

Howmet is subject to cyclical fluctuations in global economic conditions and lightweight metals end-use markets. Howmet sells many products to industries that are cyclical, such as the aerospace and commercial transportation industries, and the demand for its products is sensitive to, and quickly impacted by, demand for the finished goods manufactured by its customers in these industries, which may change as a result of changes in regional or worldwide economies, currency exchange rates, energy prices or other factors beyond its control.

In particular, Howmet derives a significant portion of its revenue from products sold to the aerospace industry, which can be highly cyclical and reflective of changes in the general economy. The commercial aerospace industry is historically driven by the demand from commercial airlines for new aircraft and spare parts. The U.S. and international commercial aviation industries may face challenges arising from competitive pressures and fuel costs. Demand for commercial aircraft and spare parts is influenced by airline industry profitability, trends in airline passenger traffic, the state of U.S., regional and world economies, the ability of aircraft purchasers to obtain required financing and numerous other factors including the effects of terrorism, health and safety concerns (including as a result of the COVID-19 pandemic), environmental constraints imposed upon aircraft operators, the retirement of older aircraft, the performance and cost of alternative materials, and technological improvements to aircraft. The military aerospace cycle is highly dependent on U.S. and foreign government funding; however, it is also driven by the effects of terrorism, a changing global geopolitical environment, U.S. foreign policy, the retirement of older military aircraft, and technological improvements to new engines.

Further, the demand for Howmet's commercial transportation products is driven by the number of vehicles produced by commercial transportation and automotive manufacturers. Commercial transportation and automotive sales and production are affected by many factors, including the age of the vehicle fleet and related scrappage rates, labor relations issues, fuel prices, regulatory requirements, government initiatives, trade agreements and levels of competition. The automotive industry is also sensitive to general economic conditions, including credit markets and interest rates, and consumer spending and preferences regarding vehicle ownership and usage, vehicle size, configuration and features.

Howmet is unable to predict the future course of industry variables, the strength of the U.S., regional or global economies, or the effects of government actions. Negative economic conditions, such as a major economic downturn, a prolonged recovery period, or disruptions in the financial markets, could have a material adverse effect on Howmet's business, financial condition or results of operations.

**Howmet could encounter manufacturing difficulties or other issues that impact product performance, quality or safety, which could adversely affect Howmet's reputation, business and financial statements.**

The manufacture of many of Howmet's products is a highly exacting and complex process. Problems may arise during manufacturing for a variety of reasons, including equipment malfunction, failure to follow specific protocols, specifications and procedures, including those related to quality or safety, problems with raw materials, supply chain interruptions, natural disasters, labor unrest and environmental factors. Such problems could have an adverse impact on the Company's ability to fulfill orders or meet product quality or performance. Product manufacturing or performance issues could result in recalls, customer penalties, contract cancellation and product liability exposure. Because of approval, license and qualification requirements applicable to manufacturers and/or their suppliers, alternatives to mitigate manufacturing disruptions may not be readily available to Howmet or its customers. Accordingly, manufacturing problems, product defects or other risks associated with our products, could result in significant costs to and liability for us that could have a material adverse effect on our business, financial condition or results of operations, including the payment of potentially substantial monetary damages, fines or penalties, as well as negative publicity and damage to our reputation, which could adversely impact product demand and customer relationships.

**A material disruption of Howmet's operations, particularly at one or more of its manufacturing facilities, could adversely affect Howmet's business.**

If Howmet's operations, particularly one of its key manufacturing facilities, were to be disrupted as a result of significant equipment failures, natural disasters, power outages, fires, explosions, terrorism, theft, sabotage, adverse weather conditions, public health crises, labor disputes or other reasons, Howmet may be unable to effectively meet its obligations to or demand from its customers, which could adversely affect Howmet's financial performance.

Interruptions in production could increase Howmet's costs and reduce its sales. Any interruption in production capability could require the Company to incur costs for premium freight, make substantial capital expenditures, or purchase alternative material at higher costs to fill customer orders, which could negatively affect Howmet's profitability and financial condition. Furthermore, a delivery delay by us due to production interruptions could subject us to liability from customer claims that such delay resulted in losses to the customer. Howmet maintains property damage insurance that the Company believes to be adequate to provide for reconstruction of facilities and equipment, as well as business interruption insurance to mitigate losses resulting from significant production interruption or shutdown caused by an insured loss. However, any recovery under Howmet's insurance policies may not offset the lost profits or increased costs that may be experienced during the disruption of operations, which could adversely affect Howmet's business, results of operations, financial condition and cash flow.