First Quarter 2019 Earnings Call

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April 30, 2019

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Important Information

Forward–Looking Statements

This presentation contains statements that relate to future events and expectations and as such constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include those containing such words as "anticipates," "believes," "could," "estimates," "expects," "forecasts," "goal," "guidance," "intends," "may," "outlook," "plans," "projects," "seeks," "sees," "should," "targets," "will," "would," or other words of similar meaning. All statements that reflect Arconic's expectations, assumptions or projections about the future, other than statements of historical fact, are forward-looking statements, including, without limitation, forecasts and expectations relating to the growth of the aerospace, defense, automotive, industrials, commercial transportation and other end markets; statements and guidance regarding future financial results or operating performance; statements regarding future strategic actions, including share repurchases, which may be subject to market conditions, legal requirements and other considerations; and statements about Arconic's strategies, outlook, business and financial prospects. These statements reflect beliefs and assumptions that are based on Arconic's perception of historical trends, current conditions and expected future developments, as well as other factors Arconic 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) uncertainties regarding the planned separation, including whether it will be completed pursuant to the targeted timing, asset perimeters, and other anticipated terms, if at all; (b) the impact of the separation on the businesses of Arconic; (c) the risk that the businesses will not be separated successfully or such separation may be more difficult, time-consuming or costly than expected, which could result in additional demands on Arconic's resources, systems, procedures and controls, disruption of its ongoing business, and diversion of management's attention from other business concerns; (d) deterioration in global economic and financial market conditions generally; (e) unfavorable changes in the markets served by Arconic; (f) the inability to achieve the level of revenue growth, cash generation, cost savings, improvement in profitability and margins, fiscal discipline, or strengthening of competitiveness and operations anticipated or targeted; (g) competition from new product offerings, disruptive technologies or other developments; (h) political, economic, and regulatory risks relating to Arconic's global operations, including compliance with U.S. and foreign trade and tax laws, sanctions, embargoes and other regulations; (i) manufacturing difficulties or other issues that impact product performance, quality or safety; (j) Arconic's inability to realize expected benefits, in each case as planned and by targeted completion dates, from acquisitions, divestitures, facility closures, curtailments, expansions, or joint ventures; (k) the impact of potential cyber attacks and information technology or data security breaches; (l) the loss of significant customers or adverse changes in customers' business or financial conditions; (m) adverse changes in discount rates or investment returns on pension assets; (n) the impact of changes in aluminum prices and foreign currency exchange rates on costs and results; (o) the outcome of contingencies, including legal proceedings, government or regulatory investigations, and environmental remediation, which can expose Arconic to substantial costs and liabilities; and (p) the other risk factors summarized in Arconic's Form 10-K for the year ended December 31, 2018 and other reports filed with the U.S. Securities and Exchange Commission (SEC). Market projections are subject to the risks discussed above and other risks in the market. The statements in this presentation are made as of the date of this presentation, even if subsequently made available by Arconic on its website or otherwise. Arconic 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 Arconic's consolidated financial information but is not presented in Arconic'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. Arconic has not provided reconciliations of any forward-looking non-GAAP financial measures, such as earnings per share excluding special items, adjusted free cash flow and adjusted interest expense, to the most directly comparable GAAP financial measures because such reconciliations are not available without unreasonable efforts due to the variability and complexity with respect to the charges and other components excluded from the non-GAAP measures, such as the effects of foreign currency movements, equity income, gains or losses on sales of assets, taxes, and any future restructuring or impairment charges. These reconciling items are in addition to the inherent variability already included in the GAAP measures, which includes, but is not limited to, price/mix and volume. Arconic believes such reconciliations would imply a degree of precision that would be confusing or misleading to investors.

"Organic revenue" is GAAP revenue adjusted for Tennessee Packaging (which completed its phase-down as of year-end 2018), divestitures, and changes in aluminum prices and foreign currency exchange rates relative to prior year period. "Adjusted free cash flow" is cash provided from (used for) operations, less capital expenditures, plus cash receipts from sold receivables. Any reference to historical EBITDA means adjusted EBITDA for which we have provided calculations and reconciliations in the Appendix.

Other Information

In the first quarter of 2019, Arconic transferred its aluminum extrusions operations from the Engineered Products and Solutions segment to the Global Rolled Products segment. Prior period financial information has been recast to conform to current year presentation.

1Q 2019 Highlights

Revenue (YoY)

- Revenue up 3%
  - Organic Revenue up 9%
  - All key markets remain healthy

Profitability (YoY)

- Operating Income excluding Special Items up 15%[1], margin up 120 bps
  - Highest quarterly Adjusted Operating Income and Adjusted Earnings Per Share since separation
  - Engineered Products & Solutions (EP&S) Segment Operating Profit margin improved by 210 bps
- Actions underway to reduce operating costs by ~$230M on a run-rate basis. ~$120M expected to be realized in 2019.

Balance Sheet and Cash Flow

- Adjusted Free Cash Flow improved $151M YoY in 1Q 2019[2]
- Working capital improvement of 8 days YoY to 51 days
- Pension/OPEB cash contributions of $76M, down $118M YoY. Reduced OPEB liability $200M YoY
- $700M of share repurchases at an average price of ~$19.21 per share
- Highest quarterly Return on Net Assets since separation of 10.7%, up 210 bps YoY[3]

1) 1Q 2019 Operating income (GAAP) = $374M, 1Q 2018 Operating income (GAAP) = $333M
2) 1Q 2019 (GAAP): Cash used for operations = ($258M), Cash used for financing activities = ($741M), Cash provided from investing activities = $42M
   1Q 2018 (GAAP): Cash used for operations = ($436M), Cash used for financing activities = ($542M), Cash provided from investing activities = $29M
3) Based on Net income of $187M and Net income excluding Special items of $208M in 1Q 2019 and Net Income of $143M and Net income excluding special items of $169M in 1Q 2018
   See appendix for reconciliations

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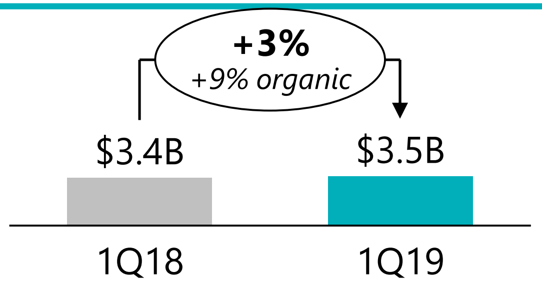
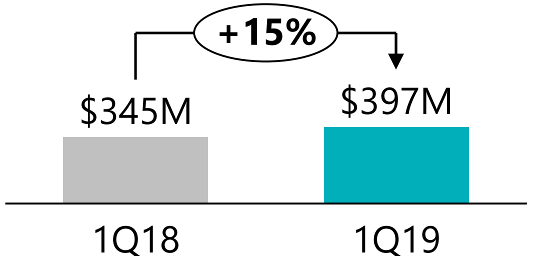
Key Financial Results – 1Q 2019

Revenue[1]



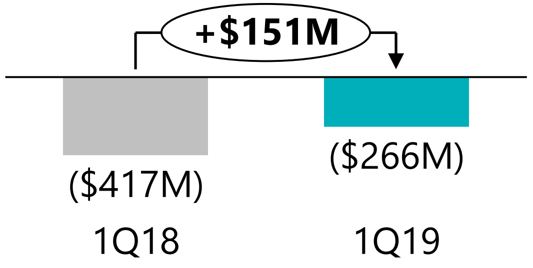
- Revenue increased $96M or 3% YoY
- Organic Revenue increased $288M or 9% YoY, growth in all Segments
- All key markets remain healthy

Operating Income Excluding Special Items[2]



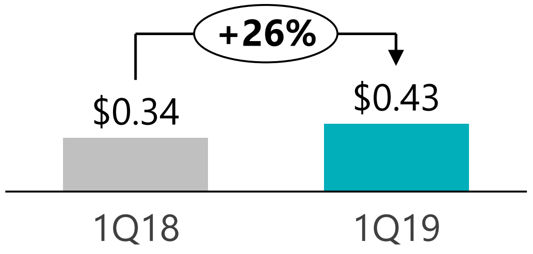
- Volume $48M: Aerospace $29M, Comm Trans $13M, Packaging $8M
- Price $34M: Aerospace and Industrial
- Cost-out program mitigating mix impact
- Tennessee Packaging transition to Industrial ($22M)

Adjusted Free Cash Flow[3]



- Pension/OPEB cash contributions of $76M, down $118M YoY
- Working capital improvement of 8 days YoY to 51 days
- Capex of $168M, approximately three-quarters return seeking

EPS Excluding Special Items[4]



- Increase of $0.09 YoY
- Above Consensus

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1) 1Q 2019 Revenue (GAAP) = $3,541M (up 3%), 1Q 2018 Revenue (GAAP) = $3,445M; 2) 1Q 2019 Operating income (GAAP) = $374M, 1Q 2018 Operating income (GAAP) = $333M; 3) 1Q 2019 (GAAP): Cash used for operations = ($258M), Cash used for financing activities = ($741M), Cash provided from investing activities = $42M; 1Q 2018 (GAAP): Cash used for operations = ($436M), Cash used for financing activities = ($542M), Cash provided from investing activities = $29M; 4) 1Q 2019 EPS (GAAP) = $0.39, 1Q 2018 EPS (GAAP) = $0.29; *See appendix for reconciliations*

Overview of Segment Results – 1Q 2019

	Revenue[1]	Segment Operating Profit[1]	Segment Operating Profit Comments
EP&S	$1,502M *Up 5%* *Up 7% Organic*	$253M *Up 21%, or $44M*	+ Segment Operating Profit margin improved by 210 bps + Aerospace Engine & Aerospace Defense growth + Aerospace price + Net Cost reduction efforts – Aerospace Engine new product introductions
GRP	$1,503M *Up 1%* *Up 10% Organic*	$107M *Down 14%, or $17M*	+ Packaging, Commercial Transportation, Aerospace growth + Industrial and Commercial Transportation price – Tennessee plant transition ($22M) and Aluminum Extrusions ($13M)
TCS	$535M *~flat YoY* *Up 7% Organic*	$87M *Up 30%, or $20M*	+ Segment Operating Profit margin improved by 380 bps + Commercial Transportation growth + Building & Construction growth + Net Cost reduction efforts

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1) Percent changes reflect Year-over-Year changes

See appendix for reconciliations

First Quarter 2019 Key Achievements

EP&S

- Record quarterly revenue and Segment Operating Profit
- Aerospace Engines revenue up 12% YoY, a record
- Segment Operating Profit margin improved by 210 bps YoY
- Aerospace price improvements of $15M YoY; Additional price negotiations ongoing worth ~$15M annualized

GRP

- Commercial Airframe organic revenue up 23% YoY[1]
- Commercial Transportation organic revenue up 21% YoY[2]
- Industrial and Commercial Transportation price improvements of $18M YoY

TCS

- Record first quarter Segment Operating Profit
- Commercial Transportation organic revenue up 8% YoY[3]
- Building and Construction organic revenue up 6% YoY[4]
- Net Cost reductions from SMART manufacturing and equipment efficiency

Cash flows / Other

- Highest quarterly Return on Net Assets since separation of 10.7%[5], up 210 bps YoY
- Pension / OPEB Liability down ~$160M sequentially, driven by reduction in OPEB Liability
- Adjusted Free Cash Flow improvement of +$151M YoY[6]

1) GRP Commercial Aerospace Airframe – Reported: 1Q 2019 = $286M; 1Q 2018 = $235M; up 22% 2) GRP Commercial Transportation Revenue – Reported: 1Q 2019 = $148M; 1Q 2018 = $129M; up 15% 3) TCS Commercial Transportation Revenue – Reported: 1Q 2019 = $255M; 1Q 2018 = $243M; up 5% 4) TCS Building and Construction Revenue – Reported: 1Q 2019 = $281M; 1Q 2018 = $285M; down 1% 5) Based on Net income of $187M and Net income excluding Special items of $208M in 1Q 2019 and Net Income of $143M and Net income excluding special items of $169M in 1Q 2018 6) 1Q 2019 (GAAP): Cash used for operations = ($258M), Cash used for financing activities = ($741M), Cash provided from investing activities = $42M. 1Q 2018 (GAAP): Cash used for operations = ($436M), Cash used for financing activities = ($542M), Cash provided from investing activities = $29M

See appendix for reconciliations

Executing on The Path Forward: Key Focus Areas

- Operating Performance
- Cost Reduction
- Capital Allocation
- Portfolio Separation

Updates will be provided quarterly

Operating Performance

- Detailed Operating Reviews by each business have been instituted
  - Financial performance, revenue build, cost and headcount tracking, price, product launch status and economics, overall equipment effectiveness (OEE), plant productivity
- Monthly forecast reviews

Cost Reduction Update

- Actions underway to reduce operating costs by ~$230M on a run-rate basis. Increased by $30M from initial ~$200M target
- ~$120M of savings expected to be captured in 2019

Capital Allocation Update

Share Buybacks

- Repurchased \$700M of common stock
- Reduced share count by 36.4M shares
  - 31.9M shares delivered February 21st, 4.5M delivered April 29th at an average share price of ~\$19.21
- Approximately \$300M remains authorized for share repurchases through the end of 2020

Dividend

- Reduced quarterly common stock dividend from \$0.06 to \$0.02 per share

Separation Update: Execution

Timing

- Project team has been established and is fully operational
- Target initial Form 10 filing 4Q 2019
- Target separation completion in 2Q 2020

Critical Closing Conditions

- Receipt of tax opinion from counsel
- Effectiveness of Form 10 filing with the U.S. Securities and Exchange Commission
- Completion of financing
- Final approval by Arconic's Board of Directors

Financial Implications

- Estimated one-time operating costs to separate of $130M - $160M, excluding debt breakage and tax leakage
- Prudent capital structures considering capital investment needs for Remain Co. and Spin Co.

Separation Update: Structure

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Engineered Products & Forgings

- Engine Components
- Fastening Systems
- Engineered Structures
- **Forged Aluminum Wheels**

Global Rolled Products

- Rolled Aluminum Products
- **Aluminum Extrusions**
- **Building & Construction Systems**

- Building & Construction Systems will be retained
- Identified non-core businesses for sale estimated value of $100M-$200M in proceeds with limited earnings impact
- Expect Corporate costs to be in line with industry leading peers and below current Arconic costs
- Expect minimal stranded costs
- Intend to optimize “Spin Co.” determination for shareholder returns

Arconic 2019 Guidance Update[1]

Full Year 2019 Guidance

Revenue		EPS Excluding Special Items		Adjusted Free Cash Flow	
Prior Guidance	$14.3B – $14.6B	Prior Guidance	$1.55 – $1.65	Prior Guidance	$400M - $500M
	Unchanged		***Updated***		***Updated***
Current Guidance	**$14.3B – $14.6B**	**Current Guidance**	**$1.75 – $1.90**	**Current Guidance**	**$650M - $750M**

EPS Excluding Special Items:

+ Cost reduction
+ Aerospace price
+ Operations Focus

Adjusted Free Cash Flow:

+ Cost reduction
+ Pension / OPEB contributions
+ Capex reduction

2Q 2019 Guidance

EPS Excluding Special Items: $0.46 - $0.51

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1) Guidance Al price assumption: 2019 Annual Average – $2,400/MT (LME = $1,975/MT; Midwest Premiums = $425/MT)

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Updated 2019 Guidance Assumptions

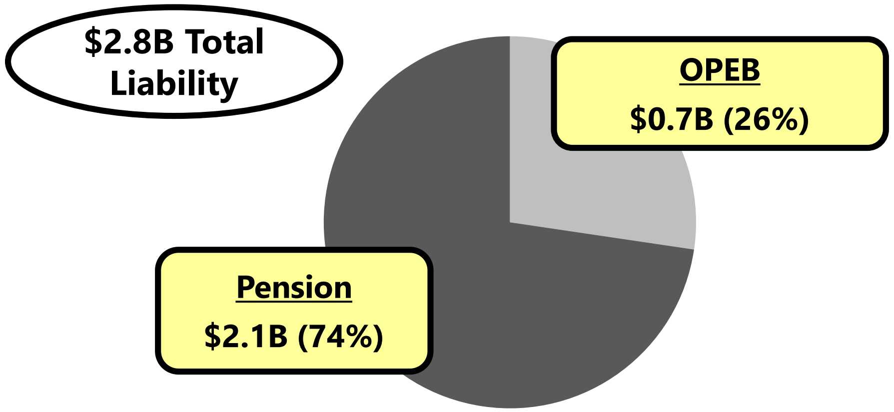
	Original 2019 Assumptions	Updated 2019 Assumptions	Sensitivities and Comments
Annual Avg. Al Price	Al prices = $2,400/MT *LME Cash = $1,975/MT* *MWP = $425*	Al prices = $2,400/MT *LME Cash = $1,975/MT* *MWP = $425*	• +$100/MT increase = +~$130M Revenue impact / ~($10M) Operating Income impact • +$100/MT increase = ~($25M) LIFO non-cash impact
Capex	~$700M	**~$650M**	
Tax Rate[1]	Operational tax %= 26.5% - 28.5% Cash tax %= ~10%	Operational tax %= 26.5% - 28.5% Cash tax %= ~10%	• Excludes impact of potential transactions
Adj. Interest Expense[2]	~$360M	~$360M	• Excludes debt make-whole payments
Depreciation & Amortization	~$590M	~$590M	
FX Rates	EUR: USD 1.13, GBP: USD 1.27	EUR: USD 1.13, GBP: USD 1.27	• + 0.10 USD/EUR = ~$120M Revenue / ~$20M Operating Income • + 0.10 USD/GBP = ~$20M Revenue / ~($5M) Operating Income
Diluted Share Count	~505M	**~475M**	• Includes impact of $700M share repurchases • 1Q19: 489M, 2Q19: ~470M, 3Q19: ~468M, 4Q19: ~468M

1) 2018 Effective tax rate = 26.0%
2) 2018 Interest Expense (GAAP) = $378M

Pension and OPEB Summary

Obligations

Unfunded pension and OPEB liability (3/31/2019)



- **2018 pension asset returns: ~ -3.0%**
- **2018 year-end discount rate: ~ 4.35%**
- **Pension plan funded status (12/31/2018):**
  - US ERISA: ~75%
  - Worldwide GAAP: ~67%
- **25 bps discount rate sensitivity:**
  - Pension / OPEB expense: ~$2M (after-tax)
  - Pension / OPEB liability: ~$170M
- **25 bps expected return on assets (EROA) sensitivity:**
  - Pension expense: ~$10M (after-tax)

Expense and Cash Flow

Expense ($M)	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimate
Total Operating Income[1,4]	**$97M**	**$71M[4]**	**~$30M**
Non-Operating	$154M	$112M	~$125M
Total Pension / OPEB-related Expense	**$251M**	**$183M[4]**	**~$155M**

Cash Flow ($M)	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimate
Pension Contributions	$310M	$298M	~$270M[2]
OPEB Payments	$90M	$80M	~$80M[3]
Total Cash Flow	**$400M**	**$378M**	**~$350M**

1) Does not include employer contributions to DC plans
2) Contributions of ~$55M were made in 1Q 2019
3) Payments of ~$21M were made in 1Q 2019
4) Includes Inventory Impact of $18M in FY 2018 due to pension accounting change

1Q 2019 Special Items

($M)	Income before income taxes	Net Income	Earnings per diluted share
As reported	**$257**	**$187**	**$0.39**
Restructuring-related	$12	$10	
Legal and other advisory costs related to Grenfell Tower	$2	$2	
Strategy and portfolio review costs	$6	$5	
Costs associated with planned separation	$3	$2	
Discrete and other special tax items	N/A	$2	
Subtotal: Special items	**$23**	**$21**	
Excluding special items	**$280**	**$208**	**$0.43**

Severance and other of $70M, OPEB reduction of ($58M)

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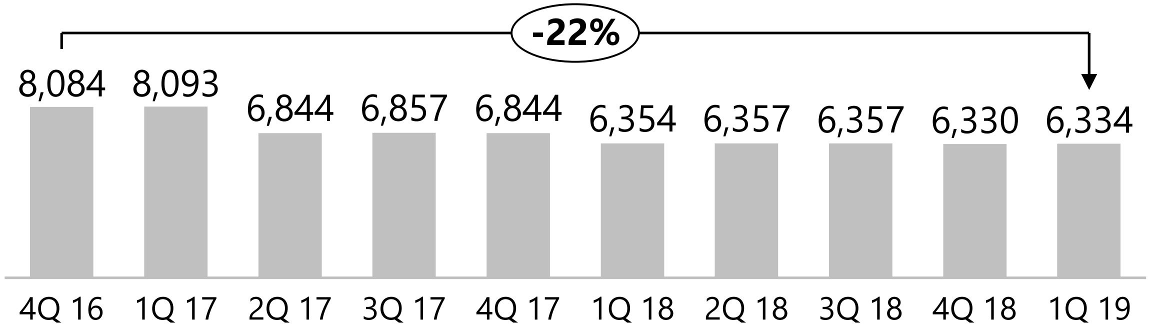
( ) = income to be deducted from As Reported number; + = expense to be added to As Reported number

Capital Structure: $5.0B of Net Debt

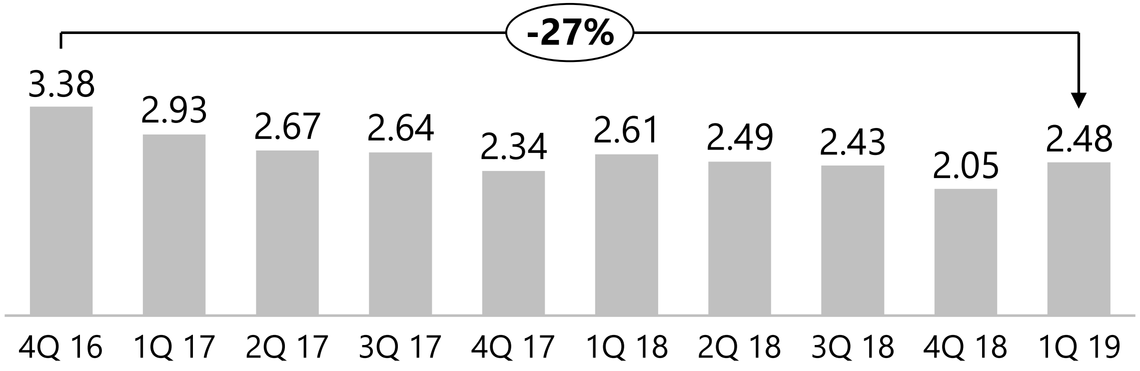
Capitalization at March 31, 2019	
($M)	**Amount**
Cash	$1,319
Gross Debt	$6,334
Net Debt	**$5,015**
Net Debt-to-LTM EBITDA[1]	2.48

Gross Debt ($M)

Paid down $2.5B of debt since Separation on 11/1/2016



Net Debt-to-LTM EBITDA



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1) Adjusted for special items; Last twelve month (LTM) Arconic adjusted EBITDA

See appendix for reconciliations

Organic Revenue[1] Growth for 1Q 2019

	1Q 2018 ($M)	1Q 2019 ($M)	% Change
Arconic Revenue	$3,445	$3,541	**3%**
less Tennessee Packaging	43	-	
less Latin America Extrusions	25	-	
less Eger	10	-	
Subtotal: Portfolio Changes	**78**	**-**	
less Aluminum Price[2]	-	(59)	
less Foreign Currency[2]	-	(55)	
Subtotal: Aluminum Price & Foreign Currency	**-**	**(114)**	
Total: Arconic Revenue, Organic	**$3,367**	**$3,655**	**9%**

	1Q 2018 ($M)	1Q 2019 ($M)	% Change
GRP Revenue	$1,481	$1,503	**1%**
less Tennessee Packaging	43	-	
less Aluminum Price[2]	-	(58)	
less Foreign Currency[2]	-	(26)	
Subtotal: Aluminum Price & Foreign Currency	**-**	**(84)**	
Total: GRP Revenue, Organic	**$1,438**	**$1,587**	**10%**

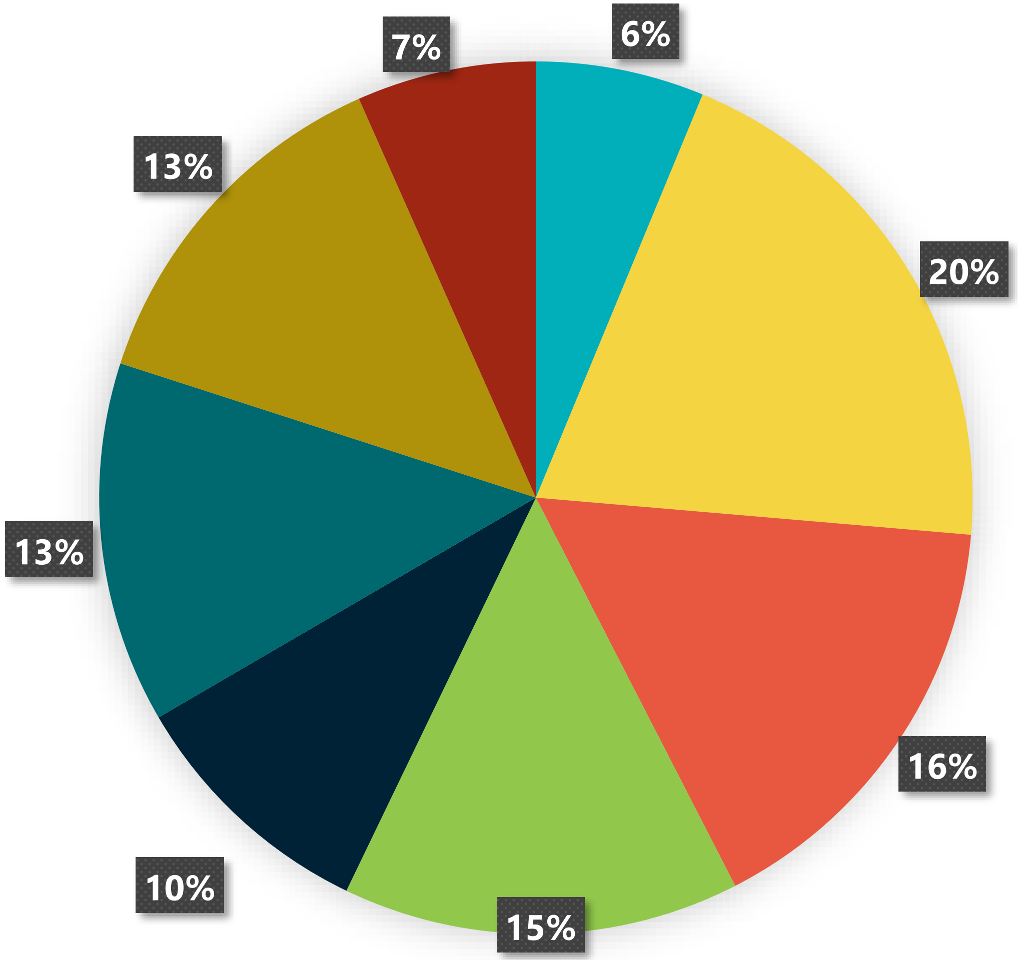
	1Q 2018 ($M)	1Q 2019 ($M)	% Change
EP&S Revenue	$1,426	$1,502	**5%**
less Eger	10	-	
less Aluminum Price[2]	-	(2)	
less Foreign Currency[2]	-	(13)	
Subtotal: Aluminum Price & Foreign Currency	**-**	**(15)**	
Total: EP&S Revenue, Organic	**$1,416**	**$1,517**	**7%**

	1Q 2018 ($M)	1Q 2019 ($M)	% Change
TCS Revenue	$537	$535	**0%**
less Latin America Extrusions	25	-	
less Aluminum Price[2]	-	1	
less Foreign Currency[2]	-	(16)	
Subtotal: Aluminum Price & Foreign Currency	**-**	**(15)**	
Total: TCS Revenue, Organic	**$512**	**$550**	**7%**

1) Organic revenue is U.S. GAAP revenue adjusted for Tennessee packaging (which completed its planned phase-down as of year-end 2018), divestitures, changes in aluminum prices and foreign currency exchange rates relative to prior year period
2) Impacts of changes in aluminum prices and foreign currency exchange rates relative to the prior year period

Organic Revenue by Market – 1Q 2019

Revenue by Market (% of total)



Revenue by Market Year-over-Year (% change)[3]

Aerospace - Defense	**23%**
Aerospace - Commercial Airframe	**10%**
Aerospace - Commercial Engine	**13%**
Sub-Total Aerospace	***13%***
Automotive[1]	**6%**
Building & Construction	**6%**
Commercial Transportation	**15%**
Industrial & Other[2]	**(7%)**
Packaging	**15%**

1) Includes Brazing and Automotive sheet 2) Includes Industrial 4% and IGT (41%) 3) *Year-over-Year change of Reported Revenues:* Aerospace - Defense: 22%; Aerospace – Commercial Airframe: 9%; Aerospace – Commercial Engine: 12%; Automotive: 3%; Building & Construction: (1%); Commercial Transportation: 8%; Industrial & Other: (14%), which includes Industrial (6%) and IGT (41%); Packaging: (18%), which includes Tennessee Packaging business revenues of $0M in 1Q 2019 and $43M in 1Q 2018

See appendix for reconciliations

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1Q 2019 YoY Aluminum Price Tailwind

Year-over-Year Operating Income Impact from Aluminum Price Changes

USD Millions	1Q'19 vs 1Q'18 Actual
LIFO[1]/Metal Lag	($2)
Trading Desk[2]	$9
Scrap Spreads	($2)
Operational	$2
Arconic Total	**$7**

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1) LIFO includes more elements than Aluminum prices such as other raw materials, labor, and energy
2) Trading Desk represents 2018 in year impacts only. No Trading Desk impacts in 2019 in year.

Aluminum price impacts 1Q 2019 vs. 1Q 2018

Year-over-Year Impact from Aluminum Price Changes

	1Q 2019		
	Revenue ($M)	**Operating Income ($M)**	**Operating Income %**
EP&S	($2)	$6	+40 bps
GRP	($58)	($4)	0 bps
TCS	$1	$5	+90 bps
Arconic	**($59)**	**$7**	**+40 bps**

Reconciliation of segment reporting changes[1]

USD Millions	1Q18	2Q18	3Q18	4Q18	2018	1Q19
EP&S - Third Party Sales - As Reported in 2018	$1,541	$1,596	$1,566	$1,613	$6,316	N/A
GRP - Third Party Sales - As Reported in 2018	$1,366	$1,451	$1,426	$1,361	$5,604	N/A
Aluminum Extrusions - Third Party Sales	$115	$122	$121	$126	$484	$131
EP&S - Third Party Sales - As Recast in 2019	$1,426	$1,474	$1,445	$1,487	$5,832	$1,502
GRP - Third Party Sales - As Recast in 2019	$1,481	$1,573	$1,547	$1,487	$6,088	$1,503

USD Millions	1Q18	2Q18	3Q18	4Q18	2018	1Q19
EP&S - Segment Operating Profit - As Reported in 2018	$221	$212	$238	$220	$891	N/A
GRP - Segment Operating Profit - As Reported in 2018	$112	$123	$74	$77	$386	N/A
Aluminum Extrusions - Segment Operating Profit	$12	($12)	$3	$4	$7	($1)
EP&S - Segment Operating Profit - As Recast in 2019	$209	$224	$235	$216	$884	$253
GRP - Segment Operating Profit - As Recast in 2019	$124	$111	$77	$81	$393	$107

	1Q18	2Q18	3Q18	4Q18	2018	1Q19
EP&S - Segment Operating Profit Margin - As Reported in 2018	14.3%	13.3%	15.2%	13.6%	14.1%	N/A
GRP - Segment Operating Profit Margin - As Reported in 2018	8.2%	8.5%	5.2%	5.7%	6.9%	N/A
Aluminum Extrusions - Segment Operating Profit Margin	10.4%	(9.8%)	2.5%	3.2%	1.4%	(0.8%)
EP&S - Segment Operating Profit Margin - As Recast in 2019	14.7%	15.2%	16.3%	14.5%	15.2%	16.8%
GRP - Segment Operating Profit Margin - As Recast in 2019	8.4%	7.1%	5.0%	5.4%	6.5%	7.1%

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1) In the first quarter of 2019, Arconic transferred its aluminum extrusions operations from the Engineered Products and Solutions (EP&S) segment to the Global Rolled Products (GRP) segment. Prior period financial information has been recast to conform to current year presentation.

Reconciliation of Net income excluding Special items

($ in millions, except per-share amounts)	Net income excluding Special items		Diluted EPS excluding Special items	
	Quarter ended		Quarter ended	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Net income	$187	$143	$0.39	$0.29
Special items:				
Restructuring and other charges	12	7		
Discrete tax items[(1)]	1	2		
Other special items[(2)]	12	25		
Tax impact[(3)]	(4)	(8)		
Net income excluding Special items	$208	$169	$0.43	$0.34

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 Arconic 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) Discrete tax items for each period included the following:

- for the quarter ended March 31, 2019, a charge for a number of small items ($1); and
- for the quarter ended March 31, 2018, a charge for a number of small items ($2).

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

- for the quarter ended March 31, 2019, strategy and portfolio review costs ($6), costs associated with the planned separation of Arconic ($3), legal and other advisory costs related to Grenfell Tower ($2), and a charge for a number of small tax items ($1); and
- for the quarter ended March 31, 2018, costs related to the early redemption of the Company's outstanding 5.720% Senior Notes due 2019 ($19), legal and other advisory costs related to Grenfell Tower ($5), and a charge for a number of small tax items ($1).

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

The average number of shares applicable to diluted EPS excluding Special items, includes certain share equivalents as their effect was dilutive. For all periods presented, share equivalents associated with outstanding employee stock options and awards and shares underlying outstanding convertible debt (acquired through the acquisition of RTI) were dilutive based on Net income excluding Special items. The average number of shares applicable to diluted EPS excluding Special items for the quarter ended March 31, 2019 included the impact of the accelerated share repurchase program of the Company's common stock.

Reconciliation of Operational Tax Rate

($ in millions)	Quarter ended March 31, 2019		
	As reported	**Special items[1]**	**As adjusted**
Income before income taxes	$257	$23	$280
Provision for income taxes	70	2	72
Operational tax rate	27.2%		25.7%

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 Arconic 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) See Net income excluding Special items reconciliation above for a description of Special items.

Calculation of Engineered Products and Solutions Segment Operating Profit Margin

($ in millions)	1Q18	2Q18	3Q18	4Q18	2018	1Q19
Segment operating profit	$209	$224	$235	$216	$884	$253
Third-party sales	$1,426	$1,474	$1,445	$1,487	$5,832	$1,502
Segment operating profit margin	14.7%	15.2%	16.3%	14.5%	15.2%	16.8%

In the first quarter of 2019, the Company transferred its aluminum extrusions operations from the Arconic Engineered Structures business unit within the Engineered Products and Solutions segment to the Global Rolled Products segment. Prior period financial information has been recast to conform to current year presentation. Segment performance under Arconic's management reporting system is evaluated based on a number of factors; however, the primary measure of performance is Segment operating profit. Arconic's definition of Segment operating profit is Operating income excluding Special items. Special items include Restructuring and other charges. Segment operating profit includes the impact of LIFO inventory accounting, metal price lag, intersegment profit eliminations, and derivative activities.

Calculation of Global Rolled Products Segment Operating Profit Margin

($ in millions)	1Q18	2Q18	3Q18	4Q18	2018	1Q19
Segment operating profit[(1)]	$124	$111	$77	$81	$393	$107
Third-party sales	$1,481	$1,573	$1,547	$1,487	$6,088	$1,503
Segment operating profit margin	8.4%	7.1%	5.0%	5.4%	6.5%	7.1%
Third-party aluminum shipments (kmt)	322	330	330	319	1,301	331

In the first quarter of 2019, the Company transferred its aluminum extrusions operations from the Arconic Engineered Structures business unit within the Engineered Products and Solutions segment to the Global Rolled Products segment. Prior period financial information has been recast to conform to current year presentation. Segment performance under Arconic's management reporting system is evaluated based on a number of factors; however, the primary measure of performance is Segment operating profit. Arconic's definition of Segment operating profit is Operating income excluding Special items. Special items include Restructuring and other charges. Segment operating profit includes the impact of LIFO inventory accounting, metal price lag, intersegment profit eliminations, and derivative activities.

(1) Segment operating profit in the second quarter of 2018 included the impact of a $23 charge related to a physical inventory adjustment at one plant.

Calculation of Transportation and Construction Solutions Segment Operating Profit Margin

($ in millions)	1Q18	2Q18	3Q18	4Q18	2018	1Q19
Segment operating profit	$67	$97	$77	$63	$304	$87
Third-party sales	$537	$562	$530	$497	$2,126	$535
Segment operating profit margin	12.5%	17.3%	14.5%	12.7%	14.3%	16.3%

Segment performance under Arconic's management reporting system is evaluated based on a number of factors; however, the primary measure of performance is Segment operating profit. Arconic's definition of Segment operating profit is Operating income excluding Special items. Special items include Restructuring and other charges. Segment operating profit includes the impact of LIFO inventory accounting, metal price lag, intersegment profit eliminations, and derivative activities.

Calculation of Total Segment Operating Profit Margin

($ in millions)	1Q18	2Q18	3Q18	4Q18	2018	1Q19
Sales – Engineered Products and Solutions	$1,426	$1,474	$1,445	$1,487	$5,832	$1,502
Sales – Global Rolled Products	1,481	1,573	1,547	1,487	6,088	1,503
Sales – Transportation and Construction Solutions	537	562	530	497	2,126	535
Total segment sales	$3,444	$3,609	$3,522	$3,471	$14,046	$3,540
Total segment operating profit(1)(2)	$400	$432	$389	$360	$1,581	$447
Total segment operating profit margin	11.6%	12.0%	11.0%	10.4%	11.3%	12.6%

In the first quarter of 2019, the Company transferred its aluminum extrusions operations from the Arconic Engineered Structures business unit within the Engineered Products and Solutions segment to the Global Rolled Products segment. Prior period financial information has been recast to conform to current year presentation. Segment performance under Arconic's management reporting system is evaluated based on a number of factors; however, the primary measure of performance is Segment operating profit. Arconic's definition of Segment operating profit is Operating income excluding Special items. Special items include Restructuring and other charges. Segment operating profit includes the impact of LIFO inventory accounting, metal price lag, intersegment profit eliminations, and derivative activities.

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

(2) For the quarter ended June 30, 2018, Segment operating profit for the Global Rolled Products segment included the impact of a $23 charge related to a physical inventory adjustment at one plant.

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

($ in millions)	1Q18	2Q18	3Q18	4Q18	2018	1Q19
Total segment operating profit[(1)]	$400	$432	$389	$360	$1,581	$447
Unallocated amounts:						
Restructuring and other charges	(7)	(15)	2	11	(9)	(12)
Corporate expense[(2)]	(60)	(93)	(46)	(48)	(247)	(61)
Consolidated operating income	333	324	345	323	1,325	374
Interest expense[(3)]	(114)	(89)	(88)	(87)	(378)	(85)
Other expense, net	(20)	(41)	(8)	(10)	(79)	(32)
Consolidated income before income taxes	$199	$194	$249	$226	$868	$257

Segment performance under Arconic's management reporting system is evaluated based on a number of factors; however, the primary measure of performance is Segment operating profit. Arconic's definition of Segment operating profit is Operating income excluding Special items. Special items include Restructuring and other charges. Segment operating profit includes the impact of LIFO inventory accounting, metal price lag, intersegment profit eliminations, and derivative activities. Differences between certain segment totals and consolidated Arconic are in Corporate.

(1) For the quarter ended June 30, 2018, Segment operating profit for the Global Rolled Products segment included the impact of a $23 charge related to a physical inventory adjustment at one plant.

(2) For the quarter ended June 30, 2018, Corporate expense included $38 of costs related to settlements of certain customer claims primarily related to product introductions.

(3) For quarter ended March 31, 2018, Interest expense included $19 related to the early redemption of the Company's outstanding 5.720% Senior Notes due 2019.

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

($ in millions)	1Q18	2Q18	3Q18	4Q18	2018	1Q19
Operating income	$333	$324	$345	$323	$1,325	$374
Special items:						
Restructuring and other charges	7	15	(2)	(11)	9	12
Costs associated with planned separation	—	—	—	—	—	3
Legal and other advisory costs related to Grenfell Tower	5	4	5	4	18	2
Strategy and portfolio review costs	—	—	—	7	7	6
Settlements of certain customer claims primarily related to product introductions	—	38	—	—	38	—
Operating income excluding Special items	$345	$381	$348	$323	$1,397	$397
Sales	$3,445	$3,573	$3,524	$3,472	$14,014	$3,541
Operating income margin	9.7%	9.1%	9.8%	9.3%	9.5%	10.6%
Operating income margin, excluding Special items	10.0%	10.7%	9.9%	9.3%	10.0%	11.2%

Operating income and Operating income margin, excluding Special items are non-GAAP financial measures. Management believes that these measures are meaningful to investors because management reviews the operating results of Arconic excluding the impacts of Special items. There can be no assurances that additional Special items will not occur in future periods. To compensate for this limitation, management believes that it is appropriate to consider both Operating income determined under GAAP as well as Operating income excluding Special items.

Reconciliation of Adjusted Free Cash Flow

($ in millions)	1Q18	2Q18	3Q18	4Q18	2018	1Q19
Cash (used for) provided from operations	$(436)	$176	$51	$426	$217	$(258)
Cash receipts from sold receivables	136	284	273	323	1,016	160
Capital expenditures	(117)	(171)	(209)	(271)	(768)	(168)
Adjusted free cash flow	$(417)	$289	$115	$478	$465	$(266)

Accounting guidance effective in 2018 changed the classification of Cash receipts from sold receivables in the cash flow statement, reclassifying it from operating activities to investing activities. Under the prior accounting guidance, Cash receipts from sold receivables were included in (increase) decrease in receivables in the operating activities section of the statement of cash flows.

Net cash funding from the sale of accounts receivables has remained unchanged at $350 million each quarter since the first quarter of 2016.

There has been no change in the net cash funding in the sale of accounts receivable program in the first quarter of 2019. It remains at $350.

Adjusted 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 Arconic's asset base and are expected to generate future cash flows from operations), as well as cash receipts from net sales of beneficial interest in sold receivables. It is important to note that Adjusted 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 Organic Revenue

($ in millions)	Quarter ended March 31,		Quarter ended December 31,	
	2019	2018	2018	2017
Arconic				
Sales – Arconic	$3,541	$3,445	$3,472	$3,271
Less:				
Sales – Tennessee packaging	—	43	18	40
Sales – Eger forgings	—	10	6	12
Sales – Latin America extrusions	—	25	—	29
Aluminum price impact	(59)	n/a	(28)	n/a
Foreign currency impact	(55)	n/a	(26)	n/a
Arconic Organic revenue	$3,655	$3,367	$3,502	$3,190
Engineered Products and Solutions (EP&S)				
Sales	$1,502	$1,426	$1,487	$1,378
Less:				
Sales – Eger forgings	—	10	6	12
Aluminum price impact	(2)	n/a	(4)	n/a
Foreign currency impact	(13)	n/a	(6)	n/a
EP&S Organic revenue	$1,517	$1,416	$1,491	$1,366
Global Rolled Products (GRP)				
Sales	$1,503	$1,481	$1,487	$1,363
Less:				
Sales – Tennessee packaging	—	43	18	40
Aluminum price impact	(58)	n/a	(10)	n/a
Foreign currency impact	(26)	n/a	(13)	n/a
GRP Organic revenue	$1,587	$1,438	$1,492	$1,323
Transportation and Construction Solutions (TCS)				
Sales	$535	$537	$497	$528
Less:				
Sales – Latin America extrusions	—	25	—	29
Aluminum price impact	1	n/a	(14)	n/a
Foreign currency impact	(16)	n/a	(7)	n/a
TCS Organic revenue	$550	$512	$518	$499

Organic revenue is a non-GAAP financial measure. Management believes this measure is meaningful to investors as it presents revenue on a comparable basis for all periods presented due to the impact of the ramp-down of Arconic's North American packaging business at its Tennessee operations (completed in December 2018), the sale of the forgings business in Eger, Hungary (divested in December 2018), the sale of Latin America extrusions (divested in April 2018), and the impact of changes in aluminum prices and foreign currency fluctuations relative to the prior year periods.

Reconciliation of Net Debt

($ in millions)	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Short-term debt	$435	$434	$42	$45	$45	$38	$55	$48	$47
Long-term debt, less amount due within one year	5,899	5,896	6,315	6,312	6,309	6,806	6,802	6,796	8,046
Total debt	6,334	6,330	6,357	6,357	6,354	6,844	6,857	6,844	8,093
Less: Cash and cash equivalents	1,319	2,277	1,535	1,455	1,205	2,150	1,815	1,785	2,553
Net debt	$5,015	$4,053	$4,822	$4,902	$5,149	$4,694	$5,042	$5,059	$5,540

Net debt is a non-GAAP financial measure. Management believes that this measure is meaningful to investors because management assesses Arconic’s leverage position after factoring in available 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								
	March 31, 2019	**December 31, 2018**	**September 30, 2018**	**June 30, 2018**	**March 31, 2018**	**December 31, 2017**	**September 30, 2017**	**June 30, 2017**	**March 31, 2017**
Net income (loss) attributable to Arconic	$ 686	$ 642	$ (303)	$ (345)	$ (253)	$ (74)	$ (605)	$ (558)	$ (635)
Discontinued operations	—	—	—	—	—	—	(33)	(133)	(215)
Income (loss) from continuing operations after income taxes and non-controlling interests	$ 686	$ 642	$ (303)	$ (345)	$ (253)	$ (74)	$ (638)	$ (691)	$ (850)
Add:									
Provision for income taxes	240	226	490	455	438	544	1,518	1,521	1,587
Other expense (income), net	91	79	(7)	23	(150)	(486)	(435)	(453)	(298)
Interest expense	349	378	389	401	495	496	526	552	493
Restructuring and other charges	14	9	67	88	99	165	240	224	212
Impairment of goodwill	—	—	719	719	719	719	—	—	—
Provision for depreciation and amortization	571	576	568	567	560	551	543	539	535
Adjusted EBITDA	$ 1,951	$ 1,910	$ 1,923	$ 1,908	$ 1,908	$ 1,915	$ 1,754	$ 1,692	$ 1,679
Add:									
Separation costs	$ 3	$ —	$ —	$ —	$ —	$ 18	$ 94	$ 148	$ 193
Proxy, advisory and governance-related costs	—	—	—	—	42	58	58	58	16
Legal and other advisory costs related to Grenfell Tower	15	18	21	23	19	14	7	—	—
Settlements of certain customer claims primarily related to product introductions	38	38	38	38	—	—	—	—	—
Strategy and portfolio review costs	13	7	—	—	—	—	—	—	—
Delaware reincorporation costs	—	—	3	3	3	3	—	—	—
Adjusted EBITDA excluding Special items	$ 2,020	$ 1,973	$ 1,985	$ 1,972	$ 1,972	$ 2,008	$ 1,913	$ 1,898	$ 1,888
Net debt	$ 5,015	$ 4,053	$ 4,822	$ 4,902	$ 5,149	$ 4,694	$ 5,042	$ 5,059	$ 5,540
Net debt to Adjusted EBITDA excluding Special items	2.48	2.05	2.43	2.49	2.61	2.34	2.64	2.67	2.93

Arconic's definition of Adjusted EBITDA (Earnings before interest, taxes, depreciation, and amortization) is net margin plus an add-back for depreciation and amortization. Net margin is equivalent to Sales minus the following items: Cost of goods sold; Selling, general administrative, and other expenses; Research and development expenses; and Provision for depreciation and amortization. Management believes that this measure is meaningful to investors because it provides additional information with respect to Arconic's operating performance and the Company's ability to meet its financial obligations. The Adjusted EBITDA presented may not be comparable to similarly titled measures of other companies.

Net debt is a non-GAAP financial measure. Management believes that this measure is meaningful to investors because management assesses Arconic's leverage position after factoring in available cash that could be used to repay outstanding debt.

Reconciliation of Return on Net Assets (RONA)

($ in millions)	Quarter ended March 31, 2019	Quarter ended March 31, 2018
Net income	$187	$143
Special items(1)	21	26
Net income excluding Special items	$208	$169
Annualized net income excluding Special items	$832	$676
Net Assets:		
Add: Receivables from customers, less allowances	$1,170	$1,179
Add: Deferred purchase program(2)	430	320
Add: Inventories	2,612	2,648
Less: Accounts payable, trade	2,193	1,874
Working capital	2,019	2,273
Properties, plants, and equipment, net (PP&E)	5,727	5,628
Net assets - total	$7,746	$7,901
RONA	10.7%	8.6%

RONA is a non-GAAP financial measure. RONA is calculated as Net income excluding Special items divided by working capital and net PP&E. Management believes that this measure is meaningful to investors as RONA helps management and investors determine the percentage of net income the company is generating from its assets. This ratio tells how effectively and efficiently the company is using its assets to generate earnings.

(1) See Reconciliation of Net income excluding Special items for a description of Special items.

(2) The Deferred purchase program relates to an arrangement to sell certain customer receivables to several financial institutions on a recurring basis. Arconic is adding back the receivable for the purposes of the Working capital calculation.

Reconciliation of Days Working Capital

($ in millions)	Quarter ended March 31, 2019		Quarter ended March 31, 2018	
Receivables from customers, less allowances	$	1,170	$	1,179
Add: Deferred purchase program[1]		430		320
Add: Inventories		2,612		2,648
Less: Accounts payable, trade		2,193		1,874
Working capital	$	2,019	$	2,273
Sales	$	3,541	$	3,445
Days Working Capital		51		59

Days Working Capital is a non-GAAP financial measure and is calculated as Working Capital / (Sales / number of days in quarter). Management believes that this measure is meaningful to investors because Days Working Capital reflects the capital tied up during a given quarter.

(1) The Deferred purchase program relates to an arrangement to sell certain customer receivables to several financial institutions on a recurring basis. Arconic is adding back the receivable for the purposes of the Working capital calculation.

Reconciliation of Corporate Expense Excluding Special Items

($ in millions)	1Q18	2Q18	3Q18	4Q18	2018	1Q19
Corporate expense	$60	$93	$46	$48	$247	$61
Special items:						
Costs associated with planned separation	—	—	—	—	—	3
Legal and other advisory costs related to Grenfell Tower	5	4	5	4	18	2
Strategy and portfolio review costs	—	—	—	7	7	6
Settlements of certain customer claims primarily related to product introductions	—	38	—	—	38	—
Corporate expense excluding Special items	$55	$51	$41	$37	$184	$50

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

Reconciliation of Global Rolled Products Commercial Transportation and Commercial Airframe Organic Revenue

Reconciliation of Global Rolled Products (GRP) Commercial Transportation Organic Revenue

($ in millions)	**1Q19**	**1Q18**
GRP Commercial Transportation Revenue	$148	$129
Aluminum price impact	(5)	n/a
Foreign currency impact	(3)	n/a
GRP Commercial Transportation Organic Revenue	$156	$129

GRP commercial transportation organic revenue is a non-GAAP financial measure. Management believes this measure is meaningful to investors as it presents GRP commercial transportation on a comparable basis for all periods presented due to the impact of changes in aluminum prices and foreign currency fluctuations relative to the prior year period.

Reconciliation of GRP Commercial Airframe Organic Revenue

($ in millions)	**1Q19**	**1Q18**
GRP Commercial Airframe Revenue	$286	$235
Aluminum price impact	(1)	n/a
Foreign currency impact	(2)	n/a
GRP Commercial Airframe Organic Revenue	$289	$235

GRP commercial airframe organic revenue is a non-GAAP financial measure. Management believes this measure is meaningful to investors as it presents GRP commercial airframe revenue on a comparable basis for all periods presented due to the impact of changes in aluminum prices and foreign currency fluctuations relative to the prior year period.

Reconciliation of Transportation and Construction Solutions Commercial Transportation and Building and Construction Organic Revenue

Reconciliation of Transportation and Construction Solutions (TCS) Commercial Transportation Organic Revenue

($ in millions)	1Q19	1Q18
TCS Commercial Transportation Revenue	$255	$243
Foreign currency impact	(8)	n/a
TCS Commercial Transportation Organic Revenue	$263	$243

TCS commercial transportation organic revenue is a non-GAAP financial measure. Management believes this measure is meaningful to investors as it presents TCS commercial transportation on a comparable basis for all periods presented due to the impact of foreign currency fluctuations relative to the prior year period.

Reconciliation of TCS Building and Construction Organic Revenue

($ in millions)	1Q19	1Q18
TCS Building and Construction Revenue	$281	$285
Sales – Latin America extrusions	—	9
Aluminum price impact	(8)	n/a
Foreign currency impact	(4)	n/a
TCS Building and Construction Organic Revenue	$293	$276

TCS Building and Construction organic revenue is a non-GAAP financial measure. Management believes this measure is meaningful to investors as it presents TCS Building and Construction revenue on a comparable basis for all periods presented due to the impact of the sale of Latin America extrusions (divested in April 2018), changes in aluminum prices, and foreign currency fluctuations relative to the prior year period.

Reconciliation of Arconic End Markets Organic Revenue

($ in millions)	Aero Engine	Aero Airframe	Aero Defense	Commerical Transportation	Packaging	Automotive	Building and Construction	Industrial and Other
1Q19								
Revenue	$598	$728	$226	$470	$210	$521	$330	$458
Aluminum price impact	—	(1)	—	(4)	(24)	(11)	(7)	(13)
Foreign currency impact	(4)	(6)	(2)	(12)	(10)	(4)	(7)	(9)
Organic Revenue	$602	$735	$228	$486	$244	$536	$344	$480
1Q18								
Revenue	$532	$670	$186	$434	$256	$504	$333	$530
Sales – Eger forgings	—	—	—	10	—	—	—	—
Sales – Tennessee packaging	—	—	—	—	43	—	—	—
Sales – Latin America extrusions	—	—	—	—	—	—	9	16
Organic Revenue	$532	$670	$186	$424	$213	$504	$324	$514

Arconic end markets organic revenue is a non-GAAP financial measure. Management believes this measure is meaningful to investors as it presents Arconic end markets revenue on a comparable basis for all periods presented due to the impact of the ramp-down of Arconic's North American packaging business at its Tennessee operations (completed in December 2018), the sale of the forgings business in Eger, Hungary (divested in December 2018), the sale of Latin America extrusions (divested in April 2018), and the impact of changes in aluminum prices and foreign currency fluctuations relative to the prior year periods.