Second Quarter 2017 Earnings Call

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

July 24, 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 ("Alcoa Corp.). The pre-separation historical results for the businesses that now comprise Alcoa Corp. – 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 (EP&S), 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") – Arconic expects to fully exit the North America packaging business at its Tennessee operations following the expiration of the Toll Processing and Services Agreement (the "Processing Agreement") with Alcoa Corp. on December 31, 2018, unless sooner terminated by the parties. Pursuant to the Processing Agreement, dated as of October 31, 2016, Arconic provides can body stock to Alcoa Corporation, using aluminum supplied by Alcoa Corp.

Highlights – 2Q and 1H 2017

Overview 2Q and 1H 2017

- Revenue up 1% 2Q year-over-year (YoY) and up 3% 1H 2017 YoY
  - Revenues up 5% 2Q YoY and up 7% 1H 2017 YoY adjusting for Tennessee Packaging
- Arconic EBITDA[1] up 3% 2Q YoY and up 5% 1H 2017 YoY
  - Arconic EBITDA, excl. special items, up 2% 2Q YoY and up 6% 1H 2017 YoY
- Arconic EBITDA %, excl. special items, up 20 bps 2Q YoY
- Strong net cost savings of 1.8% of revenues 1H 2017
- Completed $1.25B in debt reduction
- Ended quarter with $1.8B in cash on hand

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1) Net income attributable to Arconic: $212M in 2Q 2017 and $135M in 2Q 2016; $534M in 1H 2017 and $151M in 1H 2016

See Appendix for Reconciliations

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Financial Overview

2Q 2017 Financials and 1H 2017 Highlights

Arconic Financials

	2Q 2017	
Revenue	$3.3B	*+ 0.8% YoY*
- Adjusting for Tennessee packaging[1]		*+ 5.4% YoY*
Combined Segment EBITDA %[2]	17.1%	*- 40 bps YoY*
EBITDA	$444M	*+ 3.3% YoY*
EBITDA, excl. special items	$486M	*+ 2.3% YoY*
EBITDA %, excl. special items	14.9%	*+ 20 bps YoY*
Net Income	$212M	
Adj. Income excl. Special Items	$165M	
RONA %[3]	8.6%	
Gross Debt	$6.8B	
Cash	$1.8B	
Free Cash Flow[4]	$91M	

1H 2017 Highlights

- Revenues driven by volume gains in all segments
- Strong net cost savings of 1.8% of revenues 1H 2017
- 1H 2017 Annualized RONA of 8.7% is on track for full year target of ~9%
- Monetized 100% of Alcoa Corp. stake for $1.35B

1) Adjusting for Tennessee packaging business revenues ($189M in 2Q 2016 & $51M in 2Q 2017)
2) Combined Segment EBITDA of $556M
3) 2Q 2017 is annualized and adjusted for special items; 1H 2017 annualized = 8.7%
4) Free Cash Flow = Cash from Operations – Capital Expenditures

See Appendix for Reconciliations

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Income Statement and Special Items

2Q 2017 Income Statement and Special Items Overview

Income Statement

$ Millions, except per-share amounts	2Q 2017
Revenue	**$3,261**
Cost of Goods Sold[1]	$2,583
Selling, General Administrative, Other[1,2]	$204
EBITDA	**$444**
EBITDA excluding Special Items	**$486**
Restructuring and Other Charges	$26
Effective Tax Rate	21.2%
Operational Tax Rate	32.9%
Net Income	**$212**
Net Income per Diluted Share[3]	**$0.43**
Adjusted Income excl. Special Items	**$165**
Adjusted Income excl. Special Items per Diluted Share[3]	**$0.32**

Special Items

$ Millions, except per-share amounts	2Q 2017
Net Income	**$212**
Net Income per Diluted Share[3]	**$0.43**
Restructuring Related	($26)
Gain on Alcoa Corp. Debt-for-Equity Exchange	$167
Debt Tender Offer	($76)
Proxy, Advisory & Governance-Related Costs	($42)
Discrete Tax Items / Tax Impact	$24
Special Items	**$47**
Adjusted Income excl. Special Items	**$165**
Adjusted Income excl. Special Items per Diluted Share[3]	**$0.32**

1) Excludes Depreciation and Amortization
2) 2Q 2017 special items of $42; SG&A excluding special items: 2Q 2017 = $162M or 5.0% of sales
3) 2Q 2017 share count of 462 million

See Appendix for Reconciliations

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Debt repayment brings Cash to $1.8B

2Q 2017 Free Cash Flow

($M)	2Q 2017
Net Income	$212
Cash from Operations	$217
Cash used for Financing Activities	($860)
Cash used for Investing Activities	($125)
Free Cash Flow	$91
Cash on Hand	$1,785

2Q 2017 Highlights

$1.25B
Debt Repayment in 1H 2017

Cash on Hand $1.8B
Gross Debt $6.8B

2.87x
Net Debt-to-Last Twelve Months EBITDA[1]

1) Adjusted for special items
See Appendix for Reconciliations

EP&S: 2Q EBITDA down 6% due to price, mix and ramp-up costs

Engineered Products and Solutions (EP&S) 2Q 2017 Results

2Q 2017

	2Q 2016	2Q 2017	YoY change
Revenue ($M)	$1,465	$1,484	+ 1%
EBITDA ($M)	$329	$310	- 6%
EBITDA %	22.5%	20.9%	- 160 bps

2Q 2017 YoY Commentary

- **Revenue:** Aerospace up 1%, IGT[1] down 7%, CT[2] up 6%
- **EBITDA**: Down 6% driven by unfavorable mix / price and engine ramp-up costs partially offset by volume growth and Net Cost Savings of 2.0%[3] (excluding 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: 2Q EBITDA up 1% with Net Cost Savings[1] of 2.1%

Global Rolled Products (GRP) 2Q 2017 Results

2Q 2017

	2Q 2016	2Q 2017	YoY change
Revenue ($M)	$1,316	$1,268	- 4%
- Adjusting for Tennessee packaging[2]			*+8%*
EBITDA ($M)	$163	$164	+1%
EBITDA %	12.4%	12.9%	+50 bps

2Q 2017 YoY Commentary

- **Revenue**: 37% higher Auto offset by the Processing Agreement and planned ramp-down of the Tenn Pkg business, Airframe destocking, Aero wide body build rates, and pricing pressure in Regional Specialties
- **EBITDA:** Up 1% driven by Net Cost Savings[1] of 2.1% and higher Auto volume offset by reduced Aero wide body build rates (e.g., 777), Airframe destocking, and pricing pressure in Regional Specialties

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1) Gross Cost Reduction Savings less Cost Headwinds as % of Revenue
2) Adjusting for Tennessee packaging business revenues ($189M in 2Q 2016 & $51M in 2Q 2017)
See Appendix for Reconciliations

TCS: 2Q EBITDA up 8% driven by Volume and Net Cost Savings[1] of 2.0%

Transportation and Construction Solutions (TCS) 2Q 2017 Results

2Q 2017

	2Q 2016	2Q 2017	YoY change
Revenue ($M)	$467	$501	+7%
EBITDA ($M)	$76	$82	+8%
EBITDA %	16.3%	16.4%	+10 bps

2Q 2017 YoY Commentary

- **Revenue:** Building and Construction up 4%, Commercial Transportation up 11%, NA[2] heavy duty truck market recovering
- **EBITDA:** Up 8% driven by Volume and Net Cost Savings[1] of 2.0% partially offset by pricing in heavy duty truck

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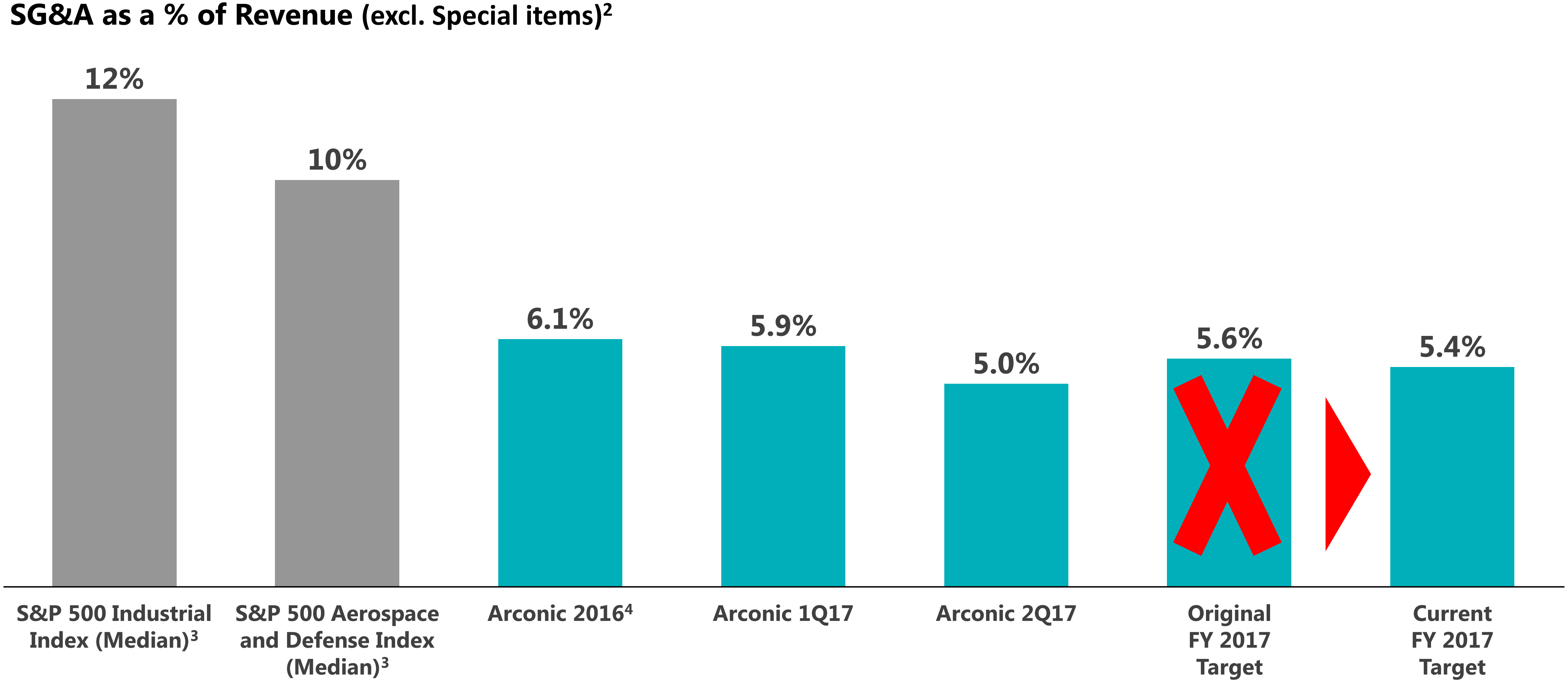
1) Gross Cost Reduction Savings less Cost Headwinds as % of Revenue
2) NA = North America

See Appendix for Reconciliations

Continued cost reduction focus on SG&A[1]

Arconic compared to peers



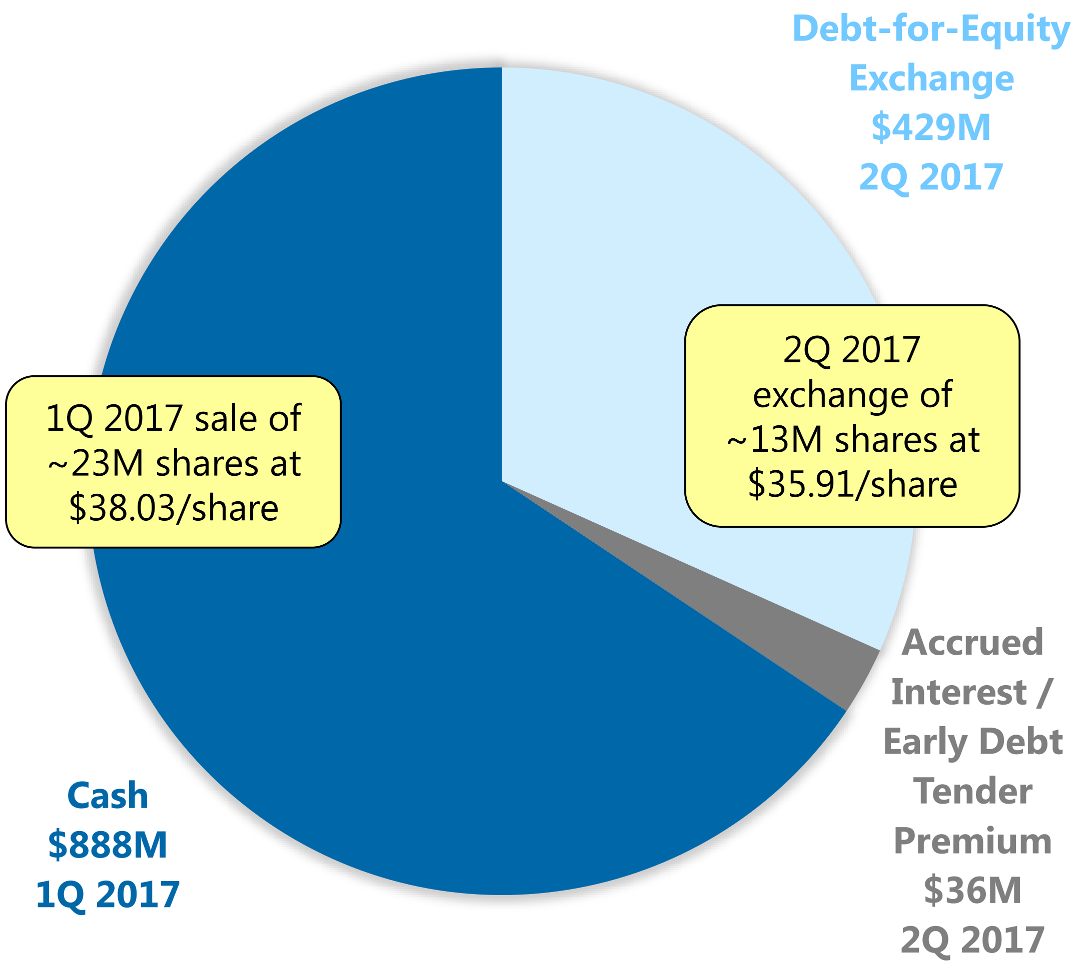
1) Stands for Selling, General Administrative and Other expenses
2) Special items of $34M in 1Q17 and $42M in 2Q17 relate to separation and Proxy, Advisory & Governance-Related Costs
3) Based on latest actual full year report; excludes Arconic and companies that do not disclose SG&A expense
4) SG&A based on Arconic continuing operations and excludes separation costs of $193M

See Appendix for Reconciliations

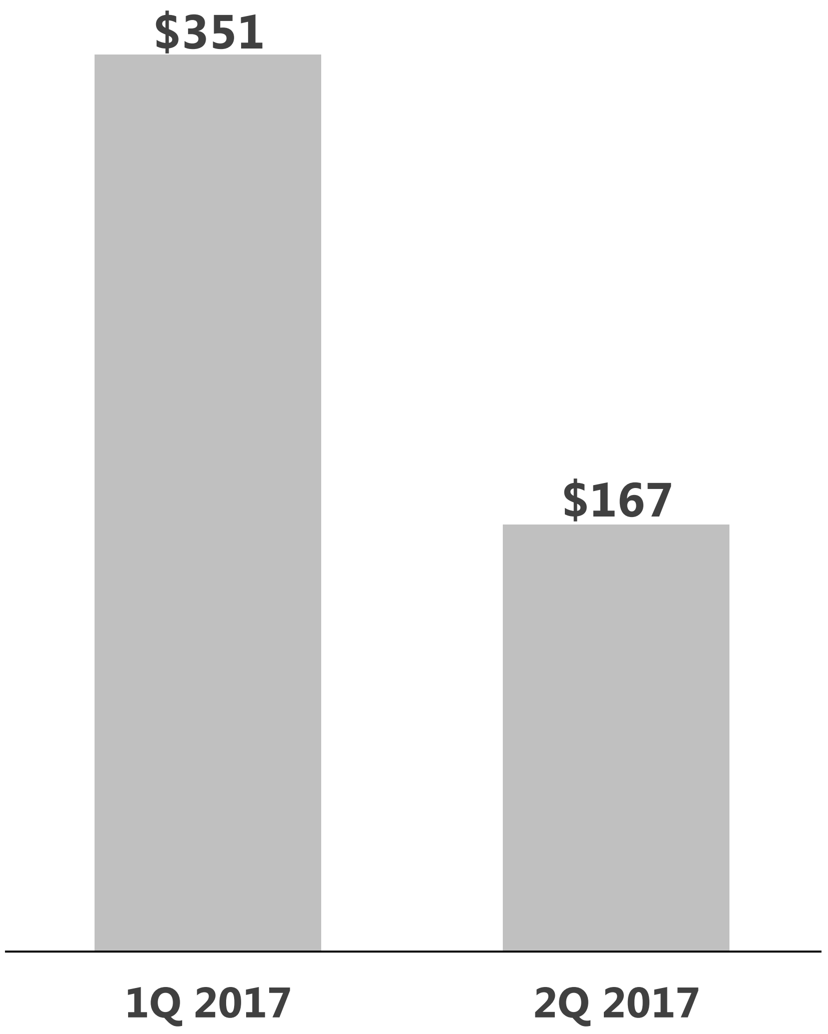
Alcoa Corp. stock monetization worth $1.35B resulting in $518M gain

Alcoa Corp. Retained Interest Monetization – 2017 Year-to-date

Transactions worth $1.35B



Pre-Tax Gain of $518M ($23/share cost basis)



Updating 2017 Guidance[1]

	Prior		Updated	
Revenue[2]	$11.8B - $12.4B	*-5% to 0% YoY*	$12.3B - $12.7B	*0% to +2% YoY*
EBITDA $[3]	$1,770M - $1,860M	*+4% to +9% YoY*	$1,810M - $1,860M	*+6% to +9% YoY*
EBITDA %[3]	~15%	*+ ~130 bps YoY*	~14.5%	*+ ~80 bps YoY*
Adjusted EPS[3] (~470M shares)	$1.10 - $1.20		$1.15 - $1.20	
Leverage	$1B of debt reduction		$1.25B[4] of debt reduction	
Free Cash Flow	$350M+		$350M+	
RONA %[3]	~9%		~9%	

1) Initial 2017 assumptions: LME cash = $1,650/MT / Current 2017 Assumptions : LME cash = $1,878/MT
2) Tennessee Packaging revenues decline ~$402M from 2016 to 2017 due to the impact of the Processing Agreement and planned ramp-down (2016 = $552M, 2017 = ~$150M)
3) Excludes $18M of separation costs and $58M of Proxy, Advisory & Governance-Related Costs; Adjusted EPS and RONA also exclude $76M early debt tender cost in 2017
4) Including the impact of $429M in debt reduction from the Alcoa Corp. Debt for Equity Exchange
5) NA = North America

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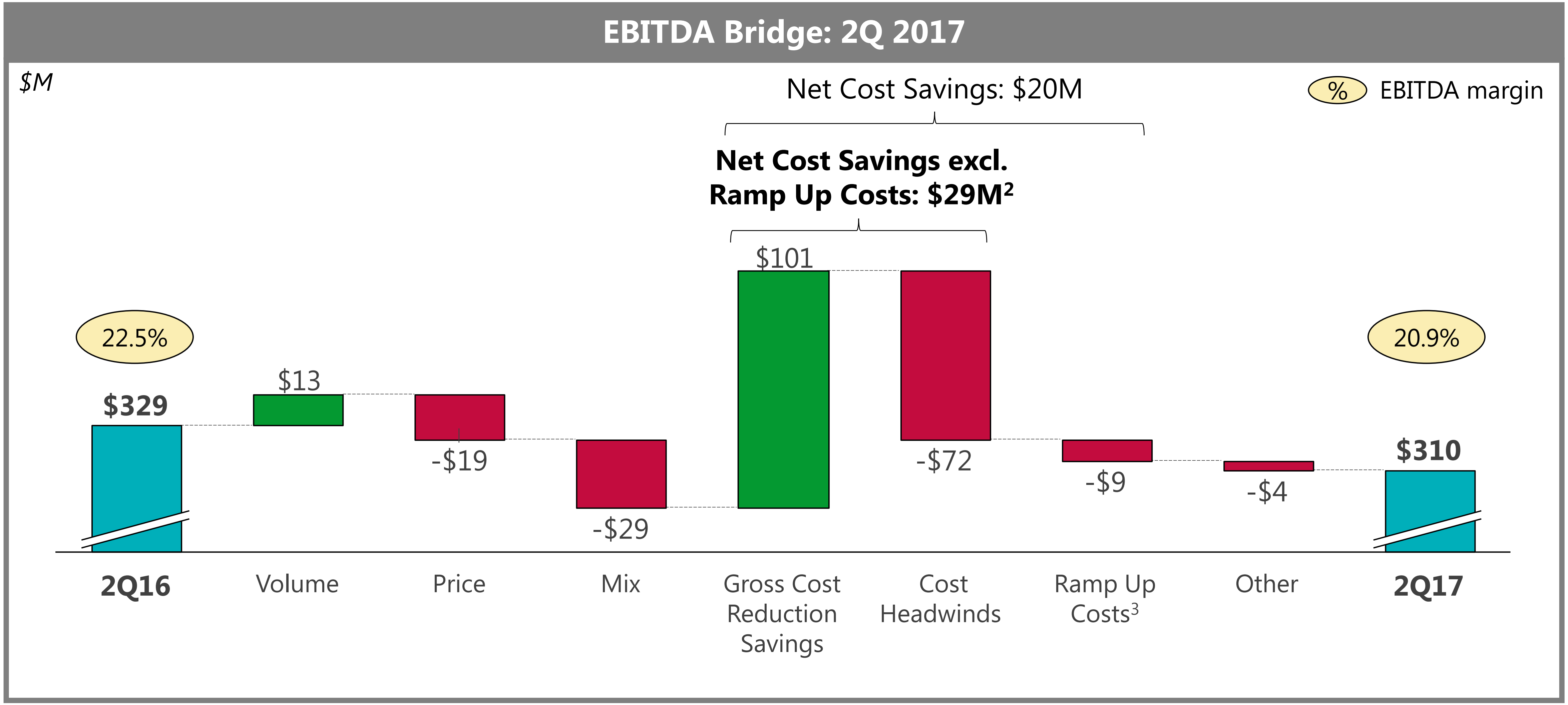
Updating 2017 Group Guidance

Arconic Segments – 2016 Financial Highlights, Prior and Current 2017 Outlook

	2016		2017 - Prior		2017 - Updated	
	Revenues	**EBITDA %**	**Revenues**	**EBITDA %**	**Revenues**	**EBITDA %**
EP&S	$5.7B	***20.9%***	Up low single digit	**+30 – 60 bps**	Up low single digit *No change*	**+30 – 60 bps** *No change*
GRP	$4.9B	***11.9%***	Down high single digit	**+30 – 80 bps**	Down low single digit *Increased*	**+30 – 50 bps** *Adj. for Al price impact on revenues*
TCS	$1.8B	***16.1%***	Up low single digit	**+ 0 – 20 bps**	Up mid single digit *Increased*	**+ 0 – 20 bps** *No change*

EP&S: 2Q EBITDA down $19M, Price / Mix -$48M, Net Cost Savings 2.0%[1]

EP&S 2Q 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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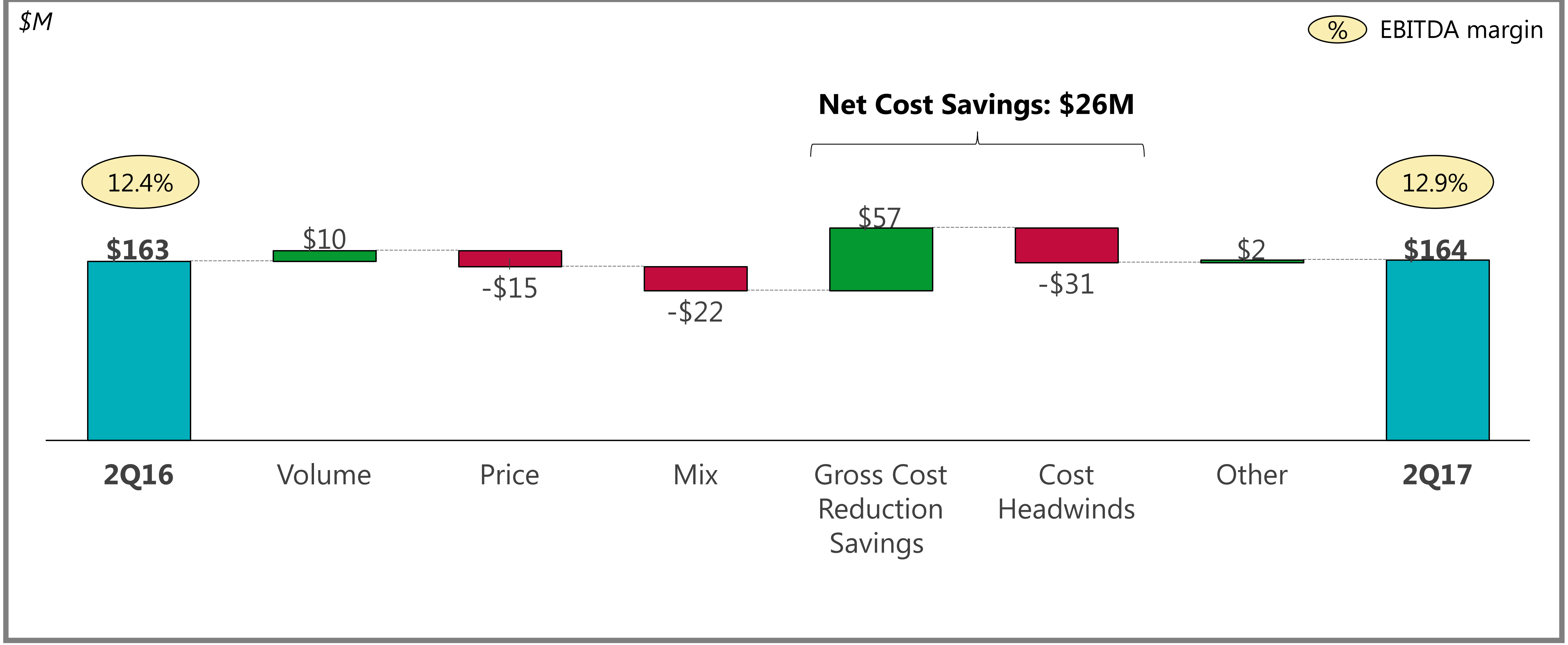
GRP: 2Q EBITDA up 1%, Volume +$10M, Price / Mix -$37M, Net Cost Savings 2.1%[1]

GRP 2Q 2017 Results

EBITDA Bridge: 2Q 2017

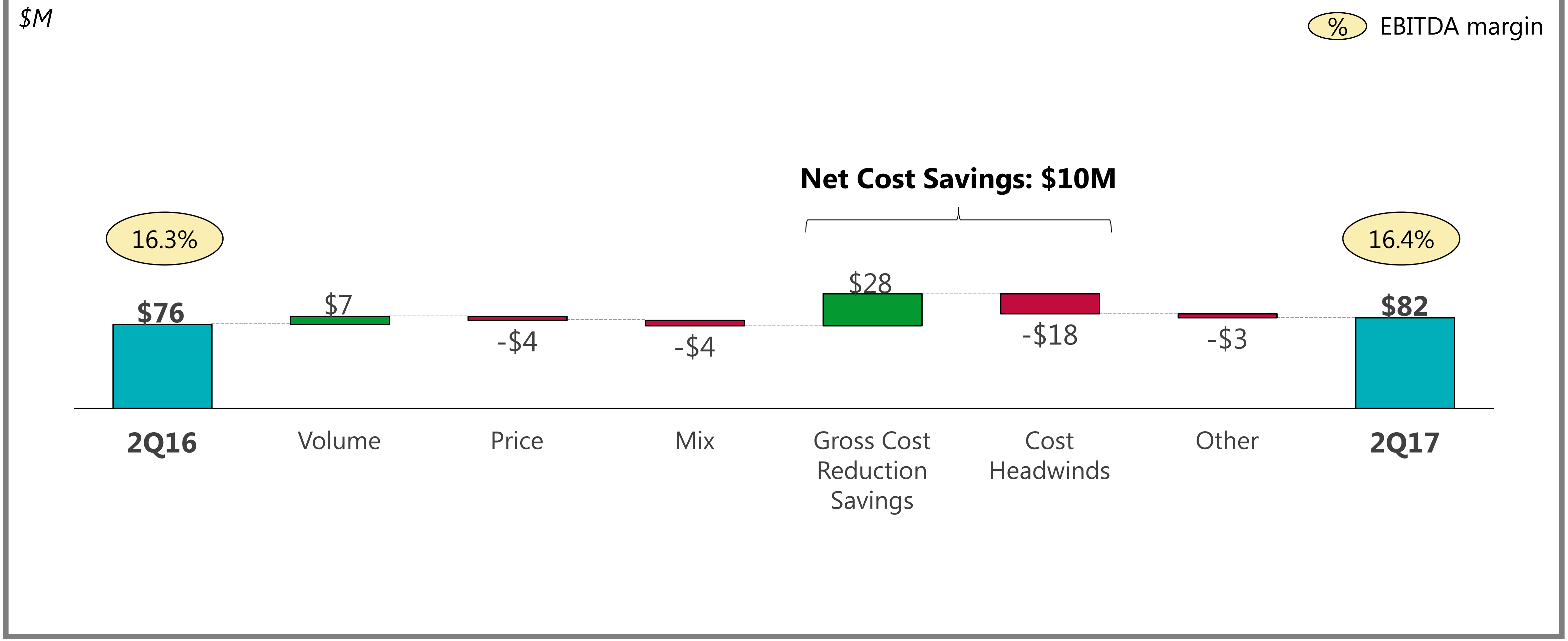


1) Gross Cost Reduction Savings less Cost Headwinds as % of Revenue
See Appendix for Reconciliations

TCS: 2Q EBITDA up 8%, Construction up, Heavy Duty Truck up, Net Cost Savings +2.0%[1]

TCS 2Q 2017 Results

EBITDA Bridge: 2Q 2017



1) Gross Cost Reduction Savings less Cost Headwinds as % of Revenue
See Appendix for Reconciliations

Capital Structure: $5.1B in Net Debt

Capital Structure as of June 30, 2017

Capitalization at June 30, 2017	
($B)	**Amount**
Cash	$1.8
Bonds[1]	$6.8
Gross Debt	**$6.8**
Net Debt	**$5.1**
Net Debt-to-Last Twelve Months EBITDA[2]	2.87x

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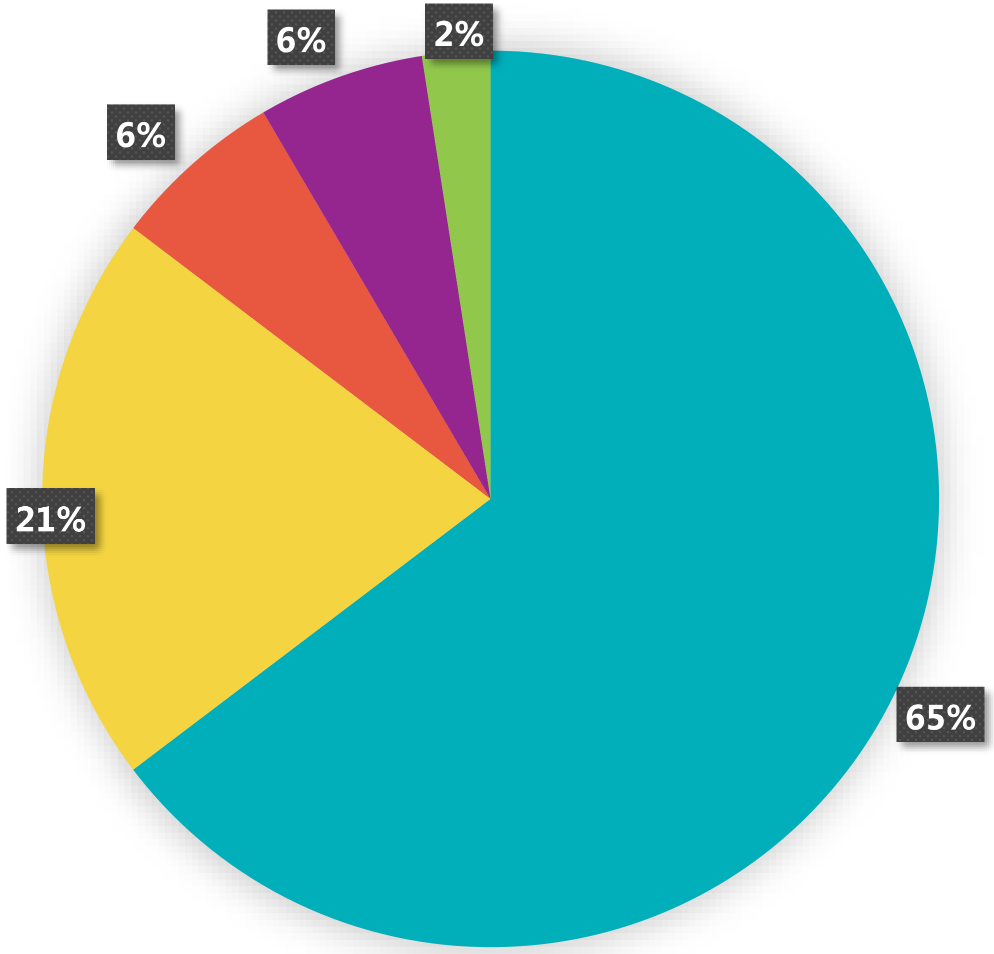
1) Includes $30M of other debt
2) Adjusted for special items

See Appendix for Reconciliations

Geographic Breakdown of Revenues – 2Q 2017

2Q 2017 Revenue by Region



	Year-on-Year Change
North America	0%
Continential Europe	(1%)
Asia	(2%)
United Kingdom	4%
Other	0%

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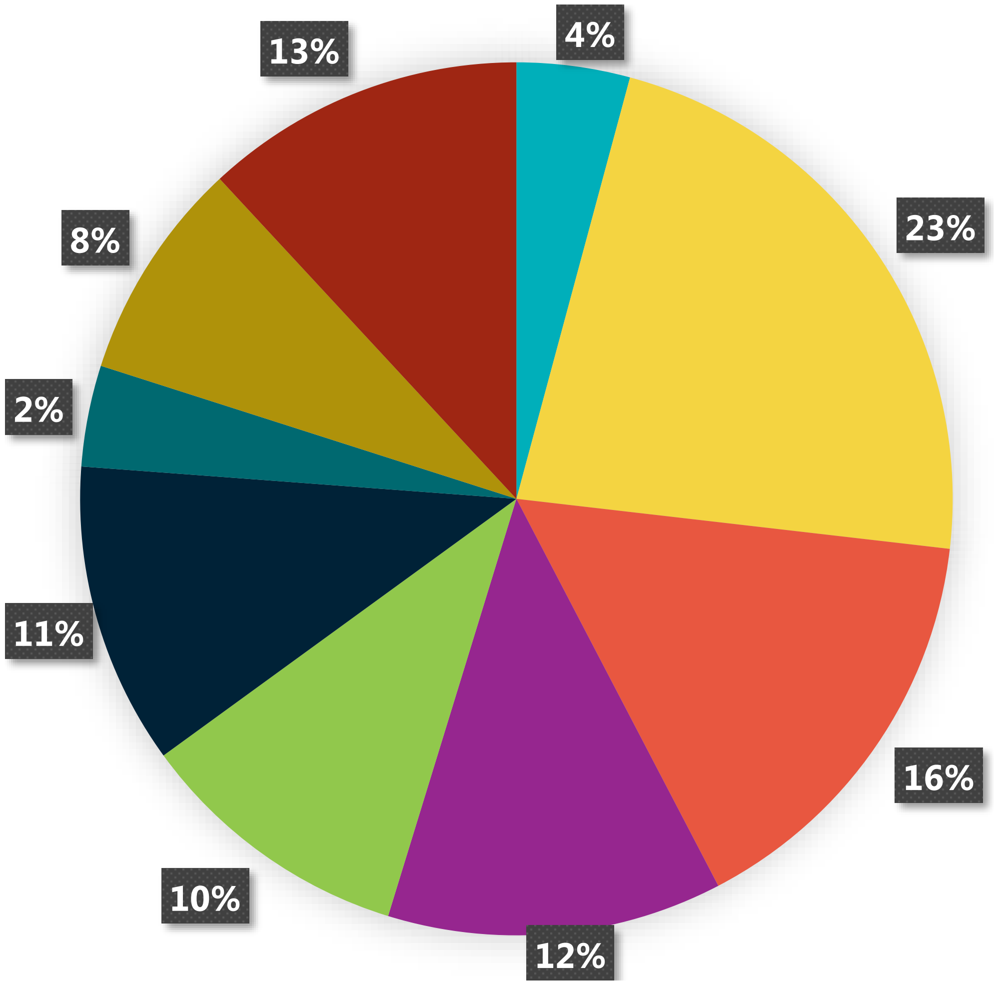
Note: 2Q 2016 Revenue by Geography excludes Discontinued Operations

Revenue Change by Market – 2Q 2017

2Q 2017 Revenue by Market



	Year-on-Year Change
Aerospace - Defense	16%
Aerospace - Commercial Airframe	(5%)
Aerospace - Commercial Engine	8%
Automotive [1]	27%
Building & Construction	3%
Commercial Transportation	9%
IGT	(7%)
Packaging	(35%)
Industrial & Other	11%

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

Arconic Revenue and EBITDA Sensitivities[1]

2017 Arconic Run Rate Revenue[2] and EBITDA Sensitivities

	Benchmark moves			Impact to	
	From ('17 plan)		**To**	**Revenue**	**EBITDA**
LME[2]	$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

1) Initial 2017 assumptions: LME cash = $1,650/MT, 1.00 EUR = 1.11 USD, 1.00 GBP = 1.31 USD / Current 2017 Assumptions : LME cash = $1,878/MT, 1.00 EUR = 1.10 USD, 1.00 GBP = 1.26 USD
2) 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

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Reconciliation of Adjusted Income

($ in millions, except per-share amounts)	Adjusted Income			Diluted EPS[5]		
	Quarter ended			Quarter ended		
	June 30, 2016	March 31, 2017	June 30, 2017	June 30, 2016	March 31, 2017	June 30, 2017
Net income attributable to Arconic	$135	$322	$212	$0.27	$0.65	$0.43
Discontinued operations[1]	(82)	-	-			
Special items:						
Restructuring and other charges	14	73	26			
Discrete tax items[2]	(3)	1	-			
Other special items[3]	113	(325)	(23)			
Tax impact[4]	(12)	98	(50)			
Net income attributable to Arconic – as adjusted	$165	$169	$165	$0.33	$0.33	$0.32

Net 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 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 the quarter ended June 30, 2016.

(2) Discrete tax items include the following:
- for the quarter ended June 30, 2016, a net charge related to a benefit for one item ($3); and
- for the quarter ended March 31, 2017, a net charge related to a number of small items ($1).

Reconciliation of Adjusted Income, continued

[3] Other special items include the following:

- for the quarter ended June 30, 2016, an unfavorable tax impact related to the interim period treatment of operational income in certain foreign jurisdictions for which no tax expense was recognized ($51), costs associated with the separation of Alcoa Inc. ($45), and an unfavorable tax impact resulting from the difference between Arconic's consolidated estimated annual effective tax rate and the statutory rate 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 jurisdictions for which no tax benefit was recognized ($9); and
- for the quarter ended June 30, 2017, a gain on the exchange of the remaining portion of Arconic's investment in Alcoa corporate common stock ($167), costs associated with the Company's early redemption of $1,250 of outstanding senior notes ($76), proxy, advisory and governance-related costs ($42), an unfavorable tax impact resulting form the difference between Arconic's consolidated estimated annual effective tax rate and the statutory rate applicable to special items ($30), and a favorable tax impact related to the interim period treatment of operational income in certain foreign jurisdictions for which no tax expense was recognized ($4).

[4] 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.

[5] 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 – as adjusted includes certain share equivalents as their effect was dilutive. Specifically:

- for the quarter ended June 30, 2016, share equivalents associated with outstanding employee stock options and awards and shares underlying outstanding 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 452,052,847; and
- for the quarter ended March 31, 2017, share equivalents associated with outstanding employee stock options and awards and shares underlying outstanding convertible debt (acquired through the acquisition of RTI International Metals, Inc.) were dilutive based on Net income attributable to Arconic common shareholders – as adjusted, resulting in a diluted average number of shares of 460,207,783.
- for the quarter ended June 30, 2017, share equivalents associated with outstanding employee stock options and awards and shares underlying outstanding convertible debt (acquired through the acquisition of RTI International Metals, Inc.) were dilutive based on Net income attributable to Arconic common shareholders – as adjusted, resulting in a diluted average number of shares of 461,826,510.

Reconciliation of Adjusted Income

($ in millions, except per-share amounts)	Adjusted Income Six months ended June 30, 2016	Adjusted Income Six months ended June 30, 2017	Diluted EPS[5] Six months ended June 30, 2016	Diluted EPS[5] Six months ended June 30, 2017
Net income attributable to Arconic	$151	$534	$0.26	$1.07
Discontinued operations[1]	12	-		
Special items:				
Restructuring and other charges	30	99		
Discrete tax items[2]	3	1		
Other special items[3]	119	(348)		
Tax impact[4]	(18)	48		
Net income attributable to Arconic – as adjusted	$297	$334	$0.59	$0.66

Net 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 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 the quarters ended March 31, 2016 and December 31, 2016.

(2) Discrete tax items include the following:

- for the six months ended June 30, 2016, a net charge related to a number of small items ($3); and
- for the six months ended June 30, 2017, a net charge related to a number of small items ($1).

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Reconciliation of Adjusted Income, continued

(3) Other special items include the following:

- for the six months ended June 30, 2016, an unfavorable tax impact resulting form the difference between Arconic's consolidated estimated annual effective tax rate and the statutory rate applicable to special items ($63), costs associated with the separation of Alcoa Inc. ($63), and a favorable tax impact related to the interim period treatment of operational losses in certain foreign jurisdictions for which no tax benefit was recognized ($7); and
- for the six months ended June 30, 2017, a gain on the sale of a portion of Arconic's investment in Alcoa Corporation common stock ($351), a gain on the exchange of the remaining portion of Arconic's investment in Alcoa Corporation common stock ($167); costs associated with the Company's early redemption of $1,250 of outstanding senior notes ($76), proxy, advisory and governance-related costs ($58), costs associated with the separation of Alcoa Inc. ($18), an unfavorable tax impact resulting form the difference between Arconic's consolidated estimated annual effective tax rate and the statutory rate applicable to special items ($13), and an unfavorable tax impact related to the interim period treatment of operational losses in certain foreign jurisdictions for which no tax benefit was recognized ($5).

(4) 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.

(5) 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 – as adjusted includes certain share equivalents as their effect was dilutive. Specifically:

- for the six months ended June 30, 2016, share equivalents associated with outstanding employee stock options and awards and shares underlying outstanding 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 451,498,740.
- for the six months ended June 30, 2017, share equivalents associated with outstanding employee stock options and awards and shares underlying outstanding 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 460,894,897.

Reconciliation of Operational Tax Rate

($ in millions)	Quarter ended June 30, 2017			Six months ended June 30, 2017		
	As reported	Special items(1)	As adjusted	As reported	Special items(1)	As adjusted
Income from continuing operations before income taxes	$269	$(23)	$246	$753	$(266)	$487
Provision for income taxes	$57	$24	$81	$219	$(66)	$153
Tax rate	21.2%		32.9%	29.1%		31.4%

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	2Q17
Adjusted EBITDA	$305	$329	$296	$265	$1,195	$306	$310
Third-party sales	$1,449	$1,465	$1,406	$1,408	$5,728	$1,485	$1,484
Adjusted EBITDA Margin	21.0%	22.5%	21.1%	18.8%	20.9%	20.6%	20.9%

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	2Q17
Adjusted EBITDA	$155	$163	$143	$116	$577	$171	$164
Total shipments (thousand metric tons) (kmt)(2)	385	429	422	353	1,587	414	405
Adjusted EBITDA / Total shipments ($ per metric ton)	$403	$380	$339	$329	$364	$413	$405
Third party sales	$1,184	$1,316	$1,285	$1,079	$4,864	$1,249	$1,268
Adjusted EBITDA Margin	13.1%	12.4%	11.1%	10.8%	11.9%	13.7%	12.9%

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 72 thousand metric tons (kmt), 76 kmt, and 54 kmt for 2Q17, 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	2Q17
Adjusted EBITDA	$64	$76	$76	$75	$291	$72	$82
Third-party sales	$429	$467	$450	$456	$1,802	$449	$501
Adjusted EBITDA Margin	14.9%	16.3%	16.9%	16.4%	16.1%	16.0%	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 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	2Q17
Sales – Engineered Products and Solutions	$1,449	$1,465	$1,406	$1,408	$5,728	$1,485	$1,484
Sales – Global Rolled Products	1,184	1,316	1,285	1,079	4,864	1,249	1,268
Sales – Transportation and Construction Solutions	429	467	450	456	1,802	449	501
Combined segment sales	$3,062	$3,248	$3,141	$2,943	$12,394	$3,183	$3,253
Combined segment adjusted EBITDA[1]	$524	$568	$515	$456	$2,063	$549	$556
Combined segment adjusted EBITDA margin	17.1%	17.5%	16.4%	15.5%	16.6%	17.2%	17.1%

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	2Q17
Combined segment adjusted EBITDA	$524	$568	$515	$456	$2,063	$549	$556
Unallocated amounts:							
Depreciation and amortization	(133)	(133)	(136)	(133)	(535)	(133)	(137)
Restructuring and other charges	(16)	(14)	(3)	(122)	(155)	(73)	(26)
Impact of LIFO	(12)	(13)	(1)	8	(18)	(19)	(11)
Metal price lag	-	6	4	17	27	22	19
Corporate expense	(76)	(115)	(113)	(150)	(454)	(91)	(91)
Other	(17)	(16)	(29)	(47)	(109)	(10)	(29)
Operating income	$270	$283	$237	$29	$819	$245	$281
Other income, net[1]	12	17	11	54	94	354	171
Interest expense[2]	(121)	(124)	(126)	(128)	(499)	(115)	(183)
Income taxes[3]	(51)	(123)	(56)	(1,246)	(1,476)	(162)	(57)
Discontinued operations[4]	(94)	82	100	33	121	-	-
Consolidated net income (loss) attributable to Arconic	$16	$135	$166	$(1,258)	$(941)	$322	$212

(1) Other income, net includes the following:
- for the quarter ended March 31, 2017, a $351 gain on the sale of a portion of Arconic's investment in Alcoa Corporation common stock; and
- for the quarter ended June 30, 2017, a $167 gain on the exchange of Arconic's remaining investment in Alcoa Corporation common stock for a portion of the Company's outstanding senior notes.

(2) Interest expense for the quarter ended June 30, 2017 includes $76 related to the early redemption of the Company's outstanding 6.500% Senior Notes due 2018 and 6.750% Senior Notes due 2018 and a portion of the Company's outstanding 5.720% Senior Notes due 2019.

(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).

(4) 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.

Reconciliation of Arconic Adjusted EBITDA and Adjusted EBITDA Excluding Special Items

($ in millions)	1Q16	2Q16	3Q16	4Q16	2016	1Q17	2Q17
Net income (loss) attributable to Arconic	$16	$135	$166	$(1,258)	$(941)	$322	$212
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	212
Add:							
Provision for income taxes	51	123	56	1,246	1,476	162	57
Other income, net	(12)	(17)	(11)	(54)	(94)	(354)	(171)
Interest expense	121	124	126	128	499	115	183
Restructuring and other charges	16	14	3	122	155	73	26
Provision for depreciation and amortization	133	133	136	133	535	133	137
Arconic adjusted EBITDA	$419	$430	$376	$284	$1,509	$451	$444
Special items:							
Separation costs	18	45	54	76	193	18	-
Proxy, advisory and governance-related costs	-	-	-	-	-	16	42
Arconic adjusted EBITDA excluding special items	$437	$475	$430	$360	$1,702	$485	$486
Last twelve months Arconic adjusted EBITDA excluding special items					$1,702	$1,750	$1,761
Sales	$3,055	$3,234	$3,138	$2,967	$12,394	$3,192	$ 3,261
Arconic adjusted EBITDA margin	13.7%	13.3%	12.0%	9.6%	12.2%	14.1%	13.6%
Arconic adjusted EBITDA margin excluding special items	14.3%	14.7%	13.7%	12.1%	13.7%	15.2%	14.9%

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 Adjusted EBITDA Excluding LME Impact

($ in millions)	2Q17
Arconic	
Sales	$3,261
LME impact	124
Sales adjusted for LME impact	$3,137
Arconic adjusted EBITDA excluding special items	$486
LME impact	(5)
Arconic adjusted EBITDA excluding special items and LME impact	$491
Arconic adjusted EBITDA margin excluding special items	14.9%
Arconic adjusted EBITDA margin excluding special items and LME impact	15.7%
Global Rolled Products Segment (GRP)(1)	
Sales	$1,268
LME impact	94
Sales adjusted for LME impact	$1,174
Adjusted EBITDA	$164
LME Impact	(5)
Adjusted EBITDA excluding LME impact	$169
Adjusted EBITDA margin	12.9%
Adjusted EBITDA margin excluding LME impact	14.4%

Arconic Adjusted EBITDA margin excluding special items and LME impact and Adjusted EBITDA Margin excluding LME impact are non-GAAP financial measures. Management believes that these measures are meaningful to investors as they presents EBITDA margin on a comparable basis excluding fluctuations in LME pricing.

(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 Revenue Excluding Tennessee Packaging

($ in millions)	1Q16	2Q16	3Q16	4Q16	2016	1Q17	2Q17
Arconic							
Sales – Arconic	$3,055	$3,234	$3,138	$2,967	$12,394	$3,192	$3,261
Sales – Tennessee Packaging	150	189	176	37	552	54	51
Arconic Sales excluding Tennessee Packaging	$2,905	$3,045	$2,962	$2,930	$11,842	$3,138	$3,210
Global Rolled Products Segment (GRP)[1]							
Sales – Global Rolled Products Segment	$1,184	$1,316	$1,285	$1,079	$4,864	$1,249	$1,268
Sales – Tennessee Packaging	150	189	176	37	552	54	51
Third party sales excluding Tennessee packaging	$1,034	$1,127	$1,109	$1,042	$4,312	$1,195	$1,217

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 due to the impact of the ramp-down and Toll Processing and Services Agreement with Alcoa Corporation at the North America packaging business at its Tennessee operations.

(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	2Q17
Sales	$3,055	$3,234	$3,138	$2,967	$12,394	$3,192	$3,261
SG&A	205	239	229	269	942	221	204
SG&A % of sales	6.7%	7.4%	7.3%	9.1%	7.6%	6.9%	6.3%
Special items:							
Separation costs	18	45	54	76	193	18	-
Proxy, advisory and governance-related costs	-	-	-	-	-	16	42
Adjusted SG&A excluding special items	187	194	175	193	754	187	162
Adjusted SG&A excluding special items as a % of sales	6.1%	6.0%	5.6%	6.5%	6.1%	5.9%	5.0%

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	2Q17
Cash from operations	$(430)	$332	$306	$662	$870	$(300)	$217
Capital expenditures	(251)	(277)	(286)	(311)	(1,125)	(103)	(126)
Free cash flow	$(681)	$55	$20	$351	$(255)	$(403)	$91

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	June 30, 2017
Short-term borrowings	$36	$47	$48
Long-term debt due within one year	4	–	–
Long-term debt, less amount due within one year	8,044	8,046	6,796
Total debt	8,084	8,093	6,844
Less: Cash and cash equivalents	1,863	2,553	1,785
Net debt	$6,221	$5,540	$5,059
Trailing twelve month (TTM) Arconic adjusted EBITDA excluding special items(1)	$1,702	$1,750	$1,761
Net debt/TTM Arconic adjusted EBITDA excluding special items	3.66	3.17	2.87

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)	2Q17	1H17
Net income attributable to Arconic	$212	$534
Special items[1]	(47)	(200)
Net income attributable to Arconic – as adjusted	$165	$334
Annualized net income attributable to Arconic-as adjusted	$660	$668
Net Assets:		
Add: Receivables from customers, less allowances	$1,170	$1,170
Add: Deferred purchase program[2]	222	222
Add: Inventories	2,416	2,416
Less: Accounts payable, trade	1,667	1,667
Working Capital	2,141	2,141
Properties, plants, and equipment, net	5,507	5,507
Net assets - total	$7,648	$7,648
RONA	8.6%	8.7%

Return on net assets (RONA) is a non-GAAP financial measure. RONA is calculated as Net income attributable to Arconic – as adjusted 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 program relates to an arrangement to sell certain customer receivables to several financial institutions on a recurring basis. Arconic is adding back the receivable for the purposes of the Working capital calculation.

ARCONIC