First Quarter 2018 Earnings Call

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

April 30, 2018

ARCONIC
Innovation, engineered.

Important Information

Forward–Looking Statements

This presentation contains statements that relate to future events and expectations and as such constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include those containing such words as "anticipates," "believes," "could," "estimates," "expects," "forecasts," "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; and statements about Arconic's strategies, outlook, business and financial prospects. These statements reflect beliefs and assumptions that are based on Arconic's perception of historical trends, current conditions and expected future developments, as well as other factors Arconic believes are appropriate in the circumstances. Forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and changes in circumstances that are difficult to predict, which could cause actual results to differ materially from those indicated by these statements. Such risks and uncertainties include, but are not limited to: (a) 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) competition from new product offerings, disruptive technologies or other developments; (e) political, economic, and regulatory risks relating to Arconic's global operations, including compliance with US and foreign trade and tax laws, sanctions, embargoes and other regulations; (f) manufacturing difficulties or other issues that impact product performance, quality or safety; (g) 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; (h) the impact of cyber attacks and potential information technology or data security breaches; (i) changes in discount rates or investment returns on pension assets; (j) the impact of changes in aluminum prices and 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, 2017 and other reports filed with the U.S. Securities and Exchange Commission (SEC). Market projections are subject to the risks discussed above and other risks in the market. The statements in this release are made as of the date of this release, even if subsequently made available by Arconic on its website or otherwise. Arconic disclaims any intention or obligation to update publicly any forward-looking statements, whether in response to new information, future events, or otherwise, except as required by applicable law.

Important Information (continued)

Non-GAAP Financial Measures

Some of the information included in this presentation is derived from Arconic's consolidated financial information but is not presented in Arconic's financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Certain of these data are considered "non-GAAP financial measures" under SEC rules. These non-GAAP financial measures supplement our GAAP disclosures and should not be considered an alternative to the GAAP measure. Reconciliations to the most directly comparable GAAP financial measures and management's rationale for the use of the non-GAAP financial measures can be found in the Appendix to this presentation. Arconic has not provided 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 Earnings per share excluding special items 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

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.

First Quarter 2018 Highlights

Revenue (YoY)[1]

- Revenue growth 8% and Organic revenue growth of 4%

Operating Income Excluding Special Items (YoY)[2]

- Down $45M, 12%. Major underlying elements include:
  - Higher aluminum prices
  - Performance shortfalls in Rings, Disks and Global Rolled Products operations
  - Volume growth across all segments and Net Cost Savings

Free Cash Flow (YoY)[3]

- Down $14M
- Favorable working capital change offset by incremental pension contributions

Capital Structure

- Cash balance of $1.2B, Liquidity (cash and available credit facilities) of $5B
- Reduced Pension Liability by $315M in the quarter driven by cash contributions and pension freeze
- $500M early debt paydown of Feb ’19 notes

1) YoY= Year over Year. 1Q 2018 Revenue = $3,445M (up 8%), 1Q 2017 Revenue = $3,192M
2) 1Q 2018 Operating income = $333M (up 18%), 1Q 2017 Operating income = $283M
3) 1Q18: Cash used for operations = ($436M), Cash used for financing activities = ($542M), Cash provided from investing activities = $29M;
   1Q17: Cash used for operations = ($395M), Cash used for financing activities = ($43M), Cash provided from investing activities = $1,110M

See appendix for reconciliations

ARCONIC

First 100 Days Update

Customers

- 12 Customer Visits

People

- Organizational Enhancements: EP&S Segment, Strategy, and Commercial

Operational Excellence

- 31 Plant Visits
- Improvement areas: asset utilization, first pass yields, cycle time, metal management

Technology

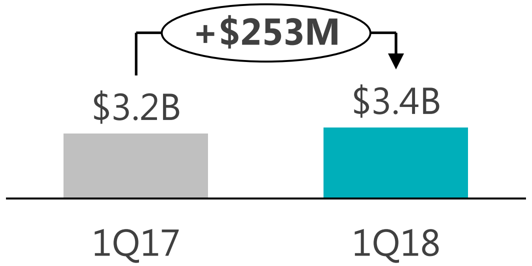
- Differentiated products and processes across the portfolio
- Aluminum alloys for additive manufacturing

Strategic Portfolio Review

- Targeting completion of strategy and portfolio work in 3Q 2018

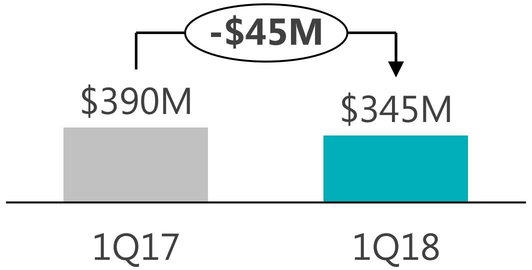
Key Financial Results

Revenue[1]



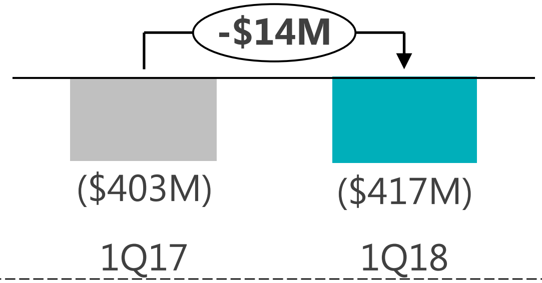
- Revenue growth across all segments
- Organic revenue increased 4% adjusting for aluminum prices $109M, currency $66M, Fusina ($45M)

Operating Income Excluding Special Items[2]



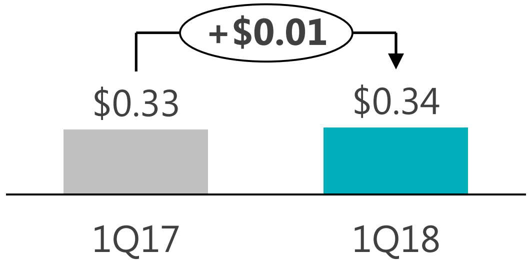
- Higher aluminum prices ($37M)
- Inventory impact of new pension standard ($18M)
- Market factors: Aero wide-body production mix ($23M), IGT ($8M)
- Volume +$36M, Net cost savings +$27M, Price/Mix ($18M)
- Performance shortfalls in Rings and Disks and GRP

Free Cash Flow[3]



- Incremental pension contributions ($124M)
- Favorable working capital change +$112M
- Days Working Capital 59, flat YoY
- Capex $117M, up $14M YoY

EPS Excluding Special Items[4]



- Higher aluminum prices ($0.06)
- Favorable interest expense +$0.04
- Tax rate of ~27% +$0.02
- Other +$0.01

ARCONIC

1) 1Q 2018 Revenue = $3,445M (up 8%), 1Q 2017 Revenue = $3,192M. 2) 1Q 2018 Operating income = $333M (up 18%), 1Q 2017 Operating income = $283M. 3) 1Q18: Cash used for operations = ($436M), Cash used for financing activities = ($542M), Cash provided from investing activities = $29M; 1Q17: Cash used for operations = ($395M), Cash used for financing activities = ($43M), and Cash provided from investing activities = $1,110M. 4) 1Q 2018 EPS = $0.29, 1Q 2017 EPS = $0.65 *See appendix for reconciliations*

Opportunities for improvement in EP&S and GRP Segments

	Revenue[1]	Segment Operating Profit[1]	Segment Operating Profit Comments
EP&S	$1,541M *Up 4%* *Up 2% Organic*	$221M *Down 11%*	− Performance shortfalls in Rings and Disks + Aero Engine growth − Continued downturn in Industrial Gas Turbines
GRP	$1,366M *Up 9%* *Up 4% Organic*	$112M *Down 18%* *Aluminum Price Impact ($12M)*	− Aluminum prices − Aero wide-body production mix + Automotive growth
TCS	$537M *Up 18%* *Up 13% Organic*	$67M *Down 1%* *Aluminum Price Impact ($19M)*	− Aluminum prices + Commercial Transportation growth + Building and Construction growth

ARCONIC

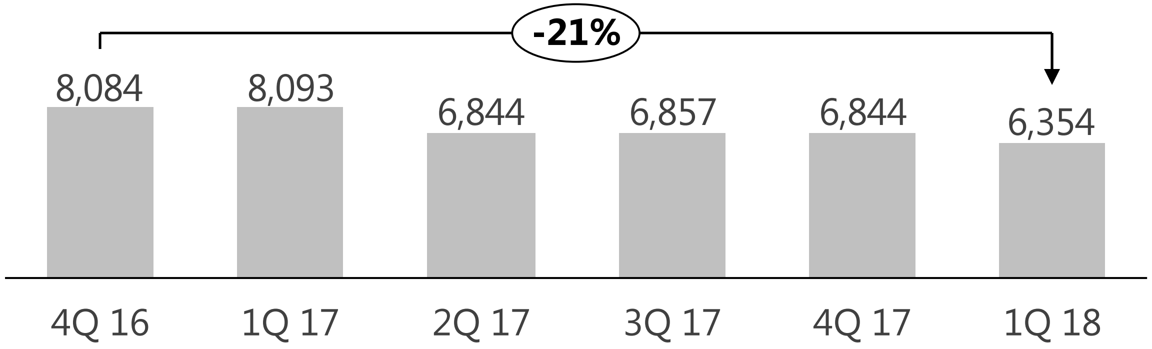
1) Percent changes reflect Year-over-Year changes
See appendix for reconciliations

Capital Structure: $5.1B of Net Debt

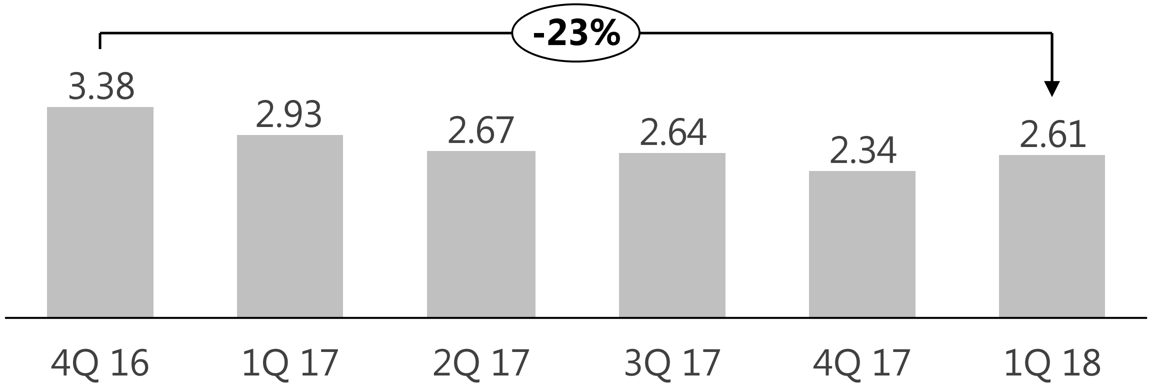
Capitalization at March 31, 2018	
($M)	**Amount**
Cash	$1,205
Gross Debt	$6,354
Net Debt	**$5,149**
Net Debt-to-LTM EBITDA[1]	2.61

Gross Debt ($M)

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



Net Debt to EBITDA[1]



ARCONIC

1) Adjusted for special items; Last twelve month (LTM) Arconic adjusted EBITDA. Net Debt-to-LTM EBITDA (specifically EBITDA) has been recast based on the new pension standard.
See appendix for reconciliations

Updated 2018 Guidance[1]

+ Net Cost Savings	– Raw material costs
+ Auto Aluminization	– Aerospace pricing
+ Commercial Transportation	– IGT / Power
+ Next Gen Engine ramp	– Wide-Body / Narrow-Body mix
+ Aerospace and Military Aircraft deliveries	– NA Packaging ramp down
+ Building and Construction	– Airbus inventory burn down

Revenue

Prior Guidance	**$13.4B – 13.7B**
Aluminum prices	+ $0.3B
Updated Guidance	**$13.7B – $14.0B**

EPS Excluding Special Items

Prior Guidance	**$1.45 – $1.55**
Aluminum prices	($0.19)
Rings and Disks	($0.08)
GRP / Other	($0.01)
Updated Guidance	**$1.17 – $1.27**

Free Cash Flow

Prior Guidance	**~$500M**
Aluminum prices[2]	~($90M)
Rings and Disks	~($40M)
Capex / Working Capital	~($120M)
Updated Guidance	**~$250M**

1) Updated 2018 Guidance Al price assumption: Annual Average = $2,208/MT; Midwest Premiums = $452/MT.
Prior 2018 Guidance Al price assumption: Annual Average = $2,200/MT; Midwest Premiums = $194/MT.
2) Includes unfavorable $40M of working capital impact

ARCONIC
Innovation, engineered.

Appendix

ARCONIC

Key Accounting Changes in 2018[1]

Pension / Other Post-Employment Benefits

- Non-service related costs reclassified from Operating Income to Non-Operating Income[2] ($154M in FY 2017; ~$110M in FY 2018)
- ~$18M unfavorable inventory impact of new pension standard in 1Q'18

Statement of Cash Flows

- Cash receipts from sold receivables:
  Cash from Operations → Cash from Investing
- Payments related to early debt redemption:
  Cash from Operations → Cash from Financing

Segment Reporting and Metrics

- Profit measure:
  Adjusted EBITDA → Segment Operating Profit
- LIFO, metal price lag, intersegment profit eliminations, and derivative activities are now included in Segment Operating Profit

Revenue Recognition Standard Change

- No material impact

1) Retrospectively applied to prior periods
2) Non-Operating Income refers to Other expense (income), net

Free Cash Flow Definition

($M)

For the quarter ended March 31, 2017	As Reported in 2017	Adjustment[1]	As Recast in 2018
Cash from Operations:			
(Increase) in receivables	($299)	($95)	($394)
Cash from Operations	**($300)**	**($95)**	**($395)**
Investing Activities:			
Capital expenditures	($103)	N/A	($103)
Cash receipts from sold receivables	N/A	$95	$95
Free Cash Flow	**($403)**	**$0**	**($403)**

- **Effective 1/1/18, accounting standards required cash flow statement reclassification**:
  - Cash receipts from sold receivables, previously in Cash from Operations, now in Cash from Investing Activities
- **Free Cash Flow definition consequently revised to maintain historical comparability and consistency with guidance**:
  - Prior Definition = Cash from Operations less Capital expenditures
  - New Definition = Cash from Operations less Capital expenditures *plus Cash receipts from sold receivables*

ARCONIC

1) Reclassification resulting from adopting Accounting Standards Update (ASU) 2016-15 related to Statement of Cash Flows

Special Items

($M)	1Q 2018
Net Income	**$143**
Restructuring-Related	($7)
Legal and other advisory costs related to Grenfell Tower	($5)
Early Debt Redemption	($19)
Discrete Tax Items / Tax Impact	$5
Special Items	**($26)**
Net Income excl. Special Items	**$169**

Key 2018 Guidance Assumptions

Prior Assumptions

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[4]	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

Updated Assumptions

2018 Annual Avg. Assumed Al Price[1]	✓ LME Cash = $2,208/MT Midwest Premiums = $452/MT	• $100/MT increase = ○ ~$115M Revenue impact / ~($10M) Operating Income impact[2]
2Q–4Q Al Price[3]	✓ LME Cash = $2,224/MT Midwest Premiums = $496/MT	• $100/MT increase = ~($25M) LIFO impact to Operating Income on a full year basis and is pro-rated on a quarterly basis
Capex	✓ ~$750M	• 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[4]	EUR: USD 1.20, GBP: USD 1.33	• + 0.10 USD/EUR = ~$120M Revenue / ~$20M Operating Income • + 0.10 USD/GBP = ~$25M Revenue / ~($10M) Operating Income
Diluted Share Count	~505M	• Does not include any potential impact of share repurchases

✓ = updated

1) 2017: Annual Avg 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) Q4 2017: Avg LME Cash = $2,101/MT; Midwest Premiums = $209/MT
4) 2017: EUR: USD 1.13, GBP: USD 1.29

ARCONIC

Aluminum price impacts 1Q 2018 vs 1Q 2017

Year-over-Year Impact from Aluminum Price Changes

	1Q 2018		
	Revenue ($M)	**Operating Income ($M)**	**Operating Income %**
EP&S	$1	($6)	-40 bps
GRP	$109	($12)	-170 bps
TCS	($1)	($19)	-350 bps
Arconic	**$109**	**($37)**	**-140 bps**

Organic Revenue[1] Growth for 1Q 2018

	1Q 2017 ($M)	1Q 2018 ($M)	% Change
Arconic Revenue	$3,192	$3,445	**8%**
less TN Packaging	54	43	
less Fusina	45	-	
less Aluminum Price Impact[2]	-	109	
less Foreign Currency Impact[2]	-	66	
Arconic Revenue, Organic	$3,093	$3,227	**4%**

	1Q 2017 ($M)	1Q 2018 ($M)	% Change
GRP Revenue	$1,248	$1,366	**9%**
less TN Packaging	54	43	
less Fusina	45	-	
less Aluminum Price Impact[2]	-	109	
less Foreign Currency Impact[2]	-	16	
GRP Revenue, Organic	$1,149	$1,198	**4%**

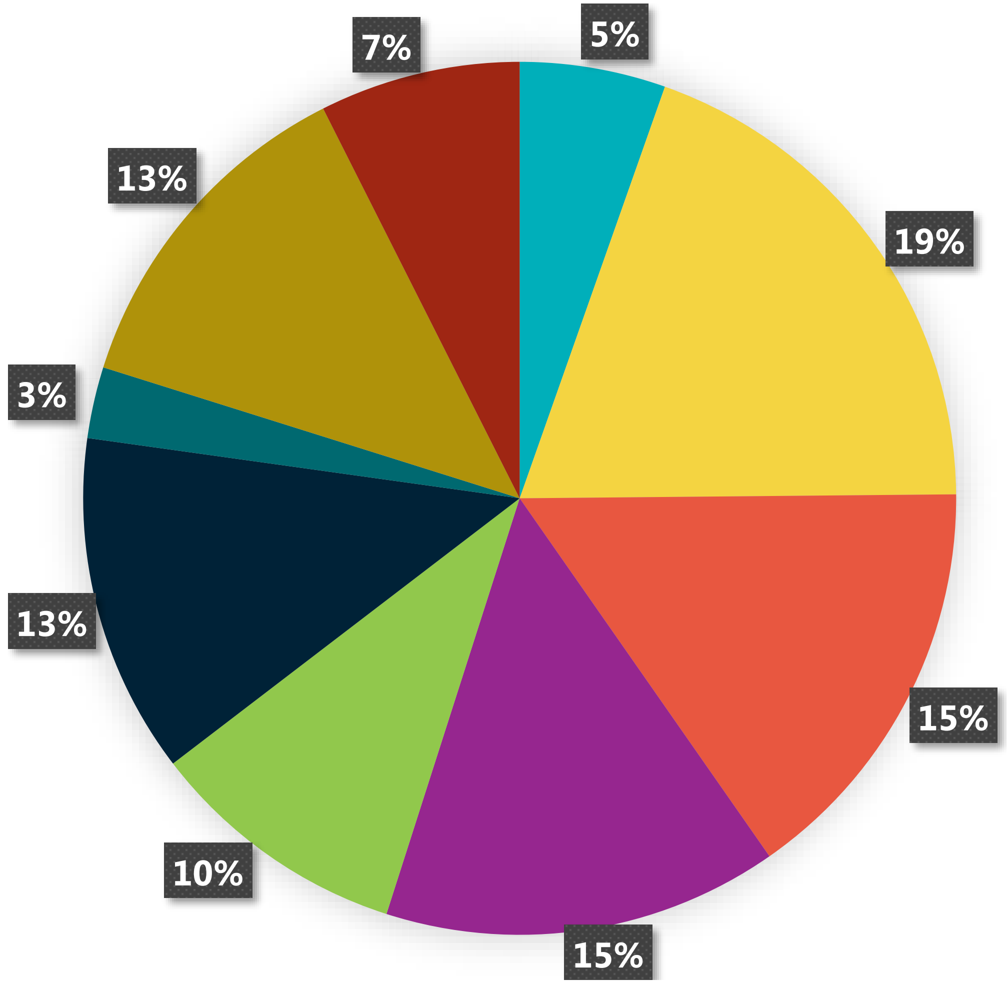
	1Q 2017 ($M)	1Q 2018 ($M)	% Change
EP&S Revenue	$1,487	$1,541	**4%**
less Aluminum Price Impact[2]	-	1	
less Foreign Currency Impact[2]	-	25	
EP&S Revenue, Organic	$1,487	$1,515	**2%**

	1Q 2017 ($M)	1Q 2018 ($M)	% Change
TCS Revenue	$456	$537	**18%**
less Aluminum Price Impact[2]	-	(1)	
less Foreign Currency Impact[2]	-	25	
TCS Revenue, Organic	$456	$513	**13%**

ARCONIC

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

Revenue Change by Market – 1Q 2018



	Year-over-Year Change
Aerospace - Defense	29%
Aerospace - Commercial Airframe	(7%)
Aerospace - Commercial Engine	5%
Automotive [1]	21%
Building & Construction	7%
Commercial Transportation	26%
IGT	(19%)
Industrial & Other	11%
Packaging [2]	5%

ARCONIC

1) Includes brazing and automotive sheet. 2) Includes Tennessee Packaging business revenues of $43M in 1Q 2018. Revenues were $54M in 1Q 2017.

Historical Segment Adjusted EBITDA to Segment Operating Profit Bridges

Engineered Products and Solutions:	1Q17	2Q17	3Q17	4Q17	2017
Adjusted EBITDA - As Reported in 2017	306	310	312	296	1,224
Depreciation and Amortization	(64)	(66)	(68)	(70)	(268)
Certain Items Previously included in Corporate[1]	(2)	(2)	(12)	(6)	(22)
Pension Accounting Standard Change[2]	7	8	7	8	30
Segment Operating Profit	247	250	239	228	964

Global Rolled Products:	1Q17	2Q17	3Q17	4Q17	2017
Adjusted EBITDA - As Reported in 2017	171	164	140	124	599
Depreciation and Amortization	(50)	(51)	(52)	(52)	(205)
Certain Items Previously included in Corporate[1]	3	8	(35)	7	(17)
Pension Accounting Standard Change[2]	12	12	11	12	47
Segment Operating Profit	136	133	64	91	424

Transportation and Construction Solutions:	1Q17	2Q17	3Q17	4Q17	2017
Adjusted EBITDA - As Reported in 2017	72	82	83	84	321
Depreciation and Amortization	(12)	(12)	(13)	(13)	(50)
Certain Items Previously included in Corporate[1]	6	(1)	2	4	11
Pension Accounting Standard Change[2]	2	2	2	2	8
Segment Operating Profit	68	71	74	77	290

1. Segment operating profit includes certain items which under the previous segment performance measure were recorded in Corporate, such as the impact of LIFO inventory accounting, metal price lag, intersegment profit eliminations, and derivative activities.
2. On January 1, 2018, Arconic adopted new guidance issued by the Financial Accounting Standards Board (FASB) that required the reclassification of costs for net periodic pension cost and net periodic postretirement benefit cost within the Statement of Consolidated Operations.

Reconciliation of Net income excluding Special items and Earnings per Share excluding Special items

($ in millions, except per-share amounts)	Net income excluding Special items		Diluted EPS excluding Special items	
	Quarter ended		Quarter ended	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Net income	$143	$322	$0.29	$0.65
Special items:				
Restructuring and other charges	7	73		
Discrete tax items[1]	2	1		
Other special items[2]	25	(325)		
Tax impact[3]	(8)	98		
Net income excluding Special items	$169	$169	$0.34	$0.33

Net income excluding Special items and Diluted EPS excluding Special items are non-GAAP financial measures. Management believes that these measures are meaningful to investors because management reviews the operating results of Arconic excluding the impacts of Restructuring and other charges, Discrete tax items, and Other special items (collectively, "Special items"). There can be no assurances that additional special items will not occur in future periods. To compensate for this limitation, management believes that it is appropriate to consider both Net income (loss) determined under GAAP as well as Net income excluding Special items.

(1) Discrete tax items for each period included the following:
- for the quarter ended March 31, 2018, a charge for a number of small items ($2).
- for the quarter ended March 31, 2017, a charge for a number of small items ($1).

(2) Other special items included the following:
- for the quarter ended March 31, 2018, costs related to the early redemption of the Company's outstanding 5.720% Senior Notes due 2019 ($19), legal and other advisory costs related to Grenfell Tower ($5), and a charge for a number of small tax items ($1);
- 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), proxy, advisory and governance-related costs ($16), and a benefit for a number of small tax items ($8).

Reconciliation of Net income excluding Special items and Earnings per Share excluding Special items, continued

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

(4) The average number of shares applicable to diluted EPS excluding Special items, includes certain share equivalents as their effect was dilutive. For the quarter ended March 31, 2018, share equivalents associated with outstanding employee stock options and awards and shares underlying outstanding convertible debt (acquired through the acquisition of RTI) were dilutive based on Net income excluding Special items.

For the quarter ended March 31, 2017, share equivalents associated with mandatory convertible preferred stock were anti-dilutive based on Net income excluding Special items.

Reconciliation of Operational Tax Rate

($ in millions)	Quarter ended March 31, 2018		
	As reported	Special items[1]	As adjusted
Income before income taxes	$199	$31	$230
Provision for income taxes	56	5	61
Operational tax rate	28.1%		26.5%

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

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

Calculation of Engineered Products and Solutions Segment Operating Profit Margin

($ in millions)	1Q17	2Q17	3Q17	4Q17	2017	1Q18
Segment operating profit	$247	$250	$239	$228	$964	$221
Third-party sales	$1,487	$1,485	$1,477	$1,494	$5,943	$1,541
Segment operating profit margin	16.6%	16.8%	16.2%	15.3%	16.2%	14.3%

In the first quarter of 2018, the Company changed its primary measure of segment performance from Adjusted EBITDA to Segment operating profit. Arconic's definition of Segment operating profit is Operating income (loss) excluding Special items. Special items include Restructuring and other charges and Impairment of goodwill. Segment operating profit may not be comparable to similarly titled measures of other companies. Prior period amounts have been recast to conform to current period presentation.

Segment operating profit also includes certain items which under the previous segment performance measure were recorded in Corporate, such as the impact of LIFO inventory accounting, metal price lag, intersegment profit eliminations, and derivative activities.

Calculation of Global Rolled Products Segment Operating Profit Margin

($ in millions)	1Q17	2Q17	3Q17	4Q17	2017	1Q18
Segment operating profit	$136	$133	$64	$91	$424	$112
Third-party sales	$1,248	$1,271	$1,234	$1,247	$5,000	$1,366
Segment operating profit margin	10.9%	10.5%	5.2%	7.3%	8.5%	8.2%

In the first quarter of 2018, the Company changed its primary measure of segment performance from Adjusted EBITDA to Segment operating profit. Arconic's definition of Segment operating profit is Operating income (loss) excluding Special items. Special items include Restructuring and other charges and Impairment of goodwill. Segment operating profit may not be comparable to similarly titled measures of other companies. Prior period amounts have been recast to conform to current period presentation.

Segment operating profit also includes certain items which under the previous segment performance measure were recorded in Corporate, such as the impact of LIFO inventory accounting, metal price lag, intersegment profit eliminations, and derivative activities.

Calculation of Transportation and Construction Solutions Segment Operating Profit Margin

($ in millions)	1Q17	2Q17	3Q17	4Q17	2017	1Q18
Segment operating profit	$68	$71	$74	$77	$290	$67
Third-party sales	$456	$504	$523	$528	$2,011	$537
Segment operating profit margin	14.9%	14.1%	14.1%	14.6%	14.4%	12.5%

In the first quarter of 2018, the Company changed its primary measure of segment performance from Adjusted EBITDA to Segment operating profit. Arconic's definition of Segment operating profit is Operating income (loss) excluding Special items. Special items include Restructuring and other charges and Impairment of goodwill. Segment operating profit may not be comparable to similarly titled measures of other companies. Prior period amounts have been recast to conform to current period presentation.

Segment operating profit also includes certain items which under the previous segment performance measure were recorded in Corporate, such as the impact of LIFO inventory accounting, metal price lag, intersegment profit eliminations, and derivative activities.

Calculation of Total Segment Operating Profit Margin

($ in millions)	1Q17	2Q17	3Q17	4Q17	2017	1Q18
Sales – Engineered Products and Solutions	$1,487	$1,485	$1,477	$1,494	$5,943	$1,541
Sales – Global Rolled Products	1,248	1,271	1,234	1,247	5,000	1,366
Sales – Transportation and Construction Solutions	456	504	523	528	2,011	537
Total segment sales	$3,191	$3,260	$3,234	$3,269	$12,954	$3,444
Total segment operating profit(1)	$451	$454	$377	$396	$1,678	$400
Total segment operating profit margin	14.1%	13.9%	11.7%	12.1%	13.0%	11.6%

In the first quarter of 2018, the Company changed its primary measure of segment performance from Adjusted EBITDA to Segment operating profit. Arconic's definition of Segment operating profit is Operating income (loss) excluding Special items. Special items include Restructuring and other charges and Impairment of goodwill. Segment operating profit may not be comparable to similarly titled measures of other companies. Prior period amounts have been recast to conform to current period presentation.

Segment operating profit also includes certain items which under the previous segment performance measure were recorded in Corporate, such as the impact of LIFO inventory accounting, metal price lag, intersegment profit eliminations, and derivative activities.

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

ARCONIC

Reconciliation of Total segment operating profit to Consolidated income (loss) before income taxes

($ in millions)	1Q17	2Q17	3Q17	4Q17	2017	1Q18
Total segment operating profit	$451	$454	$377	$396	$1,678	$400
Unallocated amounts:						
Restructuring and other charges	(73)	(26)	(19)	(47)	(165)	(7)
Impairment of goodwill	—	—	—	(719)	(719)	—
Corporate expense	(95)	(108)	(48)	(63)	(314)	(60)
Consolidated operating income (loss)	283	320	310	(433)	480	333
Interest expense(1)	(115)	(183)	(100)	(98)	(496)	(114)
Other income (expense), net(2)	316	132	(38)	76	486	(20)
Consolidated income (loss) before income taxes	$484	$269	$172	$(455)	$470	$199

In the first quarter of 2018, the Company changed its primary measure of segment performance from Adjusted EBITDA to Segment operating profit. Arconic's definition of Segment operating profit is Operating income (loss) excluding Special items. Special items include Restructuring and other charges and Impairment of goodwill. Segment operating profit may not be comparable to similarly titled measures of other companies. Prior period amounts have been recast to conform to current period presentation.

Segment operating profit also includes certain items which under the previous segment performance measure were recorded in Corporate, such as the impact of LIFO inventory accounting, metal price lag, intersegment profit eliminations, and derivative activities.

The difference between certain segment totals and consolidated amounts is Corporate.

(1) For the quarter ended June 30, 2017, Interest expense included $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. Interest expense for quarter ended March 31, 2018 included $19 related to the early redemption of the Company's outstanding 5.720% Senior Notes due 2019.

(2) For the quarter ended March 31, 2017, Other income (expense), net included 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, Other income (expense), net included 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. For the quarter ended December 31, 2017, Other income (expense), net included favorable adjustments of $81 to the Firth Rixson earn-out and $25 to a separation-related guarantee liability.

Reconciliation of Operating Income Excluding Special Items

($ in millions)	1Q17	2Q17	3Q17	4Q17	2017	1Q18
Operating income (loss)	$283	$320	$310	$(433)	$480	$333
Special items:						
Restructuring and other charges	73	26	19	47	165	7
Impairment of goodwill	—	—	—	719	719	—
Separation costs	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	5
Operating income excluding Special items	$390	$388	$336	$343	$1,457	$345

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

Reconciliation of Free Cash Flow

($ in millions)	1Q17	2Q17	3Q17	4Q17	2017	1Q18
Cash (used for) provided from operations	$(395)	$81	$(59)	$325	(48)	(436)
Capital expenditures	(103)	(126)	(131)	(236)	(596)	(117)
Cash receipts from sold receivables	95	188	230	287	800	136
Free cash flow	$(403)	$143	$40	$376	$156	$(417)

Free cash flow is a non-GAAP financial measure. Management believes that this measure is meaningful to investors because management reviews cash flows generated from operations after taking into consideration capital expenditures (due to the fact that these expenditures are considered necessary to maintain and expand Arconic's asset base and are expected to generate future cash flows from operations), as well as cash receipts from net sales of beneficial interest in sold receivables. In conjunction with the implementation of the new accounting guidance on changes to the classification of certain cash receipts and cash payments within the statement of cash flows, specifically as it relates to the requirement to reclassify cash receipts from net sales of beneficial interest in sold receivables from operating activities to investing activities, the Company has changed the calculation of its measure of Free cash flow to include cash receipts from net sales of beneficial interest in sold receivables. This change to our measure of Free cash flow is being implemented to ensure consistent presentation of this measure across all historical periods. The adoption of this accounting guidance does not reflect a change in our underlying business or activities. 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.

Reconciliation of Organic Revenue

($ in millions)	Quarter ended March 31, 2018	Quarter ended March 31, 2017
Arconic		
Sales – Arconic	$3,445	$3,192
Less:		
Sales – Tennessee packaging	43	54
Sales – Fusina rolling mill	—	45
Aluminum price impact	109	—
Foreign currency impact	66	n/a
Arconic Organic revenue	$3,227	$3,093
Engineered Products and Solutions (EP&S)		
Sales	$1,541	$1,487
Less:		
Aluminum price impact	1	n/a
Foreign currency impact	25	n/a
EP&S Organic revenue	$1,515	$1,487
Global Rolled Products (GRP)		
Sales	$1,366	$1,248
Less:		
Sales – Tennessee packaging	43	54
Sales – Fusina rolling mill	—	45
Aluminum price impact	109	n/a
Foreign currency impact	16	n/a
GRP Organic revenue	$1,198	$1,149
Transportation and Construction Solutions (TCS)		
Sales	$537	$456
Less:		
Aluminum price impact	(1)	n/a
Foreign currency impact	25	n/a
TCS Organic revenue	$513	$456

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, and the impact of changes in aluminum prices and foreign currency fluctuations relative to the prior year periods.

Reconciliation of Net Debt

($ in millions)	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
Short-term debt	$45	$38	$55	$48	$47	$40
Long-term debt, less amount due within one year	6,309	6,806	6,802	6,796	8,046	8,044
Total debt	6,354	6,844	6,857	6,844	8,093	8,084
Less: Cash and cash equivalents	1,205	2,150	1,815	1,785	2,553	1,863
Net debt	$5,149	$4,694	$5,042	$5,059	$5,540	$6,221

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

Reconciliation of Net debt to Adjusted EBITDA Excluding Special Items

($ in millions)	Trailing-12 months ended					
	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
Net loss attributable to Arconic	$ (253)	$ (74)	$ (605)	$ (558)	$ (635)	$ (941)
Discontinued operations	—	—	(33)	(133)	(215)	(121)
Income from continuing operations after income taxes and non-controlling interests	$ (253)	$ (74)	$ (638)	$ (691)	$ (850)	$ (1,062)
Add:						
Provision for income taxes	438	544	1,518	1,521	1,587	1,477
Other (income) expense , net	(150)	(486)	(435)	(453)	(298)	42
Interest expense	495	496	526	552	493	499
Restructuring and other charges	99	165	240	224	212	155
Impairment of goodwill	719	719	—	—	—	—
Provision for depreciation and amortization	560	551	543	539	535	535
Adjusted EBITDA	$ 1,908	$ 1,915	$ 1,754	$ 1,692	$ 1,679	$ 1,646
Add:						
Separation costs	$ —	$ 18	$ 94	$ 148	$ 193	$ 193
Proxy, advisory and governance-related costs	42	58	58	58	16	—
Legal and other advisory costs related to Grenfell Tower	19	14	7	—	—	—
Delaware reincorporation costs	3	3	—	—	—	—
Adjusted EBITDA excluding Special items	$ 1,972	$ 2,008	$ 1,913	$ 1,898	$ 1,888	$ 1,839
Net debt	5,149	4,694	5,042	5,059	5,540	6,221
Net debt to Adjusted EBITDA excluding Special items	2.61	2.34	2.64	2.67	2.93	3.38

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

Net debt to 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.

Reconciliation of Return on Net Assets (RONA)

($ in millions)	Quarter ended March 31, 2018	2017
Net income	$143	$322
Special items[(1)]	26	(153)
Net income excluding Special items	$169	$169
Annualized net income excluding Special items	$676	$676
Net Assets:		
Add: Receivables from customers, less allowances	$1,179	$1,148
Add: Deferred purchase program[(2)]	320	219
Add: Inventories	2,648	2,328
Less: Accounts payable, trade	1,874	1,597
Working capital	2,273	2,098
Properties, plants, and equipment, net (PP&E)	5,628	5,473
Net assets - total	$7,901	$7,571
RONA	8.6%	8.9%

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

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

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

Reconciliation of Days Working Capital

($ in millions)	Quarter ended March 31, 2018	Quarter ended March 31, 2017
Receivables from customers, less allowances	$ 1,179	$ 1,148
Add: Deferred purchase program(1)	320	219
Add: Inventories	2,648	2,328
Less: Accounts payable, trade	1,874	1,597
Working capital	$ 2,273	$ 2,098
Sales	$ 3,445	$ 3,192
Days Working Capital	59	59

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

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

Reconciliation of Working Capital Change / Impact on Cash Flows

($ in millions)	Quarter ended March 31, 2018		Quarter ended March 31, 2017	
(Increase) in receivables[1]	$	(403)	$	(394)
(Increase) in inventories		(141)		(85)
Increase (decrease) in accounts payable, trade		14		(122)
Cash receipts from sold receivables[1]		136		95
Change in working capital on Cash Flows	$	(394)	$	(506)

(1) In the first quarter of 2018, Arconic adopted changes issued by the FASB to the classification of certain cash receipts and cash payments within the statement of cash flows. Based on the new guidance, Arconic classified cash received related to net sales of beneficial interest in previously transferred trade accounts receivables within investing activities. This new accounting standard does not reflect a change in our underlying business or activities. The prior period in 2017 has been recast to conform to this presentation, resulting in the reclassification of $95 from operating activities to investing activities for the three months ended March 31, 2017.

ARCONIC

Innovation, engineered.