

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2021

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 1-39162

ARCONIC CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

84-2745636

(I.R.S. Employer Identification No.)

201 Isabella Street, Suite 400, Pittsburgh, Pennsylvania

(Address of principal executive offices)

15212-5872

(Zip Code)

(412)-992-2500

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	ARNC	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 1, 2021, there were 106,487,406 shares of common stock, par value \$0.01 per share, of the registrant outstanding.

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Forward-Looking Statements

This Quarterly Report on Form 10-Q 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, projections, beliefs or opinions about the future, other than statements of historical fact, are forward-looking statements, including, without limitation, statements relating to the condition of, or trends or developments in, the ground transportation, aerospace, building and construction, industrial, packaging and other end markets; Arconic’s future financial results, operating performance, working capital, cash flows, liquidity and financial position; cost savings and restructuring programs; Arconic’s strategies, outlook, business and financial prospects; share repurchases; costs associated with pension and other postretirement benefit plans; projected sources of cash flow; potential legal liability; the potential impact of inflationary price pressures; the potential impact of the COVID-19 pandemic; the timing and levels of potential recovery from the COVID-19 pandemic within our end markets; and the impact of actions to mitigate the impact of the COVID-19 pandemic. 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 actual results may differ materially from those indicated by these forward-looking statements due to a variety of risks, uncertainties and changes in circumstances, many of which are beyond Arconic’s control. Such risks and uncertainties include, but are not limited to:

- continuing uncertainty regarding the duration and impact of the COVID-19 pandemic on our business and the businesses of our customers and suppliers, including labor shortages and increased quarantine rates;
- deterioration in global economic and financial market conditions generally;
- unfavorable changes in the end markets we serve;
- the inability to achieve the level of revenue growth, cash generation, cost savings, benefits of our management of legacy liabilities, improvement in profitability and margins, fiscal discipline, or strengthening of competitiveness and operations anticipated or targeted;
- adverse changes in discount rates or investment returns on pension assets;
- competition from new product offerings, disruptive technologies, industry consolidation or other developments;
- the loss of significant customers or adverse changes in customers’ business or financial condition;
- manufacturing difficulties or other issues that impact product performance, quality or safety;
- the impact of pricing volatility in raw materials and inflationary pressures on our costs of production;

- a significant downturn in the business or financial condition of a key supplier or other supply chain disruptions;
- challenges to or infringements on our intellectual property rights;
- the inability to successfully implement our re-entry into the U.S. packaging market or to realize the expected benefits of other strategic initiatives or projects;
- the inability to identify or successfully respond to changing trends in our end markets;
- the impact of potential cyber attacks and information technology or data security breaches;
- geopolitical, economic, and regulatory risks relating to our global operations, including compliance with U.S. and foreign trade and tax laws, sanctions, embargoes and other regulations;
- the outcome of contingencies, including legal proceedings, government or regulatory investigations, and environmental remediation and compliance matters; and
- the other risk factors summarized in Arconic's Form 10-K for the year ended December 31, 2020 and other reports filed with the U.S. Securities and Exchange Commission.

The above list of factors is not exhaustive or necessarily in order of importance. Market projections are subject to the risks discussed above and in this report, and other risks in the market. For additional information concerning factors that could cause actual results to differ materially from the information contained in this report, reference is made to the information in Part I Item 1A, "Risk Factors" in Arconic's Annual Report on Form 10-K for the fiscal year ended December 31, 2020. 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.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

Arconic Corporation and subsidiaries
Statement of Consolidated Operations (unaudited)
(in millions, except per-share amounts)

	Third quarter ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Sales (C and D)	\$ 1,890	\$ 1,415	\$ 5,366	\$ 4,213
Cost of goods sold (exclusive of expenses below)	1,676	1,218	4,674	3,614
Selling, general administrative, and other expenses	63	59	183	194
Research and development expenses	8	8	25	27
Provision for depreciation and amortization	61	63	186	191
Restructuring and other charges (E)	14	3	612	61
Operating income (loss)	68	64	(314)	126
Interest expense (N)	26	22	74	97
Other expenses, net (F)	15	27	52	69
Income (Loss) before income taxes	27	15	(440)	(40)
Provision (Benefit) for income taxes (H)	11	10	(81)	5
Net income (loss)	16	5	(359)	(45)
Less: Net income attributable to noncontrolling interest	—	—	—	—
Net income (loss) attributable to Arconic Corporation	\$ 16	\$ 5	\$ (359)	\$ (45)
Earnings Per Share Attributable to Arconic Corporation Common Stockholders (I):				
Basic	<u>\$ 0.15</u>	<u>\$ 0.05</u>	<u>\$ (3.28)</u>	<u>\$ (0.41)</u>
Diluted	<u>\$ 0.15</u>	<u>\$ 0.05</u>	<u>\$ (3.28)</u>	<u>\$ (0.41)</u>

The accompanying notes are an integral part of the consolidated financial statements.

Arconic Corporation and subsidiaries
Statement of Consolidated Comprehensive Income (unaudited)
(in millions)

	Arconic Corporation		Noncontrolling interest		Total	
	2021	2020	2021	2020	2021	2020
Third quarter ended September 30,						
Net income	\$ 16	\$ 5	\$ —	\$ —	\$ 16	\$ 5
Other comprehensive income, net of tax (K):						
Change in unrecognized net actuarial loss and prior service cost/benefit related to pension and other postretirement benefits	45	31	—	—	45	31
Foreign currency translation adjustments	(11)	37	—	—	(11)	37
Net change in unrecognized losses on cash flow hedges	(13)	12	—	—	(13)	12
Total Other comprehensive income, net of tax	21	80	—	—	21	80
Comprehensive income	\$ 37	\$ 85	\$ —	\$ —	\$ 37	\$ 85

	Arconic Corporation		Noncontrolling interest		Total	
	2021	2020	2021	2020	2021	2020
Nine months ended September 30,						
Net loss	\$ (359)	\$ (45)	\$ —	\$ —	\$ (359)	\$ (45)
Other comprehensive income, net of tax (K):						
Change in unrecognized net actuarial loss and prior service cost/benefit related to pension and other postretirement benefits	637	92	—	—	637	92
Foreign currency translation adjustments	(5)	42	—	—	(5)	42
Net change in unrecognized losses on cash flow hedges	(49)	5	—	—	(49)	5
Total Other comprehensive income, net of tax	583	139	—	—	583	139
Comprehensive income	\$ 224	\$ 94	\$ —	\$ —	\$ 224	\$ 94

The accompanying notes are an integral part of the consolidated financial statements.

Arconic Corporation and subsidiaries
Consolidated Balance Sheet (unaudited)
(in millions)

	September 30, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 349	\$ 787
Receivables from customers, less allowances of \$1 in both 2021 and 2020	876	631
Other receivables	198	128
Inventories (L)	1,525	1,043
Prepaid expenses and other current assets	61	53
Total current assets	3,009	2,642
Properties, plants, and equipment	7,452	7,409
Less: accumulated depreciation and amortization	4,836	4,697
Properties, plants, and equipment, net	2,616	2,712
Goodwill	388	390
Operating lease right-of-use assets (M)	130	144
Deferred income taxes	258	329
Other noncurrent assets	95	97
Total assets	\$ 6,496	\$ 6,314
Liabilities		
Current liabilities:		
Accounts payable, trade	\$ 1,489	\$ 1,106
Accrued compensation and retirement costs	129	118
Taxes, including income taxes	42	33
Environmental remediation (P)	56	90
Operating lease liabilities (M)	35	36
Other current liabilities	163	90
Total current liabilities	1,914	1,473
Long-term debt (N)	1,593	1,278
Accrued pension benefits (G)	731	1,343
Accrued other postretirement benefits	424	479
Environmental remediation (P)	47	66
Operating lease liabilities (M)	98	111
Deferred income taxes	14	15
Other noncurrent liabilities and deferred credits	97	102
Total liabilities	4,918	4,867
Contingencies and commitments (P)		
Equity		
Arconic Corporation stockholders' equity:		
Common stock	1	1
Additional capital	3,361	3,348
Accumulated deficit	(514)	(155)
Treasury stock (J)	(106)	—
Accumulated other comprehensive loss (K)	(1,178)	(1,761)
Total Arconic Corporation stockholders' equity	1,564	1,433
Noncontrolling interest	14	14
Total equity	1,578	1,447
Total liabilities and equity	\$ 6,496	\$ 6,314

The accompanying notes are an integral part of the consolidated financial statements.

Arconic Corporation and subsidiaries
Statement of Consolidated Cash Flows (unaudited)
(in millions)

	Nine months ended September 30,	
	2021	2020
Operating Activities		
Net loss	\$ (359)	\$ (45)
Adjustments to reconcile net loss to cash (used for) provided from operations:		
Depreciation and amortization	186	191
Deferred income taxes	(111)	28
Restructuring and other charges (E)	612	61
Net periodic pension benefit cost (G)	55	61
Stock-based compensation	15	18
Amortization of debt issuance costs (N)	—	23
Other	21	(2)
Changes in assets and liabilities, excluding effects of acquisitions, divestitures, and foreign currency translation adjustments:		
(Increase) in receivables	(307)	(250)
(Increase) Decrease in inventories	(488)	197
(Increase) in prepaid expenses and other current assets	(7)	(24)
Increase (Decrease) in accounts payable, trade	388	(165)
(Decrease) in accrued expenses	(55)	(153)
Increase in taxes, including income taxes	15	75
Pension contributions (G)	(456)	(44)
(Increase) Decrease in noncurrent assets	(5)	28
(Decrease) Increase in noncurrent liabilities	(7)	19
Cash (used for) provided from operations	(503)	18
Financing Activities		
Net transfers from former parent company	—	216
Separation payment to former parent company (A)	—	(728)
Additions to debt (original maturities greater than three months) (N)	319	2,400
Debt issuance costs (N)	(5)	(57)
Payments on debt (original maturities greater than three months) (N)	—	(1,100)
Repurchases of common stock (J)	(106)	—
Other	(18)	4
Cash provided from financing activities	190	735
Investing Activities		
Capital expenditures	(123)	(126)
Proceeds from the sale of assets and businesses (O)	(2)	102
Cash used for investing activities	(125)	(24)
Effect of exchange rate changes on cash and cash equivalents and restricted cash	—	1
Net change in cash and cash equivalents and restricted cash	(438)	730
Cash and cash equivalents and restricted cash at beginning of year	787	72
Cash and cash equivalents and restricted cash at end of period	\$ 349	\$ 802

The accompanying notes are an integral part of the consolidated financial statements.

Arconic Corporation and subsidiaries
Statement of Changes in Consolidated Equity (unaudited)
(in millions)

	Parent Company net investment	Common stock	Additional capital	Accumulated deficit	Treasury stock	Accumulated other comprehensive (loss) income	Noncontrolling interest	Total equity
Balance at June 30, 2020	\$ —	\$ 1	\$ 3,318	\$ (96)	\$ —	\$ (1,848)	\$ 14	\$ 1,389
Net income	—	—	—	5	—	—	—	5
Other comprehensive income (K)	—	—	—	—	—	80	—	80
Separation-related adjustments	—	—	8	—	—	—	—	8
Stock-based compensation	—	—	6	—	—	—	—	6
Balance at September 30, 2020	<u>\$ —</u>	<u>\$ 1</u>	<u>\$ 3,332</u>	<u>\$ (91)</u>	<u>\$ —</u>	<u>\$ (1,768)</u>	<u>\$ 14</u>	<u>\$ 1,488</u>
Balance at June 30, 2021	\$ —	\$ 1	\$ 3,351	\$ (530)	\$ (9)	\$ (1,199)	\$ 14	\$ 1,628
Net income	—	—	—	16	—	—	—	16
Other comprehensive income (K)	—	—	—	—	—	21	—	21
Repurchases of common stock (J)	—	—	—	—	(97)	—	—	(97)
Stock-based compensation	—	—	8	—	—	—	—	8
Other	—	—	2	—	—	—	—	2
Balance at September 30, 2021	<u>\$ —</u>	<u>\$ 1</u>	<u>\$ 3,361</u>	<u>\$ (514)</u>	<u>\$ (106)</u>	<u>\$ (1,178)</u>	<u>\$ 14</u>	<u>\$ 1,578</u>
Balance at December 31, 2019	\$ 2,664	\$ —	\$ —	\$ —	\$ —	\$ 295	\$ 14	\$ 2,973
Net income (loss)	46	—	—	(91)	—	—	—	(45)
Other comprehensive income (K)	—	—	—	—	—	139	—	139
Establishment of additional defined benefit plans	349	—	—	—	—	(1,752)	—	(1,403)
Change in ParentCo contribution	217	—	—	—	—	—	—	217
Separation payment to former parent company (A)	(728)	—	—	—	—	—	—	(728)
Separation-related adjustments	(2,548)	—	3,322	—	—	(450)	—	324
Issuance of common stock	—	1	(1)	—	—	—	—	—
Stock-based compensation	—	—	11	—	—	—	—	11
Balance at September 30, 2020	<u>\$ —</u>	<u>\$ 1</u>	<u>\$ 3,332</u>	<u>\$ (91)</u>	<u>\$ —</u>	<u>\$ (1,768)</u>	<u>\$ 14</u>	<u>\$ 1,488</u>
Balance at December 31, 2020	\$ —	\$ 1	\$ 3,348	\$ (155)	\$ —	\$ (1,761)	\$ 14	\$ 1,447
Net loss	—	—	—	(359)	—	—	—	(359)
Other comprehensive income (K)	—	—	—	—	—	583	—	583
Repurchases of common stock (J)	—	—	—	—	(106)	—	—	(106)
Stock-based compensation	—	—	15	—	—	—	—	15
Other	—	—	(2)	—	—	—	—	(2)
Balance at September 30, 2021	<u>\$ —</u>	<u>\$ 1</u>	<u>\$ 3,361</u>	<u>\$ (514)</u>	<u>\$ (106)</u>	<u>\$ (1,178)</u>	<u>\$ 14</u>	<u>\$ 1,578</u>

The accompanying notes are an integral part of the consolidated financial statements.

Arconic Corporation and subsidiaries
Notes to the Consolidated Financial Statements (unaudited)
(dollars in millions, except per-share amounts)

A. The Separation and Basis of Presentation

The interim Consolidated Financial Statements of Arconic Corporation and its subsidiaries (“Arconic” or the “Company”) are unaudited. These Consolidated Financial Statements include all adjustments, consisting only of normal recurring adjustments, considered necessary by management to fairly state the Company’s results of operations, financial position, and cash flows. The results reported in these Consolidated Financial Statements are not necessarily indicative of the results that may be expected for the entire year. The 2020 year-end balance sheet data was derived from audited financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America (GAAP). This Form 10-Q report should be read in conjunction with Arconic’s Annual Report on Form 10-K for the year ended December 31, 2020, which includes all disclosures required by GAAP. In accordance with GAAP, certain situations require management to make estimates based on judgments and assumptions, which may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. They also may affect the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates upon subsequent resolution of identified matters.

References to “ParentCo” refer to Arconic Inc., a Delaware corporation, and its consolidated subsidiaries (through March 31, 2020, at which time it was renamed Howmet Aerospace Inc. (“Howmet”).

Coronavirus. Our operations and financial results have been, and may continue to be, adversely affected by the coronavirus (COVID-19) pandemic. As a result of the COVID-19 pandemic, several of our automotive and aerospace customers temporarily suspended operations at different points throughout 2020. While many of our customers have resumed operations as it relates to the COVID-19 pandemic, we are unable to estimate with certainty at this time the status, frequency, or duration of any potential reoccurrences of customer shutdowns, or the duration or extent of resumed operations. Due to the impacts of the COVID-19 pandemic on our customers, we are experiencing, and expect to continue experiencing, lower demand and volume for certain of our products. These trends may lead to charges, impairments, and other adverse financial impacts over time, including but not limited to the recoverability of goodwill and long-lived assets and the realizability of deferred tax assets. The impact on our business, results of operations, financial condition, liquidity, and/or cash flows will be magnified if the disruption from the COVID-19 pandemic continues for an extended period.

The Separation. On February 8, 2019, ParentCo announced that its Board of Directors approved a plan to separate into two standalone, publicly-traded companies (the “Separation”). The spin-off company, later named Arconic Corporation, was to include the rolled aluminum products, aluminum extrusions, and architectural products operations of ParentCo, as well as the Latin America extrusions operations sold in April 2018, (collectively, the “Arconic Corporation Businesses”). The existing publicly-traded company, ParentCo, was to continue to own the engine products, engineered structures, fastening systems, and forged wheels operations (collectively, the “Howmet Aerospace Businesses”).

The Separation was subject to a number of conditions, including, but not limited to: final approval by ParentCo’s Board of Directors (see below); receipt of an opinion of legal counsel (received on March 31, 2020) regarding the qualification of the distribution, together with certain related transactions, as a “reorganization” within the meaning of Sections 335 and 368(a)(1)(D) of the U.S. Internal Revenue Code (i.e., a transaction that is generally tax-free for U.S. federal income tax purposes); and the U.S. Securities and Exchange Commission (the “SEC”) declaring effective a Registration Statement on Form 10, as amended, filed with the SEC on February 13, 2020 (effectiveness was declared by the SEC on February 13, 2020).

On February 5, 2020, ParentCo’s Board of Directors approved the completion of the Separation by means of a pro rata distribution by ParentCo of all of the outstanding shares of Arconic common stock to ParentCo common stockholders of record as of the close of business on March 19, 2020 (the “Record Date”). At the time of the Separation, ParentCo common stockholders were to receive one share of Arconic common stock for every four shares of ParentCo common stock (the “Separation Ratio”) held as of the Record Date (ParentCo common stockholders were to receive cash in lieu of fractional shares).

In connection with the Separation, as of March 31, 2020, Arconic and Howmet entered into several agreements to implement the legal and structural separation between the two companies; govern the relationship between Arconic and Howmet after the completion of the Separation; and allocate between Arconic and Howmet various assets, liabilities, and obligations, including, among other things, employee benefits, environmental liabilities, intellectual property, and tax-related assets and liabilities. These agreements included a Separation and Distribution Agreement, Tax Matters Agreement, Employee

Matters Agreement, and certain Patent, Know-How, Trade Secret License and Trademark License Agreements. The Separation and Distribution Agreement identified the assets to be transferred, the liabilities to be assumed, and the contracts to be transferred to each of Arconic and Howmet as part of the Separation, and provided for when and how these transfers and assumptions were to occur.

On April 1, 2020 (the “Separation Date”), the Separation was completed and became effective at 12:01 a.m. Eastern Daylight Time. To effect the Separation, ParentCo undertook a series of transactions to separate the net assets and certain legal entities of ParentCo, resulting in a cash payment of \$728 to ParentCo by Arconic from a portion of the aggregate net proceeds of previously executed financing arrangements (see 2020 Activity in [Note N](#)). In connection with the Separation, 109,021,376 shares of Arconic common stock were distributed to ParentCo stockholders. This was determined by applying the Separation Ratio to the 436,085,504 shares of ParentCo’s outstanding common stock as of the Record Date. “Regular-way” trading of Arconic’s common stock began with the opening of the New York Stock Exchange on April 1, 2020 under the ticker symbol “ARNC.” Arconic’s common stock has a par value of \$0.01 per share.

ParentCo incurred costs to evaluate, plan, and execute the Separation, and Arconic was allocated a pro rata portion of these costs based on segment revenue (see Cost Allocations below). ParentCo recognized \$38 in the 2020 nine-month period for such costs, of which \$18 was allocated to Arconic. The allocated amount was included in Selling, general administrative, and other expenses on the accompanying Statement of Consolidated Operations.

Principles of Consolidation. The Company’s Consolidated Financial Statements include the accounts of Arconic and companies in which Arconic has a controlling interest. Intercompany transactions have been eliminated.

Management evaluates whether an Arconic entity or interest is a variable interest entity and whether the Company is the primary beneficiary. Consolidation is required if both of these criteria are met. Arconic does not have any variable interest entities requiring consolidation.

Prior to the Separation Date, Arconic did not operate as a separate, standalone entity. Arconic’s operations were included in ParentCo’s financial results. Accordingly, for all periods prior to the Separation Date, the accompanying Consolidated Financial Statements were prepared from ParentCo’s historical accounting records and were presented on a standalone basis as if the Arconic Corporation Businesses had been conducted independently from ParentCo. Such Consolidated Financial Statements include the historical operations that were considered to comprise the Arconic Corporation Businesses, as well as certain assets and liabilities that were historically held at ParentCo’s corporate level but were specifically identifiable or otherwise attributable to Arconic. ParentCo’s net investment in these operations was reflected as Parent Company net investment on the Company’s Consolidated Financial Statements. All significant transactions and accounts within Arconic were eliminated. All significant intercompany transactions between ParentCo and Arconic were included within Parent Company net investment on Arconic’s Consolidated Financial Statements.

Cost Allocations. The description and information on cost allocations is applicable for all periods included in the Company’s Consolidated Financial Statements prior to the Separation Date.

Arconic’s Consolidated Financial Statements include general corporate expenses of ParentCo that were not historically charged to the Arconic Corporation Businesses for certain support functions that were provided on a centralized basis, such as expenses related to finance, audit, legal, information technology, human resources, communications, compliance, facilities, employee benefits and compensation, and research and development activities. These general corporate expenses were included on the accompanying Statement of Consolidated Operations within Cost of goods sold, Selling, general administrative and other expenses, and Research and development expenses. These expenses were allocated to Arconic on the basis of direct usage when identifiable, with the remainder allocated based on the Arconic Corporation Businesses’ segment revenue as a percentage of ParentCo’s total segment revenue, as reported in the respective periods.

All external debt not directly attributable to the Arconic Corporation Businesses was excluded from the Company’s Consolidated Balance Sheet. Financing costs related to these debt obligations were allocated to Arconic based on the ratio of capital invested by ParentCo in the Arconic Corporation Businesses to the total capital invested by ParentCo in both the Arconic Corporation Businesses and the Howmet Aerospace Businesses, and were included on the accompanying Statement of Consolidated Operations within Interest expense.

The following table reflects the allocations described above:

Nine months ended September 30,	2020
Cost of goods sold	\$ —
Selling, general administrative, and other expenses*	25
Research and development expenses	—
Provision for depreciation and amortization	1
Restructuring and other charges (E)	2
Interest expense	28
Other (income), net (E)	(5)

* In the 2020 nine-month period, amount includes an allocation of \$18 for costs incurred by ParentCo associated with the Separation (see above).

Management believes the assumptions regarding the allocation of ParentCo's general corporate expenses and financing costs were reasonable.

Nevertheless, the Company's Consolidated Financial Statements may not include all of the actual expenses that would have been incurred and may not reflect Arconic's consolidated results of operations, financial position, and cash flows had it been a standalone company during the periods prior to the Separation Date. Actual costs that would have been incurred if Arconic had been a standalone company would depend on multiple factors, including organizational structure, capital structure, and strategic decisions made in various areas, including information technology and infrastructure. Transactions between Arconic and ParentCo, including sales to the Howmet Aerospace Businesses, were considered to be effectively settled for cash at the time the transaction was recorded. The total net effect of the settlement of these transactions was reflected on the accompanying Statement of Consolidated Cash Flows as a financing activity and on Arconic's Consolidated Balance Sheet as Parent Company net investment.

Cash Management. The description and information on cash management is applicable for all periods included in the Company's Consolidated Financial Statements prior to the Separation Date.

Cash was managed centrally with certain net earnings reinvested locally and working capital requirements met from existing liquid funds. Accordingly, the cash and cash equivalents held by ParentCo at the corporate level were not attributed to Arconic for any of the periods presented prior to the Separation Date. Only cash amounts specifically attributable to Arconic were reflected in the Company's Consolidated Balance Sheet. Transfers of cash, both to and from ParentCo's centralized cash management system, were reflected as a component of Parent Company net investment on Arconic's Consolidated Balance Sheet and as a financing activity on the accompanying Statement of Consolidated Cash Flows.

ParentCo had an arrangement with several financial institutions to sell certain customer receivables without recourse on a revolving basis. The sale of such receivables was completed through the use of a bankruptcy-remote special-purpose entity, which was a consolidated subsidiary of ParentCo. In connection with this arrangement, in all periods prior to January 1, 2020, certain of Arconic's customer receivables were sold on a revolving basis to this bankruptcy-remote subsidiary of ParentCo; these sales were reflected as a component of Parent Company net investment on Arconic's Consolidated Balance Sheet. As of December 31, 2019, the amount of Arconic's outstanding customer receivables sold to ParentCo's subsidiary was \$281. Effective January 2, 2020, in preparation for the Separation, ParentCo's arrangement was amended to no longer include customer receivables associated with the Arconic Corporation Businesses, as well as to remove previously included customer receivables related to the Arconic Corporation Businesses not yet collected as of January 2, 2020. Accordingly, uncollected customer receivables of \$281 related to the Arconic Corporation Businesses were removed from the program and the right to collect and receive the cash from the customer was returned to Arconic.

ParentCo participated in several accounts payable settlement arrangements with certain vendors and third-party intermediaries. These arrangements provided that, at the vendor's request, the third-party intermediary advance the amount of the scheduled payment to the vendor, less an appropriate discount, before the scheduled payment date and ParentCo make payment to the third-party intermediary on the date stipulated in accordance with the commercial terms negotiated with its vendors. In connection with these arrangements, certain of Arconic's accounts payable were settled, at the vendor's request, before the scheduled payment date; these settlements were reflected as a component of Parent Company net investment on

Arconic's Consolidated Balance Sheet. As of December 31, 2019, the amount of Arconic's accounts payables settled under such arrangements that had yet to be extinguished between ParentCo and third-party intermediaries was \$1.

B. Recently Adopted and Recently Issued Accounting Guidance

Adopted

On January 1, 2021, Arconic adopted changes issued by the Financial Accounting Standards Board (FASB) to accounting for income taxes. The FASB issued this guidance to simplify various aspects related to the accounting for income taxes as part of the overall initiative to reduce complexity in accounting standards. These changes include the removal of certain exceptions and the simplification of several provisions, including: requiring an entity to recognize tax that is partially based on income, such as franchise tax, as income-based tax and account for additional amounts incurred as non-income based tax; requiring an entity to evaluate when a step up in tax basis of goodwill should be considered part of the original business combination or a separate transaction; and requiring an entity to reflect the effect of an enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date. The adoption of this guidance did not have a material impact on the Consolidated Financial Statements. The Company will need to continue to consider this guidance in future periods.

Issued

In March 2020, the FASB issued guidance that provides optional expedients and exceptions for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. These expedients and exceptions may be used when applying GAAP, if certain criteria are met, to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of such reform. The purpose of this guidance is to provide relief to entities from experiencing unintended accounting and/or financial reporting outcomes or consequences due to reference rate reform. This guidance became effective immediately on March 12, 2020 and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022, after which time the expedients and exceptions expire. In January 2021, the FASB issued clarifying guidance to specify that certain of the optional expedients and exceptions apply to derivatives that use an interest rate for margining, discounting, or contract price alignment that is modified as a result of reference rate reform. This additional guidance may be applied on a full retrospective basis as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or prospectively in the manner previously described for the guidance issued on March 12, 2020. As of September 30, 2021, Arconic has not experienced any unintended outcomes or consequences of reference rate reform that would necessitate the adoption of this guidance. Additionally, the Company will not need to consider the application of this guidance related to its credit agreement, which is scheduled to mature on May 13, 2025 and provides a credit facility that is referenced to LIBOR in certain borrowing situations, as the terms of such agreement currently provide for a replacement rate if LIBOR is discontinued by the end of 2021 as expected. That said, management will continue to closely monitor all potential instances of reference rate reform to determine if adoption of this guidance becomes necessary in the future.

C. Revenue from Contracts with Customers

The following table disaggregates revenue by major end market served. Differences between segment totals and consolidated Arconic are in Corporate.

Third quarter ended September 30,	Rolled Products	Building and Construction Systems	Extrusions	Total
2021				
Ground Transportation	\$ 681	\$ —	\$ 25	\$ 706
Building and Construction	70	257	—	327
Packaging	325	—	—	325
Aerospace	134	—	28	162
Industrial Products and Other	349	—	21	370
Total end-market revenue	<u>\$ 1,559</u>	<u>\$ 257</u>	<u>\$ 74</u>	<u>\$ 1,890</u>
2020				
Ground Transportation	\$ 493	\$ —	\$ 25	\$ 518
Building and Construction	42	241	—	283
Packaging	198	—	—	198
Aerospace	107	—	44	151
Industrial Products and Other	252	—	13	265
Total end-market revenue	<u>\$ 1,092</u>	<u>\$ 241</u>	<u>\$ 82</u>	<u>\$ 1,415</u>
Nine months ended September 30,				
	Rolled Products	Building and Construction Systems	Extrusions	Total
2021				
Ground Transportation	\$ 1,928	\$ —	\$ 74	\$ 2,002
Building and Construction	172	750	—	922
Packaging	820	—	—	820
Aerospace	367	—	84	451
Industrial Products and Other	1,110	—	61	1,171
Total end-market revenue	<u>\$ 4,397</u>	<u>\$ 750</u>	<u>\$ 219</u>	<u>\$ 5,366</u>
2020				
Ground Transportation	\$ 1,242	\$ —	\$ 62	\$ 1,304
Building and Construction	110	727	—	837
Packaging	571	—	—	571
Aerospace	505	—	183	688
Industrial Products and Other	766	—	51	817
Total end-market revenue	<u>\$ 3,194</u>	<u>\$ 727</u>	<u>\$ 296</u>	<u>\$ 4,217</u>

D. Segment and Related Information

Arconic's profit or loss measure for its reportable segments is Segment Adjusted EBITDA (Earnings before interest, taxes, depreciation, and amortization). The Company calculates Segment Adjusted EBITDA as Total sales (third-party and intersegment) minus each of (i) Cost of goods sold, (ii) Selling, general administrative, and other expenses, and (iii) Research and development expenses, plus Stock-based compensation expense and Metal price lag. Arconic's Segment Adjusted EBITDA may not be comparable to similarly titled measures of other companies' reportable segments.

The operating results of Arconic's reportable segments were as follows (differences between segment totals and the Company's consolidated totals for line items not reconciled are in Corporate):

Third quarter ended September 30,	Rolled Products	Building and Construction Systems	Extrusions	Total
2021				
Sales:				
Third-party sales	\$ 1,559	\$ 257	\$ 74	\$ 1,890
Intersegment sales	9	—	1	10
Total sales	\$ 1,568	\$ 257	\$ 75	\$ 1,900
Segment Adjusted EBITDA	\$ 155	\$ 34	\$ (7)	\$ 182
Provision for depreciation and amortization	\$ 48	\$ 4	\$ 6	\$ 58
2020				
Sales:				
Third-party sales	\$ 1,092	\$ 241	\$ 82	\$ 1,415
Intersegment sales	3	—	1	4
Total sales	\$ 1,095	\$ 241	\$ 83	\$ 1,419
Segment Adjusted EBITDA	\$ 138	\$ 40	\$ (6)	\$ 172
Provision for depreciation and amortization	\$ 48	\$ 5	\$ 6	\$ 59

Nine months ended September 30,	Rolled Products	Building and Construction Systems	Extrusions	Total
2021				
Sales:				
Third-party sales	\$ 4,397	\$ 750	\$ 219	\$ 5,366
Intersegment sales	26	—	1	27
Total sales	\$ 4,423	\$ 750	\$ 220	\$ 5,393
Segment Adjusted EBITDA	\$ 493	\$ 97	\$ (19)	\$ 571
Provision for depreciation and amortization	\$ 145	\$ 13	\$ 17	\$ 175
2020				
Sales:				
Third-party sales	\$ 3,194	\$ 727	\$ 296	\$ 4,217
Intersegment sales	14	—	1	15
Total sales	\$ 3,208	\$ 727	\$ 297	\$ 4,232
Segment Adjusted EBITDA	\$ 388	\$ 107	\$ (12)	\$ 483
Provision for depreciation and amortization	\$ 147	\$ 14	\$ 18	\$ 179

The following table reconciles total Segment Adjusted EBITDA to consolidated net income (loss) attributable to Arconic Corporation:

	Third quarter ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Total Segment Adjusted EBITDA	\$ 182	\$ 172	\$ 571	\$ 483
Unallocated amounts:				
Corporate expenses ⁽¹⁾	(7)	(6)	(26)	(15)
Stock-based compensation expense	(8)	(6)	(15)	(18)
Metal price lag ⁽²⁾	(21)	(16)	(27)	(30)
Provision for depreciation and amortization	(61)	(63)	(186)	(191)
Restructuring and other charges ⁽³⁾ (E)	(14)	(3)	(612)	(61)
Other ⁽⁴⁾	(3)	(14)	(19)	(42)
Operating income (loss)	68	64	(314)	126
Interest expense	(26)	(22)	(74)	(97)
Other expenses, net (E)	(15)	(27)	(52)	(69)
(Provision) Benefit for income taxes (H)	(11)	(10)	81	(5)
Net income attributable to noncontrolling interest	—	—	—	—
Consolidated net income (loss) attributable to Arconic Corporation	\$ 16	\$ 5	\$ (359)	\$ (45)

- (1) Corporate expenses are composed of general administrative and other expenses of operating the corporate headquarters and other global administrative facilities. The amount presented for the 2020 nine-month period includes an allocation of ParentCo's corporate expenses, including research and development expenses, for the portion of the period prior to the Separation Date (see Cost Allocations in [Note A](#)).
- (2) Metal price lag represents the financial impact of the timing difference between when aluminum prices included in Sales are recognized and when aluminum purchase prices included in Cost of goods sold are realized. This adjustment aims to remove the effect of the volatility in metal prices and the calculation of this impact considers applicable metal hedging transactions.
- (3) Restructuring and other charges includes a charge for the settlement of certain employee retirement benefits of \$5 and \$573 in the 2021 third quarter and nine-month period, respectively, and \$3 and \$58 in the 2020 third quarter and nine-month period, respectively (see [Note G](#)).
- (4) Other includes certain items that impact Cost of goods sold and Selling, general administrative, and other expenses on the Company's Statement of Consolidated Operations that are not included in Segment Adjusted EBITDA.

E. Restructuring and Other Charges

In the 2021 third quarter Arconic recorded Restructuring and other charges of \$14, which were comprised of the following components: a \$5 charge for the settlement of certain employee retirement benefits (see [Note G](#)); a \$3 charge related to several legal matters, including the assumption of a related environmental remediation obligation (see Environmental Matters in [Note P](#)); a \$3 charge related to idling certain operations in the Extrusions segment; a \$3 charge for the settlement of legacy tax matters related to Brazil; a \$1 charge for other items; and a \$1 credit for the reversal of reserves established in prior periods.

In the 2021 nine-month period, Arconic recorded Restructuring and other charges of \$612, which were comprised of the following components: a \$573 charge for the settlement of certain employee retirement benefits (see [Note G](#)); a \$34 charge for the impairment of several buildings and equipment due to management's decision to abandon these assets located at the Company's primary research and development facility; a \$6 charge related to idling certain operations in the Extrusions segment, including layoff costs associated with approximately 115 employees; a \$4 net benefit for the settlement of legacy tax matters related to Brazil; a \$3 charge related to several legal matters, including the assumption of a related environmental remediation obligation (see Environmental Matters in [Note P](#)); a \$3 credit for the reversal of reserves established in prior periods; a \$1 additional loss on the sale of an aluminum rolling mill in Brazil (see Itapissuma in [Note O](#)); and a \$2 net charge for other items.

In the 2020 third quarter Arconic recorded Restructuring and other charges of \$3, which were comprised of the following components: a \$3 charge for the settlement of certain employee retirement benefits (see [Note G](#)); a \$2 credit for the reversal of reserves established in prior periods; a \$1 charge for layoff costs associated with the separation of approximately 30 employees in the Extrusions segment in response to the impact of the COVID-19 pandemic; and a \$1 charge for other items.

In the 2020 nine-month period, Arconic recorded Restructuring and other charges of \$61, which were comprised of the following components: a \$58 charge for the settlement of certain employee retirement benefits (see [Note G](#)); a \$25 net gain related to the sales of an extrusions plant in South Korea and an aluminum rolling mill in Brazil (see [Note O](#)); an \$18 charge for layoff costs associated with the separation of approximately 440 employees across the Company in response to the impact of the COVID-19 pandemic; a \$14 credit for the reversal of reserves established in prior periods, including \$5 related to an environmental matter; an \$11 charge for costs, of which \$8 is for layoff costs associated with approximately 140 employees, related to the planned closure and related reorganizations of several small facilities in the Building and Construction Systems and Extrusions segments; a \$4 charge for legacy non-income tax matters related to Brazil; a \$2 charge for an allocation of ParentCo's corporate restructuring activity (see Cost Allocations in [Note A](#)); and a \$7 charge for other items. As of September 30, 2021, the total expected employee separations related to actions initiated in the 2020 nine-month period were 450. The reduction of 130 was due to employees initially identified for separation accepting other positions within the Company, natural attrition, and other events that occurred in the second half of 2020 and/or 2021 nine-month period. Accordingly, the Company reduced its estimated layoff costs associated with these actions by \$8, of which \$2 were reflected as reversals in the 2021 nine-month period (see above).

The Company does not include Restructuring and other charges in the results of its reportable segments. The impact of allocating such charges to segment results would have been as follows:

	Third quarter ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Rolled Products	\$ —	\$ (1)	\$ 1	\$ 15
Building and Construction Systems	—	—	(1)	6
Extrusions	3	1	6	(27)
Segment total	3	—	6	(6)
Corporate	11	3	606	67
	<u>\$ 14</u>	<u>\$ 3</u>	<u>\$ 612</u>	<u>\$ 61</u>

As of September 30, 2021, the employee separations associated with 2021 and 2019 restructuring programs were essentially complete and approximately 485 of the 500 (550 as of December 31, 2020) employees associated with 2020 restructuring programs were separated. The total number of employees related to the 2020 restructuring programs was previously updated to reflect employees initially identified for separation accepting other positions within the Company and natural attrition. The remaining separations for the 2020 restructuring programs are expected to be completed by the end of 2021.

In the 2021 third quarter and nine-month period, Arconic made cash payments of \$1 and \$2, respectively, against layoff reserves related to the 2021 restructuring programs, less than \$1 and \$4, respectively, against layoff reserves related to the 2020 restructuring programs, and \$1 and \$3, respectively, against layoff reserves related to the 2019 restructuring programs.

Activity and reserve balances for restructuring charges were as follows:

	Layoff costs	Other costs	Total
Reserve balances at December 31, 2019	\$ 20	\$ 1	\$ 21
Separation-related adjustments ⁽¹⁾	2	—	2
Cash payments	(24)	(3)	(27)
Restructuring charges	23	4	27
Other ⁽²⁾	(8)	(1)	(9)
Reserve balances at December 31, 2020	13	1	14
Cash payments	(9)	(2)	(11)
Restructuring charges	2	5	7
Other ⁽²⁾	(3)	(1)	(4)
Reserve balances at September 30, 2021 ⁽³⁾	<u>\$ 3</u>	<u>\$ 3</u>	<u>\$ 6</u>

-
- (1) Represents liabilities transferred from ParentCo on April 1, 2020 in connection with the Separation (see [Note A](#)).
- (2) Other includes reversals of previously recorded restructuring charges and the effects of foreign currency translation.
- (3) The remaining reserves are expected to be paid in cash during the remainder of 2021, with the exception of \$2 that is expected to be paid in 2022 related to special termination benefits.

F. Other Expenses, Net

	Third quarter ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Non-service costs — Pension and OPEB (G)	\$ 13	\$ 20	\$ 49	\$ 59
Foreign currency losses, net	2	5	2	13
Interest income	(1)	—	(1)	(4)
Other, net	1	2	2	1
	<u>\$ 15</u>	<u>\$ 27</u>	<u>\$ 52</u>	<u>\$ 69</u>

G. Pension and Other Postretirement Benefits

The components of net periodic benefit cost for defined benefit plans were as follows:

	Third quarter ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Pension benefits				
Service cost	\$ 5	\$ 6	\$ 16	\$ 16
Interest cost	15	27	48	81
Expected return on plan assets	(24)	(42)	(84)	(127)
Recognized net actuarial loss	19	31	75	92
Amortization of prior service cost (benefit)	—	—	—	(1)
Settlements ⁽¹⁾	5	3	573	58
Net periodic benefit cost ⁽²⁾	\$ 20	\$ 25	\$ 628	\$ 119
Other postretirement benefits				
Service cost	\$ 2	\$ 1	\$ 5	\$ 3
Interest cost	3	2	8	10
Recognized net actuarial loss	2	3	7	6
Amortization of prior service benefit	(2)	(1)	(5)	(2)
Net periodic benefit cost ⁽²⁾	\$ 5	\$ 5	\$ 15	\$ 17

- (1) In 2021, Settlements were due to the purchase of a group annuity contract (\$549 in the 2021 nine-month period – see U.S. Pension Plan Annuitization below) and the payment of lump-sum benefits (\$5 and \$24 in the 2021 third quarter and nine-month period, respectively).
- (2) Service cost was included within Cost of goods sold, Settlements were included within Restructuring and other charges, and all other components were included in Other expenses, net on the accompanying Statement of Consolidated Operations.

Pension Funding—The minimum required contributions to Arconic’s funded defined benefit pension plans in 2021 is estimated to be \$192, of which \$183 is for U.S. plans. In January 2021, the Company contributed a total of \$200 to its two funded U.S. defined benefit pension plans, comprised of the estimated minimum required funding for 2021 of \$183 and an additional \$17. In April 2021, the Company contributed a total of \$250 to its two funded U.S. defined benefit pension plans to maintain the funding level of the remaining plan obligations not transferred under a group annuity contract (see U.S. Pension Plan Annuitization below).

U.S. Pension Plan Annuitization—In April 2021, Arconic purchased a group annuity contract to transfer the obligation to pay the remaining retirement benefits of approximately 8,400 participants in two U.S. defined benefit pension plans to an insurance company. In connection with this transaction, the Company contributed a total of \$250 to the two plans to maintain the funding level of the remaining plan obligations not transferred. This contribution was funded with the net proceeds from a March 2021 debt offering (see 2021 Activity in [Note N](#)). Prior to this action, these two plans had an aggregate of approximately 23,000 participants.

This transaction represents a significant settlement event, and, as a result, the Company was required to complete a remeasurement of these two plans (generally completed on an annual basis as of December 31, 2020), including an interim actuarial valuation of the plan obligations. Accordingly, the weighted-average discount rate used in calculating the plan obligations increased to 3.10% as of April 30, 2021 from 2.54% as of December 31, 2020. The remeasurement resulted in a combined projected benefit obligation and fair value of plan assets of \$3,337 and \$2,790, respectively, as of April 30, 2021. From these amounts, the group annuity transaction resulted in the settlement of \$995 in plan obligations and the transfer of \$1,007 in plan assets. The remeasurement of these two plans, together with the annuitization, resulted in a \$152 net decrease to Accrued pension benefits and a \$117 (after-tax) net decrease to Accumulated other comprehensive loss (see [Note K](#)). Additionally, the annuitization resulted in the accelerated amortization of a portion of the existing net actuarial loss associated

with these two plans in the amount of \$549 (\$423 after-tax). This amount was reclassified to earnings through Restructuring and other charges (see [Note E](#)) from Accumulated other comprehensive loss (see [Note K](#)).

U.S. OPEB Plan Amendment—In August 2021, Arconic modified the medical benefit coverage offered to certain Medicare-eligible participants under the Company's U.S. other postretirement benefit plan. Effective January 1, 2022, this modification results in lower premiums and increased benefits to the participants. This change qualifies as a significant plan amendment to the Company's U.S. other postretirement benefit plan. Accordingly, this plan was required to be remeasured, and through this process, the discount rate was updated to 2.78% at August 31, 2021 from 2.61% at December 31, 2020. The amendment, together with the remeasurement of this plan, resulted in a \$34 net decrease to the Company's other postretirement benefits liability and a \$26 (after-tax) net decrease to Accumulated other comprehensive loss (see [Note K](#)) on the accompanying Consolidated Balance Sheet. The impact of this change on the Company's annual net periodic benefit cost is not material. The Company's estimated annual benefit payments will decrease by approximately \$4 beginning in 2022.

H. Income Taxes

Arconic's year-to-date tax provision is comprised of the most recent estimated annual effective tax rate applied to year-to-date pretax ordinary income or loss. The tax impacts of unusual or infrequently occurring items, including changes in judgment about valuation allowances and effects of changes in tax laws or rates, are recorded discretely in the interim period in which they occur. In addition, the tax provision is adjusted for the interim period impact of non-benefited pretax losses.

For the 2021 nine-month period, the estimated annual effective tax rate, before discrete items, applied to ordinary loss was 17.1% (benefit on loss). This rate differs by 3.9 percentage points from the U.S. federal statutory rate of 21.0% primarily due to estimated U.S. tax on Global Intangible Low-Taxed Income, U.S. tax on foreign earnings, and non-deductible costs, partially offset by the state tax impact of domestic taxable losses.

For the 2020 nine-month period, the estimated annual effective tax rate, before discrete items, applied to ordinary loss was 11.7% (benefit on loss). This rate differs by 9.3 percentage points from the U.S. federal statutory rate of 21.0% primarily due to nondeductible costs in the U.S., U.S. tax on foreign earnings, foreign losses taxed in lower rate jurisdictions, and losses in foreign jurisdictions subject to existing valuation allowances.

The effective tax rate including discrete items was 40.7% and 18.4% in the 2021 third quarter and nine-month period, respectively, and was 66.7% and 12.5% (provision on loss) in the 2020 third quarter and nine-month period, respectively.

The following table details the components of Provision (Benefit) for income taxes:

	Third quarter ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Pretax ordinary income (loss) at estimated annual effective tax rate	\$ 5	\$ 2	\$ (75)	\$ (5)
Impact of change in estimated annual effective tax rate on previous quarter's pretax income	7	51	—	—
Interim period treatment of operational losses in foreign jurisdictions for which no tax benefit is recognized*	—	(48)	(2)	1
Discrete items	(1)	5	(4)	9
Provision (Benefit) for income taxes	<u>\$ 11</u>	<u>\$ 10</u>	<u>\$ (81)</u>	<u>\$ 5</u>

* The interim period impact related to operational losses in foreign jurisdictions for which no tax benefit is recognized will reverse by the end of the calendar year.

I. Earnings Per Share

Basic earnings per share (EPS) amounts are computed by dividing Net income (loss) attributable to Arconic Corporation by the weighted-average number of common shares outstanding. Diluted EPS amounts assume the issuance of common stock for all potentially dilutive share equivalents outstanding. Specific to Arconic, such share equivalents consist of outstanding employee stock awards (excluding out-of-the-money stock options – see below). For periods in which the Company generates net income, the diluted weighted-average number of shares include common share equivalents associated with outstanding employee stock awards. For periods in which the Company generates a net loss, common share equivalents are excluded from the diluted weighted-average number of shares as their effect is anti-dilutive.

The share information used to compute basic and diluted EPS attributable to Arconic Corporation common stockholders was as follows (shares in millions):

	Third quarter ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Weighted-average shares outstanding – basic	108.7	109.1	109.5	109.0
Dilutive share equivalents:				
Stock units	3.3	3.7	—	—
Stock options	0.1	—	—	—
Weighted-average shares outstanding – diluted	112.1	112.8	109.5	109.0
Anti-dilutive share equivalents:				
Stock units	—	—	3.3	2.1
Stock options*:				
In-the-money	—	—	0.1	—
Out-of-the-money	—	—	—	—
	—	—	3.4	2.1

* Stock options are in-the-money when the respective exercise price of each such option is less than the average market price of the Company's common stock during the applicable period presented. Conversely, stock options are out-of-the-money when the respective exercise price of each such option is more than the average market price of the Company's common stock during the applicable period presented. Out-of-the-money stock options never result in common share equivalents for purposes of diluted EPS regardless of whether a company generates net income or a net loss. As of September 30, 2021 and September 30, 2020, there were 0.2 million and 0.9 million, respectively, out-of-the-money stock options outstanding with a weighted-average exercise price of \$32.73 and \$27.97, respectively.

J. Preferred and Common Stock

On May 4, 2021, Arconic announced that its Board of Directors approved a share repurchase program authorizing the Company to repurchase shares of its outstanding common stock up to an aggregate transactional value of \$300 over a two-year period expiring April 28, 2023. Repurchases under the program may be made from time to time, as the Company deems appropriate, solely through open market repurchases effected through a broker dealer, based on a variety of factors such as price, capital position, liquidity, financial performance, alternative uses of capital, and overall market conditions. There can be no assurance as to the number of shares the Company will repurchase. The share repurchase program may be increased or otherwise modified, renewed, suspended or terminated by the Company at any time, without prior notice. This program is intended to comply with Rule 10b5-1 and all purchases shall be made in compliance with Rule 10b-18, including without limitation the timing, price, and volume restrictions thereof. In the 2021 third quarter and nine-month period, Arconic repurchased 2,862,694 and 3,108,705 shares, respectively, of the Company's common stock for \$97 and \$106, respectively, under this program.

K. Accumulated Other Comprehensive (Loss) Income

The following table details the activity of the three components that comprise Accumulated other comprehensive (loss) income for Arconic (such activity for Noncontrolling interest was immaterial for all periods presented):

	Third quarter ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Pension and other postretirement benefits (G)				
Balance at beginning of period	\$ (1,199)	\$ (1,784)	\$ (1,791)	\$ (43)
Establishment of additional defined benefit plans	—	—	—	(1,752)
Separation-related adjustments (A)	—	—	—	(50)
Other comprehensive income:				
Unrecognized net actuarial loss and prior service cost/benefit	34	4	178	(34)
Tax (expense) benefit	(8)	(1)	(41)	8
Total Other comprehensive income (loss) before reclassifications, net of tax	26	3	137	(26)
Amortization of net actuarial loss and prior service cost/benefit ⁽¹⁾	25	36	651	153
Tax expense ⁽²⁾	(6)	(8)	(151)	(35)
Total amount reclassified from Accumulated other comprehensive loss, net of tax ⁽⁵⁾	19	28	500	118
Total Other comprehensive income	45	31	637	92
Balance at end of period	\$ (1,154)	\$ (1,753)	\$ (1,154)	\$ (1,753)
Foreign currency translation				
Balance at beginning of period	\$ 35	\$ (53)	\$ 29	\$ 338
Separation-related adjustments (A)	—	—	—	(396)
Other comprehensive (loss) income:				
Foreign currency translation ⁽³⁾	(11)	37	(5)	20
Net amount reclassified to earnings from Accumulated other comprehensive income ^{(3),(5)}	—	—	—	22
Total Other comprehensive (loss) income	(11)	37	(5)	42
Balance at end of period	\$ 24	\$ (16)	\$ 24	\$ (16)
Cash flow hedges				
Balance at beginning of period	\$ (35)	\$ (11)	\$ 1	\$ —
Separation-related adjustments (A)	—	—	—	(4)
Other comprehensive (loss) income:				
Net change from periodic revaluations	(66)	2	(160)	4
Tax benefit (expense)	15	(1)	37	(1)
Total Other comprehensive (loss) income before reclassifications, net of tax	(51)	1	(123)	3
Net amount reclassified to earnings ⁽⁴⁾	49	14	96	3
Tax expense ⁽²⁾	(11)	(3)	(22)	(1)
Total amount reclassified from Accumulated other comprehensive (loss) income, net of tax ⁽⁵⁾	38	11	74	2
Total Other comprehensive (loss) income	(13)	12	(49)	5
Balance at end of period	\$ (48)	\$ 1	\$ (48)	\$ 1
Accumulated other comprehensive loss	\$ (1,178)	\$ (1,768)	\$ (1,178)	\$ (1,768)

(1) These amounts were included in the non-service component of net periodic benefit cost for pension and other postretirement benefits (see Note G). In all periods presented, the respective amounts include accelerated amortization

related to the settlement of certain employee retirement benefits. The accelerated amortization was \$5 and \$573 for the third quarter ended and nine months ended September 30, 2021, respectively, and \$3 and \$58 for the third quarter ended and nine months ended September 30, 2020, respectively (see [Note G](#)).

- (2) These amounts were reported in Provision (Benefit) for income taxes on the accompanying Statement of Consolidated Operations.
- (3) In all periods presented, there were no tax impacts related to rate changes. In the 2020 nine-month period, the net amount reclassified to earnings was reported in Restructuring and other charges on the accompanying Statement of Consolidated Operations related to the sale of certain foreign subsidiaries.
- (4) These amounts relate to aluminum contracts, a portion of which were reported in each of Sales and Cost of goods sold on the accompanying Statement of Consolidated Operations.
- (5) A positive amount indicates a corresponding charge to earnings and a negative amount indicates a corresponding benefit to earnings. These amounts were reflected on the accompanying Statement of Consolidated Operations in the line items indicated in footnotes 1 through 4.

L. Inventories

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Finished goods	\$ 336	\$ 282
Work-in-process	1,029	635
Purchased raw materials	90	59
Operating supplies	70	67
	<u>\$ 1,525</u>	<u>\$ 1,043</u>

M. Leases

Arconic Corporation leases certain land and buildings, plant equipment, vehicles, and computer equipment, which have been classified as operating leases. Operating lease cost, which includes short-term leases and variable lease payments and approximates cash paid, was \$15 and \$45 in the 2021 third quarter and nine-month period, respectively, and \$14 and \$43 in the 2020 third quarter and nine-month period, respectively.

Right-of-use assets obtained in exchange for operating lease obligations were \$13 in the 2021 nine-month period and \$38 in the 2020 nine-month period.

Future minimum contractual operating lease obligations were as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
2021	\$ 11	\$ 43
2022	38	34
2023	30	26
2024	22	20
2025	17	16
Thereafter	40	41
Total lease payments	<u>\$ 158</u>	<u>\$ 180</u>
Less: imputed interest	25	33
Present value of lease liabilities	<u>\$ 133</u>	<u>\$ 147</u>

The weighted-average remaining lease term and weighted-average discount rate for the Company's operating leases at September 30, 2021 and December 31, 2020 was 6.2 years and 6.6 years, respectively, and 5.8% and 5.9%, respectively.

N. Debt

2021 Activity—On March 3, 2021, the Company completed a Rule 144A (U.S. Securities Act of 1933, as amended) debt offering for an additional \$300 aggregate principal amount of 6.125% Senior Secured Second-Lien Notes due 2028 (the “Additional 2028 Notes”). The Additional 2028 Notes were issued under the indenture governing Arconic’s existing 6.125% Senior Secured Second-Lien Notes due 2028 (see 2020 Activity below). Other than with respect to the date of issuance and issue price, the Additional 2028 Notes are treated as a single series with and have the same terms as the referenced existing notes. The Additional 2028 Notes were sold at 106.25% of par (i.e., a premium) and, after reflecting a discount to the initial purchasers of the Additional 2028 Notes, the Company received \$315 in net proceeds from the debt offering. Arconic used the net proceeds of this issuance to fund an annuitization of certain U.S. defined benefit pension plan obligations (see [Note G](#)). The premium (\$19) and costs to complete the financing (\$5) were deferred and are being amortized to interest expense over the term of the Additional 2028 Notes. The amortization of the premium is reflected as a reduction to interest expense and the amortization of the costs to complete the financing is reflected as an addition to interest expense. Interest on the Additional 2028 Notes is paid semi-annually in February and August, and commenced August 15, 2021.

2020 Activity—In connection with the capital structure to be established at the time of the Separation, Arconic secured \$1,200 in third-party indebtedness. On February 7, 2020, the Company completed a Rule 144A (U.S. Securities Act of 1933, as amended) debt offering for \$600 aggregate principal amount of 6.125% Senior Secured Second-Lien Notes due 2028 (the “2028 Notes”). Arconic received \$593 in net proceeds from the debt offering reflecting a discount to the initial purchasers of the 2028 Notes. Also, on March 25, 2020, the Company entered into a credit agreement, which provided a \$600 Senior Secured First-Lien Term Loan B Facility (variable rate and seven-year term) (the “Term Loan”) and a \$1,000 Senior Secured First-Lien Revolving Credit Facility (variable rate and five-year term) (the “Credit Facility”), with a syndicate of lenders and issuers named therein (the “Credit Agreement”). Arconic received \$575 in net proceeds from the Term Loan reflecting upfront fees and costs to enter into the financing arrangement.

The Company used a portion of the \$1,168 in net proceeds from the aggregate indebtedness to make a \$728 payment to ParentCo on April 1, 2020 to fund the transfer of certain net assets from ParentCo to Arconic in connection with the completion of the Separation (see [Note A](#)). The payment to ParentCo was calculated as the difference between (i) the \$1,168 of net proceeds from the aggregate indebtedness and (ii) the difference between a beginning cash balance at the Separation Date of \$500, as provided for in the Separation and Distribution Agreement, and the amount of cash held by Arconic Corporation Businesses at March 31, 2020 (\$60 – the sum of this amount and the aggregate indebtedness in (i) equals the sum of Cash and cash equivalents and Restricted cash on the Company’s Combined Balance Sheet as of March 31, 2020).

On April 2, 2020, Arconic borrowed \$500, which was subject to an interest rate equal to the sum of the three-month LIBOR plus a 2.0% applicable margin, under the Credit Facility. This borrowing was a proactive measure taken by the Company to bolster its liquidity and preserve financial flexibility in light of uncertainties resulting from the COVID-19 pandemic.

On May 13, 2020, Arconic executed a refinancing of its existing Credit Agreement in order to provide improved financial flexibility. The Company completed a Rule 144A (U.S. Securities Act of 1933, as amended) debt offering for \$700 aggregate principal amount of 6.0% Senior Secured First-Lien Notes due 2025 (the “2025 Notes”). Arconic received \$691 in net proceeds from the debt offering reflecting a discount to the initial purchasers of the 2025 Notes. Additionally, the Company entered into a five-year credit agreement with a syndicate of lenders named therein and Deutsche Bank AG New York Branch, as administrative agent (the “ABL Credit Agreement”). The ABL Credit Agreement provides for a senior secured asset-based revolving credit facility in an aggregate principal amount of \$800 (see ABL Credit Agreement below), including a letter of credit sub-facility and a swingline loan sub-facility (the “ABL Credit Facility”). In addition, the ABL Credit Facility includes an accordion feature allowing Arconic to request one or more increases to the revolving commitments in an aggregate principal amount up to \$350.

The Company used the net proceeds from the new indebtedness, together with cash on hand, to prepay in full the obligations outstanding under both the Term Loan (\$600) and Credit Facility (\$500) and to terminate in full the commitments under the Credit Agreement.

Descriptions of the 2028 Notes, 2025 Notes, and ABL Credit Agreement are set forth in Note Q to the Consolidated Financial Statements in Part II Item 8 of Arconic’s Annual Report on Form 10-K for the year ended December 31, 2020 (filed on February 23, 2021).

In connection with the issuance of the 2028 Notes and the execution of the Credit Agreement, the Company paid \$42 in discounts to the initial purchasers and/or upfront fees and costs (the “debt issuance costs”), of which \$30 was attributable to the

Term Loan and the Credit Facility. The debt issuance costs were initially deferred and were being amortized to interest expense over the respective terms of the 2028 Notes, the Term Loan, and the Credit Facility. In connection with the issuance of the 2025 Notes and the execution of the ABL Credit Agreement, Arconic paid \$15 in discounts to the initial purchasers and/or upfront fees and costs (the “new debt issuance costs”). As a result of applying both debt modification and debt extinguishment accounting, as appropriate based on the lender mix for each debt instrument, to the debt refinancing, the Company was required to write off \$16 of the \$30 in debt issuance costs and immediately expense \$3 of the \$15 in new debt issuance costs. This \$19 was reported within the year-to-date Interest expense on the accompanying Statement of Consolidated Operations. The remaining \$14 in debt issuance costs continued to be deferred and the remaining \$12 in new debt issuance costs were deferred; both are being amortized to interest expense over the respective terms of the 2025 Notes and the ABL Credit Agreement.

ABL Credit Agreement—Availability under the ABL Credit Facility is subject to a monthly borrowing base calculation, which, in general, is determined by applying a predetermined percentage to the amount of eligible accounts receivable and inventory, less customary reserves. As of September 30, 2021, the available balance was \$785.

Fair Value—Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy distinguishes between (i) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (ii) an entity’s own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

- Level 1—Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2—Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates); and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3—Inputs that are both significant to the fair value measurement and unobservable.

As of September 30, 2021 and December 31, 2020, the 2028 Notes and 2025 Notes had a combined carrying value of \$1,593 and \$1,278, respectively, and a combined fair value of \$1,691 and \$1,399, respectively. The fair value amounts for the 2028 Notes and 2025 Notes were based on quoted market prices for public debt and were classified in Level 2 of the fair value hierarchy.

O. Acquisitions and Divestitures

Divestitures

Itapissuma. On February 1, 2020, Arconic completed the sale of its aluminum rolling mill (aseptic foil and sheet products) in Itapissuma, Brazil to Companhia Brasileira de Alumínio for a net \$46 in cash. In December 2020, the Company paid \$4 in cash to Companhia Brasileira de Alumínio to settle certain working capital and other post-closing adjustments. Additionally, in June 2021, the Company paid \$2 in cash to Companhia Brasileira de Alumínio to settle the remaining working capital and other post-closing adjustments. Arconic has recognized a cumulative loss of \$60 (pretax) on this transaction, composed of the following: a charge of \$53 in 2019 for the non-cash impairment of the carrying value (i.e., write-down to fair value) of the rolling mill's net assets, primarily properties, plants, and equipment, as a result of entering into an agreement in August 2019 to sell this rolling mill; a charge of \$6 in February 2020 for further necessary adjustments upon completion of the divestiture; and a charge of \$1 in the 2021 first quarter for a then-proposed final settlement of the remaining post-closing adjustments and other items. Each of these amounts were recorded in Restructuring and other charges (see [Note E](#)) on the Company's Statement of Consolidated Operations in the respective reporting periods. This transaction is no longer subject to post-closing adjustments. Prior to the divestiture, this rolling mill's operating results and assets and liabilities were reported in Arconic's Rolled Products segment. The rolling mill generated third-party sales of \$143 in 2019 and, at the time of divestiture, had approximately 500 employees.

Changwon. On March 1, 2020, Arconic completed the sale of its hard alloy extrusions plant in South Korea to SeAH Besteel Corporation for a net \$55 in cash, resulting in a gain of \$31 (pretax), which was recorded in Restructuring and other charges (see [Note E](#)) on the accompanying Statement of Consolidated Operations. The gain is net of a \$6 write-off of related goodwill. In May 2020, the Company received an additional \$1 in cash as a result of a post-closing adjustment, which was previously contemplated in the aforementioned gain. This transaction is no longer subject to post-closing adjustments. Prior to the divestiture, this plant's operating results and assets and liabilities were reported in Arconic's Extrusions segment. The extrusions plant generated third-party sales of \$51 in 2019 and, at the time of divestiture, had approximately 160 employees.

P. Contingencies and Commitments

Unless specifically described to the contrary, all matters within [Note P](#) are the full responsibility of Arconic pursuant to the Separation and Distribution Agreement (see [Note A](#)). Additionally, the Separation and Distribution Agreement provides for cross-indemnities between the Company and Howmet for claims subject to indemnification.

Contingencies

Environmental Matters. Arconic participates in environmental assessments and cleanups at several locations. These include owned or operating facilities and adjoining properties, previously owned or operating facilities and adjoining properties, and waste sites, including Superfund (Comprehensive Environmental Response, Compensation and Liability Act (CERCLA)) sites.

A liability is recorded for environmental remediation when a cleanup program becomes probable and the costs can be reasonably estimated. As assessments and cleanups proceed, the liability is adjusted based on progress made in determining the extent of remedial actions and related costs. The liability can change substantially due to factors such as, among others, the nature and extent of contamination, changes in remedial requirements, and technological changes.

The Company's remediation reserve balance was \$103 and \$156 (of which \$56 and \$90, respectively, was classified as a current liability) at September 30, 2021 and December 31, 2020, respectively, and reflects the most probable costs to remediate identified environmental conditions for which costs can be reasonably estimated. In the 2021 third quarter and nine-month period, the remediation reserve was reduced by \$8 and \$7, respectively. The change to the remediation reserve in both periods includes a reversal of an \$11 liability (a credit was recorded in Cost of goods sold) previously established for the Massena West location (see below) and a charge of \$2 (recorded in Restructuring and other charges – see [Note E](#)) for the assumption of a remediation obligation related to a legal settlement associated with a former operating site. Additionally, in the 2021 third quarter and nine-month period, the change to the remediation reserve includes a charge of \$1 and \$2, respectively, for other items, including incremental estimated expenditures associated with active remediation systems and/or monitoring and inspection programs at several sites.

Payments related to remediation expenses applied against the reserve were \$23 and \$44 in the 2021 third quarter and nine-month period, respectively, which include expenditures currently mandated, as well as those not required by any regulatory authority or third party. The change in the reserve in the 2021 third quarter and nine-month period also reflects a decrease of \$1 and \$2, respectively, for other items.

The Separation and Distribution Agreement includes provisions for the assignment or allocation of environmental liabilities between Arconic and Howmet, including certain remediation obligations associated with environmental matters. In general, the respective parties are responsible for the environmental matters associated with their operations, and with the properties and other assets assigned to each. Additionally, the Separation and Distribution Agreement lists environmental matters with a shared responsibility between the two companies with an allocation of responsibility and the lead party responsible for management of each matter. For matters assigned to Arconic and Howmet under the Separation and Distribution Agreement, the companies have agreed to indemnify each other in whole or in part for environmental liabilities arising from operations prior to the Separation Date.

The following description provides details regarding the current status of one reserve, which represents the majority of the Company's total remediation reserve balance, related to an active Arconic site.

Massena West, NY—Arconic has an ongoing remediation project related to the Grasse River, which is adjacent to the Company's Massena plant site. Many years ago, it was determined that sediments and fish in the river contain varying levels of polychlorinated biphenyls (PCBs). The project, which was selected by the U.S. Environmental Protection Agency (EPA) in a Record of Decision issued in April 2013, is aimed at capping PCB contaminated sediments with concentration in excess of one part per million in the main channel of the river and dredging PCB contaminated sediments in the near-shore areas where total PCBs exceed one part per million. Arconic completed the final design phase of the project, which was approved by the EPA in March 2019. Following the EPA's approval, the actual remediation fieldwork commenced.

In June 2019, the Company increased the reserve balance by \$25 due to changes required in the EPA-approved remedial design and post-construction monitoring. These changes were necessary due to several items, the majority of which related to navigation issues identified by a local seaway development company. Accordingly, the EPA requested an addendum to the final remedial design be submitted to address these issues. The proposed remedy is to dredge certain of the sediments originally identified for capping in the affected areas of the Grasse River, resulting in incremental project costs. The EPA approved the proposal in April 2020.

In the 2021 third quarter, following substantial completion of remedial construction activities on the Grasse River and an assessment of anticipated remaining future costs, primarily for post-construction monitoring, the reserve was reduced by \$11. As the project progresses, further changes to the reserve may be required due to factors such as, among others, additional changes in remedial requirements, increased site restoration costs, and incremental ongoing operation and maintenance costs.

At September 30, 2021 and December 31, 2020, the reserve balance associated with this matter was \$64 and \$115, respectively. Approximately \$40 of the remaining expenditures represent costs that are expected to be paid in the 2021 fourth quarter for construction work completed as of September 30, 2021. The other \$24 in remaining expenditures, most of which relates to operations, maintenance, and monitoring work, are expected to occur between 2022 and 2026.

Litigation.

All references to ParentCo in the matters described under this section Litigation refer to Arconic Inc. only and do not include its subsidiaries, except as otherwise stated.

Airbus Matters—In 2017, Airbus and various of its affiliates (“Airbus”) filed three separate confidential requests for arbitration against ParentCo and various of its then affiliates, one of which is Arconic Manufacturing (GB) Limited, an Arconic Corporation subsidiary, with the International Chamber of Commerce. Airbus specifically alleges that a defect exists in certain of our products sold to Airbus under various separate contracts. Airbus’s claims include claims of breach of certain alleged express and implied warranties and negligence. On June 12, 2020, Airbus filed its Second Memorial in the arbitration in which it claims damages attributed specifically to our products. In two of the three arbitrations, Airbus was seeking damages in excess of \$200 and an order of indemnification with respect to conditional future losses; in the third of the arbitrations, Airbus is seeking an order of indemnification with respect to contingent future losses. A private and confidential arbitration hearing occurred in late October 2020 on two of the three requests for arbitration and on March 26, 2021, the Arbitral Panel issued final awards in those two arbitrations in favor of the Respondents (including Arconic Manufacturing (GB) Limited), rejecting Airbus’s claims and denying Airbus the relief sought. The hearing on the third request for arbitration was stayed. On June 1, 2021, the parties entered into a confidential agreement in settlement of all claims related to the matter. These proceedings are now fully resolved and closed.

Federal Antimonopoly Service Of The Russian Federation Litigation—The Federal Antimonopoly Service of the Russian Federation (“FAS”) filed a lawsuit on March 17, 2020 with the Arbitrazh (State Commercial) Court of Samara Region against two of the Company’s subsidiaries, Arconic Rus Investment Holdings LLC (“LLC ARIH”) and AITi Forge Holding Sarl (the “Arconic Russian Holding Companies”), naming Elliott Associates L.P., Elliott International L.P., and Elliot International Capital Advisors Inc. (“Elliott”) as third parties. Also named as interested parties are: Parent Co. and certain of its foreign subsidiaries; and Arconic Netherland B.V., the Company’s subsidiary that directly and indirectly owns LLC ARIH, Arconic SMZ JSC and JSC AITi Forge (the “Arconic Russian Subsidiaries”). FAS alleges that Elliott indirectly acquired control over the Arconic Russian Subsidiaries when, in May 2019, directors who had previously been nominated by Elliott and appointed or elected to Parent Co.’s board of directors pursuant to certain settlement agreements among Parent Co. and Elliott constituted a majority of that board as a result of a reduction in the size of the board. FAS claims alleged non-compliance with Russian Federal Law No. 57-FZ, which governs foreign ownership of certain Russian companies and requires certain governmental approvals for a foreign investor to acquire control over strategically important Russian companies. On April 6, 2020, the Samara Court granted injunctions against the Arconic Russian Holding Companies prohibiting the taking of certain corporate governance actions, including with respect to: (i) the disposal of shares in the Arconic Russian Subsidiaries; and (ii) the making of certain decisions with respect to the Arconic Russian Subsidiaries, including decisions regarding the payment of dividends, placement of bonds, amendment of bylaws and internal documents, the appointment, change and compensation of the Arconic Russian Subsidiaries’ CEO, and the election of the Arconic Russian Subsidiaries’ board of directors. On April 29, 2020, the Arconic Russian Holding Companies simultaneously filed an appeal and motion to revoke the previously issued injunctions. Both the appeal and motion to revoke were denied. A hearing on the merits of the claim was scheduled for June 8, 2021 but was postponed until August 19, 2021 and again postponed until December 21, 2021. As a consequence of the alleged violation, FAS is seeking removal and exclusion of the Arconic Russian Holding Companies from the affairs of the Arconic Russian Subsidiaries, resulting in the deprivation of the benefits of their ownership interests in the Arconic Russian Subsidiaries, including the rights currently restricted in the injunctions granted on April 6, 2020. Due to the nature of this matter, geopolitical tensions between the U.S. and Russia could have a material adverse impact on our ability to obtain a favorable outcome in this matter, as well as our operations in Russia, which represented 12% of our sales in 2020. Given the preliminary nature of this matter and the uncertainty of litigation and of efforts to resolve this matter with FAS, we cannot reasonably estimate at this time the likelihood of an unfavorable outcome or the possible loss or range of losses in the event of an unfavorable outcome.

Reynobond PE—On June 13, 2017, the Grenfell Tower in London, U.K. caught fire resulting in fatalities, injuries, and damage. A French subsidiary of Arconic Corporation (of ParentCo at that time), Arconic Architectural Products SAS (AAP SAS), supplied a product, Reynobond PE, to its customer, a cladding system fabricator, which used the product as one component of the overall cladding system on Grenfell Tower. The fabricator supplied its portion of the cladding system to the facade installer, who then completed and installed the system under the direction of the general contractor. Neither ParentCo nor AAP SAS was involved in the design or installation of the system used at the Grenfell Tower, nor did it have a role in any other aspect of the building’s refurbishment or original design. Regulatory investigations into the overall Grenfell Tower matter are being conducted, including a criminal investigation by the London Metropolitan Police Service (the “Police”), a Public Inquiry by the British government, and a consumer protection inquiry by a French public authority. The Public Inquiry was announced by the U.K. Prime Minister on June 15, 2017 and subsequently was authorized to examine the circumstances leading up to and surrounding the Grenfell Tower fire in order to make findings of fact and recommendations to the U.K. Government on matters such as the design, construction, and modification of the building, the role of relevant public authorities and contractors, the implications of the fire for the adequacy and enforcement of relevant regulations, arrangements in place for handling emergencies, and the handling of concerns from residents, among other things. Hearings for Phase 1 of the Public Inquiry began on May 21, 2018 and concluded on December 12, 2018. Phase 2 hearings of the Public Inquiry began in early 2020, following which a final report will be written and subsequently published. As Phase 2 of the public inquiry continues, the testimony has supported AAP SAS’s position that the choice of materials and the responsibility of ensuring compliance of the cladding system with relevant U.K. building code and regulations was with those individuals or entities who designed and installed the cladding system such as the architects, fabricators, contractors and building owners. The ongoing hearings in the U.K. have revealed serious doubts about whether these third parties had the necessary qualifications or expertise to carry out the refurbishment work at Grenfell Tower, adequately oversaw the process, conducted the required fire safety testing or analysis, or otherwise complied with their obligations under U.K. regulations. AAP SAS is participating as a Core Participant in the Public Inquiry and is also cooperating with the ongoing parallel investigation by the Police. Arconic Corporation does not sell and ParentCo previously stopped selling the PE product for architectural use on buildings. Given the preliminary nature of these investigations and the uncertainty of potential future litigation, Arconic Corporation cannot reasonably estimate at this time the likelihood of an unfavorable outcome or the possible loss or range of losses in the event of an unfavorable outcome.

United Kingdom Litigation. Multiple claimant groups comprised of survivors and estates of decedents of the Grenfell Tower fire have filed claims in the U.K. arising from that fire, including as follows:

- On June 12, 2020, four claimants represented by Birnberg Peirce Ltd filed suit against AAP SAS.
- On June 12, 2020, two claimants represented by Howe & Co Solicitors filed suit against AAP SAS.
- On June 26, 2020, three claimants represented by Russell-Cooke LLP filed suit against AAP SAS.
- On December 23, 2020, several additional suits were filed by claimant groups comprised of survivors and estates of decedents. These suits were all filed against the same group of 23 defendants: AAP SAS, Arconic Corporation, Howmet Aerospace Inc., the Royal Borough of Kensington and Chelsea, the Royal Borough of Kensington and Chelsea Tenant Management Organisation Ltd, the London Fire Commissioner, the UK Home Office, The Ministry of Housing, Communities and Local Government, Rydon Maintenance Ltd, Celotex Ltd, Saint-Gobain Construction Products UK Limited, Kingspan Insulation Limited, Kingspan Group PLC (suits have since been discontinued), Studio E Architects Ltd (In liquidation), Harley Facades Ltd, Harley Curtain Wall Limited (In liquidation), CEP Architectural Facades Ltd, Exova (U.K.) Ltd, CS Stokes & Associates Ltd, Artelia Projects UK Limited (suits have since been discontinued), Whirlpool UK Appliances Limited, Whirlpool Company Polska Sp.z.o.o. and Whirlpool Corporation. These suits include as follows (represent preliminary best estimates of claimants in each suit):
 - Seven claimants represented by Deighton Pierce Glynn;
 - Five claimants represented by SMQ Legal Services;
 - Four claimants represented by Scott Moncrieff;
 - Thirty-one (previously six) claimants represented by Saunders Law;
 - Thirty-four (previously twenty-four) claimants represented by Russell Cooke LLP;
 - Forty-seven (previously forty) claimants represented by Imran Khan & Partners;
 - Sixty-one (previously sixty-seven) claimants represented by Howe & Co.;

- One hundred fourteen claimants represented by Hodge Jones and Allen Solicitor;
- Twenty-three (previously nineteen) claimants represented by Hickman & Rose;
- Five claimants represented by Duncan Lewis Solicitors;
- One hundred thirteen (previously one hundred eighteen) claimants represented by Birnberg Peirce;
- Three hundred forty-one claimants represented by Bindmans LLP;
- Seventy-six (previously eighty-two) claimants represented by Bhatt Murphy Ltd; and
- Twenty-seven claimants represented by Slater & Gordon.

Multiple claimant groups comprised of emergency responders who attended the Grenfell Tower fire have also filed claims against AAP SAS arising from that fire, including as follows:

- On June 11, 2020, 98 (previously 80) firefighters represented by Thompsons Solicitors filed suit against AAP SAS, as well as the Royal Borough of Kensington and Chelsea, the Royal Borough of Kensington and Chelsea Tenant Management Organisation Ltd, Celotex Ltd, Exova (U.K.) Ltd, Rydon Maintenance Ltd, Studio E Architects Ltd, Harley Facades Ltd, CEP Architectural Facades Ltd, CS Stokes & Associates Ltd, and the London Fire Commissioner. Since then, another 7 (previously 5) firefighters have sought to be added to the suit.
- On June 12, 2020, 36 (previously 27) police officers represented by Penningtons Manches Cooper LLP filed suit against AAP SAS, as well as the Royal Borough of Kensington and Chelsea, the Royal Borough of Kensington and Chelsea Tenant Management Organisation Ltd, Celotex Ltd, Exova (U.K.) Ltd, Rydon Maintenance Ltd, Studio E Architects Ltd, Harley Facades Ltd, CEP Architectural Facades Ltd, CS Stokes & Associates Ltd, London Fire Commissioner, and the Commissioner of the Police of the Metropolis. Since then, some claimants have withdrawn and others have sought to be added to the suit.
- On June 12, 2020, two firefighters represented by Pattinson and Brewer filed suit against AAP SAS, as well as the Royal Borough of Kensington and Chelsea, the Royal Borough of Kensington and Chelsea Tenant Management Organisation Ltd, Celotex Ltd, Exova (U.K.) Ltd, Rydon Maintenance Ltd, Studio E Architects Ltd, Harley Facades Ltd, CEP Architectural Facades Ltd, CS Stokes & Associates Ltd, and the London Fire Commissioner. A third firefighter, also represented by Pattinson and Brewer, brought a claim against the same defendants on June 15, 2020. One of the original firefighter claimants has now withdrawn from the suit.

On December 17, 2020, a claim was issued by the Royal Borough of Kensington and Chelsea and the Royal Borough of Kensington and Chelsea Tenant Management Organisation Ltd against: (1) Whirlpool Company Polska Spolka z Organizacja; and (2) AAP SAS. The Claimants seek damages in respect of their own losses and/or a contribution to the extent that they are found to be liable by the London High Court for any losses arising out of the Grenfell Tower fire on June 14, 2017.

All of these claims have been filed in the High Court in London. On October 2, 2020, the High Court ordered that: (a) the suits of the survivors and estates of decedents that were issued in June 2020 be stayed until a hearing scheduled by the High Court for June 9-10, 2021; and (b) that the suits of emergency responders be stayed until a hearing scheduled by the High Court for July 7-8, 2021. The hearing scheduled for June 9-10, 2021 was subsequently vacated by the Court.

The above-mentioned suits brought by: (1) the survivors and estates of decedents; (2) the emergency responders; and (3) the Royal Borough of Kensington and Chelsea for contributions, were heard together at a procedural hearing on July 7-8, 2021, before Senior Master Fontaine. At the hearing, the Senior Master made several directions for the future management of the Grenfell Tower litigation, including staying all suits against Arconic Corporation and its affiliates until a directions hearing to be held on the first available date after April 4, 2022. The duration of the stay is intended to allow Arconic Corporation, along with several other co-defendants to the above-mentioned litigations, to engage in preliminary discussions with the claimants' legal representatives in an attempt to reach a mutually agreeable settlement. Those discussions are ongoing.

Given the preliminary nature of these matters and the uncertainty of litigation, Arconic Corporation cannot reasonably estimate at this time the likelihood of an unfavorable outcome or the possible loss or range of losses in the event of an unfavorable outcome in any of the above-referenced disputes.

Behrens et al. v. Arconic Inc. et al. On June 6, 2019, 247 plaintiffs comprised of survivors and estates of decedents of the Grenfell Tower fire filed a complaint against “Arconic Inc., Alcoa Inc., and Arconic Architectural Products, LLC” (collectively,

for purposes of the description of such proceeding, the “ParentCo Defendants”), as well as Saint-Gobain Corporation, d/b/a Celotex and Whirlpool Corporation, in the Court of Common Pleas of Philadelphia County. The complaint alleges claims under Pennsylvania state law for products liability and wrongful death related to the fire. In particular, the plaintiffs allege that the ParentCo Defendants knowingly supplied a dangerous product (Reynobond PE) for installation on the Grenfell Tower despite knowing that Reynobond PE was unfit for use above a certain height. The ParentCo Defendants removed the case to the United States District Court for the Eastern District of Pennsylvania on June 19, 2019. On August 29, 2019, the ParentCo Defendants moved to dismiss the complaint on the bases, among other things, that: (i) the case should be heard in the United Kingdom, not the United States; (ii) there is no jurisdiction over necessary parties; and (iii) Pennsylvania product liability law does not apply to manufacture and sale of product overseas. On December 23, 2019, the Court issued an order denying the motion to dismiss the complaint on bases (ii) and (iii) suggesting a procedure for limited discovery followed by further briefing on those subjects. On September 16, 2020, the Court issued an order granting Defendants’ motion to dismiss on forum non conveniens grounds, subject to certain conditions, determining that the United Kingdom, and not the United States, is the appropriate place for plaintiffs to bring their case. Plaintiffs subsequently filed a motion for reconsideration, which the Court denied on November 23, 2020. Plaintiffs are appealing this judgment; ParentCo Defendants are cross-appealing one of the conditions. The briefing has now been completed and the parties are awaiting an oral argument date. Given the preliminary nature of this matter and the uncertainty of litigation, Arconic Corporation cannot reasonably estimate at this time the likelihood of an unfavorable outcome or the possible loss or range of losses in the event of an unfavorable outcome.

Howard v. Arconic Inc. et al. A purported class action complaint related to the Grenfell Tower fire was filed on August 11, 2017 in the United States District Court for the Western District of Pennsylvania against ParentCo and Klaus Kleinfeld. A related purported class action complaint was filed in the United States District Court for the Western District of Pennsylvania on September 15, 2017, under the caption *Sullivan v. Arconic Inc. et al.*, against ParentCo, three former ParentCo executives, several current and former ParentCo directors, and banks that acted as underwriters for ParentCo’s September 18, 2014 preferred stock offering (the “Preferred Offering”). The plaintiff in *Sullivan* had previously filed a purported class action against the same defendants on July 18, 2017 in the Southern District of New York and, on August 25, 2017, voluntarily dismissed that action without prejudice. On February 7, 2018, on motion from certain putative class members, the court consolidated *Howard* and *Sullivan*, closed *Sullivan*, and appointed lead plaintiffs in the consolidated case. On April 9, 2018, the lead plaintiffs in the consolidated purported class action filed a consolidated amended complaint. The consolidated amended complaint alleged that the registration statement for the Preferred Offering contained false and misleading statements and omitted to state material information, including by allegedly failing to disclose material uncertainties and trends resulting from sales of Reynobond PE for unsafe uses and by allegedly expressing a belief that appropriate risk management and compliance programs had been adopted while concealing the risks posed by Reynobond PE sales. The consolidated amended complaint also alleged that between November 4, 2013 and June 23, 2017 ParentCo and Kleinfeld made false and misleading statements and failed to disclose material information about ParentCo’s commitment to safety, business and financial prospects, and the risks of the Reynobond PE product, including in ParentCo’s Form 10-Ks for the fiscal years ended December 31, 2013, 2014, 2015, and 2016, its Form 10-Qs and quarterly financial press releases from the fourth quarter of 2013 through the first quarter of 2017, its 2013, 2014, 2015, and 2016 Annual Reports, its 2016 Annual Highlights Report, and on its official website. The consolidated amended complaint sought, among other things, unspecified compensatory damages and an award of attorney and expert fees and expenses. On June 8, 2018, all defendants moved to dismiss the consolidated amended complaint for failure to state a claim. On June 21, 2019, the Court granted the defendants’ motion to dismiss in full, dismissing the consolidated amended complaint in its entirety without prejudice. On July 23, 2019, the lead plaintiffs filed a second amended complaint. The second amended complaint alleges generally the same claims as the consolidated amended complaint with certain additional allegations, as well as claims that the risk factors set forth in the registration statement for the Preferred Offering were inadequate and that certain additional statements in the sources identified above were misleading. The second amended complaint seeks, among other things, unspecified compensatory damages and an award of attorney and expert fees and expenses. On September 11, 2019, all defendants moved to dismiss the second amended complaint. Plaintiffs’ opposition to that motion was filed on November 1, 2019 and all defendants filed a reply brief on November 26, 2019. On June 22, 2020, counsel for Arconic Corporation and the individual defendants filed a letter apprising the Court of a recent decision by the Third Circuit and discussing its relevance to the pending motion to dismiss. Pursuant to an Order by the Court directing the plaintiffs to respond to this letter, the plaintiffs filed a letter response on July 9, 2020. On June 23, 2021, the Court granted in part and denied in part the defendants’ motion to dismiss the second amended complaint. The Court dismissed with prejudice plaintiffs’ claim against ParentCo, certain officers and directors and the underwriters based on the registration statement for the Preferred Offering, with the exception of one statement and only as to purchases made before October 23, 2015. In addition, plaintiffs’ claim based on ParentCo’s statements in other SEC filings, in product brochures, and on websites was dismissed in its entirety as to Kleinfeld and dismissed in part and allowed in part as to ParentCo. The Court also dismissed the control-person liability claims in their entirety. On August 11, 2021, ParentCo filed a motion with the district court for certification of an interlocutory appeal and a stay pending appeal. The motion seeks to appeal the aspect of the court’s June 23, 2021 opinion concerning the complaint’s pleading of ParentCo’s alleged scienter. Plaintiffs filed an opposition to the motion on August 17, 2021, and

ParentCo filed a reply brief on August 24, 2021. The motion remains pending before the district court. On August 12, 2021, defendants filed an answer to the second amended complaint. Given the preliminary nature of this matter and the uncertainty of litigation, Arconic Corporation cannot reasonably estimate at this time the likelihood of an unfavorable outcome or the possible loss or range of losses in the event of an unfavorable outcome.

Raul v. Albaugh, et al. On June 22, 2018, a derivative complaint was filed nominally on behalf of ParentCo by a purported ParentCo stockholder against the then members of ParentCo's Board of Directors and Klaus Kleinfeld and Ken Giacobbe, naming ParentCo as a nominal defendant, in the United States District Court for the District of Delaware. The complaint raises similar allegations as the consolidated amended complaint and second amended complaint in *Howard*, as well as allegations that the defendants improperly authorized the sale of Reynobond PE for unsafe uses, and asserts claims under Section 14(a) of the Securities Exchange Act of 1934, as amended, and Delaware state law. On July 13, 2018, the parties filed a stipulation agreeing to stay this case until the final resolution of the *Howard* case, the Grenfell Tower Public Inquiry in London, and the investigation by the Police and on July 23, 2018, the Court approved the stay. Given the preliminary nature of this matter and the uncertainty of litigation, Arconic Corporation cannot reasonably estimate at this time the likelihood of an unfavorable outcome or the possible loss or range of losses in the event of an unfavorable outcome.

General. While Arconic Corporation believes that all the above referenced Reynobond PE cases are without merit and intends to challenge them vigorously, there can be no assurances regarding the ultimate resolution of these matters.

General. In addition to the matters described above, various other lawsuits, claims, and proceedings have been or may be instituted or asserted against Arconic, including those pertaining to environmental, product liability, safety and health, employment, tax, and antitrust matters. While the amounts claimed in these other matters may be substantial, the ultimate liability is not readily determinable because of the considerable uncertainties that exist. Accordingly, it is possible that the Company's liquidity or results of operations in a reporting period could be materially affected by one or more of these other matters. However, based on facts currently available, management believes that the disposition of these other matters that are pending or asserted will not have a material adverse effect, individually or in the aggregate, on Arconic's results of operations, financial position or cash flows.

Q. Subsequent Events

Management evaluated all activity of Arconic and concluded that no subsequent events have occurred that would require recognition in the Consolidated Financial Statements or disclosure in the Notes to the Consolidated Financial Statements.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

(dollars in millions, except per-share amounts; shipments in thousands of metric tons (kmt))

References to “ParentCo” refer to Arconic Inc., a Delaware corporation, and its consolidated subsidiaries (through March 31, 2020, at which time it was renamed Howmet Aerospace Inc. (“Howmet”).

The Separation. On February 8, 2019, ParentCo announced that its Board of Directors approved a plan to separate into two standalone, publicly-traded companies (the “Separation”). The spin-off company, later named Arconic Corporation, was to include the rolled aluminum products, aluminum extrusions, and architectural products operations of ParentCo, as well as the Latin America extrusions operations sold in April 2018, (collectively, the “Arconic Corporation Businesses”). The existing publicly-traded company, ParentCo, was to continue to own the engine products, engineered structures, fastening systems, and forged wheels operations (collectively, the “Howmet Aerospace Businesses”).

The Separation was subject to a number of conditions, including, but not limited to: final approval by ParentCo’s Board of Directors (see below); receipt of an opinion of legal counsel (received on March 31, 2020) regarding the qualification of the distribution, together with certain related transactions, as a “reorganization” within the meaning of Sections 335 and 368(a)(1)(D) of the U.S. Internal Revenue Code (i.e., a transaction that is generally tax-free for U.S. federal income tax purposes); and the U.S. Securities and Exchange Commission (the “SEC”) declaring effective a Registration Statement on Form 10, as amended, filed with the SEC on February 13, 2020 (effectiveness was declared by the SEC on February 13, 2020).

On February 5, 2020, ParentCo’s Board of Directors approved the completion of the Separation by means of a pro rata distribution by ParentCo of all of the outstanding shares of Arconic common stock to ParentCo common stockholders of record as of the close of business on March 19, 2020 (the “Record Date”). At the time of the Separation, ParentCo common stockholders were to receive one share of Arconic common stock for every four shares of ParentCo common stock (the “Separation Ratio”) held as of the Record Date (ParentCo common stockholders were to receive cash in lieu of fractional shares).

In connection with the Separation, as of March 31, 2020, Arconic and Howmet entered into several agreements to implement the legal and structural separation between the two companies; govern the relationship between Arconic and Howmet after the completion of the Separation; and allocate between Arconic and Howmet various assets, liabilities, and obligations, including, among other things, employee benefits, environmental liabilities, intellectual property, and tax-related assets and liabilities. These agreements included a Separation and Distribution Agreement, Tax Matters Agreement, Employee Matters Agreement, and certain Patent, Know-How, Trade Secret License and Trademark License Agreements. The Separation and Distribution Agreement identified the assets to be transferred, the liabilities to be assumed, and the contracts to be transferred to each of Arconic and Howmet as part of the Separation, and provided for when and how these transfers and assumptions were to occur.

On April 1, 2020 (the “Separation Date”), the Separation was completed and became effective at 12:01 a.m. Eastern Daylight Time. To effect the Separation, ParentCo undertook a series of transactions to separate the net assets and certain legal entities of ParentCo, resulting in a cash payment of \$728 to ParentCo by Arconic from a portion of the aggregate net proceeds of previously executed financing arrangements (see 2020 Activity in Financing Activities in Liquidity and Capital Resources below). In connection with the Separation, 109,021,376 shares of Arconic common stock were distributed to ParentCo stockholders. This was determined by applying the Separation Ratio to the 436,085,504 shares of ParentCo’s outstanding common stock as of the Record Date. “Regular-way” trading of Arconic’s common stock began with the opening of the New York Stock Exchange on April 1, 2020 under the ticker symbol “ARNC.” Arconic’s common stock has a par value of \$0.01 per share.

ParentCo incurred costs to evaluate, plan, and execute the Separation, and Arconic was allocated a pro rata portion of these costs based on segment revenue (see Cost Allocations below). ParentCo recognized \$38 in the 2020 nine-month period for such costs, of which \$18 was allocated to Arconic. The allocated amount was included in Selling, general administrative, and other expenses on Arconic’s Statement of Consolidated Operations.

Basis of Presentation. The Company’s Consolidated Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). In accordance with GAAP, certain situations require management to make estimates based on judgments and assumptions, which may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. They also may affect the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates upon subsequent resolution of identified matters. These estimates are based on historical experience and, in some cases, assumptions

based on current and future market experience, including considerations related to the coronavirus (COVID-19) pandemic. Management has made its best estimates using all relevant information available at the time, but it is possible that these estimates will differ from actual results and affect the Consolidated Financial Statements in future periods and potentially require adverse adjustments to the recoverability of goodwill and long-lived assets, the realizability of deferred tax assets and other judgments and estimations and assumptions that may be impacted by the COVID-19 pandemic.

Prior to the Separation Date, Arconic did not operate as a separate, standalone entity. Arconic's operations were included in ParentCo's financial results. Accordingly, for all periods prior to the Separation Date, Arconic's Consolidated Financial Statements were prepared from ParentCo's historical accounting records and were presented on a standalone basis as if the Arconic Corporation Businesses had been conducted independently from ParentCo. Such Consolidated Financial Statements include the historical operations that were considered to comprise the Arconic Corporation Businesses, as well as certain assets and liabilities that were historically held at ParentCo's corporate level but were specifically identifiable or otherwise attributable to Arconic.

Cost Allocations. The description and information on cost allocations is applicable for all periods included in the Company's Consolidated Financial Statements prior to the Separation Date.

Arconic's Consolidated Financial Statements include general corporate expenses of ParentCo that were not historically charged to the Arconic Corporation Businesses for certain support functions that were provided on a centralized basis, such as expenses related to finance, audit, legal, information technology, human resources, communications, compliance, facilities, employee benefits and compensation, and research and development activities. These general corporate expenses were included on Arconic's Statement of Consolidated Operations within Cost of goods sold, Selling, general administrative and other expenses, and Research and development expenses. These expenses were allocated to Arconic on the basis of direct usage when identifiable, with the remainder allocated based on the Arconic Corporation Businesses' segment revenue as a percentage of ParentCo's total segment revenue, as reported in the respective periods.

All external debt not directly attributable to the Arconic Corporation Businesses was excluded from the Company's Consolidated Balance Sheet. Financing costs related to these debt obligations were allocated to Arconic based on the ratio of capital invested by ParentCo in the Arconic Corporation Businesses to the total capital invested by ParentCo in both the Arconic Corporation Businesses and the Howmet Aerospace Businesses, and were included on Arconic's Statement of Consolidated Operations within Interest expense.

The following table reflects the allocations described above:

Nine months ended September 30,	2020
Cost of goods sold	\$ —
Selling, general administrative, and other expenses*	25
Research and development expenses	—
Provision for depreciation and amortization	1
Restructuring and other charges	2
Interest expense	28
Other (income), net	(5)

* In the 2020 nine-month period, amount includes an allocation of \$18 for costs incurred by ParentCo associated with the Separation (see above).

Management believes the assumptions regarding the allocation of ParentCo's general corporate expenses and financing costs were reasonable.

Nevertheless, the Company's Consolidated Financial Statements may not include all of the actual expenses that would have been incurred and may not reflect Arconic's consolidated results of operations, financial position, and cash flows had it been a standalone company during the periods prior to the Separation Date. Actual costs that would have been incurred if Arconic had been a standalone company would depend on multiple factors, including organizational structure, capital structure, and strategic decisions made in various areas, including information technology and infrastructure. Transactions between Arconic and ParentCo, including sales to the Howmet Aerospace Businesses, were considered to be effectively settled for cash at the time the transaction was recorded. The total net effect of the settlement of these transactions was reflected on Arconic's Statement of

Consolidated Cash Flows as a financing activity and on the Company's Consolidated Balance Sheet as Parent Company net investment.

Results of Operations

Outlook

In the 2021 third quarter and nine-month period, we experienced revenue growth across most of the end-markets that we serve, as customer demand continues to rebound from the global economic impact of the COVID-19 pandemic. Management is revising certain expectations for sales by major end market for full year 2021 compared with full year 2020, as disclosed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part I Item 2 in the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2021 and in Part II Item 7 in the Company's Annual Report on Form 10-K for the year ended December 31, 2020. Consistent with the expectations included in the referenced Form 10-Q and Form 10-K, the revised expectations do not include the impact of changes in aluminum prices. These expectations may change during the course of the year given the continued uncertainty in the global economy. For the ground transportation end market, we have changed our outlook and anticipate sales to increase by approximately 20% to 25% (versus prior expectation of 25% to 30%), due to ongoing challenges in the semiconductor supply chain impacting our customers (certain of our automotive customers have announced temporary suspensions of operations in 2021). For the packaging end market, we expect sales to increase by approximately 20% to 25% (versus prior expectation of 15% to 20%) in 2021 compared with 2020, as demand in Russia and China remains strong and we anticipate the acceleration of North American production in late 2021 as we ramp up production at our Tennessee facility.

COVID-19 Pandemic

Our operations and financial results have been, and may continue to be, adversely affected by the COVID-19 pandemic. As a result of the COVID-19 pandemic, several of our automotive and aerospace customers temporarily suspended operations at different points throughout 2020. While many of our customers have resumed operations (see Outlook above for other temporary suspensions associated with our automotive customers) as it relates to the COVID-19 pandemic, we are unable to estimate with certainty at this time the status, frequency, or duration of any potential reoccurrences of customer shutdowns, or the duration or extent of resumed operations. Due to the impacts of the COVID-19 pandemic on our customers, we are experiencing, and expect to continue experiencing, lower demand and volume for certain of our products. These trends may lead to charges, impairments, and other adverse financial impacts over time, including but not limited to the recoverability of goodwill and long-lived assets and the realizability of deferred tax assets. The impact on our business, results of operations, financial condition, liquidity, and/or cash flows will be magnified if the disruption from the COVID-19 pandemic continues for an extended period.

We believe that our diverse end markets and geographic composition mitigate a portion of the impact on the Company from any singular area of decline. Additionally, our operating footprint benefits from a highly variable cost structure and we are able to actively manage our operations to effectively flex activity, if necessary, to respond to changing end market conditions. However, the geographic locations in which our products are manufactured, distributed, or sold continue to be in varying stages of restrictions or lifting of restrictions, and the status of restrictions in certain areas may change on short notice. Because we rely on supply chain continuity, restrictions in one location may materially impact operations in multiple locations, and the impact of the COVID-19 pandemic in one location may have a disproportionate effect on our operations in the future.

The safety of our employees is our highest priority. We continue to maintain our previously implemented heightened measures at all our locations to maintain strict hygiene, increase social distancing, and enable employees to work remotely where possible.

The timing for the Company and/or our customers resuming operations and the levels of operations experienced before the COVID-19 pandemic depend on several factors beyond management's control, including, among other things: the revision of governmental quarantine, shelter in place or similar social distancing orders or guidelines; the occurrence and magnitude of future outbreaks; the availability and/or distribution of vaccines or other medical remedies and preventive measures; the location of facilities; and determinations regarding, among other things, health and safety, demand for specific products, and broader economic conditions. We are continuing to monitor the impact this global event may have on the Company's future results of operations, financial condition, liquidity, and cash flows.

See Part I Item 1A "Risk Factors" and Part II Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K for the year ended December 31, 2020 (filed February 23, 2021) for additional information regarding the continuing impact of the COVID-19 pandemic on our operations.

Earnings Summary

Sales. Sales were \$1,890 in the 2021 third quarter compared to \$1,415 in the 2020 third quarter and \$5,366 in the 2021 nine-month period compared with \$4,213 in the 2020 nine-month period. The increase of \$475, or 34%, in the third quarter comparison and \$1,153, or 27%, in the nine-month period comparison was principally due to higher aluminum prices and improved volumes in most end markets, particularly ground transportation, industrial products and packaging, as recovery from the COVID-19 pandemic continues. These positive impacts were slightly offset by both lower volume and unfavorable product mix due to depressed sales to the aerospace end market, the negative impact of the semiconductor chip shortage affecting the automotive component of the ground transportation market, and labor shortages at several North America operations due to COVID-19-related quarantines.

In March 2021, the Company entered into a settlement agreement with a customer related to the terms of an existing long-term contract. As a result, the customer agreed to pay Arconic \$18, which will be recognized over the applicable three-year period. Accordingly, the Company's sales for the 2021 third quarter and nine-month period include \$2 and \$11, respectively, associated with this settlement.

Cost of goods sold (COGS). COGS was \$1,676, or 88.7% of Sales, in the 2021 third quarter compared to \$1,218, or 86.1% of Sales, in the 2020 third quarter and \$4,674, or 87.1% of Sales, in the 2021 nine-month period compared with \$3,614, or 85.8% of Sales, in the 2020 nine-month period. The percentage in both periods was negatively impacted by higher aluminum prices (underlying metal price is contractually passed-through to most customers at cost) and unfavorable product mix driven by depressed sales to the aerospace end market and the impact of the semiconductor chip shortage affecting the automotive component of the ground transportation market. These negative impacts were partially offset by higher product pricing and net cost savings. Net cost savings were principally the result of the absence of below normal absorption of fixed costs that occurred in the 2020 periods driven by significantly lower production levels as a result of the COVID-19 pandemic, partially offset by higher costs for labor (see Labor costs below), energy, transportation, and alloying materials.

Selling, general administrative, and other expenses (SG&A). SG&A was \$63 in the 2021 third quarter compared to \$59 in the 2020 third quarter and \$183 in the 2021 nine-month period compared to \$194 in the 2020 nine-month period. The increase of \$4, or 7%, in the third quarter comparison was mostly caused by an increase in labor costs (see Cost of goods sold above), partially offset by lower legal fees. In the nine-month period comparison, the decrease of \$11, or 6%, was largely attributable to the absence of an allocation (\$18) of costs incurred for the Separation (see Cost Allocations under The Separation above) and lower stock-based employee compensation expense (\$3), somewhat offset by higher labor costs (see Labor costs below). SG&A as a percentage of Sales was 3.3% in the 2021 third quarter compared to 4.2% in the 2020 third quarter and 3.4% in the 2021 nine-month period compared to 4.6% in the 2020 nine-month period.

Research and development expenses (R&D). R&D was \$8 in both the 2021 third quarter and the 2020 third quarter and \$25 in the 2021 nine-month period compared to \$27 in the 2020 nine-month period. The decrease of \$2, or 7%, in the nine-month period comparison was primarily driven by cost reduction efforts initiated in 2020.

Labor costs—The following description is applicable to COGS, SG&A, and R&D in the aggregate. Beginning in April 2020, management implemented a series of proactive actions to mitigate the impacts of the COVID-19 pandemic on the Company. Many of these actions impacted both business unit and corporate employees resulting in the Company experiencing lower labor costs compared to 2019. These actions included the following:

- idled various production facilities based on market conditions within the regions where the Company operates;
- decreased production and operating with a reduced labor force through shortened work weeks, shift reductions, layoffs, and the elimination of temporary workers and contractors at U.S.-based rolling and extrusion facilities;
- implemented a combination of modified schedules, adjusted work hours, lower costs, and/or delayed raises at all rolling mill facilities in Europe, China, and Russia;
- reduced the CEO's salary and the Board of Directors' cash compensation by 30%;
- reduced salaries for senior-level management by 20% and for all other salaried employees by 10%; and
- suspended the 401(k) match program for U.S. salaried employees.

Effective September 1, 2020, the Company restored both the salaries of all salaried employees and the 401(k) match of all salaried U.S. employees, including executive officers, to the levels in effect prior to the actions described above. Also effective September 1, 2020, the Company restored the annual cash retainers payable to the non-employee members of the Company's Board of Directors to the levels in effect prior to the previous reduction described above. Additionally, by the end of 2020 and into 2021, the Company's production facilities were operating at significantly higher levels compared to earlier in 2020. As a result, the Company experienced higher labor costs in the 2021 third quarter and nine-month period compared to the same periods in 2020.

Provision for depreciation and amortization (D&A). D&A was \$61 in the 2021 third quarter compared to \$63 in the 2020 third quarter and \$186 in the 2021 nine-month period compared to \$191 in the 2020 nine-month period. The decrease of \$2, or 3%, in the third quarter comparison was primarily due to the absence of depreciation on assets that were impaired in prior periods, including certain assets at the Company's primary research and development facility. The decrease of \$5, or 3%, in the nine-month period comparison was mainly caused by the absence of an impairment of abandoned projects and plant equipment (\$6) and the absence of depreciation on assets that were impaired in prior periods, including certain assets at the Company's primary research and development facility, somewhat offset by new depreciation for assets placed into service in the second half of 2020 related to an automotive and industrial product expansion at the Company's Tennessee rolling facility.

Restructuring and other charges. Restructuring and other charges were \$14 and \$612 in the 2021 third quarter and nine-month period, respectively, and \$3 and \$61 in the 2020 third quarter and nine-month period, respectively. See [Note E](#) to the Consolidated Financial Statements in Part I Item 1 of this Form 10-Q for additional information. Restructuring and other charges includes a charge for the settlement of certain employee retirement benefits of \$5 and \$573 in the 2021 third quarter and nine-month period, respectively, and \$3 and \$58 in the 2020 third quarter and nine-month period, respectively. See [Note G](#) to the Consolidated Financial Statements in Part I Item 1 of this Form 10-Q for additional information.

Interest expense. Interest expense was \$26 in the 2021 third quarter compared to \$22 in the 2020 third quarter and \$74 in the 2021 nine-month period compared to \$97 in the 2020 nine-month period.

The increase of \$4, or 18%, in the third quarter comparison was principally related to a higher amount of interest associated with a \$300 debt offering completed in March 2021. See Financing Activities under Liquidity and Capital Resources below for additional information related to this financing transaction.

In the nine-month period comparison, the decrease of \$23, or 24%, was primarily due to the absence of both a \$28 allocation of ParentCo's financing costs in the period prior to Separation (see Cost Allocations under The Separation above) and \$19 for the write-off and immediate expensing of debt issuance costs as a result of a debt refinancing in May 2020, partially offset by a higher amount of interest associated with both a \$700 debt offering executed in May 2020 and a \$600 debt offering completed in February 2020 and new interest related to a \$300 debt offering executed in March 2021. See Financing Activities under Liquidity and Capital Resources below for additional information related to these financing transactions.

Other expenses, net. Other expenses, net was \$15 and \$52 in the 2021 third quarter and nine-month period, respectively, and \$27 and \$69 in the 2020 third quarter and nine-month period, respectively. See [Note F](#) to the Consolidated Financial Statements in Part I Item 1 of this Form 10-Q for additional information

Provision (Benefit) for income taxes. The Company's effective tax rate, including discrete items, was 40.7% (provision on income) and 18.4% (benefit on a loss) in the 2021 third quarter and nine-month period, respectively, and 66.7% (provision on income) and 12.5% (provision on a loss) in the 2020 third quarter and nine-month period, respectively. See [Note H](#) to the Consolidated Financial Statements in Part I Item 1 of this Form 10-Q for additional information.

Segment Information

Arconic's profit or loss measure for its reportable segments is Segment Adjusted EBITDA (Earnings before interest, taxes, depreciation, and amortization). The Company calculates Segment Adjusted EBITDA as Total sales (third-party and intersegment) minus each of (i) Cost of goods sold, (ii) Selling, general administrative, and other expenses, and (iii) Research and development expenses, plus Stock-based compensation expense and Metal price lag. Arconic's Segment Adjusted EBITDA may not be comparable to similarly titled measures of other companies' reportable segments.

Rolled Products

	Third quarter ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Third-party sales	\$ 1,559	\$ 1,092	\$ 4,397	\$ 3,194
Intersegment sales	9	3	26	14
Total sales	\$ 1,568	\$ 1,095	\$ 4,423	\$ 3,208
Segment Adjusted EBITDA	\$ 155	\$ 138	\$ 493	\$ 388
Third-party aluminum shipments (kmt)	345	304	1,043	869

Third-party sales for the Rolled Products segment increased \$467, or 43%, in the 2021 third quarter and \$1,203, or 38%, in the 2021 nine-month period compared to the same periods in 2020. In both comparisons, the improvement was largely the result of higher aluminum prices, a net increase in volumes, and favorable product pricing, slightly offset by unfavorable product mix driven by depressed sales to the aerospace end market.

The net increase in volumes in both comparisons was largely attributable to most end markets served by this segment, including ground transportation, industrial products, and packaging. Each of these end markets have experienced varying levels of partial recovery from the economic impact of the COVID-19 pandemic. Additionally, volume related to the industrial products end market was favorably impacted by a U.S. trade case, which reached a final determination in March 2021, that imposes significant duties on the import of common alloy aluminum sheet. These higher volumes were slightly offset by decreased volume in the aerospace end market due to the economic impact of the COVID-19 pandemic, the negative impact of the semiconductor chip shortage affecting the automotive component of the ground transportation market, and labor shortages at several U.S. operations partially due to COVID-19-related quarantines.

In the third quarter and nine-month period comparisons, the higher aluminum prices were largely driven by a 55% and 46%, respectively, rise in the average LME aluminum price and sharp increases in regional premiums, including a 158% and 114%, respectively, increase in the average Midwest premium (United States).

In March 2021, the Company entered into a settlement agreement with a customer related to the terms of an existing long-term contract. As a result, the customer agreed to pay Arconic \$18, which will be recognized over the applicable three-year period. Accordingly, Rolled Products' sales for the 2021 third quarter and nine-month period include \$2 and \$11, respectively, associated with this settlement.

Segment Adjusted EBITDA for this segment increased \$17, or 12%, and \$105, or 27%, in the 2021 third quarter and nine-month period comparison, respectively, compared with the corresponding periods in 2020. In both comparisons, the improvement was principally driven by a net increase in volumes, favorable product pricing, and net cost savings. These positive impacts were somewhat offset by unfavorable product mix driven by depressed sales to the aerospace end market. In both comparisons, net cost savings were principally the result of the absence of below normal absorption of fixed costs that occurred in the 2020 periods driven by significantly lower production levels as a result of the COVID-19 pandemic, as well as operational productivity. These net cost savings were partially offset by higher costs for labor (see Labor costs under Results of Operations above) and direct materials, including transportation and alloying materials.

Building and Construction Systems

	Third quarter ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Third-party sales	\$ 257	\$ 241	\$ 750	\$ 727
Segment Adjusted EBITDA	\$ 34	\$ 40	\$ 97	\$ 107

Third-party sales for the Building and Construction Systems segment increased \$16, or 7%, in the 2021 third quarter and \$23, or 3%, in the 2021 nine-month period compared to the same periods in 2020. The improvement in both comparisons was mostly attributable to higher product pricing, partially offset by lower volumes due to decreased demand caused by supply chain disruptions and labor shortages in North America. Favorable foreign currency movements due to a stronger euro also contributed to the increase in the nine-month period comparison.

Segment Adjusted EBITDA for this segment decreased \$6, or 15%, and \$10, or 9%, in the 2021 third quarter and nine-month period, respectively, compared with the corresponding periods in 2020. In both comparisons, the decline was primarily related to higher costs for direct materials, including aluminum and labor (see Labor costs under Results of Operations above), and lower volumes, somewhat offset by higher product pricing.

Extrusions

	Third quarter ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Third-party sales	\$ 74	\$ 82	\$ 219	\$ 296
Segment Adjusted EBITDA	\$ (7)	\$ (6)	\$ (19)	\$ (12)
Third-party aluminum shipments (kmt)	9	9	26	31

In the 2021 first quarter, management approved the idling of the casthouse at the Lafayette (Indiana) plant. Additionally, in the 2021 second quarter, management approved the idling of the operations at the Chandler (Arizona) plant. These actions were deemed necessary to address the ongoing depressed demand related to the aerospace end market and identified operational inefficiencies in the Extrusions portfolio. The Lafayette casthouse action will occur in multiple phases and is expected to be completed by mid-2022. Ultimately, the casthouse function will be outsourced to third-party vendors. The Chandler action was completed in the 2021 third quarter. The commercial operations related to Chandler are in the process of being integrated into Lafayette for the foreseeable future. The Company incurred certain charges related to these decisions such as inventory write-downs, severance costs, customer qualification costs, and other exit costs in the 2021 second and third quarters. These items were not material, individually or in the aggregate, and were reported in Corporate (i.e., not included in Extrusion's Segment Adjusted EBITDA).

Third-party sales for the Extrusions segment decreased \$8, or 10%, in the 2021 third quarter and \$77, or 26%, in the 2021 nine-month period compared to the same periods in 2020. In both comparisons, the decline was principally the result of a net decrease in volumes, somewhat offset (third quarter) and slightly offset (nine-month period) by higher aluminum prices. The decrease in the nine-month period comparison was also negatively impacted by the absence of sales (\$8) related to the divestiture of an extrusions plant in South Korea (March 2020). The net decrease in volumes in both comparisons was primarily due to a decline in the aerospace end market, driven by the economic impact of the COVID-19 pandemic, somewhat offset (third quarter) and slightly offset (nine-month period) by improvement in the ground transportation and industrial products end markets.

Segment Adjusted EBITDA for this segment decreased \$1 and \$7 in the 2021 third quarter and nine-month period, respectively, compared with the corresponding periods in 2020. In the third quarter comparison, the decrease was mainly attributable to lower volumes related to the aerospace end market and higher costs for direct materials and labor (see Labor costs under Results of Operations above). The decline in the nine-month period comparison was largely driven by lower volumes related to the aerospace end market and higher costs for direct materials and labor (see Labor costs under Results of Operations above), partially offset by the absence of costs (\$12) related to both inventory write-downs and customer settlements.

Reconciliation of Total Segment Adjusted EBITDA to Consolidated Net Loss Attributable to Arconic Corporation

	Third quarter ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Total Segment Adjusted EBITDA	\$ 182	\$ 172	\$ 571	\$ 483
Unallocated amounts:				
Corporate expenses ⁽¹⁾	(7)	(6)	(26)	(15)
Stock-based compensation expense	(8)	(6)	(15)	(18)
Metal price lag ⁽²⁾	(21)	(16)	(27)	(30)
Provision for depreciation and amortization	(61)	(63)	(186)	(191)
Restructuring and other charges ⁽³⁾	(14)	(3)	(612)	(61)
Other ⁽⁴⁾	(3)	(14)	(19)	(42)
Operating income (loss)	68	64	(314)	126
Interest expense	(26)	(22)	(74)	(97)
Other expenses, net	(15)	(27)	(52)	(69)
(Provision) Benefit for income taxes	(11)	(10)	81	(5)
Net income attributable to noncontrolling interest	—	—	—	—
Consolidated net income (loss) attributable to Arconic Corporation	\$ 16	\$ 5	\$ (359)	\$ (45)

- (1) Corporate expenses are composed of general administrative and other expenses of operating the corporate headquarters and other global administrative facilities. The amount presented for the 2020 nine-month period includes an allocation of ParentCo's corporate expenses, including research and development expenses, for the portion of the period prior to the Separation Date (see Cost Allocations under The Separation above).
- (2) Metal price lag represents the financial impact of the timing difference between when aluminum prices included in Sales are recognized and when aluminum purchase prices included in Cost of goods sold are realized. This adjustment aims to remove the effect of the volatility in metal prices and the calculation of this impact considers applicable metal hedging transactions.
- (3) Restructuring and other charges includes a charge for the settlement of certain employee retirement benefits of \$5 and \$573 in the 2021 third quarter and nine-month period, respectively, and \$3 and \$58 in the 2020 third quarter and nine-month period, respectively. See [Note G](#) to the Consolidated Financial Statements in Part I Item 1 of this Form 10-Q for additional information.
- (4) Other includes certain items that impact Cost of goods sold and Selling, general administrative, and other expenses on the Company's Statement of Consolidated Operations that are not included in Segment Adjusted EBITDA.

Environmental Matters

See Environmental Matters in [Note P](#) to the Consolidated Financial Statements in Part I Item 1 of this Form 10-Q.

Liquidity and Capital Resources

Operating Activities

Cash used for operations was \$503 in the 2021 nine-month period compared with cash provided from operations of \$18 in the 2020 nine-month period.

In the 2021 nine-month period, cash used for operations was comprised mostly of pension contributions of \$456 (see below), an unfavorable change in working capital of \$454, and a net loss of \$359, partially offset by a positive add-back for non-cash transactions in earnings of \$778. The impact in working capital was largely driven by higher aluminum prices due to an increase in both the average LME price and regional premiums.

The minimum required contributions to Arconic's funded defined benefit pension plans in 2021 is estimated to be \$192, of which \$183 is for U.S. plans. In January 2021, the Company contributed a total of \$200 to its two funded U.S. defined benefit pension plans, comprised of the estimated minimum required funding for 2021 of \$183 and an additional \$17.

In April 2021, the Company contributed a total of \$250 to its two funded U.S. defined benefit pension plans to maintain the funding level of the remaining plan obligations not transferred under a group annuity contract (see U.S. Pension Plan Annuitization in [Note G](#) to the Consolidated Financial Statements in Part I Item 1 of this Form 10-Q). This contribution was funded with the net proceeds from a March 2021 debt offering (see 2021 Activity in Financing Activities below).

Also in April 2021, the Company received \$9 as one of two installments related to a settlement agreement reached with a customer in March 2021. See Sales under Results of Operations above for additional information.

In the 2020 nine-month period, cash provided from operations was comprised of a positive add-back for non-cash transactions in earnings of \$380 and a favorable change in noncurrent assets and liabilities of \$47, mostly offset by an unfavorable change in working capital of \$320 (see below), a net loss of \$45, and pension contributions of \$44.

Cash provided from operations for the 2020 nine-month period includes an unfavorable adjustment of \$250 related to the change in the Company's customer and other receivables balances as of September 30, 2020 (\$758) and December 31, 2019 (\$520). The unfavorable adjustment (i.e., increase in receivables) was derived by calculating the difference in the receivables balances as of September 30, 2020 and December 31, 2019 after excluding the effects of divestitures and foreign currency translation. The \$250 was negatively impacted by the fact that customer receivables related to the Arconic Corporation Businesses were no longer included in ParentCo's accounts receivable securitization program effective January 2, 2020. In periods prior to 2020, certain identified customer receivables related to the Arconic Corporation Businesses were sold on a revolving basis to a ParentCo subsidiary under this program and were considered to be effectively and immediately settled for cash. As of December 31, 2019, the amount of Arconic's outstanding customer receivables sold to ParentCo's subsidiary was \$281. As a result, the Company's customer receivables balance as of December 31, 2019 reflects the settlement of the \$281 even though the third-party customers had not yet paid their obligations to ParentCo, as Arconic no longer had the right to collect and receive cash from the related customers. Had customer receivables related to the Arconic Corporation Businesses not been included in ParentCo's program in 2019, the Company's customer receivables balance as of December 31, 2019 would have been higher by \$281. Further, these outstanding receivables would have been collected by the Arconic Corporation Businesses from the third-party customers in the 2020 nine-month period. Accordingly, the previously mentioned unfavorable change in working capital of \$320 would have been lower by \$281. See Cash Management in [Note A](#) to the Consolidated Financial Statements in Part I Item 1 of this Form 10-Q.

Financing Activities

Cash provided from financing activities was \$190 in the 2021 nine-month period compared with \$735 in the 2020 nine-month period. The source of cash in the 2021 nine-month period was mostly due to \$314 in net proceeds from the issuance of new indebtedness (see 2021 Activity below), somewhat offset by \$106 for the repurchase of 3,108,705 shares of the Company's common stock (see Share Repurchase Program below). In the 2020 nine-month period, the source of cash was due to \$2,343 in net proceeds (reflects additional debt issuance costs paid from cash on hand) from the issuance of new indebtedness (see 2020 Activity below) and \$216 in net cash funding provided by ParentCo prior to the Separation Date, partially offset by \$1,100 for the repayment of debt (see 2020 Activity below) and a \$728 payment to ParentCo in connection with the Separation (see The Separation above).

2021 Activity—On March 3, 2021, the Company completed a Rule 144A (U.S. Securities Act of 1933, as amended) debt offering for an additional \$300 aggregate principal amount of 6.125% Senior Secured Second-Lien Notes due 2028 (the "Additional 2028 Notes"). The Additional 2028 Notes were issued under the indenture governing Arconic's existing 6.125% Senior Secured Second-Lien Notes due 2028 (see 2020 Activity below). Other than with respect to the date of issuance and issue price, the Additional 2028 Notes are treated as a single series with and have the same terms as the referenced existing notes. The Additional 2028 Notes were sold at 106.25% of par (i.e., a premium) and, after reflecting a discount to the initial purchasers of the Additional 2028 Notes, the Company received \$315 in net proceeds from the debt offering. Arconic used the net proceeds of this issuance to fund an annuitization of certain U.S. defined benefit pension plan obligations (see [Note G](#) to the Consolidated Financial Statements in Part I Item 1 of this Form 10-Q). The premium (\$19) and costs to complete the financing (\$5) were deferred and are being amortized to interest expense over the term of the Additional 2028 Notes. The amortization of the premium is reflected as a reduction to interest expense and the amortization of the costs to complete the financing is reflected as an addition to interest expense. Interest on the Additional 2028 Notes is paid semi-annually in February and August, and commenced August 15, 2021.

2020 Activity—In connection with the capital structure to be established at the time of the Separation, Arconic secured \$1,200 in third-party indebtedness. On February 7, 2020, the Company completed a Rule 144A (U.S. Securities Act of 1933, as amended) debt offering for \$600 aggregate principal amount of 6.125% Senior Secured Second-Lien Notes due 2028 (the "2028 Notes"). Arconic received \$593 in net proceeds from the debt offering reflecting a discount to the initial purchasers of

the 2028 Notes. Also, on March 25, 2020, the Company entered into a credit agreement, which provided a \$600 Senior Secured First-Lien Term Loan B Facility (variable rate and seven-year term) (the “Term Loan”) and a \$1,000 Senior Secured First-Lien Revolving Credit Facility (variable rate and five-year term) (the “Credit Facility”), with a syndicate of lenders and issuers named therein (the “Credit Agreement”). Arconic received \$575 in net proceeds from the Term Loan reflecting upfront fees and costs to enter into the financing arrangement.

The Company used a portion of the \$1,168 in net proceeds from the aggregate indebtedness to make a \$728 payment to ParentCo on April 1, 2020 to fund the transfer of certain net assets from ParentCo to Arconic in connection with the completion of the Separation (see The Separation above). The payment to ParentCo was calculated as the difference between (i) the \$1,168 of net proceeds from the aggregate indebtedness and (ii) the difference between a beginning cash balance at the Separation Date of \$500, as provided for in the Separation and Distribution Agreement, and the amount of cash held by Arconic Corporation Businesses at March 31, 2020 (\$60 – the sum of this amount and the aggregate indebtedness in (i) equals the sum of Cash and cash equivalents and Restricted cash on the Company’s Combined Balance Sheet as of March 31, 2020).

On April 2, 2020, Arconic borrowed \$500, which was subject to an interest rate equal to the sum of the three-month LIBOR plus a 2.0% applicable margin, under the Credit Facility. This borrowing was a proactive measure taken by the Company to bolster its liquidity and preserve financial flexibility in light of uncertainties resulting from the COVID-19 pandemic.

On May 13, 2020, Arconic executed a refinancing of its existing Credit Agreement in order to provide improved financial flexibility. The Company completed a Rule 144A (U.S. Securities Act of 1933, as amended) debt offering for \$700 aggregate principal amount of 6.0% Senior Secured First-Lien Notes due 2025 (the “2025 Notes”). Arconic received \$691 in net proceeds from the debt offering reflecting a discount to the initial purchasers of the 2025 Notes. Additionally, the Company entered into a five-year credit agreement with a syndicate of lenders named therein and Deutsche Bank AG New York Branch, as administrative agent (the “ABL Credit Agreement”). The ABL Credit Agreement provides for a senior secured asset-based revolving credit facility in an aggregate principal amount of \$800 (the available balance as of September 30, 2021 was \$785 – see ABL Credit Agreement in [Note N](#) to the Consolidated Financial Statements in Part I Item 1 of this Form 10-Q), including a letter of credit sub-facility and a swingline loan sub-facility (the “ABL Credit Facility”). In addition, the ABL Credit Facility includes an accordion feature allowing Arconic to request one or more increases to the revolving commitments in an aggregate principal amount up to \$350.

The Company used the net proceeds from the new indebtedness, together with cash on hand, to prepay in full the obligations outstanding under both the Term Loan (\$600) and Credit Facility (\$500) and to terminate in full the commitments under the Credit Agreement.

Descriptions of the 2028 Notes, 2025 Notes, and ABL Credit Agreement are set forth in Note Q to the Consolidated Financial Statements in Part II Item 8 of Arconic’s Annual Report on Form 10-K for the year ended December 31, 2020 (filed on February 23, 2021).

In connection with the issuance of the 2028 Notes and the execution of the Credit Agreement, the Company paid \$42 in discounts to the initial purchasers and/or upfront fees and costs (the “debt issuance costs”), of which \$30 was attributable to the Term Loan and the Credit Facility. The debt issuance costs were initially deferred and were being amortized to interest expense over the respective terms of the 2028 Notes, the Term Loan, and the Credit Facility. In connection with the issuance of the 2025 Notes and the execution of the ABL Credit Agreement, Arconic paid \$15 in discounts to the initial purchasers and/or upfront fees and costs (the “new debt issuance costs”). As a result of applying both debt modification and debt extinguishment accounting, as appropriate based on the lender mix for each debt instrument, to the debt refinancing, the Company was required to write off \$16 of the \$30 in debt issuance costs and immediately expense \$3 of the \$15 in new debt issuance costs. This \$19 was reported within the year-to-date Interest expense on Arconic’s Statement of Consolidated Operations. The remaining \$14 in debt issuance costs continued to be deferred and the remaining \$12 in new debt issuance costs were deferred; both are being amortized to interest expense over the respective terms of the 2025 Notes and the ABL Credit Agreement.

Share Repurchase Program—On May 4, 2021, Arconic announced that its Board of Directors approved a share repurchase program authorizing the Company to repurchase shares of its outstanding common stock up to an aggregate transactional value of \$300 over a two-year period expiring April 28, 2023. In the 2021 third quarter and nine-month period, Arconic repurchased 2,862,694 and 3,108,705 shares, respectively, of the Company’s common stock for \$97 and \$106, respectively, under this program. See Part II Item 2 in this Form 10-Q for additional information.

Investing Activities

Cash used for investing activities was \$125 in the 2021 nine-month period compared with \$24 in the 2020 nine-month period. The use of cash in the 2021 nine-month period was due to \$123 in capital expenditures, more than half of which was attributable to sustaining spend at the U.S. rolling mills. In the 2020 nine-month period, the use of cash was due to \$126 in capital expenditures, mostly offset by \$102 in net proceeds received from the sales of an extrusions plant in South Korea and a rolling mill in Brazil.

Recently Adopted and Recently Issued Accounting Guidance

See [Note B](#) to the Consolidated Financial Statements in Part I Item 1 of this Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Not material.

Item 4. Controls and Procedures.**(a) Evaluation of Disclosure Controls and Procedures**

Arconic's Chief Executive Officer and Chief Financial Officer have evaluated the Company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as of the end of the period covered by this report, and they have concluded that these controls and procedures are effective.

(b) Changes in Internal Control over Financial Reporting

There have been no changes in internal control over financial reporting during the third quarter of 2021 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

The information set forth in “Litigation” in [Note P](#) to the Consolidated Financial Statements in Part I Item 1 of this Form 10-Q is incorporated herein by reference.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

(c) Issuer Purchases of Equity Securities

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs*	Approximate dollar value of shares that may yet be purchased under the plans or programs*
July 1 - July 31, 2021	563,603	\$ 33.41	563,603	\$ 272,000,000
August 1 - August 31, 2021	1,293,844	\$ 34.34	1,293,844	\$ 228,000,000
September 1 - September 30, 2021	1,005,247	\$ 34.27	1,005,247	\$ 194,000,000
Total for quarter ended September 30, 2021	<u>2,862,694</u>		<u>2,862,694</u>	

- * On May 4, 2021, Arconic announced that its Board of Directors approved a share repurchase program authorizing the Company to repurchase shares of its outstanding common stock up to an aggregate transactional value of \$300 million over a two-year period expiring April 28, 2023. Repurchases under the program may be made from time to time, as the Company deems appropriate, solely through open market repurchases effected through a broker dealer, based on a variety of factors such as price, capital position, liquidity, financial performance, alternative uses of capital, and overall market conditions. There can be no assurance as to the number of shares the Company will repurchase. The share repurchase program may be increased or otherwise modified, renewed, suspended or terminated by the Company at any time, without prior notice. This program is intended to comply with Rule 10b5-1 and all purchases shall be made in compliance with Rule 10b-18, including without limitation the timing, price, and volume restrictions thereof.

Item 6. Exhibits.

<u>31.</u>	<u>Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
<u>32.</u>	<u>Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	Arconic Corporation
November 2, 2021	<i>/s/ Erick R. Asmussen</i>
Date	Erick R. Asmussen
	Executive Vice President, Chief Financial Officer
	(Principal Financial Officer)
November 2, 2021	<i>/s/ Mary E. Zik</i>
Date	Mary E. Zik
	Vice President, Controller
	(Principal Accounting Officer)

Certifications

I, Timothy D. Myers, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Arconic Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2021

/s/ Timothy D. Myers

Timothy D. Myers

Chief Executive Officer

I, Erick R. Asmussen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Arconic Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2021

/s/ Erick R. Asmussen

Erick R. Asmussen

Executive Vice President and Chief Financial Officer

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of Arconic Corporation, a Delaware corporation (the “Company”), does hereby certify that:

The Quarterly Report on Form 10-Q for the period ended September 30, 2021 (the “Form 10-Q”) of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 2, 2021 /s/ Timothy D. Myers

Timothy D. Myers

Chief Executive Officer

Date: November 2, 2021 /s/ Erick R. Asmussen

Erick R. Asmussen

Executive Vice President, Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished to the Securities and Exchange Commission as an exhibit to the Form 10-Q and shall not be considered filed as part of the Form 10-Q.