Fourth Quarter 2016 Earnings Call

Klaus Kleinfeld – Chairman and Chief Executive Officer
Ken Giacobbe – Chief Financial Officer

January 31, 2017

ARCONIC
Innovation, engineered.

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,” “guidance,” “goal,” “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, statements and guidance regarding future financial results or operating performance; statements about Arconic’s strategies, outlook, business and financial prospects; and forecasts and expectations relating to end markets. Forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties, and changes in circumstances that are difficult to predict. Although Arconic believes that the expectations reflected in any forward-looking statements are based on reasonable assumptions, it can give no assurance that these expectations will be attained and it is possible that actual results may differ materially from those indicated by these forward-looking statements due to a variety of risks and uncertainties. Such risks and uncertainties include, but are not limited to: (a) deterioration in global economic and financial market conditions generally; (b) unfavorable changes in the markets served by Arconic; (c) 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 from restructuring programs and productivity improvement, cash sustainability, technology advancements, and other initiatives; (d) changes in discount rates or investment returns on pension assets; (e) 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; (f) the impact of cyber attacks and potential information technology or data security breaches; (g) political, economic, and regulatory risks in the countries in which Arconic operates or sells products; (h) the impact of the separation on the businesses of Arconic; (i) material adverse changes in aluminum industry conditions, including fluctuations in London Metal Exchange-based aluminum prices; (j) the impact of changes in foreign currency exchange rates on costs and results; (k) the outcome of contingencies, including legal proceedings, government or regulatory investigations, and environmental remediation; and (l) the other risk factors discussed in Arconic’s Form 10-K for the year ended December 31, 2015, and other reports filed with the U.S. Securities and Exchange Commission (SEC). Arconic disclaims any obligation to update publicly any forward-looking statements, whether in response to new information, future events or otherwise, except as required by applicable law. Market projections are subject to the risks discussed above and other risks in the market.

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 a reconciliation of any forward-looking non-GAAP financial measures to the most directly comparable GAAP financial measures because Arconic is unable to quantify certain amounts that would be required to be included in the GAAP measure without unreasonable efforts, and Arconic believes such reconciliations would imply a degree of precision that would be confusing or misleading to investors. In particular, reconciliations of forward-looking non-GAAP financial measures such as adjusted EBITDA, adjusted EBITDA margin, Return on Net Assets, adjusted net income, and Free Cash Flow to the most directly comparable GAAP measures are not available without unreasonable efforts due to the variability and complexity with respect to the charges and other components excluded from these 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.

Any reference to historical EBITDA means adjusted EBITDA, for which we have provided calculations and reconciliations in the Appendix.

Background and Other Information

On November 1, 2016, Alcoa Inc. separated into two standalone companies – Arconic Inc. (the new name for Alcoa Inc.) and Alcoa Corporation.

The pre-separation historical results for the businesses that now comprise Alcoa Corporation – the former Alcoa Inc. Alumina and Primary Metals segments along with the rolling mill operations in Warrick, Indiana and Saudi Arabia, which were previously part of the Global Rolled Products (GRP) segment – are presented as discontinued operations in Arconic's financial results for all periods.

References in this presentation to "combined segments" reflect the combined performance of Arconic's three segments – Engineered Products and Solutions (EPS), GRP (which does not include the Warrick, IN and Saudi Arabia rolling mill operations, as noted above), and Transportation and Construction Solutions (TCS).

Tennessee Packaging (or "Tenn pkg") ramp down – Arconic expects to fully exit the North America packaging business at its Tennessee operations following the expiration of the toll processing and services agreement with Alcoa Corporation on December 31, 2018, unless sooner terminated by the parties.

Highlights – 4Q ’16 and FY 2016

Overview 4Q 2016 and Full-Year 2016

- Revenues roughly flat
- Combined segment EBITDA *(4Q 2016 +7% and 2016 +9%)*
- Margin expansion in every segment *(4Q 2016 +150 bps and 2016 +140 bps)*
- Strong net savings of 2.5% of revenues *(gross $710M; net savings $310M)*[1]
- Balance sheet strengthened *($0.75B debt redemption; $1.9B year end cash)*

Focused on margin and RONA improvement

1) Pre-tax

See Appendix for Reconciliations

Focused on Driving Margin Improvements across All Segments

Arconic Segments – 2016 Financial Highlights, 2017 Outlook, and 3-5 Year Earnings Potential

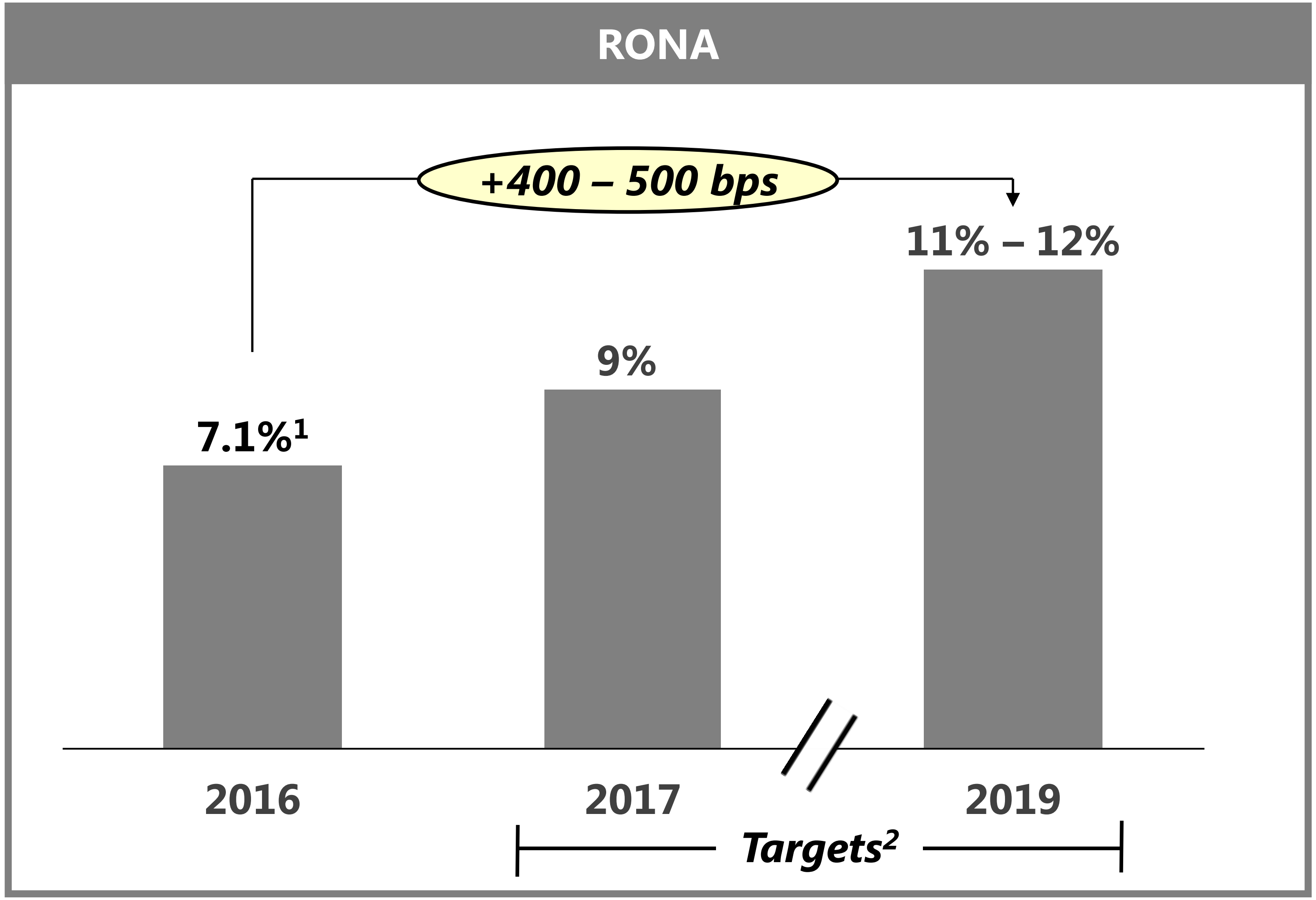
	2016[1] Revenues	2016[1] EBITDA %	2017 Revenues	2017 EBITDA %	Earnings Potential 3 – 5 Years
EPS	$5.7B	***20.9%***	Up low single digit	**+30 – 60 bps**	***~+400 bps***
GRP	$4.9B	***11.9%***	Down high single digit	**+30 – 80 bps**	***~+200 bps***
TCS	$1.8B	***16.1%***	Up low single digit	**+ 0 – 20 bps**	***~+250 bps***

1) 2016 ATOI: EPS = $642M; GRP = $269M; TCS = $176M

See Appendix for Reconciliations

400-500 Basis Point Improvement in RONA through 2019

Return on Net Assets (RONA): 2016 Actual, and 2017 + 2019 Targets



Actions

- Margin Expansion
- Working Capital Improvement
- Strict CapEx management
- Overhead reduction

1) Based on 2016 net loss attributable to Arconic of $0.9B; result is $505M as adjusted for special items and discontinued operations
2) Potential future benefit from retained interest monetization not included

See Appendix for Reconciliations

Fourth Quarter 2016 Earnings Call

Ken Giacobbe – Chief Financial Officer

January 31, 2017

ARCONIC
Innovation, engineered.

Financial Overview

4Q 2016 and 2016 Financials

Arconic Financials	4Q 2016	2016
Revenue	$3.0B: ~flat YoY	$12.4B: ~flat YoY
- excl. Tennessee packaging[1]	*+ 4% YoY*	*+ 2% YoY*
Combined Segment EBITDA %	15.5%	16.6%
EBITDA %, excl. separation costs	12.1%	13.7%
Net Loss attributable to Arconic	($1.2B)	($0.9B)
Adj. Income from Cont. Ops excl. Special Items	$71M	$505M
RONA %[2]	4.0%	7.1%
Gross Debt	$8.1B	$8.1B
Cash	$1.9B	$1.9B
Free Cash Flow[3]	$354M[4]	-$252M[4]

1) Excluding unfavorable impact of Tennessee packaging (Tenn pkg) ramp down in 4Q16 (-$145M) and 2016 (-$251M)
2) 4Q 2016 is Annualized; Both 4Q 2016 and 2016 adjusted for special items
3) Free Cash Flow = Cash from Operations – CapEx
4) Free Cash Flow includes both Continuing and Discontinued Operations

See Appendix for Reconciliations

Income Statement

4Q 2016 and Full-Year 2016 Income Statement

Arconic Income Statement

$M, except per-share amounts	4Q 2016	2016
Revenue	**$2,967**	**$12,394**
Selling, General Administrative, Other (SG&A) % of Sales	**9.1%[1]**	**7.6%[1]**
EBITDA	**$284**	**$1,509**
EBITDA excluding Separation Costs[1]	**$360**	**$1,702**
Income (Loss) from Continuing Operations	**($1,281)**	**($1,052)**
Income (loss) from Continuing Operations per Diluted Share	**($2.95)**	**($2.56)**
Special Items	**($1,352)**	**($1,557)**
Adj. Income (Loss) from Cont. Ops excl. Special Items	**$71**	**$505**
Adj. Income (Loss) from Cont. Ops per Diluted Share excl. Special Items[2]	**$0.12**	**$0.98**

1) 4Q16 and 2016 separation costs of $76M and $193M, respectively; SG&A (total spend / % of sales) excluding separation costs: 4Q16 = $193M / 6.5%, 2016 = $754 / 6.1%
2) 4Q16 and 2016 share counts of 444 million and 453 million, respectively

See Appendix for Reconciliations

ARCONIC

Positive FCF in 4Q 2016 as we end 2016 with $1.9B in Cash

4Q 2016 and 2016 Free Cash Flow including both Continuing and Discontinued Operations

($M)	4Q 2016	2016
Net (Loss) Income	(1,243)	(868)
Cash from Operations	665	873
Cash used for Financing Activities	(407)	(757)
Cash used for Investing Activities	(244)	(165)
Free Cash Flow	354	(252)
Cash on Hand	1,863	1,863
Cash Flow Conversion[1]	499%	n/a

4Q 2016 Highlights

- Debt Redemption of $750M in Dec '16
- Gross Debt of $8.1B
- Year End Cash of $1.9B

1) Calculated as Free Cash Flow / Adjusted Income from Continuing Operations excl. Special Items

See Appendix for Reconciliations

ARCONIC

EPS: 4Q Margin Expansion of 150 basis points driven by Net Savings[1]

Engineered Products and Solutions 4Q 2016 and 2016 Results

4Q 2016

	Actual	YoY change
Revenue ($B)	$1.4	0%
EBITDA ($M)	$265	+9%
EBITDA %	18.8%	+150 bps
ATOI ($M)	$138	+12%

2016

	Actual	YoY change
Revenue ($B)	$5.7	+7%
EBITDA ($M)	$1,195	+8%
EBITDA %	20.9%	+10 bps
ATOI ($M)	$642	+8%

4Q 2016

- Revenue: Commercial Aero Engine up 5%, IGT[2] up 27%, offset by Airframe destocking -6%
- EBITDA %: +150 basis points driven by Net Savings[1] of 3.2% partially offset by pricing and engine ramp up costs

2016

- Revenue: Commercial Aero Engine up 3%, Commercial Aero Airframe up 8%, IGT[2] up 34%
- EBITDA %: +10 basis points driven by Net Savings[1] of 2.2% partially offset by pricing and engine ramp up costs

ARCONIC

1) Productivity less Cost increases as % of Revenue 2) IGT= Industrial Gas Turbines
See Appendix for Reconciliations

GRP: 4Q Margin Expansion of 100 basis points driven by Net Savings[1]

Global Rolled Products 4Q 2016 and 2016 Results

4Q 2016

	Actual	YoY change
Revenue ($B)	$1.1	-9%
- excl. Tenn pkg[2]	-	*+4%*
EBITDA ($M)	$116	0%
EBITDA %	10.8%	+100 bps
ATOI ($M)	$45	-8%

2016

	Actual	YoY change
Revenue ($B)	$4.9	-7%
- excl. Tenn pkg[2]	-	*-3%*
EBITDA ($M)	$577	+13%
EBITDA %	11.9%	+220 bps
ATOI ($M)	$269	+20%

4Q 2016

- Revenue: Record Auto Sheet shipments +56% offset by Airframe destocking, NA[4] Heavy Duty Truck, Tenn pkg
- EBITDA %: +100 basis points driven by Net Savings[1] of 1.5% and favorable price/mix

2016

- Revenue: Record Auto revenue up 31%[3] more than offset by metal prices and Tennessee packaging
- EBITDA %: +220 basis points driven by Net Savings[1] of 2.8% partially offset by unfavorable price/mix

ARCONIC

1) Productivity less Cost increases as % of Revenue 2) Excluding unfavorable impact of Tennessee packaging (Tenn pkg) ramp down in 4Q16 (-$145M) and 2016 (-$251M) 3) Does not include brazing sheet 4) NA = North American *See Appendix for Reconciliations*

TCS: 4Q Margin Expansion of 180 basis points driven by Net Savings[1]

Transportation and Construction Solutions 4Q 2016 and 2016 Results

4Q 2016

	Actual	YoY change
Revenue ($B)	$0.5	+3%
EBITDA ($M)	$75	+15%
EBITDA %	16.4%	+180 bps
ATOI ($M)	$44	+10%

2016

	Actual	YoY change
Revenue ($B)	$1.8	-4%
EBITDA ($M)	$291	+7%
EBITDA %	16.1%	+170 bps
ATOI ($M)	$176	+6%

4Q 2016

- Revenue: Strong non-residential construction partially offset by decline in NA[2] heavy duty truck market
- EBITDA %: +180 basis points driven by Net Savings[1] of 2.6% partially offset by pricing in NA[2] heavy duty truck

2016

- Revenue: Drop in NA[2] heavy duty truck builds (-29%) & Brazil partially offset by non-residential construction
- EBITDA %: +170 basis points driven by Net Savings[1] of 2.8% partially offset by pricing in NA[2] heavy duty truck

ARCONIC

1) Productivity less Cost increases as % of Revenue 2) NA = North American

See Appendix for Reconciliations

2017 and 1Q 2017 Outlook

Full Year 2017 and 1Q 2017 Outlook

Arconic 2017[1]	Arconic 1Q 2017[1]
Revenue[2] $11.8B - $12.4B	**Revenue** $2.8B - $3.0B
EBITDA %[3] ~15%	**EBITDA[3]** $420M - $450M
Free Cash Flow $350M+	**Share Count** 460M
Leverage $1B of debt reduction	
RONA[3] ~9%	
Adjusted EPS[3] (share count of 470M) $1.10 - $1.20	

Excludes any impact from potential future monetization of ~$1.3B[4] stake in Alcoa Corp

1) 2017 assumptions: LME cash = $1,650/MT, 1.00 EUR = 1.11 USD, 1.00 GBP = 1.31 USD
2) Tennessee Packaging revenue in 2016 = $552M, due to ramp down of this business 2017 = ~$150M
3) Excludes ~$20M of separation expenses from EBITDA in 1Q17; ~$100M from early bond redemption in 2017
4) As of 1/26/2017

Executing According to Our Capital Allocation Priorities

Capital Allocation Priorities: 2017 Plan

2017 Plan

Maintain / Grow the Business

- CapEx capped at **$650M**

Further Strengthen Our Financial Position

- **$1B of debt reduction** in 1H 2017
- Reduce working capital by 3-7 days[2]

Return Cash to Shareholders

- **Quarterly dividend** of $0.06 per share
- **Opportunistic share repurchases** based on relative return assessment

Excludes any impact from potential future monetization of ~$1.3B[1] stake in Alcoa Corp

To be used for debt pay-down and/or share repurchases

1) As of 1/26/2017 2) Vs. 4Q 2016 QTD DWC of 49. See appendix for Days Working Capital reconciliation.

2016 Results; Confirming 2017 and 2019 Targets

Arconic 2016 and Targets/Outlook

Arconic Financials: 2016 and Targets/Outlook

	2016	2017[6]	2019[7]
Revenue	$12.4B	$11.8B - $12.4B[1]	7% - 8% CAGR[3]
Combined Segment EBITDA %	16.6%	~17%	~19%
EBITDA %, excl. separation costs	13.7%	~15%	~17%
RONA %[2]	7.1%	~9%	11% - 12%
Gross Debt	$8.1B	$7.1B	Net Debt / EBITDA[4]: 2.0x- 2.5x
Cash	$1.9B	$1.2B	
AA Stake	19.9% Stake = ~$1.3B *(as of 1/26/2017)*		
Free Cash Flow[5]	-$252M[8]	$350M+	~$700M

1) Tennessee Packaging revenue in 2016 = $552M, due to ramp down of this business 2017 = ~$150M 2) Adjusted for special items 3) Compounded annual growth rate from Year End 2017 to Year End 2019 4) Excludes any impact from potential future monetization of stake in Alcoa Corp 5) Free Cash Flow = Cash from Operations – CapEx 6) 2017 assumptions: LME cash = $1,650/MT, 1.00 EUR = 1.11 USD, 1.00 GBP = 1.31 USD 7) 2019 assumptions: LME cash = $1,750/MT, 1.00 EUR = 1.11 USD, 1.00 GBP = 1.31 USD 8) Free Cash Flow including both Continuing and Discontinued Operations

See Appendix for Reconciliations

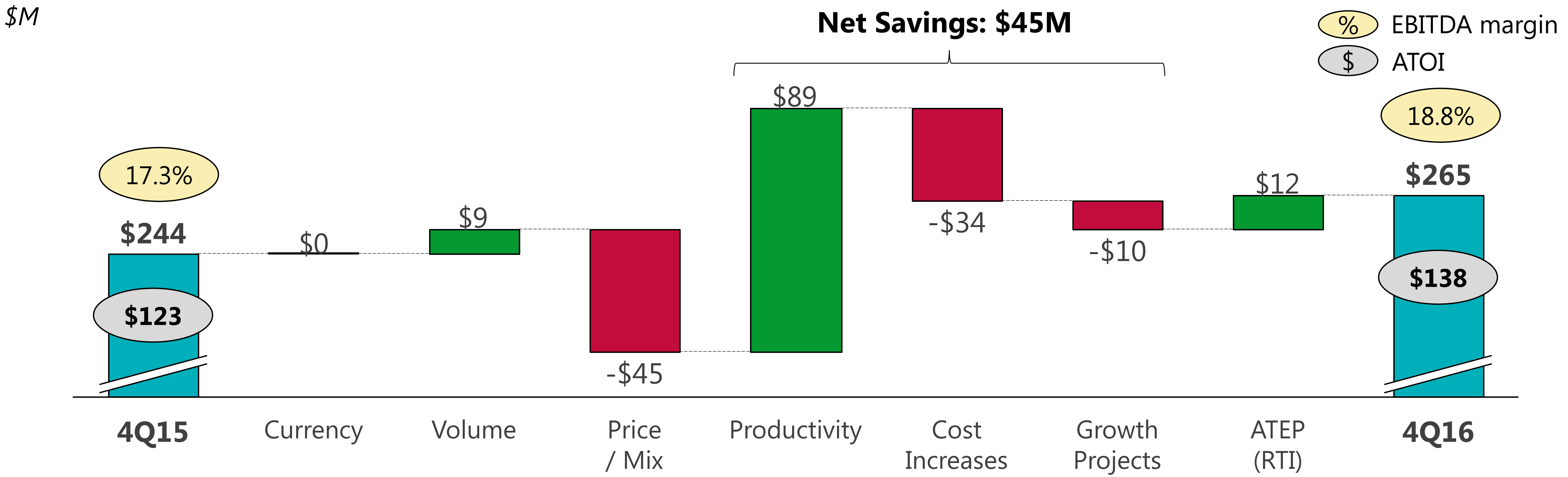
ARCONIC

Innovation, engineered.

EPS: 4Q Margin +150 bps, Aero Engines +5%, Airframe -6%, Net Savings 3.2%[1]

EPS 4Q 2016 Results

EBITDA Bridge: 4Q 2016



+ Strong productivity
+ Net savings 3.2%[1] of revenue
+ Aero Engines revenue up 5%, IGT[2] up 27%

- Airframe destocking, volume down 6%
- Competitive pricing
- Aero engine ramp up cost

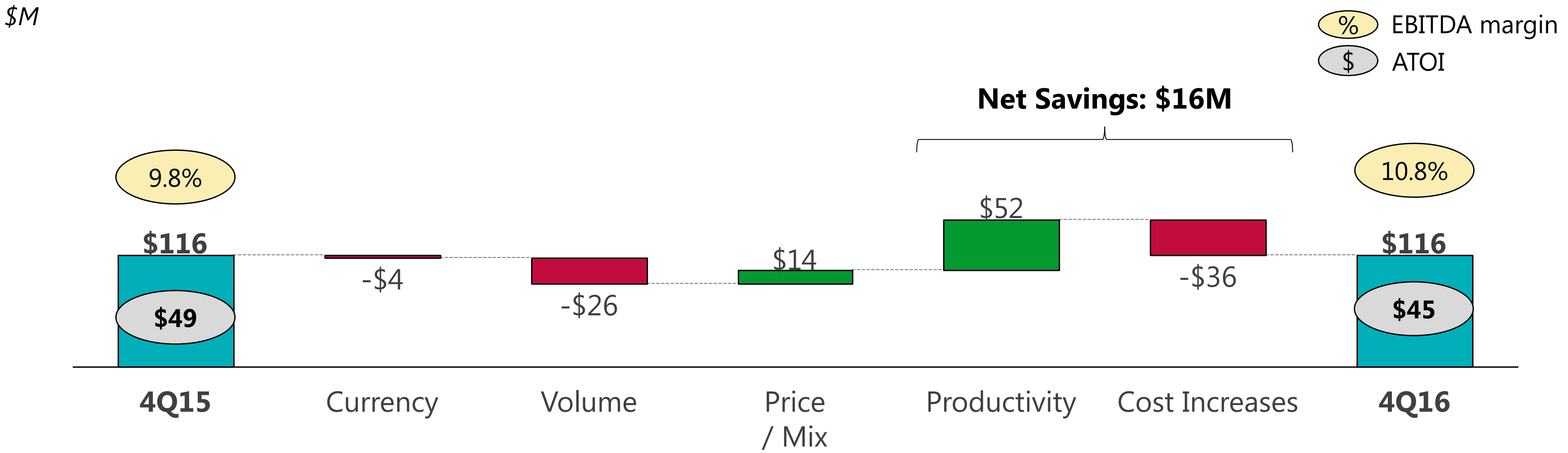
1) Productivity less Cost increases as % of Revenue 2) IGT= Industrial Gas Turbines

See Appendix for Reconciliations

GRP: 4Q Margin up 100 bps, Auto shipments up 56%, Airframe destocking

GRP 4Q 2016 Results

EBITDA Bridge: 4Q 2016



- \+ Strong productivity
- \+ Net savings 1.5%[1] of revenue
- \+ Record Auto Sheet shipments up 56%

- \- Airframes inventory destocking, lower wide body build rates
- \- Ramp down of Tennessee Packaging
- \- Decline in NA[2] heavy duty truck build rates

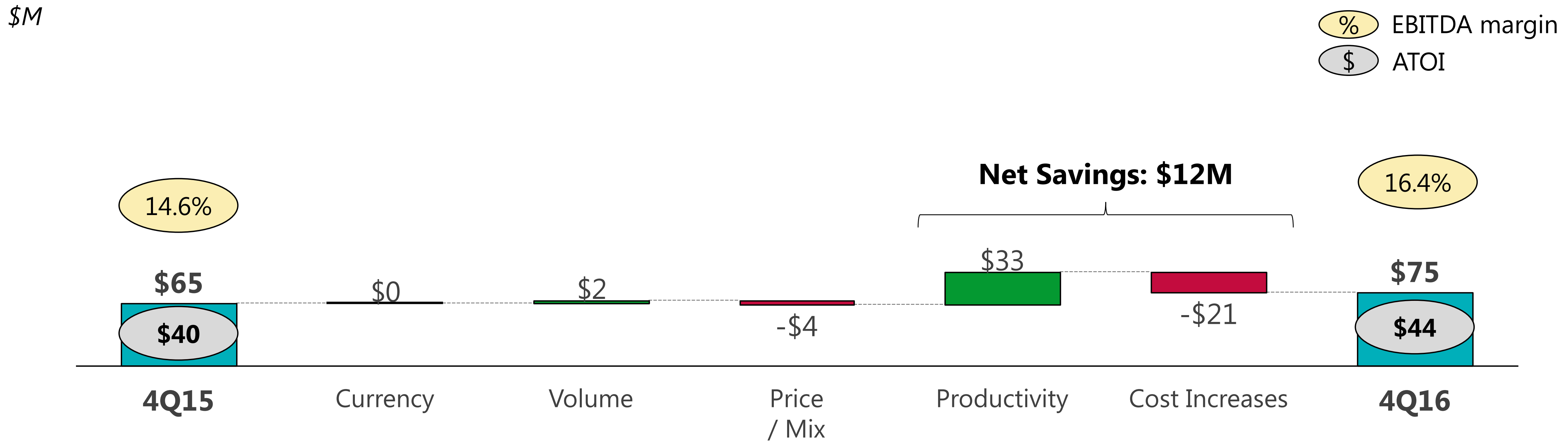
1) Productivity less Cost increases as % of Revenue 2) NA = North American
See Appendix for Reconciliations

ARCONIC

TCS: 4Q Margin +180 bps, Construction up, NA[2] Heavy Duty Truck down, Net Savings +2.6%[1]

TCS 4Q 2016 Results

EBITDA Bridge: 4Q 2016



+ Strong productivity
+ Net savings[1] 2.6% of revenue
+ Strong Non Residential Construction

- Decline in NA[2] heavy duty truck build rates and pricing pressures
- Inflationary pressures on labor, services, and transportation costs

1) Productivity less Cost increases as % of Revenue 2) NA = North American
See Appendix for Reconciliations

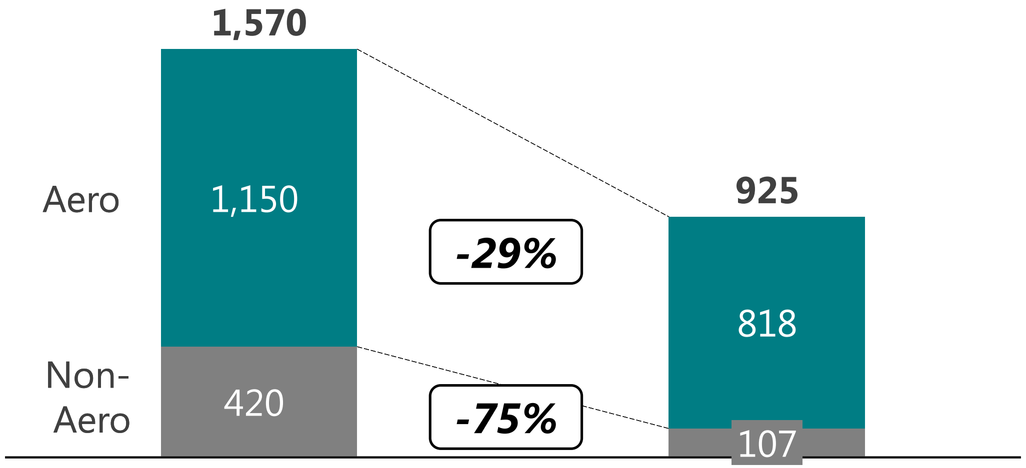
ARCONIC

Firth Rixson: Results and Outlook

Firth Rixson Performance

2016 Underperformance

Revenue ($M)



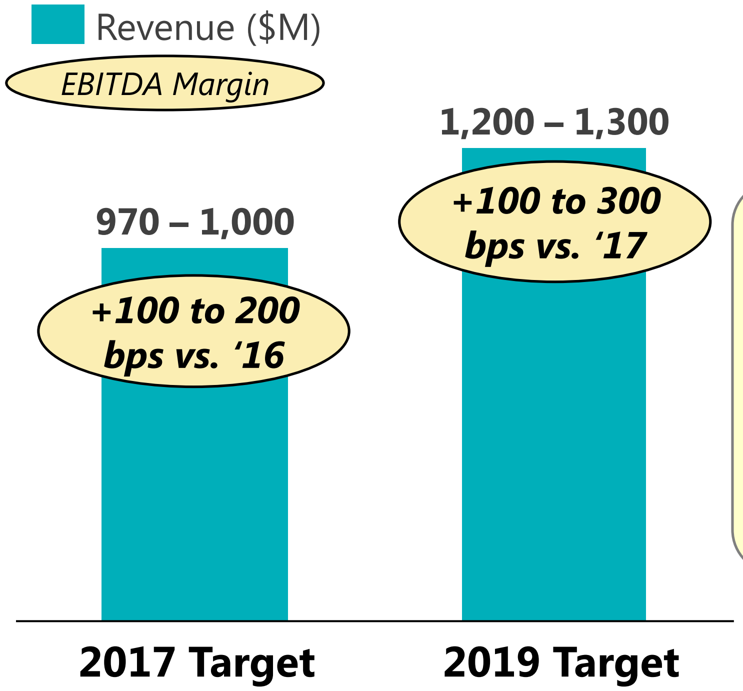
EBITDA $M

	2016 Target[1]		2016 Actual
Aero	280	-54%	129
Non-Aero	70	-90%	7
Total	**350**		**136**

2016 Target[1] **2016 Actual**

2017, 2019, and 3–5 Year Outlook

- Aero: Revenues and EBITDA approaching 2016 Targets
  - Revenues close to 3 years behind
  - EBITDA close to 4 years behind
- Non-aero: Revenues expected to remain depressed, no meaningful contribution to EBITDA



+600 bps incremental earnings potential vs. 2016 over 3 - 5 years

ARCONIC

1) Initial target at time of acquisition

Income Statement and Special Items

4Q 2016 and 2016 Income Statement and Special Items Overview

Income Statement

$M	4Q 2016	2016
Revenue	**$2,967**	**$12,394**
Cost of Goods Sold	$2,375	$9,806
Cost of Goods Sold % of Sales	80.0%	79.1%
Selling, General Administrative, Other[1]	$269	$947
Selling, General Administrative, Other % of Sales[1]	9.1%	7.6%
Other Income, Net	($54)	($93)
Restructuring and Other Charges	$122	$155
Effective Tax Rate	-2,747%	355%
Operational Tax Rate	35.2%	27.7%
EBITDA	**$284**	**$1,509**
EBITDA excluding Separation Costs	**$360**	**$1,702**
Income (Loss) from Continuing Operations after income taxes	($1,281)	($1,052)
Net Income (Loss) attributable to Arconic	**($1,248)**	**($931)**
Net Income (Loss) attributable to Arconic per Diluted Share	**($2.88)**	**($2.28)**
Adj. Income (Loss) from Cont. Ops excl. Special Items	**$71**	**$505**
Adj. Income (Loss) from Cont. Ops per Diluted Share excl. Special Items[2]	**$0.12**	**$0.98**

Special Items

$ Millions, except per-share amounts	4Q 2016
Income (loss) from Continuing Operations	**($1,281)**
Income (loss) from Continuing Operations per Diluted Share	**($2.95)**
Restructuring Related	($92)
Firth Rixson Earnout	$56
Separation Costs	($72)
Discrete Tax Items	($1,244)
Special Items	**($1,352)**
Adjusted Income (loss) from Cont. Ops excl. Special Items	**$71**
Adjusted Income (loss) from Cont. Ops per Diluted Share excl. Special Items	**$0.12**

ARCONIC

1) 4Q16 and 2016 separation costs of $76M and $193M, respectively; SG&A (total spend / % of sales) excluding separation costs: 4Q16 = $193M / 6.5%, 2016 = $754 / 6.1% 2) 4Q16 and 2016 share counts of 444 million and 453 million, respectively

See Appendix for Reconciliations

Capital Structure: $6.2B in Net Debt

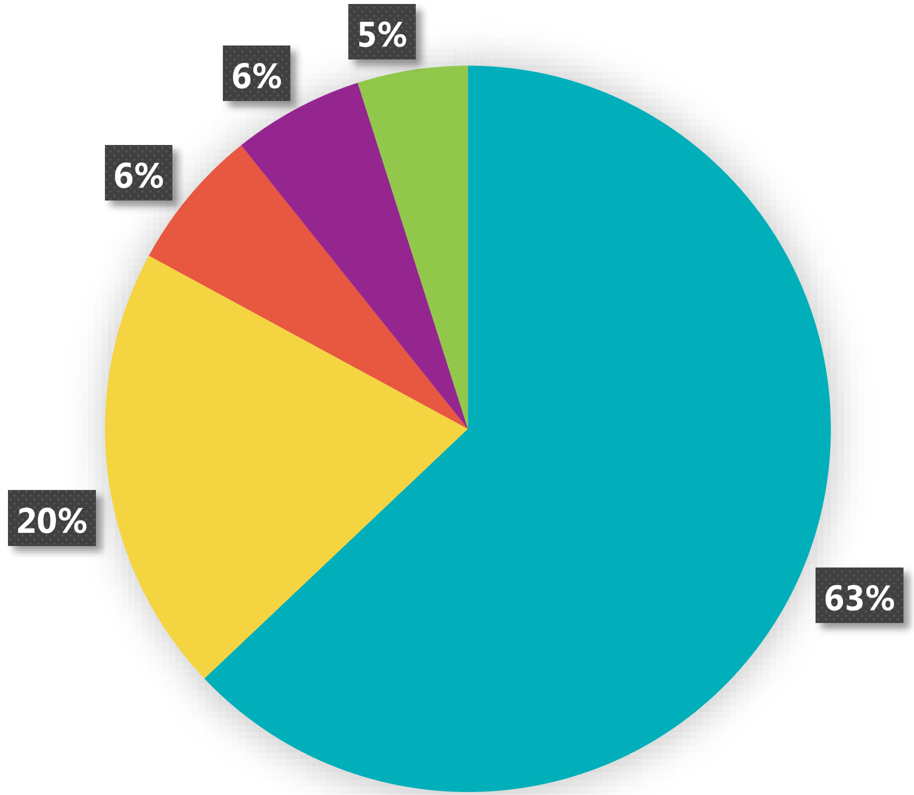
Capital Structure: Excludes any impact from potential future monetization of stake in Alcoa Corp

Capitalization at December 31, 2016	
($B)	**Amount**
Cash	$1.9
Excludes 19.9% Retained Interest in Alcoa Corporation	*~$1.3 (as of 1/26/2017)*
Bonds	$7.85
Other debt	$0.25
Total Debt	**$8.1**
Net Debt (excluding retained interest)	**$6.2**

ARCONIC

Geographic Breakdown of 2016 Revenue

2016 Revenue by Region



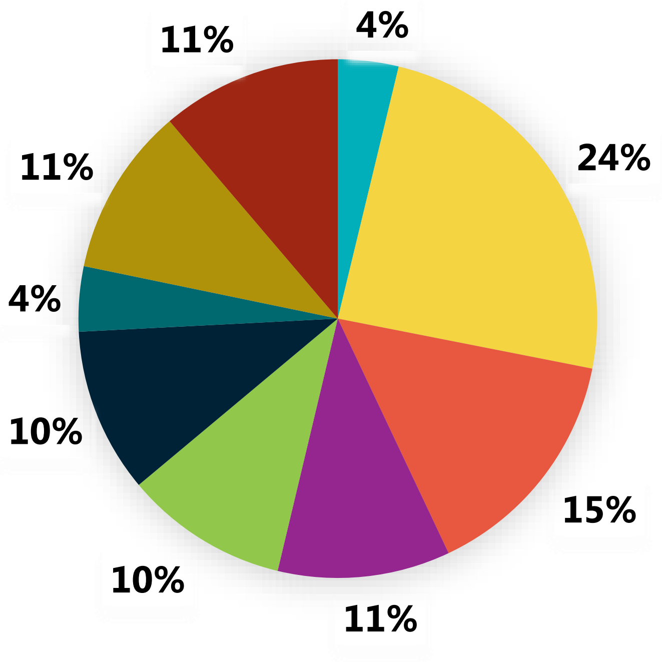
	Year-over-Year Change
United States	(4%)
Continental Europe	5%
Asia	4%
United Kingdom	2%
Other	5%

ARCONIC

Note: 2016 Revenue by Geography excludes Discontinued Operations

End Market Breakdown of 2016 Revenue

2016 Third Party Revenue[1]



	Year-over-Year Change
Aerospace - Defense	20%
Aerospace - Commercial Airframe	3%
Aerospace - Commercial Engine	3%
Automotive[2]	15%
Building & Construction	4%
Commercial Transportation	(16%)
IGT	34%
Packaging	(14%)
Industrial & Other	(13%)

ARCONIC

1) 2016 Third Party Revenue by Market excludes Discontinued Operations
2) Includes brazing and automotive sheet

Arconic Revenue and EBITDA Sensitivities

2017 Arconic Run Rate Revenue and EBITDA Sensitivities

	Benchmark moves			Impact to	
	From		To	Revenue	EBITDA
LME	$1,650/MT	+ $100/MT	$1,750/MT	~$115M	~($10M)
EUR	1.00 EUR = 1.11 USD	- 0.10 USD/EUR	1.00 EUR = 1.01 USD	~($110M)	~($20M)
GBP	1.00 GBP = 1.31 USD	- 0.10 USD/GBP	1.00 GBP = 1.21 USD	~($25M)	~$10M

ARCONIC

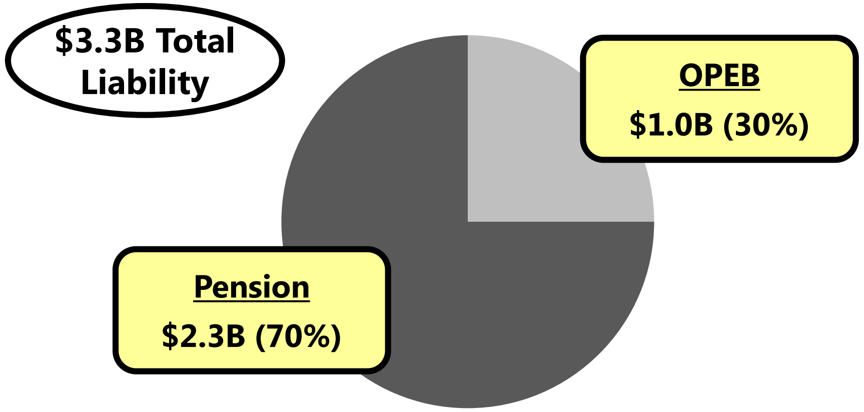
1) Due to pass-through pricing lags, LME revenue sensitivity is most effective on a run rate basis;
LME one month lag can be used to estimate shorter term pricing impacts

Pension and OPEB Obligations

Pension and OPEB Overview

Obligations

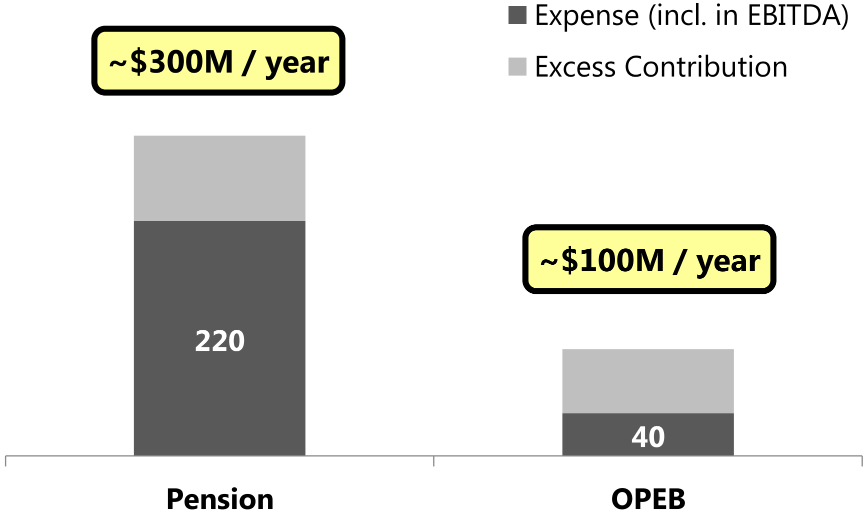
Unfunded pension and OPEB liability



- **Unfunded pension and OPEB liability of $3.3B at 12/31/16**
- **2016 Pension asset returns: ~1%**
- **Pension plan funded status:**
  - US ERISA: ~85% - 90%
  - Worldwide GAAP: ~65% - 70%
- **25 bps discount rate net sensitivity:**
  - Pension / OPEB liability: $220M

Contributions Largely Reflected in EBITDA

2017 contributions



- **Significant portion of annual pension and OPEB contributions are reflected in EBITDA**
  - Pension: ~73%
  - OPEB: ~40%

Reconciliation of ATOI to Consolidated Net Income (Loss) Attributable to Arconic[1]

(in millions)	1Q15	2Q15	3Q15	4Q15	2015	1Q16	2Q16	3Q16	4Q16	2016
Total segment ATOI[2]	$243	$280	$251	$212	$986	$275	$307	$278	$227	$1,087
Unallocated amounts (net of tax):										
Impact of LIFO	(11)	27	32	18	66	(8)	(8)	(1)	6	(11)
Metal price lag	(19)	(34)	(41)	(21)	(115)	-	5	4	12	21
Interest expense	(75)	(77)	(76)	(79)	(307)	(79)	(81)	(82)	(82)	(324)
Noncontrolling interests	-	-	(1)	-	(1)	-	-	-	-	-
Corporate expense	(58)	(61)	(69)	(64)	(252)	(52)	(77)	(76)	(101)	(306)
Impairment of goodwill	-	-	-	(25)	(25)	-	-	-	-	-
Restructuring and other charges	(138)	(6)	(15)	(33)	(192)	(11)	(9)	(3)	(91)	(114)
Discontinued operations[3]	303	24	16	(508)	(165)	(94)	82	100	33	121
Other	(50)	(13)	(53)	(201)	(317)	(15)	(84)	(54)	(1,252)	(1,405)
Consolidated net income (loss) attributable to Arconic	$195	$140	$44	$(701)	$(322)	$16	$135	$166	$(1,248)	$(931)

(1) On November 1, 2016, Alcoa Inc. completed its separation into two standalone, publicly-traded companies. Arconic includes the former Alcoa Inc. segments: Engineered Products and Solutions, Transportation and Construction Solutions, and Global Rolled Products, except for the Warrick, IN rolling operations and the equity interest in the rolling mill at the joint venture in Saudi Arabia which both became part of Alcoa Corporation. The Global Rolled Products segment information has been updated to exclude the Warrick, IN rolling operations and the equity interest in the rolling mill at the joint venture in Saudi Arabia.

(2) Total segment ATOI is the summation of the respective ATOI of Arconic's three reportable segments.

(3) The reconciliation of total segment ATOI to consolidated net income (loss) attributable to Arconic has been updated for all periods presented to exclude the results of operations for Alcoa Corporation which have been reflected as discontinued operations for all periods presented.

Reconciliation of Adjusted Income

(in millions, except per-share amounts)	Income		Diluted EPS(6)	
	Quarter ended		Quarter ended	
	December 31, 2015	December 31, 2016	December 31, 2015	December 31, 2016
Net (loss) income attributable to Arconic	$(701)	$(1,248)	$(1.64)	$(2.88)
Discontinued operations(1)	508	(33)		
Special items(2):				
Restructuring and other charges	50	122		
Discrete tax items(3)	183	1,272		
Other special items(4)	5	2		
Tax impact(5)	(17)	(44)		
Noncontrolling interests impact(5)	-	-		
Net income attributable to Arconic – as adjusted	$28	$71	$0.03	$0.12

Net (loss) income attributable to Arconic – as adjusted 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 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 (loss) income attributable to Arconic determined under GAAP as well as Net income attributable to Arconic – as adjusted.

(1) On November 1, 2016, the former Alcoa Inc. was separated into two standalone, publicly-traded companies, Arconic and Alcoa Corporation, by means of a pro rata distribution of 80.1% of the outstanding common stock of Alcoa Corporation to Alcoa Inc. shareholders. Accordingly, the results of operations of Alcoa Corporation have been reflected as discontinued operations for all periods presented.

Reconciliation of Adjusted Income, continued

(2) In the second quarter of 2016, management changed the manner in which special items are presented in Arconic's reconciliation of Adjusted Income. This change resulted in special items being presented on a pretax basis and the related tax and noncontrolling interest's impacts on special items being aggregated into separate respective line items. The special items for the quarter ended December 31, 2015 was updated to conform to the current period presentation.

(3) Discrete tax items include the following:

- for the quarter ended December 31, 2015, a charge for valuation allowances related to certain deferred tax assets in the U.S. and Iceland ($190) and a net benefit for a number of small items ($7);
- for the quarter ended December 31, 2016, a charge for valuation allowances related to the November 1, 2016 separation (See Note 1 above) ($1,267), a net charge for the remeasurement of certain deferred tax assets due to tax rate and tax law changes ($51), a net benefit for valuation allowances not associated with the separation ($29), and a net benefit for a number of small items ($17).

(4) Other special items include the following:

- for the quarter ended December 31, 2015, a favorable tax impact related to the interim period treatment of operational losses in certain jurisdictions for which no tax benefit was recognized ($69), an unfavorable tax impact resulting from the difference between Arconic's consolidated estimated annual effective tax rate and the statutory rates applicable to special items ($37), an impairment of goodwill related to the soft alloy extrusions business in Brazil ($25), and costs associated with the separation of Alcoa ($12);
- for the quarter ended December 31, 2016, costs associated with the planned separation of Alcoa ($87), a favorable adjustment to the contingent earn-out liability related to the November 2014 acquisition of Firth Rixson ($56), a favorable tax benefit related to the currency impacts of a distribution of previously taxed income ($49), an unfavorable tax impact related to the interim period treatment of operational losses in certain foreign jurisdictions for which no tax benefit was recognized ($37), and a favorable tax impact resulting from the difference between Arconic's consolidated estimated annual effective tax rate and the statutory rates applicable to special items ($17).

(5) The tax impact on special items is based on the applicable statutory rates whereby the difference between such rates and Alcoa's consolidated estimated annual effective tax rate is itself a special item (see footnote 2 above). The noncontrolling interests impact on special items represents Arconic's partners' share of certain special items.

(6) At a special meeting of Arconic common shareholders held on October 5, 2016, shareholders approved a 1-for-3 reverse stock split of Arconic's outstanding and authorized shares of common stock which became effective on October 6, 2016. All share and per share data for all periods presented have been updated to reflect the reverse stock split.

The average number of shares applicable to diluted EPS for Net (loss) income attributable to Arconic common shareholders excludes certain share equivalents as their effect was anti-dilutive. However, certain of these share equivalents may become dilutive in the EPS calculation applicable to Net income attributable to Arconic common shareholders – as adjusted due to a larger and/or positive numerator. Specifically:

- for the quarter ended December 31, 2015, share equivalents associated with outstanding employee stock options and awards were dilutive based upon Net income attributable to Arconic common shareholders – as adjusted, resulting in a diluted average number of shares of 441,459,378;
- for the quarter ended December 31, 2016, share equivalents associated with outstanding employee stock options and awards were dilutive based on Net income attributable to Arconic common shareholders – as adjusted, resulting in a diluted average number of shares of 443,779,820.

Reconciliation of Adjusted Income

(in millions, except per-share amounts)	Income		Diluted EPS[6]	
	Year ended		Year ended	
	December 31, 2015	December 31, 2016	December 31, 2015	December 31, 2016
Net loss attributable to Arconic	$(322)	$(931)	$(0.93)	$(2.28)
Discontinued operations[1]	165	(121)		
Special items[2]:				
Restructuring and other charges	214	155		
Discrete tax items[3]	216	1,280		
Other special items[4]	39	196		
Tax impact[5]	(14)	(74)		
Noncontrolling interests impact[5]	-	-		
Net income attributable to Arconic – as adjusted	$298	$505	$0.54	$0.98

Net loss attributable to Arconic – as adjusted 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 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 loss attributable to Arconic determined under GAAP as well as Net income attributable to Arconic – as adjusted.

(1) On November 1, 2016, the former Alcoa Inc. was separated into two standalone, publicly-traded companies, Arconic and Alcoa Corporation, by means of a pro rata distribution of 80.1 percent of the outstanding common stock of Alcoa Corporation to Alcoa Inc. shareholders. Accordingly, the results of operations of Alcoa Corporation have been reflected as discontinued operations for all periods presented.

Reconciliation of Adjusted Income, continued

(2) In the second quarter of 2016, management changed the manner in which special items are presented in Arconic's reconciliation of Adjusted Income. This change resulted in special items being presented on a pretax basis and the related tax and noncontrolling interest's impacts on special items being aggregated into separate respective line items. The special items for the year ended December 31, 2015 was updated to conform to the current period presentation.

(3) Discrete tax items include the following:

- for the year ended December 31, 2015, a charge for valuation allowances related to certain deferred tax assets in the U.S. and Iceland ($190), a net charge for other valuation allowances and for a number of small items ($26); and
- for the year ended December 31, 2016, a charge for valuation allowances related to the November 1, 2016 separation (see Note 1 above)($1,267), a net charge for the remeasurement of certain deferred tax assets due to tax rate and tax law changes ($51), a net benefit for certain valuation allowances not associated with the separation ($18), and a net benefit for a number of small items ($20).

(4) Other special items include the following:

- for the year ended December 31, 2015, costs associated with the acquisitions of RTI International Metals and Tital ($28), an impairment of goodwill related to the soft alloy extrusions business in Brazil ($25) costs associated with the planned separation of Alcoa ($24), a gain on the sale of land ($19), and a gain on the sale of an equity investment in a China rolling mill ($19); and
- for the year ended December 31, 2016, costs associated with the planned separation of Alcoa ($205), unfavorable tax costs associated with the redemption of Company-owned life insurance policies ($100), a favorable adjustment to the contingent earn-out liability and a post-closing adjustment which both related to the November 2014 acquisition of Firth Rixson ($76), a favorable tax benefit related to the currency impacts of a distribution of previously taxed income ($49), and unfavorable tax costs associated with the sale of a U.S. subsidiary with book goodwill ($16).

(5) 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 (see footnote 2 above). The noncontrolling interests impact on special items represents Arconic's partners' share of certain special items.

(6) At a special meeting of Arconic common shareholders held on October 5, 2016, shareholders approved a 1-for-3 reverse stock split of Arconic's outstanding and authorized shares of common stock which became effective on October 6, 2016. All share and per share data for all periods presented have been updated to reflect the reverse stock split.

The average number of shares applicable to diluted EPS for Net income attributable to Arconic common shareholders excludes certain share equivalents as their effect was anti-dilutive. However, certain of these share equivalents may become dilutive in the EPS calculation applicable to Net income attributable to Arconic common shareholders – as adjusted due to a larger and/or positive numerator. Specifically:

- for the year ended December 31, 2015, share equivalents associated with employee stock options and awards were dilutive based on Net income attributable to Arconic common shareholders – as adjusted, resulting in a diluted average number of shares of 424,628,747; and
- for the year ended December 31, 2016, share equivalents associated with both outstanding employee stock options and awards and convertible notes related to the acquisition of RTI International Metals were dilutive based on Net income attributable to Arconic common shareholders-as adjusted, resulting in a diluted average number of shares of 453,118,372 (after-tax interest expense of $9 needs to be added back to the numerator since the convertible notes were dilutive).

Reconciliation of Global Rolled Products Adjusted EBITDA (1)

($ in millions, except per metric ton amounts)	2008	2009	2010	2011	2012	2013	2014	2015	2016	4Q15	3Q16	4Q16
After-tax operating income (ATOI)	$(15)	$(108)	$192	$222	$302	$241	$224	$225	$269	$49	$69	$45
Add:												
Depreciation and amortization	190	201	212	212	205	202	211	203	201	52	52	49
Income taxes	50	21	80	83	137	95	67	85	107	15	22	22
Other	4	(2)	2	1	(3)	–	(1)	(1)	–	–	–	–
Adjusted EBITDA	$229	$112	$486	$518	$641	$538	$501	$512	$577	$116	$143	$116
Total shipments (thousand metric tons) (kmt)	2,029	1,584	1,481	1,606	1,675	1,715	1,788	1,570	1,587	379	422	353
Adjusted EBITDA / Total shipments ($ per metric ton)	$113	$71	$328	$322	$383	$314	$280	$326	$364	$306	$339	$329
Third party sales	$7,659	$4,978	$5,404	$6,602	$6,335	$6,065	$6,344	$5,253	$4,864	$1,184	$1,285	$1,079
EBITDA Margin	3.0%	2.2%	9.0%	7.8%	10.1%	8.9%	7.9%	9.7%	11.9%	9.8%	11.1%	10.8%

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. The Other line in the table above includes gains/losses on asset sales and other non-operating items. Adjusted EBITDA is a non-GAAP financial measure. Management believes that this measure is meaningful to investors because Adjusted EBITDA 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.

(1) Excludes the Warrick, IN rolling operations and the equity interest in the rolling mill at the joint venture in Saudi Arabia, both of which were previously part of the Global Rolled Products segment but became part of Alcoa Corporation effective November 1, 2016

Reconciliation of Engineered Products and Solutions Adjusted EBITDA

($ in millions)	2008	2009	2010	2011	2012	2013	2014	2015	2016	4Q15	3Q16	4Q16
After-tax operating income (ATOI)	$465	$321	$355	$436	$484	$569	$579	$595	$642	$123	$162	$138
Add:												
Depreciation and amortization	118	118	114	120	122	124	137	233	255	67	63	65
Income taxes	225	159	182	224	248	286	298	282	298	54	71	62
Other	2	2	–	–	–	–	–	–	–	–	–	–
Adjusted EBITDA	$810	$600	$651	$780	$854	$979	$1,014	$1,110	$1,195	$244	$296	$265
Third-party sales	$4,215	$3,355	$3,225	$3,716	$3,863	$4,054	$4,217	$5,342	$5,728	$1,409	$1,406	$1,408
Adjusted EBITDA Margin	19.2%	17.9%	20.2%	21.0%	22.1%	24.1%	24.0%	20.8%	20.9%	17.3%	21.1%	18.8%

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. The Other line in the table above includes gains/losses on asset sales and other non-operating items. Adjusted EBITDA is a non-GAAP financial measure. Management believes that this measure is meaningful to investors because Adjusted EBITDA 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.

Reconciliation of Transportation & Construction Solutions Adjusted EBITDA

($ in millions)	2008	2009	2010	2011	2012	2013	2014	2015	2016	4Q15	3Q16	4Q16
After-tax operating income (ATOI)	$82	$5	$73	$109	$126	$167	$180	$166	$176	$40	$47	$44
Add:												
Depreciation and amortization	53	65	48	45	42	42	42	43	48	11	12	13
Equity loss (income)	–	(2)	(2)	(1)	–	–	–	–	–	–	–	–
Income taxes	–	(21)	18	38	49	67	69	63	67	14	17	18
Other	–	–	–	(1)	(9)	(2)	–	(1)	–	–	–	–
Adjusted EBITDA	$135	$47	$137	$190	$208	$274	$291	$271	$291	$65	$76	$75
Third-party sales	$2,270	$1,537	$1,656	$1,936	$1,914	$1,951	$2,021	$1,882	$1,802	$444	$450	$456
Adjusted EBITDA Margin	5.9%	3.1%	8.3%	9.8%	10.9%	14.0%	14.4%	14.4%	16.1%	14.6%	16.9%	16.4%

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. The Other line in the table above includes gains/losses on asset sales and other non-operating items. Adjusted EBITDA is a non-GAAP financial measure. Management believes that this measure is meaningful to investors because Adjusted EBITDA 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.

ARCONIC

Reconciliation of Arconic Combined Segment Adjusted EBITDA(1)

($ in millions)	2008	2009	2010	2011	2012	2013	2014	2015	2016	4Q15	3Q16	4Q16
After-tax operating income (ATOI)	$532	$218	$620	$767	$912	$977	$983	$986	$1,087	$212	$278	$227
Add:												
Depreciation and amortization	361	384	374	377	369	368	390	479	504	130	127	127
Equity (income) loss	–	(2)	(2)	(1)	–	–	–	–	–	–	–	–
Income taxes	275	159	280	345	434	448	434	430	472	83	110	102
Other	6	–	2	–	(12)	(2)	(1)	(2)	–	–	–	–
Adjusted EBITDA	$1,174	$759	$1,274	$1,488	$1,703	$1,791	$1,806	$1,893	$2,063	$425	$515	$456
Third-party sales	$14,144	$9,870	$10,285	$12,254	$12,112	$12,071	$12,582	$12,477	$12,394	$3,037	$3,141	$2,943
Adjusted EBITDA Margin	8.3%	7.7%	12.4%	12.1%	14.1%	14.8%	14.4%	15.2%	16.6%	14.0%	16.4%	15.5%

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. The Other line in the table above includes gains/losses on asset sales and other non-operating items. Adjusted EBITDA is a non-GAAP financial measure. Management believes that this measure is meaningful to investors because Adjusted EBITDA 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.

(1) Excludes the Warrick, IN rolling operations and the equity interest in the rolling mill at the joint venture in Saudi Arabia, both of which were previously part of the Global Rolled Products segment but became part of Alcoa Corporation effective November 1, 2016.

Reconciliation of Net Income (Loss) Attributable to Arconic[1] to Combined Segment Adjusted EBITDA

(in millions)	2015	2016	4Q15	4Q16
Net (loss) income attributable to Arconic	$(322)	$(931)	$(701)	$(1,248)
Discontinued operations[1]	165	(121)	508	(33)
Unallocated Amounts (net of tax):				
Impact of LIFO	(66)	11	(18)	(6)
Metal price lag	115	(21)	21	(12)
Interest expense	307	324	79	82
Noncontrolling interests	1	-	-	-
Corporate expense	252	306	64	101
Impairment of goodwill	25	-	25	-
Restructuring and other charges	192	114	33	91
Other[2]	317	1,405	201	1,252
Combined segment ATOI	$986	$1,087	$212	$227
Add combined segment:				
Depreciation and amortization	479	504	130	127
Income taxes	430	472	83	102
Other[3]	(2)	-	-	-
Combined segment Adjusted EBITDA	$1,893	$2,063	$425	$456

ARCONIC

Reconciliation of Net Income (Loss) Attributable to Arconic[1] to Combined Segment Adjusted EBITDA

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. The Other line in the table above includes gains/losses on asset sales and other non-operating items. Adjusted EBITDA is a non-GAAP financial measure. Management believes that this measure is meaningful to investors because Adjusted EBITDA 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.

(1) On November 1, 2016, Alcoa Inc. completed its separation into two standalone, publicly-traded companies. Arconic includes the former Alcoa Inc. segments: Engineered Products and Solutions, Transportation and Construction Solutions, and Global Rolled Products, except for the Warrick, IN rolling operations and the equity interest in the rolling mill at the joint venture in Saudi Arabia which both became part of Alcoa Corporation. The Global Rolled Products segment information has been updated to exclude the Warrick, IN rolling operations and the equity interest in the rolling mill at the joint venture in Saudi Arabia.

(2) Other, both for the quarter ended December 31, 2016 and for the year ended December 31, 2016, include a charge for valuation allowances related to the November 1, 2016 separation ($1,267) and a net charge for the remeasurement of certain deferred tax assets due to tax rate and tax law changes ($51).

Reconciliation of Arconic Adjusted EBITDA

($ in millions)	2013	2014	2015	2016	4Q15	4Q16
Net income (loss) attributable to Arconic	$(2,285)	$268	$(322)	$(931)	$(701)	$(1,248)
Discontinued operations [1]	2,222	(329)	165	(121)	508	(33)
(Loss) income from continuing operations after income taxes and noncontrolling interests	(63)	(61)	(157)	(1,052)	(193)	(1,281)
Add:						
Net income (loss) attributable to noncontrolling interests	3	–	1	–	–	–
Provision (benefit) for income taxes	531	174	339	1,465	175	1,236
Other (income) expenses, net	(40)	(5)	(28)	(93)	(18)	(54)
Interest expense	420	442	473	499	122	128
Restructuring and other charges	86	314	214	155	50	122
Impairment of goodwill	–	–	25	–	25	–
Provision for depreciation and amortization	416	436	508	535	137	133
Adjusted EBITDA	$1,353	$1,300	$1,375	$1,509	$298	$284
Sales	$11,997	$12,542	$12,413	$12,394	$2,991	$2,967
Adjusted EBITDA Margin	11.3%	10.4%	11.1%	12.2%	10.0%	9.6%

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. Adjusted EBITDA is a non-GAAP financial measure. Management believes that this measure is meaningful to investors because Adjusted EBITDA 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.

(1) On November 1, 2016, the former Alcoa Inc. was separated into two standalone, publicly-traded companies, Arconic and Alcoa Corporation, by means of a pro rata distribution of 80.1 percent of the outstanding common stock of Alcoa Corporation to Alcoa Inc. shareholders. Accordingly, the results of operations of Alcoa Corporation have been reflected as discontinued operations for all periods presented.

Reconciliation of Free Cash Flow[1]

(in millions)	Year ended					Quarter ended		
	December 31, 2012[1]	December 31, 2013[1]	December 31, 2014[1]	December 31, 2015[1]	December 31, 2016	December 31, 2015[1]	September 30, 2016[1]	December 31, 2016
Cash from operations	$1,497	$1,578	$1,674	$1,582	$873	$865	$306	$665
Capital expenditures	(1,261)	(1,193)	(1,219)	(1,180)	(1,125)	(398)	(286)	(311)
Free cash flow	$236	$385	$455	$402	$(252)	$467	$20	$354

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. 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) On November 1, 2016, the former Alcoa Inc. was separated into two standalone, publicly-traded companies, Arconic and Alcoa Corporation, by means of a pro rata distribution of 80.1 percent of the outstanding common stock of Alcoa Corporation to Alcoa Inc. shareholders. Cash from operations and capital expenditures for Alcoa Corporation have not been segregated and are included in this table for all periods prior to November 1, 2016.

Reconciliation of Net Debt

(in millions)	December 31,				
	2012[1][2]	2013[1][2]	2014[1][2]	2015[1][2]	2016
Short-term borrowings	$53	$57	$54	$38	$36
Commercial paper	–	–	–	–	–
Long-term debt due within one year	431	618	–	3	4
Long-term debt, less amount due within one year	7,759	7,151	8,391	8,786	8,044
Total debt	8,243	7,826	8,445	8,827	8,084
Less: Cash and cash equivalents	1,714	1,225	1,611	1,362	1,863
Net debt	$6,529	$6,601	$6,834	$7,465	$6,221

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.

(1) On November 1, 2016, the former Alcoa Inc. was separated into two standalone, publicly-traded companies, Arconic and Alcoa Corporation, by means of a pro rata distribution of 80.1 percent of the outstanding common stock of Alcoa Corporation to Alcoa Inc. shareholders. Accordingly, the assets and liabilities of Alcoa Corporation have been reflected as assets and liabilities of discontinued operations for all periods presented and therefore are not included in this table.

(2) In the first quarter of 2016, Arconic adopted changes issued by the Financial Accounting Standards Board to the presentation of debt issuance costs, which require such costs to be classified as a direct deduction from the carrying value of the related debt liability on an entity's balance sheet. As such, all debt issuance costs were classified as a contra liability in the Long-term debt, less amount due within one year line item in the 2016 period presented in the table above. These changes are required to be applied on a retrospective basis; therefore, all periods prior to 2016 presented in the table above were updated to conform to the presentation of the 2016 periods. As a result, $85, $73, $65, and $51 of debt issuance costs were reflected as deductions in the Long-term debt, less amount due within one year line item for 2012, 2013, 2014, and 2015, respectively.

Reconciliation of Adjusted SG&A Excluding Separation Costs

(in millions)

	4Q16[(1)]	2016[(1)]
Sales	$2,967	$12,394
SG&A	269	947
SG&A % of sales	9.1%	7.6%
Separation costs	76	193
Adjusted SG&A excluding separation costs	193	754
Adjusted SG&A excluding separation costs % of sales	6.5%	6.1%

Adjusted SG&A excluding separation costs is a non-GAAP financial measure. Management believes that this measure is meaningful to investors because Adjusted SG&A excluding separation costs is more reflective of historical SG&A cost performance.

(1) On November 1, 2016, the former Alcoa Inc. was separated into two standalone, publicly-traded companies, Arconic and Alcoa Corporation, by means of a pro rata distribution of 80.1 percent of the outstanding common stock of Alcoa Corporation to Alcoa Inc. shareholders. Accordingly, the results of operations of Alcoa Corporation have been reflected as discontinued operations for all periods presented.

Reconciliation of Adjusted EBITDA Excluding Separation Costs

(in millions)

	4Q16[1]	2016[1]
Sales	$2,967	$12,394
Adjusted EBITDA[2]	284	1,509
	9.6%	12.2%
Separation costs	76	193
Adjusted SG&A excluding separation costs	360	1,702
Adjusted SG&A excluding separation costs % of sales	12.1%	13.7%

Adjusted EBITDA excluding separation costs is a non-GAAP financial measure. Management believes that this measure is meaningful to investors because Adjusted EBITDA, excluding separation costs, provides additional information with respect to Arconic's operating performance and the Company's ability to meet its financial obligations excluding the one time costs of separation.

(1) On November 1, 2016, the former Alcoa Inc. was separated into two standalone, publicly-traded companies, Arconic and Alcoa Corporation, by means of a pro rata distribution of 80.1% of the outstanding common stock of Alcoa Corporation to Alcoa Inc. shareholders. Accordingly, the results of operations of Alcoa Corporation have been reflected as discontinued operations in all periods presented.

(2) See Reconciliation of Arconic Adjusted EBITDA for the calculation of Adjusted EBITDA for the quarter and year ended December 31, 2016.

Reconciliation of Revenue Excluding Tennessee Packaging

(in millions)

	4Q15	4Q16	2015	2016
Arconic				
Sales - Arconic	$2,991	$2,967	$12,413	$12,394
Sales – Tennessee Packaging	182	37	803	552
Arconic Sales excluding Tennessee Packaging	$2,809	$2,930	$11,610	$11,842
Year-over-year change		4.3%		2.0%
Global Rolled Products Segment (GRP)				
Sales - Global Rolled Products Segment	$1,184	$1,079	$5,253	$4,864
Sales – Tennessee Packaging	182	37	803	552
GRP Sales excluding Tennessee Packaging	$1,002	$1,042	$4,450	$4,312
Year-over-year change		4.0%		(3.1%)

Reconciliation of Return on Net Assets (RONA)

(in millions)

	4Q16[1]	2016[1]
Net loss attributable to Arconic	$(1,248)	$(931)
Discontinued operations[1]	(33)	(121)
Special items[2]	1,352	1,557
Net income attributable to Arconic – as adjusted	$71	$505
Annualized net income attributable to Arconic-as adjusted	$284	
Net Assets:		
Add: Receivables from customers, less allowances	$974	$974
Add: Deferred purchase price receivable[3]	83	83
Add: Inventories	2,253	2,253
Less: Accounts payable, trade	1,726	1,726
Working Capital	1,584	1,584
Properties, plants, and equipment, net	5,494	5,494
Net assets - total	$7,078	$7,078
RONA	4.0%	7.1%

Return on Net Assets (RONA) is a non-GAAP financial measure. RONA is calculated as adjusted net income 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) On November 1, 2016, the former Alcoa Inc. was separated into two standalone, publicly-traded companies, Arconic and Alcoa Corporation, by means of a pro rata distribution of 80.1% of the outstanding common stock of Alcoa Corporation to Alcoa Inc. shareholders. Accordingly, the results of operations of Alcoa Corporation have been reflected as discontinued operations in all periods presented.

(2) See Reconciliation of Adjusted Income for a description of special items for the quarter and year ended December 31, 2016.

(3) The Deferred purchase price receivable 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)

	2016[1]
Receivables from customers, less allowances	$974
Add: Deferred purchase price receivable[2]	83
Receivables from customers, less allowances - as adjusted	1,057
Add: Inventories	2,253
Less: Accounts payable, trade	1,726
Working Capital	$1,584
Sales	$2,967
Days Working Capital	49.1

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) On November 1, 2016, the former Alcoa Inc. was separated into two standalone, publicly-traded companies, Arconic and Alcoa Corporation, by means of a pro rata distribution of 80.1 percent of the outstanding common stock of Alcoa Corporation to Alcoa Inc. shareholders. Accordingly, the results of operations of Alcoa Corporation have been reflected as discontinued operations in all periods presented.

(2) The Deferred purchase price receivable 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.