



**ARCONIC**  
Innovation, engineered.

**FOR IMMEDIATE RELEASE**

## **Arconic Reports Second Quarter 2022 Results**

### **Second Quarter 2022 Highlights**

- Sales of \$2.5 billion, up 41% year over year, up 16% from prior quarter
- Net income of \$114 million, or \$1.05 per share, compared with a net loss of \$427 million, or \$3.89 per share, in second quarter 2021
- Adjusted EBITDA of \$204 million, up 9% year over year
- Cash provided from operations of \$162 million

**PITTSBURGH, PA, August 2, 2022** – Arconic Corporation (NYSE: ARNC) (“Arconic” or “the Company”) today reported second quarter 2022 results. Revenue was \$2.5 billion, up 16% from the prior quarter, primarily due to the ramp up of packaging sales in the United States, growth in ground transportation and building and construction sales, ongoing recovery in aerospace, and aluminum prices. The Company reported net income of \$114 million, or \$1.05 per share, compared with a net loss of \$427 million, or \$3.89 per share in second quarter 2021. Second quarter 2022 net income includes after-tax net foreign currency gains of \$48 million. Second quarter 2021 net loss included an after-tax non-cash pension settlement charge of \$423 million.

Second quarter 2022 Adjusted EBITDA was \$204 million, an increase of 9% year over year, driven by strength in aerospace, packaging, and building and construction end markets, and partially offset by weakness in industrial production. Cash provided from operations was \$162 million and capital expenditures were \$33 million.

Tim Myers, Chief Executive Officer, said, “Our business continues to perform near all-time high levels as North American packaging capacity ramps up, aerospace and ground transportation markets recover, and our Building and Construction Systems segment delivers strong performance. We are on track to deliver double-digit adjusted EBITDA growth for a second straight year and, as we announced at our recent investor day, are positioned for several more years of annual growth at similar rates.”

## Second Quarter Segment Performance

Revenue by Segment (in millions)

	Quarter ended	
	June 30, 2022	June 30, 2021
Rolled Products	\$ 2,113	\$ 1,474
Building and Construction Systems	329	257
Extrusions	105	70

Adjusted EBITDA (in millions)

	Quarter ended	
	June 30, 2022	June 30, 2021
Rolled Products	\$ 174	\$ 173
Building and Construction Systems	53	35
Extrusions	(12)	(8)
Subtotal	215	200
Corporate	(11)	(13)
Adjusted EBITDA	\$ 204	\$ 187

### Outlook

The Company is updating its full-year 2022 outlook to reflect the impact of declining aluminum prices on revenue and working capital. Arconic revenue expectations are now in the range of \$9.6 billion to \$10.0 billion for full-year 2022 compared with the prior expected range of \$10.1 billion to \$10.5 billion. This assumes LME aluminum price of \$2,500/mt and Midwest Premium of \$700/mt, reduced from prior assumptions for LME of \$3,350/mt and Midwest Premium of \$850/mt as published in the first quarter 2022 results. Adjusted EBITDA is currently expected to be at the low end of the previously guided range of \$820 million to \$870 million. Free cash flow for full-year 2022 is now anticipated to be approximately \$300 million compared with the prior outlook of approximately \$250 million due to lower working capital use associated with the decline in aluminum prices. This assumes LME aluminum price of \$2,500/mt and Midwest Premium of \$700/mt, reduced from prior assumptions for LME of \$2,870/mt and Midwest Premium of \$830/mt as published in the June 2022 Investor Day presentation.

### Share Repurchase Program

In the 2022 second quarter, the Company repurchased approximately 1.3 million shares for a total of approximately \$37 million. Since the start of the program in May 2021 through June 30, 2022, the Company repurchased approximately 6.7 million shares for a total of approximately \$214 million of the \$300 million two-year authorization.

## **Kawneer Sale Transaction Paused**

The Company announced in early June that it had begun evaluating a sale of its Kawneer business. At this time, the Company is pausing the transaction due to current uncertainty in the debt markets. Kawneer is a very valuable business and the Company does not believe it would receive proper value for it under current economic and market conditions.

**Arconic will hold its quarterly conference call at 10:00 AM Eastern Time on August 2, 2022, to present second quarter 2022 financial results. The call will be webcast on the Arconic website. Call information and related details are available at [www.arconic.com](http://www.arconic.com) under "Investors."**

## **About Arconic**

Arconic Corporation (NYSE: ARNC), headquartered in Pittsburgh, Pennsylvania, is a leading provider of aluminum sheet, plate, and extrusions, as well as innovative architectural products, that advance the ground transportation, aerospace, building and construction, industrial and packaging end markets. For more information: [www.arconic.com](http://www.arconic.com).

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## **Dissemination of Company Information**

Arconic intends to make future announcements regarding Company developments and financial performance through its website at [www.arconic.com](http://www.arconic.com).

## **Forward-Looking Statements**

This release 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 post-retirement benefit plans; projected sources of cash flow; and potential legal liability. 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: (a) 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; (b) deterioration in global economic and financial market conditions generally; (c) unfavorable

changes in the end markets we serve; (d) 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; (e) adverse changes in discount rates or investment returns on pension assets; (f) competition from new product offerings, disruptive technologies, industry consolidation or other developments; (g) the loss of significant customers or adverse changes in customers' business or financial condition; (h) manufacturing difficulties or other issues that impact product performance, quality or safety; (i) the impact of pricing volatility in raw materials and inflationary pressures on our costs of production; (j) a significant downturn in the business or financial condition of a key supplier or other supply chain disruptions; (k) challenges to or infringements on our intellectual property rights; (l) 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; (m) our ability to complete the previously announced sale with respect to our Kawneer® business; (n) the inability to identify or successfully respond to changing trends in our end markets; (o) the impact of potential cyber attacks and information technology or data security breaches; (p) 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; (q) the outcome of contingencies, including legal proceedings, government or regulatory investigations, and environmental remediation and compliance matters; (r) restrictions imposed by authorities on our Russian operations; (s) our ability to complete the announced divestiture of our Russian operations and the impact of such divestiture on our business and operations; (t) reactions to or consequences of our announcement regarding the sale of our Russian operations, including the potential for our Russian operations to be nationalized or otherwise expropriated by the Russian government; (u) the impact of the conflict between Russia and Ukraine on economic conditions in general and on our business and operations; and (v) the other risk factors summarized in Arconic's Form 10-K for the year ended December 31, 2021 and other reports filed with the U.S. Securities and Exchange Commission (SEC). 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 release, and other risks in the market. The statements in this release are made as of the date of this release, even if subsequently made available by Arconic on its website or otherwise. Arconic disclaims any intention or obligation to update publicly any forward-looking statements, whether in response to new information, future events, or otherwise, except as required by applicable law.

### **Non-GAAP Financial Measures**

Some of the information included in this release is derived from Arconic's consolidated financial information but is not presented in Arconic's financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Certain of these financial measures are considered "non-GAAP financial measures" under SEC rules. These non-GAAP financial measures supplement our GAAP disclosures and should not be considered an alternative to any measure of performance or financial condition as determined in accordance with GAAP, and investors should consider Arconic's performance and financial condition as reported under GAAP and all other relevant information when assessing the performance or financial condition of Arconic. Non-GAAP financial measures have limitations as analytical tools, and investors should not consider them in isolation or as a substitute for analysis of the results or financial condition as reported under GAAP. Non-GAAP financial measures presented by Arconic may not be comparable to non-GAAP financial measures presented by other companies. Reconciliations to the most directly comparable GAAP financial measures and management's rationale for the use of the non-GAAP financial measures can be found in the schedules to this release. Arconic has not provided reconciliations of any forward-looking non-GAAP financial measures, such as adjusted EBITDA, and free cash flow, to the most directly comparable GAAP financial measures because such reconciliations are not available without unreasonable efforts due to the

variability and complexity with respect to the charges and other components excluded from the non-GAAP measures, such as the effects of metal price lag, foreign currency movements, unrealized gains or losses on mark-to-market hedging, gains or losses on sales of assets, taxes, and any future restructuring or impairment charges. These reconciling items are in addition to the inherent variability already included in the GAAP measures, which includes, but is not limited to, price/mix and volume. Arconic believes such reconciliations would imply a degree of precision that would be confusing or misleading to investors.

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

	<b>Quarter ended</b>		
	<b>June 30, 2022</b>	<b>March 31, 2022</b>	<b>June 30, 2021</b>
Sales	\$ 2,548	\$ 2,191	\$ 1,801
Cost of goods sold (exclusive of expenses below) <sup>(1)</sup>	2,258	1,956	1,567
Selling, general administrative, and other expenses	73	65	61
Research and development expenses	9	9	9
Provision for depreciation and amortization	62	60	62
Restructuring and other charges <sup>(2)</sup>	<u>2</u>	<u>5</u>	<u>597</u>
Operating income (loss)	144	96	(495)
Interest expense	26	25	25
Other (income) expenses, net <sup>(3)</sup>	<u>(35)</u>	<u>17</u>	<u>15</u>
Income (Loss) before income taxes	153	54	(535)
Provision (Benefit) for income taxes	<u>38</u>	<u>12</u>	<u>(108)</u>
Net income (loss)	115	42	(427)
Less: Net income attributable to noncontrolling interest	<u>1</u>	<u>—</u>	<u>—</u>
<b>NET INCOME (LOSS) ATTRIBUTABLE TO ARCONIC CORPORATION</b>	<b><u>\$ 114</u></b>	<b><u>\$ 42</u></b>	<b><u>\$ (427)</u></b>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ARCONIC CORPORATION COMMON STOCKHOLDERS:</b>			
<b>Basic:</b>			
Net income (loss)	\$ 1.08	\$ 0.40	\$ (3.89)
Weighted-average number of shares	105,650,970	105,407,022	110,035,026
<b>Diluted:</b>			
Net income (loss)	\$ 1.05	\$ 0.39	\$ (3.89)
Weighted-average number of shares <sup>(4)</sup>	108,044,957	108,504,118	110,035,026
<b>COMMON STOCK OUTSTANDING AT THE END OF THE PERIOD</b>	<b>104,499,058</b>	<b>105,784,425</b>	<b>109,933,436</b>

<sup>(1)</sup> On May 14, 2022, the Company and the United Steelworkers reached a tentative four-year labor agreement covering approximately 3,300 employees at four U.S. locations; the previous labor agreement expired on May 15, 2022. The tentative agreement was ratified by the union employees on June 1, 2022. In the quarter ended June 30, 2022, Arconic recognized \$19 in Cost of goods sold primarily for a one-time signing bonus for the covered employees.

<sup>(2)</sup> In the quarter ended June 30, 2021, Restructuring and other charges includes \$568 related to the settlement of a portion of the Company's U.S. defined benefit pension plan obligations as a result of the purchase of a group annuity contract (\$549) and elections by certain plan participants to receive lump-sum benefit payments (\$19).

<sup>(3)</sup> In the quarter ended June 30, 2022, Other income, net includes a \$54 gain for the remeasurement of monetary balances, primarily cash, related to the Company's operations in Russia from rubles to the U.S. dollar. This gain was the result of a significant strengthening of the ruble against the U.S. dollar in the 2022 second quarter.

<sup>(4)</sup> 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, the diluted weighted-average number of shares does not include any common share equivalents as their effect is anti-dilutive.

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

**June 30,**  
**2022**

**December 31,**  
**2021**

**ASSETS**

Current assets:

Cash and cash equivalents	\$ 252	\$ 335
Receivables from customers, less allowances of \$1 in both 2022 and 2021	1,078	922
Other receivables	178	226
Inventories	1,910	1,630
Fair value of hedging instruments and derivatives	173	1
Prepaid expenses and other current assets	83	54
Total current assets	<u>3,674</u>	<u>3,168</u>
Properties, plants, and equipment	7,522	7,529
Less: accumulated depreciation and amortization	<u>4,930</u>	<u>4,878</u>
Properties, plants, and equipment, net	2,592	2,651
Goodwill	308	322
Operating lease right-of-use-assets	116	122
Deferred income taxes	139	229
Other noncurrent assets	84	88
Total assets	<u>\$ 6,913</u>	<u>\$ 6,580</u>

**LIABILITIES**

Current liabilities:

Short term debt <sup>(1)</sup>	\$ 50	\$ –
Accounts payable, trade	1,842	1,718
Accrued compensation and retirement costs	126	116
Taxes, including income taxes	74	61
Environmental remediation	24	15
Operating lease liabilities	32	35
Fair value of hedging instruments and derivatives	6	23
Other current liabilities	102	95
Total current liabilities	2,256	2,063
Long-term debt	1,596	1,594
Accrued pension benefits	635	717
Accrued other postretirement benefits	396	411
Environmental remediation	45	49
Operating lease liabilities	86	90
Deferred income taxes	12	12
Other noncurrent liabilities	79	85
Total liabilities	<u>5,105</u>	<u>5,021</u>

**EQUITY**

Arconic Corporation stockholders' equity:

Common stock	1	1
Additional capital	3,371	3,368
Accumulated deficit	(396)	(552)
Treasury stock	(214)	(161)
Accumulated other comprehensive loss	(969)	(1,111)
Total Arconic Corporation stockholders' equity	1,793	1,545
Noncontrolling interest	15	14
Total equity	<u>1,808</u>	<u>1,559</u>
Total liabilities and equity	<u>\$ 6,913</u>	<u>\$ 6,580</u>

<sup>(1)</sup> Arconic maintains a five-year credit agreement, dated May 13, 2020, 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 (the "ABL Credit Facility") to be used, generally, for working capital or other general corporate purposes. On February 16, 2022, the Company's ABL Credit Agreement was amended to increase the revolving commitments under the ABL Credit Facility to \$1,200 from \$800. The Company borrowed \$100 under this facility in March 2022, of which \$50 was repaid in June 2022. In July 2022, the Company borrowed \$50 under the ABL Credit Facility.

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

	Quarter ended		
	June 30, 2022	March 31, 2022	June 30, 2021
<b>OPERATING ACTIVITIES</b>			
Net income (loss)	\$ 115	\$ 42	\$ (427)
Adjustments to reconcile net income (loss) to cash provided from (used for) operations:			
Depreciation and amortization	62	60	62
Deferred income taxes	30	(4)	(117)
Restructuring and other charges <sup>(1)</sup>	2	5	597
Net periodic pension benefit cost	18	16	18
Stock-based compensation	8	5	5
Amortization of debt issuance costs	1	1	1
Other	(25)	11	1
Changes in assets and liabilities, excluding effects of acquisitions, divestitures, and foreign currency translation adjustments:			
(Increase) in receivables <sup>(2)</sup>	(31)	(110)	(61)
(Increase) in inventories	(98)	(206)	(196)
(Increase) in prepaid expenses and other current assets	(9)	(10)	(13)
Increase in accounts payable, trade	80	116	206
Increase (Decrease) in accrued expenses	11	(28)	(1)
Increase in taxes, including income taxes	4	1	5
Pension contributions <sup>(3)</sup>	(9)	(4)	(252)
Decrease (Increase) in noncurrent assets	-	1	(4)
Increase in noncurrent liabilities	3	1	9
<b>CASH PROVIDED FROM (USED FOR) OPERATIONS</b>	<u>162</u>	<u>(103)</u>	<u>(167)</u>
<b>FINANCING ACTIVITIES</b>			
Net change in short term borrowings (original maturities of three months or less) <sup>(4)</sup>	(50)	100	-
Debt issuance costs	-	(1)	(1)
Repurchases of common stock <sup>(5)</sup>	(37)	(16)	(9)
Other	1	(11)	1
<b>CASH (USED FOR) PROVIDED FROM FINANCING ACTIVITIES</b>	<u>(86)</u>	<u>72</u>	<u>(9)</u>
<b>INVESTING ACTIVITIES</b>			
Capital expenditures	(33)	(95)	(44)
Other	-	1	(3)
<b>CASH USED FOR INVESTING ACTIVITIES</b>	<u>(33)</u>	<u>(94)</u>	<u>(47)</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS AND RESTRICTED CASH</b>	<u>(1)</u>	<u>-</u>	<u>-</u>
Net change in cash and cash equivalents and restricted cash	42	(125)	(223)
Cash and cash equivalents and restricted cash at beginning of period <sup>(6)</sup>	210	335	763
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD<sup>(6)</sup></b>	<u>\$ 252</u>	<u>\$ 210</u>	<u>\$ 540</u>

<sup>(1)</sup> For the quarter ended June 30, 2021, see footnote 2 to the Statement of Consolidated Operations included in this release.

<sup>(2)</sup> In January 2022, the Company entered into a one-year arrangement with a financial institution to sell certain customer receivables outright without recourse on a continuous basis. All such sales are at Arconic's discretion. Under this arrangement, the Company serves in an administrative capacity, including collection of the receivables from the respective customers and remittance of these cash collections to the financial institution. Accordingly, upon the sale of customer receivables to the financial institution, Arconic removes the underlying trade receivables from the Consolidated Balance Sheet and includes the reduction as a positive amount in the (Increase) in receivables line item within Operating Activities on the Statement of Consolidated Cash Flows. In the quarters ended June 30, 2022 and March 31, 2022, the Company sold \$329 and \$221 in customer receivables, respectively, collected \$280 and \$158 in cash from customers, respectively, and remitted \$267 and \$158 in cash collections, respectively, to the financial institution.

<sup>(3)</sup> 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. Arconic had no minimum required funding due in the 2022 first quarter and contributed \$7 in the 2022 second quarter to these two plans. The Company expects to contribute a total of \$15 to these two plans in the remainder of 2022.

<sup>(4)</sup> For the quarters ended June 30, 2022 and March 31, 2022, see footnote 1 to the Consolidated Balance Sheet included in this release.



- <sup>(5)</sup> In May 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 quarters ended June 30, 2022, March 31, 2022, and June 30, 2021, the Company repurchased 1,324,027, 505,982, and 246,011 shares of its common stock, respectively, under this program. Cumulatively, the Company has repurchased 6,742,514 shares of its common stock for \$214 since the program's inception.
- <sup>(6)</sup> Cash and cash equivalents and restricted cash at beginning of period for all periods presented and Cash and cash equivalents and restricted cash at end of period for all periods presented includes Restricted cash of less than \$0.03.

**Arconic Corporation and subsidiaries**  
**Segment Adjusted EBITDA Reconciliation (unaudited)**  
**(in millions)**

	Quarter ended		
	June 30, <u>2022</u>	March 31, <u>2022</u>	June 30, <u>2021</u>
Total Segment Adjusted EBITDA <sup>(1)</sup>	\$ 215	\$ 215	\$ 200
Unallocated amounts:			
Corporate expenses <sup>(2)</sup>	(10)	(9)	(10)
Stock-based compensation expense	(8)	(5)	(5)
Metal price lag <sup>(3)</sup>	30	(36)	(11)
Unrealized gains on mark-to-market hedging instruments and derivatives	21	2	–
Provision for depreciation and amortization	(62)	(60)	(62)
Restructuring and other charges <sup>(4)</sup>	(2)	(5)	(597)
Other <sup>(5)</sup>	(40)	(6)	(10)
Operating income (loss)	144	96	(495)
Interest expense	(26)	(25)	(25)
Other income (expenses), net <sup>(6)</sup>	35	(17)	(15)
(Provision) Benefit for income taxes	(38)	(12)	108
Net income attributable to noncontrolling interest	(1)	–	–
Consolidated net income (loss) attributable to Arconic Corporation	\$ 114	\$ 42	\$ (427)

<sup>(1)</sup> 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 each of (i) Stock-based compensation expense, (ii) Metal price lag (see footnote 3), and (iii) Unrealized (gains) losses on mark-to-market hedging instruments and derivatives (see below). Arconic’s Segment Adjusted EBITDA may not be comparable to similarly titled measures of other companies’ reportable segments.

Effective in the first quarter of 2022, management modified the Company’s definition of Segment Adjusted EBITDA to exclude the impact of unrealized gains and losses on mark-to-market hedging instruments and derivatives. This modification was deemed appropriate as Arconic is considering entering into additional hedging instruments in future reporting periods if favorable conditions exist to mitigate cost inflation. Certain of these instruments may not qualify for hedge accounting resulting in unrealized gains and losses being recorded directly to Sales or Cost of goods sold, as appropriate (i.e., mark-to-market). Additionally, this change was also applied to derivatives that do not qualify for hedge accounting for consistency purposes. The Company does not have a regular practice of entering into contracts that are treated as derivatives for accounting purposes. Ultimately, this change was made to maintain the transparency and visibility of the underlying operating performance of Arconic’s reportable segments. Prior to this change, the Company had a limited number of hedging instruments and derivatives that did not qualify for hedge accounting, the unrealized impact of which was not material to Arconic’s Segment Adjusted EBITDA performance measure. Accordingly, periods prior to the effective date of this change were not recast to reflect this change.

Total Segment Adjusted EBITDA is the sum of the respective Segment Adjusted EBITDA for each of the Company’s three reportable segments: Rolled Products, Building and Construction Systems, and Extrusions. This amount is being presented for the sole purpose of reconciling Segment Adjusted EBITDA to the Company’s Consolidated net income (loss).

<sup>(2)</sup> Corporate expenses are composed of general administrative and other expenses of operating the corporate headquarters and other global administrative facilities.

<sup>(3)</sup> 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.

<sup>(4)</sup> For the quarter ended June 30, 2021, see footnote 2 to the Statement of Consolidated Operations included in this release.

<sup>(5)</sup> 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, including those described as “Other special items” (see footnote 4 to the reconciliation of Adjusted EBITDA within Calculation of Non-GAAP Financial Measures included in this release).

<sup>(6)</sup> For the quarter ended June 30, 2022, see footnote 3 to the Statement of Consolidated Operations included in this release.

**Arconic Corporation and subsidiaries**  
**Calculation of Non-GAAP Financial Measures (unaudited)**  
**(in millions)**

Adjusted EBITDA	Quarter ended		
	June 30, <u>2022</u>	March 31, <u>2022</u>	June 30, <u>2021</u>
Net income (loss) attributable to Arconic Corporation	\$ 114	\$ 42	\$ (427)
Add:			
Net income attributable to noncontrolling interest	1	—	—
Provision (Benefit) for income taxes	38	12	(108)
Other (income) expenses, net <sup>(1)</sup>	(35)	17	15
Interest expense	26	25	25
Restructuring and other charges <sup>(2)</sup>	2	5	597
Provision for depreciation and amortization	62	60	62
Stock-based compensation	8	5	5
Metal price lag <sup>(3)</sup>	(30)	36	11
Unrealized gains on mark-to-market hedging instruments and derivatives	(21)	(2)	—
Other special items <sup>(4)</sup>	<u>39</u>	<u>5</u>	<u>7</u>
Adjusted EBITDA	<u>\$ 204</u>	<u>\$ 205</u>	<u>\$ 187</u>
Sales	\$ 2,548	\$ 2,191	\$ 1,801
Adjusted EBITDA Margin	8.0%	9.4%	10.4%

Arconic's definition of Adjusted EBITDA (Earnings before interest, taxes, depreciation, and amortization) is net margin plus an add-back for the following items: Provision for depreciation and amortization; Stock-based compensation; Metal price lag (see footnote 3); Unrealized (gains) losses on mark-to-market hedging instruments and derivatives (see below); and Other special items. Net margin is equivalent to Sales minus the following items: Cost of goods sold; Selling, general administrative, and other expenses; Research and development expenses; and Provision for depreciation and amortization. Special items are composed of restructuring and other charges, discrete income tax items, and other items as deemed appropriate by management. There can be no assurances that additional special items will not occur in future periods. Adjusted EBITDA is a non-GAAP financial measure. Management believes that this measure is meaningful to investors because Adjusted EBITDA provides additional information with respect to Arconic's operating performance and the Company's ability to meet its financial obligations. The Adjusted EBITDA presented may not be comparable to similarly titled measures of other companies.

Effective in the first quarter of 2022, management modified the Company's definition of Adjusted EBITDA to exclude the impact of unrealized gains and losses on mark-to-market hedging instruments and derivatives. This modification was deemed appropriate as Arconic is considering entering into additional hedging instruments in future reporting periods if favorable conditions exist to mitigate cost inflation. Certain of these instruments may not qualify for hedge accounting resulting in unrealized gains and losses being recorded directly to Sales or Cost of goods sold, as appropriate (i.e., mark-to-market). Additionally, this change was also applied to derivatives that do not qualify for hedge accounting for consistency purposes. The Company does not have a regular practice of entering into contracts that are treated as derivatives for accounting purposes. Ultimately, this change was made to maintain the transparency and visibility of the underlying operating performance of Arconic. Prior to this change, the Company had a limited number of hedging instruments and derivatives that did not qualify for hedge accounting, the unrealized impact of which was not material to Arconic's Adjusted EBITDA. Accordingly, periods prior to the effective date of this change were not recast to reflect this change.

<sup>(1)</sup> For the quarter ended June 30, 2022, see footnote 3 to the Statement of Consolidated Operations included in this release.

<sup>(2)</sup> For the quarter ended June 30, 2021, see footnote 2 to the Statement of Consolidated Operations included in this release.

<sup>(3)</sup> 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.

<sup>(4)</sup> Other special items include the following:

- for the quarter ended June 30, 2022, costs related to a new labor agreement with the United Steelworkers (\$19), a charge for two environmental remediation matters (\$9), costs related to several legal matters, including Grenfell Tower (\$3) and other (\$4), and other items (\$4);
- for the quarter ended March 31, 2022, costs related to several legal matters (\$2), costs related to the packaging restart at the Tennessee rolling mill (\$2), and other items (\$1); and
- for the quarter ended June 30, 2021, a write-down of inventory related to the idling of both the remaining operations at the Chandler (Arizona) extrusions facility and the casthouse operations at the Lafayette (Indiana) extrusions facility (\$4) and costs related to several legal matters (\$3).

Adjusted EBITDA to Free Cash Flow Bridge	Quarter ended				
	June 30, <u>2022</u>	March 31, <u>2022</u>	December 31, <u>2021</u>	September 30, <u>2021</u>	June 30, <u>2021</u>
Adjusted EBITDA <sup>(1)</sup>	\$ 204	\$ 205	\$ 175	\$ 171	\$ 187
Change in working capital <sup>(2)</sup>	(49)	(200)	11	(126)	(51)
Cash payments for:					
Environmental remediation	(2)	(4)	(40)	(23)	(4)
Pension contributions <sup>(3)</sup>	(9)	(4)	(2)	(3)	(252)
Other postretirement benefits	(8)	(8)	(10)	(9)	(10)
Restructuring actions	(1)	(2)	(4)	(2)	(4)
Interest	(23)	(29)	(22)	(28)	(22)
Income taxes	(23)	(4)	(10)	(4)	(6)
Capital expenditures	(33)	(95)	(61)	(51)	(44)
Other <sup>(4)</sup>	<u>73</u>	<u>(57)</u>	<u>(2)</u>	<u>(18)</u>	<u>(5)</u>
Free Cash Flow <sup>(5)</sup>	<u>\$ 129</u>	<u>\$ (198)</u>	<u>\$ 35</u>	<u>\$ (93)</u>	<u>\$ (211)</u>

<sup>(1)</sup> Adjusted EBITDA is a non-GAAP financial measure. See the reconciliation of Adjusted EBITDA included in this release for (i) Arconic's definition of Adjusted EBITDA, (ii) management's rationale for the presentation of this non-GAAP measure, and (iii) a reconciliation of this non-GAAP measure to the most directly comparable GAAP measure.

<sup>(2)</sup> Arconic's definition of working capital is Receivables plus Inventories less Accounts payable, trade.

<sup>(3)</sup> 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.

<sup>(4)</sup> Other includes the impact of metal price lag as follows: 2Q 2022-\$30; 1Q 2022-\$36; 4Q 2021-\$11; 3Q 2021-\$21; and 2Q 2021-\$11. See footnote 3 in reconciliation of Adjusted EBITDA included in this release for additional information on metal price lag.

<sup>(5)</sup> Arconic's definition of Free Cash Flow is Cash from operations less capital expenditures. Free Cash Flow is a non-GAAP financial measure. Management believes that this measure is meaningful to investors because management reviews cash flows generated from operations after taking into consideration capital expenditures, which are both necessary to maintain and expand the Company's asset base and expected to generate future cash flows from operations. It is important to note that Free Cash Flow does not represent the residual cash flow available for discretionary expenditures since other non-discretionary expenditures, such as mandatory debt service requirements, are not deducted from the measure.

- 2Q 2022: Cash provided from operations of \$162 less capital expenditures of \$33 = free cash flow of \$129
- 1Q 2022: Cash used for operations of \$(103) less capital expenditures of \$95 = free cash flow of \$(198)
- 4Q 2021: Cash provided from operations of \$96 less capital expenditures of \$61 = free cash flow of \$35
- 3Q 2021: Cash used for operations of \$(42) less capital expenditures of \$51 = free cash flow of \$(93)
- 2Q 2021: Cash used for operations of \$(167) less capital expenditures of \$44 = free cash flow of \$(211)