$ 275	$ 229	$ 206	$ 217	$ 927
Inter-segment sales	$ 3	$ 3	$ 4	$ 3	$ 13	$ 3	$ 2	$ 1	$ 1	$ 7
Segment operating profit	$ 16	$ 25	$ 40	$ 39	$ 120	$ 28	$ 19	$ 10	$ 16	$ 73
Segment operating profit margin	5.4 %	7.6 %	12.6 %	12.5 %	9.6 %	10.2 %	8.3 %	4.9 %	7.4 %	7.9 %
Provision for depreciation and amortization	$ 17	$ 14	$ 15	$ 12	$ 58	$ 13	$ 14	$ 13	$ 12	$ 52
Depreciation and amortization % of Revenue	5.8 %	4.2 %	4.7 %	3.8 %	4.6 %	4.7 %	6.1 %	6.3 %	5.5 %	5.6 %
Restructuring and other charges[(1)]	$ 4	$ 193	$ 1	$ 1	$ 199	$ 17	$ (5)	$ 9	$ 7	$ 28
Capital expenditures	$ 11	$ 7	$ 4	$ 5	$ 27	$ 3	$ 5	$ 3	$ 8	$ 19
Forged Wheels										
Third-party sales	$ 254	$ 257	$ 241	$ 217	$ 969	$ 191	$ 113	$ 172	$ 203	$ 679
Inter-segment sales	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Segment operating profit	$ 60	$ 73	$ 60	$ 60	$ 253	$ 50	$ 6	$ 35	$ 62	$ 153
Segment operating profit margin	23.6 %	28.4 %	24.9 %	27.6 %	26.1 %	26.2 %	5.3 %	20.3 %	30.5 %	22.5 %
Provision for depreciation and amortization	$ 8	$ 8	$ 8	$ 8	$ 32	$ 10	$ 9	$ 10	$ 10	$ 39
Depreciation and amortization % of Revenue	3.1 %	3.1 %	3.3 %	3.7 %	3.3 %	5.2 %	8.0 %	5.8 %	4.9 %	5.7 %
Restructuring and other charges	$ 4	$ 1	$ —	$ (1)	$ 4	$ 2	$ 1	$ —	$ —	$ 3
Capital expenditures	$ 25	$ 20	$ 11	$ 14	$ 70	$ 7	$ 4	$ 6	$ 6	$ 23

(1) Restructuring and other charges in 2Q19 included a portion of the $428 charge for impairment of long-lived assets of the Disks business.

Differences between the total segment and consolidated totals are in Corporate.

HOWMET AEROSPACE

Calculation of Total Segment Operating Profit Margin (continued)

($ in millions)	1Q19	2Q19	3Q19	4Q19	2019	1Q20	2Q20	3Q20	4Q20	2020
Sales – Engine Products	$813	$835	$844	$828	$3,320	$781	$585	$485	$555	$2,406
Sales – Fastening Systems	$395	$399	$391	$376	$1,561	$385	$326	$271	$263	$1,245
Sales – Engineered Structures	$294	$331	$318	$312	$1,255	$275	$229	$206	$217	$927
Sales – Forged Wheels	$254	$257	$241	$217	$969	$191	$113	$172	$203	$679
Total segment sales	$1,756	$1,822	$1,794	$1,733	$7,105	$1,632	$1,253	$1,134	$1,238	$5,257
Total segment operating profit[1]	$313	$360	$363	$354	$1,390	$339	$200	$117	$234	$890
Total segment operating profit margin	17.8%	19.8%	20.2%	20.4%	19.6%	20.8%	16.0%	10.3%	18.9%	16.9%

[1] See Reconciliation of Total Segment Operating Profit Consolidated income before income taxes.

Reconciliation of Total Segment to Consolidated Totals

Reconciliation of Total segment operating profit to Consolidated income before income taxes

($ in millions)	1Q19	2Q19	3Q19	4Q19	2019	1Q20	2Q20	3Q20	4Q20	2020
Total segment operating profit	$313	$360	$363	$354	$1,390	$339	$200	$117	$234	$890
Unallocated amounts:										
Restructuring and other charges	(44)	(472)	(56)	(10)	(582)	(39)	(105)	(22)	(16)	(182)
Corporate expense[(1)]	(55)	(64)	(51)	(59)	(229)	(42)	(21)	(22)	3	(82)
Consolidated operating income (loss)	214	(176)	256	285	579	258	74	73	221	626
Interest expense	(85)	(86)	(85)	(82)	(338)	(84)	(144)	(77)	(76)	(381)
Other expense, net	(12)	(6)	(8)	(5)	(31)	24	(16)	(8)	(74)	(74)
Income (loss) from continuing operations before income taxes	$117	$(268)	$163	$198	$210	$198	$(86)	$(12)	$71	$171

(1) For the quarter ended March 31, 2019, Corporate expense included $1 of costs associated with the Arconic Inc. Separation Transaction, $8 of legal and advisory charges related to the strategic review and Grenfell tower. For the quarter ended June 30, 2019, Corporate expense included $1 of costs associated with the Arconic Inc. Separation Transaction, $9 impairment of assets of the energy business, $4 of costs related to a fire at a fasteners plant and $3 of legal and advisory charges related to Grenfell tower. For the quarter ended September 30, 2019, Corporate expense included $1 of costs associated with the Arconic Inc. Separation Transaction, $5 of costs related to a fire a fasteners plant and $2 of legal and advisory charges related to Grenfell tower. For the quarter ended December 31, 2019, Corporate expense included $2 of costs associated with the Arconic Inc. Separation Transaction, $1 in an impairment of assets of the energy business and $1 of legal and advisory charges related to Grenfell tower. For the quarter ended March 31, 2020, Corporate expense included $4 of costs associated with the Arconic Inc. Separation Transaction, $11 of net costs related to fires at two plants, and impairment costs related to facilities closures of $3 offset by ($1) net reimbursement related to legal and advisory charges related to Grenfell Tower. For the quarter ended June 30, 2020, Corporate expense included $3 of costs associated with the Arconic Inc. Separation Transaction, ($6) of reimbursement related to legal and advisory charges related to Grenfell Tower, and $4 of net costs related to a fire at two plants (net of insurance reimbursements). For the quarter ended September 30, 2020, Corporate expense included ($2) of reimbursement related to legal and advisory charges related to Grenfell Tower, and $7 of net costs related to a fire at two plants (net of insurance reimbursements). For the quarter ended December 31, 2020, Corporate expense included ($3) of reimbursement related to legal and advisory charges related to Grenfell Tower, and ($19) of net reimbursement related to fires at two plants.

Reconciliation of Total segment Capital expenditures to Consolidated Capital expenditures

($ in millions)	1Q19	2Q19	3Q19	4Q19	2019	1Q20	2Q20	3Q20	4Q20	2020
Total segment capital expenditures	$116	$90	$61	$77	$344	$37	$30	$33	$58	$158
Corporate and discontinued operations	129	70	66	32	297	115	2	3	(11)	109
Capital expenditures	$245	$160	$127	$109	$641	$152	$32	$36	$47	$267

Reconciliation of Operating Income Excluding Special Items and Operating Income Margin, Excluding Special Items

($ in millions)	1Q19	2Q19	3Q19	4Q19	2019	1Q20	2Q20	3Q20	4Q20	2020
Operating income (loss)	$214	$(176)	$256	$285	$579	$258	$74	$73	$221	$626
Special items:										
Restructuring and other charges	44	472	56	10	582	39	105	22	16	182
Costs associated with the Arconic Inc. Separation Transaction	1	1	1	2	5	4	3	—	—	7
Impairment of energy business assets	—	9	—	1	10	—	—	—	—	—
Legal and other advisory costs (reimbursements) related to Grenfell Tower, net	2	3	2	1	8	(1)	(6)	(2)	(3)	(12)
Strategy and portfolio review costs	6	—	—	—	6	—	—	—	—	—
Plant fire costs (reimbursments), net	—	4	5	—	9	11	4	7	(19)	3
Impairment costs related to facilities closures	—	—	—	—	—	3	—	—	—	3
Operating income excluding Special items	$267	$313	$320	$299	$1,199	$314	$180	$100	$215	$809
Allocation adjustments[1]										5
Operating income excluding Special items and Allocation adjustments										$814
Sales	$1,752	$1,818	$1,794	$1,734	$7,098	$1,634	$1,253	$1,134	$1,238	$5,259
Operating income margin	12.2%	n/a	14.3%	16.4%	8.2%	15.8%	5.9%	6.4%	17.9%	11.9%
Operating income margin, excluding Special items	15.2%	17.2%	17.8%	17.2%	16.9%	19.2%	14.4%	8.8%	17.4%	15.4%

Operating income excluding Special items, Operating income excluding Special items and Allocation adjustments, and Operating income margin, excluding Special items are non-GAAP financial measures. Management believes that these measures are meaningful to investors because management reviews the operating results of the Company excluding the impacts of Special items. In addition, management believes that the Operating income excluding Special items and Allocation adjustments are meaningful to investors as the Company it reflects how management reviewed the standalone costs of Howmet in the quarter ended March 31, 2020 as if the Arconic Inc. Separation Transaction had happened on January 1, 2020. There can be no assurances that additional Special items will not occur in future periods. To compensate for this limitation, management believes that it is appropriate to consider both Operating income determined under GAAP as well as Operating income excluding Special items.

(1) Adjustments include differences between allocations as required under discontinued operations as part of generally accepted accounting principles and estimated actual spending in selling, general, and administrative, and other expenses related to Howmet on a standalone basis as if the Arconic Inc. Separation Transaction had occurred on January 1, 2020.

Reconciliation of Adjusted EBITDA excluding Special Items

($ in millions)	Quarter ended December 31, 2019	Year ended December 31, 2019	Quarter ended March 31, 2020	Quarter ended Juner 30, 2020	Quarter ended September 30, 2020	Quarter ended December 31, 2020	Year ended December 31, 2020
Income (loss) from continuing operations after income taxes	$118	$126	$153	$(84)	$36	$106	$211
Add:							
Provision (benefit) for income taxes	$80	$84	$45	$(2)	$(48)	$(35)	$(40)
Other expense (income), net	5	31	(24)	16	8	74	74
Interest expense	82	338	84	144	77	76	381
Restructuring and other charges	10	582	39	105	22	16	182
Provision for depreciation and amortization	71	295	71	73	68	67	279
Adjusted EBITDA	$366	$1,456	$368	$252	$163	$304	$1,087
Add:							
Costs associated with the Arconic Inc. Separation Transaction	$2	$5	$4	$3	$—	$—	$7
Plant fire costs (reimbursements), net[1]	—	9	11	(2)	7	(19)	(3)
Legal and other advisory reimbursements (costs) related to Grenfell Tower	1	8	(1)	(6)	(2)	(3)	(12)
Adjusted EBITDA excluding Special items	$369	$1,478	$382	$247	$168	$282	$1,079
Allocation adjustments[2]	26	90	4	—	—	—	4
Adjusted EBITDA excluding Special items and Allocation adjustments	$395	$1,568	$386	$247	$168	$282	$1,083
Third-party sales	$1,734	$7,098	$1,634	$1,253	$1,134	$1,238	$5,259
Allocation adjustments[2]	—	8	(2)	—	—	—	(2)
Third-party sales with Allocation adjustments	$1,734	$7,106	$1,632	$1,253	$1,134	$1,238	$5,257
Adjusted EBITDA excluding Special items Margin	21.3%	20.8%	23.4%	19.7%	14.8%	22.8%	20.5%
Adjusted EBITDA excluding Special items and Allocation adjustments Margin	22.8%	22.1%	23.7%	19.7%	14.8%	22.8%	20.6%

The Company's definition of Adjusted EBITDA (Earnings before interest, taxes, depreciation, and amortization) is net margin plus an add-back for depreciation and amortization. Net margin is equivalent to Sales minus the following items: Cost of goods sold; Selling, general administrative, and other expenses; Research and development expenses; and Provision for depreciation and amortization. Management believes that Adjusted EBITDA, Adjusted EBITDA excluding Special items and Allocation adjustments, Adjusted EBITDA excluding Special items Margin, and Adjusted EBITDA excluding Special items and Allocation Adjustments Margin is meaningful to investors because it provides additional information with respect to the Company's operating performance and the Company's ability to meet its financial obligations. The Adjusted EBITDA presented may not be comparable to similarly titled measures of other companies.

(1) Plant fire costs excludes the impacts of $6 of depreciation in the second quarter ended June 30, 2020.

(2) Adjustments include differences between allocations as required under discontinued operations as part of generally accepted accounting principles and estimated actual revenue and spending in selling, general, and administrative, depreciation, depletion, and other expenses related to Howmet on a standalone basis as if the Arconic Inc. Separation Transaction had occurred on January 1, 2020.

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Reconciliation of Adjusted Free Cash Flow

($ in millions)	1Q20	2Q20	3Q20	4Q20	2020
Cash (used for) provided from operations	$(208)	$31	$35	$151	$9
Cash receipts from sold receivables	$48	$66	$144	$164	$422
Capital expenditures	(152)	(32)	(36)	(47)	(267)
Adjusted free cash flow	(312)	65	143	268	164
Costs associated with the Arconic Inc. Separation Transaction	66	11	—	—	77
Adjusted free cash flow, excluding costs associated with the Arconic Inc. Separation Tranasaction	$(246)	$76	$143	$268	$241

The net cash funding from the sale of accounts receivables was $329 million in the first quarter of 2020 which represented a $21 million use of cash in the first quarter. The net cash funding from the sale of accounts receivables was $299 million in the second quarter of 2020 which represented a $30 million use of cash in the second quarter. The net cash funding from the sale of accounts receivables was $255 million in the third quarter of 2020 which represented a $45 million use of cash in the third quarter. The net cash funding from the sale of accounts receivables was $250 million in the fourth quarter of 2020 which represented a $5 million use of cash in the fourth quarter.

Adjusted free cash flow and Adjusted free cash flow, excluding costs associated with the Arconic Inc. Separation Transaction are non-GAAP financial measures. Management believes that these measures are meaningful to investors because management reviews cash flows generated from operations after taking into consideration capital expenditures (due to the fact that these expenditures are considered necessary to maintain and expand the Company's asset base and are expected to generate future cash flows from operations), cash receipts from net sales of beneficial interest in sold receivables, as well as costs associated with the Arconic Inc. Separation Transaction. It is important to note that Adjusted free cash flow and Adjusted free cash flow, excluding costs associated with the Arconic Inc. Separation Transaction, measures do not represent the residual cash flow available for discretionary expenditures since other non-discretionary expenditures, such as mandatory debt service requirements, are not deducted from the measure.

Reconciliation of Net Debt

($ in millions)	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020
Short-term debt	$1,034	$1,336	$391	$384	$376
Long-term debt, less amount due within one year	4,906	4,608	4,695	4,697	4,699
Total debt	5,940	5,944	5,086	5,081	5,075
Less: Cash, cash equivalents, and restricted cash	1,632	2,143	1,285	1,368	1,611
Net debt	$4,308	$3,801	$3,801	$3,713	$3,464

Net debt is a non-GAAP financial measure. Management believes that this measure is meaningful to investors because management assesses the Company's leverage position after factoring in cash that could be used to repay outstanding debt.

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Reconciliation of Net debt to Adjusted EBITDA Excluding Special Items

($ in millions)	Trailing-12 months ended	
	September 30, 2020	December 31, 2020
Income from continuing operations after income taxes	$ 223	$ 211
Add:		
Provision for income taxes	75	(40)
Other expense, net	5	74
Interest expense	387	381
Restructuring and other charges	176	182
Provision for depreciation and amortization	283	279
Adjusted EBITDA	$ 1,149	$ 1,087
Add:		
Costs associated with the Arconic Inc. Separation Transaction	$ 9	$ 7
Impairment of energy business assets	1	—
Plant fire costs (reimbursements), net [1]	16	(3)
Legal and other advisory costs related to Grenfell Tower, net	(8)	(12)
Impairment costs related to facilities closures	3	3
Adjusted EBITDA excluding Special items	$ 1,170	$ 1,082
Net debt	3,713	$ 3,464
Net debt to Adjusted EBITDA excluding Special items	3.17	3.20

The Company's definition of Adjusted EBITDA (Earnings before interest, taxes, depreciation, and amortization) is net margin plus an add-back for depreciation and amortization. Net margin is equivalent to Sales minus the following items: Cost of goods sold; Selling, general administrative, and other expenses; Research and development expenses; and Provision for depreciation and amortization. Management believes that this measure is meaningful to investors because it provides additional information with respect to the Company's operating performance and the Company's ability to meet its financial obligations. The Adjusted EBITDA presented may not be comparable to similarly titled measures of other companies.

Net debt is a non-GAAP financial measure. Management believes that this measure is meaningful to investors because management assesses the Company's leverage position after factoring in cash that could be used to repay outstanding debt.

[1] Plant fire costs excludes the impacts of $6 of depreciation in the second quarter of 2020.

Reconciliation of Corporate Expense Excluding Special Items

($ in millions)	1Q19	2Q19	3Q19	4Q19	2019	1Q20	2Q20	3Q20	4Q20	2020
Corporate expense	$55	$64	$51	$59	$229	$42	$21	$22	$(3)	$82
Special items:										
Costs associated with the Arconic Inc. Separation Transaction	1	1	1	2	5	4	3	—	—	7
Legal and other advisory costs (reimbursements) related to Grenfell Tower, net	2	3	2	1	8	(1)	(6)	(2)	(3)	(12)
Strategy and portfolio review costs	6	—	—	—	6	—	—	—	—	—
Plant fire costs (reimbursements), net	—	4	5	—	9	11	4	7	(19)	3
Impairment of energy business assets	—	9	—	1	10	—	—	—	—	—
Impairment costs related to facilities closures	—	—	—	—	—	3	—	—	—	3
Corporate expense excluding Special items	$46	$47	$43	$55	$191	$25	$20	$17	$19	$81

Corporate expense excluding Special items is a non-GAAP financial measure. Management believes that this measure is meaningful to investors because management reviews the operating results of the Company excluding the impacts of Special items. There can be no assurances that additional Special items will not occur in future periods. To compensate for this limitation, management believes that it is appropriate to consider both Corporate expense determined under GAAP as well as Corporate expense excluding Special items.

Reconciliation of Segment End Markets Revenue

($ in millions)	Engine Products	Fastening Systems	Engineered Structures	Forged Wheels	Total Segment
Fourth quarter ended December 31, 2019					
Aerospace - Commercial	$540	$257	$225	$—	$1,022
Aerospace - Defense	$125	$43	$62	$—	$230
Commercial Transportation	$3	$48	$—	$216	$267
Industrial and Other	$160	$28	$25	$1	$214
Third-party sales end-market revenue	$828	$376	$312	$217	$1,733
Fourth quarter ended December 31, 2020					
Aerospace - Commercial	$229	$158	$109	$—	$496
Aerospace - Defense	$163	$36	$87	$—	$286
Commercial Transportation	$—	$37	$—	$203	$240
Industrial and Other	$163	$32	$21	$—	$216
Third-party sales end-market revenue	$555	$263	$217	$203	$1,238

Reconciliation of Segment Adjusted EBITDA

($ in millions)	1Q19	2Q19	3Q19	4Q19	2019	1Q20	2Q20	3Q20	4Q20	2020
Engines Products										
Segment operating profit	$141	$163	$161	$156	$621	$165	$105	$39	$108	$417
Provision for depreciation and amortization	34	35	31	31	131	30	31	31	31	123
Adjusted EBITDA	$175	$198	$192	$187	$752	$195	$136	$70	$139	$540
Third-party sales	$813	$835	$844	$828	$3,320	$781	$585	$485	$555	$2,406
Adjusted EBITDA margin	21.5%	23.7%	22.7%	22.6%	22.7%	25.0%	23.2%	14.4%	25.0%	22.4%
Fastening Systems										
Segment operating profit	$96	$99	$102	$99	$396	$96	$70	$33	$48	$247
Provision for depreciation and amortization	12	12	12	12	48	12	12	12	12	48
Adjusted EBITDA	$108	$111	$114	$111	$444	$108	$82	$45	$60	$295
Third-party sales	$395	$399	$391	$376	$1,561	$385	$326	$271	$263	$1,245
Adjusted EBITDA margin	27.3%	27.8%	29.2%	29.5%	28.4%	28.1%	25.2%	16.6%	22.8%	23.7%
Engineered Structures										
Segment operating profit	$16	$25	$40	$39	$120	$28	$19	$10	$16	$73
Provision for depreciation and amortization	17	14	15	12	58	13	14	13	12	52
Adjusted EBITDA	$33	$39	$55	$51	$178	$41	$33	$23	$28	$125
Third-party sales	$294	$331	$318	$312	$1,255	$275	$229	$206	$217	$927
Adjusted EBITDA margin	11.2%	11.8%	17.3%	16.3%	14.2%	14.9%	14.4%	11.2%	12.9%	13.5%
Forged Wheels										
Segment operating profit	$60	$73	$60	$60	$253	$50	$6	$35	$62	$153
Provision for depreciation and amortization	8	8	8	8	32	10	9	10	10	39
Adjusted EBITDA	$68	$81	$68	$68	$285	$60	$15	$45	$72	$192
Third-party sales	$254	$257	$241	$217	$969	$191	$113	$172	$203	$679
Adjusted EBITDA margin	26.8%	31.5%	28.2%	31.3%	29.4%	31.4%	13.3%	26.2%	35.5%	28.3%

Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP financial measures. Management believes that these measures are meaningful to investors because Adjusted EBITDA and Adjusted EBITDA margin provide additional information with respect to the operating performance and the Company's ability to meet its financial obligations. The Adjusted EBITDA presented may not be comparable to similarly titled measures of other companies. Howmet's definition of Adjusted EBITDA (Earnings before interest, taxes, depreciation, and amortization) is net margin plus an add-back for depreciation and amortization. Net margin is equivalent to Sales minus the following items: Cost of goods sold; Selling, general administrative, and other expenses; Research and development expenses; and Provision for depreciation and amortization.

Reconciliation of Adjusted Free Cash Flow including Pre-Separation Allocations as a Percentage of Adjusted Income from Continuing Operations

($ in millions)	Year ended December 31, 2020
Cash provided from operations	$9
Cash receipts from sold receivables	422
Capital expenditures	(267)
Adjusted free cash flow	164
Costs associated with the Arconic Inc. Separation Transaction	77
Adjusted free cash flow, excluding costs associated with the Arconic Inc. Separation Transaction and including pre-separation allocations	$241
Allocation adjustments(1)	(146)
Adjusted free cash flow pro forma for Separation	**$387**
Income from continuing operations	$211
Special item:	
Restructuring and other charges	182
Discrete tax items(2)	(115)
Other special items(3)	135
Tax impact(4)	(59)
Income from continuing operations, excluding Special items	$354
Allocation adjustments(1)	(13)
Income from continuing operations excluding Special items and Allocation adjustments	**$341**
Adjusted free cash flow and allocation adjustments for the separation as a percentage of adjusted income from continuing operations	**114%**

Adjusted free cash flow, excluding costs associated with the Arconic Inc. Separation Transaction; and Adjusted free cash flow, excluding costs associated with the Arconic Inc. Separation Transaction and including pre-separation allocations are non-GAAP financial measures. Management believes that these measures are meaningful to investors because management reviews cash flows generated from operations after taking into consideration capital expenditures (due to the fact that these expenditures are considered necessary to maintain and expand the Company's asset base and are expected to generate future cash flows from operations), cash receipts from net sales of beneficial interest in sold receivables, as well as costs associated with the Arconic Inc. Separation Transaction. In addition, management believes that Adjusted free cash flow, excluding costs associated with the Arconic Inc. Separation Transaction and including pre-separation allocations is meaningful to investors as it reflects how management reviewed cash flows of Howmet in the quarter ended March 31, 2020 as if the Arconic Inc. Separation Transaction had happened on January 1, 2020. It is important to note that Adjusted free cash flow; Adjusted free cash flow, excluding costs associated with the Arconic Inc. Separation Transaction; and Adjusted free cash flow, excluding costs associated with the Arconic Inc. Separation Transaction and including pre-separation allocations measures do not represent the residual cash flow available for discretionary expenditures since other non-discretionary expenditures, such as mandatory debt service requirements, are not deducted from the measure.

Income from continuing operations excluding Special items and Income from continuing operations excluding Special items and Allocation adjustments are non-GAAP financial measures. Management believes that these measures are meaningful to investors because management reviews the operating results of the Company excluding the impacts of Restructuring and other charges, Discrete tax items, and Other special items (collectively, "Special items"). In addition, management believes that Income from continuing operations excluding Special items and Allocation adjustments is meaningful to investors as it reflects how management reviewed the standalone costs of Howmet in the quarter ended March 31, 2020 as if the Arconic Inc. Separation Transaction had happened on January 1, 2020. There can be no assurances that additional special items will not occur in future periods. To compensate for this limitation, management believes that it is appropriate to consider both Income (loss) from continuing operations determined under GAAP as well as Income (loss) from continuing operations excluding Special items.

(1) Adjustments include differences between allocations as required under discontinued operations as part of general accepted accounting principles and estimated actual spending in selling, general, administrative, and other expenses and miscellaneous non-operating income related to pension, other post retirement benefits, and foreign exchange related to Howmet on a standalone basis as if the Arconic Inc. Separation Transaction had occurred on January 1, 2020.

(2) Discrete tax items for the year ended December 31, 2020 included a benefit related to the release of a reserve as a result of a favorable Spanish tax case decision ($64), a benefit related to the recognition of a previously uncertain U.S. tax position ($30), a benefit for a U.S. tax law change ($30), and a net benefit for a number of small tax items ($3), partially offset by charges resulting from the remeasurement of deferred tax balances in various jurisdictions as a result of the Arconic Inc. Separation Transactions $8, and a charge related to tax rate changes in various jurisdictions $4.

(3) Other special items for the year ended December 31, 2020 included a cost to reverse indemnification receivables as a result of a favorable Spanish tax case decision which relieved Alcoa Corp. and Arconic Corp. of their share of the liability $53; new financing and debt tender fees $72, costs associated with the Arconic Inc. Separation Transaction $5, reimbursement of legal and other advisory costs related to Grenfell Tower ($12); net costs related to fires at two plants $3, inventory disposal costs $3, and a charge for a reserve related to investment tax credits $9.

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(4) The tax impact on Special items is based on the applicable statutory rates whereby the difference between such rates and the Company's consolidated estimated annual effective tax rate is itself a Special item.