First Quarter 2017 Earnings Call

David Hess – Interim Chief Executive Officer
Ken Giacobbe – Chief Financial Officer

April 25, 2017

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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,” “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, 2016, 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 – 1Q 2017

Overview 1Q 2017

- Revenues up 4.5% year-over-year (YoY) driven by volume gains in all segments
  - — Revenues up 8% YoY excl. Tennessee Packaging
- Arconic EBITDA up 8%[1] (11% excl. special items) YoY
- Strong net cost savings of 1.9% of revenues
- Ended quarter with $2.6B in cash on hand

Focused on Revenue Growth, EBITDA, Debt Reduction, and RONA to deliver the Three Year Plan

1) Net income attributable to Arconic: $322M in 1Q 2017 and $16M in 1Q 2016

See Appendix for Reconciliations

First Quarter 2017 Earnings Call

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Financial Overview

1Q 2017 Financials

Arconic Financials	1Q 2017
Revenue	$3.2B: + *4.5% YoY*
- *excl. Tennessee packaging*[1]	*+ 8% YoY*
Combined Segment EBITDA %	17.2%: + *10 bps YoY*
EBITDA	$451M: + *8% YoY*
EBITDA, excl. special items	$485M: + *11% YoY*
EBITDA %, excl. special items	15.2%: + *90 bps YoY*
Net Income	$322M
Adj. Income excl. Special Items	$169M
RONA %[2]	8.9%
Gross Debt	$8.1B
Cash	$2.6B
Free Cash Flow[3]	($403M)

- Revenues driven by volume gains in all segments
- Combined segment EBITDA up 5% and Arconic EBITDA up 8% (11% excl. special items) YoY
- Strong net cost savings of 1.9% of revenues
- Annualized RONA of 8.9% is on track for full year target of ~9%
- Monetized ~64% of Alcoa Corp. stake for $888M

1) Excluding unfavorable impact of Tenn. pkg ramp down in 1Q17 (-$96M)
2) 1Q 2017 is annualized and adjusted for special items
3) Free Cash Flow = Cash from Operations – Capital Expenditures

See Appendix for Reconciliations

Income Statement and Special Items

1Q 2017 Income Statement and Special Items Overview

Income Statement

$ Millions, except per-share amounts	1Q 2017
Revenue	**$3,192**
Cost of Goods Sold	$2,492
Selling, General Administrative, Other[1]	$221
EBITDA	**$451**
EBITDA excluding Special Items	**$485**
Other Income, Net	($354)
Restructuring and Other Charges	$73
Effective Tax Rate	33.5%
Operational Tax Rate	29.9%
Net Income	**$322**
Net Income per Diluted Share	**$0.65**
Adjusted Income excl. Special Items	**$169**
Adjusted Income excl. Special Items per Diluted Share[2]	**$0.33**

2017 Guidance: 32% - 35%

Special Items

$ Millions, except per-share amounts	1Q 2017
Net Income	**$322**
Net Income per Diluted Share	**$0.65**
Restructuring Related	($73)
Gain on Alcoa Corp. Stock Sale	$351
Separation Costs	($18)
Proxy, Advisory & Governance-Related Costs	($16)
Discrete Tax Items / Tax Impact	($91)
Special Items	**$153**
Adjusted Income excl. Special Items	**$169**
Adjusted Income excl. Special Items per Diluted Share[2]	**$0.33**

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1) 1Q17 specials items of $34M; SG&A (total spend / % of sales) excluding special items: 1Q17 = $187M / 5.9%
2) 1Q17 share count of 460 million

See Appendix for Reconciliations

Proceeds from Alcoa Corp. stake and Yadkin drive Cash to $2.6B

1Q 2017 Free Cash Flow

($M)	1Q 2017
Net Income	$322
Cash used for Operations	($300)
Cash used for Financing Activities	($43)
Cash from Investing Activities	$1,029
Free Cash Flow	($403)
Cash on Hand	$2,553

1Q 2017 Highlights

$888M Proceeds from Alcoa Corp. Stake Sale

$238M Proceeds from Yadkin

Cash on Hand of $2.6B
Gross Debt $8.1B

See Appendix for Reconciliations

EP&S: 1Q EBITDA Flat, Volume growth offset by pricing & ramp up costs

Engineered Products and Solutions (EP&S) 1Q 2017 Results

1Q 2017

	1Q 2016	1Q 2017	YoY change
Revenue ($M)	$1,449	$1,485	+2%
EBITDA ($M)	$305	$306	+0%
EBITDA %	21.0%	20.6%	-40 bps

1Q 2017 YoY Commentary

- **Revenue:** Commercial Aero Engine up 9%, Airframes up 3%, partly offset by IGT[1] down 5%, CT[2] down 11%
- **EBITDA Flat**: Volume growth and Net Cost Savings excluding engine ramp-up costs of 2.2%[3] offset by unfavorable mix / price and engine ramp-up costs

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1) IGT= Industrial Gas Turbines 2) CT = Commercial Transportation 3) Gross Cost Reduction Savings less Cost Headwinds (excl. Ramp Up Costs) as % of Revenue
See Appendix for Reconciliations

GRP: 1Q EBITDA up 10% driven by Volume & Net Cost Savings[1] of 2.9%

Global Rolled Products (GRP) 1Q 2017 Results

1Q 2017

	1Q 2016	1Q 2017	YoY change
Revenue ($M)	$1,184	$1,249	+5%
- excl. Tenn pkg[2]			*+16%*
EBITDA ($M)	$155	$171	+10%
EBITDA %	13.1%	13.7%	+60 bps

1Q 2017 YoY Commentary

- **Revenue**: 43% higher Auto and higher royalty revenues of $7M offset by Tenn Pkg tolling agreement, Airframe destocking, Aero wide body build rates, NA[3] heavy duty truck and pricing pressure in Regional Specialties
- **EBITDA:** Up 10% driven by Net Cost Savings[1] of 2.9% including strong performance at Tenn Pkg and Auto volume offset by reduced Aero wide body build rates (e.g., 777), Airframe destocking, reduced NA[3] heavy duty truck build rates and pricing pressure in Regional Specialties

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1) Gross Cost Reduction Savings less Cost Headwinds as % of Revenue 2) Excluding unfavorable impact of Tennessee packaging (Tenn pkg) agreement in 1Q17 (-$96M). As previously announced, 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. 3) NA = North America
See Appendix for Reconciliations

TCS: 1Q EBITDA up 13% driven by Volume and Net Cost Savings[1] of 2.7%

Transportation and Construction Solutions (TCS) 1Q 2017 Results

1Q 2017

	1Q 2016	1Q 2017	YoY change
Revenue ($M)	$429	$449	+5%
EBITDA ($M)	$64	$72	+13%
EBITDA %	14.9%	16.0%	+110 bps

1Q 2017 YoY Commentary

- **Revenue:** Strong global non-residential construction, European and Asian heavy duty truck partially offset by continued softness in NA[2] heavy duty truck
- **EBITDA:** Up 13% driven by Volume and Net Cost Savings[1] of 2.7% partially offset by pricing in heavy duty truck

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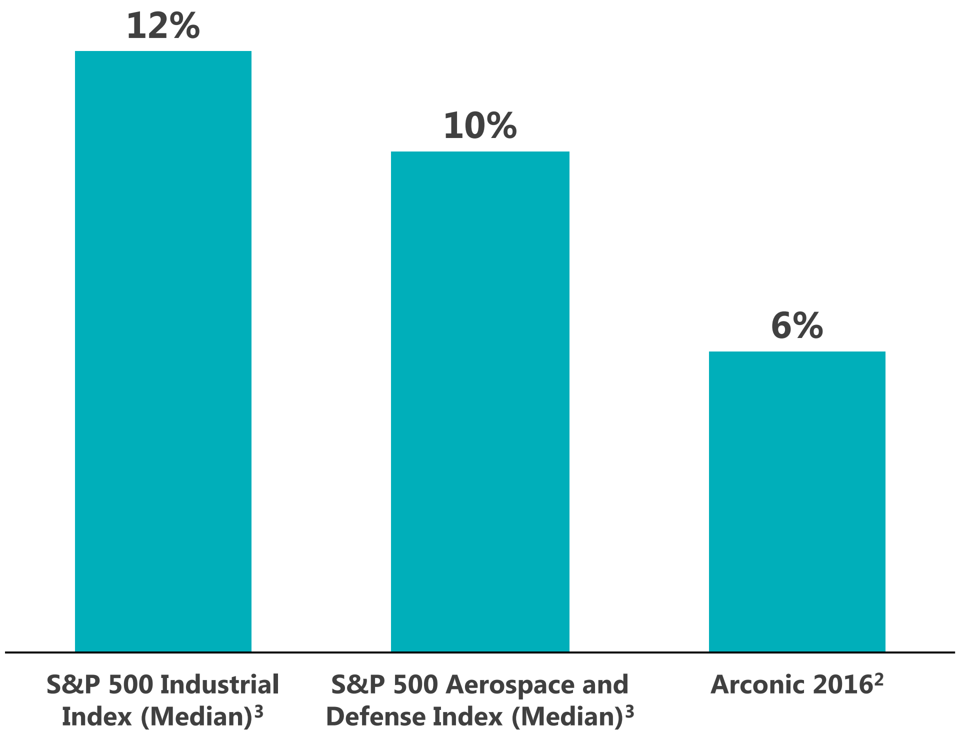
1) Gross Cost Reduction Savings less Cost Headwinds as % of Revenue 2) NA = North America
See Appendix for Reconciliations

SG&A remains in focus to further reduce costs in FY17

Arconic SG&A as a % of Revenue – Benchmarks and Recent Performance

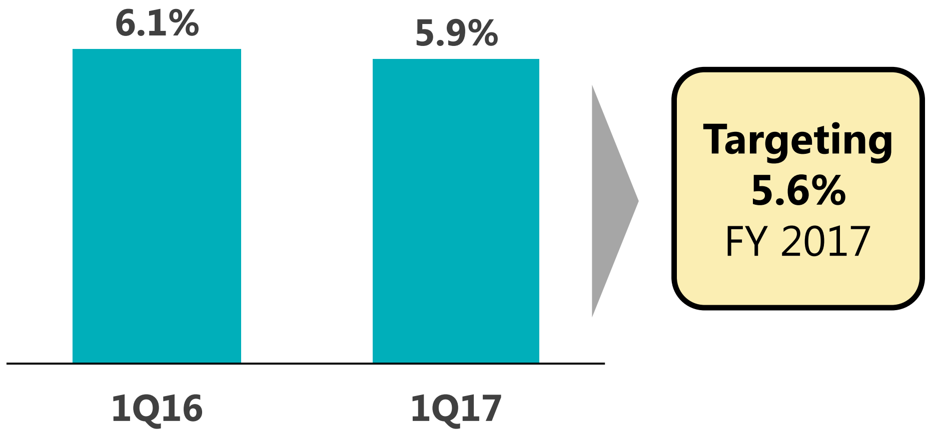
Arconic compares favorably to key peer groups when benchmarking SG&A …

Comparison of SG&A[1] as a % of Revenue



… and is working to continue SG&A reduction over the course of FY17

SG&A as a % of Revenue (excl. Special items)[4]



1) Stands for Selling, General Administrative and Other expenses
2) SG&A based on Arconic continuing operations and excludes separation costs of $193M
3) Based on latest actual full year report; excludes Arconic and companies that do not disclose SG&A expense
4) Special items of $18M in 1Q16 and $34M in 1Q17 relate to separation and Proxy, Advisory & Governance-Related Costs

See Appendix for Reconciliations

Alcoa Corp. stock sale increases cash position by $888M

Alcoa Corp. Retained Interest

Sale of Alcoa Corp. Stock	Shares (millions)	Share Price	Total ($ amount)
Cost Basis of Initial 19.9% Alcoa Corp. Retained Interest	36.31	$23.00	$835M
Proceeds from Sale (~64% of Initial Position)	23.35	$38.03	$888M
Cost Basis – Shares Sold	23.35	$23.00	$537M
Pre-Tax Gain – Shares Sold			$351M
Tax – Shares Sold			$113M
After-Tax Gain – Shares Sold			$238M

Arconic has carryforward tax attributes in the U.S. that are available to offset U.S. taxable income and will utilize existing tax attributes to the extent possible

Remaining stake worth ~$400M as of Apr. 19, 2017

Reaffirming 2017 Targets

Full Year 2017 targets

Arconic 2017[1]	2017 Full year drivers
Revenue[2] **$11.8B - $12.4B** **EBITDA %[3]** **~15%** **Free Cash Flow** **$350M+** **Leverage** **$1B of debt reduction** **RONA[3]** **~9%** **Adjusted EPS[3]** (470M shares) **$1.10 - $1.20**	*(year-over-year performance drivers)* + Growth in commercial aero engines + Continued growth in auto sheet + Growth in NA[4] non-residential construction + Strong net cost savings more than offsetting price pressures - Continued destocking in airframes - Continued wide body build rate declines - Higher Aero engine ramp up costs - Weaker demand in IGT

2017 outlook excludes any impact from monetization of 19.9% 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 $18M of separation costs, ~$30M of Proxy, Advisory & Governance-Related Costs and ~$100M from early bond redemption in 2017
4) NA = North America

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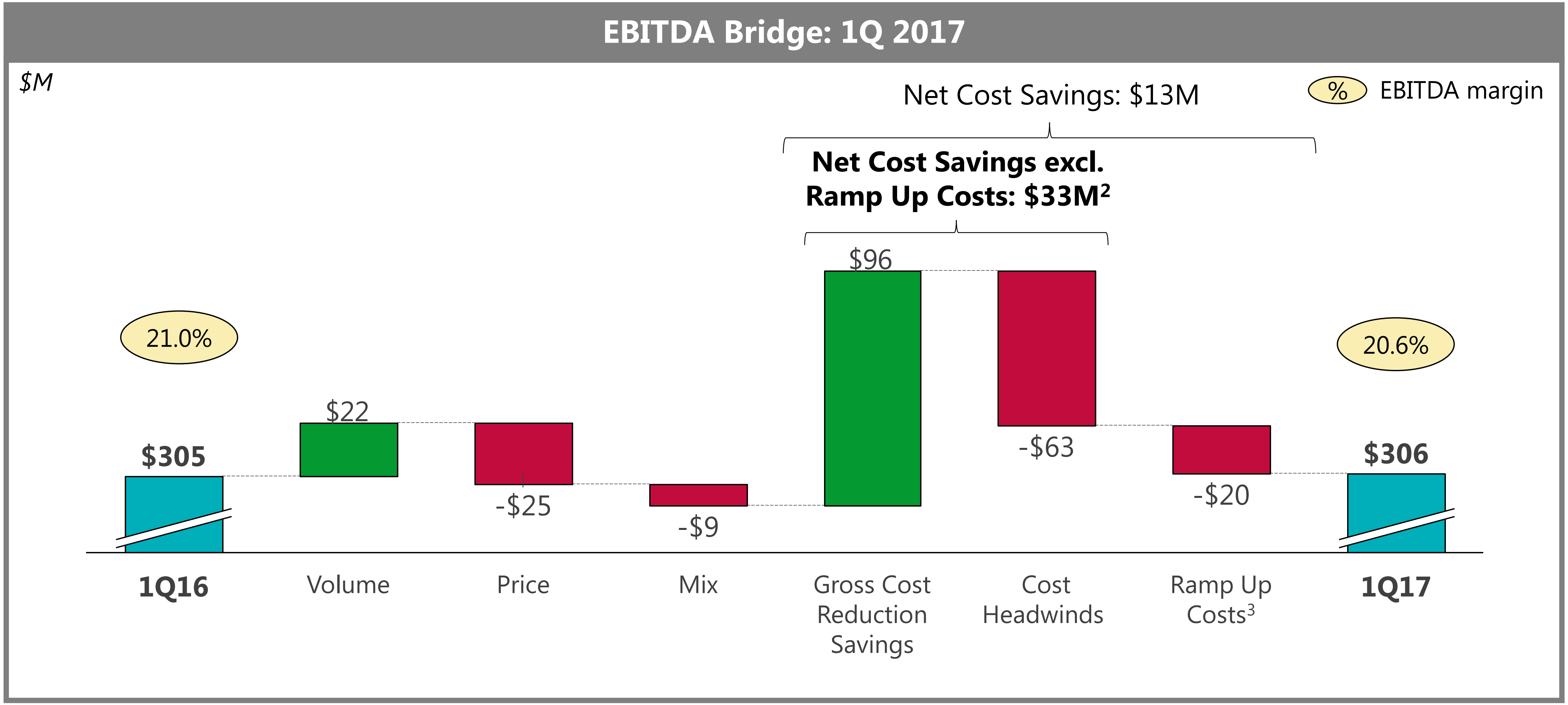
EP&S: 1Q EBITDA Flat, Volume +$22M, Price / Mix -$34M, Net Cost Savings 2.2%[1]

EP&S 1Q 2017 Results



1) Gross Cost Reduction Savings less Cost Headwinds (excl. Ramp Up Costs) as % of Revenue 2) Gross Cost Reduction Savings less Cost Headwinds (excl. Ramp Up Costs) 3) The ramp up costs are associated with increasing production volumes of new engine parts and are the result of, for example, higher scrap rates, lower efficiencies, new process development and employee training. These costs will diminish over time as volumes increase and processes mature.

See Appendix for Reconciliations

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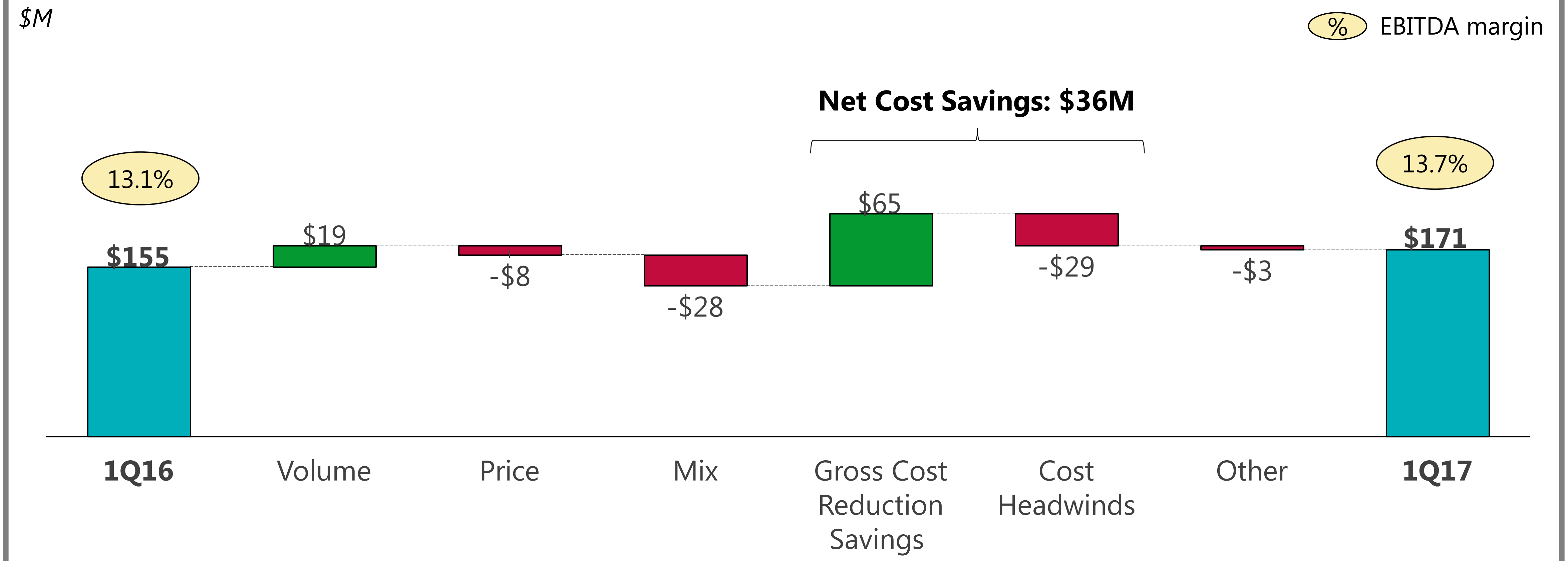
GRP: 1Q EBITDA up 10%, Volume +$19M, Price / Mix -$36M, Net Cost Savings 2.9%[1]

GRP 1Q 2017 Results

EBITDA Bridge: 1Q 2017



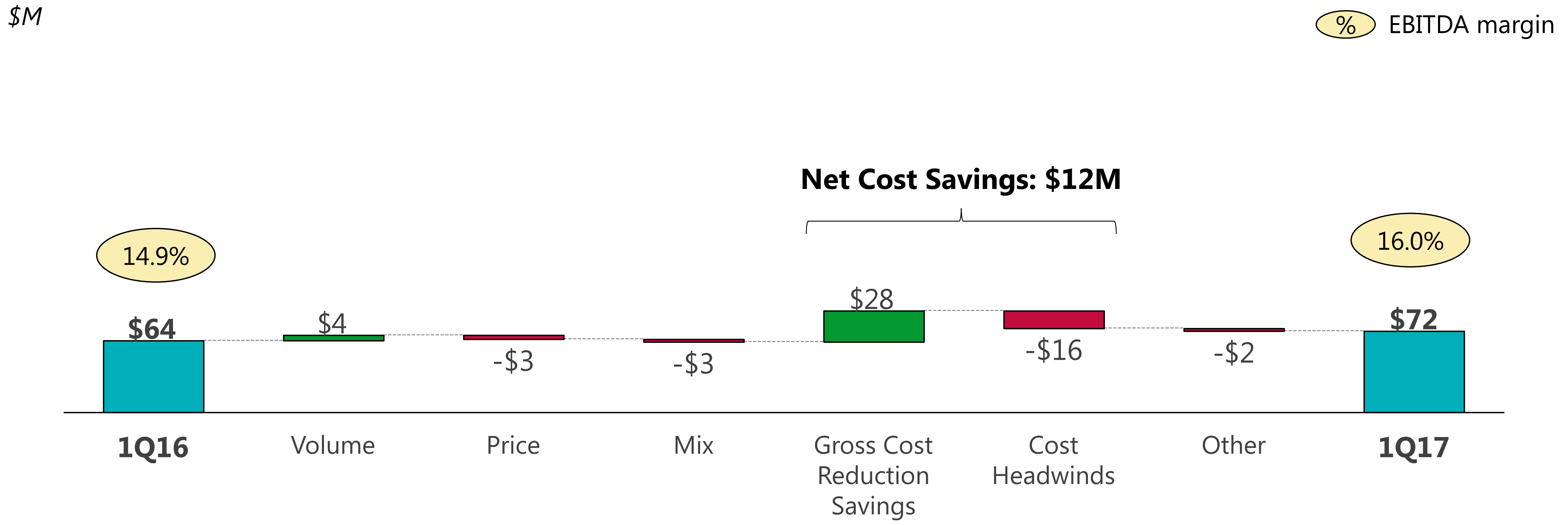
1) Gross Cost Reduction Savings less Cost Headwinds as % of Revenue

See Appendix for Reconciliations

TCS: 1Q EBITDA up 13%, Construction up, NA[1] Heavy Duty Truck down, Net Cost Savings +2.7%[2]

TCS 1Q 2017 Results

EBITDA Bridge: 1Q 2017



1) NA = North America 2) Gross Cost Reduction Savings less Cost Headwinds as % of Revenue
See Appendix for Reconciliations

Capital Structure: $5.5B in Net Debt

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

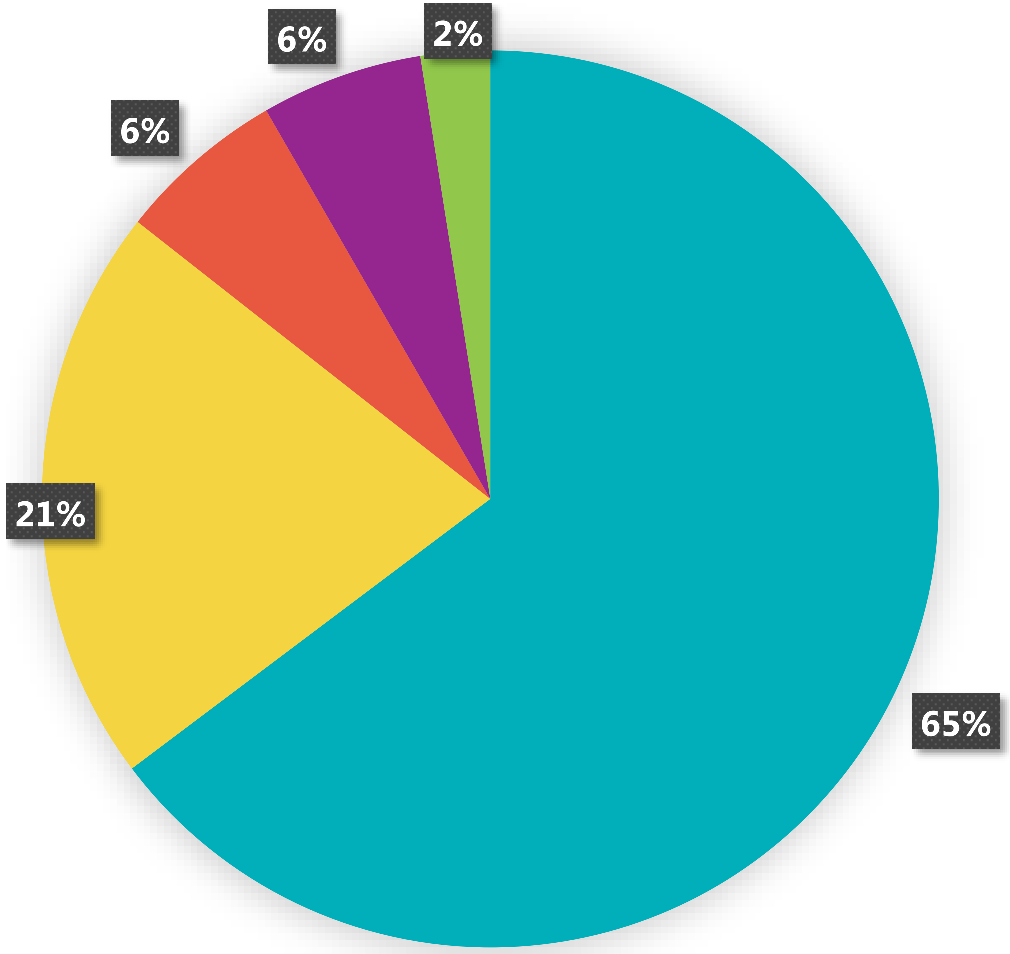
Capitalization at March 31, 2017	
($B)	**Amount**
Cash	$2.6
Bonds	$8.06
Other debt	$0.03
Total Debt	**$8.1**
Net Debt (excluding remaining retained interest)	**$5.5**
Debt-to-Last Twelve Months EBITDA[1]	3.17

Excludes value of remaining stake worth ~$400M as of Apr. 19, 2017

1) Adjusted for special items

Geographic Breakdown of Revenues – 1Q 2017

1Q 2017 Revenue by Region



	Year-on-Year Change
North America	2%
Continental Europe	12%
Asia	6%
United Kingdom	(3%)
Other	21%

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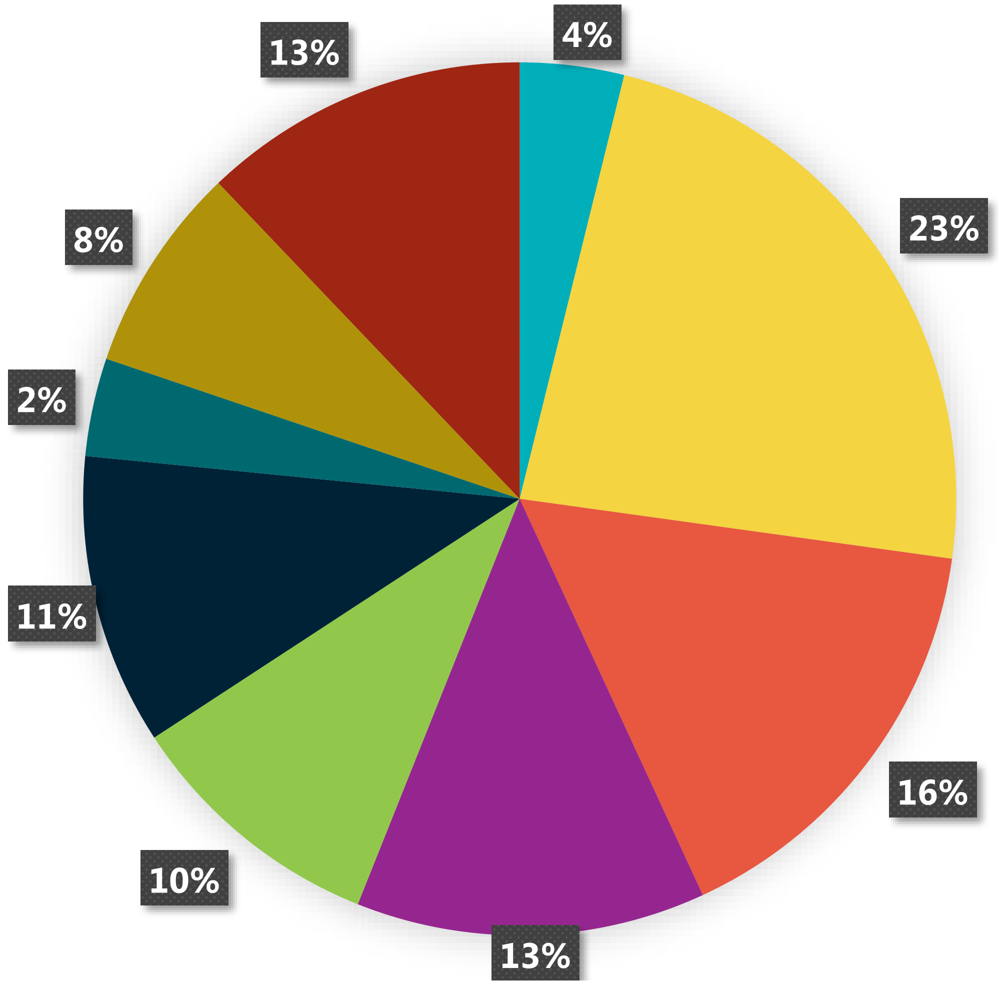
Note: 1Q 2016 Revenue by Geography excludes Discontinued Operations

Revenue Change by Market – 1Q 2017

1Q 2017 Revenue by Market[1]



Market	Year-on-Year Change
Aerospace - Defense	5%
Aerospace - Commercial Airframe	(1%)
Aerospace - Commercial Engine	9%
Automotive [2]	33%
Building & Construction	8%
Commercial Transportation	3%
IGT	(5%)
Packaging	(24%)
Industrial & Other	13%

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1) 1Q 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[1] and EBITDA Sensitivities

	Benchmark moves			Impact to	
	From ('17 plan)		**To**	**Revenue**	**EBITDA**
LME[1]	$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

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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

Reconciliation of Adjusted Income

($ in millions, except per-share amounts)	Adjusted Income			Diluted EPS[6]		
	Quarter ended			Quarter ended		
	March 31, 2016	December 31, 2016	March 31, 2017	March 31, 2016	December 31, 2016	March 31, 2017
Net income (loss) attributable to Arconic	$16	$(1,258)	$322	$0.00	$(2.91)	$0.65
Discontinued operations[1]	94	(33)	-			
Special items[2]:						
Restructuring and other charges	16	122	73			
Discrete tax items[3]	6	1,272	1			
Other special items[4]	6	13	(325)			
Tax impact[5]	(6)	(45)	98			
Net income attributable to Arconic – as adjusted	$132	$71	$169	$0.26	$0.12	$0.33

Net income (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 income (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% 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 the quarters ended March 31, 2016 and December 31, 2016.

[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 March 31, 2016 were updated to conform to the current period presentation.

Reconciliation of Adjusted Income, continued

(3) Discrete tax items include the following:
- for the quarter ended March 31, 2016, a net charge related to a number of small items ($6);
- 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);
- For the quarter ended March 31, 2017, a net charge related to a number of small items ($1).

(4) Other special items include the following:
- for the quarter ended March 31, 2016, a favorable tax impact related to the interim period treatment of operational losses in certain jurisdictions for which no tax benefit was recognized ($58), 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 ($46), and costs associated with the then-planned separation of Alcoa Inc. ($18);
- for the quarter ended December 31, 2016, costs associated with the separation of Alcoa Inc. ($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 ($38), 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);
- For the quarter ended March 31, 2017, a gain on the sale of a portion of Arconic's investment in Alcoa Corporation common stock ($351), costs associated with the separation of Alcoa Inc. ($18), a favorable tax impact resulting form the difference between Arconic's consolidated estimated annual effective tax rate and the statutory rate applicable to special items ($17), proxy, advisory and governance-related costs ($16), and an unfavorable tax impact related to the interim period treatment of operational losses in certain foreign jursidictions for which no tax benefit was recognized ($9).

(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).

(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 (loss) 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 March 31, 2016, share equivalents associated with outstanding employee stock options and awards and convertible debt (acquired through the acquisition of RTI International Metals, Inc.) were dilutive based upon Net income attributable to Arconic common shareholders – as adjusted, resulting in a diluted average number of shares of 450,934,515;
- 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.

The average number of shares applicable to diluted EPS for Net income (loss) attributable to Arconic common shareholders includes certain share equivalents as their effect was dilutive. However, certain of these share equivalents may become anti-dilutive in the EPS calculation applicable to Net income attributable to Arconic common shareholders – as adjusted due to a smaller and/or negative numerator. Specifically:
- for the quarter ended March 31, 2017, share equivalents associated with mandatory convertible preferred stock were anti-dilutive based on Net income attributable to Arconic common shareholders – as adjusted, resulting in a diluted average number of shares of 460,207,783.

Reconciliation of Operational Tax Rate

($ in millions)	Quarter Ended March 31, 2017		
	As reported	**Special items[1]**	**As adjusted**
Income from continuing operations before income taxes	$484	$(243)	$241
Provision for income taxes	$162	$(90)	$72
Tax rate	33.5%		29.9%

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 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 the Effective Tax Rate determined under GAAP as well as the Operational Tax Rate.

(1) See Reconciliation of Adjusted Income for description of special items.

Calculation of Engineered Products and Solutions Adjusted EBITDA Margin

($ in millions)	1Q16	2Q16	3Q16	4Q16	2016	1Q17
Adjusted EBITDA	$305	$329	$296	$265	$1,195	$306
Third-party sales	$1,449	$1,465	$1,406	$1,408	$5,728	$1,485
Adjusted EBITDA Margin	21.0%	22.5%	21.1%	18.8%	20.9%	20.6%

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. The Adjusted EBITDA presented may not be comparable to similarly titled measures of other companies.

Calculation of Global Rolled Products Adjusted EBITDA Margin(1)

($ in millions, except per metric ton amounts)	1Q16	2Q16	3Q16	4Q16	2016	1Q17
Adjusted EBITDA	$155	$163	$143	$116	$577	$171
Total shipments (thousand metric tons) (kmt)(2)	385	427	422	353	1,587	414
Adjusted EBITDA / Total shipments ($ per metric ton)	$403	$381	$339	$329	$364	$413
Third party sales	$1,184	$1,316	$1,285	$1,079	$4,864	$1,249
Adjusted EBITDA Margin	13.1%	12.4%	11.1%	10.8%	11.9%	13.7%

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 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.

(2) Includes 76 thousand metric tons (kmt) and 54 kmt for 1Q17 and 4Q16, respectively, for the Tennessee packaging business. These amounts represent the volume at Arconic's Tennessee operations associated with the toll processing and services agreement that Arconic and Alcoa Corporation entered into in connection with the separation of the companies. Pursuant to this agreement, this amount is not reported in Arconic's shipments but has been included in the calculation of Adjusted EBITDA / Total shipments for historical comparative purposes.

Calculation of Transportation and Construction Solutions Adjusted EBITDA Margin

($ in millions)	1Q16	2Q16	3Q16	4Q16	2016	1Q17
Adjusted EBITDA	$64	$76	$76	$75	$291	$72
Third-party sales	$429	$467	$450	$456	$1,802	$449
Adjusted EBITDA Margin	14.9%	16.3%	16.9%	16.4%	16.1%	16.0%

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 Adjusted EBITDA presented may not be comparable to similarly titled measures of other companies.

Calculation of Combined Segment Adjusted EBITDA Margin

($ in millions)	1Q16	2Q16	3Q16	4Q16	2016	1Q17
Sales – Engineered Products and Solutions	$1,449	$1,465	$1,406	$1,408	$5,728	$1,485
Sales – Global Rolled Products	1,184	1,316	1,285	1,079	4,864	1,249
Sales – Transportation and Construction Solutions	429	467	450	456	1,802	449
Combined segment sales	$3,062	$3,248	$3,141	$2,943	$12,394	$3,183
Combined segment adjusted EBITDA[1]	$524	$568	$515	$456	$2,063	$549
Combined segment adjusted EBITDA margin	17.1%	17.5%	16.4%	15.5%	16.6%	17.2%

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. Combined segment adjusted EBITDA and Combined segment adjusted EBITDA margin are non-GAAP financial measures. Management believes that these measures are meaningful to investors because they provide additional information with respect to Arconic's operating performance and the Company's ability to meet its financial obligations. The Combined segment adjusted EBITDA and Combined segment adjusted EBITDA margin measures presented may not be comparable to similarly titled measures of other companies.

(1) See Reconciliation of Combined Segment Adjusted EBITDA to Consolidated Net Income (Loss) Attributable to Arconic.

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

($ in millions)	1Q16	2Q16	3Q16	4Q16	2016	1Q17
Combined segment adjusted EBITDA	$524	$568	$515	$456	$2,063	$549
Unallocated amounts:						
Impact of LIFO	(12)	(13)	(1)	8	(18)	(19)
Metal price lag	-	6	4	17	27	22
Corporate expense	(76)	(115)	(113)	(150)	(454)	(91)
Depreciation and amortization	(133)	(133)	(136)	(133)	(535)	(133)
Interest expense	(121)	(124)	(126)	(128)	(499)	(115)
Restructuring and other charges	(16)	(14)	(3)	(122)	(155)	(73)
Other income, net[1]	12	17	11	54	94	354
Discontinued operations[2]	(94)	82	100	33	121	-
Income taxes[3]	(51)	(123)	(56)	(1,246)	(1,476)	(162)
Other	(17)	(16)	(29)	(47)	(109)	(10)
Consolidated net income (loss) attributable to Arconic	$16	$135	$166	$(1,258)	$(941)	$322

(1) Other income, net for the quarter ended March 31, 2017 includes a $351 gain on the sale of a portion of Arconic's investment in Alcoa Corporation common stock.

(2) 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.

(3) Income taxes for both the quarter ended December 31, 2016 and the year ended December 31, 2016 includes 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 and Adjusted EBITDA Excluding Special Items

($ in millions)	1Q16	2Q16	3Q16	4Q16	2016	1Q17
Net income (loss) attributable to Arconic	$16	$135	$166	$(1,258)	$(941)	$322
Discontinued operations [(1)]	94	(82)	(100)	(33)	(121)	-
(Loss) income from continuing operations after income taxes and noncontrolling interests	110	53	66	(1,291)	(1,062)	322
Add:						
Provision for income taxes	51	123	56	1,246	1,476	162
Other income, net	(12)	(17)	(11)	(54)	(94)	(354)
Interest expense	121	124	126	128	499	115
Restructuring and other charges	16	14	3	122	155	73
Provision for depreciation and amortization	133	133	136	133	535	133
Arconic adjusted EBITDA	$419	$430	$376	$284	$1,509	$451
Special items:						
Separation costs	18	45	54	76	193	18
Proxy, advisory and governance-related costs	-	-	-	-	-	16
Arconic adjusted EBITDA excluding special items	$437	$475	$430	$360	$1,702	$485
Last twelve months Arconic adjusted EBITDA excluding special items					$1,702	$1,750
Sales	$3,055	$3,234	$3,138	$2,967	$12,394	$3,192
Arconic adjusted EBITDA margin	13.7%	13.3%	12.0%	9.6%	12.2%	14.1%
Arconic adjusted EBITDA margin excluding special items	14.3%	14.7%	13.7%	12.1%	13.7%	15.2%

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.

Additionally Adjusted EBITDA, 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, such as costs associated with the separation of Alcoa Inc. and proxy, advisory and governance-related costs (collectively, "special items"). This measure provides additional information with respect to Arconic's operating performance and the Company's ability to meet its financial obligations excluding the impact of such costs.

(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 prior to November 1, 2016.

Reconciliation of Revenue Excluding Tennessee Packaging

($ in millions)	1Q16	2Q16	3Q16	4Q16	2016	1Q17
Arconic						
Sales – Arconic	$3,055	$3,234	$3,138	$2,967	$12,394	$3,192
Sales – Tennessee Packaging	150	189	176	37	552	54
Arconic Sales excluding Tennessee Packaging	$2,905	$3,045	$2,962	$2,930	$11,842	$3,138
Global Rolled Products Segment (GRP)(1)						
Sales – Global Rolled Products Segment	$1,184	$1,316	$1,285	$1,079	$4,864	$1,249
Sales – Tennessee Packaging	150	189	176	37	552	54
Third party sales excluding Tennessee packaging	$1,034	$1,127	$1,109	$1,042	$4,312	$1,195

Third party sales excluding Tennessee packaging is a non-GAAP financial measure. Management believes that this measure is meaningful to investors as it presents sales on a comparable basis for all periods presented as Arconic ramps down the Tennessee packaging business.

(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 Adjusted SG&A Excluding Special Items

($ in millions)	1Q16[1]	2Q16[1]	3Q16[1]	4Q16[1]	2016[1]	1Q17
Sales	$3,055	$3,234	$3,138	$2,967	$12,394	3,192
SG&A	205	239	229	269	947	221
SG&A % of sales	6.7%	7.4%	7.3%	9.1%	7.6%	6.9%
Special items:						
Separation costs	18	45	54	76	193	18
Proxy, advisory and governance-related costs	-	-	-	-	-	16
Adjusted SG&A excluding special items	187	194	175	193	754	187
Adjusted SG&A excluding special items as a % of sales	6.1%	6.0%	5.6%	6.5%	6.1%	5.9%

Adjusted SG&A excluding special items is a non-GAAP financial measure. Management believes that this measure is meaningful to investors because Adjusted SG&A excluding special items 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 Free Cash Flow[1]

($ in millions)	1Q16[1]	2Q16[1]	3Q16[1]	4Q16[1]	2016[1]	1Q17
Cash from operations	$(430)	$332	$306	$662	$870	$(300)
Capital expenditures	(251)	(277)	(286)	(311)	(1,125)	(103)
Free cash flow	$(681)	$55	$20	$351	$(255)	$(403)

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 and Net Debt/Adjusted EBITDA

($ in millions)	December 31, 2016	March 31, 2017
Short-term borrowings	$36	$47
Long-term debt due within one year	4	–
Long-term debt, less amount due within one year	8,044	8,046
Total debt	8,084	8,093
Less: Cash and cash equivalents	1,863	2,553
Net debt	$6,221	$5,540
Trailing twelve month (TTM) Arconic adjusted EBITDA excluding special items[(1)]	$1,702	$1,750
Net debt/TTM Arconic adjusted EBITDA excluding special items	3.66	3.17

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.

Net debt/Arconic adjusted EBITDA excluding special items is a non-GAAP financial measure. Management believes that this measure is meaningful to investors because management compares Arconic's leverage position to its ability to generate earnings that could be used to repay outstanding debt.

(1) See Reconciliation of Arconic Adjusted EBITDA and Adjusted EBITDA Excluding Special Items.

Reconciliation of Return on Net Assets (RONA)

($ in millions)	1Q17
Net income attributable to Arconic	$322
Special items[1]	(153)
Net income attributable to Arconic – as adjusted	$169
Annualized net income attributable to Arconic-as adjusted	$676
Net Assets:	
Add: Receivables from customers, less allowances	$1,148
Add: Deferred purchase price receivable[2]	219
Add: Inventories	2,328
Less: Accounts payable, trade	1,597
Working Capital	2,098
Properties, plants, and equipment, net	5,473
Net assets - total	$7,571
RONA	8.9%

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) See Reconciliation of Adjusted Income for a description of special items.

(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.