Fourth Quarter and Full Year 2022 Earnings Call

John Plant: Executive Chairman and Chief Executive Officer
Ken Giacobbe: EVP and Chief Financial Officer

February 14, 2023

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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 repurchases of its debt or equity securities. 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) deterioration in global economic and financial market conditions generally; (b) unfavorable changes in the markets served by Howmet Aerospace; (c) the impact of potential cyber attacks and information technology or data security breaches; (d) the loss of significant customers or adverse changes in customers' business or financial conditions; (e) manufacturing difficulties or other issues that impact product performance, quality or safety; (f) inability of suppliers to meet obligations due to supply chain disruptions or otherwise; (g) failure to attract and retain a qualified workforce and key personnel; (h) uncertainty of the duration, extent and impact of the COVID-19 pandemic on Howmet Aerospace's business, results of operations, and financial condition; (i) the inability to achieve revenue growth, cash generation, restructuring plans, cost reductions, improvement in profitability, or strengthening of competitiveness and operations anticipated or targeted; (j) inability to meet increased demand, production targets or commitments; (k) competition from new product offerings, disruptive technologies or other developments; (l) geopolitical, economic, and regulatory risks relating to Howmet Aerospace's global operations, including geopolitical and diplomatic tensions, instabilities and conflicts, as well as compliance with U.S. and foreign trade and tax laws, sanctions, embargoes and other regulations; (m) the outcome of contingencies, including legal proceedings, government or regulatory investigations, and environmental remediation, which can expose Howmet Aerospace to substantial costs and liabilities; (n) failure to comply with government contracting regulations; (o) adverse changes in discount rates or investment returns on pension assets; and (p) the other risk factors summarized in Howmet Aerospace's Form 10-K for the year ended December 31, 2021 and 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 presentation are made as of the date of this presentation, 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)

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 (including Adjusted EBITDA, Adjusted EBITDA margin and Adjusted Earnings per Share, each excluding special items, and Free Cash Flow) to the most directly comparable GAAP financial measures because such reconciliations, as well as the directly comparable GAAP measures, are not available without unreasonable efforts due to the variability and complexity of the charges and other components excluded from the non-GAAP measures, such as the effects of foreign currency movements, 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 of forward-looking non-GAAP financial measures would imply a degree of precision that would be confusing or misleading to investors.

Where values are denoted, M=USD millions and B=USD billions.

2022 Highlights

Revenue and Profitability Excluding Special Items[1]	Q4 2021	Q3 2022	Q4 2022	FY 2021	FY 2022
Revenue	$1.285B	$1.433B	$1.513B	$4.972B	$5.663B
Adj EBITDA[1]	$296M	$323M	$336M	$1,135M	$1,276M
Adj EBITDA Margin[1]	23.0%	22.5%	22.2%	22.8%	22.5%
Adj Earnings Per Share[2]	$0.30	$0.36	$0.38	$1.01	$1.40

- FY Revenue up 14% YoY, driven by Commercial Aerospace up 28% YoY
- FY Adj EBITDA[1] up 12% YoY and Adj Earnings Per Share[2] up 39% YoY

FY 2022 Balance Sheet and Cash Flow

- Record Free Cash Flow[3] of $540M, including ~($235M) Inventory build for Commercial Aero; FCF Conversion[4] ~91%
- Ending Cash Balance of $792M
- Q4 Repurchased ~1.7M shares of Common Stock for $65M; FY Repurchased ~11.4M shares of Common Stock for $400M
- Q4 Repurchased $9M of Debt with Cash on Hand; FY Repurchased $69M of Debt; Annualized Interest Expense savings ~$4M
- Record Net Debt-to-LTM EBITDA[5] at 2.6x; All Long-Term Debt unsecured at fixed rates; $1B Revolver undrawn

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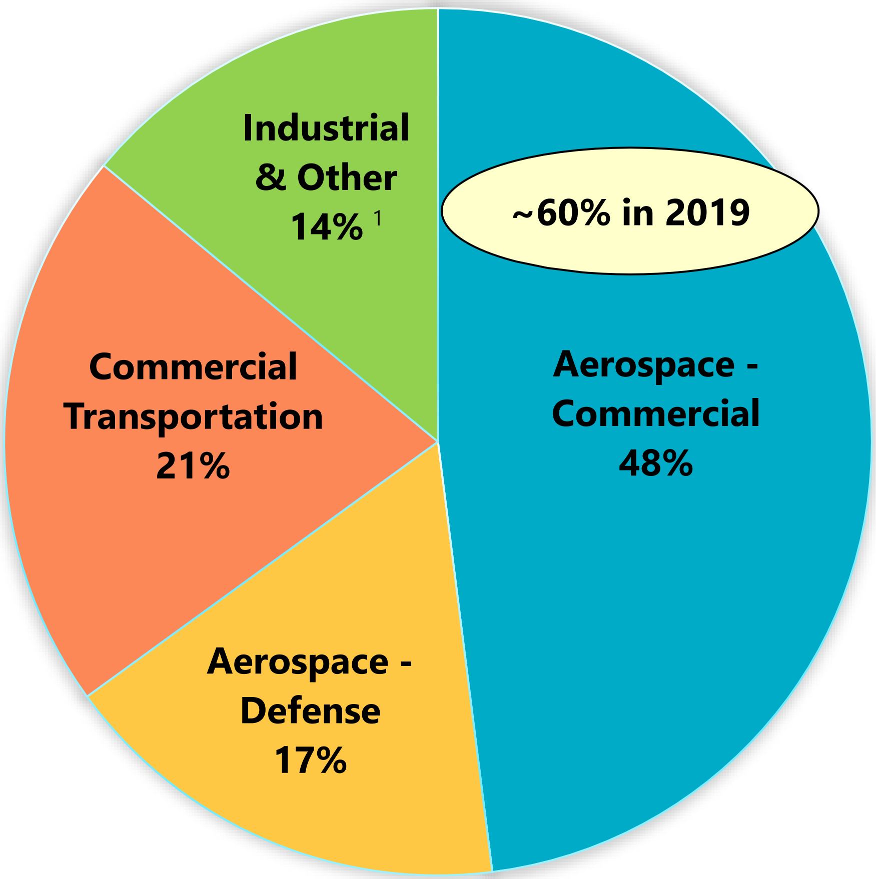
1) Net Income (GAAP): Q4 2021 = $77M, FY 2021 = $258M, Q3 2022 = $80M, Q4 2022 = $111M, FY 2022 = $469M 2) EPS (GAAP): Q4 2021 = $0.18, FY 2021 = $0.59, Q3 2022 = $0.19, Q4 2022 = $0.26, FY 2022 = $1.11 3) FY 2022: Cash provided from operations = $733M, Cash used for financing activities = ($526M), Cash used for investing activities = ($135M) 4) Free Cash Flow Conversion = Free Cash Flow divided by Net Income excluding Special items 5) Adjusted for special items; Last twelve month (LTM) Howmet adjusted EBITDA *See appendix for reconciliations*

Q4 2022 Revenue Up 18% YoY, driven by Commercial Aero Up 29%

Q4 2022 Revenue by Market (% of total)



Revenue by Market (% change)	Q4 YoY	FY22 YoY
Aerospace - Commercial	29%	28%
Aerospace - Defense	13%	(3%)
Subtotal - Aerospace	24%	18%
Commercial Transportation	12%	14%
Industrial & Other [1]	1%	(1%)
Total Revenue	18%	14%

1) IGT represents ~45%, general Industrial represents ~35%, and Oil & Gas represents ~20% of total Industrial & Other

Six Consecutive Quarters of Revenue, Adj EBITDA, and Adj EPS Growth

Enhanced Profitability

- FY Revenue $5.7B up 14% YoY, up 9% YoY excluding material pass through; Adj EBITDA[1] of $1,276M, up 12% YoY
- Adj EBITDA Margin[1] of 22.5%; 23.5% excluding YoY material cost pass through, YoY Incremental Margin of ~30%
- Operational Tax Rate[2] of 22.5%, improved 250 bps YoY
- Adj Earnings Per Share[3] of $1.40, up 39% YoY, in line with Guidance

Strengthened Balance Sheet

- Record Free Cash Flow[4] of $540M; FCF Conversion[5] greater than 90% each year since Separation
- Ending Cash Balance of $792M; net of ~$513M for Repurchases of Common Stock and Debt, Quarterly Dividends
- Reduced Net Pension/OPEB Liability by ~$180M to ~$750M; ~5% of Market Capitalization
- Record Net Debt-to-LTM EBITDA[6] at 2.6x; All Bond Debt unsecured at fixed rates; $1B Revolver undrawn

Balanced Capital Allocation

- Capex $193M; Less than Depreciation and Amortization; Installed Capacity in place to support Aerospace Growth
- Common Stock Repurchases: $400M in FY 2022; ~$900M since Separation; 7 Consecutive Quarters
- Debt Reduction of $69M with Cash on Hand; Additional ~$26M Repurchased in January 2023
- Doubled Quarterly Dividend to $0.04 per share of Common Stock in Q4 2022

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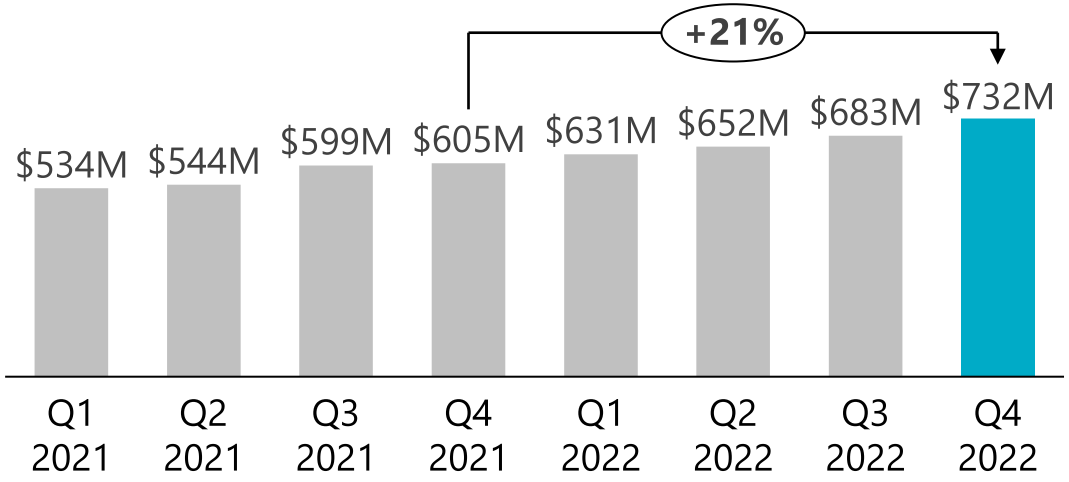
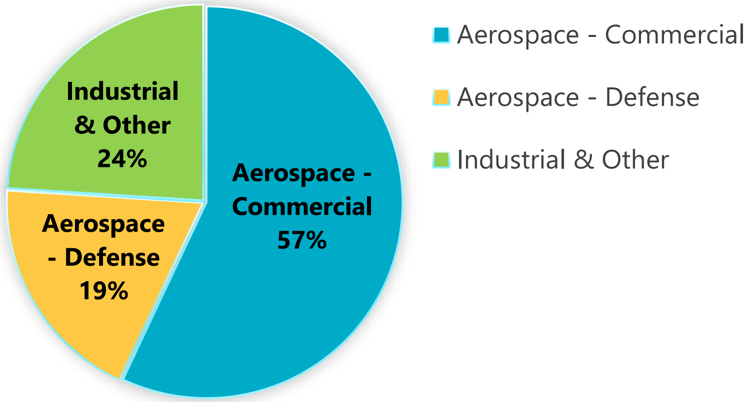
1) Adjusted EBITDA and EBITDA Margin excluding special items: Net Income (GAAP): FY 2021 = $258M, FY 2022 = $469M 2) Adjusted Operational Tax Rate: Effective Tax Rate (GAAP): FY 2021 = 20.4%, FY 2022 = 22.6% 3) Adjusted EPS excluding special items: EPS (GAAP): FY 2021 = $0.59, FY 2022 = $1.11 4) FY 2022: Cash provided from operations = $733M, Cash used for financing activities = ($526M), Cash used for investing activities = ($135M) 5) Free Cash Flow Conversion = Free Cash Flow divided by Net Income excluding Special items 6) Adjusted for special items; Last twelve month (LTM) Howmet adjusted EBITDA *See appendix for reconciliations*

Engine Products: Revenue +21% YoY driven by Narrow Body, Adj EBITDA Margin up 110 bps YoY

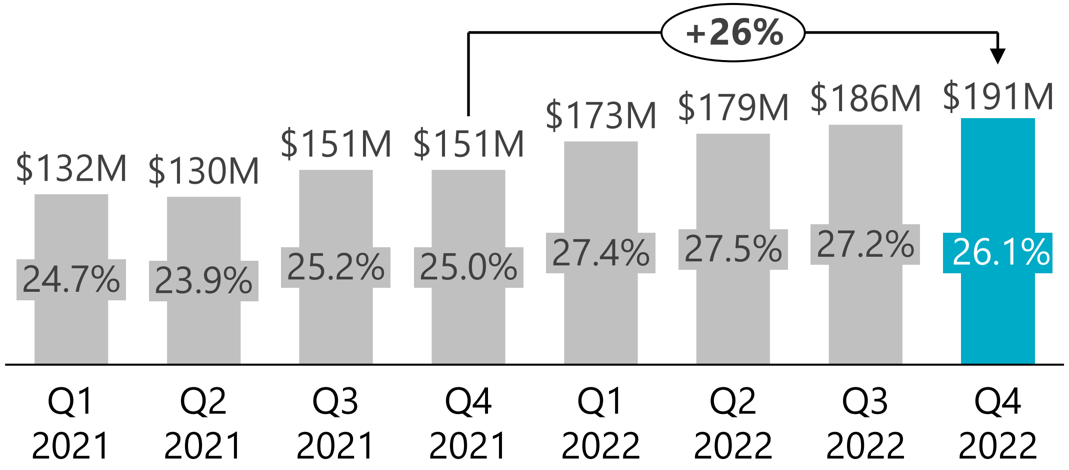
3rd Party Revenue



Revenue by Market (% of total)



Segment Adjusted EBITDA and Margin



Q4 2022 YoY

- \+ Narrow Body Recovery
- \+ Defense Growth
- \+ Oil & Gas Growth
- +/- Increased Net Headcount; Unfavorable near-term training time and cost

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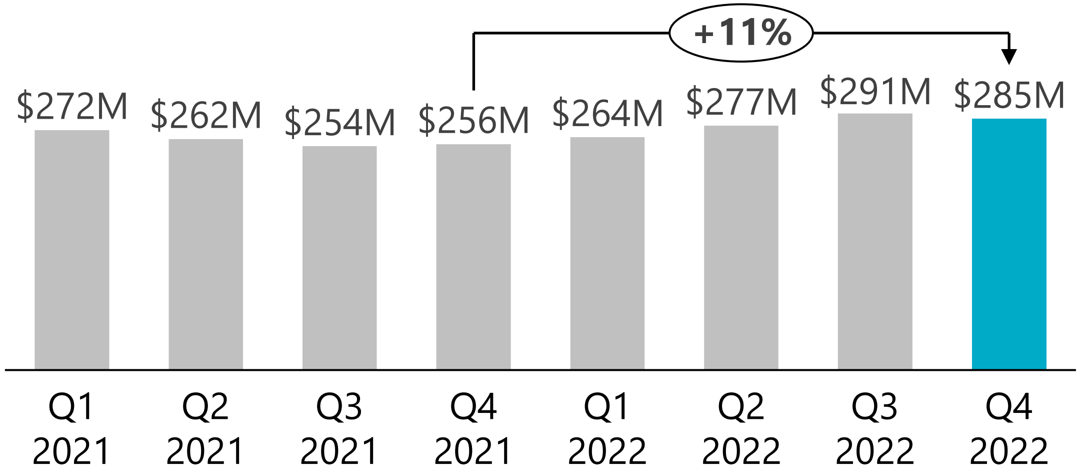
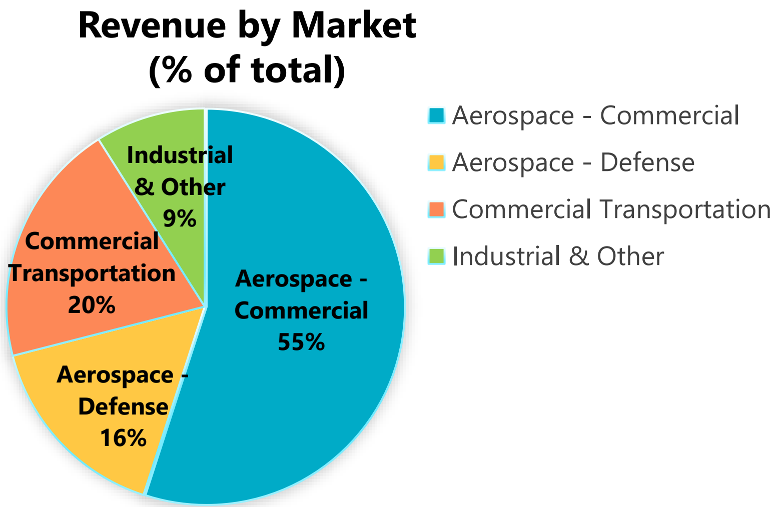
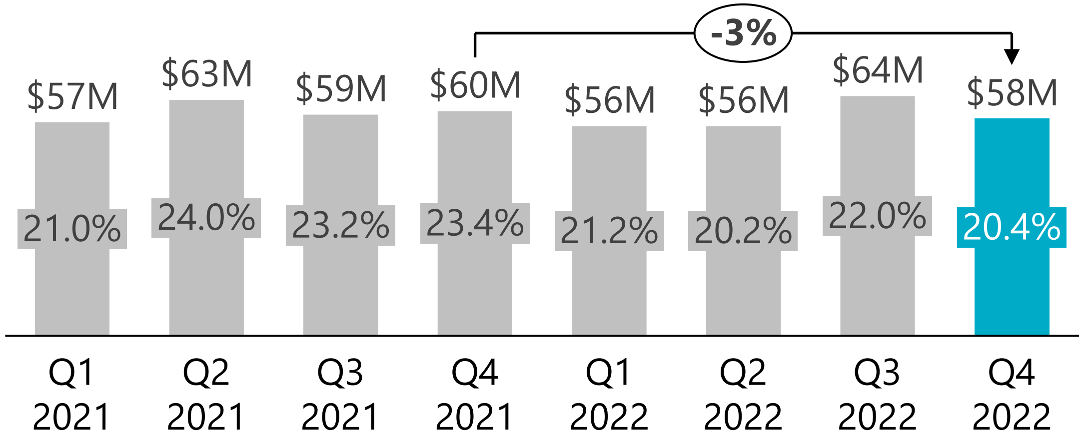
Fastening Systems: Revenue +11% YoY driven by Narrow Body, Adj EBITDA Margin 20.4%

3rd Party Revenue





Segment Adjusted EBITDA and Margin



Q4 2022 YoY

- \+ Narrow Body Recovery
- +/- Increased Net Headcount ~400 in 2022; Unfavorable near-term training time and cost

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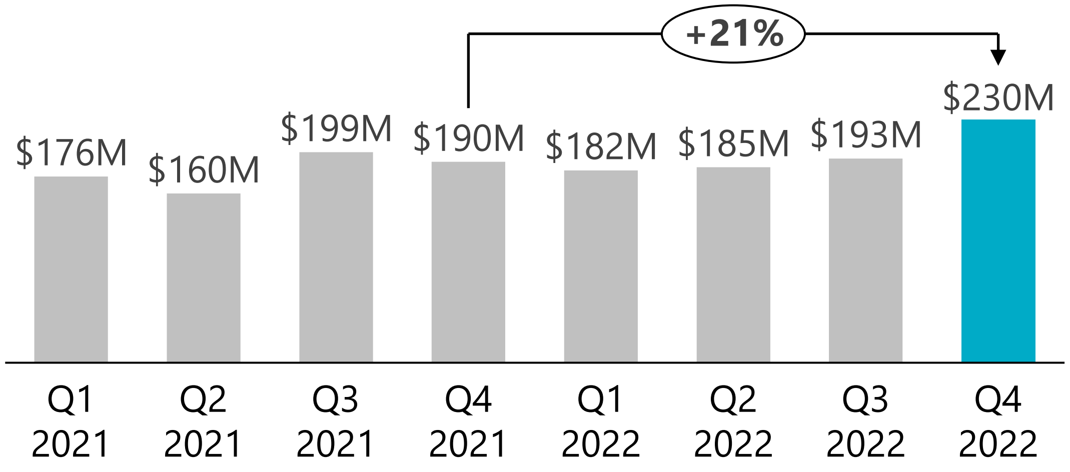
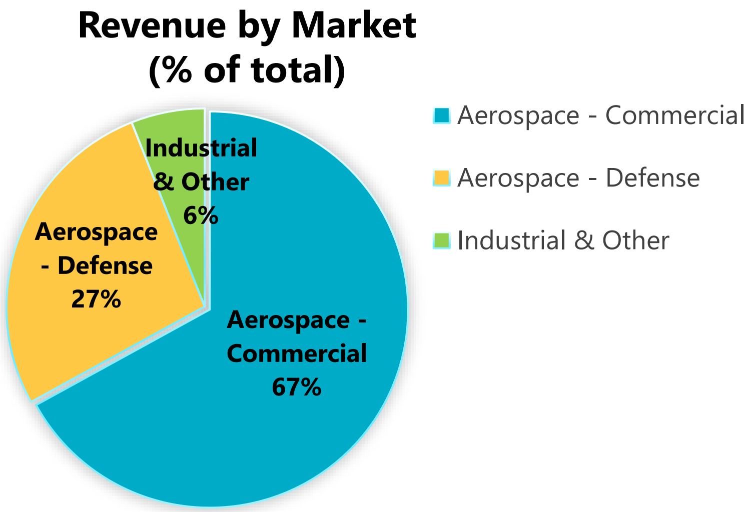
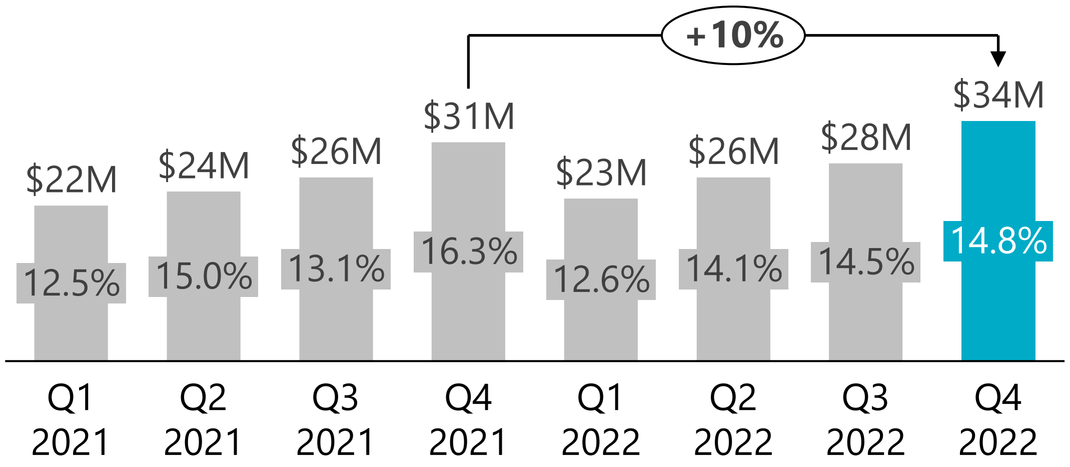
Engineered Structures: Revenue +21% YoY due to Share Gain, Adj EBITDA Margin 14.8%

3rd Party Revenue





Segment Adjusted EBITDA and Margin

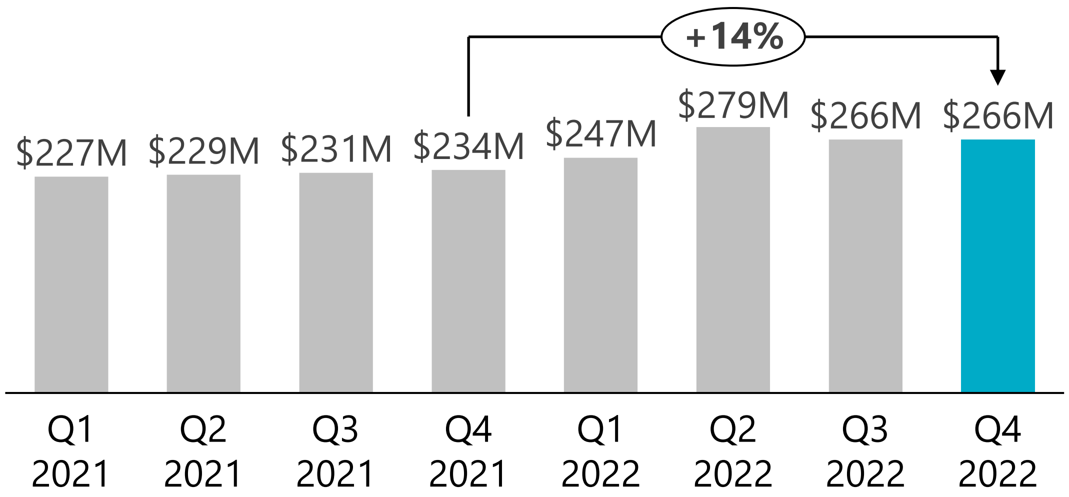


Q4 2022 YoY

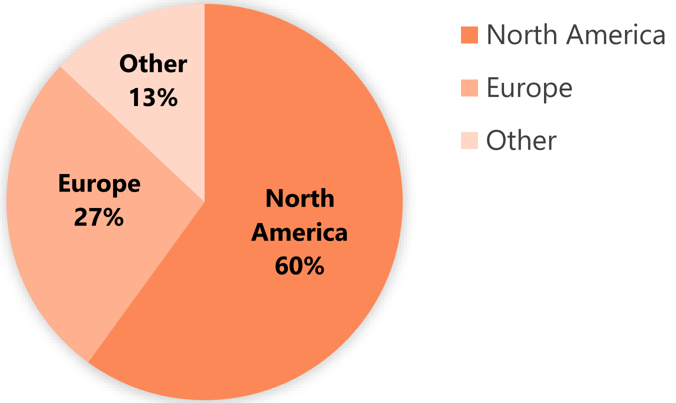
+ Narrow Body Recovery
+ Russian Titanium Share Gain ~$20M
– Boeing 787 Production Decline

Forged Wheels: Volume Up 3% YoY; Adj EBITDA Margin 27.1%

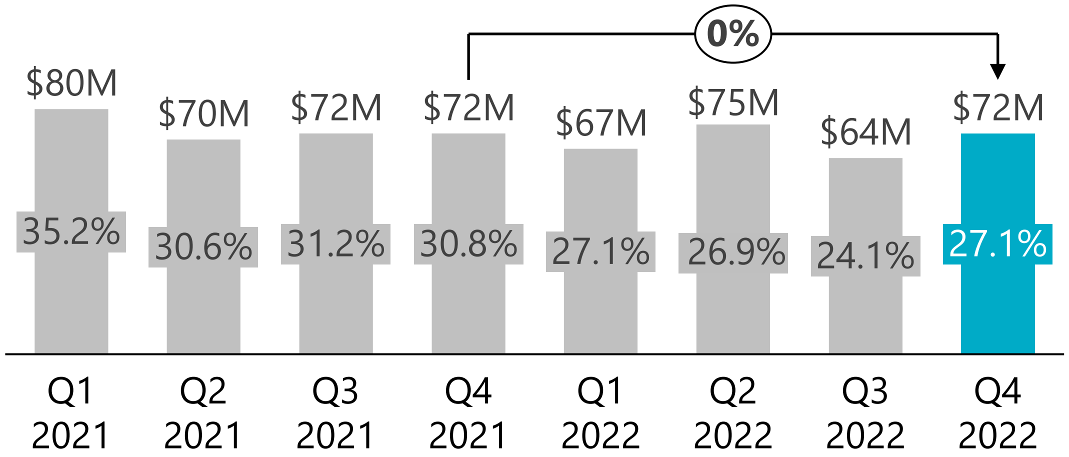
3rd Party Revenue



Revenue by Region (% of total)



Segment Adjusted EBITDA and Margin



Q4 2022 YoY

\+ Volumes up 3%

– Margin Impacted by Aluminum Material Cost Pass Through by ~300 bps

– Unfavorable Foreign Currency

2023 Guidance

	Q1 2023 Guidance			FY 2023 Guidance		
	Low	Midpoint	High	Low	Midpoint	High
Revenue	$1.475B	$1.500B	$1.525B	$6.000B	$6.100B	$6.200B
Adj EBITDA[1]	$325M	$335M	$345M	$1.335B	$1.375B	$1.415B
Adj EBITDA Margin[1]	*22.0%*	*22.3%*	*22.6%*	*22.3%*	*22.5%*	*22.8%*
Adj Earnings per Share[1,2]	$0.35	$0.37	$0.39	$1.53	$1.60	$1.67
Free Cash Flow				$580M	$615M	$650M

What we expect in 2023

- FY 2023 Revenue up ~8% vs. FY 2022
- FY 2023 Adj EBITDA[1] up ~8% vs. FY 2022
- FY 2023 Adj EPS[1,2] up ~14% vs. FY 2022
- Capex of $230M - $260M vs. Depreciation and Amortization of ~$265M
- Free Cash Flow Conversion ~95%

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1) Excluding special items 2) Assumes ~$2M per Quarter of miscellaneous other expenses in 2023

Summary

Revenue / Profit FY 2022	▪ FY Revenue $5.7B up 14% YoY driven by Commercial Aero up 28%; includes material cost pass through ~$225M ▪ Adj EBITDA[1] of $1,276M, up 12% YoY ▪ Adj EBITDA Margin[1] 22.5%; 23.5% excluding YoY material cost pass through, YoY Incremental Margin of ~30% ▪ Adj Earnings Per Share[2] up 39% YoY
Liquidity FY 2022	▪ Record Free Cash Flow[3] of $540M; FCF Conversion[4] ~91% ▪ Ending Cash Balance of $792M; net of ~$513M for Repurchases of Common Stock and Debt, Quarterly Dividends ▪ Reduced Pension/OPEB Liability by ~$180M and YoY Pension Contributions/OPEB Payments by ~50% YoY ▪ Reduced Net Debt-to-LTM EBITDA[5] to 2.6x, Record low. All Long-Term Debt unsecured and at fixed rates
Guidance Expectations FY 2023	▪ Expect Revenue up ~8% YoY ▪ Expect Adj EBITDA[1] up ~8% YoY ▪ Expect Adj EPS[2] up ~14% YoY ▪ Expect Free Cash Flow at ~$615M, up ~14% YoY, with FCF Conversion of ~95%

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1) Adjusted EBITDA and EBITDA Margin excluding special items: Net Income (GAAP): FY 2021 = $258M, FY 2022 = $469M 2) Adjusted EPS excluding special items: EPS (GAAP): FY 2021 = $0.59, FY 2022 = $1.11 3) FY 2022: Cash provided from operations = $733M, Cash used for financing activities = ($526M), Cash used for investing activities = ($135M) 4) Free Cash Flow Conversion = Free Cash Flow divided by Net Income excluding Special items 5) Adjusted for special items; Last twelve month (LTM) Howmet adjusted EBITDA *See appendix for reconciliations*

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Appendix

2023 Assumptions

	Full Year 2023	2023 Comments
Corporate Overhead	~$80M	• Adjusted EBITDA[1]
Depreciation and Amortization	~$265M	
Interest Expense	~$227M	• Excludes any potential debt issuance, additional debt repurchases, breakage, and tender fees
Operational Tax Rate	22.5% - 23.5%	• Cash Tax Rate ~15%
Pension / OPEB Expense	~$40M	• ~$5M Service Costs (included in Adj. EBITDA[1]) • ~$35M Non-Service Costs (excluded from Adj. EBITDA[1]) • ~$20M Increase in Non-Service Costs YoY; Non-cash
Miscellaneous Other Expenses	~$8M	• Included in Other expense (income), net • Examples are deferred comp and foreign currency impacts
Post-Tax Pension / OPEB Liability	~$500M Pension Liability; ~$95M OPEB Liability	• Applied U.S. federal corporate tax rate of 21%
Pension / OPEB Contributions	~$56M	• Flat with FY 2022
Capex	$230M – $260M	• Less than Depreciation and Amortization; Source of Cash
Diluted Share Count Average	~418M	• Excludes any potential additional common stock repurchases

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1) Excluding special items

Reconciliation of Net Income and Diluted EPS Excluding Special Items

($ in millions, except per-share amounts)	Q4 2021	Q3 2022	Q4 2022	FY 2021	FY 2022
Net income	**$77**	**$80**	**$111**	**$258**	**$469**
Diluted EPS	**$0.18**	**$0.19**	**$0.26**	**$0.59**	**$1.11**
Special items:					
Restructuring and other charges:					
Pension and other post-retirement benefits, net settlements[1]	$66	$3	$51	$75	$58
Asset impairments and accelerated depreciation[1]	7	—	1	15	1
Other, net	(5)	1	(8)	—	(3)
Total Restructuring and other charges	**$68**	**$4**	**$44**	**$90**	**$56**
Discrete tax items[2]	**$18**	**$(2)**	**$3**	**$9**	**$(8)**
Other special items:					
Debt tender fees and related costs	$4	$—	$—	$147	$2
Plant fire (reimbursements) costs, net	(11)	25	4	(3)	36
Judgment from legal proceeding	—	65	—	—	65
Legal and other advisory reimbursements	—	—	—	(4)	(3)
Costs associated with closures, shutdowns, and other items	25	1	1	35	3
Other tax items	3	—	—	—	—
Total Other special items	**$21**	**$91**	**$5**	**$175**	**$103**
Tax impact[3]	**$(54)**	**$(21)**	**$(3)**	**$(90)**	**$(27)**
Net income excluding Special items	**$130**	**$152**	**$160**	**$442**	**$593**
Diluted EPS excluding Special items	**$0.30**	**$0.36**	**$0.38**	**$1.01**	**$1.40**

Net income excluding Special items and Diluted EPS 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 Restructuring and other charges, Discrete tax items, and Other special items (collectively, “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 Net income determined under GAAP as well as Net income excluding Special items and Diluted EPS excluding Special items.

(1) This is a non-cash Special item.

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

(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.

Reconciliation of 2022 Operational Tax Rate

($ in millions)	Quarter ended December 31, 2022			Year ended December 31, 2022		
	Effective tax rate, as reported	Special items[(1)(2)]	Operational tax rate, as adjusted	Effective tax rate, as reported	Special items[(1)(2)]	Operational tax rate, as adjusted
Income before income taxes	$148	$49	$197	$606	$159	$765
Provision for income taxes	$37	$—	$37	$137	$35	$172
Tax rate	25.0%		18.8%	22.6%		22.5%

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, 2022 include Restructuring and other charges $44, costs related to fires at three plants, net of reimbursement $4, and costs associated with closures, shutdowns, and other items $1. Special items for the year ended December 31, 2022 include judgment from legal proceeding $65, Restructuring and other charges $56, costs related to fires at three plants, net of reimbursement $36, costs associated with closures, shutdowns, and other items $3, and debt tender fees and related costs $2, partially offset by reimbursement related to legal and advisory charges ($3).

(2) Tax Special items includes discrete tax items, the tax impact on Special items based on the applicable statutory rates, 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, 2022, a charge to record a valuation allowance related to U.S. foreign tax credits $12, a benefit related to a tax depreciation accounting method change in the U.S. ($5), and a net benefit for other small items ($4); and
- for the year ended December 31, 2022, a charge to record a valuation allowance related to U.S. foreign tax credits $12, a benefit to release a valuation allowance related to an interest carryforward tax attribute in the U.K. ($6), an excess benefit for stock compensation ($6), a benefit related to a tax depreciation accounting method change ($5), and a benefit related to prior year foreign earnings distributed ($3).

Reconciliation of 2021 Operational Tax Rate

($ in millions)	Year ended December 31, 2021		
	Effective tax rate, as reported	Special items [(1)(2)]	Operational tax rate, as adjusted
Income from continuing operations before income taxes	**$324**	**$265**	**$589**
Provision for income taxes	**$66**	**$81**	**$147**
Tax rate	**20.4%**		**25.0%**

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 year ended December 31, 2021 include debt tender fees and related costs $147, Restructuring and other charges $90, and costs associated with closures, shutdowns, and other items $35, partially offset by reimbursement related to legal and advisory charges ($4) and net reimbursement related to fires at two plants ($3).

(2) Discrete tax items for the year ended December 31, 2021 include a net benefit related to prior year amended returns and audit settlements ($14), a charge related to prior year foreign earnings distributed or no longer considered permanently reinvested $13, a net charge related to valuation allowance adjustments $9, and a net charge for other items $1.

Reconciliation of 2020 Operational Tax Rate

($ in millions)	Year ended December 31, 2020		
	Effective tax rate, as reported	Special items [1][2]	Operational tax rate, as adjusted
Income from continuing operations before income taxes	$171	$317	$488
Provision for income taxes	$(40)	$174	$134
Tax rate	(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 year ended December 31, 2020 include Restructuring and other charges $182, debt tender fees and related costs $65, costs including interest associated with the Arconic Inc. Separation Transaction $14, costs associated with closures, shutdowns, and other items $3, and costs related to fires at two plants, net of reimbursement $3, partially offset by reimbursement related to legal and advisory charges ($12).

(2) Discrete tax items for the year ended December 31, 2020 included a discrete tax 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), a charge resulting from the remeasurement of deferred tax balances in various jurisdictions as a result of the Arconic Inc. Separation Transaction $8, a charge related to tax rates in various jurisdictions $4, and a net benefit for a number of small items ($3). 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 Information

($ in millions)	Q1 2021	Q2 2021	Q3 2021	Q4 2021	FY 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022
Engine Products										
Third-party sales	$ 534	$ 544	$ 599	$ 605	$ 2,282	$ 631	$ 652	$ 683	$ 732	$ 2,698
Inter-segment sales	$ 1	$ 1	$ 1	$ 1	$ 4	$ 1	$ 1	$ 1	$ 1	$ 4
Provision for depreciation and amortization	$ 31	$ 30	$ 31	$ 32	$ 124	$ 31	$ 31	$ 31	$ 32	$ 125
Segment Adjusted EBITDA	$ 132	$ 130	$ 151	$ 151	$ 564	$ 173	$ 179	$ 186	$ 191	$ 729
Segment Adjusted EBITDA Margin	24.7 %	23.9 %	25.2 %	25.0 %	24.7 %	27.4 %	27.5 %	27.2 %	26.1 %	27.0 %
Depreciation and amortization % of Revenue	5.8 %	5.5 %	5.2 %	5.3 %	5.4 %	4.9 %	4.8 %	4.5 %	4.4 %	4.6 %
Restructuring and other charges	$ 5	$ 5	$ 5	$ 59	$ 74	$ 3	$ 4	$ 2	$ 20	$ 29
Capital expenditures	$ 11	$ 16	$ 21	$ 26	$ 74	$ 27	$ 24	$ 23	$ 20	$ 94
Fastening Systems										
Third-party sales	$ 272	$ 262	$ 254	$ 256	$ 1,044	$ 264	$ 277	$ 291	$ 285	$ 1,117
Inter-segment sales	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Provision for depreciation and amortization	$ 12	$ 13	$ 12	$ 12	$ 49	$ 12	$ 11	$ 11	$ 11	$ 45
Segment Adjusted EBITDA	$ 57	$ 63	$ 59	$ 60	$ 239	$ 56	$ 56	$ 64	$ 58	$ 234
Segment Adjusted EBITDA Margin	21.0 %	24.0 %	23.2 %	23.4 %	22.9 %	21.2 %	20.2 %	22.0 %	20.4 %	20.9 %
Depreciation and amortization % of Revenue	4.4 %	5.0 %	4.7 %	4.7 %	4.7 %	4.5 %	4.0 %	3.8 %	3.9 %	4.0 %
Restructuring and other charges (credits)	$ 2	$ 3	$ 3	$ (8)	$ —	$ (3)	$ —	$ —	$ 11	$ 8
Capital expenditures	$ 5	$ 9	$ 8	$ 20	$ 42	$ 15	$ 8	$ 7	$ 9	$ 39

Calculation of Segment Information (continued)

($ in millions)	Q1 2021	Q2 2021	Q3 2021	Q4 2021	FY 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022
Engineered Structures										
Third-party sales	$ 176	$ 160	$ 199	$ 190	$ 725	$ 182	$ 185	$ 193	$ 230	$ 790
Inter-segment sales	$ 1	$ 2	$ 1	$ 2	$ 6	$ 1	$ 1	$ 3	$ 1	$ 6
Provision for depreciation and amortization	$ 12	$ 13	$ 12	$ 12	$ 49	$ 12	$ 12	$ 12	$ 12	$ 48
Segment Adjusted EBITDA	$ 22	$ 24	$ 26	$ 31	$ 103	$ 23	$ 26	$ 28	$ 34	$ 111
Segment Adjusted EBITDA Margin	12.5 %	15.0 %	13.1 %	16.3 %	14.2 %	12.6 %	14.1 %	14.5 %	14.8 %	14.1 %
Depreciation and amortization % of Revenue	6.8 %	8.1 %	6.0 %	6.3 %	6.8 %	6.6 %	6.5 %	6.2 %	5.2 %	6.1 %
Restructuring and other charges	$ 1	$ —	$ —	$ 15	$ 16	$ 2	$ 1	$ 1	$ 3	$ 7
Capital expenditures	$ 5	$ 5	$ 3	$ 8	$ 21	$ 7	$ 2	$ 3	$ 5	$ 17
Forged Wheels										
Third-party sales	$ 227	$ 229	$ 231	$ 234	$ 921	$ 247	$ 279	$ 266	$ 266	$ 1,058
Inter-segment sales	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Provision for depreciation and amortization	$ 10	$ 9	$ 10	$ 10	$ 39	$ 10	$ 10	$ 10	$ 10	$ 40
Segment Adjusted EBITDA	$ 80	$ 70	$ 72	$ 72	$ 294	$ 67	$ 75	$ 64	$ 72	$ 278
Segment Adjusted EBITDA Margin	35.2 %	30.6 %	31.2 %	30.8 %	31.9 %	27.1 %	26.9 %	24.1 %	27.1 %	26.3 %
Depreciation and amortization % of Revenue	4.4 %	3.9 %	4.3 %	4.3 %	4.2 %	4.0 %	3.6 %	3.8 %	3.8 %	3.8 %
Restructuring and other charges	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 2	$ 2
Capital expenditures	$ 9	$ 13	$ 15	$ 8	$ 45	$ 9	$ 5	$ 6	$ 8	$ 28

Calculation of Total Segment Adjusted EBITDA and Adjusted EBITDA Margin

($ in millions)	Q1 2021	Q2 2021	Q3 2021	Q4 2021	FY 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022
Third-party sales – Engine Products	$534	$544	$599	$605	$2,282	$631	$652	$683	$732	$2,698
Third-party sales – Fastening Systems	$272	$262	$254	$256	$1,044	$264	$277	$291	$285	$1,117
Third-party sales – Engineered Structures	$176	$160	$199	$190	$725	$182	$185	$193	$230	$790
Third-party sales – Forged Wheels	$227	$229	$231	$234	$921	$247	$279	$266	$266	$1,058
Total Segment third-party sales	$1,209	$1,195	$1,283	$1,285	$4,972	$1,324	$1,393	$1,433	$1,513	$5,663
Total Segment Adjusted EBITDA[1]	$291	$287	$308	$314	$1,200	$319	$336	$342	$355	$1,352
Total Segment Adjusted EBITDA margin	24.1%	24.0%	24.0%	24.4%	24.1%	24.1%	24.1%	23.9%	23.5%	23.9%

Total Segment Adjusted EBITDA and Total Segment Adjusted EBITDA margin are non-GAAP financial measures. Management believes that these measures are meaningful to investors because Total Segment Adjusted EBITDA and Total Segment Adjusted EBITDA margin provide additional information with respect to the operating performance and the Company's ability to meet its financial obligations. The Total Segment Adjusted EBITDA presented may not be comparable to similarly titled measures of other companies. Howmet's definition of Total Segment 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. Special items, including Restructuring and other charges, are excluded from net margin and Segment Adjusted EBITDA. Differences between the total segment and consolidated totals are in Corporate.

(1) See Reconciliation of Total Segment Adjusted EBITDA to Consolidated Income Before Income Taxes.

Reconciliation of Total Segment Adjusted EBITDA to Consolidated Income Before Income Taxes

($ in millions)	Q1 2021	Q2 2021	Q3 2021	Q4 2021	FY 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022
Income before income taxes	$113	$110	$23	$78	$324	$171	$183	$104	$148	$606
Loss on debt redemption	—	23	118	5	146	—	2	—	—	2
Interest expense	72	66	63	58	259	58	57	57	57	229
Other expense (income), net	4	8	1	6	19	1	(1)	67	15	82
Operating income	$189	$207	$205	$147	$748	$230	$241	$228	$220	$919
Segment provision for depreciation and amortization	65	65	65	66	261	65	64	64	65	258
Unallocated amounts:										
Restructuring and other charges	9	5	8	68	90	2	6	4	44	56
Corporate expense(1)	28	10	30	33	101	22	25	46	26	119
Total Segment Adjusted EBITDA	$291	$287	$308	$314	$1,200	$319	$336	$342	$355	$1,352

Total Segment Adjusted EBITDA is a non-GAAP financial measure. Management believes that this measure is meaningful to investors because Total Segment Adjusted EBITDA provides additional information with respect to the Company's operating performance and the Company's ability to meet its financial obligations. The Total Segment Adjusted EBITDA presented may not be comparable to similarly titled measures of other companies. Howmet's definition of Total Segment 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. Special items, including Restructuring and other charges, are excluded from net margin and Segment Adjusted EBITDA. Differences between the total segment and consolidated totals are in Corporate.

(1) For the quarter ended March 31, 2021, Corporate expense included $10 of costs related to fires at two plants, net of reimbursement. For the quarter ended June 30, 2021, Corporate expense included ($4) of reimbursement related to legal and advisory charges and ($3) of net reimbursement related to fires at two plants. For the quarter ended September 30, 2021, Corporate expense included $10 of costs associated with closures, shutdowns, and other items and $1 of costs related to fires at two plants, net of reimbursement. For the quarter ended December 31, 2021, Corporate expense included $25 of costs associated with closures, shutdowns, and other items and ($11) of net reimbursement related to fires at two plants. For the quarter ended March 31, 2022, Corporate expense included $5 of costs related to fires at two plants and ($3) of reimbursement related to legal and advisory charges. For the quarter ended June 30, 2022, Corporate expense included $2 of costs related to fires at two plants and $1 of costs associated with closures, shutdowns, and other items. For the quarter ended September 30, 2022, Corporate expense included $25 of costs related to fires at three plants and $1 of costs associated with closures, shutdowns, and other items. In the third quarter of 2022, the Company's cast house in Barberton, Ohio, which produces aluminum ingot used in the production of wheels for the North American commercial transportation market, experienced a mechanical failure resulting in substantial heat and fire-related damage to equipment. For the quarter ended December 31, 2022, Corporate expense included $4 of costs related to fires at three plants, net of reimbursement, and $1 of costs associated with closures, shutdowns, and other items.

Reconciliation of Adjusted Corporate Expense Excluding Depreciation and Special Items

($ in millions)	Q1 2021	Q2 2021	Q3 2021	Q4 2021	FY 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022
Corporate expense	$28	$10	$30	$33	$101	$22	$25	$46	$26	$119
Provision for depreciation and amortization	3	2	3	1	9	1	3	1	2	7
Adjusted Corporate expense excluding depreciation	$25	$8	$27	$32	$92	$21	$22	$45	$24	$112
Special items:										
Legal and other advisory reimbursements	$—	$(4)	$—	$—	$(4)	$(3)	$—	$—	$—	$(3)
Plant fire costs (reimbursements), net	9	(3)	1	(11)	(4)	5	2	25	4	36
Costs associated with closures, shutdowns, and other items	—	—	10	25	35	—	1	1	1	3
Adjusted Corporate expense excluding depreciation and Special items	$16	$15	$16	$18	$65	$19	$19	$19	$19	$76

Adjusted Corporate expense excluding depreciation and Adjusted Corporate expense excluding depreciation and 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. 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 Adjusted Corporate expense excluding depreciation and Adjusted Corporate expense excluding depreciation and Special items.

Reconciliation of Adjusted EBITDA and Adjusted EBITDA Margin Excluding Special Items and Incremental Margin

($ in millions)	Q1 2021	Q2 2021	Q3 2021	Q4 2021	FY 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022
Third-party sales	$1,209	$1,195	$1,283	$1,285	$4,972	$1,324	$1,393	$1,433	$1,513	$5,663
Operating income	$189	$207	$205	$147	$748	$230	$241	$228	$220	$919
Operating income margin	15.6%	17.3%	16.0%	11.4%	15.0%	17.4%	17.3%	15.9%	14.5%	16.2%
Net income	$80	$74	$27	$77	$258	$131	$147	$80	$111	$469
Add:										
Provision (benefit) for income taxes	$33	$36	$(4)	$1	$66	$40	$36	$24	$37	$137
Other expense (income), net	4	8	1	6	19	1	(1)	67	15	82
Loss on debt redemption	—	23	118	5	146	—	2	—	—	2
Interest expense, net	72	66	63	58	259	58	57	57	57	229
Restructuring and other charges	9	5	8	68	90	2	6	4	44	56
Provision for depreciation and amortization	68	67	68	67	270	66	67	65	67	265
Adjusted EBITDA	$266	$279	$281	$282	$1,108	$298	$314	$297	$331	$1,240
Add:										
Plant fire costs (reimbursements), net	$9	$(3)	$1	$(11)	$(4)	$5	$2	$25	$4	$36
Legal and other advisory reimbursements	—	(4)	—	—	(4)	(3)	—	—	—	(3)
Costs associated with closures, shutdowns, and other items	—	—	10	25	35	—	1	1	1	3
Adjusted EBITDA excluding Special items	$275	$272	$292	$296	$1,135	$300	$317	$323	$336	$1,276
Adjusted EBITDA margin excluding Special items	22.7%	22.8%	22.8%	23.0%	22.8%	22.7%	22.8%	22.5%	22.2%	22.5%

	Q4 2021	Q4 2022	Q4 2022 YoY	FY 2021	FY 2022	FY 2022 YoY
Third-party sales	$1,285	$1,513		$4,972	$5,663	
Year-over-Year Material cost pass through		(55)			(225)	
Third-party sales excluding Material cost pass through (b)	$1,285	$1,458	$173	$4,972	$5,438	$466
Adjusted EBITDA excluding Special items (a)	$296	$336	$40	$1,135	$1,276	$141
Incremental margin (a)/(b)			23%			30%

Adjusted EBITDA, Adjusted EBITDA excluding Special items, Adjusted EBITDA margin excluding Special items, and Incremental margin are non-GAAP financial measures. Management believes that these measures are meaningful to investors because they provide 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. 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.

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Reconciliation of Adjusted EBITDA and Adjusted EBITDA Margin Excluding Special Items and Material Cost Pass Through

($ in millions)	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022
Net income	**$131**	**$147**	**$80**	**$111**	**$469**
Add:					
Provision for income taxes	**$40**	**$36**	**$24**	**$37**	**$137**
Other expense (income), net	**1**	**(1)**	**67**	**15**	**82**
Loss on debt redemption	**—**	**2**	**—**	**—**	**2**
Interest expense, net	**58**	**57**	**57**	**57**	**229**
Restructuring and other charges	**2**	**6**	**4**	**44**	**56**
Provision for depreciation and amortization	**66**	**67**	**65**	**67**	**265**
Adjusted EBITDA	**$298**	**$314**	**$297**	**$331**	**$1,240**
Add:					
Plant fire costs, net	**$5**	**$2**	**$25**	**$4**	**$36**
Legal and other advisory reimbursements	**(3)**	**—**	**—**	**—**	**(3)**
Costs associated with closures, shutdowns, and other items	**—**	**1**	**1**	**1**	**3**
Adjusted EBITDA excluding Special items (a)	**$300**	**$317**	**$323**	**$336**	**$1,276**
Third-party sales (b)	**$1,324**	**$1,393**	**$1,433**	**$1,513**	**$5,663**
Year-over-Year Material pass through	**(40)**	**(60)**	**(70)**	**(55)**	**(225)**
Third-party sales excluding Year-over-Year Material cost pass through (c)	**$1,284**	**$1,333**	**$1,363**	**$1,458**	**$5,438**
Adjusted EBITDA margin excluding Special items (a)/(b)	**22.7%**	**22.8%**	**22.5%**	**22.2%**	**22.5%**
Adjusted EBITDA margin excluding Special items and Year-over-Year Material cost pass through (a)/(c)	**23.4%**	**23.8%**	**23.7%**	**23.0%**	**23.5%**

Adjusted EBITDA, Adjusted EBITDA excluding Special items, Third party sales excluding Year-over-Year Material cost pass through, Adjusted EBITDA margin excluding Special items, and Adjusted EBITDA margin excluding Special items and Year-over-Year Material cost pass through are non-GAAP financial measures. Management believes that these measures are meaningful to investors because they provide 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. 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.

Reconciliation of Free Cash Flow

($ in millions)	Q1 2022	Q2 2022	Q3 2022	Q4 2022	YTD 2022
Cash provided from operations	$55	$158	$65	$455	$733
Capital expenditures	(62)	(44)	(42)	(45)	(193)
Free cash flow	$(7)	$114	$23	$410	$540

The Accounts Receivable Securitization program remains unchanged at $250 outstanding.

The proceeds from the sale of the corporate center in the second quarter are part of cash provided from investing activities which are not included in Free cash flow.

Free cash flow is a non-GAAP financial measure. Management believes that this measure is 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). It is important to note that Free cash flow does 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, 2021	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022
Short-term debt	$5	$3	$1	$1	$—
Long-term debt, less amount due within one year	4,227	4,228	4,169	4,170	4,162
Total debt	$4,232	$4,231	$4,170	$4,171	$4,162
Less: Cash, cash equivalents, and restricted cash	722	522	538	454	792
Net debt	$3,510	$3,709	$3,632	$3,717	$3,370

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.

Reconciliation of Net Debt to Adjusted EBITDA Excluding Special Items

($ in millions)	Trailing-12 months ended September 30, 2022	Trailing-12 months ended December 31, 2022
Net income	$ 435	$ 469
Add:		
Provision for income taxes	$ 101	$ 137
Other expense, net	73	82
Loss on debt redemption	7	2
Interest expense, net	230	229
Restructuring and other charges	80	56
Provision for depreciation and amortization	265	265
Adjusted EBITDA	$ 1,191	$ 1,240
Add:		
Plant fire costs, net	$ 21	$ 36
Legal and other advisory reimbursements	(3)	(3)
Costs associated with closures, shutdowns, and other items	27	3
Adjusted EBITDA Margin excluding Special items	$ 1,236	$ 1,276
Net debt	$ 3,717	$ 3,370
Net debt to Adjusted EBITDA Margin excluding Special items	3.0	2.6

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 Adjusted EBITDA Margin excluding Special items are 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. See prior page for reconciliation.

Calculation of Segment Markets Revenue

($ in millions)	Engine Products	Fastening Systems	Engineered Structures	Forged Wheels	Total Segment
Fourth quarter ended December 31, 2021					
Aerospace - Commercial	$319	$134	$110	$—	$563
Aerospace - Defense	$121	$38	$64	$—	$223
Commercial Transportation	$—	$54	$—	$234	$288
Industrial and Other	$165	$30	$16	$—	$211
Third-party sales market revenue	**$605**	**$256**	**$190**	**$234**	**$1,285**
Third quarter ended September 30, 2022					
Aerospace - Commercial	$388	$156	$124	$—	$668
Aerospace - Defense	$124	$43	$56	$—	$223
Commercial Transportation	$—	$63	$—	$266	$329
Industrial and Other	$171	$29	$13	$—	$213
Third-party sales market revenue	**$683**	**$291**	**$193**	**$266**	**$1,433**
Fourth quarter ended December 31, 2022					
Aerospace - Commercial	$416	$157	$154	$—	$727
Aerospace - Defense	$142	$46	$63	$—	$251
Commercial Transportation	$—	$56	$—	$266	$322
Industrial and Other	$174	$26	$13	$—	$213
Third-party sales market revenue	**$732**	**$285**	**$230**	**$266**	**$1,513**

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

Revenue includes impacts of foreign currency and material cost pass through.

Reconciliation of Adjusted Free Cash Flow including Pre-Separation Allocations as a Percentage of Income from Continuing Operations Excluding Special Items and Allocation Adjustments

($ in millions)	FY 2020	FY 2021	FY 2022
Cash provided from operations	$9	$449	$733
Cash receipts from sold receivables	422	267	—
Capital expenditures	(267)	(199)	(193)
Adjusted free cash flow	**$164**	**$517**	**$540**
Costs associated with the Arconic Inc. Separation Transaction	77	—	—
Adjusted free cash flow, excluding costs associated with the Arconic Separation and pre-separation allocations	**$241**	**$517**	**$540**
Allocation adjustments(1)	(146)	—	—
Adjusted free cash flow for Arconic Separation including pre-separation allocations (a)	**$387**	**$517**	**$540**
Income from continuing operations	**$211**	**$258**	**$469**
Special items:			
Restructuring and other charges	**$182**	**$90**	**$56**
Discrete tax items	$(115)	$9	$(8)
Other special items:			
Debt tender fees and related costs	65	147	2
Costs, including interest, associated with the Arconic Inc. Separation Transaction	14	—	—
Plant fire costs (reimbursements), net	3	(3)	36
Release of tax indemnification receivable	53	—	—
Judgment from legal proceeding	—	—	65
Legal and other advisory reimbursements	(12)	(4)	(3)
Costs associated with closures, shutdowns, and other items	3	35	3
Reversal of state investment tax credits	9	—	—
Total Other special items	**$135**	**$175**	**$103**
Tax impact(2)	$(59)	$(90)	$(27)
Allocation adjustments(1)	(13)	—	—
Income from continuing operations excluding Special items and Allocation adjustments (b)	**$341**	**$442**	**$593**
Adjusted free cash flow as a percentage of Adjusted income from continuing operations (a)/(b)	**114%**	**117%**	**91%**

Adjusted free cash flow, Adjusted free cash flow, excluding costs associated with the Arconic Separation and pre-separation allocations, and Adjusted free cash flow for Arconic Separation 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 Separation and 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 Separation and pre-separation allocations, and Adjusted free cash flow for Arconic Separation 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 Allocation adjustments is a non-GAAP financial measures. Management believes that this measure is 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 from continuing operations determined under GAAP as well as Income from continuing operations excluding Special items.

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(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) 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.

Reconciliation of Net Income and Diluted EPS Excluding Special Items

($ in millions, except per-share amounts)	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Net income	**$36**	**$106**	**$80**	**$74**	**$27**	**$77**	**$131**	**$147**	**$80**	**$111**
Diluted EPS	**$0.08**	**$0.24**	**$0.18**	**$0.17**	**$0.06**	**$0.18**	**$0.31**	**$0.35**	**$0.19**	**$0.26**
Special items:										
Restructuring and other charges	**$22**	**$16**	**$9**	**$5**	**$8**	**$68**	**$2**	**$6**	**$4**	**$44**
Discrete tax items	**$(41)**	**$(76)**	**$(1)**	**$4**	**$(12)**	**$18**	**$(2)**	**$(7)**	**$(2)**	**$3**
Other special items:										
Debt tender fees and related costs	$—	$—	$—	$23	$120	$4	$—	$2	$—	$—
Plant fire costs (reimbursements), net	7	(19)	10	(3)	1	(11)	5	2	25	4
Release of tax indemnification receivable	—	53	—	—	—	—	—	—	—	—
Judgment from legal proceeding	—	—	—	—	—	—	—	—	65	—
Legal and other advisory reimbursements	(2)	(3)	—	(4)	—	—	(3)	—	—	—
Costs associated with closures, shutdowns, and other items	—	—	—	—	10	25	—	1	1	1
Reversal of state investment tax credits	—	9	—	—	—	—	—	—	—	—
Other tax items	(2)	4	(3)	2	(2)	3	—	—	—	—
Total Other special items	**$3**	**$44**	**$7**	**$18**	**$129**	**$21**	**$2**	**$5**	**$91**	**$5**
Tax impact	**$(7)**	**$2**	**$1**	**$(5)**	**$(32)**	**$(54)**	**$(1)**	**$(2)**	**$(21)**	**$(3)**
Net income excluding Special items	**$13**	**$92**	**$96**	**$96**	**$120**	**$130**	**$132**	**$149**	**$152**	**$160**
Diluted EPS excluding Special items	**$0.03**	**$0.21**	**$0.22**	**$0.22**	**$0.27**	**$0.30**	**$0.31**	**$0.35**	**$0.36**	**$0.38**
Average number of shares - diluted EPS excluding Special items	**439**	**438**	**439**	**437**	**434**	**431**	**425**	**422**	**420**	**419**

Net income excluding Special items and Diluted EPS 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 Restructuring and other charges, Discrete tax items, and Other special items (collectively, “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 Net income determined under GAAP as well as Net income excluding Special items and Diluted EPS excluding Special items.

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