Fourth Quarter 2017 Earnings Call

Chip Blankenship – Chief Executive Officer
Ken Giacobbe – Chief Financial Officer

February 5, 2018

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Important Information

Forward–Looking Statements

This presentation contains statements that relate to future events and expectations and as such constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include those containing such words as "anticipates," "believes," "could," "estimates," "expects," "forecasts," "goal," "guidance," "intends," "may," "outlook," "plans," "projects," "seeks," "sees," "should," "targets," "will," "would," or other words of similar meaning. All statements that reflect Arconic's expectations, assumptions or projections about the future, other than statements of historical fact, are forward-looking statements, including, without limitation, forecasts and expectations relating to the growth of the aerospace, automotive, commercial transportation and other end markets; statements and guidance regarding future financial results or operating performance; statements about Arconic's strategies, outlook, business and financial prospects; and statements regarding potential share gains. These statements reflect beliefs and assumptions that are based on Arconic's perception of historical trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. Forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties, and changes in circumstances that are difficult to predict. 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 or targeted; (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) any manufacturing difficulties or other issues that impact product performance, quality or safety; (h) political, economic, and regulatory risks in the countries in which Arconic operates or sells products; (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, which can expose Arconic to substantial costs and liabilities; and (l) the other risk factors summarized in Arconic's Form 10-K for the year ended December 31, 2016, Arconic's Form 10-Q for the quarter ended June 30, 2017 and other reports filed with the U.S. Securities and Exchange Commission (SEC). Arconic disclaims any intention or obligation to update publicly any forward-looking statements, whether in response to new information, future events, or otherwise, except as required by applicable law. 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 earnings per share 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. "Organic revenue" is U.S. GAAP revenue adjusted for Tennessee packaging (due to its planned phase-down), divestitures, and changes in aluminum prices and foreign currency exchange rates relative to prior year period.

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 – 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.

Priorities

- Customers
- People
- Operational Excellence
  - Free Cash Flow
- Technology
- Strategic and Portfolio Review
- Capital Allocation

Highlights – 4Q and FY 2017

- Revenue up 10% 4Q year-over-year (YoY) and 5% FY 2017
  - Organic Revenue up 6% 4Q YoY and up 5% FY 2017
- Arconic EBITDA[1] up 54% 4Q YoY and up 17% FY 2017
  - Arconic EBITDA, excl. special items, up 24% 4Q YoY and up 9% FY 2017
- Negative YoY impact of higher aluminum (Al) prices of $42M on 4Q EBITDA and $84M on FY 2017 EBITDA
- Arconic EBITDA %, excl. special items, increased YoY 150 bps 4Q and 60 bps FY 2017
  - Aluminum price negative impact of 190 bps 4Q YoY and 110 bps FY 2017 YoY
- Net cost savings of 2.1% ($68M) of revenue 4Q and 1.8% ($232M) of revenue FY 2017 including $111M[2] of FY SG&A reductions
- Ended year with $2.15B in cash on hand

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1) Net loss attributable to Arconic: ($727M) in 4Q 2017 and ($1,258M) in 4Q 2016; ($74M) FY 2017 and ($941M) in FY 2016
2) Excludes special items

See appendix for reconciliations

FY 2017 Arconic Results vs. Guidance

	2017 Actual	Variance to 3Q Guidance[1]	YoY Al Price Impact
Revenue	$13.0B *+5% YoY*	+$0.3B	+$0.4B
EBITDA	$1,854M[2] *+9% YoY*	+$19M	($84M)
EBITDA %	14.3%[2] *+60 bps YoY*	(20 bps)	(110 bps)
Adj. EPS	$1.22 *+24% YoY*	+$0.04	($0.12)
Free Cash Flow	$105M[3]	($245M)	(~$100M)
RONA %	8.3% *+120 bps YoY*	5 bps	(60 bps)

1) Variances are to midpoints of guidance provided on the 3Q 2017 earnings call
2) Adjusted for special items; Net loss attributable to Arconic: ($727M) in 4Q 2017 and ($1,258M) in 4Q 2016; ($74M) FY 2017 and ($941M) in FY 2016
3) FY 2017 Cash from Operations of $701M

See appendix for reconciliations

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FY 2017 Segment Results vs. Guidance

Segment	Metric	2017 Actual	Variance to 3Q Guidance[1]	YoY Al Price Impact
EP&S	**Revenue growth**	*+4%*	+200 bps	N/A
	EBITDA % expansion	*(30 bps)*	(30 bps)	N/A
GRP	**Revenue growth**	*+3%* *Organic +5%*	+100 bps	+760 bps
	EBITDA % expansion	*+10 bps*	At guidance	(140 bps)
TCS	**Revenue growth**	*+10%* *Organic +7%*	+200 bps	+190 bps
	EBITDA % expansion	*+10 bps*	+10 bps	(120 bps)

1) Variances are to midpoints of guidance provided on the 3Q 2017 earnings call

See appendix for reconciliations

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Income Statement and Special Items

Income Statement and Special Items Overview

Income Statement

$ Millions, except per-share amounts	4Q 2017	FY 2017
Revenue	**$3,271**	**$12,960**
Cost of Goods Sold	$2,656	$10,357
Selling, General Administrative, and Other[1]	$151	$731
EBITDA	**$436**	**$1,761**
EBITDA excluding Special Items	**$446**	**$1,854**
Restructuring / Goodwill Impairment	$766	$884
Effective Tax Rate	(59.8%)	115.7%
Operational Tax Rate	29.6%	31.3%
Net Loss	**($727)**	**($74)**
Net Loss per Diluted Share	**($1.51)**	**($0.28)**
Adjusted Income excl. Special Items	**$152**	**$618**
Adjusted Income excl. Special Items per Diluted Share[2]	**$0.31**	**$1.22**

Special Items

$ Millions	4Q 2017
Net Loss	**($727)**
Restructuring-Related	($47)
Goodwill Impairment	($719)
Legal and other advisory costs related to Grenfell Tower	($7)
Delaware Reincorporation	($26)
Firth Rixson Earnout	$81
Separation-Related Guarantee Liability	$25
U.S. Tax Reform	($272)
Discrete Tax Items / Tax Impact	$86
Special Items	**($879)**
Adjusted Income excl. Special Items	**$152**

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1) SG&A excluding specials of $141M in 4Q 2017 and $638M FY 2017
2) Diluted share count: 4Q 2017 = 502M, FY 2017 = 471M

See appendix for reconciliations

Cash Flow Statement

4Q 2017 and FY 2017 Free Cash Flow

($M)	4Q 2017	FY 2017
Net Loss	($727)	($74)
Cash from Operations	$612	$701
Cash used for Financing Activities	($45)	($963)
Cash (used for) / provided by Investing Activities	($236)	$540
Free Cash Flow (FCF)	$376	$105
Cash on Hand	$2,150	$2,150

FCF Underperformance

Driven by -

- Maintaining higher inventory levels supporting next generation engine ramp
- Higher raw material prices

$596M FY 2017 Capex Spend

Cash on Hand: $2.15B
Gross Debt: $6.8B

2.53x Net Debt-to-LTM EBITDA[1]

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1) Adjusted for special items
See appendix for reconciliations

EP&S: FY 2017 EBITDA up 2% driven by volume and Net Cost Savings of 1.6%

Engineered Products and Solutions (EP&S) 4Q 2017 and FY 2017 Results

4Q 2017

	Actual	YoY change
Revenue ($M)	$1,490	+6%
EBITDA ($M)	$296	+12%
EBITDA %	19.9%	+110 bps

FY 2017

	Actual	YoY change
Revenue ($M)	$5,935	+4%
EBITDA ($M)	$1,224	+2%
EBITDA %	20.6%	-30 bps

FY 2017 YoY Commentary

- **Revenue:** Commercial Aerospace +4%: Aero Engines +8% (next gen engine revenue ~+60%) and Airframes +1%, Defense Aerospace +7%, Commercial Transportation +4%, Industrial Gas Turbines -11%
- **EBITDA**: Driven by higher volume and Net Cost Savings of 1.6% of revenue, partially offset by unfavorable price / mix.

GRP: FY 2017 EBITDA +4% driven by volume and Net Cost Savings of 1.9%

Global Rolled Products (GRP) 4Q 2017 and FY 2017 Results

4Q 2017

	Actual	YoY change
Revenue ($M)	$1,241	+15%
-Organic Revenue	*$1,078*	*+7%*
EBITDA ($M)	$124	+7%
EBITDA %	10.0%	-80 bps
YoY Al Price Impact		*-160 bps*

FY 2017

	Actual	YoY change
Revenue ($M)	$4,992	+3%
-Organic Revenue	*$4,355*	*+5%*
EBITDA ($M)	$599	+4%
EBITDA %	12.0%	+10 bps
YoY Al Price Impact		*-140 bps*

FY 2017 YoY Commentary

- **Organic Revenue:** Auto sheet shipments +20%, Commercial Transportation +18%, Packaging –10%, Commercial Airframe -9%
- **EBITDA**: Strong volume in Auto sheet shipments and Commercial Transportation as well as Net Cost Savings of 1.9%, partially offset by lower Aero wide body build rates and higher aluminum prices.

TCS: FY 2017 EBITDA +10% driven by volume and Net Cost Savings of 1.9%

Transportation and Construction Solutions (TCS) 4Q 2017 and FY 2017 Results

4Q 2017

	Actual	YoY change
Revenue ($M)	$518	+14%
-Organic Revenue	*$492*	*+8%*
EBITDA ($M)	$84	+12%
EBITDA %	16.2%	-20 bps
YoY Al Price Impact		*-170 bps*

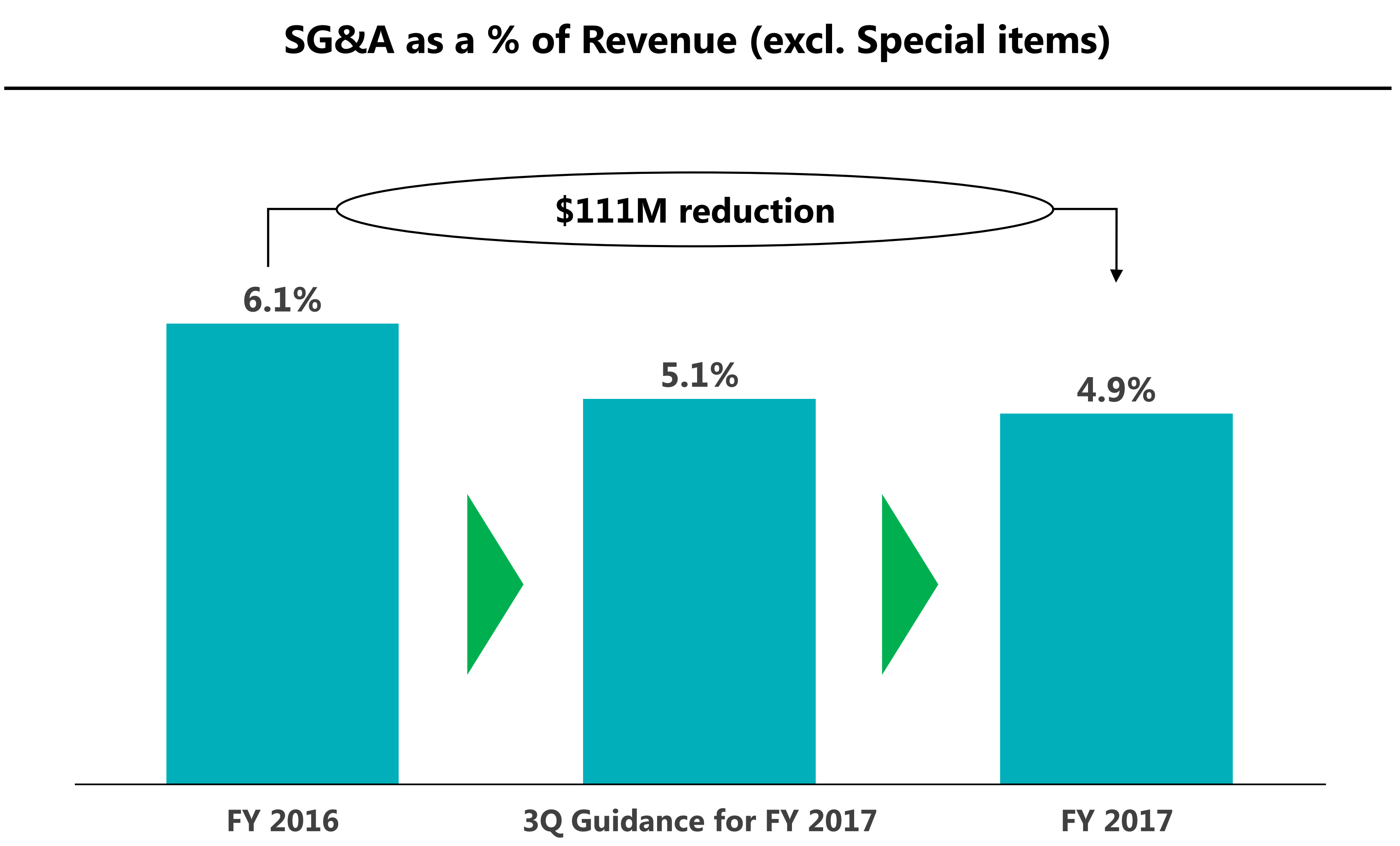
FY 2017

	Actual	YoY change
Revenue ($M)	$1,985	+10%
-Organic Revenue	*$1,935*	*+7%*
EBITDA ($M)	$321	+10%
EBITDA %	16.2%	+10 bps
YoY Al Price Impact		*-120 bps*

FY 2017 YoY Commentary

- **Organic Revenue:** Commercial Transportation +14%, Building and Construction +4%
- **EBITDA**: Higher Volume and Net Cost Savings of 1.9% of revenue, partially offset by higher aluminum prices.

Delivered on Overhead Reduction



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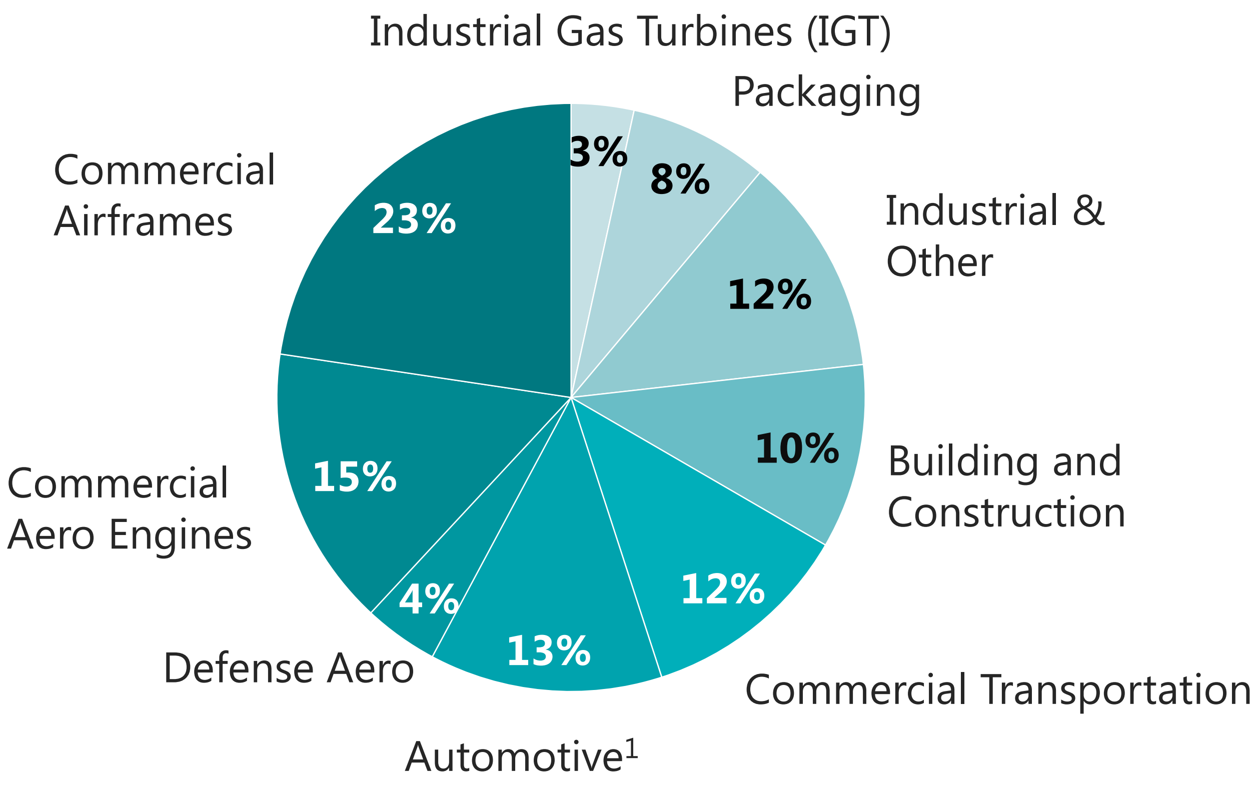
See appendix for reconciliations

FY 2017 Revenue by End-Market



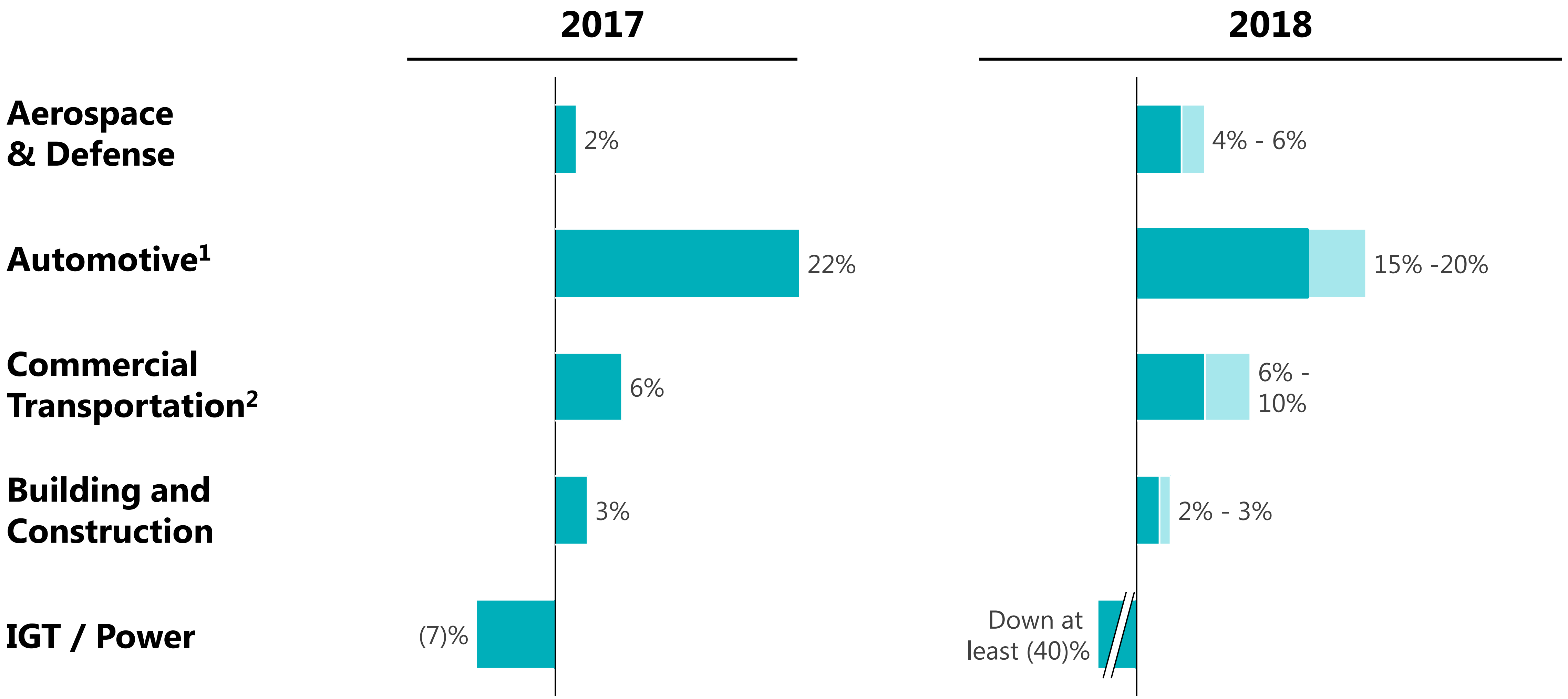
FY 2017 Revenue: $13.0B

FY 2017 EBITDA: $1.854B[2]

1) Includes brazing (~$0.4M), automotive sheet (~$1.1B), and other revenues
2) Adjusted for special items

See appendix for reconciliations

End-Market Growth Rates



1) North American Automotive Sheet Shipments
2) North America and Europe

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Arconic 2018 Guidance

+ Aerospace and Military Aircraft deliveries
+ Next Gen Engine ramp
+ Auto Aluminization
+ Commercial Transportation
+ Building and Construction
+ Net Cost Savings

– IGT / Power
– Aerospace pricing
– Wide Body / Narrow Body mix
– Airbus inventory burn down
– NA Packaging ramp down
– Raw material costs

Revenue	Adjusted EPS	Free Cash Flow
$13.4B - $13.7B	**$1.45 - $1.55**	**~$500M**
2% - 4% organic growth	*Up 19% - 27%*	

2018 Capital Allocation

Returning Cash to Shareholders

- $500M share repurchase authorization
- Quarterly Dividends of $0.06 per share

Capital Efficiency

- Increased focus on Working Capital and Free Cash Flow

De-Leveraging

- $500M 1Q'18 repayment of Feb 2019 bond

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Key assumptions in 2018 guidance

2018 Assumed Al Price[1]	LME Cash = $2,200/MT Midwest Premiums = $194/MT	• $100/MT increase = • ~$115M Revenue impact / ~($10M) EBITDA impact[2]
Capex	~$700M	• YoY increase associated with increasing manufacturing velocity
Tax Rate	Operational tax % = 27% - 29%	• Midpoint 330 bps reduction vs 2017
Adj. Interest Expense	~$370M	• Includes reduced interest after 1Q'18 repayment of Feb 2019 bond
Debt Paydown	$500M	• Feb 2019 bond
FX Rates[3]	EUR: USD 1.20, GBP: USD 1.33	• + 0.10 USD/EUR impacts =~$120M Revenue / ~$20M EBITDA • + 0.10 USD/GBP impacts =~$25M Revenue / ~($10M) EBITDA
Diluted Share Count	~505M	• Does not include any potential impact of share repurchases

1) 2017: LME Cash = $1,968/MT; Midwest Premiums = $199/MT
2) Does not include LIFO inventory revaluations which is a ~$25M headwind per +$100/MT on a full year basis and is pro-rated on a quarterly basis.
3) 2017: EUR: USD 1.13, GBP: USD 1.29

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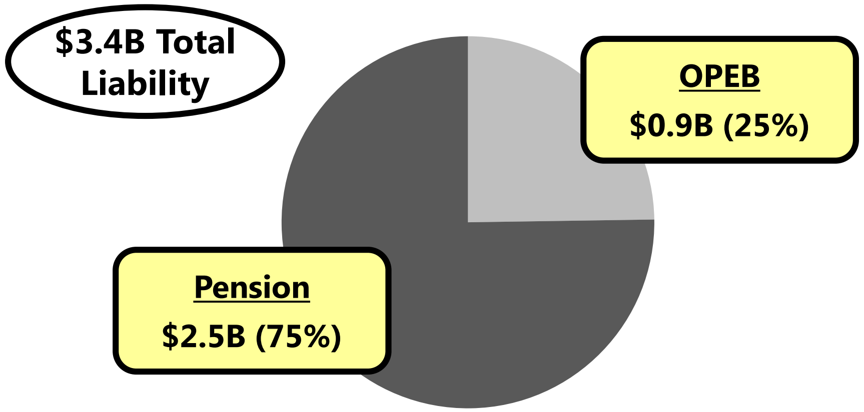
Pension and OPEB Summary

Obligations

Unfunded pension and OPEB liability (12/31/2017)



- **2017 pension asset returns: ~5%**
- **2017 year-end discount rate: ~3.75%**
- **Pension plan funded status (12/31/2017):**
  - US ERISA: ~80% - 85%
  - Worldwide GAAP: ~65% - 70%
- **25 bps discount rate sensitivity:**
  - Pension / OPEB expense: ~$5M
  - Pension / OPEB liability: ~$225M
- **25 bps expected return on assets (EROA) sensitivity:**
  - Pension expense: ~$12M

Expense and Cash Flow

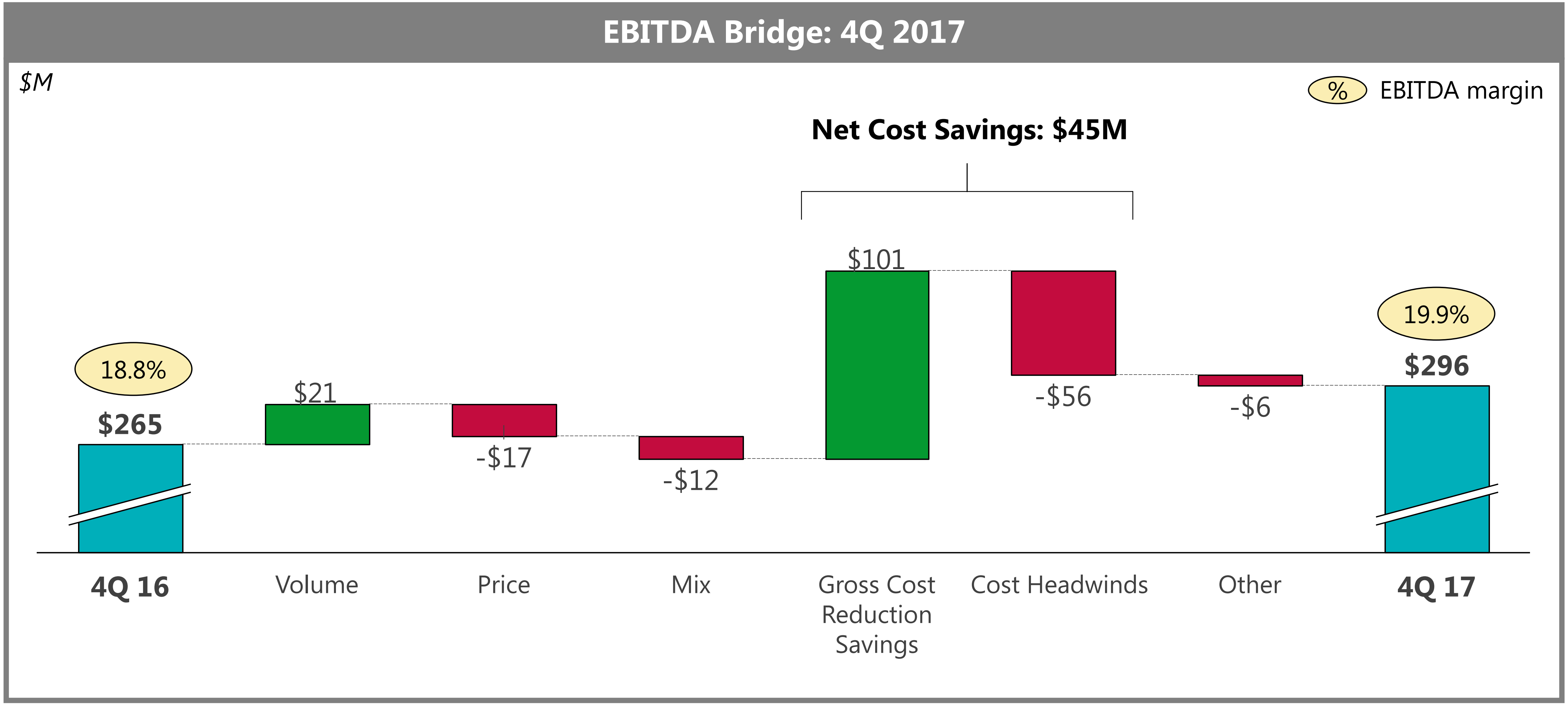
Expense ($M)	**FY 2017**	**FY 2018**
Segments	$166M	~$50M
Corporate	$85M	~$10M
New Employer Contributions to DC Plan[1]	N/A	~$30M
Total EBITDA	**$251M**	**~$90M**
Non-operating[2]	N/A	~$110M
Total Pension / OPEB-related Expense	**$251M**	**~$200M**
Inventory Impact of New Pension Standard	N/A	~$20M

Cash Flow ($M)	**FY 2017**	**FY 2018**
Pension Contributions	$310M	~$350M[3]
OPEB Payments	$90M	~$85M
New Employer Contributions to DC Plan[1]	N/A	~$30M
Total Cash Flow	**$400M**	**~$465M**

1) Employer contributions to employee's defined contribution plans as a result of U.S. non-bargained pension freeze; Expense is split ~$25M in the Segments and ~$5M in Corporate
2) All 2017 pension / OPEB expenses included in EBITDA. Effective January 1, 2018, all non-service related pension expenses are recorded in non-operating expense (i.e., they are excluded from EBITDA)
3) 2018 increase due to 2017 asset returns below 7.75%

EP&S: 4Q EBITDA up $31M, Volume +$21M, Price / Mix -$29M, Net Cost Savings 3.0%[1]

EP&S 4Q 2017 Results

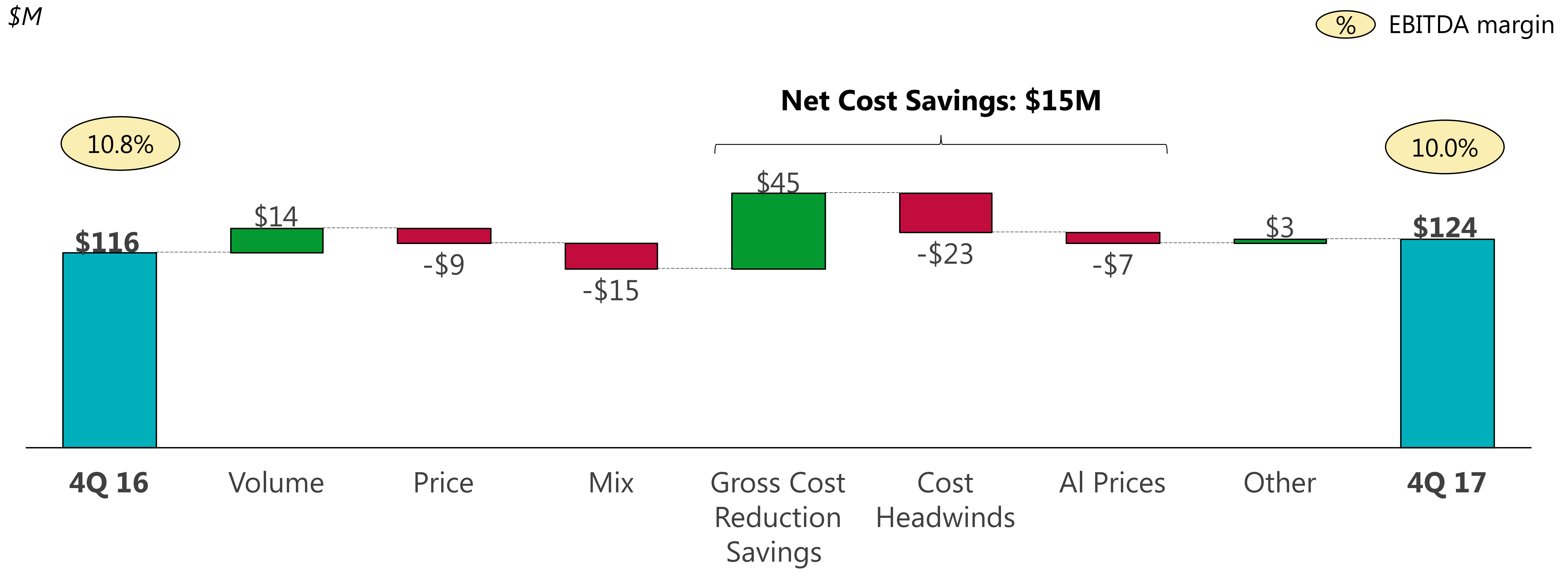


1) Gross Cost Reduction Savings less Cost Headwinds as % of Revenue
See appendix for reconciliations

GRP: 4Q EBITDA up 7% driven by strong Auto volume and Net Cost Savings 1.2%[1]

GRP 4Q 2017 Results

EBITDA Bridge: 4Q 2017



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

Al Impact versus 4Q16: +$113M Revenue, -$7M EBITDA, -160 bps EBITDA %

See appendix for reconciliations

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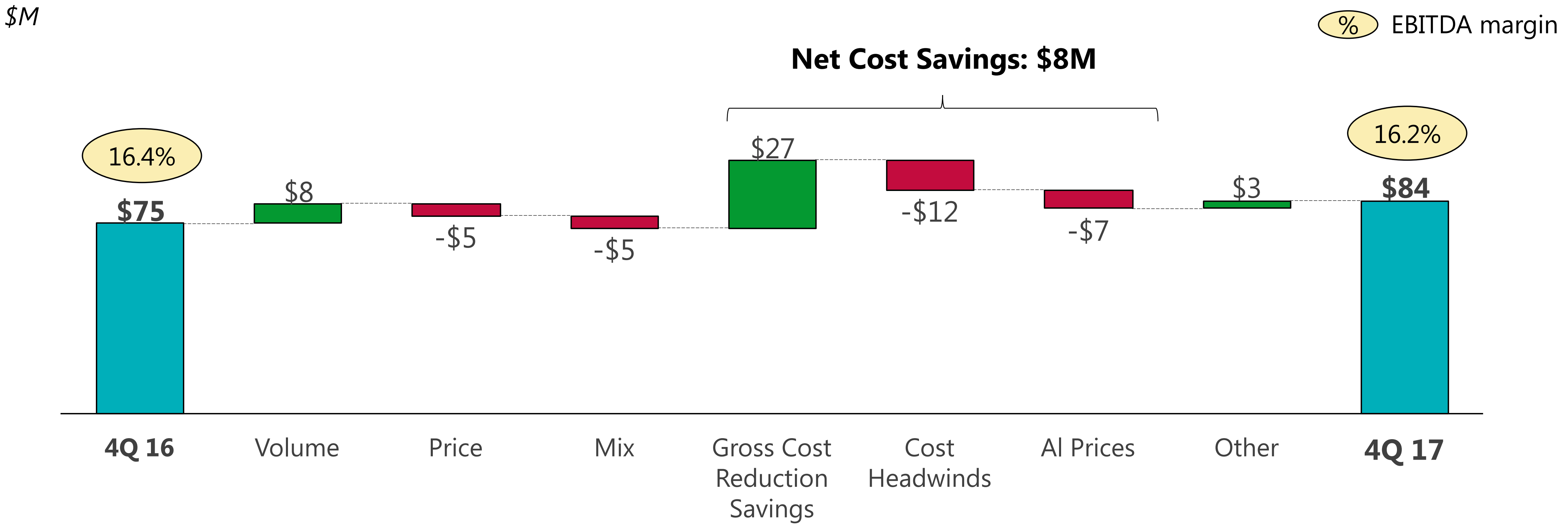
TCS: 4Q EBITDA up 12%, Heavy Duty Truck up, Construction up, Net Cost Savings +1.5%[1]

TCS 4Q 2017 Results

EBITDA Bridge: 4Q 2017



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

Al Impact versus 4Q16; +$11M Revenue, -$7 EBITDA, -170 bps EBITDA %

See appendix for reconciliations

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Aluminum price impacts on 4Q 2017 and FY 2017

Year-over-Year Impact from Al Price Changes						
	4Q 2017			FY 2017		
	Revenue ($M)	EBITDA ($M)	EBITDA %	Revenue ($M)	EBITDA ($M)	EBITDA %
GRP	$113	($7)	-160 bps	$372	($18)	-140 bps
TCS	$11	($7)	-170 bps	$35	($19)	-120 bps
Subtotal – Segments	*$124*	*($14)*		*$407*	*($37)*	
LIFO (Corporate)	-	($40)		-	($92)	
Metal Lag (Corporate)	-	$12		-	$45	
Subtotal – Corporate	-	*($28)*		-	*($47)*	
Arconic	$124	($42)	-190 bps	$407	($84)	-110 bps

Organic Revenue[1] Growth for 4Q 2017 and FY 2017

Year-over-Year Organic Revenue Growth ($M)

	4Q 2016	4Q 2017	% Change	FY 2016	FY 2017	% Change
Arconic Revenue	$2,967	$3,271	**10.2%**	$12,394	$12,960	**4.6%**
less TN Packaging	$37	$40		$552	$190	
less Fusina	$37	-		$165	$54	
less Remmele	-	-		$23	-	
less Aluminum Price Impact[2]	-	$124		-	$407	
less Foreign Currency Impact[2]	-	$40		-	$30	
Arconic Revenue, Organic	$2,893	$3,067	**6.0%**	$11,654	$12,279	**5.4%**
	4Q 2016	**4Q 2017**	**% Change**	**FY 2016**	**FY 2017**	**% Change**
GRP Revenue	$1,079	$1,241	**15.0%**	$4,864	$4,992	**2.6%**
less TN Packaging	$37	$40		$552	$190	
less Fusina	$37	-		$165	$54	
less Aluminum Price Impact[2]	-	$113		-	$372	
less Foreign Currency Impact[2]	-	$10		-	$21	
GRP Revenue, Organic	$1,005	$1,078	**7.3%**	$4,147	$4,355	**5.0%**
	4Q 2016	**4Q 2017**	**% Change**	**FY 2016**	**FY 2017**	**% Change**
TCS Revenue	$456	$518	**13.6%**	$1,802	$1,985	**10.2%**
less Aluminum Price Impact[2]	-	$11		-	$35	
less Foreign Currency Impact[2]	-	$15		-	$15	
TCS Revenue, Organic	$456	$492	**7.9%**	$1,802	$1,935	**7.4%**

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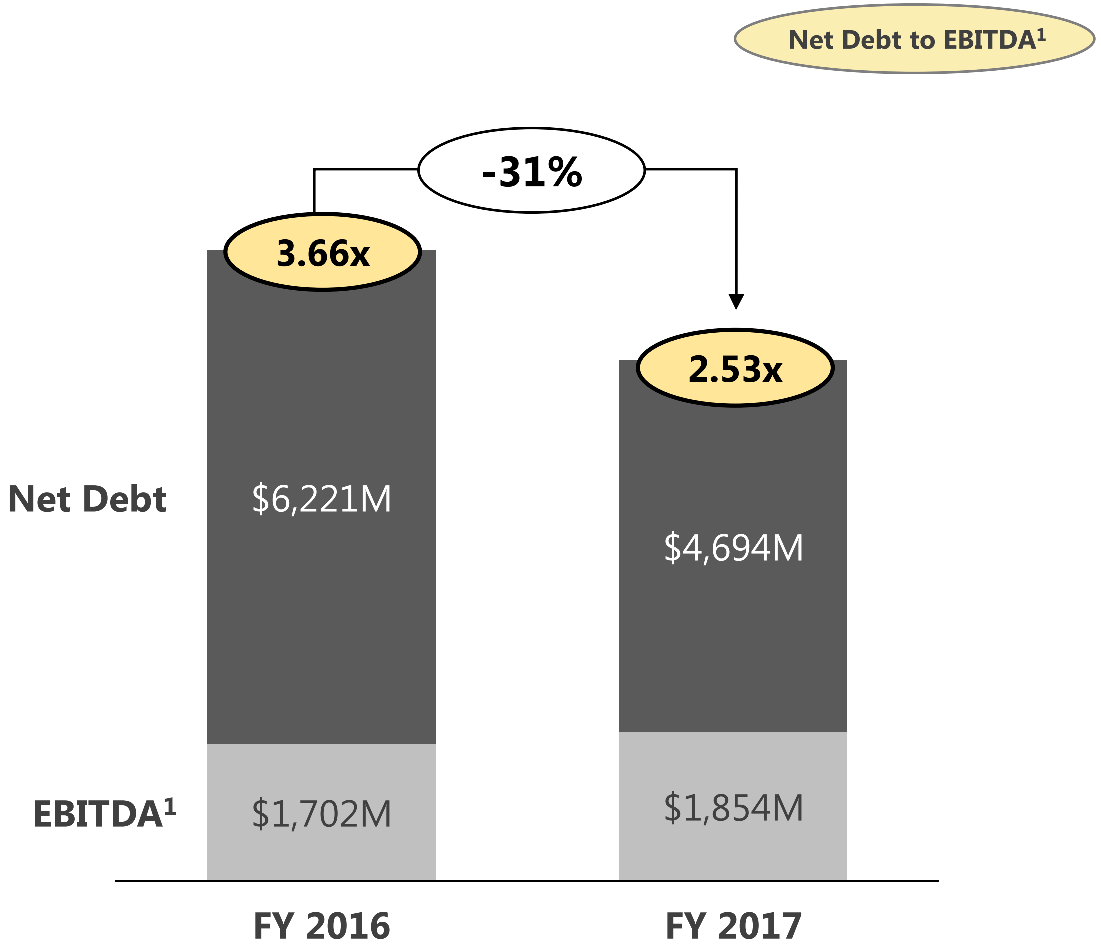
1) Organic revenue is U.S. GAAP revenue adjusted for Tennessee packaging (due to its planned phase-down), divestitures, and changes in aluminum prices and foreign currency exchange rates relative to prior year period.
2) Impacts of changes in aluminum prices and foreign currency exchange rates relative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

Capital Structure: $4.7B in Net Debt

Capital Structure as of December 31, 2017

Capitalization at December 31, 2017	
($B)	**Amount**
Cash	$2.15
Gross Debt	$6.84
Net Debt	**$4.69**
Net Debt-to-LTM EBITDA[1]	2.53x

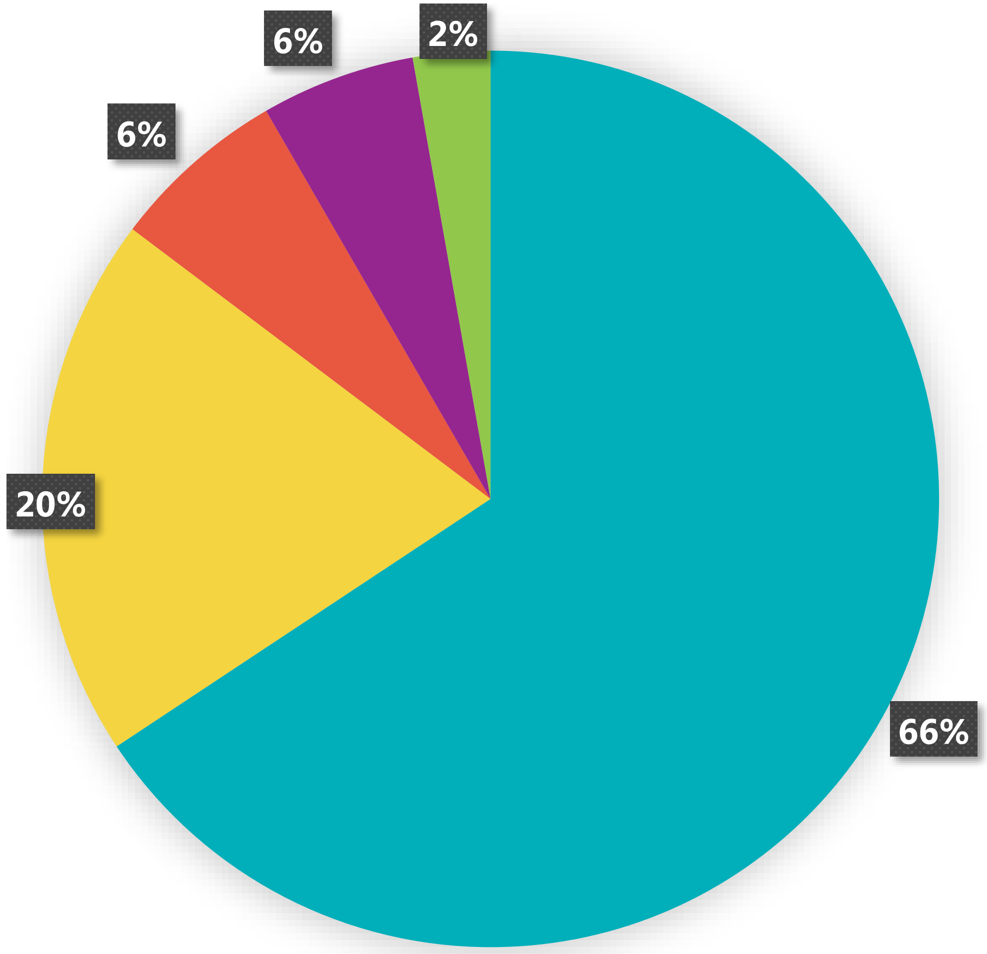


1) Adjusted for special items

See Appendix for Reconciliations

Geographic Breakdown of Revenues – 4Q 2017

4Q 2017 Revenue by Region



	Year-over-Year Change
North America	12%
Continental Europe	10%
Asia	5%
United Kingdom	7%
Other	12%

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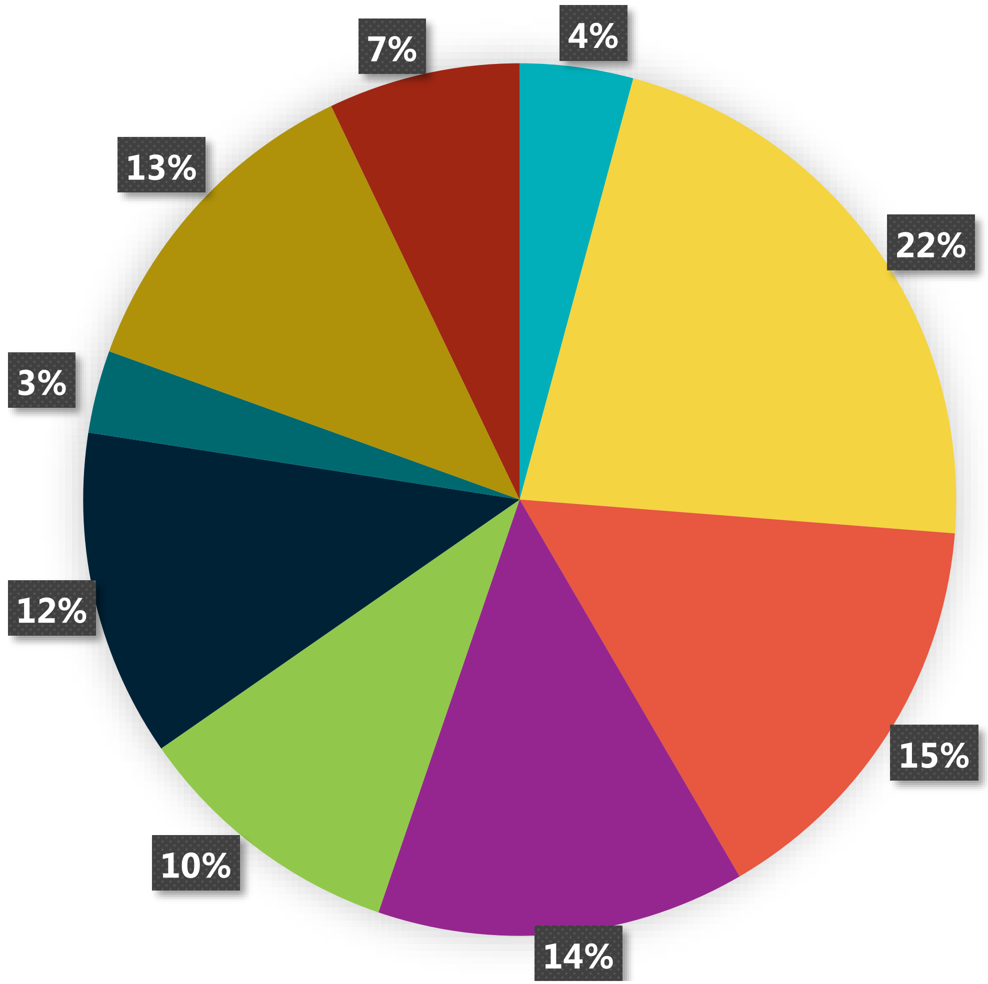
Revenue Change by Market – 4Q 2017

4Q 2017 Revenue by Market



Market	Year-over-Year Change
Aerospace - Defense	16%
Aerospace - Commercial Airframe	(0%)
Aerospace - Commercial Engine	9%
Automotive [1]	23%
Building & Construction	3%
Commercial Transportation	22%
IGT	(19%)
Industrial & Other	17%
Packaging [2]	23%

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1) Includes brazing and automotive sheet. 2) Includes Tennessee Packaging business revenues of $40M in 4Q 2017. Revenues were $37M in 4Q 2016.

Arconic Revenue and EBITDA Sensitivities

2018 Arconic Run Rate Revenue and EBITDA Sensitivities

	Benchmark moves			Impact to	
	From ('18 plan)		To	Revenue	EBITDA
LME Al[1]	$2,200/MT	+ $100/MT	$2,300/MT	~$115M	~($10M)
EUR	1.00 EUR = 1.20 USD	+ 0.10 USD/EUR	1.00 EUR = 1.30 USD	~$120M	~$20M
GBP	1.00 GBP = 1.33 USD	+ 0.10 USD/GBP	1.00 GBP = 1.43 USD	~$25M	~($10M)

1) Does not include LIFO inventory revaluations which is a ~$25M headwind per +$100/MT on a full year basis and is pro-rated on a quarterly basis.

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Reconciliation of Adjusted Income

($ in millions, except per-share amounts)	Adjusted Income Quarter ended		Diluted EPS Quarter ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Net loss attributable to Arconic	$(727)	$(1,258)	$(1.51)	$(2.91)
Discontinued operations(1)	-	(33)		
Special items:				
Restructuring and other charges	47	122		
Discrete tax items(2)	220	1,280		
Other special items(3)	612	4		
Tax impact(4)	-	(44)		
Net income attributable to Arconic – as adjusted	$152	$71	$0.31	$0.12

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

(1) On November 1, 2016, the former Alcoa Inc. was separated into two standalone, publicly-traded companies, Arconic and Alcoa Corporation, by means of a pro rata distribution of 80.1 percent of the outstanding common stock of Alcoa Corporation to Alcoa Inc. shareholders. Accordingly, the results of operations of Alcoa Corporation have been reflected as discontinued operations for the quarter ended December 31, 2016.

Reconciliation of Adjusted Income, continued

(2) Discrete tax items for each period included the following:

- for the quarter ended December 31, 2017, a charge resulting from the enactment of the US Tax Cuts and Jobs Acts of 2017 that principally relates to the revaluation of US deferred tax assets and liabilities from 35% to 21% ($272), charge for a reserve against a foreign attribute resulting from the Company's Delaware reincorporation ($23), partially offset by a benefit for the reversal of state valuation allowances ($69) and 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 ($9).

(3) Other special items included the following:

- for the quarter ended December 31, 2017, an impairment of goodwill related to the forgings and extrusions business ($719), a favorable adjustment to the Firth Rixson earn-out ($81), a favorable adjustment to a separation-related guarantee liability ($25), legal and other advisory costs related to Grenfell Tower ($7), costs associated with the Company's Delaware reincorporation ($3), a favorable tax impact resulting from the difference between Arconic's consolidated estimated annual effective tax rate and the statutory rate applicable to special items ($6), a favorable tax impact related to the interim period treatment of operational income in certain foreign jurisdictions for which no tax expense was recognized ($5);
- for the quarter ended December 31, 2016, costs associated with the separation of Alcoa ($87), a favorable adjustment to the Firth Rixson earn-out ($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 ($26).

(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 (see Note 3 above).

The average number of shares applicable to diluted EPS for Net income attributable to Arconic - as adjusted, includes certain share equivalents as their effect was dilutive. Specifically:

- for the quarter ended December 31, 2017, share equivalents associated with outstanding employee stock options and awards and shares underlying outstanding convertible debt (acquired through the acquisition of RTI) were dilutive based on Net income attributable to Arconic common shareholders – as adjusted, resulting in a diluted average number of shares of 502,109,950;
- for the quarter ended December 31, 2016, share equivalents associated with outstanding employee stock options and awards and shares underlying outstanding convertible debt (acquired through the acquisition of RTI) were dilutive based on Net income attributable to Arconic common shareholders – as adjusted, resulting in a diluted average number of shares of 443,779,820.

Reconciliation of Adjusted Income

($ in millions, except per-share amounts)	Adjusted Income Year ended		Diluted EPS Year ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Net loss attributable to Arconic	$(74)	$(941)	$(0.28)	$(2.31)
Discontinued operations[1]	-	(121)		
Special items:				
Restructuring and other charges	165	155		
Discrete tax items[2]	223	1,290		
Other special items[3]	264	196		
Tax impact[4]	40	(74)		
Net income attributable to Arconic – as adjusted	$618	$505	$1.22	$0.98

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 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 year ended December 31, 2016.

Reconciliation of Adjusted Income, continued

(2) Discrete tax items for each period included the following:

- for the year ended December 31, 2017, a charge resulting from the enactment of the US Tax Cuts and Jobs Acts of 2017 that principally relates to the revaluation of US deferred tax assets and liabilities from 35% to 21% ($272), charge for a reserve against a foreign attribute resulting from the Company's Delaware reincorporation ($23), partially offset by a benefit for the reversal of state valuation allowances ($69) and a number of small items ($3); and
- for the year ended December 31, 2016, a charge for valuation allowances related to the November 1, 2016 separation (see Note 1 above) ($1,267), a net charge for the remeasurement of certain deferred tax assets due to tax rate and tax law changes ($51), a net benefit for valuation allowances not associated with the separation ($18), and a net benefit for a number of small items ($10).

(3) Other special items included the following:

- for the year ended December 31, 2017, an impairment of goodwill related to the forgings and extrusions business ($719), a gain on the sale of a portion of Arconic's investment in Alcoa Corporation common stock ($351), and a gain on the exchange of the remaining portion of Arconic's investment in Alcoa Corporation common stock ($167), a favorable adjustment to the Firth Rixson earn-out ($81), costs associated with the Company's early redemption of $1,250 of outstanding senior notes ($76), proxy, advisory, and governance-related costs ($58), a favorable adjustment to a separation-related guarantee liability ($25), costs associated with the separation of Alcoa Inc. ($18), legal and other advisory costs related to Grenfell Tower ($14), and costs associated with the Company's Delaware reincorporation ($3); and
- for the year ended December 31, 2016, costs associated with the separation of Alcoa ($205), unfavorable tax costs associated with the redemption of company-owned life insurance policies ($100), a favorable adjustment to the contingent earn-out liability and a post-closing adjustment both of which related to the 2014 acquisition of Firth Rixson ($76), a favorable tax benefit related to the currency impacts of a distribution of previously taxed income ($49), and unfavorable tax costs associated with the sale of a US subsidiary with book goodwill ($16).

(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.

The average number of shares applicable to diluted EPS for Net income attributable to Arconic - as adjusted, includes certain share equivalents as their effect was dilutive. Specifically:

- for the year ended December 31, 2017, share equivalents associated with outstanding employee stock options and awards and shares underlying outstanding convertible debt (acquired through the acquisition of RTI) were dilutive based on Net income attributable to Arconic common shareholders – as adjusted, resulting in a diluted average number of shares of 471,472,729; and
- for the year ended December 31, 2016, share equivalents associated with outstanding employee stock options and awards and shares underlying outstanding convertible debt (acquired through the acquisition of RTI) were dilutive based on Net income attributable to Arconic common shareholders – as adjusted, resulting in a diluted average number of shares of 453,118,372.

Reconciliation of Operational Tax Rate

($ in millions)	Quarter ended December 31, 2017			Year ended December 31, 2017		
	As reported	Special items[1]	As adjusted	As reported	Special items[1]	As adjusted
(Loss) income from continuing operations before income taxes	$(455)	$671	$216	$470	$430	$900
Provision for income taxes	$272	$(208)	$64	$544	$(262)	$282
Tax rate	N/A		29.6%	115.7%		31.3%

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	3Q17	4Q17	2017
Adjusted EBITDA	$305	$329	$296	$265	$1,195	$306	$310	$312	$296	$1,224
Third-party sales	$1,449	$1,465	$1,406	$1,408	$5,728	$1,485	$1,484	$1,476	$1,490	$5,935
Adjusted EBITDA Margin	21.0%	22.5%	21.1%	18.8%	20.9%	20.6%	20.9%	21.1%	19.9%	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	2Q17	3Q17	4Q17	2017
Adjusted EBITDA	$155	$163	$143	$116	$577	$171	$164	$140	$124	$599
Total shipments (thousand metric tons) (kmt)(2)	385	429	422	353	1,587	414	405	387	360	1,566
Adjusted EBITDA / Total shipments ($ per metric ton)	$403	$380	$339	$329	$364	$413	$405	$362	$344	$383
Third party sales	$1,184	$1,316	$1,285	$1,079	$4,864	$1,249	$1,268	$1,234	$1,241	$4,992
Adjusted EBITDA Margin	13.1%	12.4%	11.1%	10.8%	11.9%	13.7%	12.9%	11.3%	10.0%	12.0%

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.

(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 54 thousand metric tons (kmt), 65 kmt, 72 kmt, 76 kmt, and 54 kmt for 4Q17, 3Q17, 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	3Q17	4Q17	2017
Adjusted EBITDA	$64	$76	$76	$75	$291	$72	$82	$83	$84	$321
Third-party sales	$429	$467	$450	$456	$1,802	$449	$501	$517	$518	$1,985
Adjusted EBITDA Margin	14.9%	16.3%	16.9%	16.4%	16.1%	16.0%	16.4%	16.1%	16.2%	16.2%

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. 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	3Q17	4Q17	2017
Sales – Engineered Products and Solutions	$1,449	$1,465	$1,406	$1,408	$5,728	$1,485	$1,484	$1,476	$1,490	$5,935
Sales – Global Rolled Products	1,184	1,316	1,285	1,079	4,864	1,249	1,268	1,234	1,241	4,992
Sales – Transportation and Construction Solutions	429	467	450	456	1,802	449	501	517	518	1,985
Combined segment sales	$3,062	$3,248	$3,141	$2,943	$12,394	$3,183	$3,253	$3,227	$3,249	$12,912
Combined segment adjusted EBITDA(1)	$524	$568	$515	$456	$2,063	$549	$556	$535	$504	$2,144
Combined segment adjusted EBITDA margin	17.1%	17.5%	16.4%	15.5%	16.6%	17.2%	17.1%	16.6%	15.5%	16.6%

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. 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	3Q17	4Q17	2017
Combined segment adjusted EBITDA	$524	$568	$515	$456	$2,063	$549	$556	$535	$504	$2,144
Unallocated amounts:										
Depreciation and amortization	(133)	(133)	(136)	(133)	(535)	(133)	(137)	(140)	(141)	(551)
Restructuring and other charges	(16)	(14)	(3)	(122)	(155)	(73)	(26)	(19)	(47)	(165)
Impairment of goodwill	-	-	-	-	-	-	-	-	(719)	(719)
Impact of LIFO	(12)	(13)	(1)	8	(18)	(19)	(11)	(48)	(32)	(110)
Metal price lag	-	6	4	17	27	22	19	2	29	72
Corporate expense	(76)	(115)	(113)	(150)	(454)	(91)	(91)	(42)	(50)	(274)
Other	(17)	(16)	(29)	(47)	(109)	(10)	(29)	(17)	(15)	(71)
Operating income (loss)	$270	$283	$237	$29	$819	$245	$281	$271	$(471)	$326
Other income, net[(1)]	12	17	11	54	94	354	171	1	114	640
Interest expense[(2)]	(121)	(124)	(126)	(128)	(499)	(115)	(183)	(100)	(98)	(496)
Income taxes[(3)]	(51)	(123)	(56)	(1,246)	(1,476)	(162)	(57)	(53)	(272)	(544)
Discontinued operations[(4)]	(94)	82	100	33	121	-	-	-	-	-
Consolidated net income (loss) attributable to Arconic	$16	$135	$166	$(1,258)	$(941)	$322	$212	$119	$(727)	$(74)

(1) Other income, net includes the following:

- For the quarter ended December 31, 2016, an adjustment of $56 to the Firth Rixson earn-out;
- 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;
- 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 2018 Senior Notes; and
- For the quarter ended December 31, 2017, an adjustment of $81 to the Firth Rixson earn-out and an adjustment of $25 to a separation-related guarantee liability.

(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 (collectively, the "2018 Senior Notes") and a portion of the Company's outstanding 5.720% Senior Notes due 2019.

(3) Income taxes for both the quarter ended December 31, 2017 and the year ended December 31, 2017 included a charge resulting from the enactment of the US Tax Cuts and Jobs Acts of 2017 that principally relates to the revaluation of US deferred tax assets and liabilities from 35% to 21% ($272), charge for a reserve against a foreign attribute resulting from the Company's Delaware reincorporation ($23), partially offset by a benefit for the reversal of state valuation allowances ($69). Income taxes for both the quarter ended December 31, 2016 and the year ended December 31, 2016 included 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	3Q17	4Q17	2017
Net income (loss) attributable to Arconic	$16	$135	$166	$(1,258)	$(941)	$322	$212	$119	$(727)	$(74)
Discontinued operations [1]	94	(82)	(100)	(33)	(121)	-	-	-	-	-
Income (loss) from continuing operations after income taxes and noncontrolling interests	110	53	66	(1,291)	(1,062)	322	212	119	$(727)	$(74)
Add:										
Provision for income taxes	51	123	56	1,246	1,476	162	57	53	272	544
Other income, net	(12)	(17)	(11)	(54)	(94)	(354)	(171)	(1)	(114)	(640)
Interest expense	121	124	126	128	499	115	183	100	98	496
Restructuring and other charges	16	14	3	122	155	73	26	19	47	165
Impairment of goodwill	-	-	-	-	-	-	-	-	719	719
Provision for depreciation and amortization	133	133	136	133	535	133	137	140	141	551
Arconic adjusted EBITDA	$419	$430	$376	$284	$1,509	$451	$444	$430	$436	$1,761
Special items:										
Separation costs	18	45	54	76	193	18	-	-	-	18
Proxy, advisory and governance-related costs	-	-	-	-	-	16	42	-	-	58
Delaware reincorporation costs	-	-	-	-	-	-	-	-	3	3
Legal and other advisory costs related to Grenfell Tower	-	-	-	-	-	-	-	7	7	14
Arconic adjusted EBITDA excluding special items	$437	$475	$430	$360	$1,702	$485	$486	$437	$446	$1,854
Last twelve months Arconic adjusted EBITDA excluding special items					$1,702	$1,750	$1,761	$1,768	$1,854	$1,854
Sales	$3,055	$3,234	$3,138	$2,967	$12,394	$3,192	$3,261	$3,236	$3,271	$12,960
Arconic adjusted EBITDA margin	13.7%	13.3%	12.0%	9.6%	12.2%	14.1%	13.6%	13.3%	13.3%	13.6%
Arconic adjusted EBITDA margin excluding special items	14.3%	14.7%	13.7%	12.1%	13.7%	15.2%	14.9%	13.5%	13.6%	14.3%

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., proxy, advisory and governance-related costs, Delaware reincorporation costs and legal and other advisory costs related to Grenfell Tower (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 SG&A Excluding Special Items

($ in millions)	1Q16[(1)]	2Q16[(1)]	3Q16[(1)]	4Q16[(1)]	2016[(1)]	1Q17	2Q17	3Q17	4Q17	2017
Sales	$3,055	$3,234	$3,138	$2,967	$12,394	$3,192	$3,261	$3,236	$3,271	$12,960
Selling, general administrative, and other expenses (SG&A)	205	239	229	269	942	221	204	155	151	731
SG&A % of sales	6.7%	7.4%	7.3%	9.1%	7.6%	6.9%	6.3%	4.8%	4.6%	5.6%
Special items:										
Separation costs	18	45	54	76	193	18	-	-	-	18
Proxy, advisory and governance-related costs	-	-	-	-	-	16	42	-	-	58
Delaware reincorporation costs	-	-	-	-	-	-	-	-	3	3
Legal and other advisory costs related to Grenfell Tower	-	-	-	-	-	-	-	7	7	14
Adjusted SG&A excluding special items	187	194	175	193	749	187	162	148	141	638
Adjusted SG&A excluding special items as a % of sales	6.1%	6.0%	5.6%	6.5%	6.1%	5.9%	5.0%	4.6%	4.3%	4.9%

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	2Q17	3Q17	4Q17	2017
Cash from operations	$(430)	$332	$306	$662	$870	$(300)	$217	$172	$612	$701
Capital expenditures	(251)	(277)	(286)	(311)	(1,125)	(103)	(126)	(131)	(236)	(596)
Free cash flow	$(681)	$55	$20	$351	$(255)	$(403)	$91	$41	$376	$105

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, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
Short-term borrowings	$37	$54	$48	$47	$36
Long-term debt due within one year	1	1	–	–	4
Long-term debt, less amount due within one year	6,806	6,802	6,796	8,046	8,044
Total debt	6,844	6,857	6,844	8,093	8,084
Less: Cash and cash equivalents	2,150	1,815	1,785	2,553	1,863
Net debt	$4,694	$5,042	$5,059	$5,540	$6,221
Trailing twelve month (TTM) Arconic adjusted EBITDA excluding special items(1)	$1,854	$1,768	$1,761	$1,750	$1,702
Net debt/TTM Arconic adjusted EBITDA excluding special items	2.53	2.85	2.87	3.17	3.66

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 Organic Revenue

($ in millions)	Quarter ended December 31, 2017	Quarter ended December 31, 2016	Year ended December 31, 2017	Year ended December 31, 2016
Arconic				
Sales – Arconic	$3,271	$2,967	$12,960	$12,394
Less:				
Sales – Tennessee packaging	40	37	190	552
Sales – Fusina rolling mill	-	37	54	165
Sales – Remmele Medical	-	-	-	23
Aluminum price impact	124	n/a	407	n/a
Foreign currency impact	40	n/a	30	n/a
Arconic Organic revenue	$3,067	$2,893	$12,279	$11,654
Global Rolled Products Segment (GRP)[1]				
Sales – GRP	$1,241	$1,079	$4,992	$4,864
Less:				
Sales – Tennessee packaging	40	37	190	552
Sales – Fusina rolling mill	-	37	54	165
Aluminum price impact	113	n/a	372	n/a
Foreign currency impact	10	n/a	21	n/a
GRP Organic revenue	$1,078	$1,005	$4,355	$4,147
Transportation and Construction Solutions (TCS)				
Sales – TCS	$518	$456	$1,985	$1,802
Less:				
Aluminum price impact	11	n/a	35	n/a
Foreign currency impact	15	n/a	15	n/a
TCS Organic revenue	$492	$456	$1,935	$1,802

Organic revenue is a non-GAAP financial measure. Management believes this measure is meaningful to investors as it presents revenue on a comparable basis for all periods presented due to the impact of the ramp-down and Toll Processing and Services Agreement with Alcoa Corporation at the North America packaging business at its Tennessee operations, the sale of the Fusina, Italy rolling mill, the sale of the Remmele Medical business, and the impact of changes in aluminum prices and foreign currency fluctuations relative to the prior year periods.

(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 Return on Net Assets (RONA)

($ in millions)	Quarter ended December 31, 2017	Quarter ended December 31, 2016	Year ended December 31, 2017	Year ended December 31, 2016
Net loss attributable to Arconic	$(727)	$(1,258)	$(74)	$(941)
Discontinued operations[1]	-	(33)	-	(121)
Special items[2]	879	1,362	692	1,567
Net income attributable to Arconic – as adjusted	$152	$71	$618	$505
Annualized net income attributable to Arconic-as adjusted	$608	$284	-	-
Net Assets:				
Add: Receivables from customers, less allowances	$1,035	$974	$1,035	$974
Add: Deferred purchase program[3]	187	83	187	83
Add: Inventories	2,480	2,253	2,480	2,253
Less: Accounts payable, trade	1,839	1,744	1,839	1,744
Working Capital	1,863	1,566	1,863	1,566
Properties, plants, and equipment, net	5,594	5,499	5,594	5,499
Net assets – total	$7,457	$7,065	$7,457	$7,065
RONA	8.2%	4.0%	8.3%	7.1%

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

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

(3) 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.

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