

Fourth Quarter and Full Year 2024 Earnings Call

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

February 13, 2025



**HOWMET
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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 Inc.'s ("Howmet'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's strategies, outlook, and business and financial prospects; and any future dividends, debt issuances, debt reduction and repurchases of its common stock. These statements reflect beliefs and assumptions that are based on Howmet's perception of historical trends, current conditions and expected future developments, as well as other factors Howmet 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) adverse changes in the markets served by Howmet; (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 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 anticipated or targeted revenue growth, cash generation, restructuring plans, cost reductions, improvement in profitability, or strengthening of competitiveness and operations; (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'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 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's Form 10-K for the year ended December 31, 2023 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. Under its share repurchase program, Howmet may repurchase shares from time to time, in amounts, at prices, and at such times as it deems appropriate. Howmet is not obligated to repurchase any specific number of shares or to do so at any particular time. The declaration of any future dividends is subject to the discretion and approval of Howmet's Board of Directors after consideration of all factors it deems relevant and subject to applicable law. Howmet may modify, suspend, or cancel its share repurchase program or its dividend policy in any manner and at any time that it may deem necessary or appropriate. Credit ratings are not a recommendation to buy or hold any Howmet securities, and they may be revised or revoked at any time at the sole discretion of the rating organizations. The statements in this presentation are made as of the date of this presentation, even if subsequently made available by Howmet on its website or otherwise. Howmet 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 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; QoQ=quarter over quarter; FY=full year; Q=quarter; IGT=industrial gas turbine; bps=basis points; FCF=Free Cash Flow; Free Cash Flow Conversion=Free Cash Flow divided by Net Income excluding Special Items; and references to performance by Howmet Aerospace or its segments as "record" mean its best result since April 1, 2020 when Howmet Aerospace Inc. (previously named Arconic Inc.) separated from Arconic Corporation.

2024 Highlights

Revenue and Profitability Excluding Special Items ^{1,2}	Q4 2023	Q3 2024	Q4 2024	Q4 YoY	FY 2023	FY 2024	FY YoY
Revenue	\$1.731B	\$1.835B	\$1.891B	+9%	\$6.640B	\$7.430B	+12%
Adj EBITDA ¹	\$398M	\$487M	\$507M	+27%	\$1,508M	\$1,914M	+27%
Adj EBITDA Margin ¹	23.0%	26.5%	26.8%	+380 bps	22.7%	25.8%	+310 bps
Adj Operating Income ¹	\$330M	\$419M	\$434M	+32%	\$1,236M	\$1,637M	+32%
Adj Operating Income Margin ¹	19.1%	22.8%	23.0%	+390 bps	18.6%	22.0%	+340 bps
Adj Earnings Per Share ²	\$0.53	\$0.71	\$0.74	+40%	\$1.84	\$2.69	+46%

FY 2024 Balance Sheet and Cash Flow

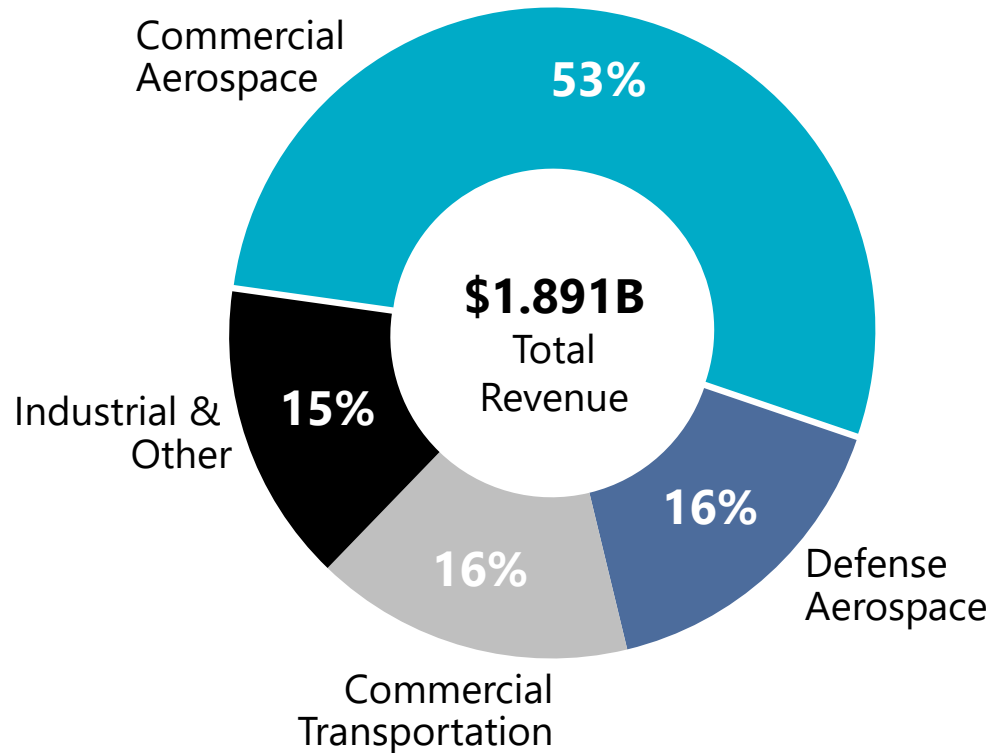
- Record Free Cash Flow³ of \$977M with Free Cash Flow Conversion⁴ 88%; Cumulative Adj FCF Conversion⁵ ~100% since Separation
- Repurchased \$190M of Common Stock at ~\$110 Avg Price per Share in Q4; Repurchased \$500M at ~\$87 Avg Price per Share in FY
- Reduced Debt \$60M in Q4; Reduced Debt \$365M in FY with Annualized Interest Expense Savings ~\$37M
- Paid \$109M in Dividends; Increased Q1 2025 Quarterly Common Stock Dividend by 25% Per Share
- Net Debt-to-LTM EBITDA⁶ Improved to a Record Low 1.4x; All Long-Term Debt Unsecured at Fixed Rates



1) Net Income (GAAP): Q4 2023 = \$236M, FY 2023 = \$765M, Q3 2024 = \$332M, Q4 2024 = \$314M, FY 2024 = \$1,155M; Operating income (GAAP): Q4 2023 = \$326M, FY 2023 = \$1,203M, Q3 2024 = \$421M, Q4 2024 = \$445M, FY 2024 = \$1,633M; Operating income margin (GAAP): Q4 2023 = 18.8%, FY 2023 = 18.1%, Q3 2024 = 22.9%, Q4 2024 = 23.5%, FY 2024 = 22.0% 2) EPS (GAAP): Q4 2023 = \$0.57, FY 2023 = \$1.83, Q3 2024 = \$0.81, Q4 2024 = \$0.77, FY 2024 = \$2.81 3) FY 2024: Cash provided from operations = \$1,298M, Cash used for financing activities = (\$1,026M), Cash used for investing activities = (\$316M); Free Cash Flow = Cash provided from operations less Capital expenditures 4) FCF divided by Net Income: FY 2024 = 85% 5) Adjusted FCF divided by Income from continuing operations / Net income excluding Special items 6) Adjusted for special items; Last twelve months (LTM) Howmet adjusted EBITDA See appendix for reconciliations

Q4 2024 Revenue Up 9% YoY, Commercial Aerospace Up 13% YoY

**Q4 2024 Revenue by Market
(% of total)**



**Revenue by Market
(% change)**

	Q4 YoY	FY YoY
Commercial Aerospace	13%	20%
Defense Aerospace	22%	15%
Commercial Transportation	(12%)	(7%)
Industrial & Other ¹	11%	9%
Total Revenue	9%	12%

FY 2024 YoY: Revenue Up 12%, Adj EBITDA¹ Up 27%, Adj EPS² Up 46%

Enhanced Profitability FY 2024

- Record Revenue, Adj EBITDA¹, Adj EBITDA Margin¹ and Adj Earnings Per Share²
- Revenue Up 12% YoY, driven by Commercial Aerospace Up 20%, Commercial Transportation Down 7%
- Adj EBITDA¹ of \$1.9B, Up 27% YoY. Adj EBITDA Margin¹ of 25.8%, Up ~310 bps YoY
- Adj Earnings Per Share² of \$2.69, Up 46% YoY

Strong Balance Sheet and Cash Flow FY 2024

- Record Free Cash Flow³ of \$977M with Free Cash Flow Conversion⁴ 88%
- Ending Cash Balance of \$565M
- Net Debt-to-LTM EBITDA⁵ Improved to a Record Low 1.4x
- Investment Grade Upgrade by S&P in Q4; Moody's Double Investment Grade Upgrade in Q3

Capital Deployment FY 2024

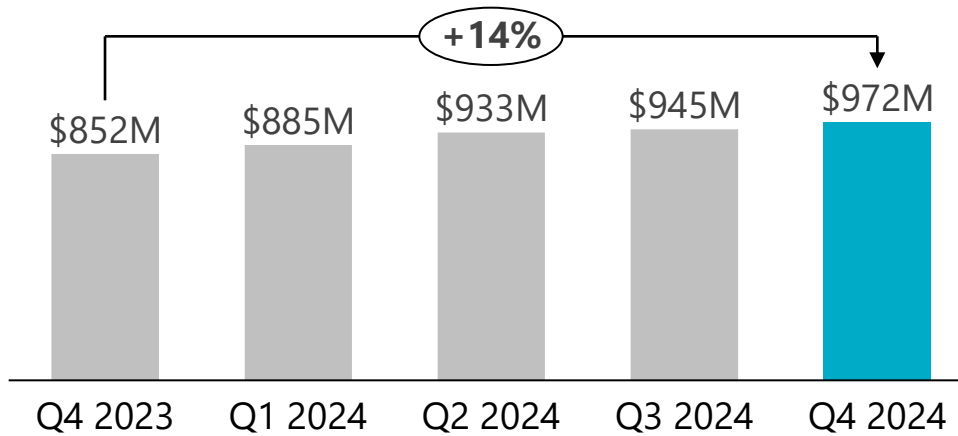
- Capital Deployment: ~\$975M for Common Stock Repurchases, Debt Reduction, and Quarterly Dividends
- Repurchased \$190M of Common Stock at ~\$110 Avg Price per Share in Q4; \$500M at ~\$87 Avg Price per Share in FY
- Reduced Debt \$60M in Q4; Reduced Debt \$365M in FY with Annualized Interest Expense Savings ~\$37M
- Qtrly Dividend per share of Common Stock: Up ~55% FY24 YoY; Increased to \$0.10 in Q1'25, Up 25% QoQ



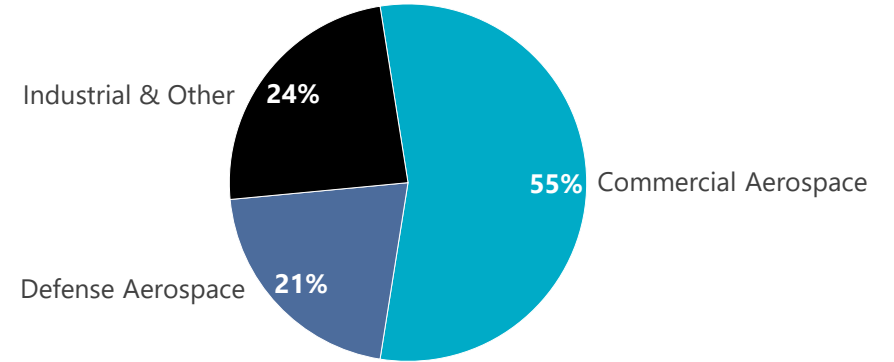
1) Adjusted EBITDA and EBITDA Margin excluding special items: Net Income (GAAP): FY 2023 = \$765M, FY 2024 = \$1,155M; Operating income (GAAP): FY 2023 = \$1,203M, FY 2024 = \$1,633M; Operating income margin (GAAP): FY 2023 = 18.1%, FY 2024 = 22.0% 2) Adjusted EPS excluding special items: EPS (GAAP): FY 2023 = \$1.83, FY 2024 = \$2.81 3) FY 2024: Cash provided from operations = \$1,298M, Cash used for financing activities = (\$1,026M), Cash used for investing activities = (\$316M); Free Cash Flow = Cash provided from operations less Capital expenditures 4) FCF divided by Net Income: FY 2024 = 85% 5) Adjusted for special items; Last twelve months (LTM) Howmet adjusted EBITDA See appendix for reconciliations

Engine Products: Revenue Up 14% Q4 YoY; Adj EBITDA Margin 31.1%

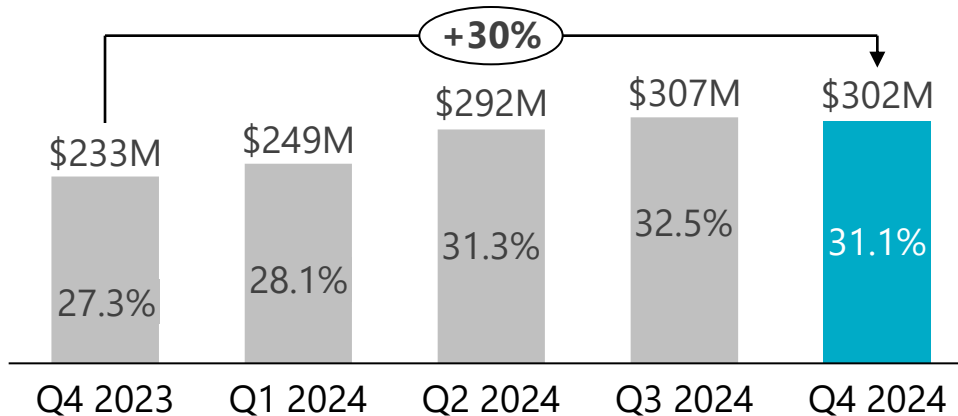
3rd Party Revenue



Q4 Revenue by Market (% of total)



Segment Adjusted EBITDA and Margin

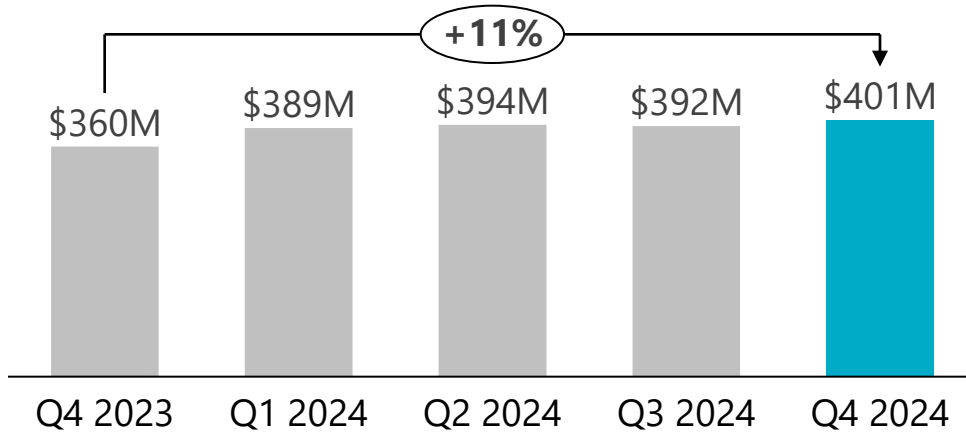


Q4 2024 YoY

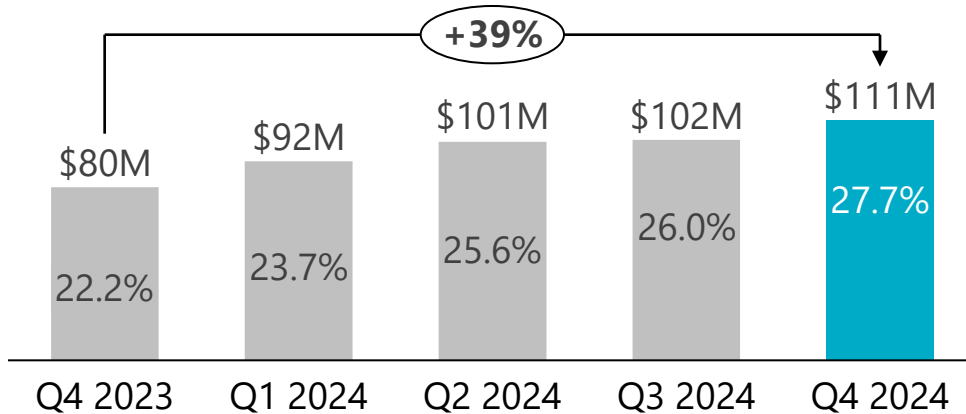
- + Commercial Aerospace Growth
- + Defense Aerospace Growth
- + Oil & Gas / Industrial Gas Turbine Growth
- + Spares Growth in Comm Aero, Defense Aero & IGT
- +/- Net Headcount up ~220 in Q4; up ~1,205 FY24

Fastening Systems: Revenue Up 11% Q4 YoY; Adj EBITDA Margin 27.7%

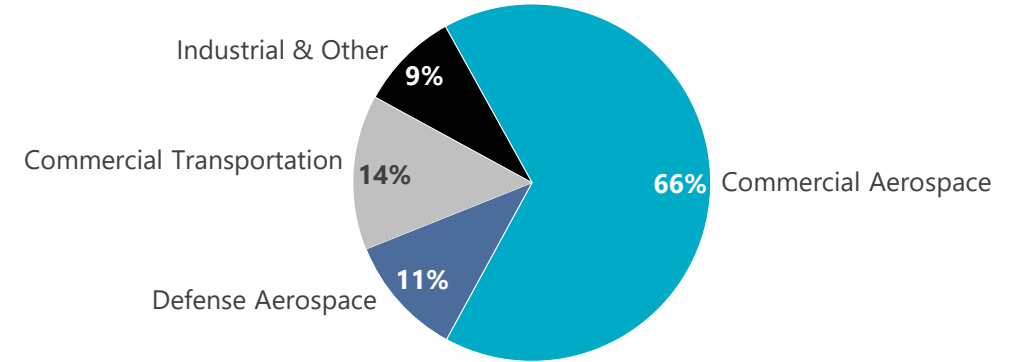
3rd Party Revenue



Segment Adjusted EBITDA and Margin



Q4 Revenue by Market (% of total)

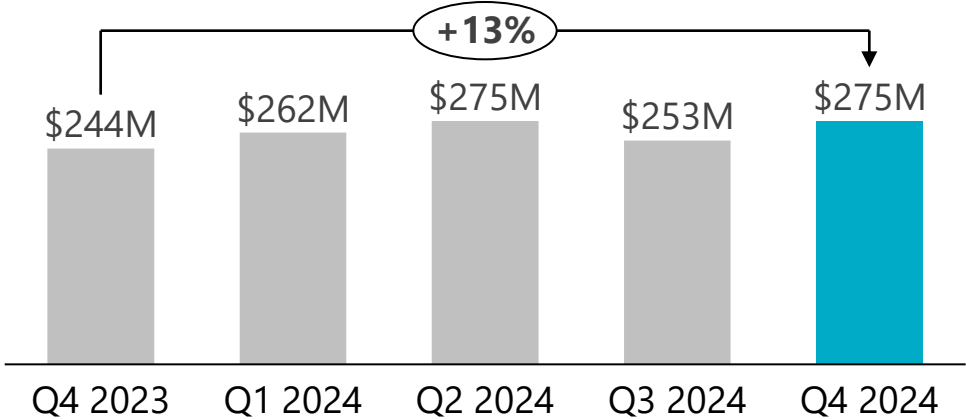


Q4 2024 YoY

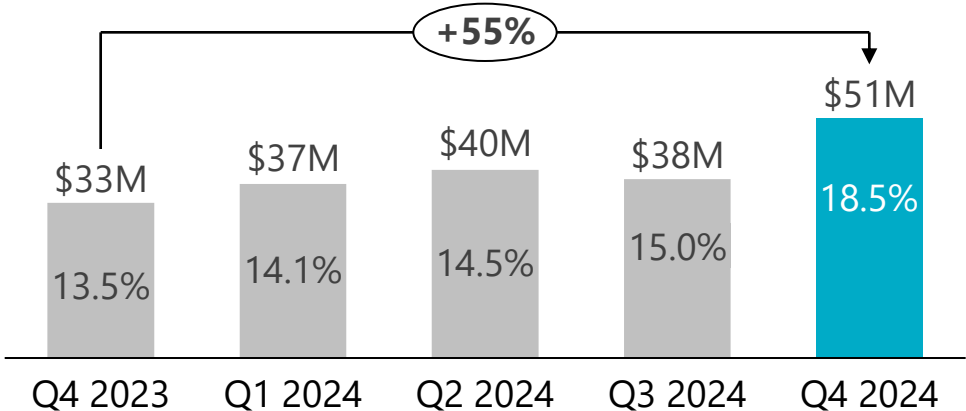
- + Commercial Aerospace Growth
- + Wide Body Recovery
- + Industrial Growth
- + Strong Productivity Gains
- + Net Headcount down ~85 in Q4; down ~135 FY24
- Commercial Transportation Market Down

Engineered Structures: Revenue Up 13% Q4 YoY; Adj EBITDA Margin 18.5%

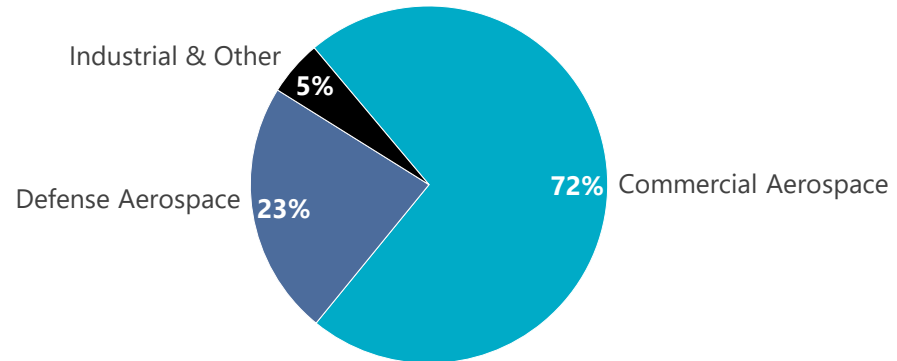
3rd Party Revenue



Segment Adjusted EBITDA and Margin



Q4 Revenue by Market (% of total)

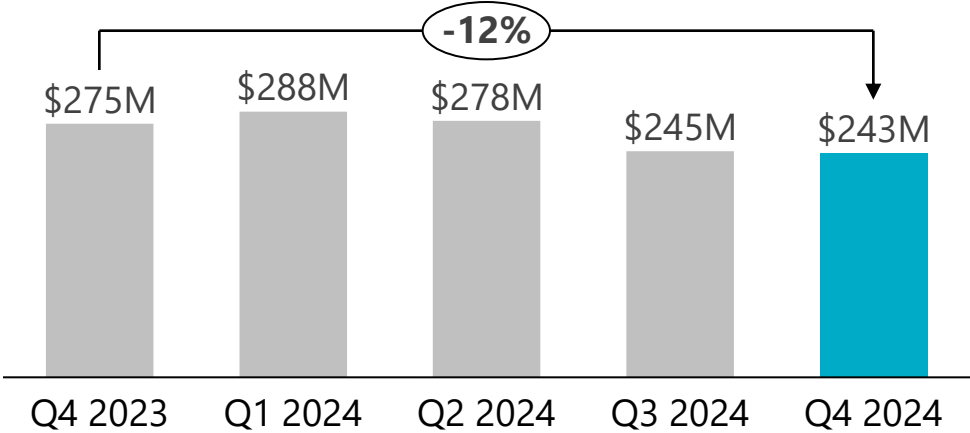


Q4 2024 YoY

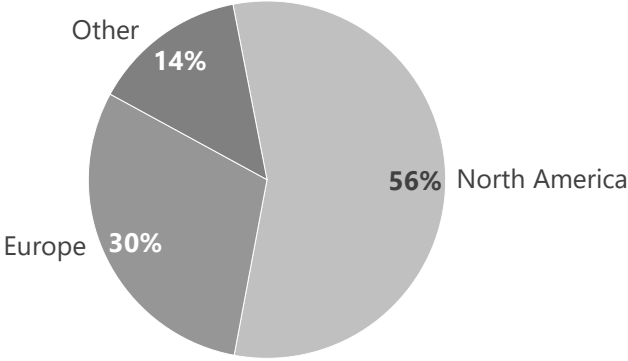
- + Commercial Aerospace Growth
- + Defense Aerospace Growth
- + Net Headcount ~flat in Q4; down ~235 FY24
- +/- Product Rationalization

Forged Wheels: Revenue Down 12% Q4 YoY; Adj EBITDA Margin 27.2%

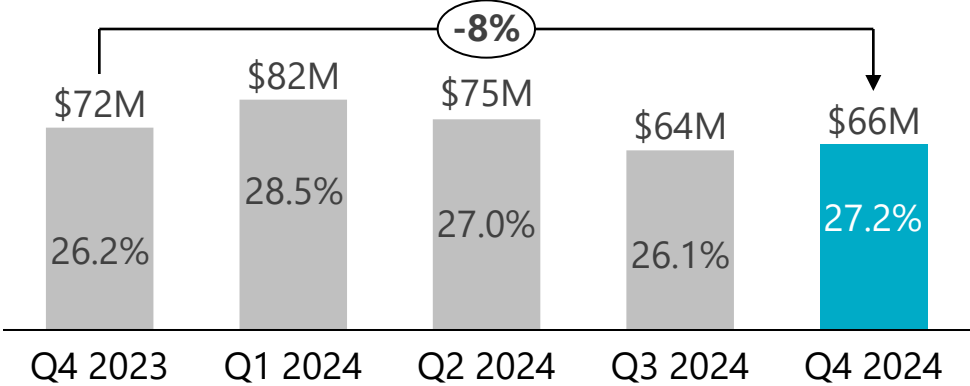
3rd Party Revenue



Q4 Revenue by Region (% of total)



Segment Adjusted EBITDA and Margin



Q4 2024 YoY

- Commercial Transportation Market Down
- + Cost Flexing
- + Productivity Improvements
- + Net Headcount down ~30 in Q4; down ~160 FY24

2025 Guidance

	Q1 2025 Guidance			FY 2025 Guidance			What we expect in 2025
	<u>Low</u>	<u>Baseline</u>	<u>High</u>	<u>Low</u>	<u>Baseline</u>	<u>High</u>	
Revenue	\$1.925B	\$1.935B	\$1.945B	\$7.930B	\$8.030B	\$8.130B	<ul style="list-style-type: none"> FY 2025 Revenue up ~8% vs. FY 2024
Adj EBITDA¹ <i>Adj EBITDA Margin¹</i>	\$515M 26.8%	\$520M 26.9%	\$525M 27.0%	\$2.105B 26.5%	\$2.130B 26.5%	\$2.155B 26.5%	<ul style="list-style-type: none"> FY 2025 Adj EBITDA¹ up ~11% vs. FY 2024 FY 2025 Adj EPS^{1,2} up ~18% vs. FY 2024
Adj Earnings per Share^{1,2}	\$0.75	\$0.76	\$0.77	\$3.13	\$3.17	\$3.21	<ul style="list-style-type: none"> FY 2025 Capex of ~\$335M, ~4% of Revenue
Free Cash Flow				\$1.025B	\$1.075B	\$1.125B	<ul style="list-style-type: none"> FY 2025 Free Cash Flow Conversion ~85%

Summary

Revenue / Profit FY 2024

- Revenue of \$7.43B, Up 12% YoY, driven by Comm Aerospace Up 20%, Comm Transportation Down 7%
- Adj EBITDA¹ of \$1.9B, Up 27% YoY
- Adj EBITDA Margin¹ of 25.8%, Up ~310 bps YoY
- Adj Earnings Per Share² of \$2.69, Up 46% YoY

Cash Generation / Deployment FY 2024

- Record Free Cash Flow³ of \$977M with Free Cash Flow Conversion⁴ 88%
- Repurchased \$190M of Common Stock at ~\$110 Avg Price per Share in Q4; \$500M at ~\$87 Avg Price per Share in FY
- Reduced Debt \$60M in Q4; Reduced Debt \$365M in FY with Annualized Interest Expense Savings ~\$37M
- Net Debt-to-LTM EBITDA⁵ Improved to Record Low 1.4x

Guidance Expectations FY 2025

- Expect FY 2025 Revenue Up ~8% YoY, Adj EBITDA¹ Up ~11% YoY, Adj Earnings Per Share² Up ~18% YoY
- Expect FY 2025 Free Cash Flow³ of ~\$1.075B, Up ~10% YoY, with Free Cash Flow Conversion⁴ of ~85%
- Increased Q1 2025 Quarterly Common Stock Dividend by 25% to \$0.10 Per Share



1) Adjusted EBITDA and EBITDA Margin excluding special items: Net Income (GAAP): FY 2023 = \$765M, FY 2024 = \$1,155M; Operating income (GAAP): FY 2023 = \$1,203M, FY 2024 = \$1,633M; Operating income margin (GAAP): FY 2023 = 18.1%, FY 2024 = 22.0% 2) Adjusted EPS excluding special items: EPS (GAAP): FY 2023 = \$1.83, FY 2024 = \$2.81 3) FY 2024: Cash provided from operations = \$1,298M, Cash used for financing activities = (\$1,026M), Cash used for investing activities = (\$316M); Free Cash Flow = Cash provided from operations less Capital expenditures 4) FCF divided by Net Income: FY 2024 = 85% 5) Adjusted for special items; Last twelve months (LTM) Howmet adjusted EBITDA See appendix for reconciliations



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Appendix

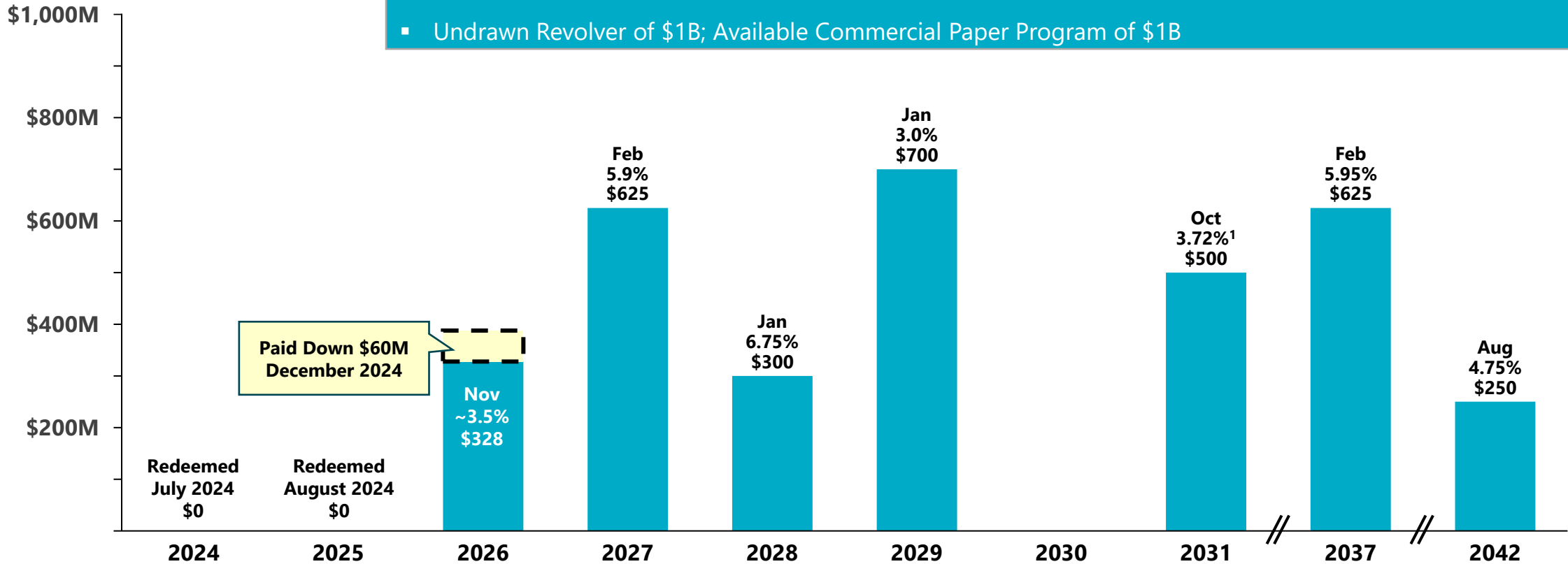


2025 Assumptions

	Full Year 2025	2025 Comments
Corporate Overhead	~\$90M	<ul style="list-style-type: none"> ▪ Included in Adj EBITDA
Depreciation and Amortization	~\$275M	
Interest Expense	~\$160M	
Operational Tax Rate	20.5% - 21.5%	<ul style="list-style-type: none"> ▪ Cash Tax Rate ~19%
Pension / OPEB Expense	~\$35M	<ul style="list-style-type: none"> ▪ ~\$5M Service Costs (included in Adj EBITDA) ▪ ~\$30M Non-Service Costs (excluded from Adj EBITDA) ▪ ~ Flat YoY
Miscellaneous Other Expenses	\$25M – \$30M	<ul style="list-style-type: none"> ▪ Included in Other expense (income), net ▪ Examples are deferred compensation and foreign currency impacts
Pension / OPEB Contributions	~\$65M	
Capex	~\$335M	<ul style="list-style-type: none"> ▪ Increase driven by Engine Products Capacity Expansion
Diluted Share Count Average	~407M	<ul style="list-style-type: none"> ▪ Q4 2024 Diluted shares exit rate of ~408M ▪ Includes common stock repurchases in January 2025 \$50M ▪ Excludes any potential additional common stock repurchases

Robust Liquidity; Each Debt Tower Below Free Cash Flow Expectations

- In December 2024, Paid Down \$60M of 2026 US Term Loan with Cash on Hand
- In August 2024, Redeemed \$577M of 2025 Notes with Cash on Hand, Issued \$500M new notes due 2031
- In July 2024, Redeemed \$205M of 2024 Notes with Cash on Hand
- In May / June 2024, Repurchased \$23M of 2025 Notes with Cash on Hand
- **Combined Actions Drive Annualized Interest Expense savings of ~\$37M**
- All Debt at Fixed Rates and Unsecured
- Undrawn Revolver of \$1B; Available Commercial Paper Program of \$1B



1) After cross-currency swap to synthetically convert notes into Euro liability of ~€458M with a fixed interest rate of 3.72%

Reconciliation of Net Income and Diluted EPS Excluding Special Items

(\$ in millions, except per-share amounts)	Q4 2023	Q3 2024	Q4 2024	FY 2023	FY 2024
Net income	\$236	\$332	\$314	\$765	\$1,155
Diluted Earnings Per Share ("EPS")	\$0.57	\$0.81	\$0.77	\$1.83	\$2.81
Average number of diluted shares	414	410	408	416	410
Special items:					
Restructuring and other charges (credits):					
Pension and other post-retirement benefits, net settlements ⁽¹⁾	\$—	\$—	\$—	\$5	\$—
Asset impairments and accelerated depreciation ⁽¹⁾	13	1	—	13	2
Divestitures and other, net	2	(2)	—	5	19
Restructuring and other charges (credits)	\$15	\$(1)	\$—	\$23	\$21
Loss on debt redemption and related costs	1	6	—	2	6
Plant fire reimbursements, net	(13)	—	(12)	(12)	(18)
Collective bargaining agreement negotiations	—	—	—	8	—
Settlement from legal proceeding ⁽²⁾	—	—	—	(24)	—
Costs (benefits) associated with closures, supply chain disruptions, and other items ⁽³⁾	2	(1)	1	13	1
Subtotal: Pre-tax special items	\$5	\$4	\$(11)	\$10	\$10
Tax impact of Pre-tax special items ⁽⁴⁾	—	(1)	2	—	1
Subtotal	\$5	\$3	\$(9)	\$10	\$11
Discrete and other tax special items ⁽⁵⁾	\$(23)	\$(45)	\$(2)	\$(9)	\$(59)
Total: After-tax special items	\$(18)	\$(42)	\$(11)	\$1	\$(48)
Net income excluding Special items	\$218	\$290	\$303	\$766	\$1,107
Diluted EPS excluding Special items	\$0.53	\$0.71	\$0.74	\$1.84	\$2.69

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 (credits), 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 and Diluted EPS 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⁾ FY 2023 related to the reversal in Q2 2023 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⁾ FY 2023 included costs for site closures 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 2024, FY 2023 and FY 2024 are discussed further in the Reconciliation of the Operational Tax Rate. Discrete tax items for Q4 2023 included 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. state tax losses and tax credits (\$2), and a benefit to revalue deferred taxes for changes to apportioned U.S. state tax rates (\$2). Discrete tax items for Q3 2024 included a net benefit related to additional U.S. federal and state research and development ("R&D") credits claimed for prior years upon completion of the Company's R&D study (\$44), and an excess tax benefit for stock compensation (\$2).

Reconciliation of 2024 and 2023 Operational Tax Rate

(\$ in millions)	Q4 2024			FY 2023			FY 2024		
	Effective tax rate, as reported	Special items ⁽¹⁾⁽³⁾	Operational tax rate, as adjusted	Effective tax rate, as reported	Special items ⁽²⁾⁽³⁾	Operational tax rate, as adjusted	Effective tax rate, as reported	Special items ⁽²⁾⁽³⁾	Operational tax rate, as adjusted
Income before income taxes	\$392	\$(11)	\$381	\$975	\$10	\$985	\$1,383	\$10	\$1,393
Provision for income taxes	\$78	\$—	\$78	\$210	\$9	\$219	\$228	\$58	\$286
Tax rate	19.9%		20.5%	21.5%		22.2%	16.5%		20.5%

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

- (1) Pre-tax special items for Q4 2024 included Plant fire reimbursements, net (\$12), partially offset by Costs associated with closures, supply chain disruptions, and other items \$1.
- (2) Pre-tax special items for FY 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 Plant fire reimbursements, net (\$12). Pre-tax special items for FY 2024 included Restructuring and other charges \$21, Loss on debt redemption \$6, Costs associated with closures, supply chain disruptions, and other items \$1, partially offset by Plant fire reimbursements, net (\$18).
- (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 tax related items. Discrete tax items for each period included the following:
- for Q4 2024, a benefit to release a valuation allowance related to U.S. state tax losses and credits (\$6), an excess tax benefit for stock compensation (\$1), a charge for prior year audit assessments and tax adjustments \$4, and a charge to adjust a valuation allowance related to U.S. foreign tax credits \$2; and
 - for FY 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); and
 - for FY 2024, a net benefit related to additional U.S. federal and state research and development ("R&D") credits claimed for prior years upon completion of the Company's R&D study (\$44), an excess tax benefit for stock compensation (\$10), a benefit to release a valuation allowance related to U.S. state tax losses and credits (\$6), a benefit to release a valuation allowance related to U.S. foreign tax credits (\$4), a net charge for prior year audit assessments and tax adjustments \$4, and a charge for other small items \$1.

Calculation of Segment Markets Revenue

(\$ in millions)	Engine Products	Fastening Systems	Engineered Structures	Forged Wheels	Total Segment
Q4 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
Total end-market revenue	\$852	\$360	\$244	\$275	\$1,731
Q3 2024					
Aerospace - Commercial	\$534	\$245	\$183	\$—	\$962
Aerospace - Defense	\$189	\$43	\$57	\$—	\$289
Commercial Transportation	\$—	\$65	\$—	\$245	\$310
Industrial and Other	\$222	\$39	\$13	\$—	\$274
Total end-market revenue	\$945	\$392	\$253	\$245	\$1,835
Q4 2024					
Aerospace - Commercial	\$537	\$266	\$199	\$—	\$1,002
Aerospace - Defense	\$200	\$43	\$62	\$—	\$305
Commercial Transportation	\$—	\$55	\$—	\$243	\$298
Industrial and Other	\$235	\$37	\$14	\$—	\$286
Total end-market revenue	\$972	\$401	\$275	\$243	\$1,891

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

Calculation of Segment Information

(\$ in millions)	Q1 2023	Q2 2023	Q3 2023	Q4 2023	FY 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	FY 2024
Engine Products										
Third-party sales	\$ 795	\$ 821	\$ 798	\$ 852	\$ 3,266	\$ 885	\$ 933	\$ 945	\$ 972	\$ 3,735
Inter-segment sales	\$ 2	\$ 5	\$ 5	\$ 1	\$ 13	\$ 2	\$ 1	\$ 3	\$ 1	\$ 7
Provision for depreciation and amortization	\$ 32	\$ 32	\$ 33	\$ 33	\$ 130	\$ 33	\$ 33	\$ 34	\$ 39	\$ 139
Segment Adjusted EBITDA	\$ 212	\$ 223	\$ 219	\$ 233	\$ 887	\$ 249	\$ 292	\$ 307	\$ 302	\$ 1,150
Segment Adjusted EBITDA Margin	26.7 %	27.2 %	27.4 %	27.3 %	27.2 %	28.1 %	31.3 %	32.5 %	31.1 %	30.8 %
Depreciation and amortization % of Revenue	4.0 %	3.9 %	4.1 %	3.9 %	4.0 %	3.7 %	3.5 %	3.6 %	4.0 %	3.7 %
Restructuring and other (credits) charges	\$ —	\$ (1)	\$ —	\$ (1)	\$ (2)	\$ —	\$ (1)	\$ 1	\$ 1	\$ 1
Capital expenditures	\$ 33	\$ 21	\$ 30	\$ 28	\$ 112	\$ 55	\$ 33	\$ 55	\$ 76	\$ 219
Fastening Systems										
Third-party sales	\$ 312	\$ 329	\$ 348	\$ 360	\$ 1,349	\$ 389	\$ 394	\$ 392	\$ 401	\$ 1,576
Inter-segment sales	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1	\$ 1
Provision for depreciation and amortization	\$ 11	\$ 12	\$ 12	\$ 11	\$ 46	\$ 11	\$ 13	\$ 12	\$ 11	\$ 47
Segment Adjusted EBITDA	\$ 58	\$ 64	\$ 76	\$ 80	\$ 278	\$ 92	\$ 101	\$ 102	\$ 111	\$ 406
Segment Adjusted EBITDA Margin	18.6 %	19.5 %	21.8 %	22.2 %	20.6 %	23.7 %	25.6 %	26.0 %	27.7 %	25.8 %
Depreciation and amortization % of Revenue	3.5 %	3.6 %	3.4 %	3.1 %	3.4 %	2.8 %	3.3 %	3.1 %	2.7 %	3.0 %
Restructuring and other charges	\$ —	\$ —	\$ 1	\$ —	\$ 1	\$ —	\$ 2	\$ 1	\$ 2	\$ 5
Capital expenditures	\$ 9	\$ 5	\$ 9	\$ 8	\$ 31	\$ 7	\$ 5	\$ 5	\$ 9	\$ 26

Calculation of Segment Information (continued)

(\$ in millions)	Q1 2023	Q2 2023	Q3 2023	Q4 2023	FY 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	FY 2024
Engineered Structures										
Third-party sales	\$ 207	\$ 200	\$ 227	\$ 244	\$ 878	\$ 262	\$ 275	\$ 253	\$ 275	\$ 1,065
Inter-segment sales	\$ —	\$ 1	\$ —	\$ 2	\$ 3	\$ 1	\$ 3	\$ 3	\$ 3	\$ 10
Provision for depreciation and amortization	\$ 12	\$ 12	\$ 12	\$ 11	\$ 47	\$ 11	\$ 11	\$ 10	\$ 10	\$ 42
Segment Adjusted EBITDA	\$ 30	\$ 20	\$ 30	\$ 33	\$ 113	\$ 37	\$ 40	\$ 38	\$ 51	\$ 166
Segment Adjusted EBITDA Margin	14.5 %	10.0 %	13.2 %	13.5 %	12.9 %	14.1 %	14.5 %	15.0 %	18.5 %	15.6 %
Depreciation and amortization % of Revenue	5.8 %	6.0 %	5.3 %	4.5 %	5.4 %	4.2 %	4.0 %	4.0 %	3.6 %	3.9 %
Restructuring and other charges (credits)	\$ 1	\$ 5	\$ 1	\$ 14	\$ 21	\$ —	\$ 14	\$ 1	\$ (3)	\$ 12
Capital expenditures	\$ 10	\$ 5	\$ 6	\$ 5	\$ 26	\$ 6	\$ 5	\$ 5	\$ 4	\$ 20
Forged Wheels										
Third-party sales	\$ 289	\$ 298	\$ 285	\$ 275	\$ 1,147	\$ 288	\$ 278	\$ 245	\$ 243	\$ 1,054
Provision for depreciation and amortization	\$ 9	\$ 10	\$ 10	\$ 10	\$ 39	\$ 10	\$ 10	\$ 10	\$ 12	\$ 42
Segment Adjusted EBITDA	\$ 79	\$ 81	\$ 77	\$ 72	\$ 309	\$ 82	\$ 75	\$ 64	\$ 66	\$ 287
Segment Adjusted EBITDA Margin	27.3 %	27.2 %	27.0 %	26.2 %	26.9 %	28.5 %	27.0 %	26.1 %	27.2 %	27.2 %
Depreciation and amortization % of Revenue	3.1 %	3.4 %	3.5 %	3.6 %	3.4 %	3.5 %	3.6 %	4.1 %	4.9 %	4.0 %
Restructuring and other charges	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1	\$ —	\$ 1
Capital expenditures	\$ 9	\$ 7	\$ 9	\$ 11	\$ 36	\$ 12	\$ 9	\$ 14	\$ 10	\$ 45

Calculation of Total Segment Adj. EBITDA and Adj. EBITDA Margin

(\$ in millions)	Q1 2023	Q2 2023	Q3 2023	Q4 2023	FY 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	FY 2024
Third-party sales – Engine Products	\$795	\$821	\$798	\$852	\$3,266	\$885	\$933	\$945	\$972	\$3,735
Third-party sales – Fastening Systems	\$312	\$329	\$348	\$360	\$1,349	\$389	\$394	\$392	\$401	\$1,576
Third-party sales – Engineered Structures	\$207	\$200	\$227	\$244	\$878	\$262	\$275	\$253	\$275	\$1,065
Third-party sales – Forged Wheels	\$289	\$298	\$285	\$275	\$1,147	\$288	\$278	\$245	\$243	\$1,054
Total Segment third-party sales	\$1,603	\$1,648	\$1,658	\$1,731	\$6,640	\$1,824	\$1,880	\$1,835	\$1,891	\$7,430
Total Segment Adjusted EBITDA⁽¹⁾	\$379	\$388	\$402	\$418	\$1,587	\$460	\$508	\$511	\$530	\$2,009
Total Segment Adjusted EBITDA margin	23.6%	23.5%	24.2%	24.1%	23.9%	25.2%	27.0%	27.8%	28.0%	27.0%

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 (credits), 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 Adj. EBITDA to Income Before Income Taxes

(\$ in millions)	Q1 2023	Q2 2023	Q3 2023	Q4 2023	FY 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	FY 2024
Income before income taxes	\$220	\$243	\$242	\$270	\$975	\$303	\$334	\$354	\$392	\$1,383
Loss on debt redemption	1	—	—	1	2	—	—	6	—	6
Interest expense	57	55	54	52	218	49	49	44	40	182
Other expense (income), net	7	(13)	11	3	8	17	15	17	13	62
Operating income	\$285	\$285	\$307	\$326	\$1,203	\$369	\$398	\$421	\$445	\$1,633
Segment provision for depreciation and amortization	64	66	67	65	262	65	67	66	72	270
Unallocated amounts:										
Restructuring and other charges (credits)	1	3	4	15	23	—	22	(1)	—	21
Corporate expense ⁽¹⁾	29	34	24	12	99	26	21	25	13	85
Total Segment Adjusted EBITDA	\$379	\$388	\$402	\$418	\$1,587	\$460	\$508	\$511	\$530	\$2,009

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 (credits), are excluded from net margin and Segment Adjusted EBITDA. Differences between the total segment and consolidated totals are in Corporate.

⁽¹⁾ Pre-tax special items included in Corporate expense	Q1 2023	Q2 2023	Q3 2023	Q4 2023	FY 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	FY 2024
Plant fire costs (reimbursements), net	\$4	\$(4)	\$1	\$(13)	\$(12)	\$—	\$(6)	\$—	\$(12)	(18)
Collective bargaining agreement negotiation	—	7	1	—	8	—	—	—	—	—
Costs (benefits) associated with closures, supply chain disruptions, and other items	1	9	1	2	13	1	—	(1)	1	1
Total Pre-tax special items included in Corporate expense	\$5	\$12	\$3	\$(11)	\$9	\$1	\$(6)	\$(1)	\$(11)	\$17

Reconciliation of Adj. Corporate Exp. Excluding Depreciation and Special Items

(\$ in millions)	Q1 2023	Q2 2023	Q3 2023	Q4 2023	FY 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	FY 2024
Corporate expense	\$29	\$34	\$24	\$12	\$99	\$26	\$21	\$25	\$13	\$85
Provision for depreciation and amortization	5	1	1	3	10	2	2	2	1	7
Adjusted Corporate expense excluding depreciation	\$24	\$33	\$23	\$9	\$89	\$24	\$19	\$23	\$12	\$78
Special items:										
Plant fire costs (reimbursements), net	\$4	\$(4)	\$1	\$(13)	\$(12)	\$—	\$(6)	\$—	\$(12)	\$(18)
Collective bargaining agreement negotiations	—	7	1	—	8	—	—	—	—	—
Costs (benefits) associated with closures, supply chain disruptions, and other items	1	10	1	2	14	1	—	(1)	1	1
Adjusted Corporate expense excluding depreciation and Special items	\$19	\$20	\$20	\$20	\$79	\$23	\$25	\$24	\$23	\$95

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 Adj. EBITDA and Adj. EBITDA Margin Excluding Special Items and Incremental Margin

(\$ in millions)	Q1 2023	Q2 2023	Q3 2023	Q4 2023	FY 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	FY 2024
Third-party sales	\$1,603	\$1,648	\$1,658	\$1,731	\$6,640	\$1,824	\$1,880	\$1,835	\$1,891	\$7,430
Operating income	\$285	\$285	\$307	\$326	\$1,203	\$369	\$398	\$421	\$445	\$1,633
Operating income margin	17.8%	17.3%	18.5%	18.8%	18.1%	20.2%	21.2%	22.9%	23.5%	22.0%
Net income	\$148	\$193	\$188	\$236	\$765	\$243	\$266	\$332	\$314	\$1,155
Add:										
Provision for income taxes	\$72	\$50	\$54	\$34	\$210	\$60	\$68	\$22	\$78	\$228
Other expense (income), net	7	(13)	11	3	8	17	15	17	13	62
Loss on debt redemption	1	—	—	1	2	—	—	6	—	6
Interest expense, net	57	55	54	52	218	49	49	44	40	182
Restructuring and other charges (credits)	1	3	4	15	23	—	22	(1)	—	21
Provision for depreciation and amortization	69	67	68	68	272	67	69	68	73	277
Adjusted EBITDA	\$355	\$355	\$379	\$409	\$1,498	\$436	\$489	\$488	\$518	\$1,931
Add:										
Plant fire costs (reimbursements), net	\$4	\$(4)	\$1	\$(13)	\$(12)	\$—	\$(6)	\$—	\$(12)	\$(18)
Collective bargaining agreement negotiations	—	7	1	—	8	—	—	—	—	—
Costs (benefits) associated with closures, supply chain disruptions, and other items	1	10	1	2	14	1	—	(1)	1	1
Adjusted EBITDA excluding Special items	\$360	\$368	\$382	\$398	\$1,508	\$437	\$483	\$487	\$507	\$1,914
Adjusted EBITDA margin excluding Special items	22.5%	22.3%	23.0%	23.0%	22.7%	24.0%	25.7%	26.5%	26.8%	25.8%

	Q4 2023	Q4 2024	Q4 2024 YoY	FY 2023	FY 2024	FY 2024 YoY
Third-party sales (a)	\$1,731	\$1,891	\$160	\$6,640	\$7,430	\$790
Operating income (b)	\$326	\$445	\$119	\$1,203	\$1,633	\$430
Adjusted EBITDA excluding Special items (c)	\$398	\$507	\$109	\$1,508	\$1,914	\$406
Incremental operating income margin (b)/(a)			74%			54%
Incremental margin (c)/(a)			68%			51%

Adjusted EBITDA, Adjusted EBITDA excluding Special items, Adjusted EBITDA margin excluding Special items, Third-party 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. Special items, including Restructuring and other charges (credits), are excluded from Adjusted EBITDA.

Reconciliation of Free Cash Flow

(\$ in millions)	Q1 2024	Q2 2024	Q3 2024	Q4 2024	FY 2024
Cash provided from operations	\$177	\$397	\$244	\$480	\$1,298
Capital expenditures	(82)	(55)	(82)	(102)	(321)
Free cash flow (a)	\$95	\$342	\$162	\$378	\$977
Net income (b)	\$243	\$266	\$332	\$314	\$1,155
Free cash flow conversion as a percentage of Net income ⁽¹⁾ (a)/(b)					85%
Net income excluding Special items ⁽²⁾ (c)	\$238	\$276	\$290	\$303	\$1,107
Free cash flow conversion as a percentage of Net income excluding Special items ⁽¹⁾ (a)/(c)					88%

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

Free cash flow and Free cash flow conversion as a percentage of Net income excluding Special items 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). 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.

- (1) We compute free cash flow conversion on an annual basis only due to the cycle of our businesses.
- (2) Please refer to the Reconciliation of Net income excluding Special items for the reconciliation from Net income to Net income excluding Special items.

Reconciliation of Net Debt to Adjusted EBITDA Excluding Special Items

(\$ in millions)	Trailing-12 months ended December 31, 2024
Net income	\$1,155
Add:	
Provision for income taxes	228
Other expense, net	62
Loss on debt redemption	6
Interest expense, net	182
Restructuring and other charges	21
Provision for depreciation and amortization	277
Adjusted EBITDA	\$1,931
Add:	
Plant fire reimbursements, net	(18)
Costs associated with closures, supply chain disruptions, and other items	1
Adjusted EBITDA excluding Special items	\$1,914
Long-term debt due within one year	\$6
Long-term debt, less amount due within one year	\$3,309
Total Debt, at period end	\$3,315
Less: Cash, cash equivalents, and restricted cash, at period end	\$565
Net Debt, at period end	\$2,750
Total Debt to Net Income	2.9
Net Debt to Adjusted EBITDA excluding Special items	1.4

Net debt, Net debt to Adjusted EBITDA, Adjusted EBITDA, and Adjusted EBITDA excluding Special items are non-GAAP financial measures. 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. The Adjusted EBITDA presented may not be comparable to similarly titled measures of other companies.

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, and also because they provide additional information with respect to the Company's operating performance and the Company's ability to meet its financial obligations.

Reconciliation of Adj. Operating Income and Margin Both Excluding Special Items

(\$ in millions)	Q1 2023	Q2 2023	Q3 2023	Q4 2023	FY 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	FY 2024
Third-party sales	\$1,603	\$1,648	\$1,658	\$1,731	\$6,640	\$1,824	\$1,880	\$1,835	\$1,891	\$7,430
Operating income	\$285	\$285	\$307	\$326	\$1,203	\$369	\$398	\$421	\$445	\$1,633
Operating income margin	17.8%	17.3%	18.5%	18.8%	18.1%	20.2%	21.2%	22.9%	23.5%	22.0%
Add:										
Restructuring and other charges (credits)	\$1	\$3	\$4	\$15	\$23	\$—	\$22	\$(1)	\$—	\$21
Plant fire costs (reimbursements), net	4	(4)	1	(13)	(12)	—	(6)	—	(12)	(18)
Collective bargaining agreement negotiations	—	7	1	—	8	—	—	—	—	—
Costs (benefits) associated with closures, supply chain disruptions, and other items	1	10	1	2	14	1	—	(1)	1	1
Adjusted operating income excluding Special items	\$291	\$301	\$314	\$330	\$1,236	\$370	\$414	\$419	\$434	\$1,637
Adjusted operating income margin excluding Special items	18.2%	18.3%	18.9%	19.1%	18.6%	20.3%	22.0%	22.8%	23.0%	22.0%

Adjusted operating income excluding Special items and Adjusted 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 and Operating Income margin determined under GAAP as well as Adjusted operating income excluding Special items and Adjusted operating income margin excluding Special items.

Reconciliation of Adjusted Free Cash Flow Conversion

(\$ in millions)	Q2-Q4 2020	FY 2021	FY 2022	FY 2023	FY 2024
Cash provided from operations	\$217	\$449	\$733	\$901	\$1,298
Capital expenditures	(115)	(199)	(193)	(219)	(321)
Free cash flow ("FCF") (a)	\$102	\$250	\$540	\$682	\$977
Cash receipts from sold receivables	374	267	—	—	—
Adjusted free cash flow (b)	\$476	\$517	\$540	\$682	\$977
Income from continuing operations⁽¹⁾ / Net Income (c)	\$58	\$258	\$469	\$765	\$1,155
Special items:					
Restructuring and other charges	\$143	\$90	\$56	\$23	\$21
Discrete tax items	\$(107)	\$9	\$(8)	\$(9)	\$(59)
Other special items⁽²⁾	\$115	\$175	\$103	\$(13)	\$(11)
Tax impact⁽³⁾	\$(49)	\$(90)	\$(27)	\$—	\$1
Income from continuing operations⁽³⁾ / Net income excluding Special items (d)	\$160	\$442	\$593	\$766	\$1,107
FCF as a percentage of Income from continuing operations⁽³⁾ / Net income (a)/(c)	176%	97%	115%	89%	85%
Adjusted FCF as a percentage of Income from continuing operations⁽³⁾ / Net income excluding Special items (b)/(d)	298%	117%	91%	89%	88%

FCF, FCF conversion, Adjusted FCF and Adjusted FCF conversion 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) and cash receipts from net sales of beneficial interest in sold receivables. It is important to note that FCF, FCF conversion, Adjusted FCF, and Adjusted FCF conversion do not represent the residual cash flow available for discretionary expenditures since other non-discretionary expenditures, such as mandatory debt service requirements, are not deducted from the measure.

Income from continuing operations / Net income excluding Special items and Income from continuing operations / Net income 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 and other 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 continuing from operations / Net income determined under GAAP as well as Income continuing from operations / Net income excluding Special items.

(1) Income from continuing operations was used in the calculations of Adjusted free cash flow for Q2-Q4 2020 as a result of the Arconic Inc. Separation Transaction.

(2) Other special items for Q2-Q4 2020 included a loss on debt redemption and related costs \$65, release of a tax indemnification receivable \$53, a reversal of state investment tax credits \$9, other tax items \$4, costs associated with the Arconic Inc. Separation Transaction \$3, and costs related to collective bargaining agreement negotiations \$2, partially offset by legal and other advisory reimbursements (\$11), plant fire reimbursements, net (\$8), and benefits associated with closures, supply chain disruptions, and other items (\$2). Other special items for FY 2021 include debt tender fees and related costs \$147, and costs associated with closures, shutdowns, and other items \$35, partially offset by reimbursement related to legal and advisory charges (\$4) and net reimbursement related to fires at two plants (\$3). Other special items FY 2022 include judgment from legal proceeding \$65, costs related to fires at three plants, net of reimbursement \$36, costs associated with closures, shutdowns, and other items \$3, and debt tender fees and related costs \$2, partially offset by reimbursement related to legal and advisory charges (\$3). Special items for FY 2023 and FY 2024 are included on the Reconciliation of 2024 and 2023 Operational Tax Rate slide.

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

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

(\$ in millions)	FY 2023	FY 2024
Operating income	\$1,203	\$1,633
Add:		
Restructuring and other charges	\$23	\$21
Plant fire reimbursements, net	(12)	(18)
Collective bargaining agreement negotiations	8	—
Costs associated with closures, supply chain disruptions, and other items	14	1
Adjusted operating income excluding Special items (a)	\$1,236	\$1,637
Net Assets:		
Add: Receivables from customers, less allowances	\$675	\$689
Add: Inventories	1,765	1,840
Less: Accounts payable, trade	982	948
Adjusted working capital	\$1,458	\$1,581
Properties, plants, and equipment, net (PP&E)	2,328	2,386
Adjusted net assets - total (b)	\$3,786	\$3,967
Adjusted Pre-Tax RONA (a)/(b)	33%	41%

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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