Second Quarter 2018 Earnings Call

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Ken Giacobbe – Chief Financial Officer

July 31, 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; 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 presentation are made as of the date of this presentation, 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 adjusted 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, 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.

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.

Strategy Review: On Track to Complete in 3Q18, Initiating Sale of BCS

Phase 1: Segment-Based Strategy Approach - COMPLETE

25 individual product lines being evaluated

	Core Criteria	Practical Considerations
How were the product lines evaluated?	• Financial (RONA) • Competitive Advantage • Business Synergies • Market Attractiveness	• Minimize distractions • Leverage growth opportunities • Organizational readiness
What are the outcomes of the evaluations?	• Evaluate strategic options • Turnaround	• Sustain • Invest

Phase 2: Analyze Alternatives

Considerations:

- Competitive / Owner's Advantage
- Market & Industry Dynamics
- Value Chain Analysis
- Financial profile and capital requirements

1st Outcome:

- Initiating sale process for Building & Construction Systems (BCS)

Develop actions designed to enhance shareholder value, streamline portfolio, tighten strategic focus, and strengthen financial profile

BCS: Leading Design and Product Development Capabilities

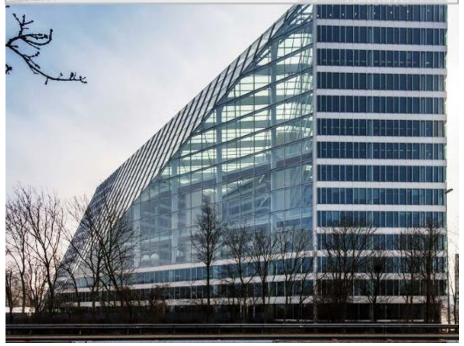
US Bank / Minnesota Vikings Stadium, USA

Museum at Prairiefire, Kansas, USA

KAWNEER
AN ARCONIC COMPANY

REYNOBOND®
REYNOLUX®

The Edge, Amsterdam, Netherlands

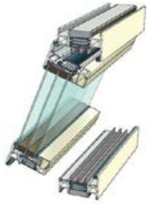


Profile

- ~$1B of Revenue
- 29 locations globally
- ~2,500 customers
- ~3,500 employees

Products and Capabilities

- Products provide increased thermal performance



OptiQ UltraThermal

+40% thermal performance

- Offering enhanced hurricane and blast resistance

1630 SS IR C/W

Withstand object impact of >50mph

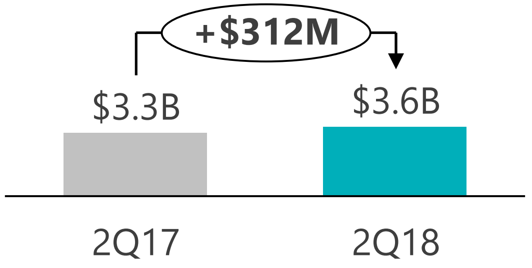
- Design and engineering services delivering solutions
- E-Commerce platform “Kawneer Direct” provides a seamless interface between customer and Kawneer
- Investments in Smart Manufacturing driving capacity increases and streamlined buying process

2Q Highlights

- New Organization led by VP Manufacturing and Continuous Improvement
  - Lean training, surge teams, quality engineers, automation experts and data scientists
  - Already driving results
  - Hosting first-ever plant manager summit in August
- Signed largest multiyear supply contract with Boeing
- Broke ground on $100M+ expansion projects at Whitehall and Morristown

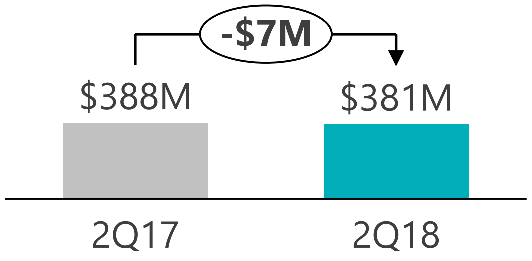
Key Financial Results

Revenue[1]



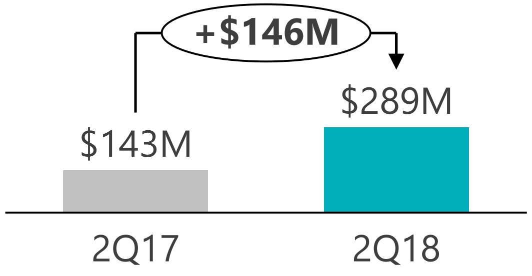
- Revenue growth across all segments
- Organic revenue increased $169M or 5% YoY
- Includes settlements of certain customer claims of ($38M)

Operating Income Excluding Special Items[2]



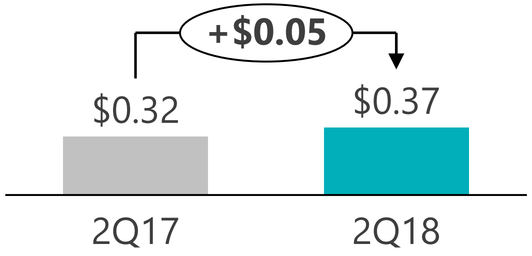
- Volume $53M: Transportation $32M and Aero $17M
- Mix ($29M): Aero wide-body production mix
- Higher aluminum prices ($20M)
- Continued challenges and opportunities in Rings and Disks
- Net cost savings offset by inventory adjustment of ($23M)

Adjusted Free Cash Flow[3]



- Days Working Capital 54 days, favorable 6 days YoY
- Working Capital benefit of $98M
- Pension Contributions $60M in Q2 and $237M YTD

EPS Excluding Special Items[4]



- Operational Improvements +$0.02
- Higher aluminum prices ($0.03)
- Favorable interest expense +$0.03, Tax rate +$0.03

1) 2Q 2018 Revenue = $3,573M (up 10%), 2Q 2017 Revenue = $3,261M; 2) 2Q 2018 Operating income = $324M, 2Q 2017 Operating income = $320M; 3) 2Q 2018: Cash provided from operations = $176M, Cash used for financing = ($35M), Cash provided from investing = $117M. 2Q 2017: Cash provided from operations = $79M, Cash used for financing = ($912M), Cash provided from investing = $69M
4) 2Q 2018 EPS = $0.24, 2Q 2017 EPS = $0.43; *See appendix for reconciliations*

Overview of Segment Results

	Revenue[1]	Segment Operating Profit[1]	Segment Operating Profit Comments
EP&S	$1,596M *Up 7%* *Up 6% Organic*	$212M *Down 15%, or $38M* *Aluminum price impact ($10M)*	+ Aero Engine growth – Continued challenges and opportunities in Rings and Disks – Inventory adjustment
GRP	$1,451M *Up 14%* *Up 5% Organic*	$123M *Down 8%, or $10M* *Aluminum price impact ($5M)*	+ Automotive and Commercial Transportation growth + Net Cost Savings – Aero wide-body production mix
TCS	$562M *Up 12%* *Up 11% Organic*	$97M *Up 37%, or $26M* *Aluminum price impact ($5M)*	+ Commercial Transportation growth + Building and Construction growth + Net cost savings

Corporate Expenses excluding special items down **23%** YoY

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

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2Q Key Achievements

EP&S	▪ Aero Engines revenue up 11% YoY ▪ Investment Castings costs improving ▪ Aero Airframes revenue up 2% YoY ▪ Aero Defense revenue up 25% YoY
GRP	▪ Auto organic revenue up 13%[1] YoY ▪ Contract wins at Boeing and Jeep®
TCS	▪ Record Segment Operating Profit up 37% YoY ▪ Record Segment Operating Profit Margin of 17.3%, up 320 bps YoY
Cash flows / Other	▪ Doubled Adjusted Free Cash Flow YoY ▪ Days Working Capital 54 days, favorable 6 days YoY ▪ Maintained low corporate expense ▪ Renegotiated revolver with 3 year extension, reduction in fees, and favorable terms

1) GRP Auto Revenue – Reported: 2Q 2018 = $470M; 2Q 2017 = $374M; up 26%

See appendix for reconciliations

2018 Guidance[1] Unchanged

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

Revenue	EPS Excluding Special Items	Adjusted Free Cash Flow
$13.7B – $14.0B	$1.17 – $1.27	~$250M

1) Guidance Al price assumption: 1H Actual – $2,607/MT (LME = $2,209/MT; Midwest Premiums = $398/MT)
2H Assumption – $2,720/MT (LME = $2,224/MT; Midwest Premiums = $496/MT)
Annual Average – $2,664/MT (LME = $2,217/MT; Midwest Premiums = $447/MT)

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2Q 2018 Special Items

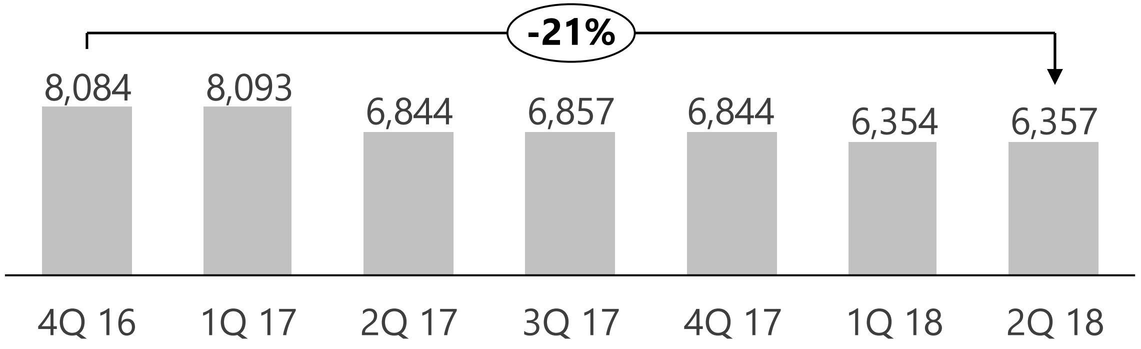
($M)	Income before income taxes	Net income	Earnings per diluted share
As reported	**$194**	**$120**	**$0.24**
Restructuring-related	($15)	($12)	
Legal and other advisory costs related to Grenfell Tower	($4)	($3)	
Settlements of certain customer claims principally related to product introductions	($38)	($29)	
Discrete tax items	N/A	($21)	
Special items	**($57)**	**($65)**	
Excluding special items	**$251**	**$185**	**$0.37**

Capital Structure: $4.9B of Net Debt

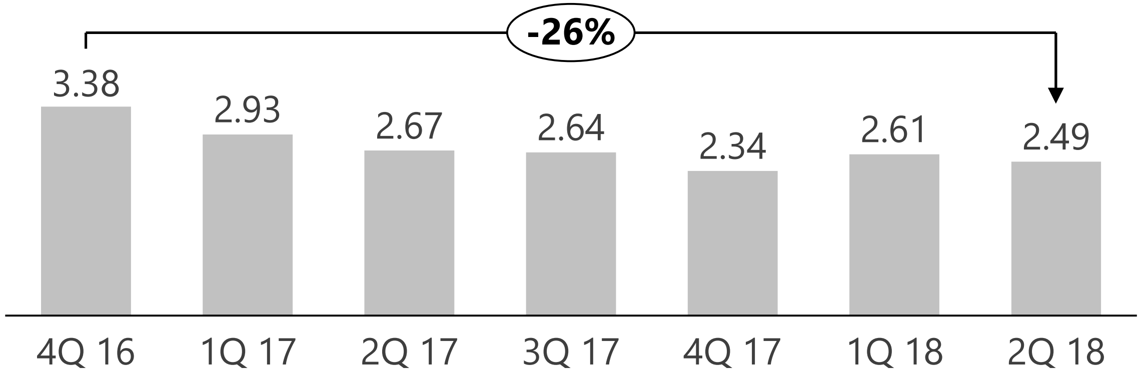
Capitalization at June 30, 2018	
($M)	**Amount**
Cash	$1,455
Gross Debt	$6,357
Net Debt	**$4,902**
Net Debt-to-LTM EBITDA[1]	2.49

Gross Debt ($M)

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



Net Debt-to-LTM EBITDA[1]



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

Key 2018 Guidance Assumptions

2018 Annual Avg. Assumed Al Price[1]	Al prices = $2,664/MT[2]	• +$100/MT increase = o +~$115M Revenue impact / ~($10M) Operating Income impact
3Q–4Q Al Price[3]	Al prices = $2,720/MT[4]	• +$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[5]	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

1) 2017: Annual Avg LME Cash = $1,968/MT; Midwest Premiums = $199/MT
2) LME Cash = $2,217/MT; Midwest Premiums = $447/MT
3) Q4 2017: Avg LME Cash = $2,101/MT; Midwest Premiums = $209/MT
4) LME Cash = $2,224/MT; Midwest Premiums = $496/MT
5) 2017: EUR: USD 1.13, GBP: USD 1.29

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2018 Pension, OPEB, and Adjusted Free Cash Flow Guidance

Adjusted Free Cash Flow Guidance Items

	FY 2018
Pension Expense Add-back	~$220M
Pension and OPEB Contributions including New Employer Contributions to DC Plan[1]	~($465M)
Capital Expenditures	~($750M)
YoY Working Capital Change	~($110M)
Cash Taxes compared to Effective Taxes	Cash Tax Rate = ~10%

Pension and OPEB Details

Expense ($M)	FY 2017[2]	FY 2018
Segments	$82M	~$50M
Corporate	$15M	~$10M
New Employer Contributions to DC Plan[1]	N/A	~$30M
Total EBITDA	**$97M**	**~$90M**
Non-operating[2]	$154M	~$110M
Subtotal Pension / OPEB-related Expense	**$251M**	**~$200M**
Inventory Impact of New Pension Standard	N/A	~$20M
Total Pension / OPEB-related Expense	**$251M**	**~$220M**

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 (Use of Cash)	**$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) Effective January 1, 2018, all non-service related pension expenses are recorded in non-operating expense (i.e., they are excluded from EBITDA); 2017 has been recast to conform to the new classification of costs within the Statement of Consolidated Operations
3) 2018 increase due to 2017 asset returns below 7.75%

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Aluminum price impacts 2Q 2018 vs. 2Q 2017

Year-over-Year Impact from Aluminum Price Changes

	2Q 2018		
	Revenue ($M)	**Operating Income ($M)**	**Operating Income %**
EP&S	$2	($10)	-60 bps
GRP	$128	($5)	-120 bps
TCS	$19	($5)	-150 bps
Arconic	**$149**	**($20)**	**-100 bps**

	1H 2018		
	Revenue ($M)	**Operating Income ($M)**	**Operating Income %**
EP&S	$3	($16)	-50 bps
GRP	$237	($17)	-140 bps
TCS	$18	($24)	-250 bps
Arconic	**$258**	**($57)**	**-120 bps**

Organic Revenue[1] Growth for 2Q 2018

	2Q 2017 ($M)	2Q 2018 ($M)	% Change
Arconic Revenue	$3,261	$3,573	**10%**
less Tennessee Packaging	51	46	
less Latin America Extrusions	30	-	
less Fusina Rolled Products	9	-	
less Aluminum Price Impact[2]	-	149	
less Foreign Currency Impact[2]	-	38	
Arconic Revenue, Organic	$3,171	$3,340	**5%**

	2Q 2017 ($M)	2Q 2018 ($M)	% Change
GRP Revenue	$1,271	$1,451	**14%**
less Tennessee Packaging	51	46	
less Fusina Rolled Products	9	-	
less Aluminum Price Impact[2]	-	128	
less Foreign Currency Impact[2]	-	8	
GRP Revenue, Organic	$1,211	$1,269	**5%**

	2Q 2017 ($M)	2Q 2018 ($M)	% Change
EP&S Revenue	$1,485	$1,596	**7%**
less Aluminum Price Impact[2]	-	2	
less Foreign Currency Impact[2]	-	15	
EP&S Revenue, Organic	$1,485	$1,579	**6%**

	2Q 2017 ($M)	2Q 2018 ($M)	% Change
TCS Revenue	$504	$562	**12%**
less Latin America Extrusions	30	-	
less Aluminum Price Impact[2]	-	19	
less Foreign Currency Impact[2]	-	15	
TCS Revenue, Organic	$474	$528	**11%**

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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

LIFO Charges Illustrated

2017	Al Prices ($/MT)[1]	Annual LIFO[2] Estimate ($M)	Annual Estimate To Book YTD	1Q ($M)	2Q ($M)	3Q ($M)	4Q ($M)
1Q	$2,174	($76M)	25%	($19M)	($19M)	($19M)	($19M)
2Q	$2,097	($60M)	50%		($11M)	($11M)	($11M)
3Q	$2,267	($104M)	75%			($48M)	($48M)
4Q	$2,309	($110M)	100%				($32M)
YTD Entry				($19M)	($30M)	($78M)	($110M)

2018	Al Prices ($/MT)[1]	Annual LIFO[2] Estimate ($M)	Annual Estimate To Book YTD	1Q ($M)	2Q ($M)
1Q	$2,433	($56M)	25%	($14M)	($14M)
2Q	$2,590	($92M)	50%		($32M)
YTD Entry				($14M)	($46M)

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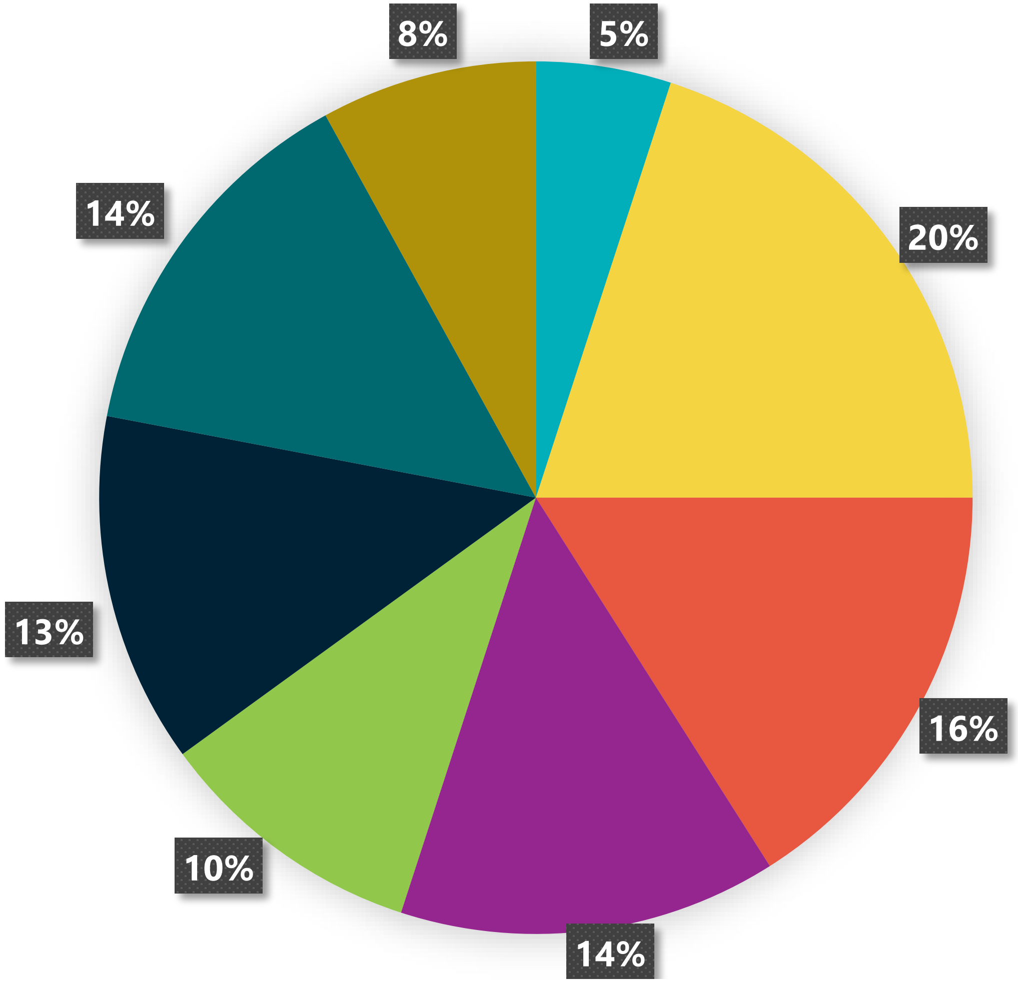
1) LME Aluminum Price + Midwest Premium price used to estimate annual LIFO charge; use quarter end prices to estimate in 1Q – 3Q; 4Q uses actual inventory aluminum value
2) Includes (~$25M) annually from elements other than aluminum prices such as other raw materials, labor, and energy

Revenue by Market – 2Q 2018

Revenue by Market (% of total)



Year-over-Year (% change)

Aerospace - Defense	21%
Aerospace - Commercial Airframe	Flat
Aerospace - Commercial Engine	11%
Automotive[1]	26%
Building & Construction	7%
Commercial Transportation	29%
Industrial & Other	(2%)
Packaging[2]	1%

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1) Includes brazing and automotive sheet 2) Includes Tennessee Packaging business revenues of $46M in 2Q 2018. Revenues were $51M in 2Q 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)
LIFO[1]	(4)	(4)	(13)	(11)	(32)
Derivative Activities[1]	1	-	-	-	1
Other Items Previously included in Corporate[1]	1	2	1	5	9
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)
LIFO[1]	(13)	(6)	(31)	(18)	(68)
Derivative Activities[1]	(2)	1	(2)	(1)	(4)
Other Items Previously included in Corporate[1]	18	13	(2)	26	55
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)
LIFO[1]	(2)	(1)	(4)	(3)	(10)
Derivative Activities[1]	5	1	4	6	16
Other Items Previously included in Corporate[1]	3	(1)	2	1	5
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

($ in millions, except per-share amounts)	Net income excluding Special items		Diluted EPS excluding Special items	
	Quarter ended		Quarter ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Net income	$120	$212	$0.24	$0.43
Special items:				
Restructuring and other charges	15	26		
Discrete tax items[(1)]	21	—		
Other special items[(2)]	42	(23)		
Tax impact[(3)]	(13)	(50)		
Net income excluding Special items	$185	$165	$0.37	$0.32

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 determined under GAAP as well as Net income excluding Special items.

(1) Discrete tax items included the following:

- for the quarter ended June 30, 2018, charges resulting from the Company's ongoing analysis of the U.S. Tax Cuts and Jobs Acts of 2017 related to an increase in the provisional estimate of the one-time transition tax ($18) and Alternative Minimum Tax (AMT) credits expected to be refunded upon filing the 2018 tax return that will result in no benefit under government sequestration ($3).

(2) Other special items included the following:

- for the quarter ended June 30, 2018, costs related to settlements of certain customer claims primarily related to product introductions ($38) and legal and other advisory costs related to Grenfell Tower ($4); and
- for the quarter ended June 30, 2017, a gain on the exchange of the remaining portion of Arconic's investment in Alcoa Corporation common stock ($167), costs associated with the Company's early redemption of $1,250 of outstanding senior notes ($76), proxy, advisory and governance-related costs ($42), an unfavorable tax impact resulting from the difference between Arconic's consolidated estimated annual effective tax rate and the statutory rate applicable to special items ($30), and a favorable tax impact related to the interim period treatment of operational losses in certain foreign jurisdictions for which no tax benefit was recognized ($4).

(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.

The average number of shares applicable to diluted EPS excluding Special items, includes certain share equivalents as their effect was dilutive. For all periods presented, 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 June 30, 2017, share equivalents associated with mandatory convertible preferred stock were anti-dilutive based on Net income excluding Special items.

Reconciliation of Net income excluding Special items

($ in millions, except per-share amounts)	Net income excluding Special items		Diluted EPS excluding Special items	
	Six months ended		Six months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Net income	$263	$534	$0.53	$1.07
Special items:				
Restructuring and other charges	22	99		
Discrete tax items[(1)]	23	1		
Other special items[(2)]	67	(348)		
Tax impact[(3)]	(21)	48		
Net income excluding Special items	$354	$334	$0.71	$0.66

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 determined under GAAP as well as Net income excluding Special items.

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

- for the six months ended June 30, 2018, charges resulting from the Company's ongoing analysis of the U.S. Tax Cuts and Jobs Acts of 2017 related an increase in the provisional estimate of the one-time transition tax ($18) and AMT credits expected to be refunded upon filing the 2018 tax return that will result in no benefit under government sequestration ($3), and a charge for a number of small items ($2); and
- for the six months ended June 30, 2017, a net charge for a number of small items ($1).

(2) Other special items included the following:

- for the six months ended June 30, 2018, costs related to settlements of certain customer claims primarily related to product introductions ($38), 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 ($9), and a charge for a number of small tax items ($1); and
- for the six months ended June 30, 2017, a gain on the sale of a portion of Arconic's investment in Alcoa Corporation common stock ($351), a gain on the exchange of the remaining portion of Arconic's investment in Alcoa Corporation common stock ($167), costs associated with the Company's early redemption of $1,250 of outstanding senior notes ($76), proxy, advisory, and governance-related costs ($58), costs associated with the separation of Alcoa Inc. ($18), an unfavorable tax impact resulting from the difference between Arconic's consolidated estimated annual effective tax rate and the statutory rate applicable to special items ($13), and an unfavorable tax impact related to the interim period treatment of operational losses in certain foreign jurisdictions for which no tax benefit was recognized ($5).

(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.

The average number of shares applicable to diluted EPS excluding Special items, includes certain share equivalents as their effect was dilutive. For all periods presented, 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 six month ended June 30, 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 June 30, 2018			Six months ended June 30, 2018		
	As reported	Special items[1]	As adjusted	As reported	Special items[1]	As adjusted
Income before income taxes	$194	$57	$251	$393	$88	$481
Provision for income taxes	74	(8)	66	130	(3)	127
Operational tax rate	38.1%		26.3%	33.1%		26.4%

Operational tax rate is a non-GAAP financial measure. Management believes that this measure is meaningful to investors because management reviews the operating results of Arconic excluding the impacts of 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**	**2Q18**
Segment operating profit[(1)]	$247	$250	$239	$228	$964	$221	$212
Third-party sales	$1,487	$1,485	$1,477	$1,494	$5,943	$1,541	$1,596
Segment operating profit margin	16.6%	16.8%	16.2%	15.3%	16.2%	14.3%	13.3%

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.

(1) Segment operating profit in the second quarter of 2018 included the impact of a $23 charge related to a physical inventory adjustment at one plant.

Calculation of Global Rolled Products Segment Operating Profit Margin

($ in millions)	1Q17	2Q17	3Q17	4Q17	2017	1Q18	2Q18
Segment operating profit	$136	$133	$64	$91	$424	$112	$123
Third-party sales	$1,248	$1,271	$1,234	$1,247	$5,000	$1,366	$1,451
Segment operating profit margin	10.9%	10.5%	5.2%	7.3%	8.5%	8.2%	8.5%
Third-party aluminum shipments (kmt)	310	307	297	283	1,197	308	315

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	2Q18
Segment operating profit	$68	$71	$74	$77	$290	$67	$97
Third-party sales	$456	$504	$523	$528	$2,011	$537	$562
Segment operating profit margin	14.9%	14.1%	14.1%	14.6%	14.4%	12.5%	17.3%

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 Total Segment Operating Profit Margin

($ in millions)	1Q17	2Q17	3Q17	4Q17	2017	1Q18	2Q18
Sales – Engineered Products and Solutions	$1,487	$1,485	$1,477	$1,494	$5,943	$1,541	$1,596
Sales – Global Rolled Products	1,248	1,271	1,234	1,247	5,000	1,366	1,451
Sales – Transportation and Construction Solutions	456	504	523	528	2,011	537	562
Total segment sales	$3,191	$3,260	$3,234	$3,269	$12,954	$3,444	$3,609
Total segment operating profit[1]	$451	$454	$377	$396	$1,678	$400	$432
Total segment operating profit margin	14.1%	13.9%	11.7%	12.1%	13.0%	11.6%	12.0%

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.

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

($ in millions)	1Q17	2Q17	3Q17	4Q17	2017	1Q18	2Q18
Total segment operating profit	$451	$454	$377	$396	$1,678	$400	$432
Unallocated amounts:							
Restructuring and other charges	(73)	(26)	(19)	(47)	(165)	(7)	(15)
Impairment of goodwill	—	—	—	(719)	(719)	—	—
Corporate expense[1]	(95)	(108)	(48)	(63)	(314)	(60)	(93)
Consolidated operating income (loss)	283	320	310	(433)	480	333	324
Interest expense[2]	(115)	(183)	(100)	(98)	(496)	(114)	(89)
Other income (expense), net[3]	316	132	(38)	76	486	(20)	(41)
Consolidated income (loss) before income taxes	$484	$269	$172	$(455)	$470	$199	$194

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 March 31, 2017, Corporate expense included $18 of costs associated with the separation of Alcoa Inc. and $16 of proxy, advisory and governance-related costs. For the quarter ended June 30, 2017, Corporate expense included $42 of proxy, advisory and governance-related costs. For the quarter ended June 30, 2018, Corporate expense included $38 of costs related to settlements of certain customer claims primarily related to product introductions and $4 of legal and other advisory costs related to Grenfell Tower.

(2) 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.

(3) 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	2Q18
Operating income	$283	$320	$310	$(433)	$480	$333	$324
Special items:							
Restructuring and other charges	73	26	19	47	165	7	15
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	4
Settlements of certain customer claims primarily related to product introductions	—	—	—	—	—	—	38
Operating income excluding Special items	$390	$388	$336	$343	$1,457	$345	$381

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 determined under GAAP as well as Operating income excluding Special items.

Reconciliation of Adjusted Free Cash Flow

($ in millions)	1Q17	2Q17	3Q17	4Q17	2017	1Q18	2Q18
Cash (used for) provided from operations	$(395)	$79	$(57)	$325	$(48)	$(436)	$176
Capital expenditures	(103)	(126)	(131)	(236)	(596)	(117)	(171)
Cash receipts from sold receivables	95	190	228	287	800	136	284
Adjusted free cash flow	$(403)	$143	$40	$376	$156	$(417)	$289

There has been no change in the net cash funding in the sale of accounts receivable program in the second quarter of 2018. It remains at $350.

Adjusted 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 Adjusted free cash flow to include cash receipts from net sales of beneficial interest in sold receivables. This change to our measure of Adjusted 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 Adjusted 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 June 30,		Quarter ended March 31,		Six months ended June 30,	
	2018	2017	2018	2017	2018	2017
Arconic						
Sales – Arconic	$3,573	$3,261	$3,445	$3,192	$7,018	$6,453
Less:						
Sales – Tennessee packaging	46	51	43	54	89	105
Sales – Fusina rolling mill	—	9	—	45	—	54
Sales – Latin America extrusions	—	30	25	26	25	56
Aluminum price impact	149	n/a	109	n/a	258	n/a
Foreign currency impact	38	n/a	66	n/a	104	n/a
Arconic Organic revenue	$3,340	$3,171	$3,202	$3,067	$6,542	$6,238
Engineered Products and Solutions (EP&S)						
Sales	$1,596	$1,485	$1,541	$1,487	$3,137	$2,972
Less:						
Aluminum price impact	2	n/a	1	n/a	3	n/a
Foreign currency impact	15	n/a	25	n/a	40	n/a
EP&S Organic revenue	$1,579	$1,485	$1,515	$1,487	$3,094	$2,972
Global Rolled Products Segment (GRP)						
Sales	$1,451	$1,271	$1,366	$1,248	$2,817	$2,519
Less:						
Sales – Tennessee packaging	46	51	43	54	89	105
Sales – Fusina rolling mill	—	9	—	45	—	54
Aluminum price impact	128	n/a	109	n/a	237	n/a
Foreign currency impact	8	n/a	16	n/a	24	n/a
GRP Organic revenue	$1,269	$1,211	$1,198	$1,149	$2,467	$2,360
Transportation and Construction Solutions (TCS)						
Sales	$562	$504	$537	$456	$1,099	$960
Less:						
Sales – Latin America extrusions	—	30	25	26	25	56
Aluminum price impact	19	n/a	(1)	n/a	18	n/a
Foreign currency impact	15	n/a	25	n/a	40	n/a
TCS Organic revenue	$528	$474	$488	$430	$1,016	$904

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

Reconciliation of Net Debt

($ in millions)	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
Short-term debt	$45	$45	$38	$55	$48	$47	$40
Long-term debt, less amount due within one year	6,312	6,309	6,806	6,802	6,796	8,046	8,044
Total debt	6,357	6,354	6,844	6,857	6,844	8,093	8,084
Less: Cash and cash equivalents	1,455	1,205	2,150	1,815	1,785	2,553	1,863
Net debt	$4,902	$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						
	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
Net loss attributable to Arconic	$ (345)	$ (253)	$ (74)	$ (605)	$ (558)	$ (635)	$ (941)
Discontinued operations	—	—	—	(33)	(133)	(215)	(121)
Income from continuing operations after income taxes and non-controlling interests	$ (345)	$ (253)	$ (74)	$ (638)	$ (691)	$ (850)	$ (1,062)
Add:							
Provision for income taxes	455	438	544	1,518	1,521	1,587	1,477
Other (income) expense , net	23	(150)	(486)	(435)	(453)	(298)	42
Interest expense	401	495	496	526	552	493	499
Restructuring and other charges	88	99	165	240	224	212	155
Impairment of goodwill	719	719	719	—	—	—	—
Provision for depreciation and amortization	567	560	551	543	539	535	535
Adjusted EBITDA	$ 1,908	$ 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	23	19	14	7	—	—	—
Settlements of certain customer claims primarily related to product introductions	38	—	—	—	—	—	—
Delaware reincorporation costs	3	3	3	—	—	—	—
Adjusted EBITDA excluding Special items	$ 1,972	$ 1,972	$ 2,008	$ 1,913	$ 1,898	$ 1,888	$ 1,839
Net debt	$ 4,902	$ 5,149	$ 4,694	$ 5,042	$ 5,059	$ 5,540	$ 6,221
Net debt to Adjusted EBITDA excluding Special items	2.49	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 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 Return on Net Assets (RONA)

($ in millions)	Six months ended June 30, 2018	2017
Net income	$263	$534
Special items[1]	91	(200)
Net income excluding Special items	$354	$334
Annualized net income excluding Special items	$708	$668
Net Assets:		
Add: Receivables from customers, less allowances	$1,159	$1,170
Add: Deferred purchase program[2]	313	222
Add: Inventories	2,659	2,416
Less: Accounts payable, trade	2,024	1,667
Working capital	2,107	2,141
Properties, plants, and equipment, net (PP&E)	5,582	5,507
Net assets - total	$7,689	$7,648
RONA	9.2%	8.7%

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 June 30, 2018	Quarter ended June 30, 2017
Receivables from customers, less allowances	$ 1,159	$ 1,170
Add: Deferred purchase program[1]	313	222
Add: Inventories	2,659	2,416
Less: Accounts payable, trade	2,024	1,667
Working capital	$ 2,107	$ 2,141
Sales	$ 3,573	$ 3,261
Days Working Capital	54	60

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 Global Rolled Products Auto Organic Revenue
Reconciliation of Corporate Expenses Excluding Special Items

Reconciliation of Global Rolled Products Auto Organic Revenue

($ in millions)	2Q18	2Q17
Global Rolled Products (GRP) Auto Revenue	$470	$374
Aluminum price impact	48	n/a
GRP Auto Organic Revenue	$422	$374

GRP auto organic revenue is a non-GAAP financial measure. Management believes this measure is meaningful to investors as it presents GRP auto revenue on a comparable basis for all periods presented due to the impact of changes in aluminum prices relative to the prior year period.

Reconciliation of Corporate Expenses Excluding Special Items

($ in millions)	2Q18	2Q17
Corporate expenses (1)	$93	$108
Special items:		
Proxy, advisory and governance-related costs	—	42
Legal and other advisory costs related to Grenfell Tower	4	—
Settlements of certain customer claims primarily related to product introductions	38	—
Corporate expenses excluding Special items	$51	$66

Corporate expenses excluding Special items is a non-GAAP financial measure. Management believes this measure is meaningful to investors because management reviews the operating results of Arconic excluding the impact 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 Corporate expenses determined under GAAP as well as Corporate expenses excluding Special items.

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

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