Second Quarter 2020 Earnings Call

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

August 6, 2020

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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, forecasts and expectations relating to the growth of end markets; statements and guidance regarding future financial results or operating performance; statements regarding future strategic actions; and statements about Howmet Aerospace's strategies, outlook, business and financial prospects. 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) the impact of the separation on the businesses of Howmet Aerospace; (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 outbreak 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 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; (e) competition from new product offerings, disruptive technologies or other developments; (f) political, 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; (g) manufacturing difficulties or other issues that impact product performance, quality or safety; (h) Howmet Aerospace's inability to realize expected benefits, in each case as planned and by targeted completion dates, from acquisitions, divestitures, facility closures, curtailments, expansions, or joint ventures; (i) the impact of potential cyber attacks and information technology or data security breaches; (j) the loss of significant customers or adverse changes in customers' business or financial conditions; (k) adverse changes in discount rates or investment returns on pension assets; (l) the impact of changes in aluminum prices and foreign currency exchange rates on costs and results; (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) the possible impacts and our preparedness to respond to implications of COVID-19; and (o) the other risk factors summarized in Howmet Aerospace's Form 10-K for the year ended December 31, 2019, Form 10-Q for the quarter ended March 31, 2020 and other reports filed with the U.S. Securities and Exchange Commission (SEC). 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.

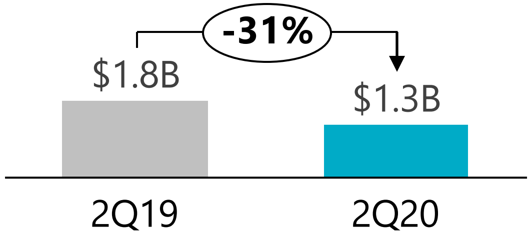
Non-GAAP Financial Measures

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 EBITDA, adjusted free cash flow and 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.

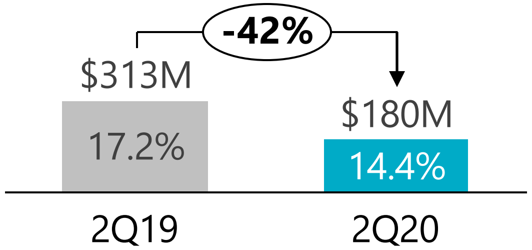
Delivered Profit and Positive Adjusted Free Cash Flow in 2Q20

Revenue



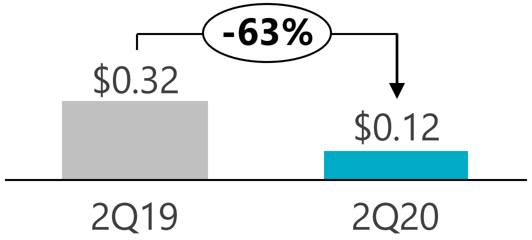
- – Declines in Commercial Aerospace
- – Declines in Commercial Transportation
- + Growth in Defense Aerospace
- + Growth in Industrial Gas Turbine (IGT)

Operating Income Excluding Special Items[1]



- – Declines in Commercial Aerospace, Commercial Transportation
- – COVID-19 disruptions
- – 737 MAX production declines
- + Prices increases
- + Cost reductions

EPS Excluding Special Items[2]



- – Market declines due to COVID-19 and 737 MAX

Balance Sheet and Cash Flow

- Adjusted Free Cash Flow $76M[3] excluding separation costs of $11M
- Cash Balance of $1.3B
- Net Debt-to-LTM EBITDA of 2.73x[4]
- Revolving Credit Facility Capacity of $1B and is undrawn

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1) 2Q 2020 Operating income (GAAP) = $74M, 2Q 2019 Operating loss (GAAP) = ($176M) 2) 2Q 2020 EPS (GAAP) = ($0.19), 2Q 2019 EPS (GAAP) = ($0.31) 3) 2Q 2020 (GAAP): Cash provided from operations = $31M, Cash used for financing activities = ($1,422M), Cash provided from investing activities = $33M 4) Adjusted for special items; Last twelve month (LTM) Howmet adjusted EBITDA

See appendix for reconciliations

Rapid Response to COVID-19 and Market Declines

Employees / Customers

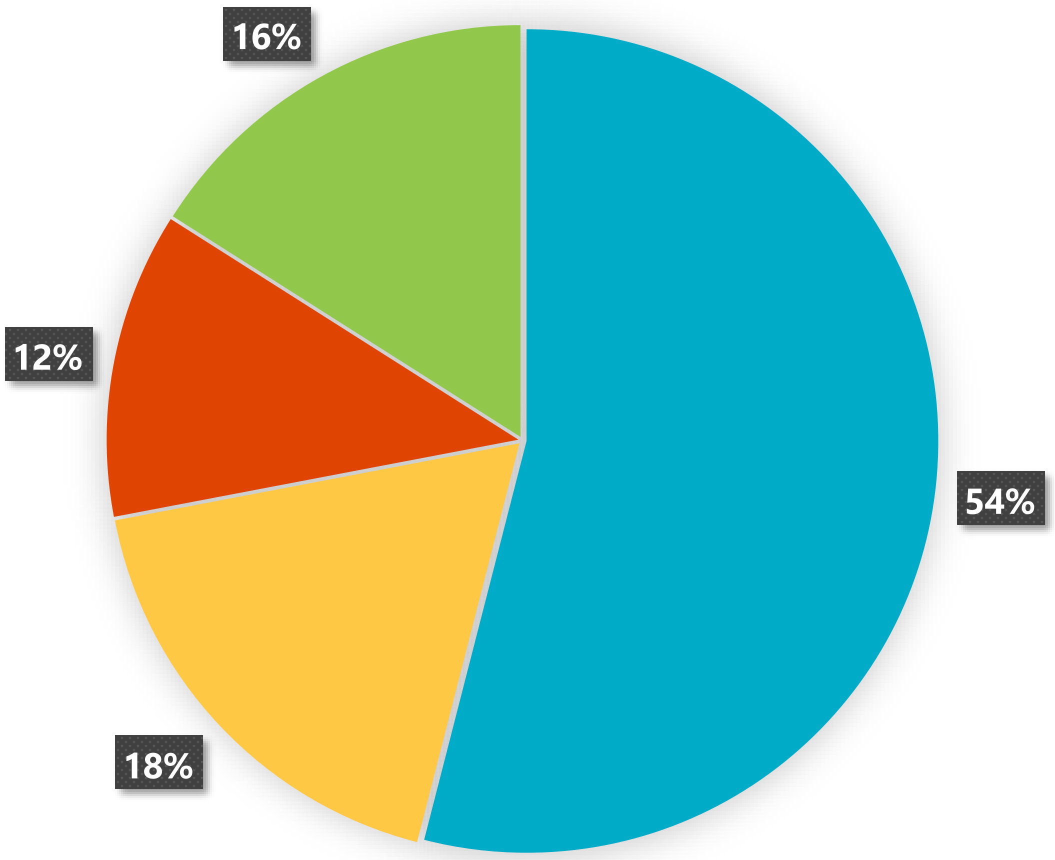
- Actively managing employee health risks; Programs meet or exceed local standards
- All sites are up and running
- Reliable partner to our customers who are critical to national defense, commercial aviation, and the global economy

Profit / Liquidity

- Furloughing some of the hourly workforce and reducing overtime
- Permanently reducing all types of labor – hourly and salaried
- Eliminating temporary workers
- Flexing purchase of materials and services
- Reducing capital expenditures
- Reducing working capital
- Refinanced 2021 & 2022 Bonds to 2025 and added ~$420M of cash to the Balance Sheet
- Successfully amended $1B Five-Year Revolving Credit Agreement

2Q20 Revenue Down 31% YoY driven by COVID-19 and 737 MAX

Revenue by Market (% of total)



Revenue by Market YoY (% change)

Aerospace - Commercial	(36%)
Aerospace - Defense	3%
Sub-Total Aerospace	**(29%)**
Commercial Transportation	(54%)
Industrial & Other	(6%)
Total Revenue	**(31%)**

See appendix for additional details

Historical Combined Segment Results[1]

	1Q19	2Q19	3Q19	4Q19	2019	1Q20	2Q20
Combined Segment 3rd Party Revenue[4]	$1,756M	$1,822M	$1,794M	$1,734M	$7,106M	$1,632M	$1,253M
Combined Segment Operating Profit[5]	$313M	$360M	$363M	$355M	$1,391M	$339M	$200M
Combined Segment Operating Profit Margin	17.8%	19.8%	20.2%	20.5%	19.6%	20.8%	16.0%

Estimated Annual Corporate Costs excluding Special Items: ~$100M in 2019, expected ~$75M in 2020[3]

2Q 2020 YoY

Combined Segment Revenue

- Declines in Commercial Aerospace and Commercial Transportation
- Growth in Defense Aerospace and Industrial Gas Turbine

Operating Income

- Price increase of $9M
- 2019 cost reduction carryover of $17M[2]
- 2020 incremental cost reductions of $38M[2]

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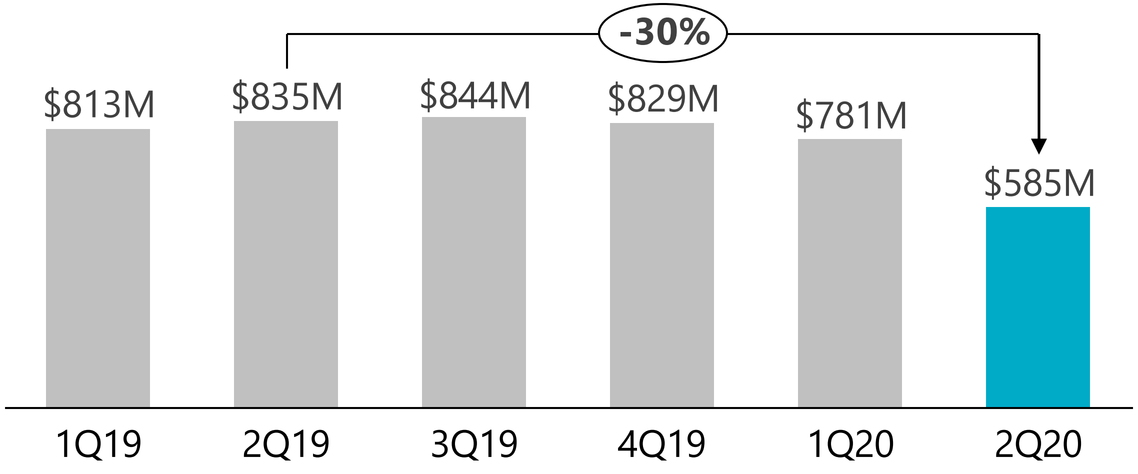
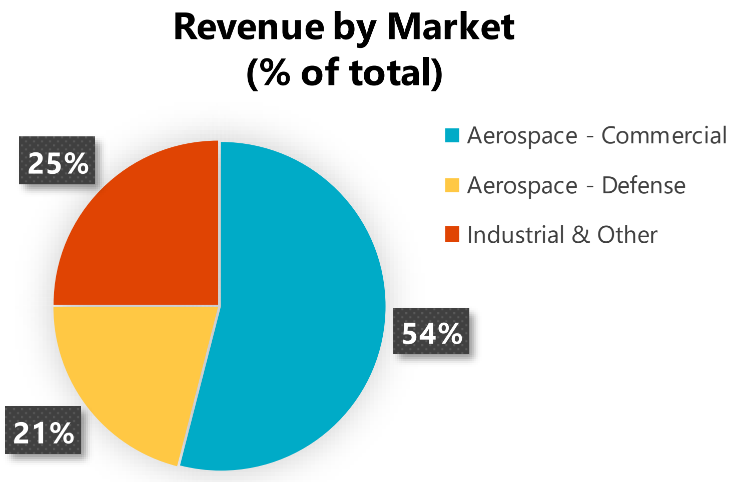
1) All metrics exclude Corporate 2) Cost reduction of $55M includes segment cost reduction of $45M and Corporate cost reduction of $10M 3) Includes D&A 4) Howmet Consolidated: 1Q 2019 Revenue (GAAP) = $1,752M, 2Q 2019 Revenue (GAAP) = $1,818M, 3Q 2019 Revenue (GAAP) = $1,794M, 4Q 2019 Revenue (GAAP) = $1,734M, 1Q 2020 Revenue (GAAP) = $1,634M, 2Q 2020 Revenue (GAAP) = $1,253M 5) 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 See appendix for reconciliations and additional segment details

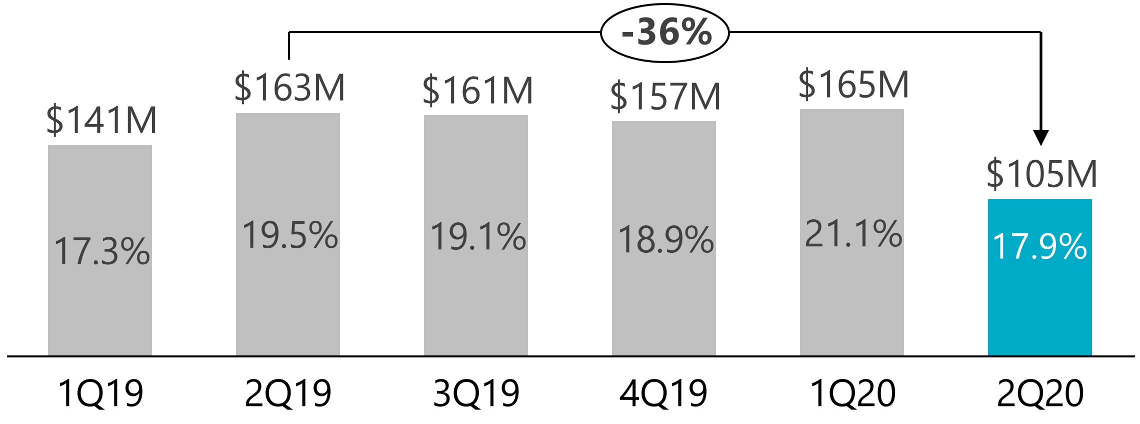
Engines: Defense and Industrial Gas Turbine Mitigate Aero Decline

3rd Party Revenue





Segment Operating Profit and Margin

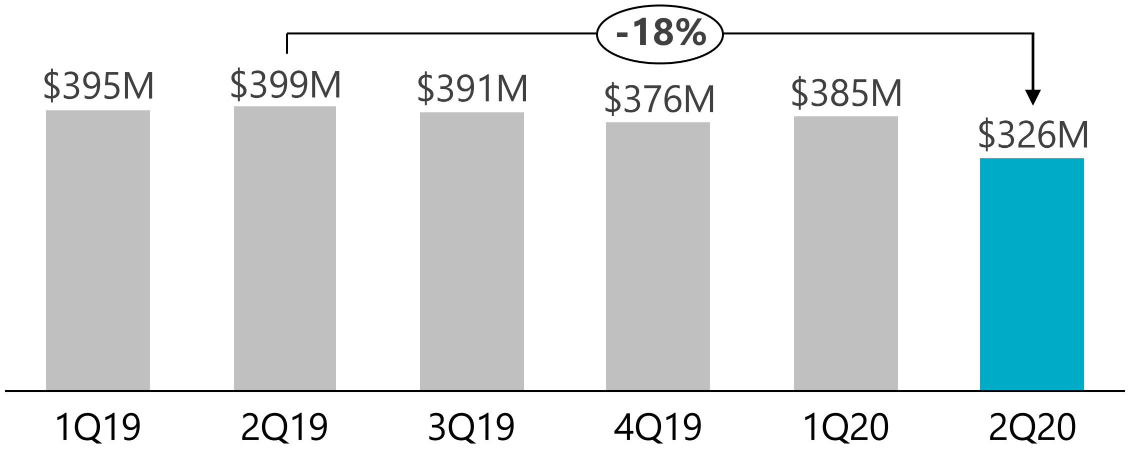


2Q 2020 YoY

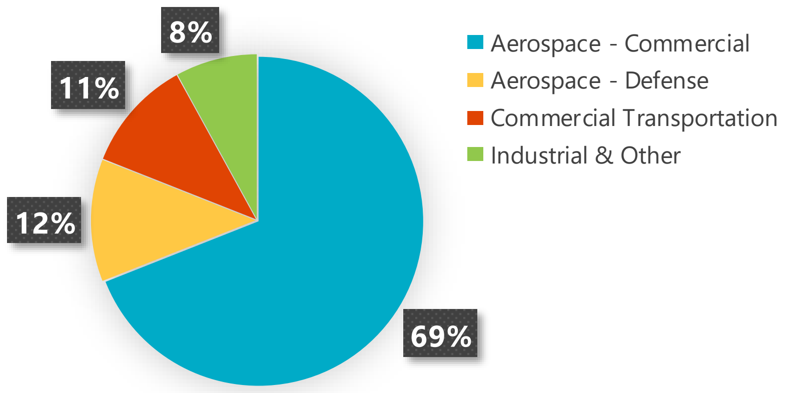
– Decline in Commercial Aerospace
– COVID-19 disruptions
– Boeing 737 MAX production declines
+ Price increases
+ Growth in Defense Aerospace and Industrial Gas Turbine (IGT)
+ Cost reductions

Fasteners: Aero and Transportation Market Declines Compress Margin

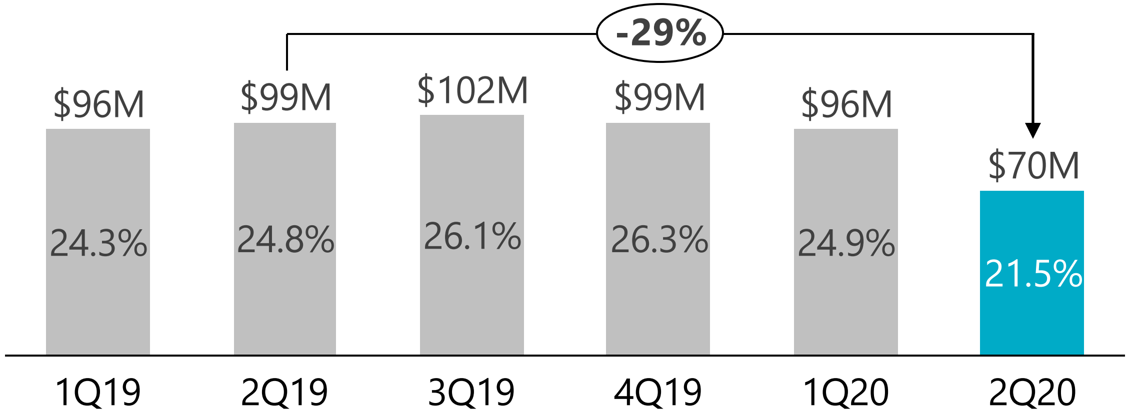
3rd Party Revenue



Revenue by Market (% of total)



Segment Operating Profit and Margin



2Q 2020 YoY

- – Decline in Commercial Aerospace
- – Decline in Commercial Transportation
- – COVID-19 disruptions
- – Higher Absenteeism and European delay on Cost Out
- – Boeing 737 MAX production declines
- \+ Cost reductions

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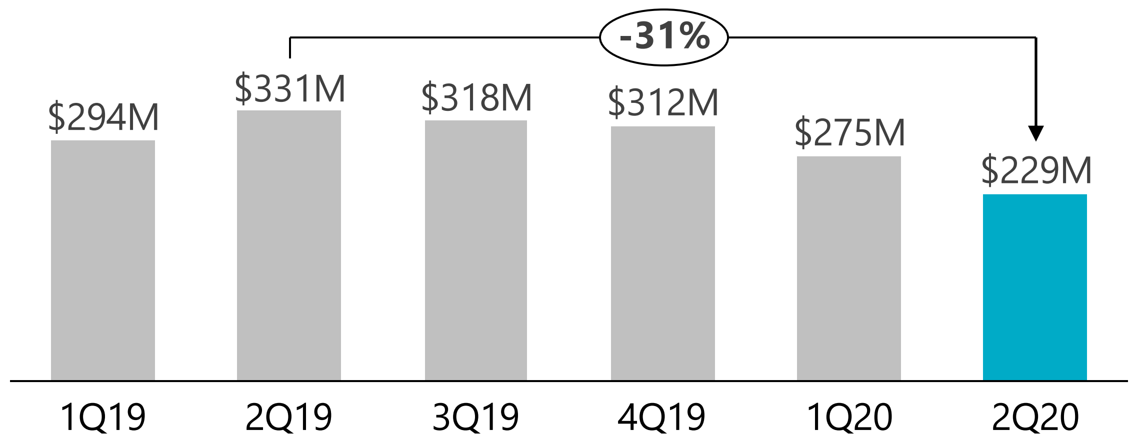
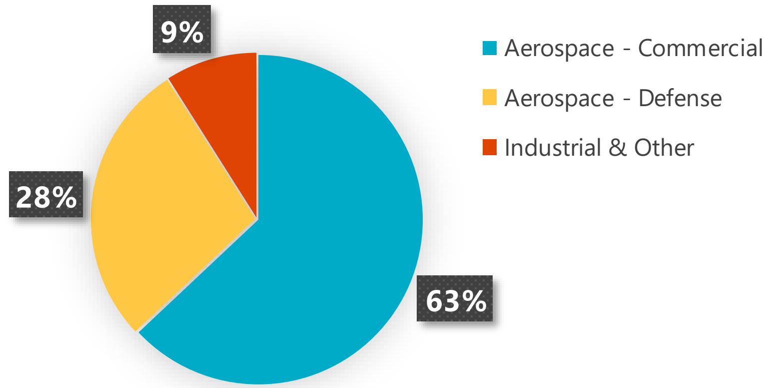
See appendix for reconciliations

Structures: Improved Margins driven by Cost Reductions and Product Exits

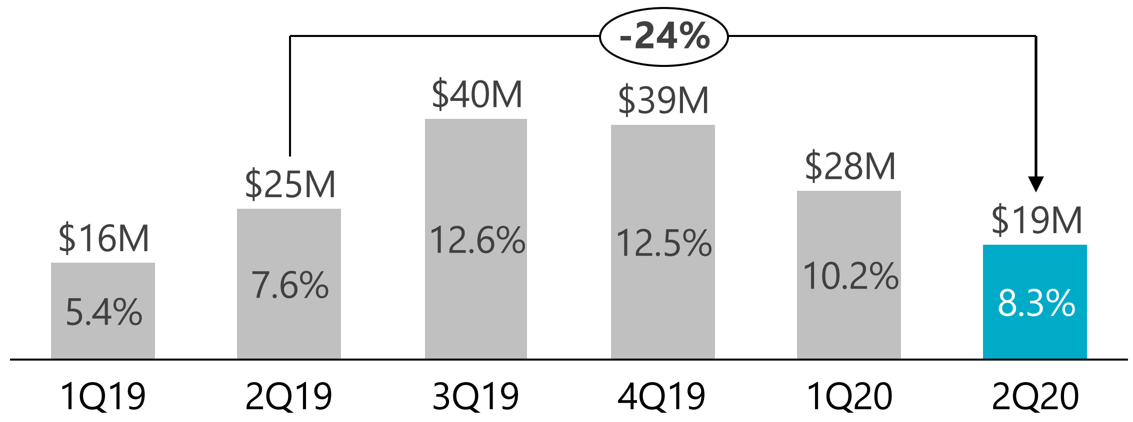
3rd Party Revenue



Revenue by Market (% of total)



Segment Operating Profit and Margin

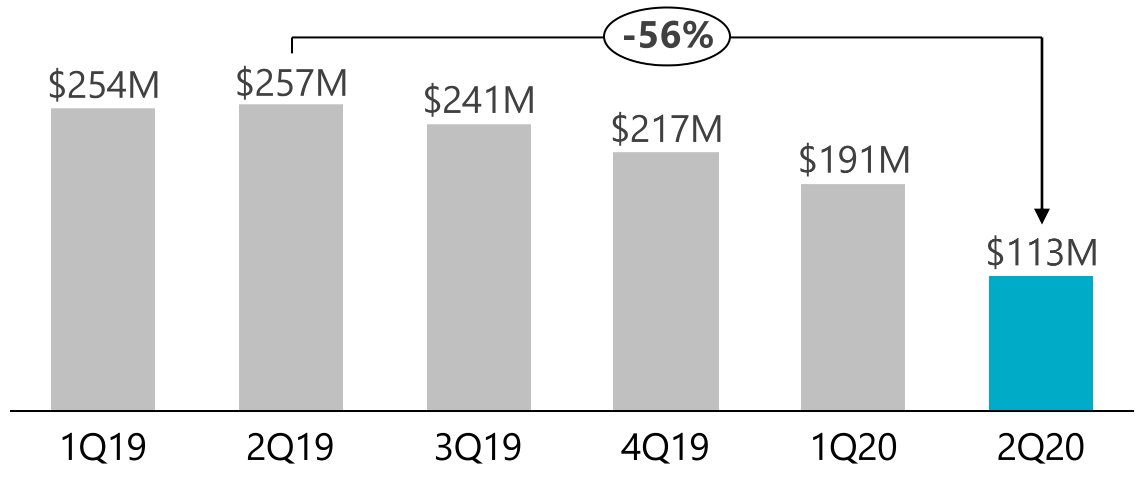


2Q 2020 YoY

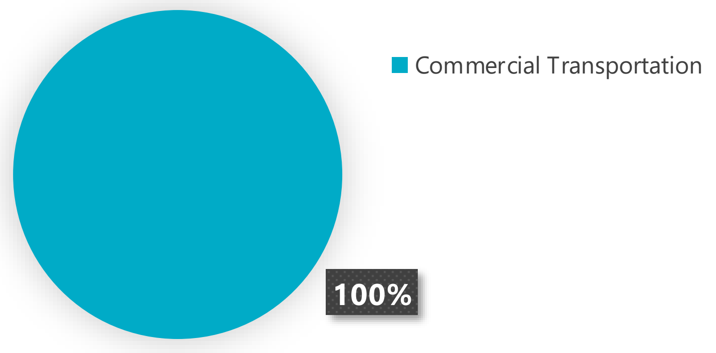
– Decline in Commercial Aerospace
– COVID-19 disruptions
– Boeing 737 MAX production declines
+ Price increases
+ Intentional Product Exits
+ Cost reductions

Forged Wheels: Profitable Despite 56% YoY Reduction in Revenue

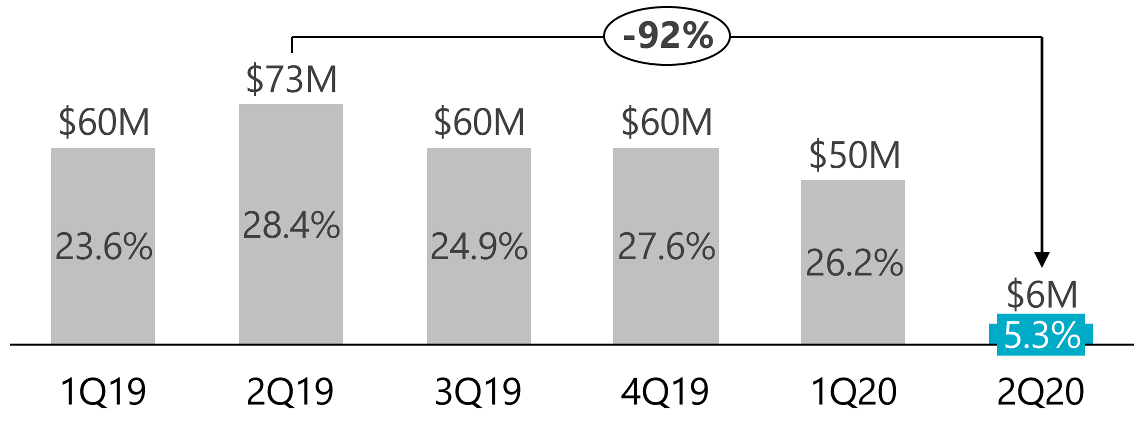
3rd Party Revenue



Revenue by Market (% of total)



Segment Operating Profit and Margin



2Q 2020 YoY

– Decline in Commercial Transportation
– COVID-19 disruptions
+ Cost reductions

$171M of Pre-tax Special Items related to Pension, Financing, and Severance

2Q 2020 Special Items ($M, except per share amounts)	Income before income taxes	Income (Loss) from Continuing Ops	Earnings per diluted share
AS REPORTED	**($86)**	**($84)**	**($0.19)**
Pension plan settlement charges	$64	$53	
Debt tender and other financing costs	$65	$50	
Severance costs	$46	$33	
St. Cosme fasteners / Barberton wheels plant fire costs	$4	$2	
Other miscellaneous items	($8)	($7)	
Discrete and other special tax benefit	N/A	$8	
Subtotal: Special items	**$171**	**$139**	
EXCLUDING SPECIAL ITEMS	**$85**	**$55**	**$0.12**

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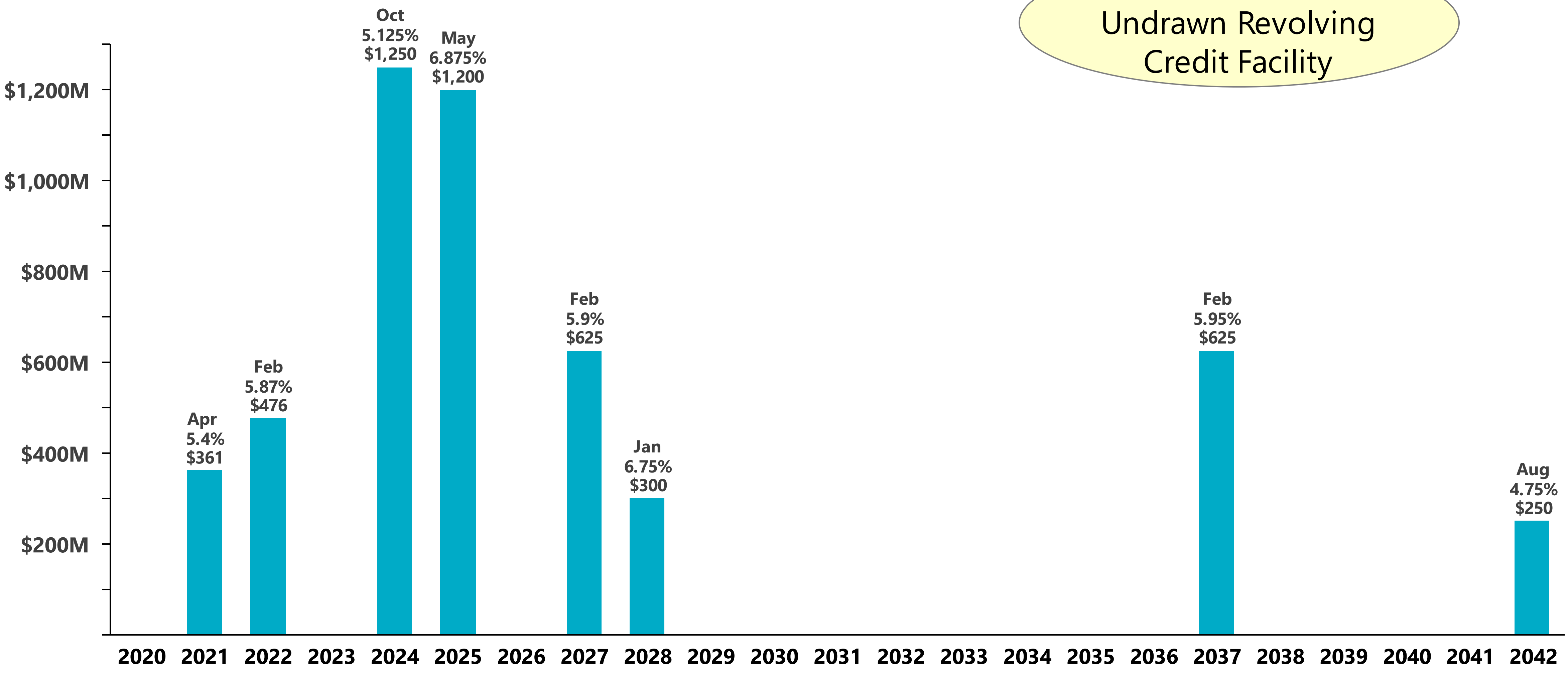
( ) = income to be deducted from As Reported number; + = expense to be added to As Reported number

See appendix for additional details

All Debt Unsecured; Next Significant Maturity in 2024

$1B 5-Year Undrawn Revolving Credit Facility



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2020 Assumptions

	1Q 2020	2Q 2020	Full Year 2020	Sensitivities and Comments
Corporate Overhead	~$20M	~$20M	~$75M	• Adjusted Operating Income excluding special items • 1Q 2020 reflects estimate of Howmet Corporate costs
Depreciation & Amortization	~$70M	$67M	~$275M	• Excludes special items
Interest Expense	~$85M	$79M	~$315M	• Excludes debt issuance, breakage and tender fees
Operational Tax Rate for Continuing Ops	~26%	~35%	28.0% - 30.0%	• May experience volatility in the current environment • Cash tax % = ~10%
Pension / OPEB-related Expense	~$10M Total (~$7M Non-Service)	~$10M Total (~$7M Non-Service)	~$40M Total (~$30M Non-Service)	• 25 bps Discount Rate sensitivity = ~<$1M on after-tax earnings • 25 bps Expected Return on Assets sensitivity = ~$3M on after-tax earnings
Post-Tax Unfunded Pension / OPEB-related Liability	~$800M Pension Liability; ~$165M OPEB Liability			• Applied U.S. federal corporate tax rate of 21% • 25 bps Discount Rate sensitivity = ~$70M on pre-tax liability
Pension / OPEB Contributions	~$25M	$50M	~$210M	• Includes discretionary ~$45M related to UK pension plan to reduce gross liability by ~$320M
Capex	~$40M	$32M	~$175M	• Excludes separation related Capex
Diluted Share Count	~440M	~440M	~440M	

2020 Outlook

Outlook	3Q	Full Year[3]
Revenue	~$1,100M +/- $50M	~$5,200M +/- $100M
Full Year Adjusted EBITDA[1]		~$1,030M +/- $35M
Full Year Adjusted EBITDA Margin[1]		~20% +/- 100 bps
Full Year Earnings per Share Excluding Special Items		$0.60 - $0.72
2Q - 4Q Adjusted Free Cash Flow[2]	~$400M +/- $50M	

Comments

Annual

- Cost Reduction increased to ~$100M in-year **plus** 2019 carryover of ~$50M
- Continuing to flex variable cost with revenue decline
- Annual Capex reduced to ~$175M, from $200M
- Annual Working Capital benefit to FCF less than $50M

Second Half

- Favorable price continues
- 3Q volume expected to be weaker versus 2Q driven by significant customer inventory adjustments & seasonality
- 4Q volume expected to recover with Adjusted EBITDA Margins[1] similar to 2Q

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1) Excludes special items 2) Adjusted Free Cash Flow outlook excludes separation costs of $11M; Includes 2Q A/R securitization/Customer Supplier Financing unfavorable impact of ($30M); Includes Pension/OPEB contributions and interest payments. 3) Outlook assumes 1Q20 revenue of ~$1,630M, 1Q20 Adjusted EBITDA excluding special items of ~$390M, 1Q20 Earnings per Share excluding special items of ~$0.40, and 1Q20 Adjusted Free Cash Flow of ~($100M)

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Appendix

Historical Combined Segment Results [1]

	1Q19	2Q19	3Q19	4Q19	2019	1Q20	2Q20
Engine Products	$813M	$835M	$844M	$829M	$3,321M	$781M	$585M
Fastening Systems	$395M	$399M	$391M	$376M	$1,561M	$385M	$326M
Engineered Structures	$294M	$331M	$318M	$312M	$1,255M	$275M	$229M
Forged Wheels	$254M	$257M	$241M	$217M	$969M	$191M	$113M
Combined Segment 3rd Party Revenue[2]	**$1,756M**	**$1,822M**	**$1,794M**	**$1,734M**	**$7,106M**	**$1,632M**	**$1,253M**
Engine Products	$141M	$163M	$161M	$157M	$622M	$165M	$105M
Fastening Systems	$96M	$99M	$102M	$99M	$396M	$96M	$70M
Engineered Structures	$16M	$25M	$40M	$39M	$120M	$28M	$19M
Forged Wheels	$60M	$73M	$60M	$60M	$253M	$50M	$6M
Combined Segment Operating Profit[3]	**$313M**	**$360M**	**$363M**	**$355M**	**$1,391M**	**$339M**	**$200M**
Engine Products	17.3%	19.5%	19.1%	18.9%	18.7%	21.1%	17.9%
Fastening Systems	24.3%	24.8%	26.1%	26.3%	25.4%	24.9%	21.5%
Engineered Structures	5.4%	7.6%	12.6%	12.5%	9.6%	10.2%	8.3%
Forged Wheels	23.6%	28.4%	24.9%	27.6%	26.1%	26.2%	5.3%
Combined Segment Operating Profit Margin	**17.8%**	**19.8%**	**20.2%**	**20.5%**	**19.6%**	**20.8%**	**16.0%**

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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 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

Historical Combined Segment Results [1] (continued)

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

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 3) Howmet Consolidated: 1Q 2019 Capex (GAAP) = $168M, 2Q 2019 Capex (GAAP) = $136M, 3Q 2019 Capex (GAAP) = $111M, 4Q 2019 Capex (GAAP) = $171M, 1Q 2020 Capex (GAAP) = $69M, 2Q 2020 Capex (GAAP) = $32M.

Estimated Adjusted EBITDA Historical Results[1]

	1Q19	2Q19	3Q19	4Q19	2019	1Q20	2Q20
Combined Segment 3rd Party Revenue[2]	$1,756M	$1,822M	$1,794M	$1,734M	$7,106M	$1,632M	$1,253M
Combined Segment Adjusted EBITDA[3]	$384M	$429M	$429M	$418M	$1,660M	$404M	$266M
Combined Segment Adjusted EBITDA Margin	21.9%	23.5%	23.9%	24.1%	23.4%	24.8%	21.2%
Estimated Corporate Costs[1]	($23M)	($23M)	($23M)	($23M)	($92M)	($18M)	($19M)
Estimated Howmet Aerospace Adjusted EBITDA[1]	$361M	$406M	$406M	$395M	$1,568M	$386M	$247M
Estimated Howmet Aerospace Adjusted EBITDA Margin[1]	20.6%	22.3%	22.6%	22.8%	22.1%	23.7%	19.7%

Adjusted EBITDA is a non-GAAP financial measure. Management believes that this measure is meaningful to investors because this measure provides additional information with respect to historical operating performance and the company's ability to meet its current and future obligations.

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1) Estimated annual Corporate Costs excluding Special Items and D&A. 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 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

Reconciliation of income (loss) from continuing operations excluding Special items

($ in millions, except per-share amounts)	Income (loss) from continuing operations excluding Special items		Diluted EPS excluding Special items	
	Quarter ended		Quarter ended	
	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020
Income (loss) from continuing operations	$(136)	$(84)	$(0.31)	$(0.19)
Special items:				
Restructuring and other charges	472	105		
Discrete tax items(1)	(37)	10		
Other special items(2)	(53)	68		
Tax impact(3)	(99)	(44)		
Income (loss) from continuing operations excluding Special items	$147	$55	$0.32	$0.12

Income (loss) from continuing operations 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 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 included the following:

- for the quarter ended June 30, 2019, a benefit associated with the deduction of foreign taxes that were previously claimed as a U.S. foreign tax credit ($25), and a benefit to remeasure certain deferred tax assets as a result of a foreign tax rate change ($12); for the quarter ended June 30, 2020, charges resulting from the remeasurement of deferred tax balances in various jurisdictions as a result of the Arconic Inc. Separation Transaction $6, a net charge for prior year items $3, a benefit related to stock compensation ($5) and a net benefit for other small items ($2).

(2) Other special items for each period included the following:

- for the quarter ended June 30, 2019, impairment of energy assets ($9), costs associated with the Arconic Inc. Separation Transaction ($1), costs related to a fire at a fasteners plant ($4), legal and other advisory costs related to Grenfell Tower ($3), and an unfavorable tax impact related to the interim period treatment of operational losses in certain foreign jurisdictions for which no tax benefit was recognized ($13), offset by a favorable tax impact resulting from the difference between the Company's consolidated estimated annual effective tax rate and the statutory rate applicable to special items $83; for the quarter ended June 30, 2020, new financing and debt tender fees ($65), transaction costs with the Arconic Inc. Separation Transaction ($3), net costs related to fires at two plants ($4), net of reimbursement, and an unfavorable tax impact resulting from the difference between the Company's consolidated estimated annual effective tax rate and the statutory rate applicable to special items ($2) partially offset by a reimbursement of legal and other advisory costs related to Grenfell Tower $6.

(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.

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Reconciliation of Operational Tax Rate

($ in millions)

	Quarter ended June 30, 2020			Six months ended June 30, 2020		
	As reported	**Special items [1]**	**As adjusted**	**As reported**	**Special items [1]**	**As adjusted**
Income (loss) from continuing operations before income taxes	$(86)	$171	$85	$112	$234	$346
Provision (benefit) for income taxes	(2)	32	30	43	54	97
Operational tax rate	2.3%		35.3%	38.4%		28.0%

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

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Calculation of Segment Operating Profit Margin

	1Q19	2Q19	3Q19	4Q19	2019	1Q20	2Q20
Engine Products							
Third-party sales	$ 813	$ 835	$ 844	$ 829	$ 3,321	$ 781	$ 585
Inter-segment sales	$ 5	$ 3	$ 1	$ 2	$ 11	$ 2	$ 1
Segment operating profit	$ 141	$ 163	$ 161	$ 157	$ 622	$ 165	$ 105
Segment operating profit margin	17.3 %	19.5 %	19.1 %	18.9 %	18.7 %	21.1 %	17.9 %
Provision for depreciation and amortization	$ 34	$ 35	$ 31	$ 31	$ 131	$ 30	$ 31
Depreciation and amortization % of Revenue	4.2 %	4.2 %	3.7 %	3.7 %	3.9 %	3.8 %	5.3 %
Restructuring and other charges (1)	$ 3	$ 250	$ 49	$ 3	$ 305	$ 13	$ 22
Capital expenditures	$ 71	$ 55	$ 39	$ 46	$ 211	$ 19	$ 14
Fastening Systems							
Third-party sales	$ 395	$ 399	$ 391	$ 376	$ 1,561	$ 385	$ 326
Inter-segment sales	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Segment operating profit	$ 96	$ 99	$ 102	$ 99	$ 396	$ 96	$ 70
Segment operating profit margin	24.3 %	24.8 %	26.1 %	26.3 %	25.4 %	24.9 %	21.5 %
Provision for depreciation and amortization	$ 12	$ 12	$ 12	$ 12	$ 48	$ 12	$ 12
Depreciation and amortization % of Revenue	3.0 %	3.0 %	3.1 %	3.2 %	3.1 %	3.1 %	3.7 %
Restructuring and other charges	$ 5	$ 1	$ (1)	$ 1	$ 6	$ 2	$ 24
Capital expenditures	$ 9	$ 8	$ 7	$ 12	$ 36	$ 8	$ 7

Segment performance under the Company's management reporting system is evaluated based on a number of factors; however, the primary measure of performance is Segment operating profit. The Company's definition of Segment operating profit is Operating income excluding Special items. Special items include Restructuring and other charges and Impairment of goodwill. Segment operating profit may not be comparable to similarly titled measures of other companies.

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

Calculation of Segment Operating Profit Margin (continued)

	1Q19	2Q19	3Q19	4Q19	2019	1Q20	2Q20
Engineered Structures							
Third-party sales	$ 294	$ 331	$ 318	$ 312	$ 1,255	$ 275	$ 229
Inter-segment sales	$ 3	$ 3	$ 4	$ 3	$ 13	$ 3	$ 2
Segment operating profit	$ 16	$ 25	$ 40	$ 39	$ 120	$ 28	$ 19
Segment operating profit margin	5.4 %	7.6 %	12.6 %	12.5 %	9.6 %	10.2 %	8.3 %
Provision for depreciation and amortization	$ 17	$ 14	$ 15	$ 12	$ 58	$ 13	$ 14
Depreciation and amortization % of Revenue	5.8 %	4.2 %	4.7 %	3.8 %	4.6 %	4.7 %	6.1 %
Restructuring and other charges (1)	$ 4	$ 193	$ (3)	$ —	$ 194	$ 17	$ (5)
Capital expenditures	$ 11	$ 7	$ 4	$ 5	$ 27	$ 3	$ 5
Forged Wheels							
Third-party sales	$ 254	$ 257	$ 241	$ 217	$ 969	$ 191	$ 113
Inter-segment sales	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Segment operating profit	$ 60	$ 73	$ 60	$ 60	$ 253	$ 50	$ 6
Segment operating profit margin	23.6 %	28.4 %	24.9 %	27.6 %	26.1 %	26.2 %	5.3 %
Provision for depreciation and amortization	$ 8	$ 8	$ 8	$ 8	$ 32	$ 10	$ 9
Depreciation and amortization % of Revenue	3.1 %	3.1 %	3.3 %	3.7 %	3.3 %	5.2 %	8.0 %
Restructuring and other charges	$ 4	$ 1	$ —	$ (1)	$ 4	$ 2	$ 1
Capital expenditures	$ 25	$ 20	$ 11	$ 14	$ 70	$ 7	$ 4

Segment performance under the Company's management reporting system is evaluated based on a number of factors; however, the primary measure of performance is Segment operating profit. The Company's definition of Segment operating profit is Operating income excluding Special items. Special items include Restructuring and other charges and Impairment of goodwill. Segment operating profit may not be comparable to similarly titled measures of other companies.

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

Calculation of Total Segment Operating Profit Margin

($ in millions)	1Q19	2Q19	3Q19	4Q19	2019	1Q20	2Q20
Sales – Engine Products	$813	$835	$844	$829	$3,321	$781	$585
Sales – Fastening Systems	$395	$399	$391	$376	$1,561	$385	$326
Sales – Engineered Structures	$294	$331	$318	$312	$1,255	$275	$229
Sales – Forged Wheels	$254	$257	$241	$217	$969	$191	$113
Total segment sales	$1,756	$1,822	$1,794	$1,734	$7,106	$1,632	$1,253
Total segment operating profit(1)	$313	$360	$363	$355	$1,391	$339	$200
Total segment operating profit margin	17.8%	19.8%	20.2%	20.5%	19.6%	20.8%	16.0%

Segment performance under the Company's management reporting system is evaluated based on a number of factors; however, the primary measure of performance is Segment operating profit. The Company's definition of Segment operating profit is Operating income excluding Special items. Special items include Restructuring and other charges and Impairment of goodwill. Segment operating profit may not be comparable to similarly titled measures of other companies.

(1) See Reconciliation of Total segment operating profit to Consolidated income before income taxes.

HOWMET AEROSPACE

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

($ in millions)	1Q19	2Q19	3Q19	4Q19	2019	1Q20	2Q20
Total segment operating profit	$313	$360	$363	$355	$1,391	$339	$200
Unallocated amounts:							
Restructuring and other charges	(44)	(472)	(56)	(10)	(582)	(39)	(105)
Corporate expense(1)	(55)	(64)	(51)	(60)	(230)	(42)	(21)
Consolidated operating income (loss)	214	(176)	256	285	579	258	74
Interest expense	(85)	(86)	(85)	(82)	(338)	(84)	(144)
Other expense, net	(12)	(6)	(8)	(5)	(31)	24	(16)
Income (loss) from continuing operations before income taxes	$117	$(268)	$163	$198	$210	$198	$(86)

Segment performance under the Company's management reporting system is evaluated based on a number of factors; however, the primary measure of performance is Segment operating profit. The Company's definition of Segment operating profit is Operating income excluding Special items. Special items include Restructuring and other charges and Impairment of goodwill. Segment operating profit may not be comparable to similarly titled measures of other companies. Differences between segment and consolidated totals are in Corporate.

(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 on a 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).

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

($ in millions)	1Q19	2Q19	3Q19	4Q19	2019	1Q20	2Q20
Operating income (loss)	$214	$(176)	$256	$285	$579	$258	$74
Special items:							
Restructuring and other charges	44	472	56	10	582	39	105
Costs associated with the Arconic Inc. Separation Transaction	1	1	1	2	5	4	3
Impairment of energy business assets	—	9	—	1	10	—	—
Legal and other advisory costs related to Grenfell Tower	2	3	2	1	8	(1)	(6)
Strategy and portfolio review costs	6	—	—	—	6	—	—
Plant fire costs	—	4	5	—	9	11	4
Impairment costs related to facilities closures	—	—	—	—	—	3	—
Operating income excluding Special items	$267	$313	$320	$299	$1,199	$314	$180
Sales	$1,752	$1,818	$1,794	$1,734	$7,098	$1,634	$1,253
Operating income margin	12.2%	n/a	14.3%	16.4%	8.2%	15.8%	5.9%
Operating income margin, excluding Special items	15.2%	17.2%	17.8%	17.2%	16.9%	19.2%	14.4%

Operating income excluding Special items 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. 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.

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Reconciliation of Adjusted EBITDA excluding Special Items

($ in millions)

	Quarter ended June 30,2020
Income (loss) from continuing operations after income taxes	$(84)
Add:	
Provision (benefit) for income taxes	(2)
Other (income) expense, net	16
Interest expense	144
Restructuring and other charges	105
Provision for depreciation and amortization	73
Adjusted EBITDA	$252
Add:	
Costs associated with the Arconic Inc. Separation Transaction	$3
Plant fire costs, net of insurance proceeds [(1)]	$(2)
Legal and other advisory costs related to Grenfell Tower	$(6)
Adjusted EBITDA excluding Special items	$247
Third-party sales	$1,253
Adjusted EBITDA excluding Special items Margin	19.7%

[(1)] Plant fire costs excludes the impacts of $6 of depreciation.

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Reconciliation of Adjusted Free Cash Flow

($ in millions)	1Q19	2Q19	3Q19	4Q19	2019	1Q20	2Q20
Cash (used for) provided from operations	$(258)	$106	$52	$506	$406	$(291)	$31
Cash receipts from sold receivables	160	257	213	365	995	48	66
Capital expenditures	(168)	(136)	(111)	(171)	(586)	(69)	(32)
Adjusted free cash flow	(266)	227	154	700	815	(312)	65
Costs associated with the Arconic Inc. Separation Transaction	1	5	21	28	55	66	11
Adjusted free cash flow, excluding costs associated with the Arconic Inc. Separation Tranasaction	$(265)	$232	$175	$728	$870	$(246)	$76

The net cash funding from the sale of accounts receivables was $350 million in the fourth quarter of 2019 and all prior quarters presented. 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.

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.

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Reconciliation of Net Debt

($ in millions)	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020
Short-term debt	$434	$1,434	$1,034	$1,336	$391
Long-term debt, less amount due within one year	5,901	4,905	4,906	4,608	4,695
Total debt	6,335	6,339	5,940	5,944	5,086
Less: Cash, cash equivalents, and restricted cash	1,314	1,278	1,632	2,143	1,285
Net debt	$5,021	$5,061	$4,308	$3,801	$3,801

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.

The financial results of Arconic Corporation for all periods prior to the Arconic Inc. Separation Transaction have been retrospectively reflected in the Statement of Consolidated Operations as discontinued operations and, as such, have been excluded from continuing operations and segment results for all periods presented. In addition, the related assets and liabilities associated with Arconic Corporation in the December 2019 Consolidated Balance Sheet are classified as assets and liabilities of discontinued operations. The cash flows related to Arconic Corporation have not been segregated and are included in the Statement of Consolidated Cash Flows, for all periods prior to the Arconic Inc. Separation Transaction.

Reconciliation of Net debt to Adjusted EBITDA Excluding Special Items

($ in millions)	Trailing-12 months ended	
	March 31, 2020	June 30, 2020
Income (loss) from continuing operations after income taxes	$ 193	$ 245
Add:		
Provision for income taxes	98	228
Other (income) expense, net	(5)	5
Interest expense	337	395
Restructuring and other charges	577	210
Provision for depreciation and amortization	289	284
Adjusted EBITDA	$ 1,489	$ 1,367
Add:		
Costs associated with the Arconic Inc. Separation Transaction	$ 8	$ 10
Impairment of energy business assets	10	1
Plant fire costs	20	14
Legal and other advisory costs related to Grenfell Tower	5	(4)
Impairment costs related to facilities closures	3	3
Adjusted EBITDA excluding Special items	$ 1,535	$ 1,391
Net debt	$ 3,801	$ 3,801
Net debt to Adjusted EBITDA excluding Special items	2.48	2.73

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.

HOWMET AEROSPACE

Reconciliation of Corporate Expense Excluding Special Items

($ in millions)	1Q19	2Q19	3Q19	4Q19	2019	1Q20	2Q20
Corporate expense	$55	$64	$51	$60	$230	$42	$21
Special items:							
Costs associated with the Arconic Inc. Separation Transaction	1	1	1	2	5	4	3
Legal and other advisory costs related to Grenfell Tower	2	3	2	1	8	(1)	(6)
Strategy and portfolio review costs	6	—	—	—	6	—	—
Plant fire costs	—	4	5	—	9	11	4
Impairment of energy business assets	—	9	—	1	10	—	—
Impairment costs related to facilities closures	—	—	—	—	—	3	—
Corporate expense excluding Special items	$46	$47	$43	$56	$192	$25	$20

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.

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Howmet Aerospace End Markets Revenue

($ in millions)	Aero Commercial	Aero Defense	Commerical Transportation	Industrial and Other	Total
Second quarter ended June 30, 2019					
Third-party sales	$1,062	$221	$324	$211	$1,818
Second quarter ended June 30, 2020					
Third-party sales	$680	$228	$148	$197	$1,253

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Segment End Markets Revenue

($ in millions)	Aero Commercial	Aero Defense	Commercial Transportation	Industrial and Other	Total
Engine Products					
Second quarter ended June 30, 2019					
Third-party Sales	$560	$116	$5	$154	$835
Second quarter ended June 30, 2020					
Third-party Sales	$313	$124	$—	$148	$585
Fastening Systems					
Second quarter ended June 30, 2019					
Third-party Sales	$262	$42	$61	$34	$399
Second quarter ended June 30, 2020					
Third-party Sales	$224	$39	$35	$28	$326
Engineered Structures					
Second quarter ended June 30, 2019					
Third-party Sales	$240	$63	$—	$28	$331
Second quarter ended June 30, 2020					
Third-party Sales	$144	$65	$—	$20	$229
Forged Wheels					
Second quarter ended June 30, 2019					
Third-party Sales	$—	$—	$257	$—	$257
Second quarter ended June 30, 2020					
Third-party Sales	$—	$—	$113	$—	$113

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Reconciliation of Segment Adjusted EBITDA

($ in millions)	1Q19	2Q19	3Q19	4Q19	2019	1Q20	2Q20
Engines Products							
Segment operating profit	$141	$163	$161	$157	$622	$165	$105
Provision for depreciation and amortization	34	35	31	31	131	30	31
Adjusted EBITDA	$175	$198	$192	$188	$753	$195	$136
Third-party sales	$813	$835	$844	$829	$3,321	$781	$585
Adjusted EBITDA margin	21.5%	23.7%	22.7%	22.7%	22.7%	25.0%	23.2%
Fastening Systems							
Segment operating profit	$96	$99	$102	$99	$396	$96	$70
Provision for depreciation and amortization	12	12	12	12	48	12	12
Adjusted EBITDA	$108	$111	$114	$111	$444	$108	$82
Third-party sales	$395	$399	$391	$376	$1,561	$385	$326
Adjusted EBITDA margin	27.3%	27.8%	29.2%	29.5%	28.4%	28.1%	25.2%
Engineered Structures							
Segment operating profit	$16	$25	$40	$39	$120	$28	$19
Provision for depreciation and amortization	17	14	15	12	58	13	14
Adjusted EBITDA	$33	$39	$55	$51	$178	$41	$33
Third-party sales	$294	$331	$318	$312	$1,255	$275	$229
Adjusted EBITDA margin	11.2%	11.8%	17.3%	16.3%	14.2%	14.9%	14.4%
Forged Wheels							
Segment operating profit	$60	$73	$60	$60	$253	$50	$6
Provision for depreciation and amortization	8	8	8	8	32	10	9
Adjusted EBITDA	$68	$81	$68	$68	$285	$60	$15
Third-party sales	$254	$257	$241	$217	$969	$191	$113
Adjusted EBITDA margin	26.8%	31.5%	28.2%	31.3%	29.4%	31.4%	13.3%

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. Arconic'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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