

Engineered Structures

Engineered Structures produces titanium ingots and mill products for aerospace and defense applications and is vertically integrated to produce titanium forgings, extrusions forming and machining services for airframe, wing, aero-engine, and landing gear components. Engineered Structures also produces aluminum forgings, nickel forgings, and aluminum machined components and assemblies for aerospace and defense applications.

Forged Wheels

Forged Wheels provides forged aluminum wheels and related products for heavy-duty trucks and the commercial transportation markets.

Goodwill

The Company had \$4,102 of Goodwill at December 31, 2020, and the Company reviews it for impairment annually in the fourth quarter, or more frequently, if indicators exist or if a decision is made to sell or realign a business.

On January 1, 2020, management transferred the Savannah business from the Engine Products segment to the Engineered Structures segment, based on synergies with forgings technologies and manufacturing capabilities. As a result of the reorganization, goodwill of \$17 was reallocated from Engine Products to Engineered Structures, and these reporting units were evaluated for impairment during the first quarter of 2020. The estimated fair value of each of these reporting units substantially exceeded their carrying value; thus, there was no goodwill impairment at the date the business was transferred.

During the first quarter of 2020, Howmet's market capitalization declined significantly compared to the fourth quarter of 2019. Over the same period, the equity value of our peer group companies, and the overall U.S. stock market also declined significantly amid market volatility. In addition, as a result of the COVID-19 pandemic and measures designed to contain the spread, global sales to customers in the aerospace and commercial transportation industries impacted by COVID-19 have been and are expected to be negatively impacted as a result of disruption in demand. As a result of these macroeconomic factors, we performed a qualitative impairment test to evaluate whether it is more likely than not that the fair value of any of our reporting units is less than its carrying value. As a result of this assessment, the Company performed a quantitative impairment test in the first quarter for the Engineered Structures reporting unit and concluded that though the margin between the fair value of the reporting unit and carrying value had declined from approximately 60% to approximately 15%, it was not impaired. Consistent with prior practice, a discounted cash flow model was used to estimate the current fair value of the reporting unit. The significant assumptions and estimates utilized to determine fair value were developed utilizing current market and forecast information reflecting the disruption in demand that has and is expected to negatively impact the Company's sales globally in the aerospace industry. If our actual results or external market factors decline significantly from management's estimates, future goodwill impairment charges may be necessary and could be material. During the second and third quarters of 2020, there were no indicators of impairment identified for the Engineered Structures reporting unit.

The accounting policies of the segments are the same as those described in the Summary of Significant Accounting Policies (see Note [A](#)). Transactions among segments are established based on negotiation among the parties. Differences between segment totals and Howmet's consolidated totals for line items not reconciled are in Corporate.