Fourth Quarter and Full Year 2023 Earnings Call

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

February 13, 2024

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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," "envisions," "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 dividends and 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, labor disputes or other employee relations issues; (h) the inability to achieve revenue growth, cash generation, restructuring plans, cost reductions, improvement in profitability, or strengthening of competitiveness and operations anticipated or targeted; (i) inability to meet increased demand, production targets or commitments; (j) competition from new product offerings, disruptive technologies or other developments; (k) geopolitical, economic, and regulatory risks relating to Howmet Aerospace's global operations, including geopolitical and diplomatic tensions, instabilities, conflicts and wars, as well as compliance with U.S. and foreign trade and tax laws, sanctions, embargoes and other regulations; (l) the outcome of contingencies, including legal proceedings, government or regulatory investigations, and environmental remediation, which can expose Howmet Aerospace to substantial costs and liabilities; (m) failure to comply with government contracting regulations; (n) adverse changes in discount rates or investment returns on pension assets; and (o) the other risk factors summarized in Howmet Aerospace's Form 10-K for the year ended December 31, 2022 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.

Other Information

In this presentation: where values are denoted, M=USD millions and B=USD billions; YTD=year to date; YOY=year over year; 2024 Bonds=Howmet Aerospace's 5.125% Notes due October 2024; FY=full year; and references to Howmet Aerospace performance that is "record" means its best result since April 1, 2020 when Howmet Aerospace Inc. (the new name for Arconic Inc.) separated from Arconic Corporation.

2023 Highlights

Revenue and Profitability Excluding Special Items[1,2]	Q4 2022	Q3 2023	Q4 2023	FY 2022	FY 2023
Revenue	$1.513B	$1.658B	**$1.731B**	$5.663B	**$6.640B**
Adj EBITDA[1]	$336M	$382M	**$398M**	$1,276M	**$1,508M**
Adj EBITDA Margin[1]	22.2%	23.0%	**23.0%**	22.5%	**22.7%**
Adj Operating Income Margin[1]	17.8%	18.9%	**19.1%**	17.9%	**18.6%**
Adj Earnings Per Share[2]	$0.38	$0.46	**$0.53**	$1.40	**$1.84**

- FY 2023 Revenue up 17% YoY, driven by Commercial Aerospace up 24% YoY; Q4 2023 Revenue up 14% YoY
- FY 2023 Adj EBITDA[1] up 18% YoY; Q4 2023 Adj EBITDA[1] up 18% YoY
- FY 2023 Adj Operating Income[1] up 22% YoY; Q4 2023 Adj Operating Income[1] up 23% YoY
- FY 2023 Adj Earnings Per Share[2] up 31% YoY; Q4 2023 Adj Earnings Per Share[2] up 39% YoY

FY 2023 Balance Sheet and Cash Flow

- Record Free Cash Flow[3] of $682M; Free Cash Flow Conversion[4] 89%; Ending Cash Balance of $610M
- Repurchased $100M of Common Stock at an Avg Price of ~$52.52 per Share in Q4; $250M at ~$47.76 Avg Price per Share FY
- FY Debt Actions reduce Annualized Interest Expense by ~$29M; Debt Reduction of ~$100M & Debt Refinance of ~$400M in Q4
- Net Debt-to-LTM EBITDA[5] improved to a record 2.1x; All Long-Term Debt Unsecured at Fixed Rates

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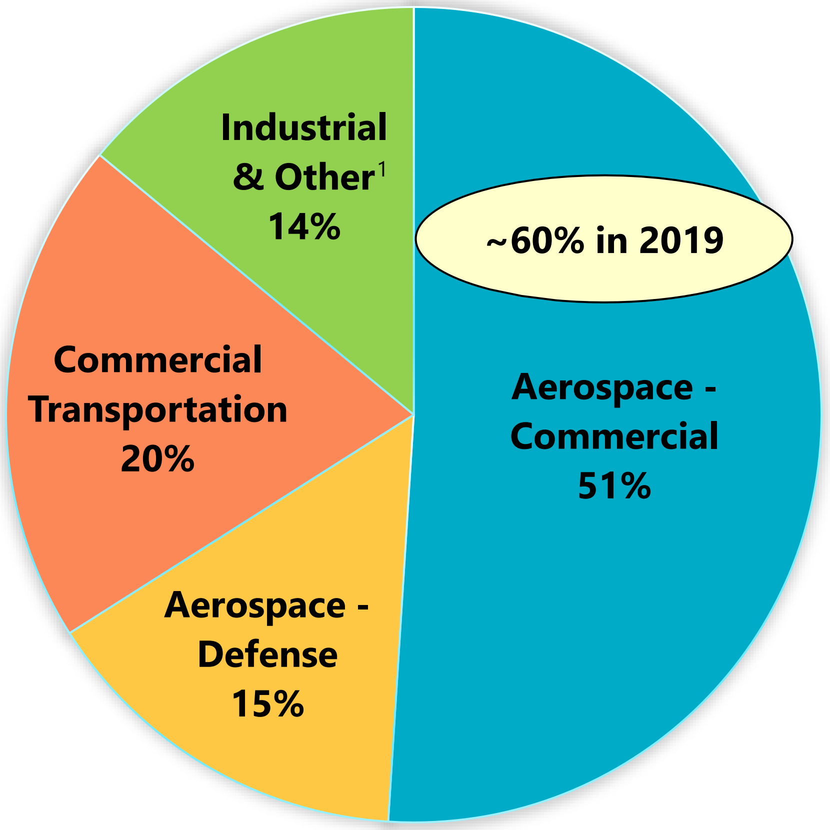
1) Net Income (GAAP): Q4 2022 = $111M, FY 2022 = $469M, Q3 2023 = $188M, Q4 2023 = $236M, FY 2023 = $765M; Operating income (GAAP): Q4 2022 = $220M, FY 2022 = $919M, Q3 2023 = $307M, Q4 2023 = $326M, FY 2023 = $1,203M; Operating income margin (GAAP): Q4 2022 = 14.5%, FY 2022 = 16.2%, Q3 2023 = 18.5%, Q4 2023 = 18.8%, FY 2023 = 18.1% 2) EPS (GAAP): Q4 2022 = $0.26, FY 2022 = $1.11, Q3 2023 = $0.45, Q4 2023 = $0.57, FY 2023 = $1.83 3) FY 2023: Cash provided from operations = $901M, Cash used for financing activities = ($868M), Cash used for investing activities = ($215M) 4) Free Cash Flow Conversion = Free Cash Flow divided by Net Income excluding Special items 5) Adjusted for special items; Last twelve months (LTM) Howmet adjusted EBITDA *See appendix for reconciliations*

Q4 2023 Revenue Up 14% YoY, Commercial Aerospace Up 22% YoY

Q4 2023 Revenue by Market (% of total)



Revenue by Market (% change)	Q4 YoY	FY 2023 YoY
Aerospace - Commercial	22%	24%
Aerospace - Defense	Flat	10%
Subtotal - Aerospace	16%	20%
Commercial Transportation	5%	9%
Industrial & Other[1]	21%	17%
Total Revenue	14%	17%

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1) IGT represents ~50%, General Industrial represents ~30%, and Oil & Gas represents ~20% of total Industrial & Other

Ten Consecutive Quarters of Revenue, Adj EBITDA[1], and Adj EPS[2] Growth

Enhanced Profitability

FY 2023

- Revenue of \$6.64B, up 17% YoY, driven by Commercial Aero up 24%
- Adj EBITDA[1] of \$1.5B, up 18% YoY; Net Headcount up ~1,850
- Adj EBITDA Margin[1] of 22.7% with a Q4 exit rate of 23.0%
- Adj Earnings Per Share[2] of \$1.84, up 31% YoY

Strengthened Balance Sheet

FY 2023

- Record Free Cash Flow[3] of \$682M; Free Cash Flow Conversion[4] 89%; Ending Cash Balance of \$610M
- Reduced 2024 Debt Tower ~\$875M: ~\$475M paid with cash; ~\$400M refinanced at ~3.9% Fixed Rate
- Net Debt-to-LTM EBITDA[5] improved to a record 2.1x; All Long-Term Debt Unsecured at Fixed Rates
- Balance Sheet improvement reflected in S&P's Credit Rating Upgrade to Investment Grade

Balanced Capital Allocation

FY 2023

- Capital Deployment of ~\$800M for Debt Paydown, Common Stock Repurchases, and Quarterly Dividends
- Debt Reduction and Refinance reduce annualized Interest Expense ~\$29M
- Common Stock Repurchases ~\$250M; Eleven Consecutive Quarters of Share Repurchases
- Increased Quarterly Dividend by 25% to \$0.05 per share of Common Stock in Q4 2023

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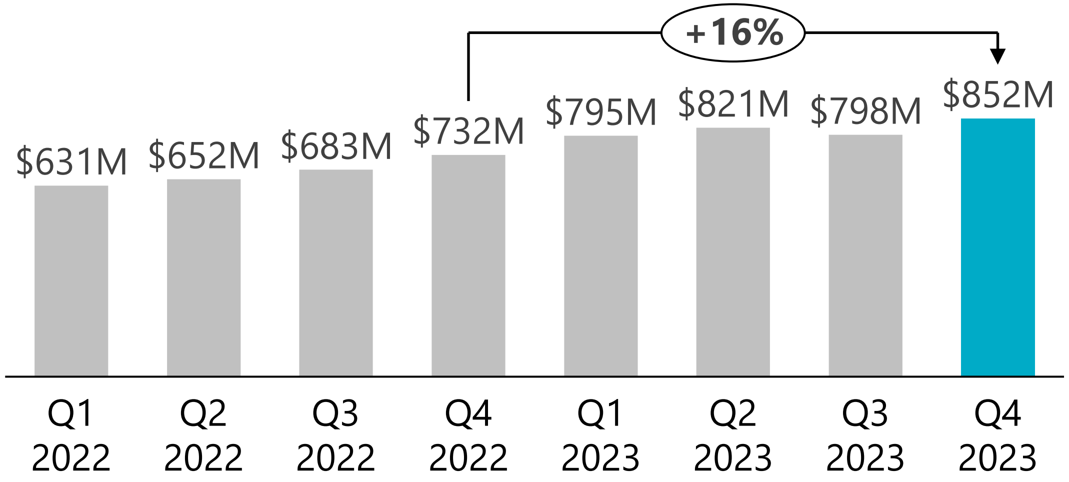
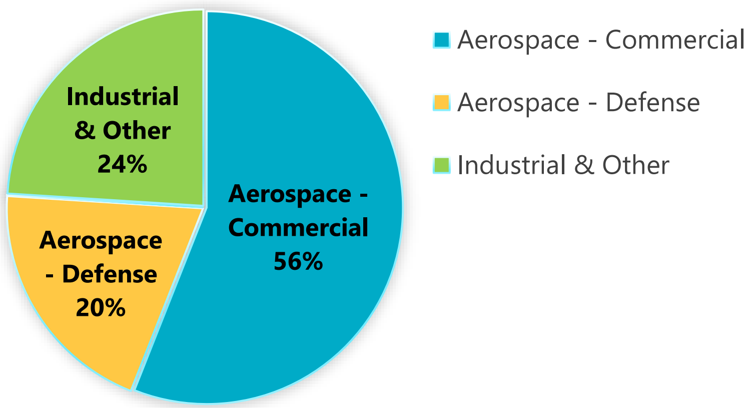
1) Adjusted EBITDA and EBITDA Margin excluding special items; Net Income (GAAP): FY 2022 = \$469M, FY 2023 = \$765M; Operating income margin (GAAP): FY 2022 = 16.2%, FY 2023 = 18.1%
2) Adjusted EPS excluding special items: EPS (GAAP): FY 2022 = \$1.11, FY 2023 = \$1.83 3) FY 2023: Cash provided from operations = \$901M, Cash used for financing activities = (\$868M), Cash used for investing activities = (\$215M) 4) Free Cash Flow Conversion = Free Cash Flow divided by Net Income excluding Special items 5) Adjusted for special items; Last twelve months (LTM) Howmet adjusted EBITDA *See appendix for reconciliations*

Engine Products: Revenue +16% Q4 YoY; Adj EBITDA Margin 27.3%

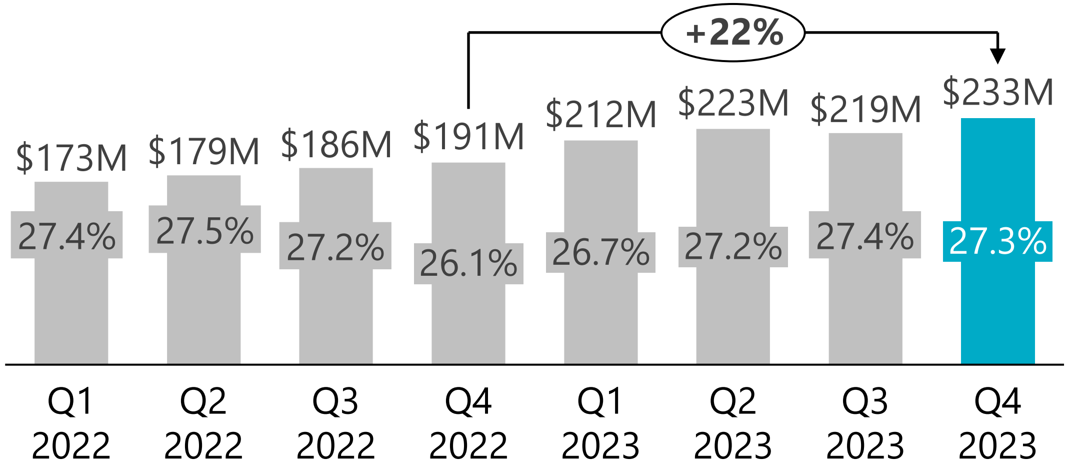
3rd Party Revenue



Q4 Revenue by Market (% of total)



Segment Adjusted EBITDA and Margin

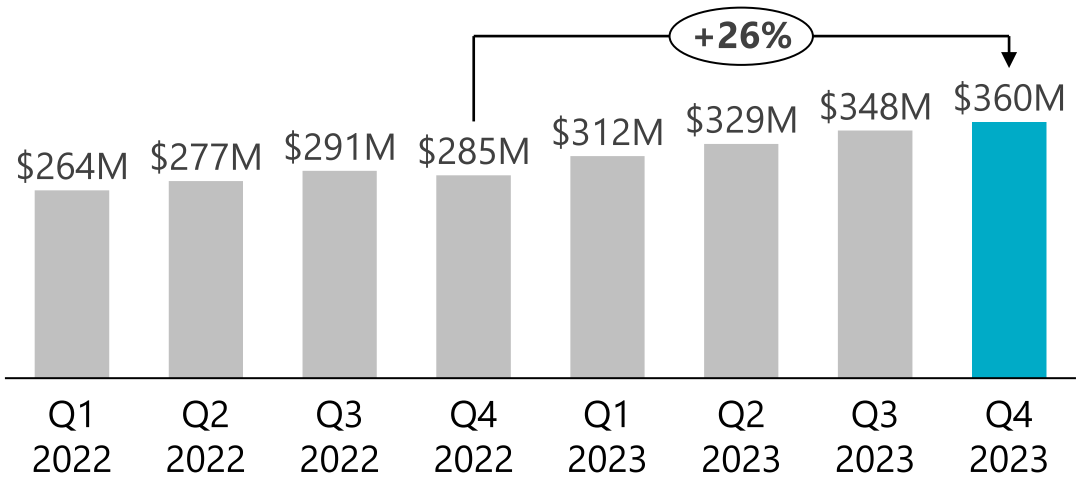


Q4 2023 YoY

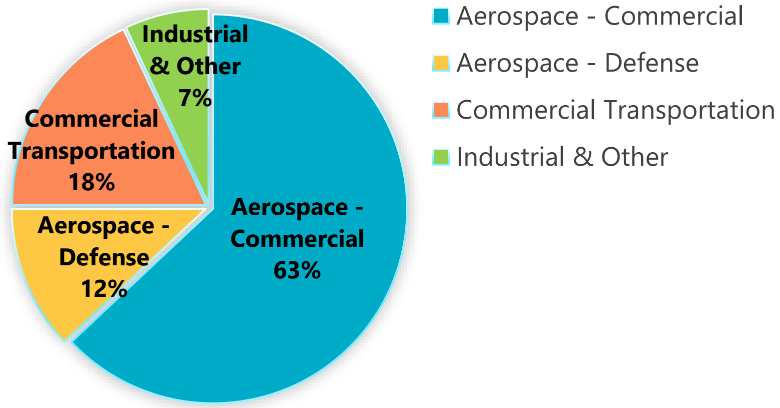
+ Commercial Aero Build Rates / Spares Growth
+ Defense Engine Build Rates / Spares Growth
+ Industrial Gas Turbine / Oil & Gas Growth
+ Net Headcount up ~180 in Q4; up ~1,030 FY23

Fastening Systems: Revenue +26% Q4 YoY; Adj EBITDA Margin 22.2%

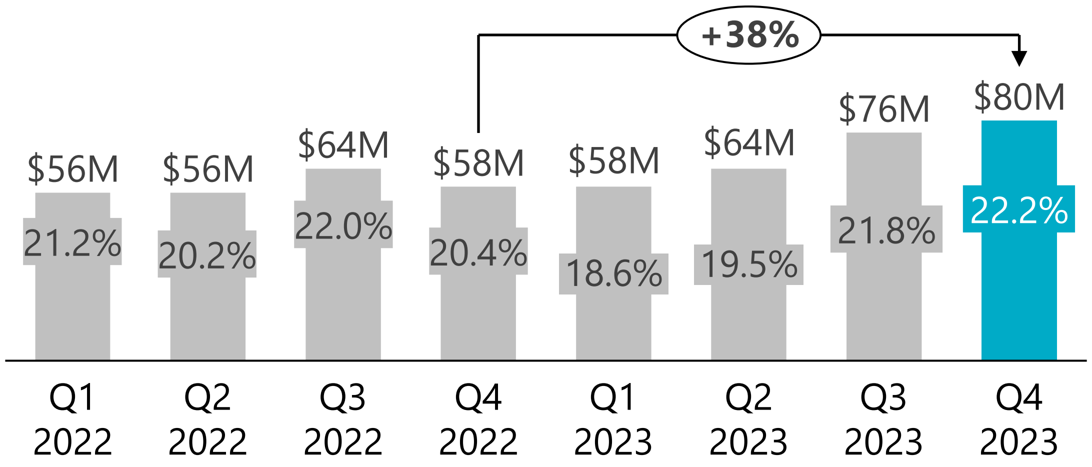
3rd Party Revenue



Q4 Revenue by Market (% of total)



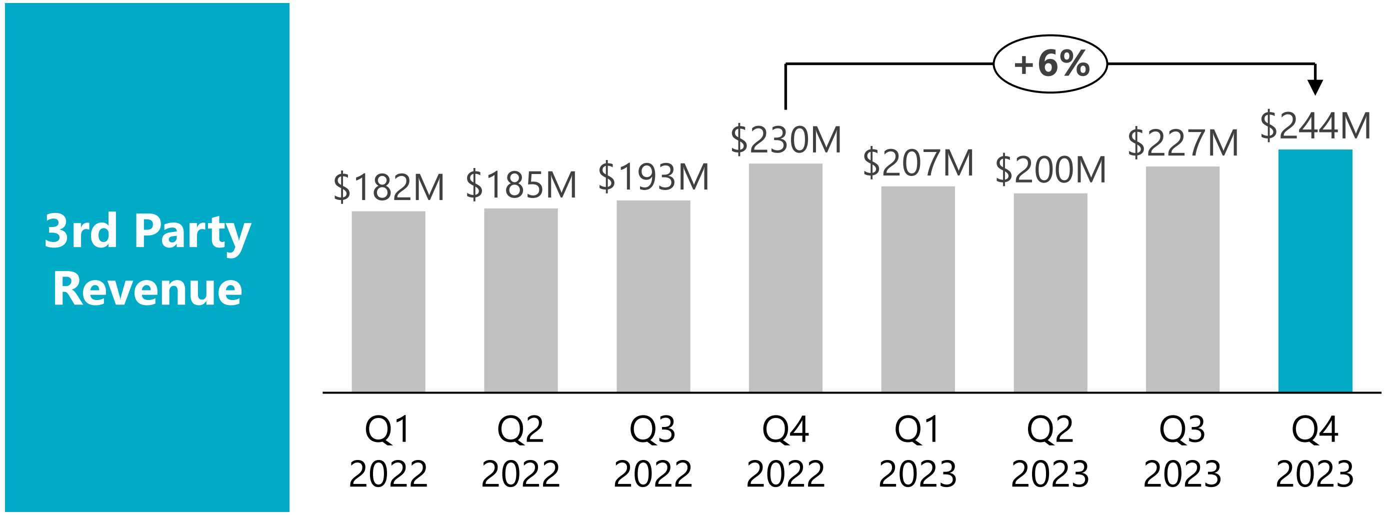
Segment Adjusted EBITDA and Margin

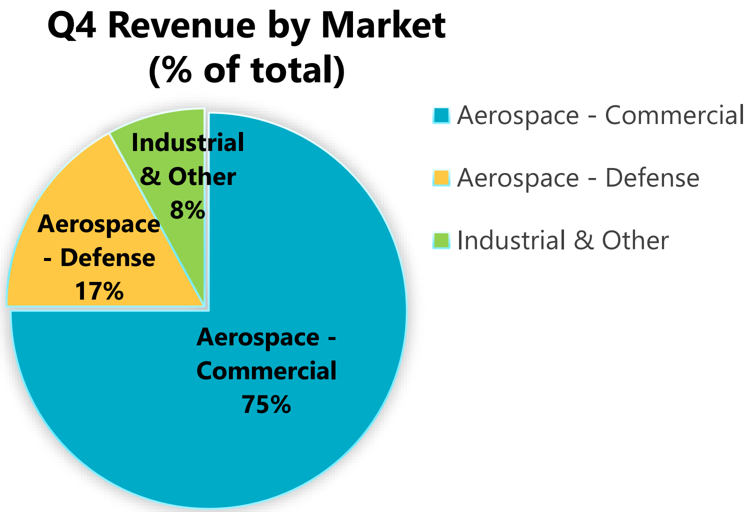


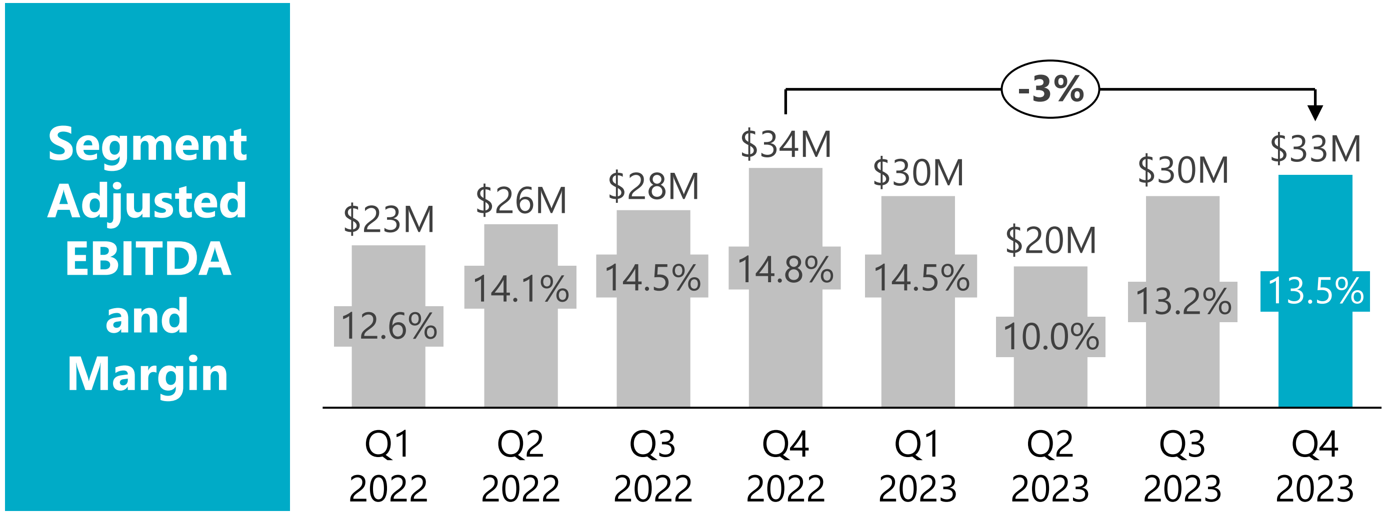
Q4 2023 YoY

- \+ Commercial Aero Growth
- \+ Wide Body Recovery
- \+ Commercial Transportation Growth
- \+ Net Headcount up ~50 in Q4; up ~435 FY23

Engineered Structures: Revenue +6% Q4 YoY; Adj EBITDA Margin 13.5%







Q4 2023 YoY

+ Commercial Aero Growth
+ Wide Body Recovery
+ Net Headcount up ~85 in Q4; up ~280 FY23

− Russian Titanium
− Defense Aero Decline

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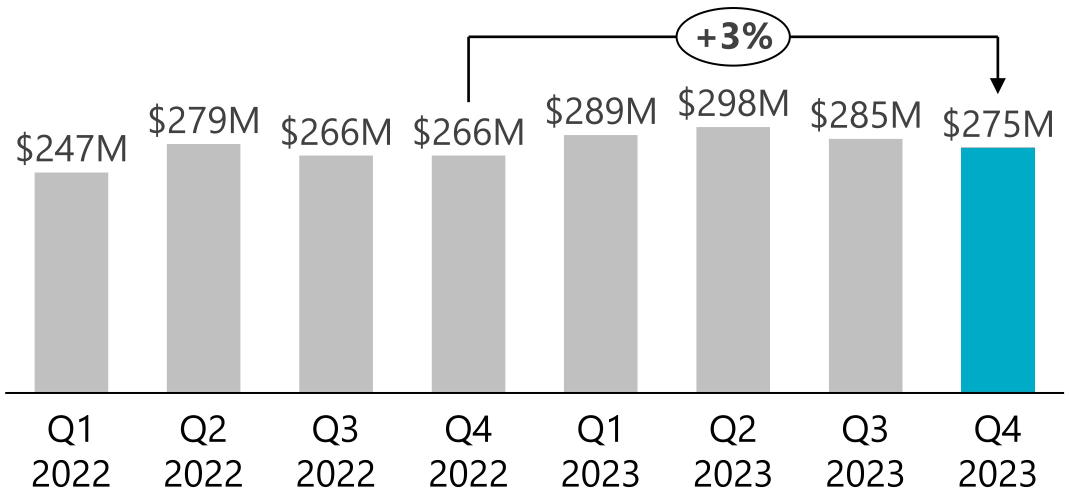
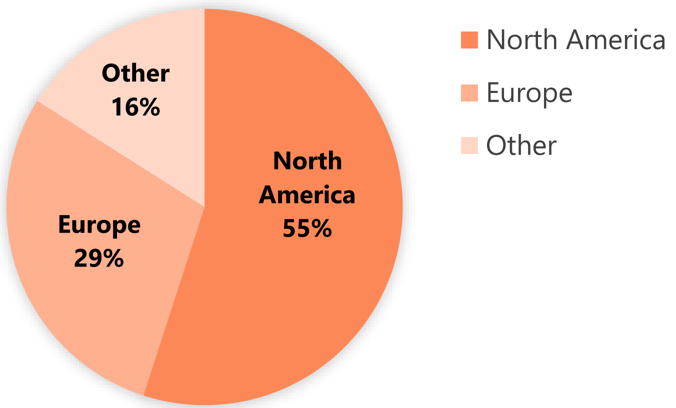
Forged Wheels: Volume Up 8% Q4 YoY; Adj EBITDA Margin 26.2%

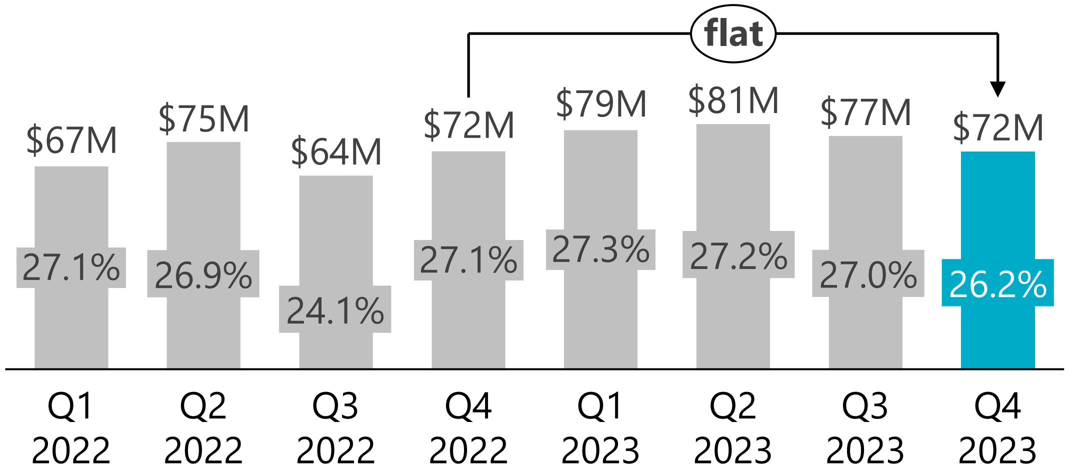
3rd Party Revenue



Q4 Revenue by Region (% of total)



Segment Adjusted EBITDA and Margin



Q4 2023 YoY

+ Volumes up 8% Q4 YoY
– Volumes down 3% Q4 Sequentially
– Commercial Transport. Market Softening

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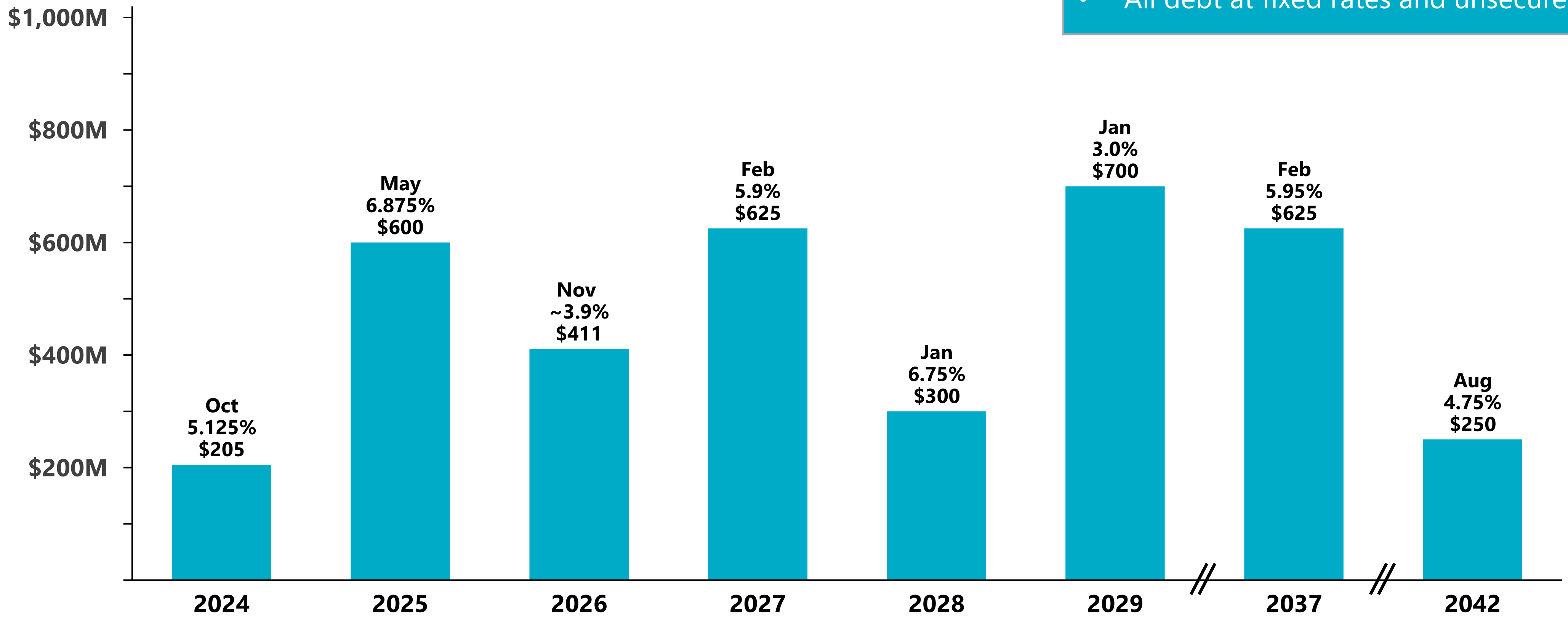
Paid down ~$875M of 2024 Bonds; ~$400M Refinanced, Maturing 2026

FY 2023 Debt Reduction / Refinance:

- Reduced 2024 Debt Tower ~$875M
  ~$475M paid with cash
  ~$400M refinanced at ~3.9% Fixed Rate
  ~$29M lower annualized interest expense
- All debt at fixed rates and unsecured



2024 Guidance

	Q1 2024 Guidance			FY 2024 Guidance		
	Low	Baseline	High	Low	Baseline	High
Revenue	$1.73B	$1.74B	$1.75B	$7.00B	$7.10B	$7.20B
Adj EBITDA[1]	$395M	$400M	$405M	$1.600B	$1.635B	$1.670B
Adj EBITDA Margin[1]	*22.8%*	*23.0%*	*23.1%*	*22.9%*	*23.0%*	*23.2%*
Adj Earnings per Share[1,2]	$0.50	$0.51	$0.52	$2.10	$2.15	$2.20
Free Cash Flow				$700M	$735M	$770M

What we expect in 2024

- FY 2024 Revenue up ~7% vs. FY 2023
- FY 2024 Adj EBITDA[1] up ~8% vs. FY 2023
- FY 2024 Adj EPS[1,2] up ~17% vs. FY 2023
- Capex of $275M - $305M vs. Depreciation and Amortization of ~$270M
- Free Cash Flow Conversion ~85%; +/- 5%

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1) Excluding special items 2) Assumes ($5M) - $15M of miscellaneous other expenses in 2024

Summary

Revenue / Profit FY 2023	▪ Revenue of ~$6.64B, up 17% YoY, driven by Commercial Aero up 24% ▪ Adj EBITDA[1] of $1.5B, up 18% YoY ▪ Adj EBITDA Margin[1] of 22.7% with Q4 exit rate of 23.0% ▪ Adj Earnings Per Share[2] of $1.84, up 31% YoY
Liquidity FY 2023	▪ Record Free Cash Flow[3] of $682M ▪ Capital Deployment of ~$800M for Debt Paydown, Common Stock Repurchases, and Quarterly Dividends ▪ Reduced 2024 Debt Tower ~$875M: ~$475M paid with cash; ~$400M refinanced at ~3.9% Fixed Rate ▪ Increased Quarterly Dividend by 25% to $0.05 per share of Common Stock in Q4 2023 ▪ Net Debt-to-LTM EBITDA[4] improved to record 2.1x
Guidance Expectations FY 2024	▪ Expect Revenue up ~7% YoY, Adj EBITDA[1] up ~8% YoY, Adj Earnings Per Share[2] up ~17% YoY ▪ Expect Free Cash Flow of ~$735M, up ~8% YoY, with Free Cash Flow Conversion of ~85%; +/- 5% ▪ Expect Net Debt-to-LTM EBITDA[4] less than ~2x at year end

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1) Adjusted EBITDA and EBITDA Margin excluding special items: Net Income (GAAP): FY 2022 = $469M, FY 2023 = $765M; Operating income margin (GAAP): FY 2022 = 16.2%, FY 2023 = 18.1%
2) Adjusted EPS excluding special items: EPS (GAAP): FY 2022 = $1.11, FY 2023 = $1.83 3) FY 2023: Cash provided from operations = $901M, Cash used for financing activities = ($868M), Cash used for investing activities = ($215M) 4) Adjusted for special items; Last twelve months (LTM) Howmet adjusted EBITDA *See appendix for reconciliations*

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Appendix

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2024 Assumptions

	Full Year 2024	2024 Comments
Corporate Overhead	~$80M	• Included in Adj EBITDA[1]
Depreciation and Amortization	~$270M	
Interest Expense	~$200M	• Excludes any potential debt issuance, breakage, and tender fees
Operational Tax Rate	21.0% – 22.0%	• Cash Tax Rate ~15%
Pension / OPEB Expense	~$50M	• ~$5M Service Costs (included in Adj EBITDA[1]) • ~$45M Non-Service Costs (excluded from Adj EBITDA[1]) • Up ~$15M YoY
Miscellaneous Other Expenses	($5M) – $15M	• Included in Other expense (income), net • Examples are deferred compensation and foreign currency impacts
Post-Tax Pension / OPEB Liability	~$525M Pension Liability; ~$80M OPEB Liability	• Applied U.S. federal corporate tax rate of 21%
Pension / OPEB Contributions	~$65M	• Up ~$15M YoY
Capex	$275M – $305M	• Increase driven by Engine Products Capacity Expansion • Up ~$70M YoY
Diluted Share Count Average	~413M	• Q4 2023 Diluted shares exit rate of ~413M • Excludes any potential additional common stock repurchases

1) Excluding special items

Reconciliation of Net Income and Diluted EPS Excluding Special Items

($ in millions, except per-share amounts)	Q4 2022	Q3 2023	Q4 2023	FY 2022	FY 2023
Net income	**$111**	**$188**	**$236**	**$469**	**$765**
Diluted EPS	**$0.26**	**$0.45**	**$0.57**	**$1.11**	**$1.83**
Special items:					
Restructuring and other charges:					
Pension and other post-retirement benefits, net settlements[1]	$51	$2	$—	$58	$5
Asset impairments and accelerated depreciation[1]	1	—	13	1	13
Other, net	(8)	2	2	(3)	5
Restructuring and other charges	**$44**	**$4**	**$15**	**$56**	**$23**
Loss on debt redemption and related costs	—	—	1	2	2
Plant fire costs (reimbursements), net	4	1	(13)	36	(12)
Collective bargaining agreement negotiations	—	1	—	—	8
Judgment (settlement) from legal proceeding[2]	—	—	—	65	(24)
Legal and other advisory reimbursements	—	—	—	(3)	—
Costs associated with closures, supply chain disruptions, and other items[3]	1	1	2	3	13
Subtotal: Pre-tax special items	$49	$7	$5	$159	$10
Tax impact of Pre-tax special items[4]	(3)	(1)	—	(27)	—
Subtotal	$46	$6	$5	$132	$10
Discrete and other tax special items[5]	$3	$(2)	$(23)	$(8)	$(9)
Total: After-tax special items	$49	$4	$(18)	$124	$1
Net income excluding Special items	**$160**	**$192**	**$218**	**$593**	**$766**
Diluted EPS excluding Special items	**$0.38**	**$0.46**	**$0.53**	**$1.40**	**$1.84**

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, the "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) Judgment (settlement) from legal proceeding for FY 2023 relates to the reversal of $25, net of legal fees of $1, of the $65 pre-tax charge taken in Q3 2022 related to the Lehman Brothers International (Europe) legal proceeding.

(3) Costs associated with closures, supply chain disruptions, and other items FY 2023 included costs for a site closure and inventory disposal, an impact for supply chain disruptions, and remediation and separation expenses.

(4) The Tax impact of Pre-tax 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.

(5) Discrete tax items for Q4 2023 and FY 2023 are discussed further in the Reconciliation of the Operational Tax Rate. Discrete tax items for Q4 2022 included 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). Discrete tax items for Q3 2023 included a benefit for other small items ($1).

Reconciliation of 2023 and 2022 Operational Tax Rate

($ in millions)	Quarter ended December 31, 2023			Year ended December 31, 2022			Year ended December 31, 2023		
	Effective tax rate, as reported	Special items(1)(3)	Operational tax rate, as adjusted	Effective tax rate, as reported	Special items(1)(2)(3)	Operational tax rate, as adjusted	Effective tax rate, as reported	Special items(1)(2)(3)	Operational tax rate, as adjusted
Income before income taxes	$270	$5	$275	$606	$159	$765	$975	$10	$985
Provision for income taxes	$34	$23	$57	$137	$35	$172	$210	$9	$219
Tax rate	12.6%		20.7%	22.6%		22.5%	21.5%		22.2%

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) Pre-tax special items for the quarter ended December 31, 2023 included Restructuring and other charges $15, costs associated with closures, supply chain disruptions, and other items $2, loss on debt redemption and related costs $1, partially offset by net reimbursements related to fires at two plants ($13).

(2) Pre-tax special items for the year ended December 31, 2022 included 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, supply chain disruptions, and other items $3, and loss on debt redemption and related costs $2, partially offset by legal and other advisory reimbursements ($3). Pre-tax special items for the year ended December 31, 2023 included Restructuring and other charges $23, costs associated with closures, supply chain disruptions, and other items $13, costs related to collective bargaining agreement negotiations $8, and loss on debt redemption and related costs $2, partially offset by net settlement from legal proceeding ($24) and net reimbursements related to fires at two plants ($12) .

(3) 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 related tax items. Discrete tax items for each period included the following:

- for the quarter ended December 31, 2023, a benefit to release a valuation allowance related to U.S. foreign tax credits ($14), a net benefit for other small items ($4), a benefit to release a valuation allowance related to U.S. and state tax losses and tax credits ($2), and a benefit to revalue deferred taxes for changes to apportioned U.S. state tax rates ($2);
- 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); and
- for the year ended December 31, 2023, a charge for a tax reserve established in France $20, a benefit to release a valuation allowance related to U.S. foreign tax credits ($14), an excess benefit for stock compensation ($9), a benefit to release a valuation allowance related to U.S. state tax losses and tax credits ($2), a benefit to revalue deferred taxes for changes to apportioned U.S. state tax rates ($2), and a net benefit for other small items ($2).

Calculation of Segment Information

($ in millions)	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	FY 2023
Engine Products										
Third-party sales	$ 631	$ 652	$ 683	$ 732	$ 2,698	$ 795	$ 821	$ 798	$ 852	$ 3,266
Inter-segment sales	$ 1	$ 1	$ 1	$ 1	$ 4	$ 2	$ 5	$ 5	$ 1	$ 13
Provision for depreciation and amortization	$ 31	$ 31	$ 31	$ 32	$ 125	$ 32	$ 32	$ 33	$ 33	$ 130
Segment Adjusted EBITDA	$ 173	$ 179	$ 186	$ 191	$ 729	$ 212	$ 223	$ 219	$ 233	$ 887
Segment Adjusted EBITDA Margin	27.4 %	27.5 %	27.2 %	26.1 %	27.0 %	26.7 %	27.2 %	27.4 %	27.3 %	27.2 %
Depreciation and amortization % of Revenue	4.9 %	4.8 %	4.5 %	4.4 %	4.6 %	4.0 %	3.9 %	4.1 %	3.9 %	4.0 %
Restructuring and other charges (credits)	$ 3	$ 4	$ 2	$ 20	$ 29	$ —	$ (1)	$ —	$ (1)	$ (2)
Capital expenditures	$ 27	$ 24	$ 23	$ 20	$ 94	$ 33	$ 21	$ 30	$ 28	$ 112
Fastening Systems										
Third-party sales	$ 264	$ 277	$ 291	$ 285	$ 1,117	$ 312	$ 329	$ 348	$ 360	$ 1,349
Provision for depreciation and amortization	$ 12	$ 11	$ 11	$ 11	$ 45	$ 11	$ 12	$ 12	$ 11	$ 46
Segment Adjusted EBITDA	$ 56	$ 56	$ 64	$ 58	$ 234	$ 58	$ 64	$ 76	$ 80	$ 278
Segment Adjusted EBITDA Margin	21.2 %	20.2 %	22.0 %	20.4 %	20.9 %	18.6 %	19.5 %	21.8 %	22.2 %	20.6 %
Depreciation and amortization % of Revenue	4.5 %	4.0 %	3.8 %	3.9 %	4.0 %	3.5 %	3.6 %	3.4 %	3.1 %	3.4 %
Restructuring and other (credits) charges	$ (3)	$ —	$ —	$ 11	$ 8	$ —	$ —	$ 1	$ —	$ 1
Capital expenditures	$ 15	$ 8	$ 7	$ 9	$ 39	$ 9	$ 5	$ 9	$ 8	$ 31

Calculation of Segment Information (continued)

($ in millions)	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	FY 2023
Engineered Structures										
Third-party sales	$ 182	$ 185	$ 193	$ 230	$ 790	$ 207	$ 200	$ 227	$ 244	$ 878
Inter-segment sales	$ 1	$ 1	$ 3	$ 1	$ 6	$ —	$ 1	$ —	$ 2	$ 3
Provision for depreciation and amortization	$ 12	$ 12	$ 12	$ 12	$ 48	$ 12	$ 12	$ 12	$ 11	$ 47
Segment Adjusted EBITDA	$ 23	$ 26	$ 28	$ 34	$ 111	$ 30	$ 20	$ 30	$ 33	$ 113
Segment Adjusted EBITDA Margin	12.6 %	14.1 %	14.5 %	14.8 %	14.1 %	14.5 %	10.0 %	13.2 %	13.5 %	12.9 %
Depreciation and amortization % of Revenue	6.6 %	6.5 %	6.2 %	5.2 %	6.1 %	5.8 %	6.0 %	5.3 %	4.5 %	5.4 %
Restructuring and other charges	$ 2	$ 1	$ 1	$ 3	$ 7	$ 1	$ 5	$ 1	$ 14	$ 21
Capital expenditures	$ 7	$ 2	$ 3	$ 5	$ 17	$ 10	$ 5	$ 6	$ 5	$ 26
Forged Wheels										
Third-party sales	$ 247	$ 279	$ 266	$ 266	$ 1,058	$ 289	$ 298	$ 285	$ 275	$ 1,147
Provision for depreciation and amortization	$ 10	$ 10	$ 10	$ 10	$ 40	$ 9	$ 10	$ 10	$ 10	$ 39
Segment Adjusted EBITDA	$ 67	$ 75	$ 64	$ 72	$ 278	$ 79	$ 81	$ 77	$ 72	$ 309
Segment Adjusted EBITDA Margin	27.1 %	26.9 %	24.1 %	27.1 %	26.3 %	27.3 %	27.2 %	27.0 %	26.2 %	26.9 %
Depreciation and amortization % of Revenue	4.0 %	3.6 %	3.8 %	3.8 %	3.8 %	3.1 %	3.4 %	3.5 %	3.6 %	3.4 %
Restructuring and other charges	$ —	$ —	$ —	$ 2	$ 2	$ —	$ —	$ —	$ —	$ —
Capital expenditures	$ 9	$ 5	$ 6	$ 8	$ 28	$ 9	$ 7	$ 9	$ 11	$ 36

Calculation of Total Segment Adjusted EBITDA and Adjusted EBITDA Margin

($ in millions)	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	FY 2023
Third-party sales – Engine Products	$631	$652	$683	$732	$2,698	$795	$821	$798	$852	$3,266
Third-party sales – Fastening Systems	$264	$277	$291	$285	$1,117	$312	$329	$348	$360	$1,349
Third-party sales – Engineered Structures	$182	$185	$193	$230	$790	$207	$200	$227	$244	$878
Third-party sales – Forged Wheels	$247	$279	$266	$266	$1,058	$289	$298	$285	$275	$1,147
Total Segment third-party sales	$1,324	$1,393	$1,433	$1,513	$5,663	$1,603	$1,648	$1,658	$1,731	$6,640
Total Segment Adjusted EBITDA[(1)]	$319	$336	$342	$355	$1,352	$379	$388	$402	$418	$1,587
Total Segment Adjusted EBITDA margin	24.1%	24.1%	23.9%	23.5%	23.9%	23.6%	23.5%	24.2%	24.1%	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 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	FY 2023
Income before income taxes	$171	$183	$104	$148	$606	$220	$243	$242	$270	$975
Loss on debt redemption	—	2	—	—	2	1	—	—	1	2
Interest expense	58	57	57	57	229	57	55	54	52	218
Other expense (income), net	1	(1)	67	15	82	7	(13)	11	3	8
Operating income	$230	$241	$228	$220	$919	$285	$285	$307	$326	$1,203
Segment provision for depreciation and amortization	65	64	64	65	258	64	66	67	65	262
Unallocated amounts:										
Restructuring and other charges	2	6	4	44	56	1	3	4	15	23
Corporate expense[1]	22	25	46	26	119	29	34	24	12	99
Total Segment Adjusted EBITDA	$319	$336	$342	$355	$1,352	$379	$388	$402	$418	$1,587

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, 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. For the quarter ended March 31, 2023, Corporate expense included $4 of costs related to fires at two plants and $1 of costs associated with closures, shutdowns, and other items. For the quarter ended June 30, 2023, Corporate expense included $9 of costs associated with closures, supply chain disruptions, and other items, $7 of costs related to a collective bargaining agreement negotiation, and ($4) of net reimbursements related to fires at two plants. For the quarter ended September 30, 2023, Corporate expense included $1 of costs associated with closures, supply chain disruptions, and other items, $1 of costs related to a collective bargaining agreement negotiation, and $1 of costs associated with fires at two plants. For the quarter ended December 31, 2023, Corporate expense included ($13) of net reimbursements related to fires at two plants and $2 of costs associated with closures, supply chain disruptions, and other items.

Reconciliation of Adjusted Corporate Expense Excluding Depreciation and Special Items

($ in millions)	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	FY 2023
Corporate expense	$22	$25	$46	$26	$119	$29	$34	$24	$12	$99
Provision for depreciation and amortization	1	3	1	2	7	5	1	1	3	10
Adjusted Corporate expense excluding depreciation	$21	$22	$45	$24	$112	$24	$33	$23	$9	$89
Special items:										
Plant fire costs (reimbursements), net	$5	$2	$25	$4	$36	$4	$(4)	$1	$(13)	$(12)
Collective bargaining agreement negotiations	—	—	—	—	—	—	7	1	—	8
Legal and other advisory reimbursements	(3)	—	—	—	(3)	—	—	—	—	—
Costs associated with closures, supply chain disruptions, and other items	—	1	1	1	3	1	10	1	2	14
Adjusted Corporate expense excluding depreciation and Special items	$19	$19	$19	$19	$76	$19	$20	$20	$20	$79

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	Q1 2023	Q2 2023	Q3 2023	Q4 2023	FY 2023
Third-party sales	$1,209	$1,195	$1,283	$1,285	$4,972	$1,324	$1,393	$1,433	$1,513	$5,663	$1,603	$1,648	$1,658	$1,731	$6,640
Operating income	$189	$207	$205	$147	$748	$230	$241	$228	$220	$919	$285	$285	$307	$326	$1,203
Operating income margin	15.6%	17.3%	16.0%	11.4%	15.0%	17.4%	17.3%	15.9%	14.5%	16.2%	17.8%	17.3%	18.5%	18.8%	18.1%
Net income	$80	$74	$27	$77	$258	$131	$147	$80	$111	$469	$148	$193	$188	$236	$765
Add:															
Provision (benefit) for income taxes	$33	$36	$(4)	$1	$66	$40	$36	$24	$37	$137	$72	$50	$54	$34	$210
Other expense (income), net	4	8	1	6	19	1	(1)	67	15	82	7	(13)	11	3	8
Loss on debt redemption	—	23	118	5	146	—	2	—	—	2	1	—	—	1	2
Interest expense, net	72	66	63	58	259	58	57	57	57	229	57	55	54	52	218
Restructuring and other charges	9	5	8	68	90	2	6	4	44	56	1	3	4	15	23
Provision for depreciation and amortization	68	67	68	67	270	66	67	65	67	265	69	67	68	68	272
Adjusted EBITDA	$266	$279	$281	$282	$1,108	$298	$314	$297	$331	$1,240	$355	$355	$379	$409	$1,498
Add:															
Plant fire costs (reimbursements), net	$9	$(3)	$1	$(11)	$(4)	$5	$2	$25	$4	$36	$4	$(4)	$1	$(13)	$(12)
Collective bargaining agreement negotiations	—	—	—	—	—	—	—	—	—	—	—	7	1	—	8
Legal and other advisory reimbursements	—	(4)	—	—	(4)	(3)	—	—	—	(3)	—	—	—	—	—
Costs associated with closures, supply chain disruptions, and other items	—	—	10	25	35	—	1	1	1	3	1	10	1	2	14
Adjusted EBITDA excluding Special items	$275	$272	$292	$296	$1,135	$300	$317	$323	$336	$1,276	$360	$368	$382	$398	$1,508
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%	22.5%	22.3%	23.0%	23.0%	22.7%

	Q4 2022	Q4 2023	Q4 2023 YoY	FY 2022	FY 2023	FY 2023 YoY
Third-party sales	$1,513	$1,731		$5,663	$6,640	
Year-over-Year Material and other inflationary cost pass through		(15)			(90)	
Third-party sales excluding Material and other inflationary cost pass through (b)	$1,513	$1,716	$203	$5,663	$6,550	$887
Adjusted EBITDA excluding Special items (a)	$336	$398	$62	$1,276	$1,508	$232
Incremental margin (a)/(b)			31%			26%

Adjusted EBITDA, Adjusted EBITDA excluding Special items, Adjusted EBITDA margin excluding Special items, Third-party sales excluding Material and other inflationary cost pass through, 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 Free Cash Flow

($ in millions)	Q1 2023	Q2 2023	Q3 2023	Q4 2023	YTD 2023
Cash provided from operations	$23	$229	$191	$458	$901
Capital expenditures	(64)	(41)	(59)	(55)	(219)
Free cash flow	$(41)	$188	$132	$403	$682

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

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, 2022	March 31, 2023	June 30, 2023	September 30, 2023	December 31, 2023
Long-term debt due within one year	$—	$—	$—	$—	$206
Long-term debt, less amount due within one year	4,162	3,988	3,989	3,794	3,500
Total debt	$4,162	$3,988	$3,989	$3,794	$3,706
Less: Cash, cash equivalents, and restricted cash	792	538	536	424	610
Net debt	$3,370	$3,450	$3,453	$3,370	$3,096

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, 2023	Trailing-12 months ended December 31, 2023
Net income	$ 640	$ 765
Add:		
Provision for income taxes	$ 213	$ 210
Other expense, net	20	8
Loss on debt redemption	1	2
Interest expense, net	223	218
Restructuring and other charges	52	23
Provision for depreciation and amortization	271	272
Adjusted EBITDA	$ 1,420	$ 1,498
Add:		
Plant fire costs (reimbursements), net	$ 5	$ (12)
Collective bargaining agreement negotiations	8	8
Costs associated with closures, supply chain disruptions, and other items	13	14
Adjusted EBITDA excluding Special items	$ 1,446	$ 1,508
Net debt	$ 3,370	$ 3,096
Net debt to Adjusted EBITDA excluding Special items	2.3	2.1

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. Adjusted EBITDA and Adjusted EBITDA excluding Special items are non-GAAP financial measures. Management believes that Adjusted EBITDA and Adjusted EBITDA excluding Special items 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.

Net debt and Net debt to Adjusted EBITDA are non-GAAP financial measures. Management believes that these measures are 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, 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**
Third quarter ended September 30, 2023					
Aerospace - Commercial	$446	$209	$165	$—	$820
Aerospace - Defense	$165	$41	$45	$—	$251
Commercial Transportation	$—	$67	$—	$285	$352
Industrial and Other	$187	$31	$17	$—	$235
Third-party sales market revenue	**$798**	**$348**	**$227**	**$285**	**$1,658**
Fourth quarter ended December 31, 2023					
Aerospace - Commercial	$474	$227	$183	$—	$884
Aerospace - Defense	$168	$42	$41	$—	$251
Commercial Transportation	$—	$63	$—	$275	$338
Industrial and Other	$210	$28	$20	$—	$258
Third-party sales market revenue	**$852**	**$360**	**$244**	**$275**	**$1,731**

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

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

Reconciliation of Adjusted Operating Income and Adjusted Operating Income Margin

($ in millions)	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	FY 2023
Third-party sales	**$1,324**	**$1,393**	**$1,433**	**$1,513**	**$5,663**	**$1,603**	**$1,648**	**$1,658**	**$1,731**	**$6,640**
Operating income	**$230**	**$241**	**$228**	**$220**	**$919**	**$285**	**$285**	**$307**	**$326**	**$1,203**
Operating income margin	**17.4%**	**17.3%**	**15.9%**	**14.5%**	**16.2%**	**17.8%**	**17.3%**	**18.5%**	**18.8%**	**18.1%**
Add:										
Restructuring and other charges	**$2**	**$6**	**$4**	**$44**	**$56**	**$1**	**$3**	**$4**	**$15**	**$23**
Plant fire costs (reimbursements), net	**5**	**2**	**25**	**4**	**36**	**4**	**(4)**	**1**	**(13)**	**(12)**
Collective bargaining agreement negotiations	**—**	**—**	**—**	**—**	**—**	**—**	**7**	**1**	**—**	**8**
Legal and other advisory reimbursements	**(3)**	**—**	**—**	**—**	**(3)**	**—**	**—**	**—**	**—**	**—**
Costs associated with closures, supply chain disruptions, and other items	**—**	**1**	**1**	**1**	**3**	**1**	**10**	**1**	**2**	**14**
Adjusted operating income	**$234**	**$250**	**$258**	**$269**	**$1,011**	**$291**	**$301**	**$314**	**$330**	**$1,236**
Adjusted operating income margin	**17.7%**	**17.9%**	**18.0%**	**17.8%**	**17.9%**	**18.2%**	**18.3%**	**18.9%**	**19.1%**	**18.6%**

Adjusted operating income and Adjusted operating income margin 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 Adjusted operating income.

Reconciliation of Adjusted Free Cash Flow and Net Income Excluding Special Items

($ in millions)	FY 2021	FY 2022	FY 2023
Cash provided from operations	$449	$733	$901
Cash receipts from sold receivables	267	—	—
Capital expenditures	(199)	(193)	(219)
Adjusted free cash flow (a)	**$517**	**$540**	**$682**
Net income	**$258**	**$469**	**$765**
Special items:			
Restructuring and other charges	**$90**	**$56**	**$23**
Discrete tax items	$9	$(8)	$(9)
Other special items:			
Loss on debt redemption and related costs	147	2	2
Plant fire (reimbursements) costs, net	(3)	36	(12)
Collective bargaining agreement negotiations	—	—	8
Judgment (settlement) from legal proceeding	—	65	(24)
Legal and other advisory reimbursements	(4)	(3)	—
Costs associated with closures, supply chain disruptions, and other items	35	3	13
Total Other special items	**$175**	**$103**	**$(13)**
Tax impact[1]	$(90)	$(27)	$—
Net income excluding Special items (b)	**$442**	**$593**	**$766**
Adjusted free cash flow as a percentage of Net income excluding special items (a)/(b)	**117%**	**91%**	**89%**

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.

Net income 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 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.

(1) 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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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	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Net income[1]	$36	$106	$80	$74	$27	$77	$131	$147	$80	$111	$148	$193	$188	$236
Diluted EPS	$0.08	$0.24	$0.18	$0.17	$0.06	$0.18	$0.31	$0.35	$0.19	$0.26	$0.35	$0.46	$0.45	$0.57
Special items:														
Restructuring and other charges	$22	$16	$9	$5	$8	$68	$2	$6	$4	$44	$1	$3	$4	$15
Discrete tax items	$(41)	$(76)	$(1)	$4	$(12)	$18	$(2)	$(7)	$(2)	$3	$21	$(7)	$(1)	$(22)
Other special items:														
Loss on debt redemption and related costs	$—	$—	$—	$23	$120	$4	$—	$2	$—	$—	$1	$—	$—	$1
Plant fire costs (reimbursements), net	7	(19)	10	(3)	1	(11)	5	2	25	4	4	(4)	1	(13)
Collective bargaining agreement negotiations	—	2	—	—	—	—	—	—	—	—	—	7	1	—
Release of tax indemnification receivable	—	53	—	—	—	—	—	—	—	—	—	—	—	—
Judgment (settlement) from legal proceeding	—	—	—	—	—	—	—	—	65	—	—	(24)	—	—
Legal and other advisory reimbursements	(2)	(3)	—	(4)	—	—	(3)	—	—	—	—	—	—	—
Costs associated with closures, supply chain disruptions, and other items	—	(2)	—	—	10	25	—	1	1	1	1	9	1	2
Reversal of state investment tax credits	—	9	—	—	—	—	—	—	—	—	—	—	—	—
Other tax items	(2)	4	(3)	2	(2)	3	—	—	—	—	—	2	(1)	(1)
Total Other special items	$3	$44	$7	$18	$129	$21	$2	$5	$91	$5	$6	$(10)	$2	$(11)
Tax impact	$(7)	$2	$1	$(5)	$(32)	$(54)	$(1)	$(2)	$(21)	$(3)	$(1)	$2	$(1)	$—
Net income excluding Special items	$13	$92	$96	$96	$120	$130	$132	$149	$152	$160	$175	$181	$192	$218
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	$0.42	$0.44	$0.46	$0.53
Average number of diluted shares	439	438	439	437	434	431	425	422	420	419	418	417	415	414

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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(1) Q3 2020 and Q4 2020 represent income from continuing operations.

Reconciliation of Adjusted Pre-Tax Return on Net Assets (Pre-Tax RONA)

($ in millions)	FY 2022	FY 2023
Operating income	$919	$1,203
Add:		
Restructuring and other charges	$56	$23
Plant fire costs (reimbursements), net	36	(12)
Collective bargaining agreement negotiations	—	8
Legal and other advisory reimbursements	(3)	—
Costs associated with closures, supply chain disruptions, and other items	3	14
Adjusted operating income excluding Special items (a)	$1,011	$1,236
Net Assets:		
Receivables from customers, less allowances	$506	$675
Add: Inventories	1,609	1,765
Less: Accounts payable, trade	962	982
Adjusted working capital	$1,153	$1,458
Properties, plants, and equipment, net (PP&E)	2,332	2,328
Adjusted net assets – total (b)	$3,485	$3,786
Adjusted Pre-Tax RONA (a)/(b)	29%	33%

Adjusted Pre-Tax RONA is a non-GAAP financial measure. Adjusted Pre-Tax RONA is calculated as Adjusted operating income excluding Special items divided by Adjusted net assets. Adjusted net assets is the sum of Adjusted working capital and net PP&E (excludes Goodwill and Intangibles, net). Management believes that this measure is meaningful to investors as Adjusted Pre-Tax RONA helps management and investors determine the percentage of Adjusted operating income excluding Special items that the Company is generating from its Adjusted net assets. This ratio helps the Company assess how efficiently it is using its assets to generate earnings.

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