



ARCONIC



NEW ARCONIC

# A NEW ARCONIC

April 11, 2017

[www.NewArconic.com](http://www.NewArconic.com)

ELLIOTT®

# Arconic Inc. (NYSE: ARNC) Snapshot

HQ  
Employees  
New York, NY  
41,500

Arconic is a supplier of multi-material sub-components and fabricated aluminum to the aerospace, automotive, commercial transportation, building and construction and industrial end-markets

The Company is organized into three segments each consisting of multiple business units

- Engineered Products & Solutions (EPS)** – 46% of revenue, 58% of profits, 99 facilities, ~24k employees  
 Multi-material fasteners, rolled rings, investment castings, forged sub-components (such as jet engine disks) and titanium mill products into aerospace (75% of segment revenue) and industrial end-markets
- Global Rolled Products (GRP)** – 39% of revenue, 28% of profits, 12 facilities, ~11k employees  
 Rolled aluminum sheet and plate products serving automotive, aerospace and industrial end-markets
- Transportation & Construction Solutions (TCS)** – 15% of revenue, 14% of profits, 46 facilities, ~6k employees  
 Wheel & Transportation Products – cast aluminum wheels for trucks (~38% of TCS); Building & Construction Solutions – aluminum architectural products (~56% of TCS) and Latin American Extrusions (~6% of TCS)

Market Cap **\$11,637**

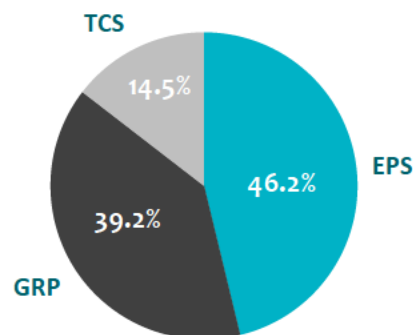
Net Debt **6,211**

FY 2016 Revenue **\$12,394**

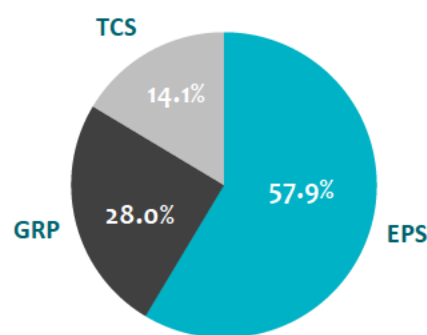
FY 2016 EBITDA **\$1,509**

FY2016 EBITDA  
(ex-Separation Costs) **\$1,702**

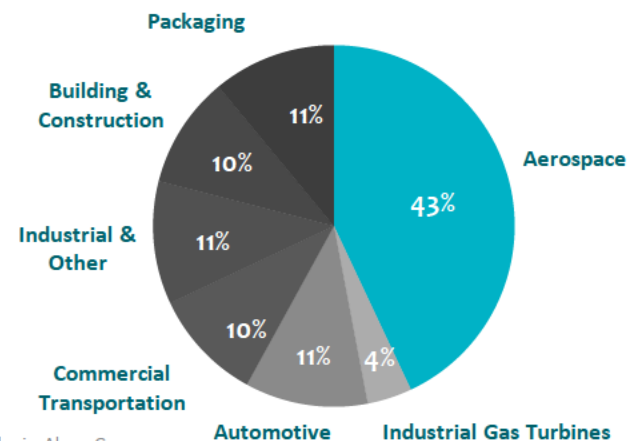
**Business Unit Revenue Contribution**



**Business Unit Profit Contribution**



**Company End Markets by Revenue**



Source: CapitalIQ

Note: Financials as of December 31, 2016, except for market capitalization. Net debt excludes the impact of the monetization of Arconic's stake in Alcoa Corp.



# About Elliott Management

Elliott is an investment firm founded in 1977 that today manages approximately \$33 billion of capital for both institutional and individual investors. Elliott's staff of over 400 employees combine a culture of thoroughness, hard work and creativity, with a focus on long-term value creation

## Elliott's Research and Perspectives on Arconic

Over the last two years, Elliott has performed exhaustive research on the prospects, competitive positioning and valuation of Arconic, a process which included spending tens of millions of dollars, enlisting legal counsel, external consultants and investment banks to advise us, as well as speaking with customers, opinion leaders, engineers, metallurgists, competitors, former employees, senior executives within the various industries that the Company competes, sell-side analysts, corporate governance experts and other investors

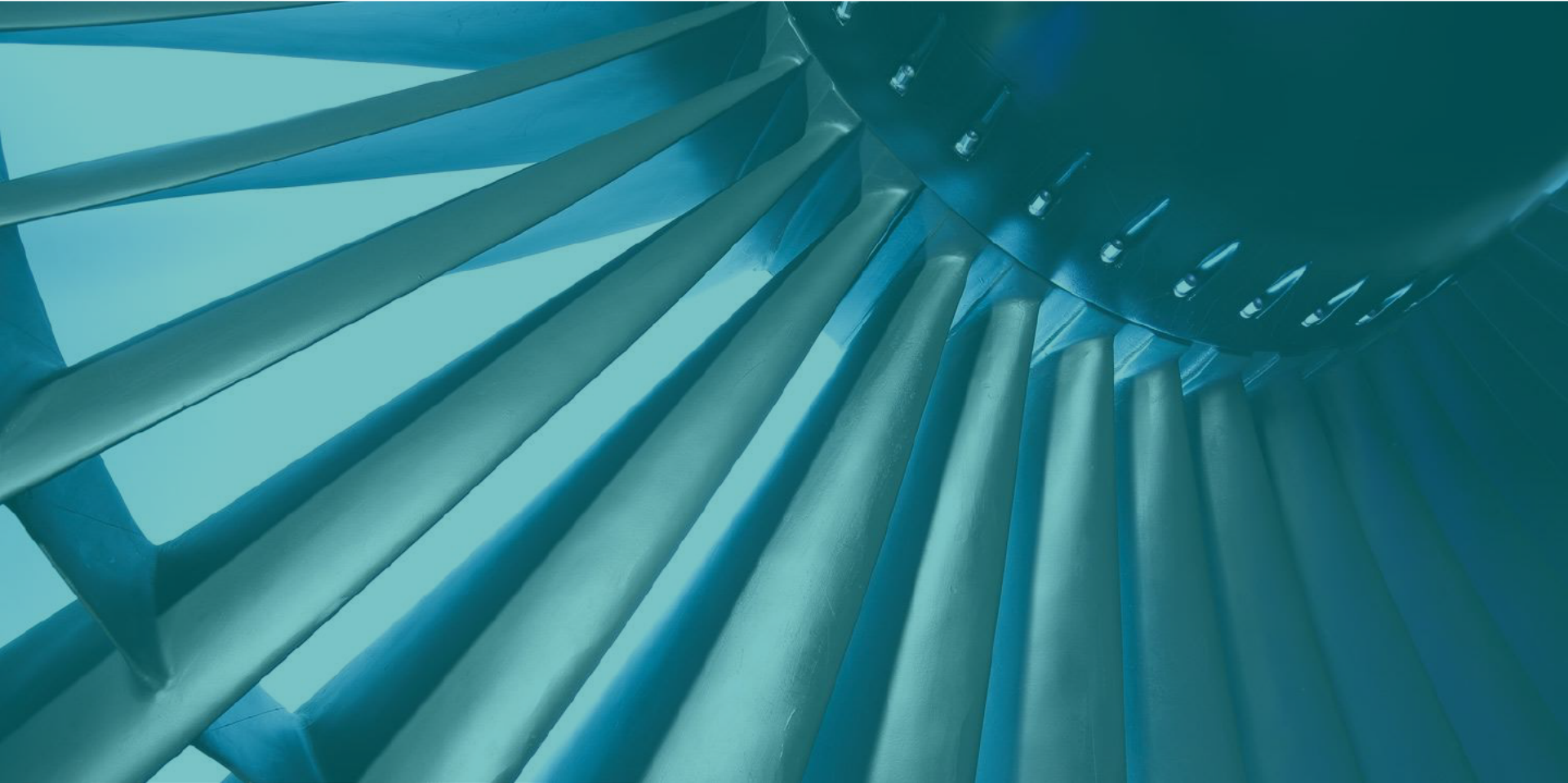
## Elliott Is a Long-Term Investor in Arconic

We have a 13.2% economic ownership in Arconic, valued at over \$1.6 billion. Our commitment to Arconic is demonstrated by the substantial investment we have made in the Company

**Our conclusion from our analysis is clear:  
Arconic's assets are dramatically undervalued and managerial change is needed to unlock the  
Company's full potential for the benefit of all stakeholders**

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# EXECUTIVE SUMMARY

# Why Are We Here?

A company is a collection of people and assets organized by a set of processes to enable the production of goods and services which earn profits sufficient to deliver the requisite compensation to employees and the necessary returns to the providers of capital

It is the role of management to:

- 1) Achieve Operational Excellence: Get the most out of employees and assets in the organization while delivering top quality to customers;
- 2) Manage Talent: Ensure the organization has the right people; and
- 3) Prudently Reinvest: Deploy the profits earned in a manner that produces returns to the providers of capital

## IT IS THE ROLE OF A BOARD TO ENSURE THAT MANAGEMENT IS HELD ACCOUNTABLE

**We are here today because we believe Arconic's management *isn't succeeding at any of these tasks* and yet the Board has failed to act**

For more than a year, Elliott has engaged in private discussions with the Company regarding the numerous ways in which Arconic could improve long-term performance. While we have appreciated the dialogue and remain excited about the Arconic opportunity, we **believe a change in management and Board leadership is needed to enable the Company to sustainably create value**

### Arconic Today

- ▼ Broken Company Culture
- ▼ Incoherent Strategy
- ▼ Poor Operating and Financial Results
- ▼ Abysmal Shareholder Returns

### NEW ARCONIC

- ▲ Put Plants First
- ▲ Build Leverage in the Value Chain
- ▲ Generate Higher Profits
- ▲ Reinvest at High Rates of Return

**Shareholders deserve new leadership capable of generating sustainable long-term value**



# What Is Wrong at Arconic?

## *Under the current CEO and under much of the current board:*

- |  |   |
|--|---|
| Abysmal TSR                                | <ul style="list-style-type: none"><li>● Shareholders' investments were decimated, losing nearly 70% of their value</li><li>● The Company has performed poorly against any peer set over any time period</li></ul>   |
| Poor Operational and Financial Results     | <ul style="list-style-type: none"><li>● Billions in dollars of capital has been invested but has generated little or no return</li><li>● Management's largest acquisition (\$3 billion) has been an abject failure</li><li>● Targets have been missed repeatedly, including all targets in all three businesses for FY 2016</li></ul> |
| Broken Company Culture                     | <ul style="list-style-type: none"><li>● A CEO-centric, consultant-driven, image-obsessed culture has taken hold</li><li>● Consistent with that imperial culture, a value-creating split (which shareholders and analysts had long demanded) was delayed for almost a decade until Elliott's stake building had begun</li></ul>        |
| Poor Governance and Lack of Accountability | <ul style="list-style-type: none"><li>● Shareholder rights have been deliberately frustrated by poor corporate governance practices</li><li>● \$128 million in compensation was lavished upon the CEO by the Board</li><li>● Company assets were used to secure favorable proxy votes</li></ul>                                       |

## *Worst of all, neither the current CEO nor the Board acknowledges a problem, they suggest that:*

- The CEO saved the Company
- Performance has been outstanding
- Targets have been achieved
- Good governance is valued
- Using Company assets to buy proxy votes is acceptable

**Arconic's problems are profound**

# What Is Wrong at Arconic? (cont.)



# Total Shareholder Return: Poor Performance Against Any Peer Set

Dr. Kleinfeld is unambiguously one of the worst performing continuously tenured CEO's in the U.S.

## Alcoa Total Shareholder Return (TSR) % Relative to Peers Under Dr. Klaus Kleinfeld<sup>1</sup>

	1-Year	2-Year	3-Year	4-Year	5-Year	6-Year	7-Year	8-Year	Since CEO
vs. Proxy Peers	(3.0%)	(46.3%)	(11.7%)	(39.1%)	(91.8%)	(120.6%)	(181.6%)	(207.0%)	(155.9%)
vs. Industrials Proxy Peers	(5.6%)	(54.4%)	(36.6%)	(86.8%)	(135.8%)	(149.1%)	(193.7%)	(234.0%)	(186.8%)
vs. Materials Proxy Peers	(2.0%)	(36.5%)	(2.8%)	(23.2%)	(80.7%)	(92.1%)	(173.8%)	(129.0%)	(67.8%)
vs. Aluminum Peers	(12.6%)	(45.6%)	(47.7%)	(18.9%)	(8.8%)	8.3%	0.1%	(75.7%)	(19.7%)
vs. S&P 500 Index	4.1%	(51.5%)	(21.9%)	(48.0%)	(96.7%)	(125.5%)	(154.6%)	(167.5%)	(150.3%)
vs. Elliott Selected Peers	(11.5%)	(40.0%)	(12.0%)	(21.2%)	(45.1%)	(53.8%)	(111.5%)	(129.2%)	(90.5%)

## TSR % Before Elliott Launched Proxy Fight<sup>2</sup>

Arconic	1.5%
Arconic Excluding Alcoa Stake	(4.5%)
2017 Proxy Peer	12.3%
S&P 500 Index	7.8%
New Alcoa	69.0%

## TSR % After Elliott Launched Proxy Fight<sup>3</sup>

Arconic	34.9%
Arconic Excluding Alcoa Stake	39.6%
2017 Proxy Peer	5.2%
S&P 500 Index	5.4%
New Alcoa	4.9%

## TSR % After Elliott Launched Proxy Fight Through April 7<sup>4</sup>

Arconic	20.6%
Arconic Excluding Alcoa Stake	24.9%
2017 Proxy Peer	4.6%
S&P 500 Index	3.8%
New Alcoa	(6.9%)

Source: Bloomberg

Note: See Appendix for constituent companies of Elliott Selected Peers

1. Note: Total shareholder return as of October 31, 2016, the day prior to the separation of Alcoa

2. Note: Total shareholder return from October 31, 2016 to January 31, 2017 post-close low; Arconic and Arconic Excl. Alcoa Stake return calculations based upon share price change over relevant period

3. Note: Total shareholder return from post-close low on January 31, 2017 to March 1, 2017 in the case of Arconic and Alcoa

4. Note: Total shareholder return calculated from January 31, 2017 (post-close low) through April 7, 2017

**The Company's broken culture and incoherent strategy led to both poor asset utilization as well as poor operating performance, ultimately resulting in abysmal TSR**

# Poor Operating and Financial Results

*Since 2013, Arconic has invested \$6.2 billion in its business, reaping a mere \$154 million in incremental NOPAT*

\$6.2B

invested



\$154M incremental NOPAT

Source: Company filings

**Dr. Kleinfeld's broken culture, incoherent strategy and low asset utilization results in profoundly poor operating performance**



# Poor Operating and Financial Results: Summary of Low ROIIC, Missed Targets in Every Business



## Engineered Products and Solutions

- ✗ Missed revenue and EBITDA targets by more than 20%
- ✗ Invested \$5 billion with an ROIIC of only 1.5%
- ✗ Segment margins are shrinking and have consistently lagged PCC



## Firth Rixson

- ✗ Missed revenue and EBITDA targets by over 40% and 60%, respectively
- ✗ \$1.9-\$2.5 billion of value destruction from the 2014 acquisition of this business
- ✗ Performance issues related to a post-transaction exodus of talent



## Global Rolled Products

- ✗ Missed revenue and EBITDA targets
- ✗ Invested \$750 million with an ROIIC of only 3.7%
- ✗ Missed automotive growth targets



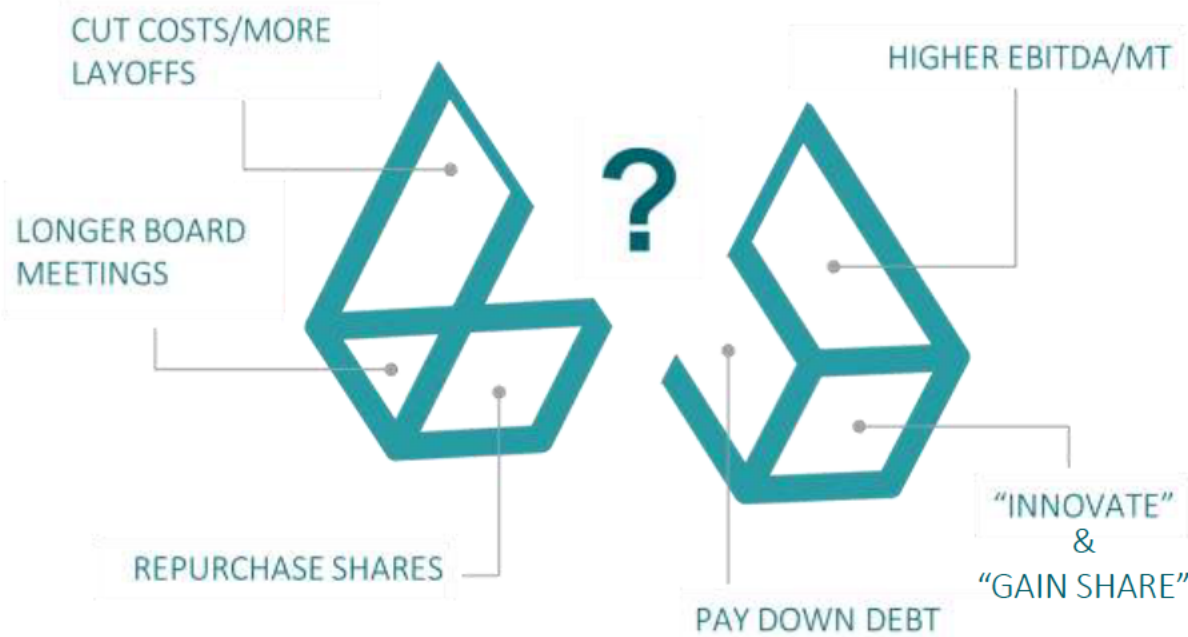
## Transportation & Construction Solutions

- ✗ Missed revenue and EBITDA targets
- ✗ \$210 million invested with an ROIIC of only 4.3%
- ✗ Poor performance is even more remarkable given broader industry tailwinds that have benefited peers

# Incoherent Strategy: Failure to Choose, Establish Fit

Unlike Precision Castparts Corp. (“Precision Castparts” or “PCC”), where management has articulated a clear value proposition and aligned the activities of the organization to achieve those goals, Arconic lacks a clear purpose and seemingly has no idea how to prioritize the steps necessary to accomplish its aims

## What Is Arconic’s Strategy? We Do Not Know



## What Is Strategy?

### Three Key Principles of Strategy

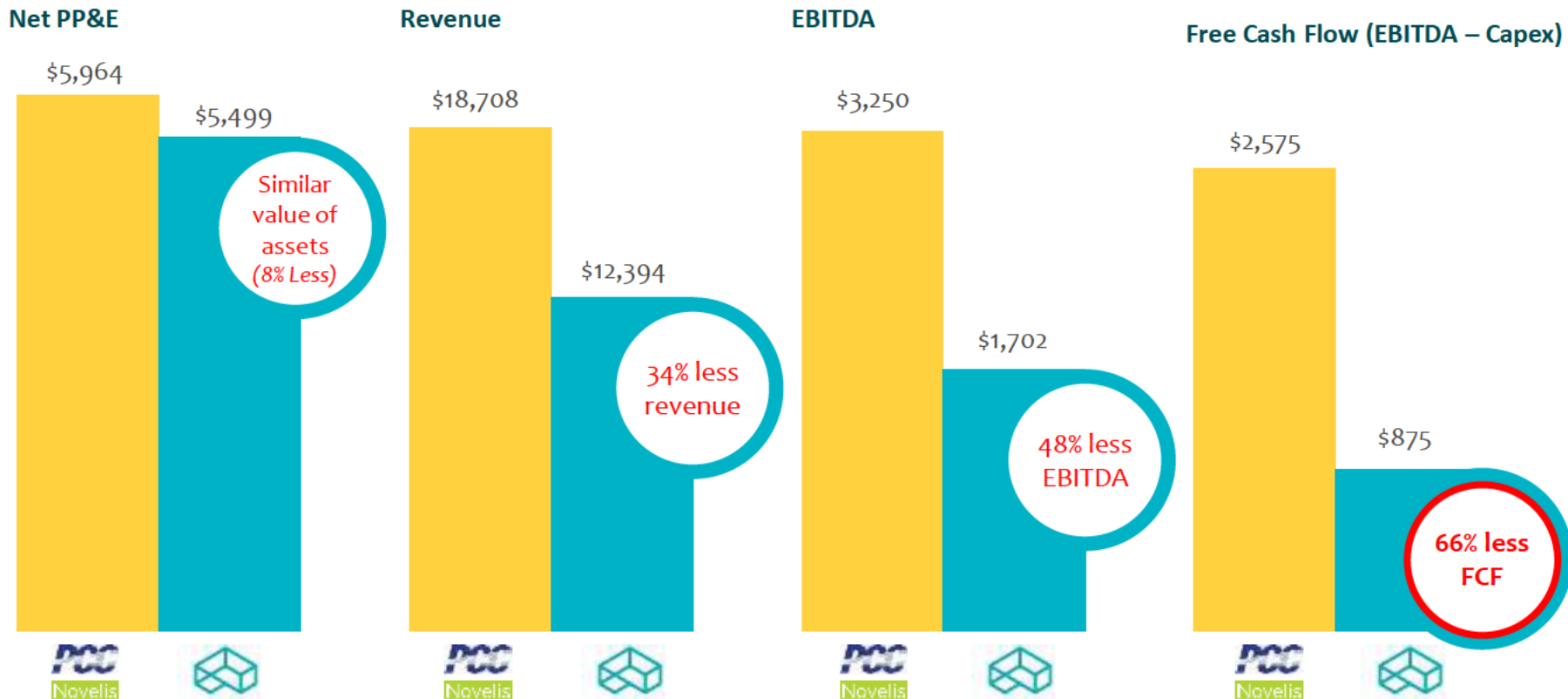
1. Strategy is the creation of a unique and valuable position, involving a different set of activities
2. Strategy requires you to make trade-offs in competing – to choose what not to do
3. Strategy involves creating “fit” among a company’s activities

*Michael E. Porter, “What is Strategy?”,  
Harvard Business Review, November-  
December 1996 Issue*

**Management has not articulated a coherent strategy as to how Arconic’s operating activities further the Company’s goals**

# Poor Underlying Performance: Low Asset Utilization

Arconic has historically identified PCC and Novelis as its primary competitors in EPS and GRP, respectively. A PCC + Novelis ProxyCo is a close approximation of Arconic, but with a little bit greater weight to rolled products



Source: SEC filings

**Lack of a coherent strategy results in assets that do not generate their potential returns**

# Broken Company Culture: Demoralized Employees

Under Dr. Kleinfeld, the Company has put enormous effort into its public image and centralized key decisions in the Company's New York headquarters. This effort is the exact opposite of what we believe is required for a sustainably improved Arconic

## *We believe that Arconic's company culture is broken. Why?*

- ✗ Enormous wasted capital expended on projects that the CEO believes will boost his own image as a global business intellectual, yet these expenditures do not provide benefits to the business
- ✗ Teams of consultants (internal and external) heavily influence the Company's actions, with no clear strategy
- ✗ Massive amounts of time are spent creating marketing materials (investor presentations, websites, videos, conferences), rather than actually operating the Company's assets
- ✗ Egregious compensation for the CEO relative to business performance and also relative to his own team
- ✗ "Shareholders are the enemy" mentality, marked by overt efforts to frustrate shareholder rights and modern governance standards
- ✗ Disempowered plant managers and employees' incentives are largely detached from the success and failure of each operating plant
- ✗ Operational improvements are discussed, but the lack of incentives and emphasis on the advice of NYC-based consultants, (rather than listening to the input of employees) prevents material improvements
- ✗ Horrible symbolism of NYC headquarters, outsized executive compensation, *The Jetsons* marketing campaign and other corporate perks (e.g., G550 jet) amidst layoffs of thousands of employees
- ✗ Pursuit of silver-bullet solutions undermine tangible improvements and organic R&D benefits that could be achieved by empowering workers closest to end customers
- ✗ Challenges to the CEO are met with intimidation: individuals with the fortitude to object to the Company's broken culture are "made an example of"

**Arconic's poor performance originates in its broken company culture. From this broken culture flows many of the Company's problems**



# Broken Company Culture: Disingenuous Rhetoric from CEO

Good leaders share success and take responsibility for failures. At Arconic, the opposite occurs

"Alcoa Corporation would not exist if it hadn't been for me basically creating it."

Dr. Klaus Kleinfeld, February 1, 2017

"[Management] is unequaled in its efforts to put a positive spin on bad news by accentuating the positive and eliminating the negative.... [I]f free cash flow looks bad, it will redefine it.... [S]omeday we will write a treatise on the psychology of earnings reports and presentations. And Alcoa will be our case study.... I think Alcoa is one of the more blatant spin doctors.... [N]othing ever looks bad in management's version of the world, where all the news is good news."

Carol Levenson, Director of Research for Gimme Credit,  
July 11, 2016



**Over nearly two years, Elliott has spoken with hundreds of current and former Arconic employees: key talent is leaving, plants are demoralized and pensioners are scared**

# Poor Governance: Vote Buying Agreement

In Arconic's 2017 proxy statement, the Company disclosed that they had **traded away company assets in exchange for votes**

## NOVEMBER 30, 2014

Alcoa Inc. (now known as Arconic Inc.) purchases Firth Rixson for \$3 billion in cash and stock. CEO Dr. Klaus Kleinfeld promises \$1.6 billion of revenue and \$350 million of EBITDA from the acquisition by 2016.

## NOV 2014 - AUG 2016

Firth Rixson massively underperforms, ultimately bringing in 40% less revenue and 60% less EBITDA than Dr. Kleinfeld promised. Amidst this underperformance, Arconic would likely have potential legal claims against the Seller of Firth Rixson.

## AUGUST 18, 2016

Arconic settles legal claims for \$20 million and an agreement to lock up the vote of approximately 8.7 million shares of Arconic common stock for a period of two years. This Secret August Voting Lock-Up requires the former owner of Firth Rixson to vote any shares of Arconic common stock held as of the March 1st, 2017 record date according to Dr. Kleinfeld's interests at the 2017 Annual Meeting. In entering into the Secret August Voting Lock-Up the day after the August 17th filing of a proxy statement for the reverse stock split, it appears Arconic sought to avoid disclosure of the vote-buying transaction.



## MARCH 16, 2017

Elliott demands answers and accountability, asking Arconic's board for information regarding who negotiated and approved this deal and why it was concealed for seven months.

## MARCH 13, 2017

After the record date for the 2017 Annual Meeting passes, precluding shareholders from buying shares out from under the Secret August Voting Lock-Up, Arconic seeks to bury its disclosure of the agreement in a two sentence paragraph on page 36 of a 135 page regulatory filing.

## OCTOBER 5, 2016

Arconic shareholders approve the reverse stock split. There is no disclosure of the Secret August Voting Lock-Up. Disclosure also not provided in subsequent 10-Q, 10-K, or other regulatory filings.



## MARCH 20, 2017

Arconic waives the Secret August Voting Lock-Up, but refuses to provide important details about the agreement or hold anyone accountable. Arconic claims that it did not previously disclose the agreement as the Company did not know whether or not the Seller of Firth Rixson was a shareholder as of the record date, notwithstanding the fact that one of the Company's own board members is affiliated with the Firth Rixson Seller and the agreement was signed two weeks after the record date for the reverse stock split, which under the Company's own logic should have mandated disclosure of the agreement.

## MARCH 16 - 27, 2017

Arconic refuses to comply with transparency request.

## MARCH 27, 2017

Elliott sends letter to Arconic's board and management in response to the Company's refusal to comply with the information request and inquiries of other shareholders and asks: What is the Company trying to hide?

## MARCH 28 - PRESENT

Company continues to stonewall, refusing to provide shareholders with information relating to the cost and negotiation of the Secret August Voting Lock-up or even a copy of the agreement.

# What Are Elliott's Goals?

Elliott's goals at Arconic are to catalyze a change in leadership in order to repair the Company's culture and improve the Company's performance. Better operating performance will provide Arconic with the necessary resources to invest in growth initiatives, leading to sustainable value creation

## 1) New Leadership:

- ✓ With a long history of operational issues and underperformance, Arconic would benefit from having a leader with successful industry operating experience
- ✓ In order to effectively steward the company, board members must have industry and operating experience. Arconic's products are highly-engineered. The devil is in the details. Our director nominees bring a wealth of experience as both operators and customers in critical areas: forgings and castings, aero-structures and industrial businesses more generally

## 2) Good Governance and Accountability:

- ✓ Separate Chairman and CEO roles
- ✓ Zero outside boards for the CEO for first two years. Maximum of one thereafter
- ✓ Immediately reincorporate in Delaware
- ✓ Annually elected board

## 3) Repair a Broken Culture:

- ✓ Decentralize decision-making and foster an entrepreneurial spirit by incentivizing each business unit and plant to participate in the upside from operational improvements
- ✓ Eliminate the notoriously CEO-centric and image-driven culture (e.g., *The Jetsons* ad campaign, continued headquarters at Lever House in Midtown Manhattan)

## 4) Drive Sustainable World-Class Performance (*Measure, Align, Build Momentum, Aim Higher*):

- ✓ Close the margin gap with Precision Castparts at Engineered Products and Solutions
- ✓ Fix Firth Rixson – 6-12 month dedicated focus for new CEO and key board members (Chris Ayers – Fmr. President Wyman Gordon)
- ✓ "Fill the mill" at Global Rolled Products: focus on utilization
- ✓ Prudently reinvest capital in growth capex and M&A in Arconic's highest return businesses

**These changes will result in sustained performance improvement**

# Plan to Change the Culture and Improve the Business

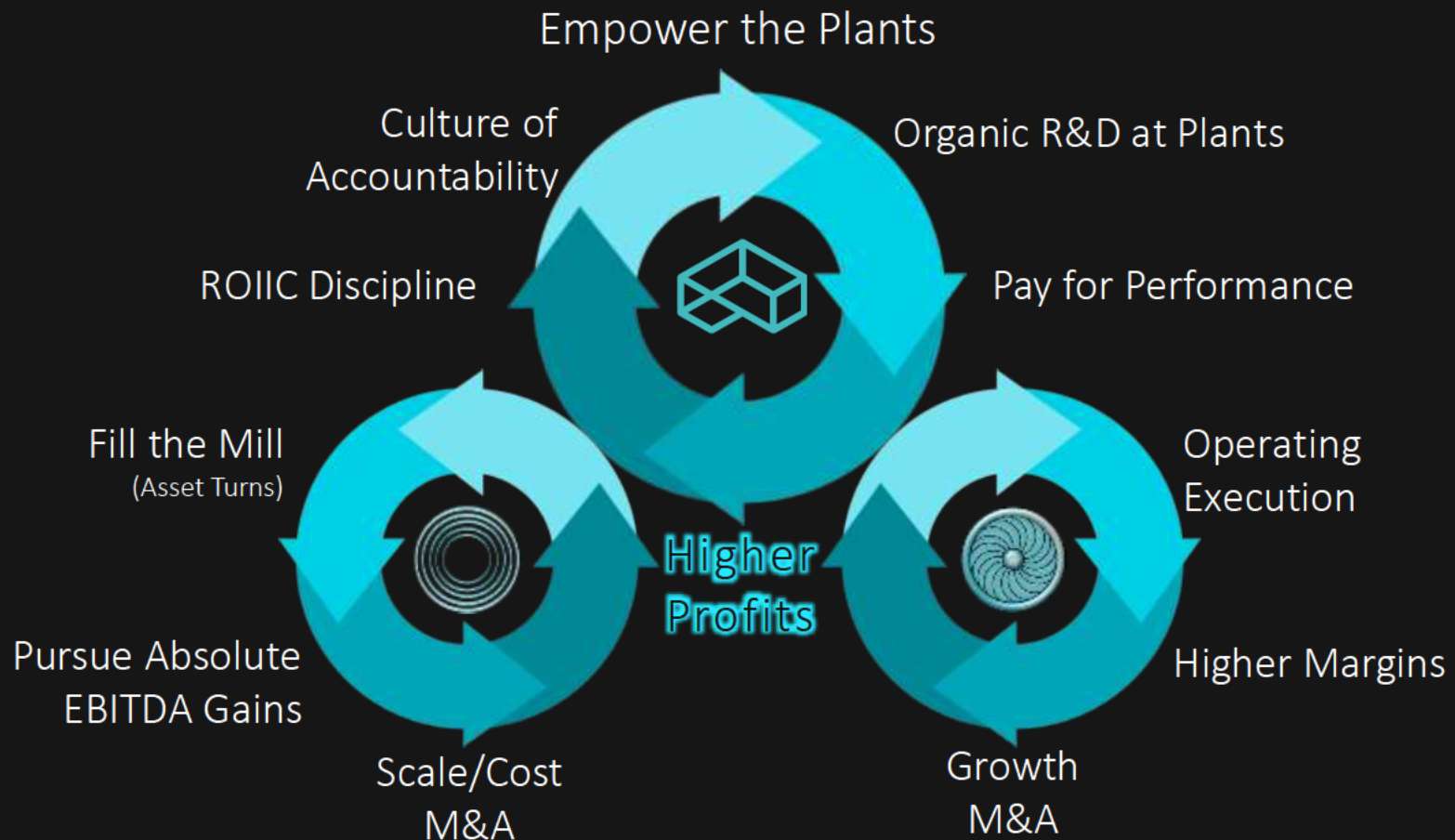
- 1 New CEO**  
*Arconic needs a leader with successful industry operating experience*
- 2 Empower the Plants**  
*Align each plant with goals of the business and handsomely reward employees for achievement*
- 3 Welcome Accountability**  
*Good corporate governance becomes the norm*
- 4 GRP Opportunity**  
*"Fill the Mill" with a focus on asset utilization*
- 5 EPS Opportunity**  
*Close the margin gap with PCC and pursue growth*
- 6 Aim Higher**  
*Focus on returns and performance, raise targets and go for world-class performance*

**A plant-focused, entrepreneurial culture is ready to rise at Arconic**



# Arconic's Value Creating Flywheel

*A coherent strategy at Arconic will yield a sustainable value-creating flywheel*



# Nominees for New Arconic: The Right Team to Lead Change

Our director nominees have the ideal mix of skills and experience to deliver meaningful change at Arconic

*80 years of cumulative aerospace experience, operational expertise, proven value creators, change agents*



## CHRISTOPHER AYERS

- ✓ Unparalleled institutional knowledge with deep relationships in Arconic's plants
- ✓ Successful leader of PCC forging operations, extensive operating experience
- ✓ 23 years of Aerospace experience



## ELMER DOTY

- ✓ 25 years of Aerospace & Defense experience – and long-time customer of Alcoa
- ✓ Proven turn-around operating expert with aerostructures expertise
- ✓ Deep knowledge and relationships with potential Arconic growth partners



## BERND KESSLER

- ✓ 33 years of Aerospace experience
- ✓ Known as Honeywell's "Mr. Fix It" for improving underperforming assets
- ✓ Proven value creator with a history of building durable aftermarket franchises



## PATRICE MERRIN

- ✓ Dynamic change agent with extensive experience leading CEO search committees
- ✓ Proven operating executive with phenomenal track record of value creation
- ✓ Experienced public company director known as a constructive consensus builder

# Shareholder Nominees Best Positioned to Implement Necessary Change

Who is best suited to implement the changes needed to reverse Arconic's historic track-record of epically poor performance and maximize value to the benefit of all shareholders?

## Largest Shareholder and Nominees for Change

Public support in excess of 20% of shares outstanding

Direct economic interest of over 13%

Zero conflicts of interest

Support the removal of failed management

Three directors with relevant aerospace experience

Willing to hold management accountable

Determined to hold those guilty of corrupt practices to account

Zero relationships clouding business judgment

Focused on raising targets to drive real operational improvements

Focused and not overboarded

Endorses a New Arconic plan that empowers the plants and pays for performance

Strong track record of shareholder value creation

Supportive of real, immediate corporate governance improvements

## Incumbent Directors for the Status Quo

No known public shareholder support

Direct economic interest of 0.06%

Troubling interlocks creating obvious conflicts of interest

Support the continued reign of failed management

One director with relevant aerospace experience

Unwilling to hold management accountable

Failed to hold those guilty of corrupt practices to account

Deep, long-standing relationships clouding business judgment

Satisfied with extremely low targets ensuring operational mediocrity

Overboarded and distracted

Endorses business heads and detached NYC headquarters power structure

Track record of shareholder value destruction

Supportive only of insufficient, marginal changes to deficient corporate governance

# Overwhelming Support for Change

35%

price change since Elliott's launch of a proxy contest<sup>1</sup>

*The reaction to Elliott's call for change has been astounding*

*"We, therefore, encourage you to support the changes sought by our fellow shareholders at Elliott Management. We intend to support Elliott's proposed proxy slate because it serves the long-term interests of the Company and its owners."*

First Pacific Advisors, February 6, 2017

*"Independent members of this board, who own less than 0.1% of outstanding shares, continue to disregard the overwhelming publicly expressed desire for leadership change from the company's largest long-term owners, including Orbis."*

Adam Karr, Orbis Investment Management, March 3, 2017

*"Lion Point believes that Elliott's plan for value creation can reverse the past and set new Arconic on a better path to creating shareholder value."*

Lion Point Capital, February 16, 2017

*"It's a CEO problem—there has been no value created."*

Sarat Sethi, Douglas Lane & Associates, February 30, 2017

*"We also acknowledge activism could create an opportunity to highlight value that is even higher at \$40 (and in the range of the activist target) to account for significant margin expansion from current levels, premised on a market P/E of 17x and earnings of \$2.37."*

Morgan Stanley, February 1, 2017

*"In our view, a new CEO is an important positive catalyst to more expeditiously improve the company's operations and increase its margins while rationalizing capital expenditures / M&A opportunities."*

Wolfe Research, February 6, 2017

*"Elliott has a good case. Investor returns under Chief Executive Klaus Kleinfeld, who took over at Alcoa in 2008 and now runs Arconic, have been poor. Investors have seen their stock lose well over half its value under Kleinfeld."*

Reuters, February 1, 2017

*"Saving Klaus from Paul Singer is top priority for its management. Drain the swamp. Let Elliott Management's recommendations prevail. Too many good people are getting hurt throughout this Company."*

Glass Door, March 17, 2017

*"If I were an Arconic shareholder, I would be voting the 'blue card' to bring the dissidents to power."*

Pittsburgh Tribune, March 13, 2017



# Overwhelming Support for Change (cont.)

*The reaction to Elliott's call for change has been astounding*

*"There IS a large margin gap between Arconic's engineered product business (i.e. aerospace fastening systems and other parts) and that of rival Precision Castparts (owned by Berkshire Hathaway Inc.). Its stock HAS underperformed relative to the Alcoa business it spun off. Kleinfeld SHOULD face questions about why he got 2016 guidance so wrong for Arconic."*

Bloomberg, February 7, 2017

*"I think there is a legitimate question that's being raised by Elliott which is how long before Klaus really delivers versus his peers...I think it would be a better company if the Elliott guys got on this board than this current board."*

Jim Cramer, February 1, 2017

*"EPS and PCC Comparison is Warranted: While ARNC has a relatively small large structural castings business at La Porte (~\$300mm), the EPS segment is a global leader in medium sized castings and fasteners. Our analysis suggests EPS should be able to close the gap with PCC to within 100-150bp."*

Credit Suisse, February 9, 2017

*"We see as much as 20% downside if Kleinfeld continues as CEO."*

Gordon Haskett, February 13, 2017

*"Our analysts currently have a price target for ARNC of \$36 per share, but that number could be conservative if Elliot is able to make the proposed changes to the board and bring in Larry Lawson as the new CEO, who has an incredible track record of maximizing shareholder value at his previous posts. Despite ARNC running up over 30% since our recommendation, we still strongly recommend purchasing the stock at current levels."*

The Spin-Off Report, February 3, 2017

*"It is hard to see him [Dr. Kleinfeld] surviving."*

The New York Times, February 28, 2017

*"Beyond just management and board overhaul, the big key is getting a better grasp on spending. This includes its unnecessarily expensive headquarters on Park Ave. in New York City. Out of touch for a company with most of its employees in Pittsburgh."*

Seeking Alpha, March 6, 2017

*"A change in management style would confer more conviction in ARNC's 'undisturbed' margin expansion plan."*

Cowen and Company, March 29, 2017

# How Should You Vote?

## BLUE PROXY CARD

- ✓ Vote to remove Dr. Klaus Kleinfeld, the worst performing continuously tenured CEO in the S&P 500, from Arconic
- ✓ Vote to voice your frustration with years of poor performance
- ✓ Vote to signal to the Board that good corporate governance is not “optional”
- ✓ Vote to tell the Board that exchanging the Company’s assets for votes is not acceptable
- ✓ Vote to add proven change agents and 80 years of aerospace experience to the board
- ✓ Vote to endorse the New Arconic strategy that empowers the plants

## WHITE PROXY CARD

- ✗ Vote to give the worst performing continuously tenured CEO in the S&P 500 more time to run the business
- ✗ Vote to forgive the use of Company’s assets in exchange for supportive proxy votes
- ✗ Vote to support poor decisions by a board that owns less than 1% of the Company
- ✗ Vote to bless the current board who has seen fit to pay Dr. Kleinfeld more than \$128 million over the last 9 years despite lackluster performance
- ✗ Vote to endorse the Company’s business heads and detached NYC power structure





# ABYSMAL SHAREHOLDER RETURNS

ELLIOTT®

# Abysmal Shareholder Returns

## TSR vs. Peers

Poor Performance vs. Any Peer Set

## TSR: Key Points

CEO Tenure; Earnings Calls; Everyday

## The Ultimate Insult: Claiming Good TSR

Arconic's Harmful Acrobatics

## The Market Is Voting for Change

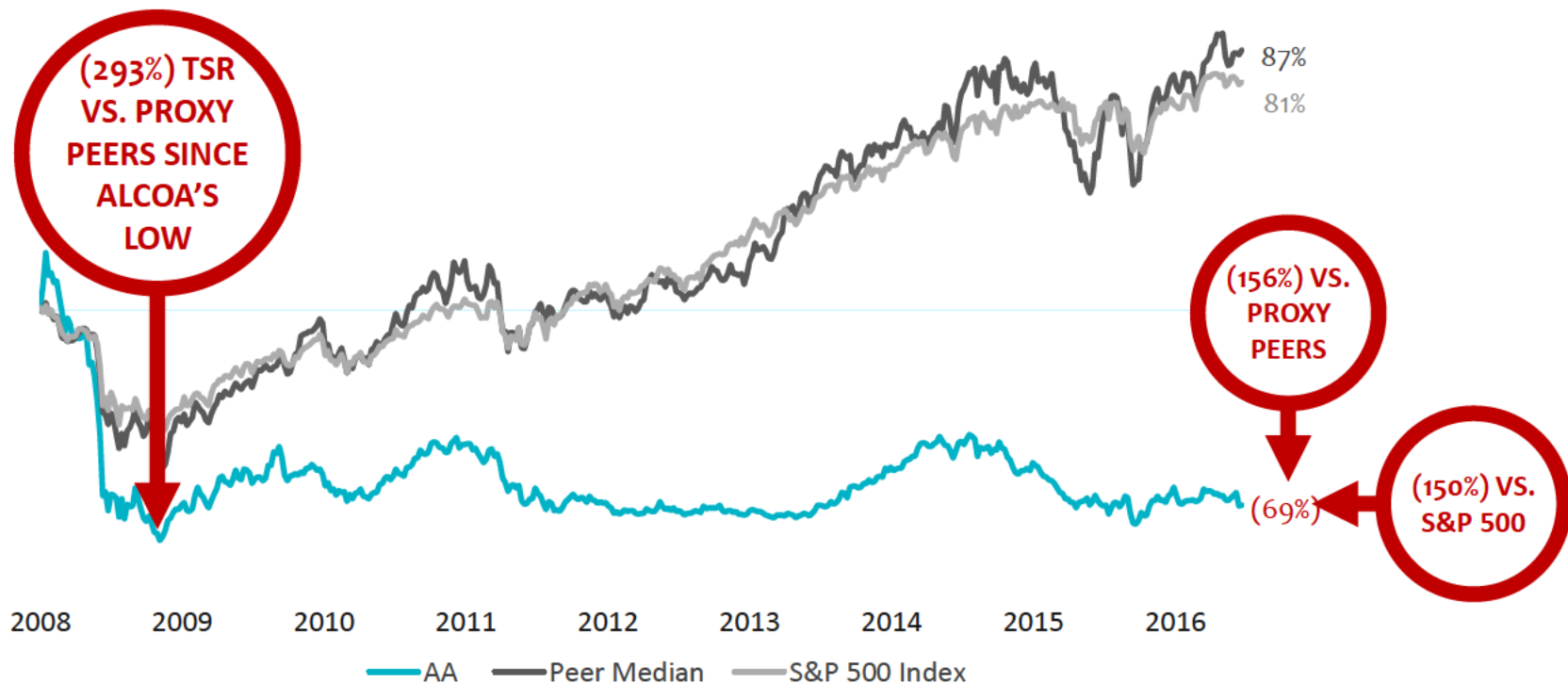
35% TSR Since Elliott Announcement

Under Dr. Klaus Kleinfeld,  
Alcoa had among the worst shareholder  
returns of any U.S. company

# TSR Under Current Management

Since becoming CEO, Dr. Klaus Kleinfeld has underperformed the Company's own self-selected proxy peer median by 156% and the S&P 500 Index by 150%

Alcoa Cumulative TSR % Relative to Peer Median and S&P 500 Under Dr. Klaus Kleinfeld



*"I think then we are creating substantial shareholder value. That's the main driver that we will continue to follow here."*

Dr. Klaus Kleinfeld, April 10, 2012

(54%)  
TSR

vs. Proxy Peers since quote

Source: Bloomberg

Note: Total shareholder return calculated May 1, 2008 through October 31, 2016, the day prior to the separation of Alcoa

Note: Alcoa's self-selected proxy peers defined in Appendix

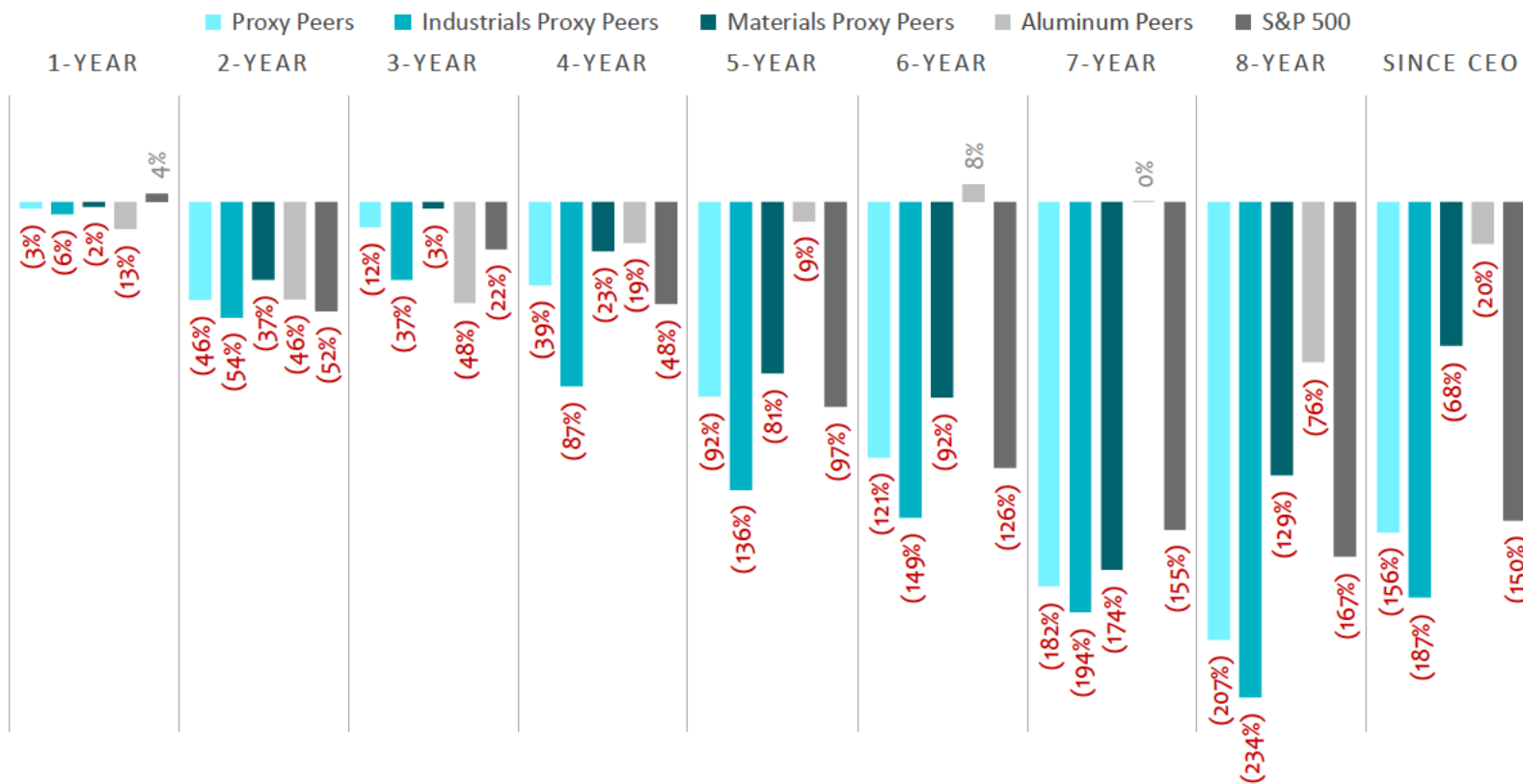
Note: Alcoa low point was March 6, 2009

Source for all quotes in this presentation, Bloomberg transcripts, unless otherwise indicated. Emphasis added by Elliott for all quotes throughout this presentation

# TSR Under Dr. Kleinfeld: Arconic vs. Company Selected Peers

Under Dr. Kleinfeld, the Company massively underperformed virtually all peer groups over virtually all periods

Alcoa Cumulative TSR Relative to Each Peer Median and the S&P 500 Index Under Dr. Kleinfeld



Source: Bloomberg

Note: Cumulative total shareholder return numbers are trailing as of October 31, 2016, the day prior to the separation of Alcoa

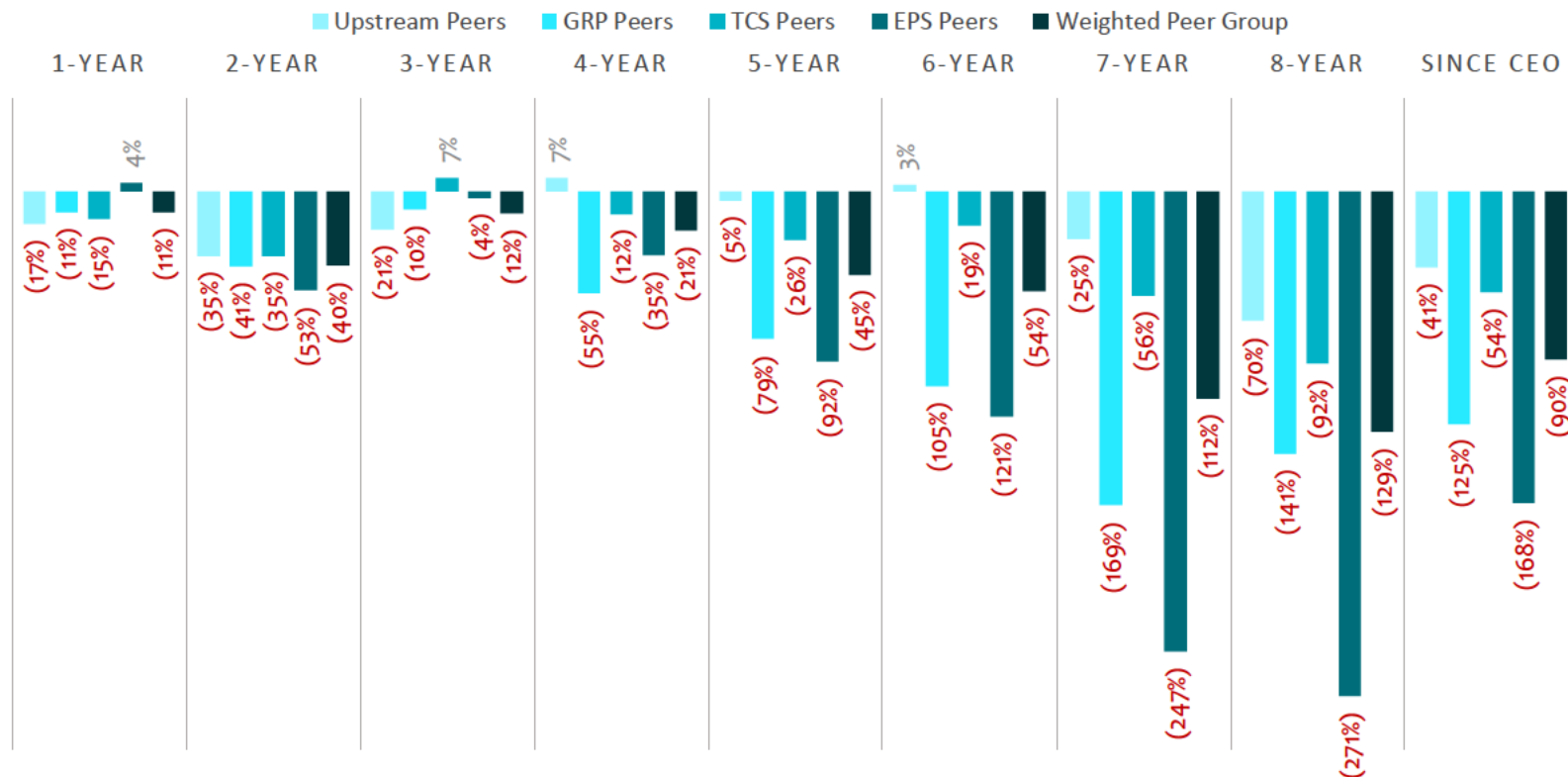
Note: Since CEO TSR calculated May 1, 2008 through October 31, 2016

Note: Proxy Peers, Industrials Proxy Peers, Materials Proxy Peers, Aluminum Peers defined in Appendix

# TSR Under Dr. Kleinfeld: Arconic vs. Elliott Selected Peers

Elliott has constructed a peer group of comparable companies that best represent, in our view, peers for each area of the Company's business units prior to the split of AA/ARNC. Peers are weighted by 2008-2016 revenue contribution (Upstream 43%, GRP 31%, EPS 18% and TCS 8.5%)

Alcoa Cumulative TSR % Relative to Elliott Selected Peer Median Under Dr. Kleinfeld



Source: Bloomberg

Note: Cumulative total shareholder return numbers are trailing as of October 31, 2016, the day prior to the separation of Alcoa

Note: Since CEO TSR calculated May 1, 2008 through October 31, 2016

Note: Upstream Peers, GRP Peers, TCS Peers, EPS Peers defined in Appendix



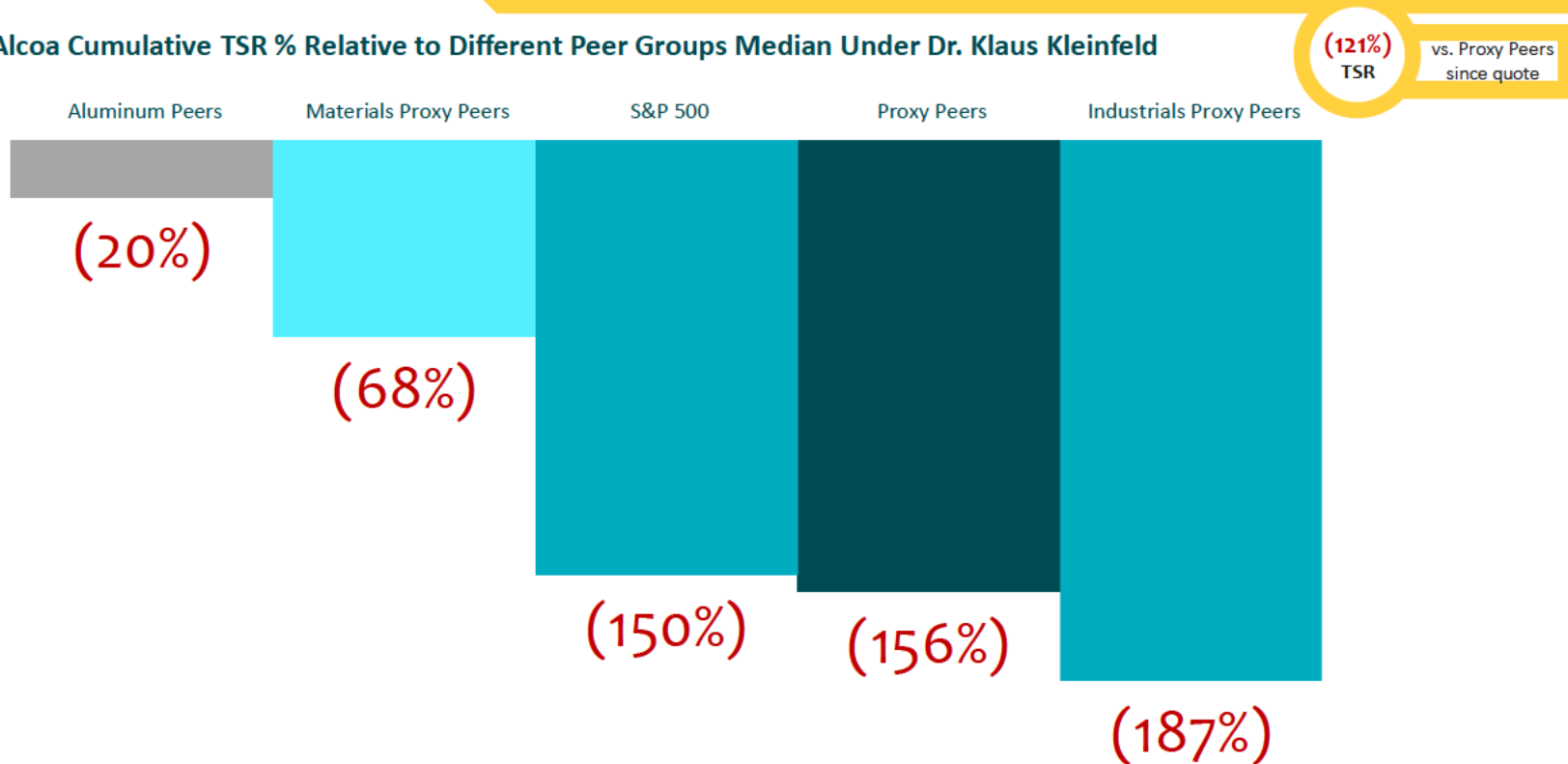
# Underperformance Regardless of Peer Set

Under Dr. Klaus Kleinfeld, the Company underperformed all of its peer groups

“So, this is the framework that we use at Alcoa to look at sustainability, and it starts with the shareholder value in the center.”

Dr. Klaus Kleinfeld, November 10, 2010

Alcoa Cumulative TSR % Relative to Different Peer Groups Median Under Dr. Klaus Kleinfeld



Source: Bloomberg

Note: Total shareholder return numbers calculated May 1, 2008 through October 31, 2016, the day prior to the separation of Alcoa

Note: Aluminum Peers and Proxy Peers defined in Appendix

Note: Materials Proxy Peers defined as du Pont (E.I.) de Nemours, The Dow Chemical Co., Freeport-McMoRan Inc., Huntsman Corp., International Paper Co., LyondellBassell Industries, PPG Industries Inc., Newmont Mining Corp., Nucor Corp. and United States Steel Corp.

Note: Industrials Proxy Peers defined as 3M Co., Cummins Inc., Danaher Corp., Deere & Co., Eaton Corp. plc, Emerson Electric Co., General Dynamics Corp., L-3 Communications Holdings, Northrop Grumman Corp. and Raytheon Company

# How We Benchmark Dr. Kleinfeld's Performance

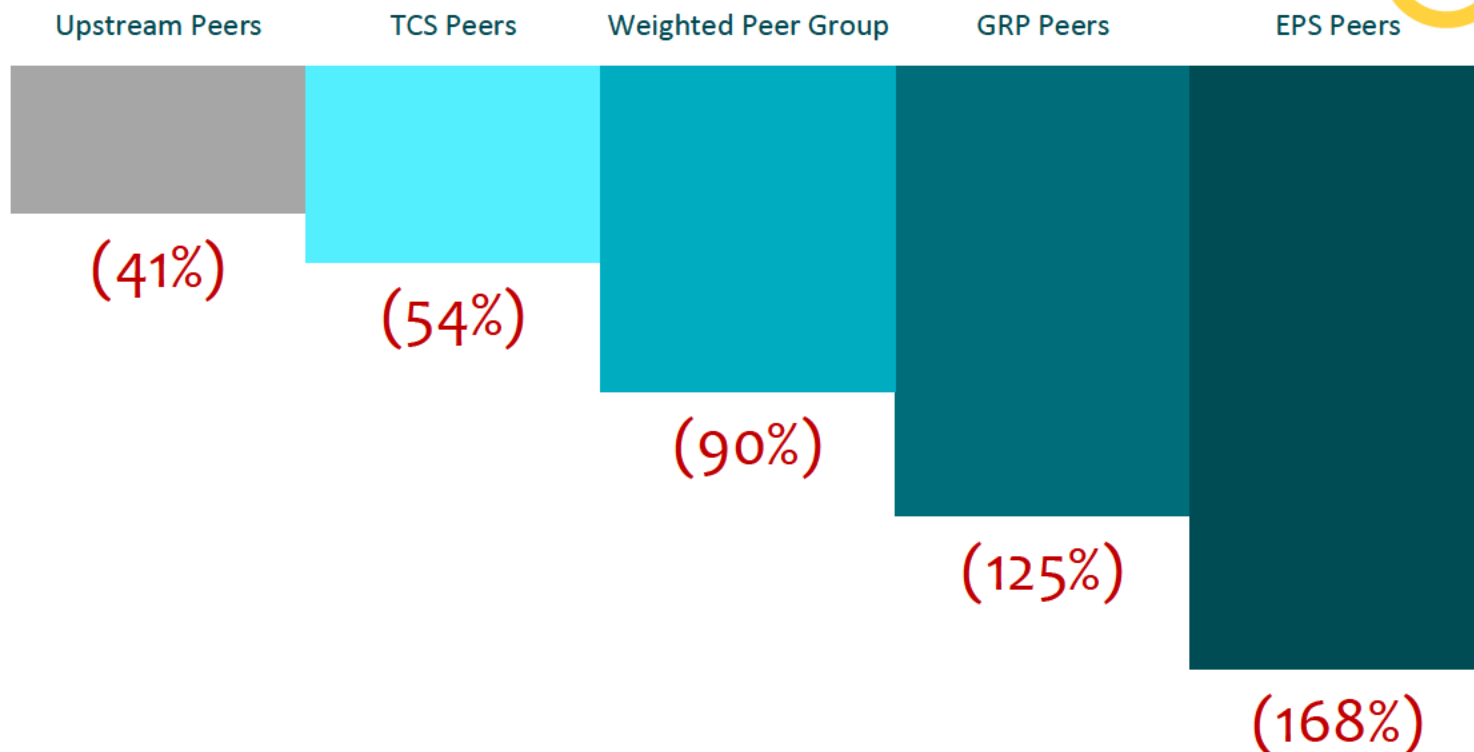
Against what we believe is a fully objective list of peer companies, Dr. Kleinfeld demonstrates profound underperformance

"You see that very clearly in the mid and the downstream segment, but also in the upstream segment because there we are focusing on reducing costs as well as optimizing our asset base to get it lower on the cost curve. We have shown sustained improvement in productivity in all of the three groups and we intend to continue that."

Dr. Klaus Kleinfeld, October 9, 2012

## Alcoa TSR % vs. Elliott Peer Groups During Dr. Kleinfeld's Tenure

(50%)  
TSR  
vs. Proxy Peers  
since quote



Source: Bloomberg

Note: Total shareholder return numbers calculated May 1, 2008 through October 31, 2016, the day prior to the separation of Alcoa

Note: Upstream Peers, TCS Peers, GRP Peers and EPS Peers defined in Appendix

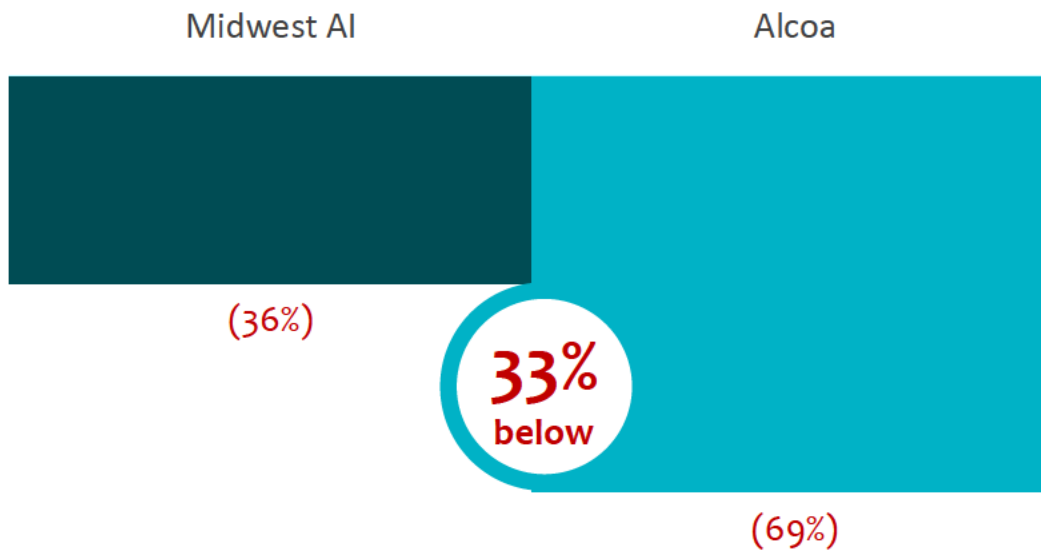
# Alcoa vs. Aluminum Commodity

“The comparison to companies is good. And obviously, we are a commodity company. And in the commodity space, I mean, we like it to be dependent on aluminum. We love aluminum. But unfortunately, aluminum is not gold. But fortunately, aluminum also isn't plastic, right? So we are at a good spot here. But if you want to compare our performance, we believe you've really got it compared against the peers. And the peers that you see here are really our competitors. Those are the aluminum and alumina companies that exist around the world. So when you look at that, you actually do see that Alcoa has gained 9.6% on the total shareholder returns. Whereas our peers, the real peers have lost 7.5%. That I think is an important way to look at it, and I think it's the only way to look at it in a fair, fair fashion.”

Dr. Klaus Kleinfeld, May 6, 2011

## Cumulative Alcoa Share Performance vs. Aluminum Commodity During CEO Tenure

(21%)  
TSR vs. Company Selected “Fair”  
Aluminum Peers since quote



# Performance of Proxy Peer Group CEO's

"And as the uncertainty exists, I also want to assure you that we will not lose sight of our true north, which is accelerating shareholder value through profitable growth."

Dr. Klaus Kleinfeld, October 11, 2011

## Performance of Peer Group's CEOs: TSR%

**128%**  
**WORSE THAN THE  
 PEER AVERAGE  
 CEO**

**(100%)**  
 TSR  
 vs. S&P 500  
 since quote



Source: Bloomberg

Note: Total shareholder return calculated from beginning of each CEO's tenure to October 31, 2016, the day prior to the separation of Alcoa

Note: Peers are Alcoa's 2016 self-selected proxy peers and Alcoa's self-selected aluminum company peers as defined in Appendix

# TSR % vs. Company Selected Peers

	1-Year	2-Year	3-Year	4-Year	5-Year	6-Year	7-Year	8-Year	Since CEO
<b>Company's Proxy Peers</b>									
3M Co.	1%	(55%)	(35%)	(90%)	(147%)	(150%)	(185%)	(224%)	(235%)
Cummins Inc.	(19%)	(35%)	(1%)	(29%)	(52%)	(86%)	(258%)	(483%)	(199%)
Danaher Corp.	(3%)	(72%)	(38%)	(88%)	(126%)	(167%)	(228%)	(266%)	(239%)
Deere & Co.	(8%)	(51%)	(11%)	1%	(39%)	(56%)	(146%)	(185%)	(97%)
Eaton Corp. plc	(10%)	(42%)	8%	(30%)	(71%)	(95%)	(178%)	(269%)	(156%)
Emerson Electric Co.	(3%)	(27%)	23%	0%	(25%)	(30%)	(83%)	(106%)	(93%)
General Dynamics Corp.	5%	(54%)	(78%)	(124%)	(179%)	(179%)	(203%)	(212%)	(174%)
L3 Technologies Inc.	(2%)	(59%)	(38%)	(86%)	(146%)	(148%)	(149%)	(117%)	(121%)
Northrop Grumman Corp.	(15%)	(114%)	(118%)	(249%)	(374%)	(386%)	(524%)	(580%)	(396%)
Raytheon Company	(10%)	(79%)	(69%)	(151%)	(271%)	(269%)	(288%)	(244%)	(239%)
du Pont (E.I.) de Nemours	(2%)	(52%)	(22%)	(66%)	(81%)	(106%)	(202%)	(207%)	(169%)
The Dow Chemical Co.	1%	(59%)	(46%)	(91%)	(137%)	(135%)	(203%)	(174%)	(150%)
Freeport-McMoRan Inc.	14%	18%	74%	82%	63%	50%	45%	(2%)	5%
Huntsman Corp.	(25%)	(16%)	27%	(8%)	(80%)	(68%)	(178%)	(129%)	(68%)
International Paper Co.	(2%)	(37%)	(6%)	(27%)	(102%)	(143%)	(169%)	(251%)	(200%)
PPG Industries Inc.	18%	(36%)	0%	(48%)	(141%)	(192%)	(297%)	(361%)	(336%)
Newmont Mining Corp.	(82%)	(141%)	(40%)	40%	36%	11%	(12%)	(65%)	(66%)
Nucor Corp.	(11%)	(38%)	5%	(19%)	(58%)	(78%)	(72%)	(64%)	(57%)
United States Steel Corp.	(60%)	9%	29%	21%	15%	31%	24%	37%	17%
LyondellBassell Industries	19%	(35%)	(12%)	(61%)	(258%)	(365%)	(441%)		
<b>Company's Selected Aluminum Peers</b>									
Aluminum Corporation of China Limited	(6%)	(25%)	5%	30%	27%	40%	50%	(8%)	9%
United Company RUSAL plc	11%	(12%)	(21%)	45%	54%	48%			
Norsk Hydro ASA	(16%)	(45%)	(44%)	(43%)	(53%)	(40%)	(42%)	(76%)	(35%)
Alumina Limited	(47%)	(54%)	(73%)	(77%)	(31%)	(19%)	(39%)	(18%)	(14%)
National Aluminum Company Limited	(40%)	(46%)	(68%)	(23%)	(5%)	13%	8%	(78%)	(30%)
Shangdong Nanshan Aluminum Co., Ltd.	(9%)	(56%)	(51%)	(14%)	(12%)	4%	0%	(90%)	(20%)

Source: Bloomberg

Note: Total shareholder return numbers as of October 31, 2016, the day prior to the separation of Alcoa; Since CEO starts May 1, 2008

# TSR % vs. Elliott's Peer Selection

	1-Year	2-Year	3-Year	4-Year	5-Year	6-Year	7-Year	8-Year	Since CEO
<b>EPS Peers</b>									
Precision Castparts Corp.	(21%)	(63%)	(13%)	(50%)	(76%)	(113%)	(185%)	(295%)	(176%)
Senior plc	29%	(10%)	41%	19%	(23%)	(73%)	(247%)	(284%)	(170%)
Barnes Group Inc.	1%	(53%)	(10%)	(69%)	(92%)	(167%)	(196%)	(226%)	(146%)
RBC Bearing Inc.	4%	(59%)	(4%)	(35%)	(94%)	(147%)	(260%)	(217%)	(150%)
Trimas Corp.	19%	(13%)	46%	27%	(25%)	(64%)	(418%)	(477%)	(311%)
Lisi S.A.	(15%)	(80%)	(18%)	(166%)	(160%)	(220%)	(405%)	(360%)	(201%)
Woodward Inc.	(22%)	(59%)	(45%)	(60%)	(92%)	(121%)	(182%)	(103%)	(149%)
<b>GRP Peers</b>									
Kaiser Aluminum Corp.	17%	(50%)	(8%)	(15%)	(79%)	(104%)	(126%)	(164%)	(98%)
AMAG Austria Metall AG	8%	(76%)	(59%)	(55%)	(154%)				
Constellium N.V.	(31%)	32%	79%						
UACI Corp.	(40%)	(31%)	(12%)	(85%)	(73%)	(105%)	(211%)	(118%)	(153%)
<b>TCS Peers</b>									
Superior Industries International, Inc.	(20%)	(76%)	(37%)	(48%)	(76%)	(90%)	(153%)	(137%)	(129%)
Accuride Corporation	22%	8%	39%	23%	58%	59%			
Titan International Inc.	(35%)	(39%)	36%	66%	51%	8%	(40%)	4%	(6%)
Meritor Inc.	14%	(31%)	(43%)	(105%)	(21%)	17%	(48%)	(87%)	(38%)
NCI Building Systems Inc.	(29%)	(14%)	7%	(12%)	(64%)	(64%)	(64%)	78%	20%
Quanex Building Products Corporation	21%	(24%)	11%	31%	(26%)	(19%)	(33%)	(98%)	(71%)
CRH plc	(44%)	(142%)	(84%)	(139%)	(200%)	(220%)	(143%)	(194%)	(177%)
SFS Group AG	(11%)	(57%)							
<b>Upstream Peers</b>									
Rio Tinto plc	(18%)	(48%)	4%	7%	(10%)	(9%)	(52%)	(64%)	(47%)
Norsk Hydro ASA	(16%)	(45%)	(44%)	(43%)	(53%)	(40%)	(42%)	(76%)	(35%)
Hindalco Industries Limited	(71%)	(35%)	(27%)	(20%)	(19%)	3%	(49%)	(176%)	(63%)
Aluminum Corporation of China Limited	(6%)	(25%)	5%	30%	27%	40%	50%	(8%)	9%
National Aluminum Company Limited	(40%)	(46%)	(68%)	(23%)	(5%)	13%	8%	(78%)	(30%)
United Company RUSAL plc	11%	(12%)	(21%)	45%	54%	48%			
BHP Billiton Limited	5%	(23%)	29%	23%	10%	(0%)	(9%)	(35%)	(54%)
South32 Limited	(68%)								

Source: Bloomberg

Note: Total shareholder return numbers as of October 31, 2016, the day prior to the separation of Alcoa; Since CEO starts May 1, 2008





# Abysmal Shareholder Returns

## TSR vs. Peers

Poor Performance vs. Any Peer Set

## TSR: Key Points

CEO Tenure; Earnings Calls; Everyday

## The Ultimate Insult: Claiming Good TSR

Arconic's Harmful Acrobatics

## The Market Is Voting for Change

35% TSR Since Elliott Announcement

# “The Right Point in Time”

Dr. Kleinfeld claims that the right way to evaluate his TSR record is to look at how shares have performed since the financial crisis

“If you look at that point in time when after the crisis – look at the TSR, the TSR has gone up almost 90%. That’s the right point in time. And they [Elliott] know it, by the way.”

Dr. Klaus Kleinfeld, February 1, 2017

(293%)

TSR vs. Proxy Peers since Alcoa low

(201%)

TSR vs. S&P 500 companies in the index on the day of Alcoa low

(167%)

TSR vs. S&P 500 Index since Alcoa low

(148%)

TSR vs. Elliott Selected Peers since Alcoa low

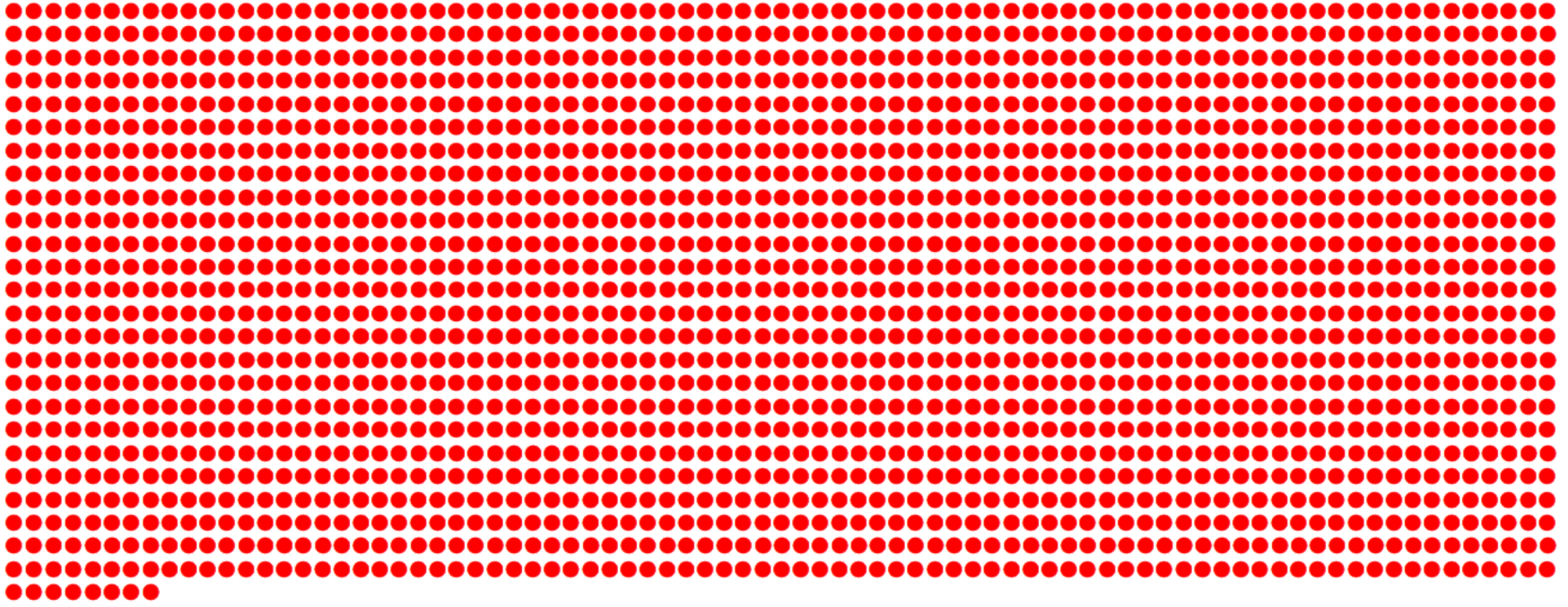


Source: Bloomberg  
Note: Total shareholder return numbers calculated March 6, 2009 through October 31, 2016, the day prior to the separation of Alcoa  
Note: Proxy Peers defined in Appendix

# 99% Chance of Losing

Between May 1, 2008 and November 23, 2015, the date Elliott filed its 13-D and brought the prospect of regime change to the fore, Alcoa had 1,905 trading days. On 99% of those days, shareholders would have been better off buying the S&P 500 index as opposed to Alcoa stock. Between May 1, 2008 and October 31, 2016, the day of the split, Alcoa had 2,141 trading days. On 95% of those days, shareholders would have been better off buying the S&P 500 Index

## 2033 Trading Days Where Investors Would Have Been Better-Off Buying the S&P 500 Index Than Alcoa stock



## 108 Trading Days Where Investors Would Have Been Better-Off Buying Alcoa Stock Than the S&P 500 Index



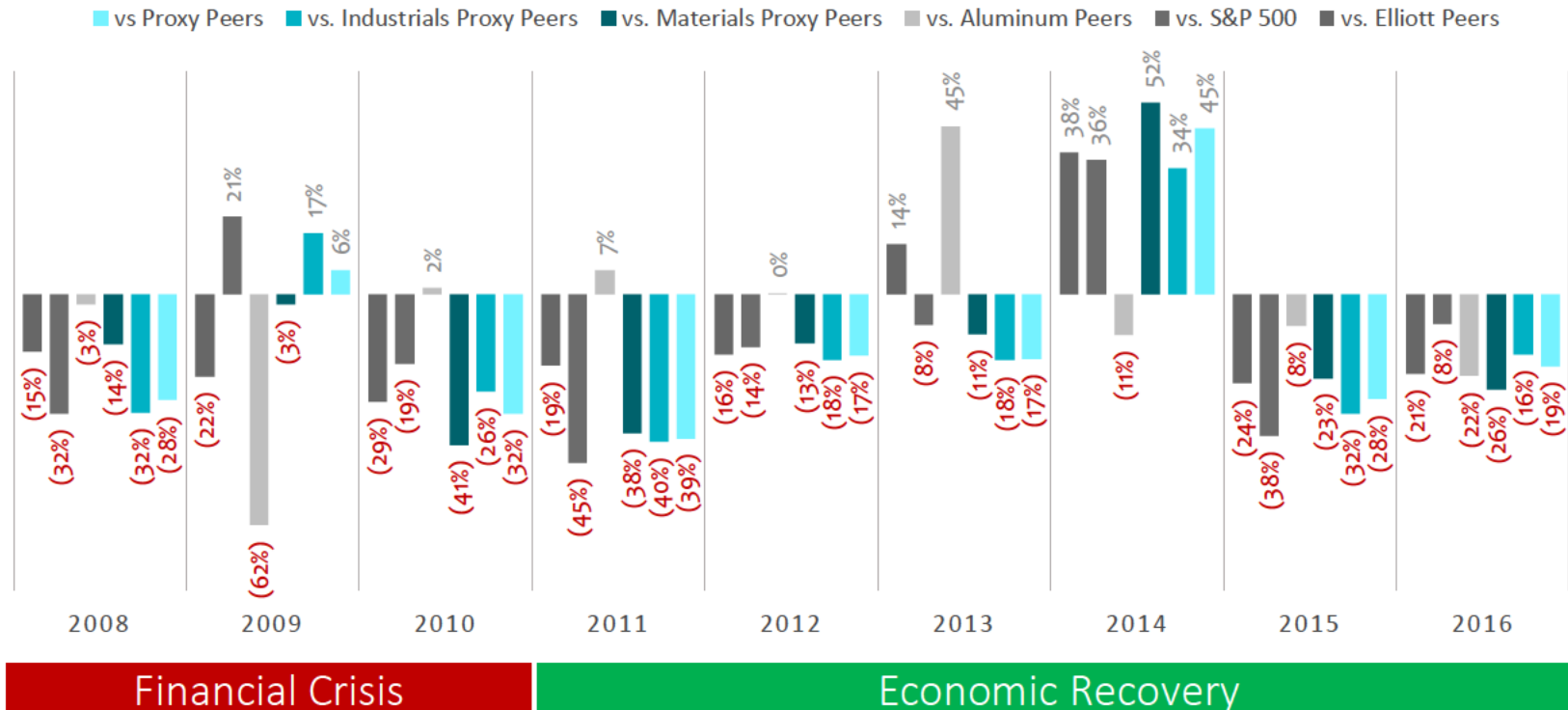
## 28 Trading Days Where Investors Would Have Been Better-Off Buying Alcoa Stock Than the S&P 500 Index Prior to Elliott's 13D



Source: Bloomberg  
Note: Assumes shares are held from purchase date through October 31, 2016

# Consistent Underperformance

Annual performance demonstrates that Dr. Kleinfeld's poor TSR was not isolated to the financial crisis

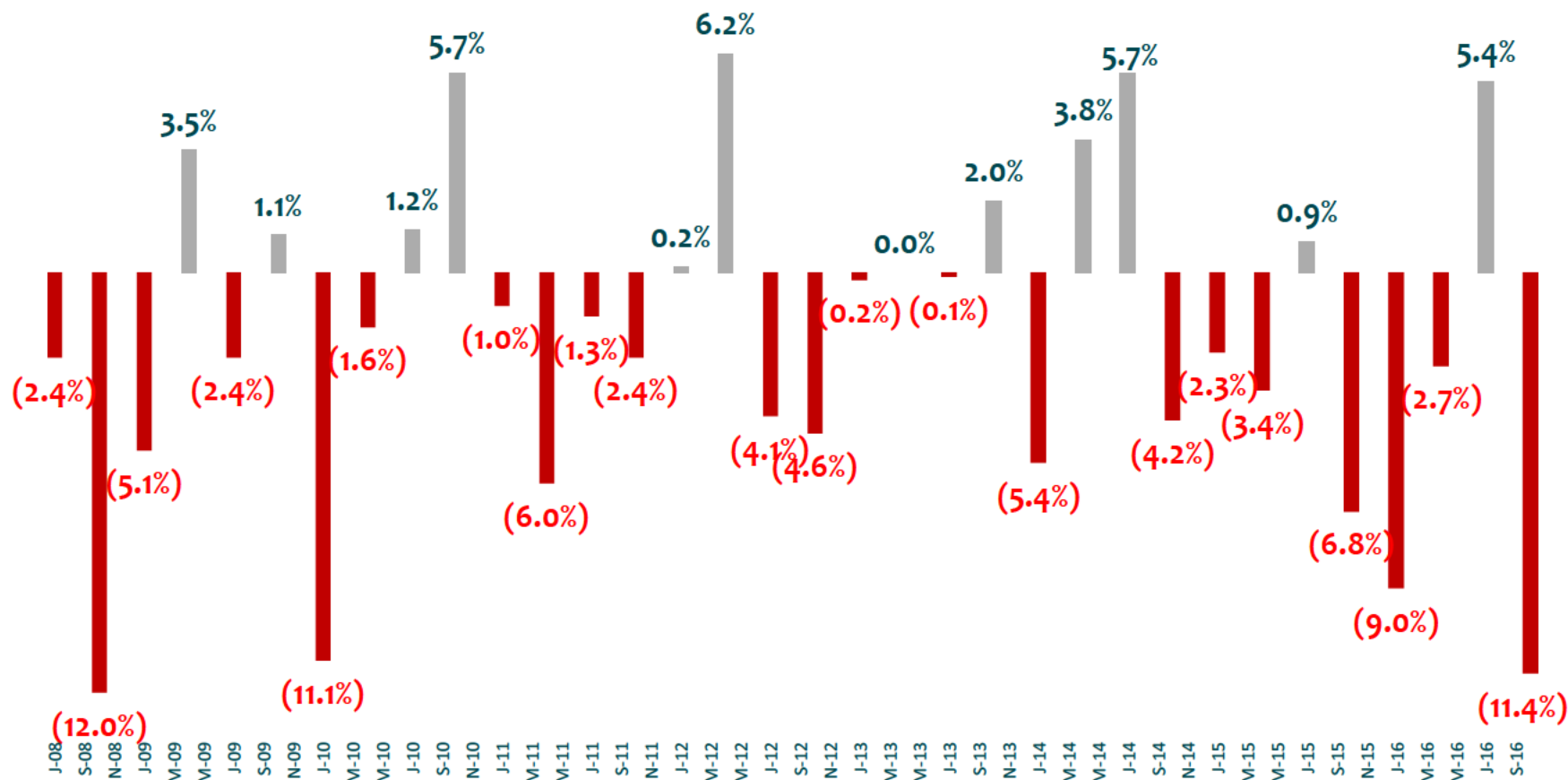


Source: Bloomberg  
 Note: 2016 TSR calculated January 1, 2016 through October 31, 2016; 2008 TSR calculated May 1, 2008 through December 31, 2008  
 Note: Aluminum Peers and Proxy Peers defined in Appendix; Elliott Peers are weighted by revenue contribution from 2008-2016

# Investor Response to Earnings

22 of Dr. Kleinfeld's 34 quarterly earnings releases as CEO of Alcoa have seemingly disappointed investors

## Post Earnings 1-Day TSR %



Source: Bloomberg

Note: Total shareholder return is one-day post earnings announcement

# Alcoa vs. S&P 500 Index During CEO Tenure

465 of the current S&P 500 companies have been public since May 1, 2008. Out of those 465 companies, Alcoa ranked 456<sup>th</sup>

“Elliott has a good case.... Investor returns under Chief Executive [Dr.] Klaus Kleinfeld, who took over at Alcoa in 2008 and now runs Arconic, have been poor.”

Robert Cyran, Reuters Breakingviews, February 1, 2017

S&P 500 Returns from May 1, 2008 Through October 31, 2016



Source: Bloomberg

Note: 465 of the current S&P 500 companies have been public since May 1, 2008. Out of those 465 companies, Alcoa's TSR ranks 456<sup>th</sup>. Each of the companies that had a worse or slightly better performance than Alcoa has changed CEOs during this period; no other CEO demonstrating comparably poor performance, as measured by TSR, has survived. Conclusion excludes Freeport-McMoRan due to Office of the Chairman structure.



# S&P 500 CEO Performance

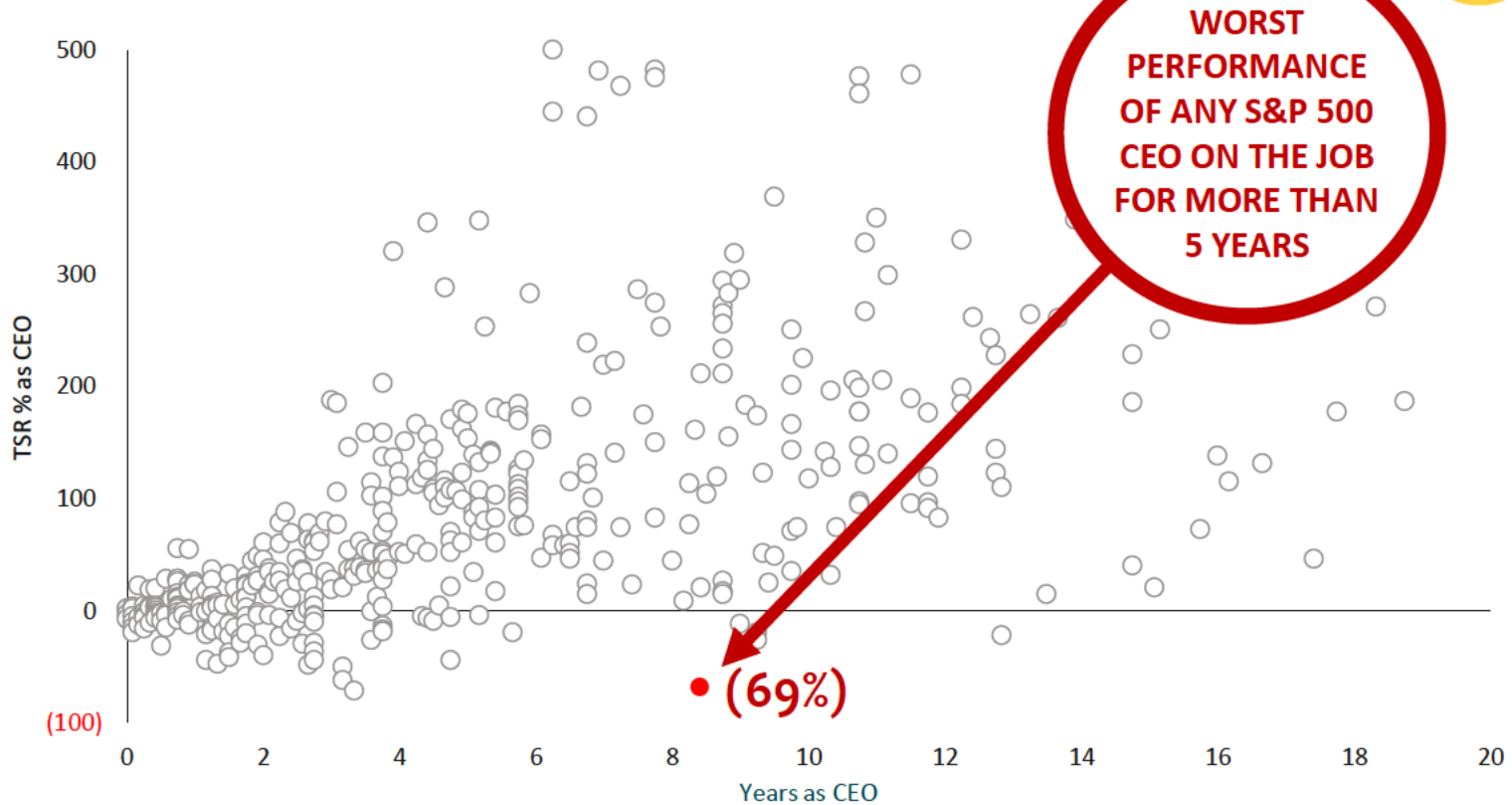
Alcoa's TSR under Dr. Klaus Kleinfeld was more than twice as bad as the second worst performer<sup>1</sup>

"We've come a long way in the last years."

Dr. Klaus Kleinfeld, April 8, 2015

TSR % of S&P 500 CEOs (As of October 31, 2016)

(34%)  
TSR vs. S&P 500  
since quote



Source: Bloomberg

1. Note: Includes only CEOs at S&P 500 companies with at least a five year tenure

# Abysmal Shareholder Returns

## TSR vs. Peers

Poor Performance vs. Any Peer Set

## TSR: Key Points

CEO Tenure; Earnings Calls; Everyday

## The Ultimate Insult: Claiming Good TSR

*Arconic's Harmful Acrobatics*

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35% TSR Since Elliott Announcement

# The Ultimate Insult: Claiming TSR Has Been Good

Arconic's most recent investor presentation utilizes every "trick in the book" (and then some), in a desperate attempt to spin Dr. Kleinfeld's abysmal track record of shareholder return

In order to distort the reality of Dr. Kleinfeld's epically poor total shareholder return, Arconic goes to extraordinary lengths, layering assumption upon assumption to orchestrate a single snapshot of shareholder return that attempts to place Dr. Kleinfeld's poor track record in a more favorable light

However, shareholders of Alcoa Inc. and Arconic know all-too-well that no amount of post-mortem spin can rectify the billions of dollars in shareholder value that Dr. Kleinfeld destroyed over his nine-year tenure at the helm

Among the assumptions buried in the over 750 words of footnotes and multiple slides utilized to explain a regularly straight-forward calculation, Arconic's purported TSR calculations:

- ✘ *Inexplicably exclude the decline in Arconic stock witnessed during the first day of trading following the separation of Alcoa Inc. (the "Separation"), as shareholders dumped shares of the Kleinfeld-led Arconic while shares of the "fundamentally different" Alcoa Corp. rallied*
- ✘ *Disavow the Company's own, self-selected proxy peers, including those utilized in recent communications to the market, in favor of an entirely new set of peers, less than two weeks after reaffirming its proxy peer set*
- ✘ *Credit Dr. Kleinfeld for the rise in price of Alcoa Corp. shares following the split, despite the fact that Dr. Kleinfeld resisted the Separation for nearly a decade and despite the fact that Alcoa Corp.'s central message to the market has been that it will eschew the value-destructive culture that prevailed at its former parent under Dr. Kleinfeld's leadership*
- ✘ *Credit Dr. Kleinfeld for the rise in shares following the shareholder call for managerial change through the March 1<sup>st</sup> record date, an especially offensive and disingenuous tactic that the Company avoided in previous communications such as its February 6<sup>th</sup> letter, but has now resorted to in an act of seeming desperation*
- ✘ *Assume an arbitrary start date that essentially matches a multi-decade low in the trading price of Alcoa Inc., a fundamentally flawed approach that ignores the fact that Alcoa's peers hit their lows on different dates than did Alcoa Inc.*



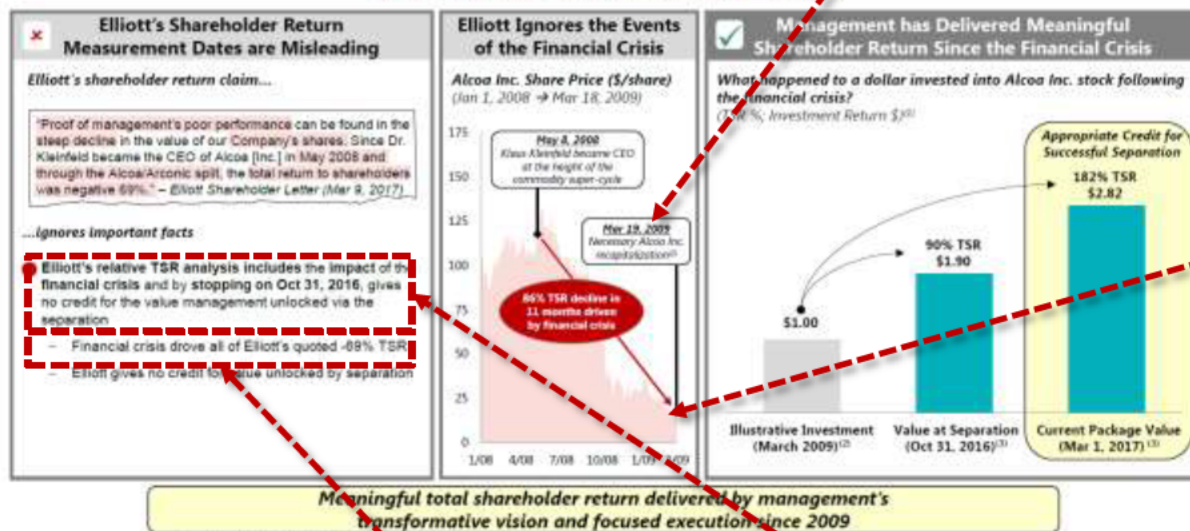
# The Ultimate Insult: Claiming TSR Has Been Good (cont.)

Management's inexplicable decision to use a single arbitrary date as the basis for its TSR calculations is but one of many methodological infirmities that evidence an extreme form of data mining

The manner in which Dr. Kleinfeld chose to bolster Alcoa's balance sheet, selling equity at the bottom, amounted to a bailout of existing shareholders – one ironically done at a significant opportunity cost to those investors with the misfortune of having participated. Had those participating investors invested in the Company's self-selected proxy peers instead of placing their capital under the stewardship of Dr. Kleinfeld, they would have generated a return approximately 4x that realized on their investment in Alcoa.

## The Facts: Current Leadership Has Delivered Positive Returns to Shareholders

Alcoa Inc. absolute Total Shareholder Return (TSR)



Among the distortions employed by the Company to hide management's history of value destruction, Arconic's purported TSR calculations assume an arbitrary start date that essentially matches a multi-decade low in the trading price of Alcoa Inc., a fundamentally flawed approach that ignores the fact that Alcoa's peers hit their lows on different dates than did Alcoa Inc.

The fact of the matter remains that unlike Alcoa Inc., the share price of other companies actually rebounded since the financial crisis. Since 2011, the Company's TSR was (34%)

From the Separation until Elliott's call for change, Arconic stock UNDERPERFORMED the S&P 500 Index, Proxy Peers and Alcoa Corp. by 6.2%, 10.8% and 67.5% respectively<sup>1</sup>

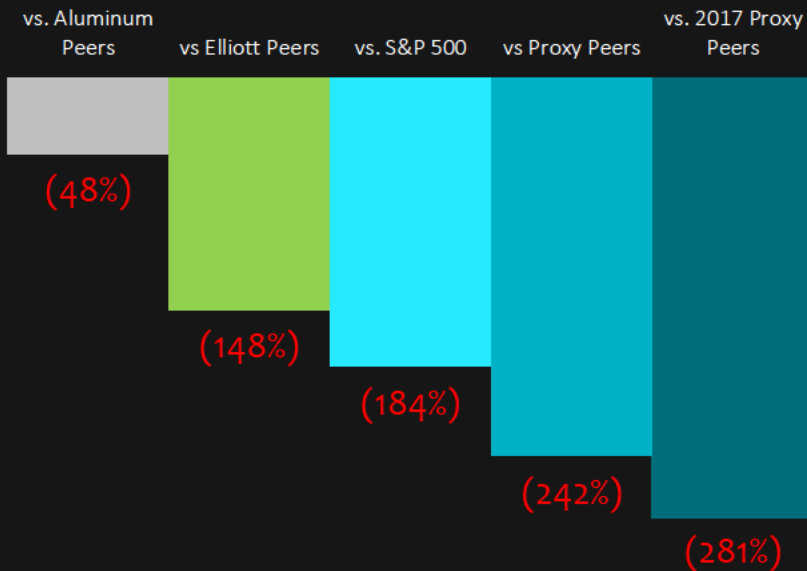
Source: Arconic Investor Presentation, March 27, 2017

1. Note: Returns for Arconic Inc. and Alcoa Corp. calculated from October 31, 2016 through each respective company's January 31, 2017 post-close low, prior to Elliott's nomination of directors.

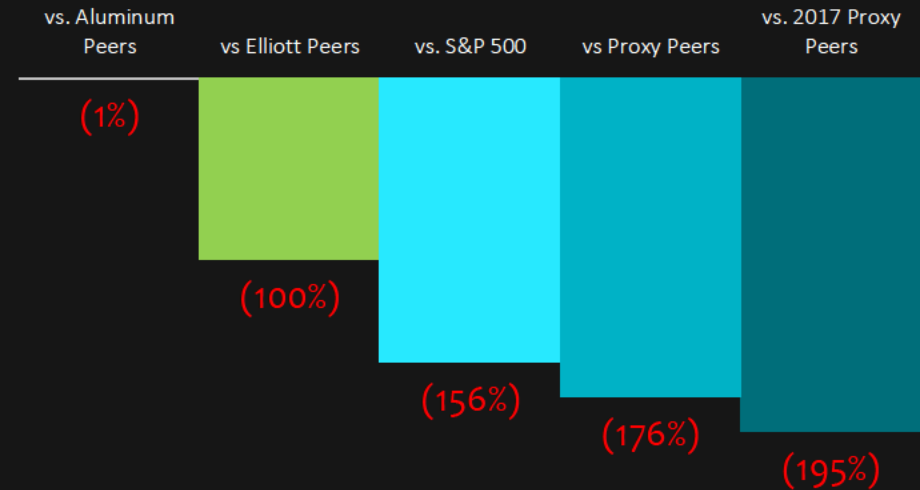
# “Meaningful total shareholder return delivered by management’s transformative vision and focused execution since 2009”

We are not sure if “since 2009” means since January 1, 2009 or January 1, 2010, so we looked at both

## Since 2009



## Since 2010



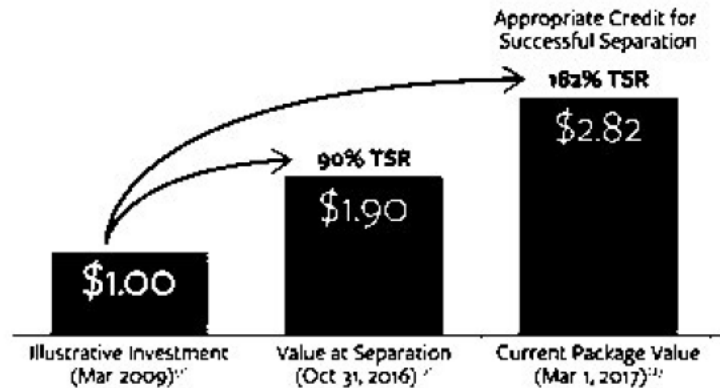




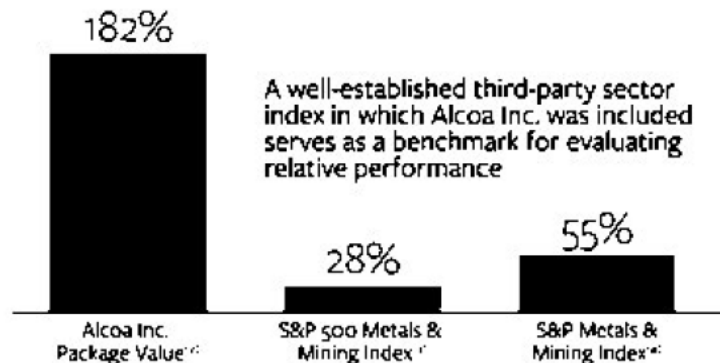
Current leadership has delivered positive returns to shareholders.

- The poor returns under Dr. Kleinfeld are not just bullet points in a proxy contest
- *The poor returns have done legitimate harm to the tens of thousands of small individual investors who entrusted Dr. Kleinfeld with a piece of their savings. This is no small-scale matter, as Alcoa is one of the most widely held companies in the U.S. with more than 400,000 shareholders*
- And yet, out of desperation in the face of a proxy contest which imperils both his position and prestige, Dr. Kleinfeld – using shareholder money – has hired an army of advisors to concoct statistics that are either misleading or incorrect (and typically both) in a disingenuous attempt to represent that he has in fact created value for shareholders

**182% Total Shareholder Return**  
\$1 invested in 2009 = \$2.82 in 2017



**TSR outperformed S&P Metals and Mining by more than 3x**  
(March 18, 2009 to March 1, 2017)



**The financial crisis drove all of Elliott's quoted -69% TSR...  
Elliott gives no credit for value unlocked by separation.**

# The Ultimate Insult: TSR Acrobatics

Arconic routinely uses its low point in 2009 (or more recently it has pivoted and began to point to the “recapitalization”, which is essentially the same thing) as its starting place to evaluate shareholder returns against its selected aluminum company peer group

“Well, they [Elliott] ignore that we had a world economic crisis that hit the commodity markets particularly heavy. Commodity prices sank to one third, from mid-2008 to early-2009. We came to almost not having the Company anymore, and we got in gear and saved it. It came down – the stock price came down to five dollars. Five dollars in the early 2009. To choose a point in time, you know, when the metal prices were at the absolute high, when the world was believing in the global commodity boom, you know, that’s a very convenient and totally unfair point.”

Dr. Klaus Kleinfeld, February 1, 2017

- A major flaw in the Company’s argument about its performance vs. its Aluminum Peers since Alcoa’s “low” is that its peers hit their lows on different dates
- If you look at the TSR since each peer company low (e.g., “apples to apples” with Arconic’s own proposed methodology), Alcoa does not demonstrate outperformance and the two peers that did hit their low around the same time as Alcoa (Norsk Hydro, Alumina Limited) – meaningfully outperform Alcoa. As Alcoa underperformed the Company’s chosen peers from their lows, (by a median of 77%), by a wider margin than it outperformed those peers from its own low (67% median), the Company’s proposed methodology is, in fact, yet another way of illustrating the profound underperformance of Alcoa under Dr. Kleinfeld

Aluminum Peer	Date of Company Low	TSR % Since Company Low	AA Performance vs. Peer Low Point
Aluminum Corp. of China Ltd.	10/27/2008	33.0%	(13.9%)
Norsk Hydro ASA	3/6/2009	132.3%	(33.5%)
Alumina Ltd.	3/10/2009	182.6%	(113.0%)
National Aluminum Co. Ltd.	10/27/2008	96.2%	(77.2%)
Shangdong Nanshan Aluminum Co., Ltd.	10/29/2008	84.0%	(87.5%)
<b>Alcoa Inc.</b>	<b>3/6/2009</b>	<b>98.9%</b>	

Source: Bloomberg

Note: Total shareholder return numbers as of October 31, 2016, the day prior to the separation of Alcoa

**Dr. Kleinfeld cannot conceal his underperformance**

# The Ultimate Insult: TSR Acrobatics (cont.)

- In its March 27, 2017 presentation, management has again rolled out its fundamentally flawed approach of measuring TSR, basing the calculation on the effective low trading price reached during the financial crisis
- While the Company utilizes a new peer set in its most recent attempt to re-write history, the conclusion remains the same: If one looks at the TSR since each company's low, Alcoa does not demonstrate outperformance. Furthermore, Alcoa's TSR has lagged nearly every single one of these self-selected peers from the date of each peer's low (i.e., using the same methodology proposed by the Company)

While management constantly endeavors to invent new benchmarks against which to measure historical TSR performance, the conclusion remains the same: Returns under Dr. Kleinfeld are epically poor

	Date of Respective Company Low	Company TSR Since Low to 10/31/2016	Alcoa Performance Since Respective Company Low	Alcoa Over/(Under) Performance to 10/31/2016	Company TSR Since Low to 1/31/2017	Alcoa/Arconic Performance Since Low to 1/31/2017	Alcoa/Arconic Over/(Under) Performance to 1/31/2017
<b>S&amp;P Metals &amp; Mining Peers</b>							
Royal Gold Inc.	10/24/2008	203.3%	14.3%	(188.9%)	219.2%	16.7%	(202.4%)
Coeur Mining Inc	11/20/2008	210.6%	54.9%	(155.7%)	223.6%	58.1%	(165.5%)
Consol Energy	11/20/2008	(3.1%)	54.9%	58.0%	(3.2%)	58.1%	61.3%
Hecla Mining Co.	11/13/2008	367.4%	(5.3%)	(372.7%)	402.7%	(3.3%)	(406.0%)
Freeport-McMoRan	12/5/2008	66.2%	30.2%	(36.0%)	147.5%	32.9%	(114.6%)
Allegheny Tech.	11/20/2008	5.7%	54.9%	49.1%	68.4%	58.1%	(10.3%)
Newmont Mining	11/20/2008	81.5%	54.9%	(26.7%)	78.1%	58.1%	(20.0%)
Century Aluminum	3/9/2009	589.6%	92.6%	(497.0%)	1,352.8%	96.7%	(1,256.2%)
Steel Dynamics	11/20/2008	548.2%	54.9%	(493.3%)	701.2%	58.1%	(643.0%)
Stillwater Mining	11/19/2008	656.8%	30.0%	(626.8%)	865.9%	32.7%	(833.2%)
Commercial Metal	11/20/2008	217.6%	54.9%	(162.8%)	318.5%	58.1%	(260.4%)
Nucor Corp.	11/20/2008	149.6%	54.9%	(94.8%)	198.7%	58.1%	(140.6%)
Reliance Steel	11/20/2008	523.2%	54.9%	(468.3%)	625.6%	58.1%	(567.5%)
AK Steel Holdings	11/20/2008	5.7%	54.9%	49.2%	64.2%	58.1%	(6.1%)
US Steel Corp.	3/17/2009	15.3%	85.7%	70.4%	95.6%	89.6%	(5.9%)
Cliffs Natural	3/18/2009	(51.1%)	89.4%	140.6%	(22.3%)	93.4%	115.8%
Worthington Indus.	3/12/2009	623.9%	73.6%	(550.3%)	638.8%	77.3%	(561.5%)
Compass Minerals	1/22/2008	140.7%	(62.0%)	(202.8%)	182.6%	(61.2%)	(243.8%)
McEwen Mining	10/24/2008	589.0%	14.3%	(574.7%)	733.2%	16.7%	(716.4%)
Carpenter Tech	11/20/2008	208.7%	54.9%	(153.9%)	290.9%	58.1%	(232.8%)
Kaiser Aluminum	11/21/2008	441.3%	25.7%	(415.6%)	489.6%	28.3%	(461.2%)
Schnitzer Steel	11/20/2008	70.4%	54.9%	(15.5%)	68.2%	58.1%	(10.1%)
Materion Corp.	11/21/2008	314.9%	25.7%	(289.2%)	439.7%	28.3%	(411.4%)
Haynes Int.	3/6/2009	226.3%	98.9%	(127.4%)	319.0%	103.1%	(216.0%)
<b>Median</b>				<b>(159.2%)</b>	<b>257.3%</b>		<b>(224.4%)</b>
<b>Average</b>				<b>(211.9%)</b>	<b>354.1%</b>		<b>(304.5%)</b>
<b>S&amp;P 500 Metals &amp; Mining Peers</b>							
Freeport-McMoRan	12/5/2008	66.2%	30.2%	(36.0%)	147.5%	32.9%	(114.6%)
Newmont Mining	11/20/2008	81.5%	54.9%	(26.7%)	78.1%	58.1%	(20.0%)
Nucor Corp.	11/20/2008	149.6%	54.9%	(94.8%)	198.7%	58.1%	(140.6%)
<b>Median</b>				<b>(36.0%)</b>	<b>147.5%</b>		<b>(114.6%)</b>
<b>Average</b>				<b>(52.5%)</b>	<b>141.4%</b>		<b>(91.7%)</b>
<b>Aluminum Proxy Peers</b>							
Aluminum Corp.	10/27/2008	33.0%	19.0%	(13.9%)	85.6%	21.5%	(64.1%)
Norsk Hydro ASA	3/6/2009	132.3%	98.9%	(33.5%)	195.5%	103.1%	(92.4%)
Alumina Ltd.	3/10/2009	182.6%	69.6%	(113.0%)	247.0%	73.2%	(173.8%)
National Aluminum	10/27/2008	96.2%	19.0%	(72.2%)	169.5%	21.5%	(147.9%)
Shandong Nansh.	10/29/2008	84.0%	(3.5%)	(87.5%)	104.6%	(1.5%)	(106.1%)
<b>Median</b>				<b>(77.2%)</b>	<b>169.5%</b>		<b>(106.1%)</b>
<b>Average</b>				<b>(65.0%)</b>	<b>160.4%</b>		<b>(116.9%)</b>

Source: Bloomberg

Note: S&P Metals and Mining peers exclude three constituents for which trading history is not available over the entirety of Dr. Kleinfeld's tenure; calculations through January 31, 2017 take into account Arconic's post separation TSR and links this performance with the performance of Alcoa Inc. from each respective start date through October 31, 2016

# Abysmal Shareholder Returns

## TSR vs. Peers

Poor Performance vs. Any Peer Set

## TSR: Key Points

CEO Tenure; Earnings Calls; Everyday

## The Ultimate Insult: Claiming Good TSR

Arconic's Harmful Acrobatics

## The Market Is Voting for Change

35% TSR Since Elliott Announcement

When Arconic posted its earnings on the afternoon of January 31<sup>st</sup>, the Company's stock fell 4% in after hours trading. Since Elliott announced its intention to pursue the removal of Dr. Kleinfeld as CEO, the Company's stock has risen substantially

**TSR % Before Elliott Launched Proxy Fight<sup>1</sup>**

Arconic	1.5%
Arconic Excluding Alcoa Stake	(4.5%)
2017 Proxy Peer	12.3%
S&P 500 Index	7.8%
New Alcoa	69.0%

**TSR % After Elliott Launched Proxy Fight<sup>2</sup>**

Arconic	34.9%
Arconic Excluding Alcoa Stake	39.6%
2017 Proxy Peer	5.2%
S&P 500 Index	5.4%
New Alcoa	4.9%

**TSR % After Elliott Launched Proxy Fight Through April 7<sup>th</sup><sup>3</sup>**

Arconic	20.6%
Arconic Excluding Alcoa Stake	24.9%
2017 Proxy Peer	4.6%
S&P 500 Index	3.8%
New Alcoa	(6.9%)

Source: Bloomberg

1. Note: Total shareholder return calculated October 31, 2016 to January 31, 2017 (post-close low); Arconic and Arconic Excl. Alcoa Stake return calculations based upon share price change over relevant period

2. Note: Total shareholder return calculated January 31, 2017 (post close low) to March 1, 2017 (record date)

3. Note: Total shareholder return calculated from January 31, 2017 (post close low) through April 7, 2017

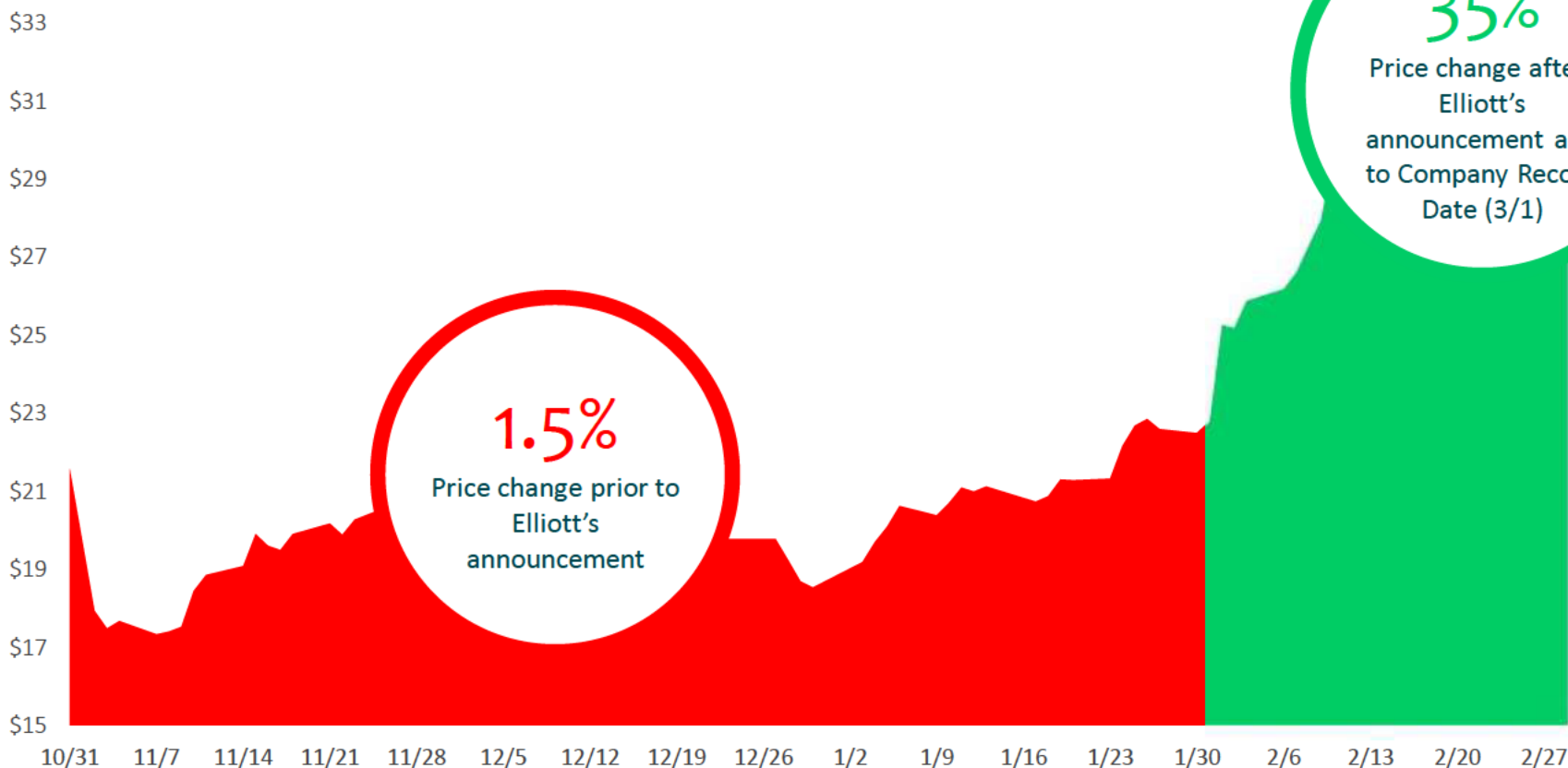
# The Market Is Already Voting for Change

More than \$3 billion in value was added to Arconic since Elliott called for the removal of Dr. Klaus Kleinfeld

“We see as much as 20% downside if [Dr.] Kleinfeld continues as CEO.”

Gordon Haskett, February 13, 2017

## ARNC Stock Price



Source: Bloomberg

Note: Reflects trading activity between October 31, 2016 – March 1, 2017; price changes reflect post-close low on January 31, 2017



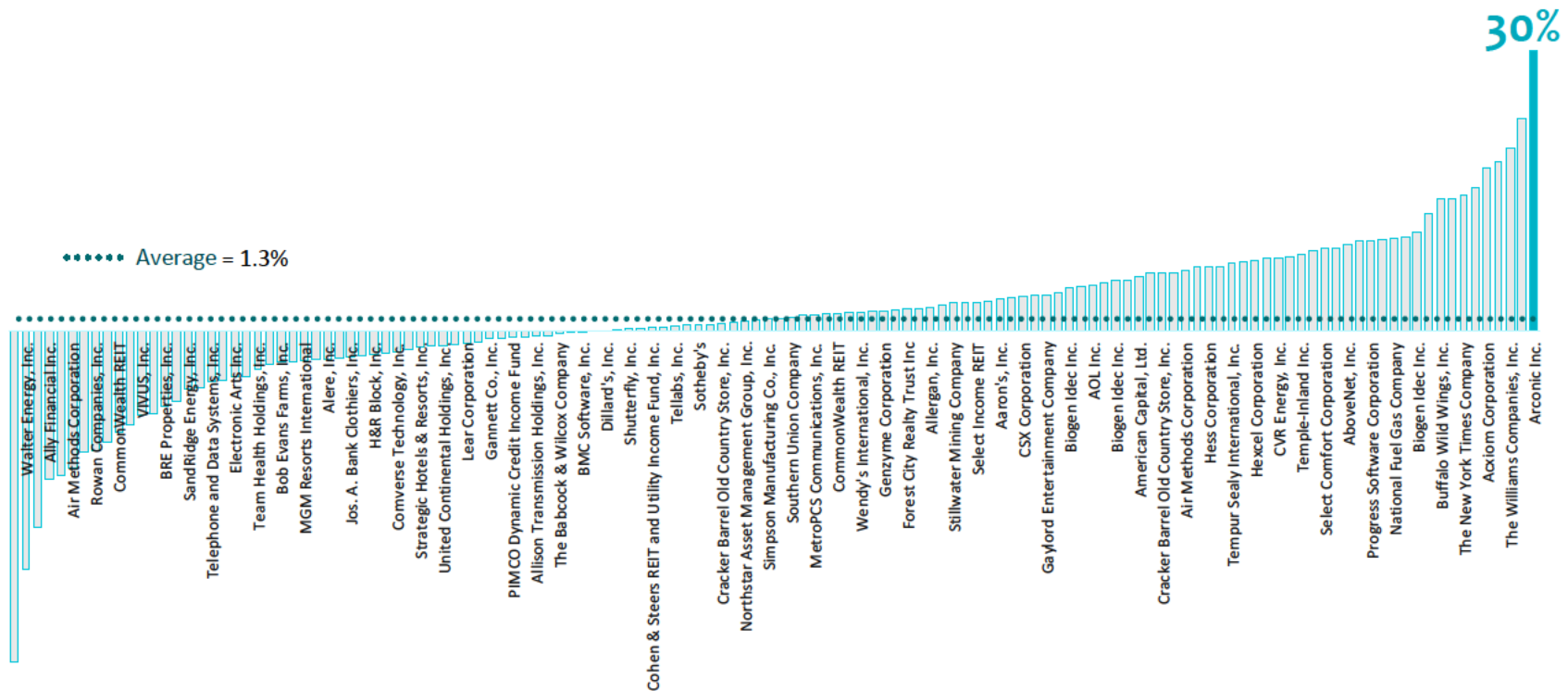
# Stock Price Reaction to a Proxy Contest

Arconic's shares rose 30%, the largest immediate appreciation in stock for any company subject to a proxy contest in at least a decade

"On behalf of all long-term owners of the Company, we encourage you not to expend resources on a proxy campaign designed to do little more than entrench Arconic's board and managers. Such a campaign, at best, will result in a needless waste of corporate resources. At worst, it will cause the Company to continue to underperform with its current managers."

First Pacific Advisors, February 6, 2017

## Stock price reaction after 10 trading days post-announcement of a proxy contest since 2007



Source: FactSet; Bloomberg

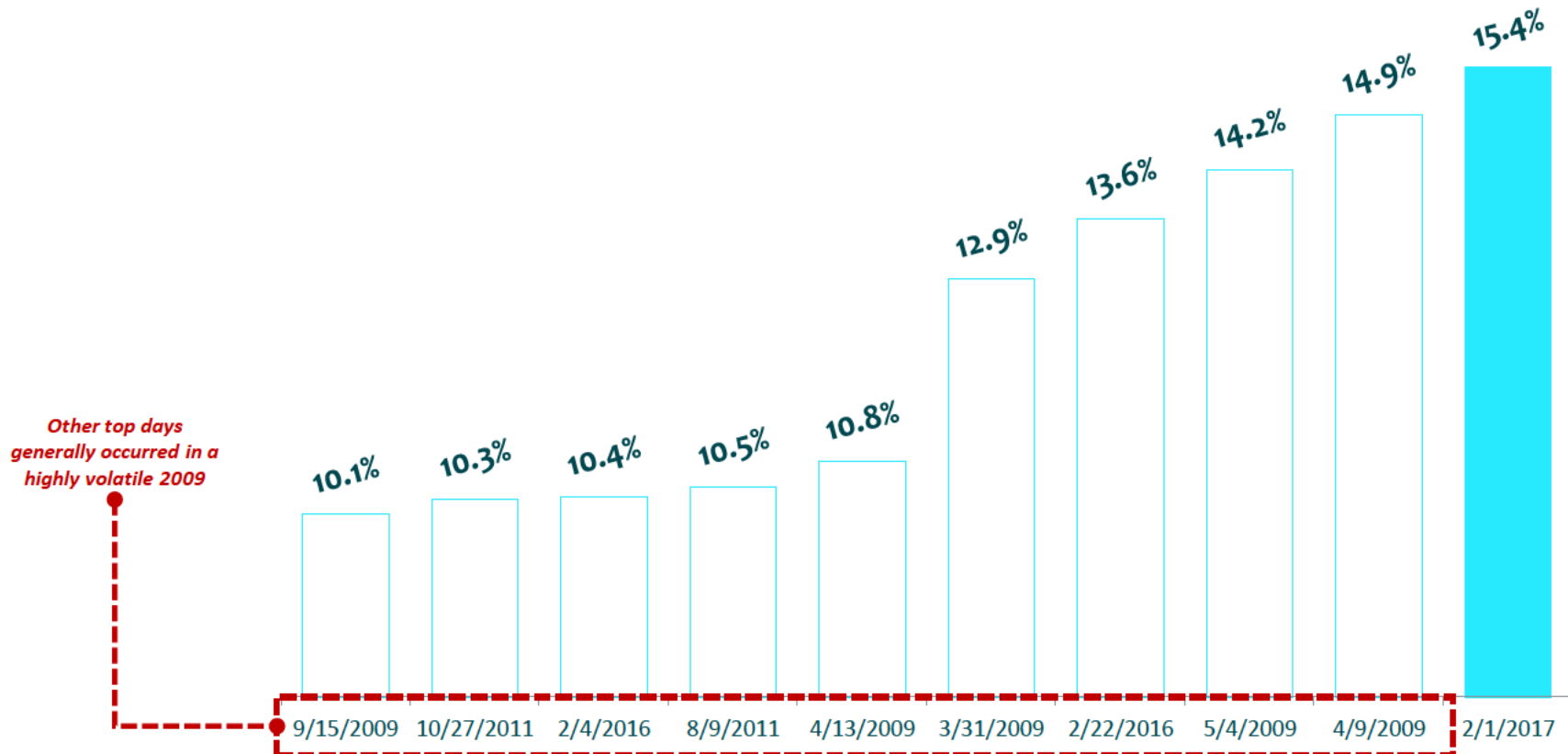
Note: SharkRepellent.net for list of U.S. proxy fights by investors at companies with a market value larger than \$1 billion since 2007; excluded are proxy fights associated with hostile bids; Bloomberg was used for TSR data; TSR is 10 trading days post the dissident's announcement, typically via a 13D, but also inclusive of press releases, and other filings; we note that CSX rose a similar amount (29%) over 10 trading days after press reports of a proxy campaign by Mantle Ridge LP

# Elliott's Launch Created the Largest 1-Day Increase in Almost a Decade

"We also acknowledge activism could create an opportunity to highlight value that is even higher at \$40 (and in the range of the activist target) to account for significant margin expansion from current levels, premised on a market P/E of 17x and earnings of \$2.37."

Morgan Stanley Research, February 1, 2017

## Largest Positive One-Day Move in Company Shares Since the Financial Crisis



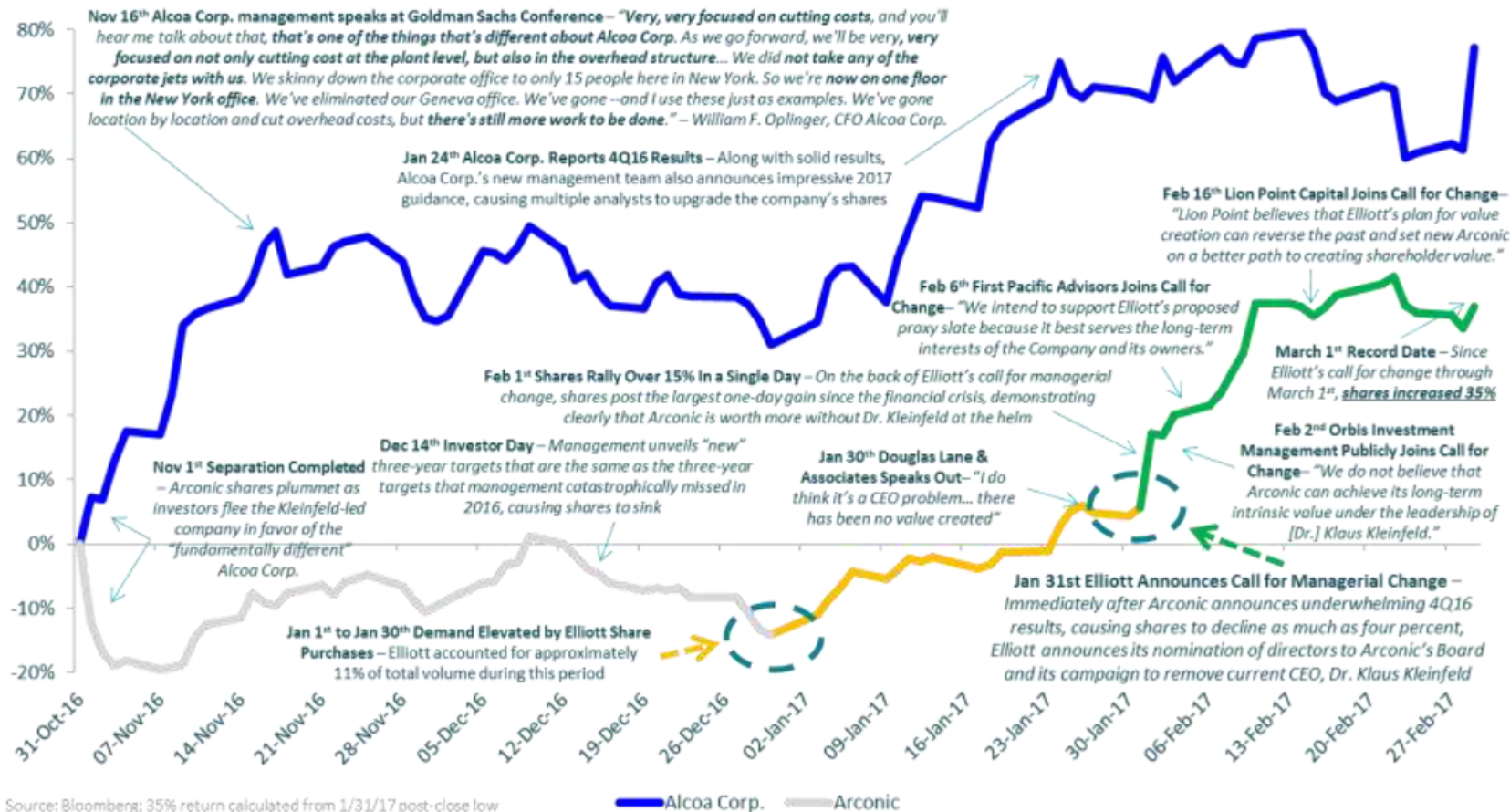
Source: Bloomberg

Note: Analysis takes into account trading since March 31, 2009; share price changes measured from previous day post-closing low

# The Market Has Spoken: Arconic Is Worth More Without Dr. Kleinfeld

Shares of Arconic languished following the November 1<sup>st</sup> split, while shares of Alcoa Corp. rallied under its new shareholder friendly and well-respected management team. In fact, it was not until after Elliott and other shareholders called for managerial change that shares of Arconic rallied roughly 35%

Arconic and Alcoa Corp. Returns Post-Separation

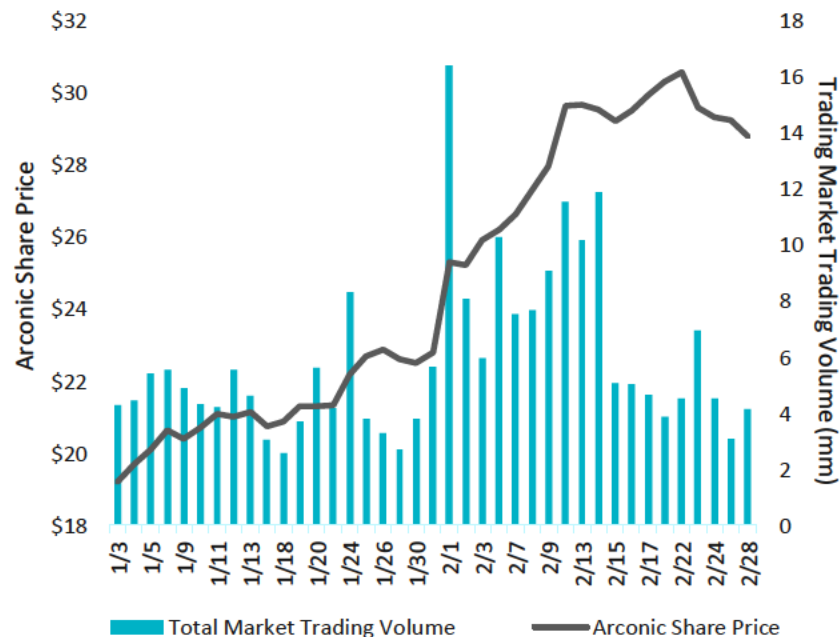
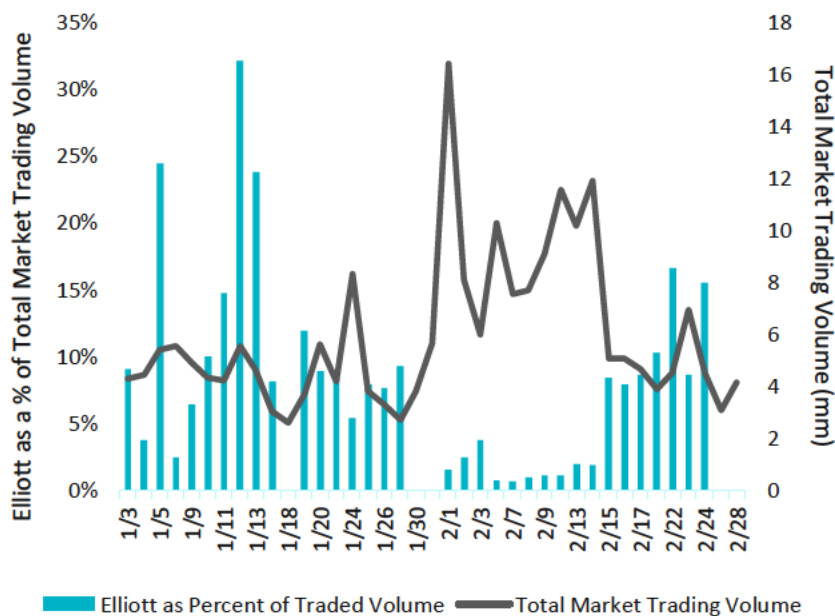


Source: Bloomberg; 35% return calculated from 1/31/17 post-close low

# The Market Has Spoken Loudly

The Arconic stock price rally following the shareholder call for managerial change reflects the voice of numerous shareholders

- Immediately before the shareholder call for managerial change, demand for Arconic stock was elevated by Elliott share purchases. Elliott accounted for approximately 11% of total stock market trading volume from January 1, 2017 to January 30, 2017
- After the January 31<sup>st</sup> call for change, the 10-day total market trading volume of Arconic stock increased by over 125%. During this period, Elliott's trading volume decreased by ~40%, and accounted for less than 1.6% of total volume<sup>1</sup>
- The Arconic stock price increase caused by the shareholder call for managerial change occurred on the back of a material increase in trading volume, further highlighting that the market believes Arconic is worth more without Dr. Kleinfeld at the helm



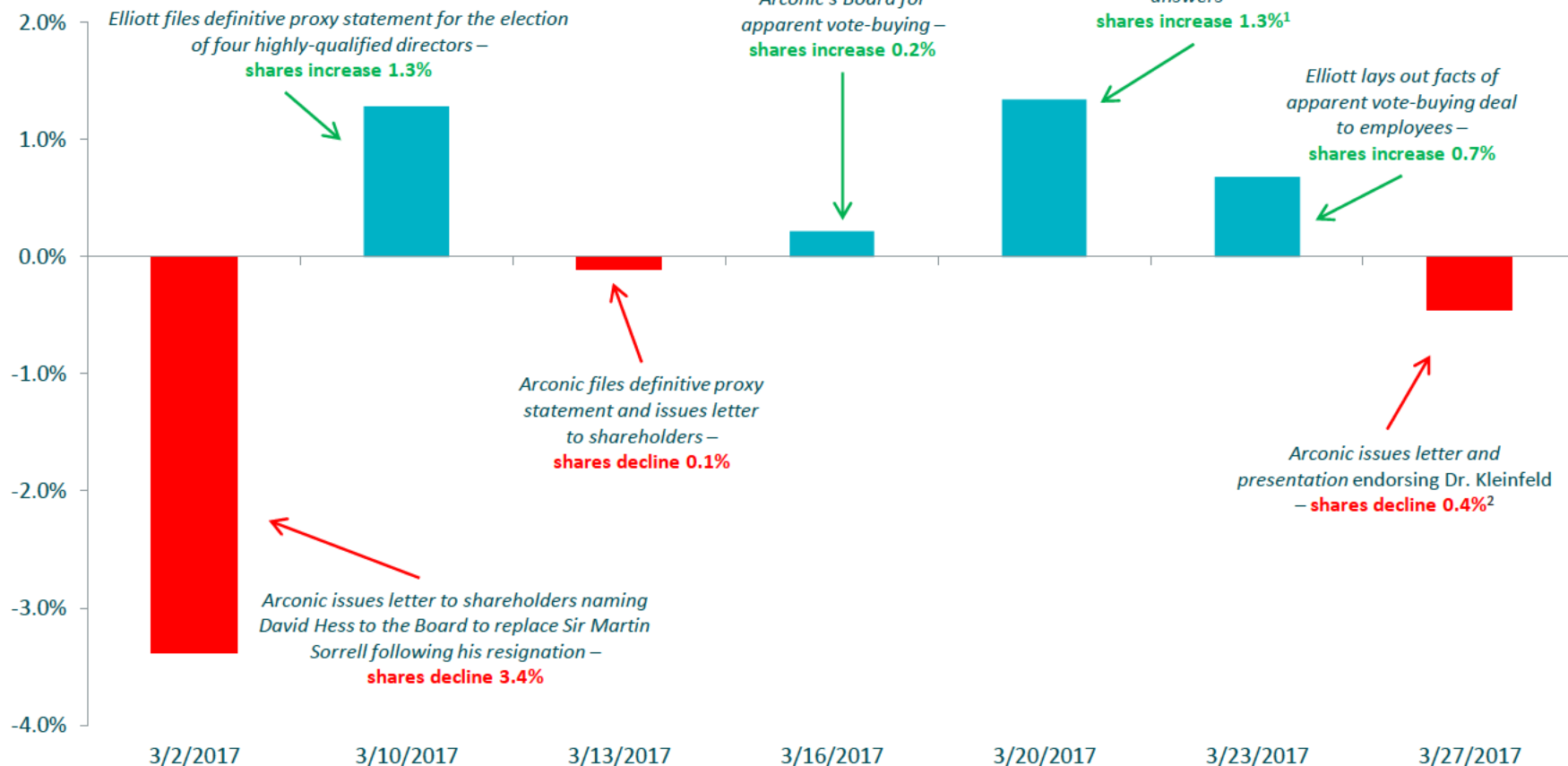
Source: Bloomberg

1. Arconic stock trading volume increase calculated using the 10 trading days prior to and after the shareholder call for managerial change. Elliott participation calculated during 10 trading days following the January 31, 2017 call for change

# ...And Spoken Again, and Again, and Again...

The market has demonstrated investors' support for change on literally a daily basis with Arconic's shares trading higher whenever Elliott has issued a letter and declining each time the Board has reiterated its support for Dr. Kleinfeld

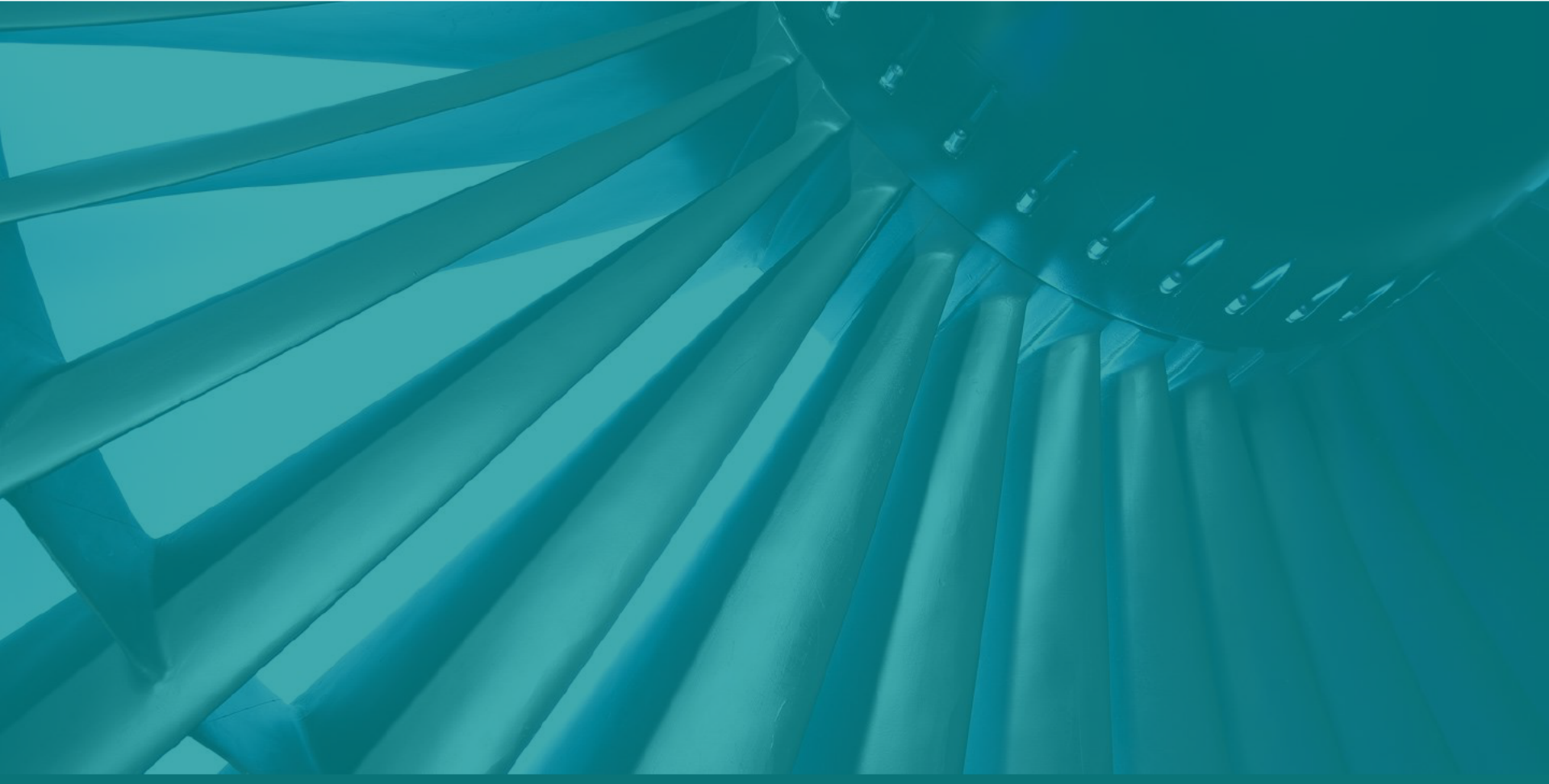
**Arconic Daily Price Movements Since Record Date**



Source: Bloomberg

1. Note: On March 20, 2017, prior to the release of Elliott's letter, management waived the Secret Voting Lock-Up, allowing shares to potentially be voted in favor of the shareholder nominees

2. Note: On March 27, 2017, Elliott issued a short letter regarding Arconic's stonewalling related to the vote-buying deal, however this release was seemingly eclipsed by the release of Arconic's investor presentation and letter



# Poor Operating and Financial Results

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“Now, I mean, talking to managers, you'd say disciplined execution? Really? I mean, is that a strategic priority? Isn't that what business is about? I mean, it's not just warm words and nice plans, **you've got to execute, right?** But we actually have put I think more of a discipline around it than what you typically find in an organization.”

Dr. Klaus Kleinfeld, November 7, 2013



# Poor Operating and Financial Results

## Section Summary

\$6.2 billion Spent, Only \$154 million NOPAT; Missed Targets

## Engineered Products & Solutions

Missed Targets, Poor ROIC, Absence of Growth, Lags PCC

## Firth Rixson

\$1.9-\$2.5 billion of Value Destruction

## Global Rolled Products

Missed Targets, Management Spin, Poor ROIC

## Transportation and Construction Solutions

Lack of Growth Despite “Secular” and Cyclical Tailwinds

# Arconic Is Not a New Company

Management seems to want investors to pretend that Arconic is a new company, created by Dr. Kleinfeld. That is simply not the case. Arconic is the old Alcoa Inc., which New Alcoa spun-off from. When Dr. Kleinfeld became CEO in 2008, the businesses that now make up Arconic made up 57% of revenue. Each of the Arconic businesses has long existed inside the Company

- EPS: Became a standalone division in 1999. The core of EPS, Alcoa Fastening Systems (AFS) and Howmet, was in place well-before current management arrived through previous acquisitions (Fairchild (2002), Cordant (2000))
- GRP: Davenport was built in 1946. Tennessee operations and key facilities date back to 1919
- TCS: Wheels (AWTP) is a 68 year-old business. Building and Construction Solutions (BCS) is a 110 year-old business with pieces acquired from Reynolds in 1999



In June 1983, Alcoa's senior management Policy Committee convened at Rolling Rock to consider a new corporate "mission statement" as Alcoa began to plot a future in which it would develop, produce, and market "advanced materials." This meeting, which was one of a series of ongoing discussions on strategic and structural matters, can usefully serve as a proxy for the entire process. In the materials prepared for the occasion, **Alcoa was defined afresh, though somewhat ungracefully, as "a worldwide manufacturer/supplier of differentiated products and services which have a material orientation, high technological content, and a high value added...."** Alcoa's traditional strategy was no longer a viable path to growth. A monolithic conception of the business - "integrated aluminum, from the mines through fabricated products" - had become increasingly untenable. **Downstream, Alcoa was "not one business but many businesses," serving many markets. Upstream, aluminum and ingot had become commodities with dim prospects for acceptable rates of return.** Alcoa's "core business," the cluster of fabrications known as flat-rolled products - which included RCS, plate and heated sheet, sheet and foil, and aluminum closures - and its vital backward linkages into aluminum and alumina still accounted for most of the corporation's shipments and profits, but most of Alcoa's core products were sold in maturing, domestic markets. For long term growth and survival, diversification was imperative. **The diversity of Alcoa's markets, the commoditization of unalloyed aluminum ingot, and the maturing of major aluminum product markets all compelled a redefinition of the corporation as a more variegated, less aluminum-bound enterprise.**

# Evaluating Arconic's Operating and Financial Results

In 2013, Arconic outlined a 3-year plan to improve and grow the businesses that would become Arconic

## Management's 2013 plan is a reasonable baseline from which to assess Arconic's operating performance. Why?

1 By 2013, the global economy had recovered

2 Alcoa had settled with the Department of Justice<sup>1</sup>

- Current management – *which served on the audit committee when significant misconduct occurred* – could focus its attention entirely on operations

3 Management laid out its 3-year goals for each of the businesses that now comprise Arconic

- EPS was to grow organic revenues by ~\$700 million to \$4.8 billion
  - *With acquisitions, EPS was to hit \$7.2 billion in sales and \$1.656 billion in EBITDA*
- GRP was to grow organic revenues from \$7.1 billion to \$8.1 billion while achieving EBITDA/MT of \$344
- TCS was to grow organic revenues from \$1.68 billion to \$2.15 billion and earn \$323 million of EBITDA

Source: Company filings

1. Note: Department of Justice settlement was announced on January 9, 2014 ending the Foreign Corrupt Practices Act (FCPA) investigation (2008 through 2013)

**Management set its baseline as 2013. How have they done since?**

# The Importance of ROIIC: Why Return on Incremental Invested Capital Matters

“Capital allocation is the most fundamental responsibility of a senior management team of a public corporation. Successful capital allocation means converting inputs, including money, things, ideas and people, into something more valuable than they would be otherwise... Why should value determine whether a management team is living up to its responsibility? There are two reasons. The first is that companies must compete. A company that is allocating its resources wisely will ultimately prevail over a competitor that is allocating its resources foolishly. The second is that inputs have an opportunity cost, or the value of the next best alternative. Unless an input is going to its best and highest use, it is underperforming relative to its opportunity cost.”

Credit Suisse, October 19, 2016

“The lack of skill that many CEOs have at capital allocation is no small matter: After ten years on the job, a CEO whose company annually retains earnings equal to 10% of net worth will have been responsible for the deployment of more than 60% of all the capital at work in the business.”

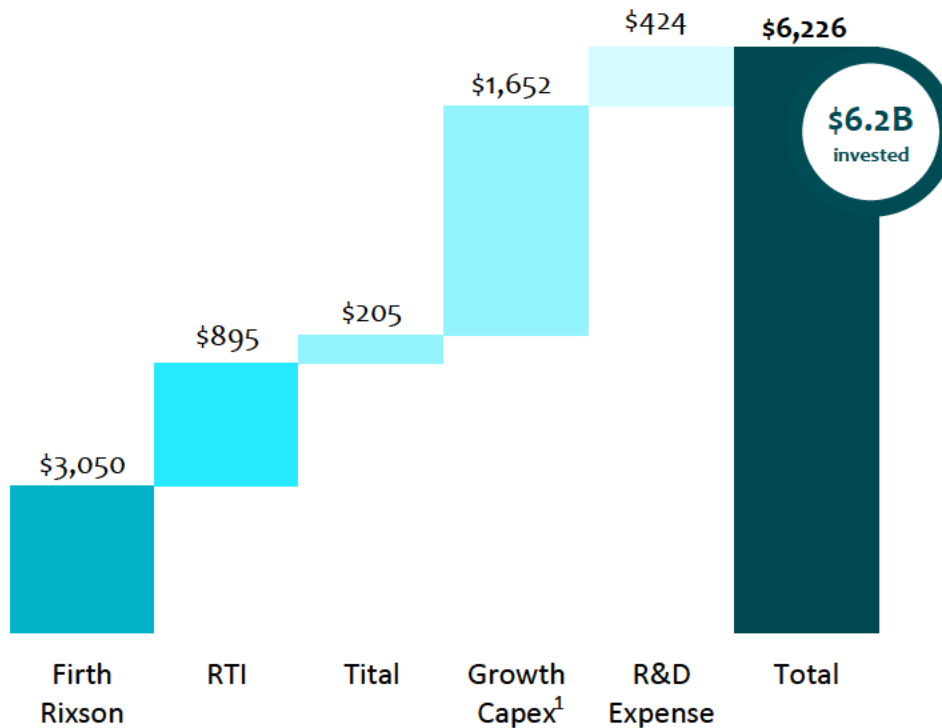
Warren Buffett, 1987 Letter to Shareholders

**Since 2013, Arconic management has deployed \$6 billion dollars  
(~120% of current shareholders' equity)**

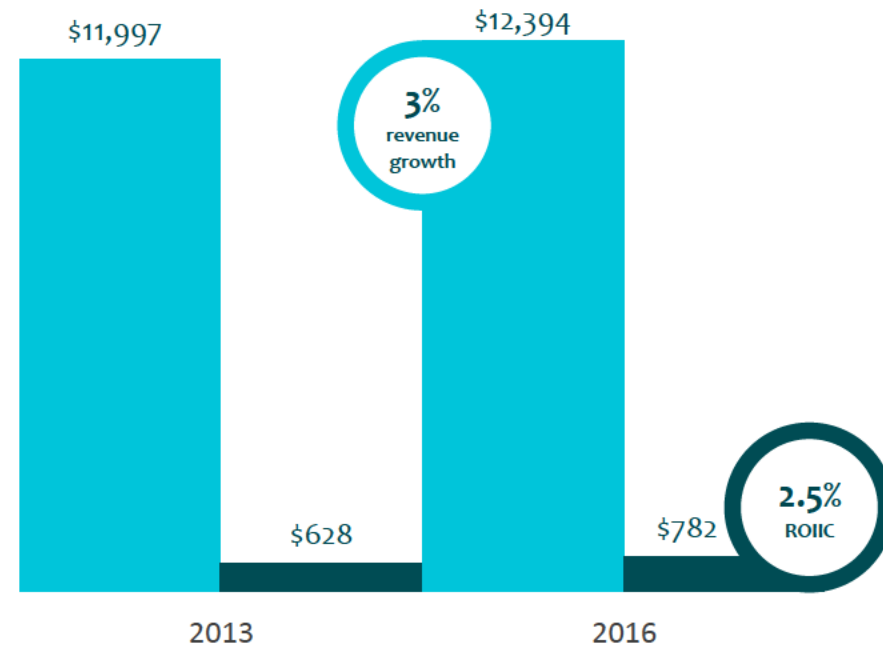
# Arconic's ROIIC: \$6B Invested for 2.5% Return

From the end of 2013 to the end of 2016, Arconic invested \$6.23 billion dollars in growth capital expenditures, research and development and acquisitions. For the **\$6.2 billion invested**, Arconic generated an incremental **\$154 million of Net Operating Profit After Tax (NOPAT)** for a **Return on Incremental Invested Capital of merely 2.5%**

## 2013 – 2016 Cumulative Investment



## Sales and NOPAT



Source: Company filings; Arconic Investor Presentations

1. Growth capital expenditures are calculated as Capital Expenditures for Continuing Operations less 50% of Depreciation and Amortization (management has previously estimated sustaining capital is 50% of D&A – see Arconic Investor Day, December 14, 2016); assumes 33% tax rate. Excluding R&D from the denominator, ROIIC is 2.66%

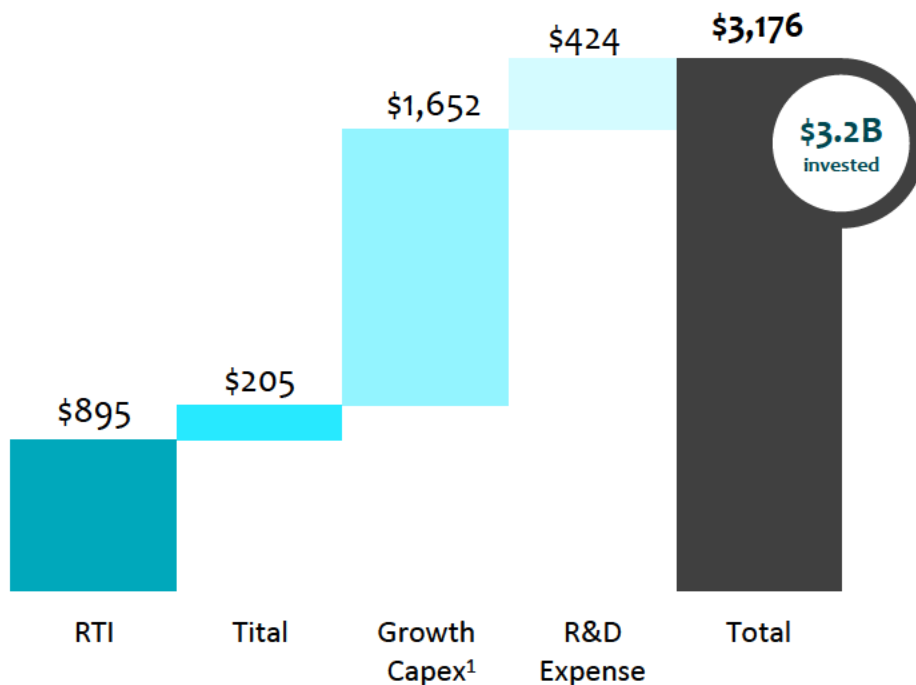
**Value destruction on a grand scale**



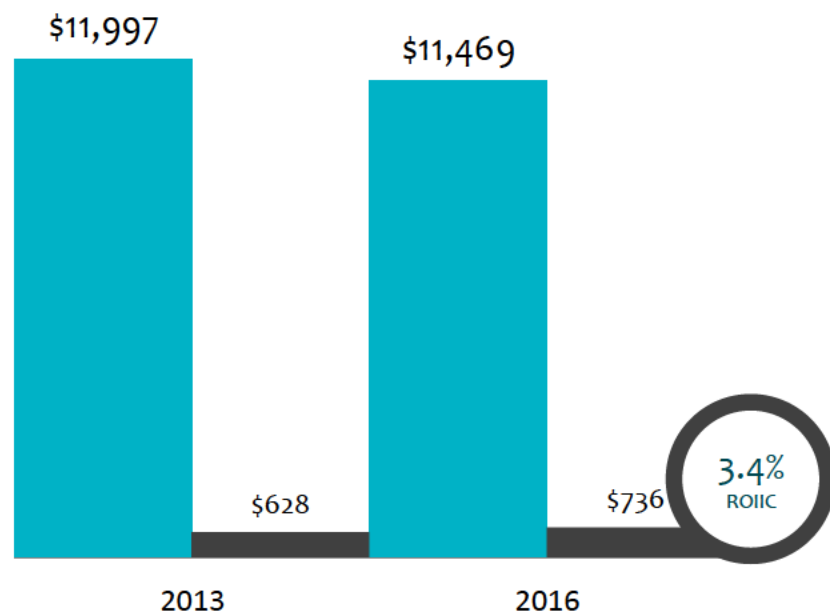
# Arconic's ROIIC: Even Ex-Firth Rixson, Returns Are Terrible

Arconic cannot blame poor performance on the disastrous Firth Rixson acquisition. From 2013-2016, the Company invested over \$3 billion in capital apart from the Firth Rixson deal. But merely generated an incremental \$109 million of Net Operating Profit After Tax (NOPAT) for a Return on Incremental Invested Capital of only 3.4%

2013-2016 Cumulative Investment  
Ex-Firth Rixson



Sales & NOPAT  
Ex-Firth Rixson



Source: Company filings; Arconic Investor Presentations

Note: Firth Rixson D&A assumed to be \$68 million (10 year useful life on \$680 million of acquired PP&E)

1. Growth capital expenditures are calculated as Capital Expenditures for Continuing Operations less 50% of Depreciation and Amortization (management has previously estimated sustaining capital is 50% of D&A – see Arconic Investor Day, December 14, 2016); assumes 33% tax rate. Excluding R&D from the denominator, ROIIC is 3.94%

**Arconic's poor performance is not merely the result of one bad deal. The Firth Rixson acquisition was just the capstone of years of bad capital allocation decisions**

# Arconic's ROIIC: More than \$4.2B Destroyed

Using Arconic's weighted average cost of capital (WACC), management's \$6.23 billion of investments have resulted in just \$2 billion of value to Arconic – destroying more than \$4 billion in shareholder wealth. Based on Arconic's unaffected market capitalization on January 31<sup>st</sup>, Arconic's managers destroyed approximately 40% of the Company's market value

## 2013-2016 Return on Investment

Incremental Net Operating Profit	\$	154
Arconic Weighted Average Cost of Capital		7.8%
Total Enterprise Value of Incremental NOPAT		1,985
Amount (Invested) by Arconic		(6,226)
<b>Value Created / (Destroyed)</b>	<b>\$</b>	<b>(4,241)</b>
Arconic Market Capitalization on January 31 <sup>st</sup>	\$	10,701
<b>Value Creation / (Destruction) as % of Market Cap</b>		<b>(40%)</b>

Source: Company filings; Arconic Investor Presentations

Note: 33% tax rate; Arconic WACC based on estimated 5.11% pre-tax cost of debt; beta of 1.37; market risk premium of 6.25%

**Management deployed capital worth ~60% of the market cap.  
That investment is now worth <20% of the market cap**





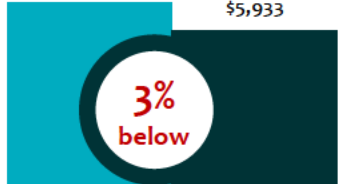




# Operating Results: Missed Targets in Every Business

Each of Arconic's businesses missed their 3-year targets for revenue and profits

"So let me conclude. Lots going on. We are creating a sustainable value for our shareholder. We continue to deliver strong operational results, profitable growth, driven organic as well as inorganic, fully on track, disciplined execution...."

Dr. Klaus Kleinfeld, April 8, 2015

■ 2016 Target  
■ 2016 Actual

	Revenue	EBITDA	
 <b>EPS</b>	\$7,130  <b>20% below</b> \$5,728	\$1,643  <b>27% below</b> \$1,195	<p>"This is very much <u>in line and on track to achieve the targets that we set out in our 3-year targets</u>, our 2016 targets."</p> <p>Dr. Klaus Kleinfeld, January, 12, 2015</p>
 <b>GRP</b>	\$6,100  <b>3% below</b> \$5,933	\$344  <b>13% below</b> \$300	<p>"<u>Global Rolled Products, Transportation and Construction Solutions</u> are on track to meet their three-year targets"</p> <p>Dr. Klaus Kleinfeld, April 11, 2016</p>
 <b>TCS</b>	\$2,130  <b>15% below</b> \$1,802	\$320  <b>9% below</b> \$291	<p>"So, that's pretty much what's been happening, <u>strong operational results</u>, <u>transformation fully on track</u>."</p> <p>Dr. Klaus Kleinfeld, April 8, 2015</p>

Source: Company filings; Arconic Investor Presentations

Note: GRP EBITDA is EBITDA/MT; EPS Segment adjusted for sale of Remmele medical device business; GRP segment adjusted for LME/FX in-line with management commentary, includes Warrick rolling mill; TCS adjusted for FX in-line with management commentary. LME/FX, Remmele adjustments favorable to management; EPS target adjusted down by \$70 million for Remmele (management claim)

# Operating Results: Huge Guidance Failure (at EPS/TCS) Raises Questions

Shareholders are concerned that constant guidance revisions represent a fundamental lack of managerial understanding of the EPS business, a business which has relatively high visibility

"We will have, by next year, \$8.5 billion revenues. This already includes the acquisitions of Firth Rixson, as well as Tital. If, which I assume, the RTI acquisition goes through, you can add to this another \$800 million-plus revenues."

Dr. Klaus Kleinfeld, May 1, 2015

"Well, I mean we've shown you also in the Investor Day, I mean what the team is working on, and so there's a whole host of things that the team is working on, from putting more productivity in place to capturing the synergies. We're actually on a very, very good course, capturing the synergies, right, from gaining more market share there, from getting the operational -- the ability of the equipment up to the level that we are used to, and that's all happening. That's all happening."

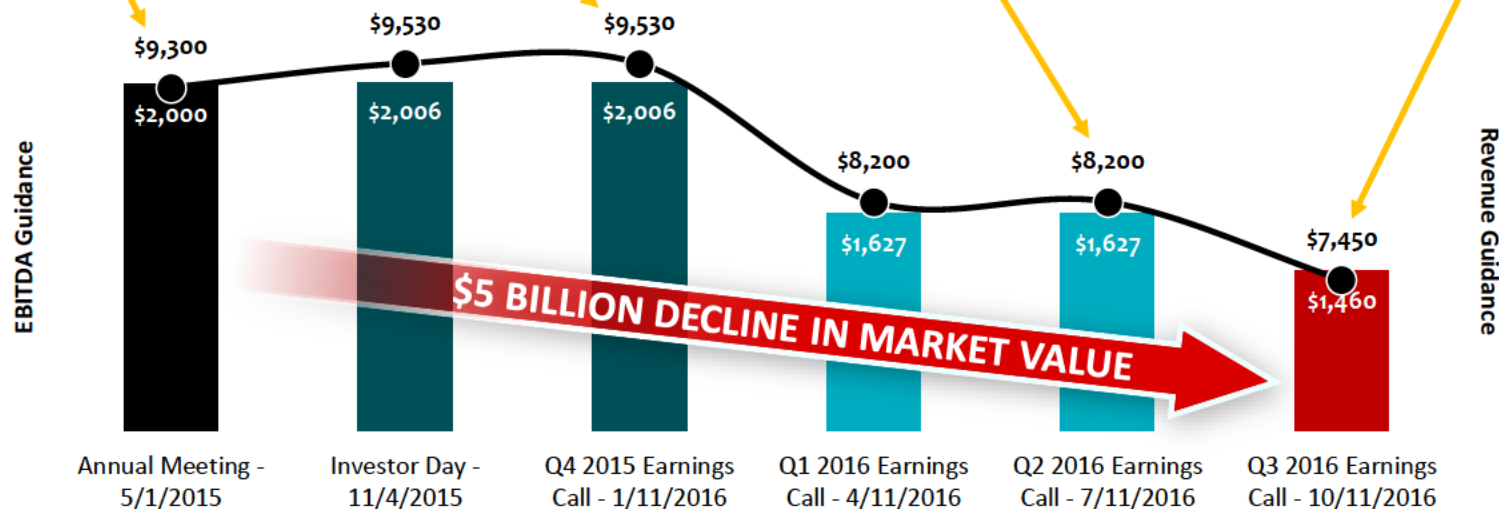
Dr. Klaus Kleinfeld, January 11, 2016

"And I mean, as I said before, there is a ramp-up curve that we are seeing in the second half. We saw actually a very difficult first half already starting with December last year, right? This seems to be over. This is ramping up. And we are on track to meet our targets. And you've seen that the second half, we believe that particularly on the jet engine side, we will -- we are seeing already, we are seeing already very strong demand coming in. We saw it already in the June days."

Dr. Klaus Kleinfeld, July 11, 2016

"And currently, on the airframe components side, we're going through a phase of destocking that absorbs the demand. And we actually do believe from what we have line of sight that this goes through all of 2016 and continues into 2017....So on the aero engine side...we have a different situation. We have very, very strong demand. At the same time, the ramp-up is accelerating, and we're going through the near-term teething issues here of the aero engine industry."

Dr. Klaus Kleinfeld, October 11, 2016



Source: Company communications

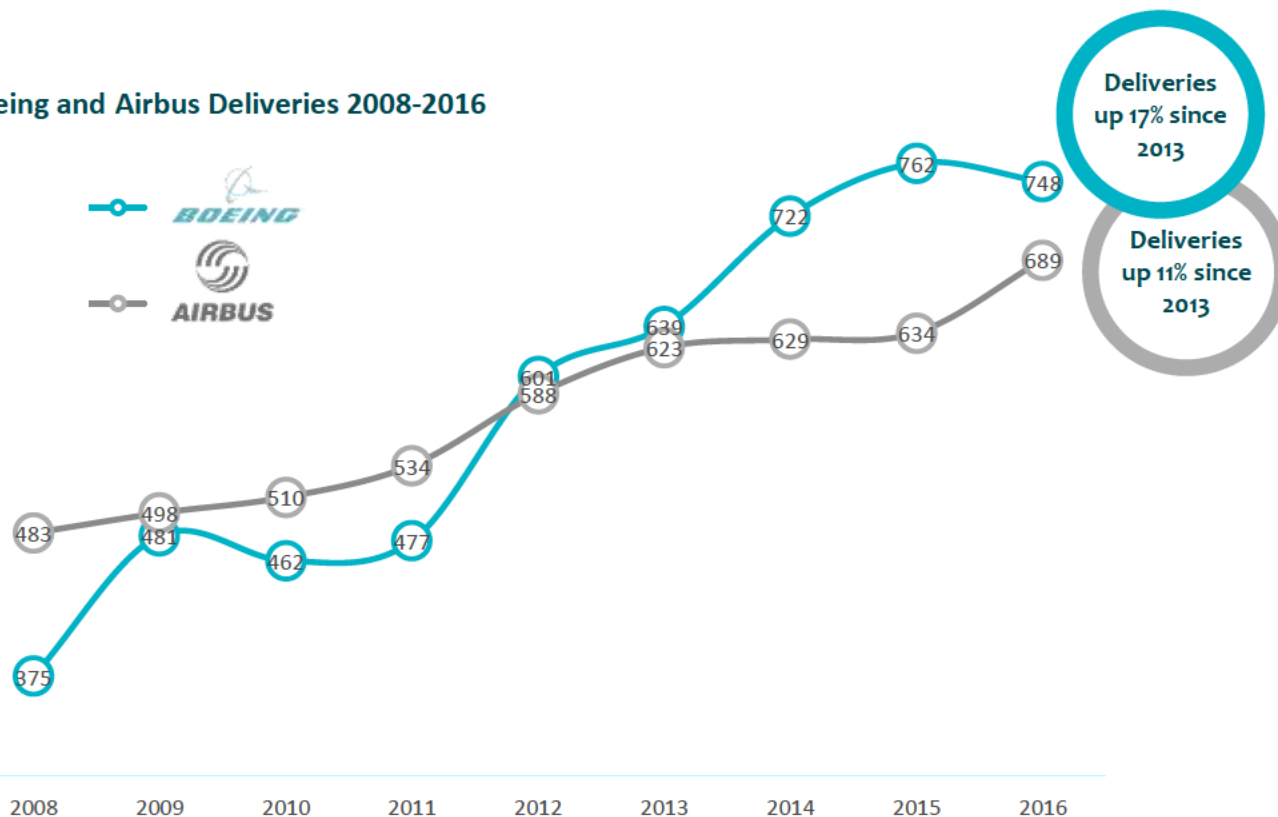
Poor performance and disingenuous rhetoric

# Operating Results: Arconic Should Have Thrived

The aerospace industry has experienced a historic upcycle (which continued from 2013 to 2016)

- Boeing is delivering almost twice as many planes as it did in 2008 and more than 100 more planes since 2013
- Airbus is delivering 43% more planes than it did in 2008 and more than 65 more planes since 2013

Boeing and Airbus Deliveries 2008-2016



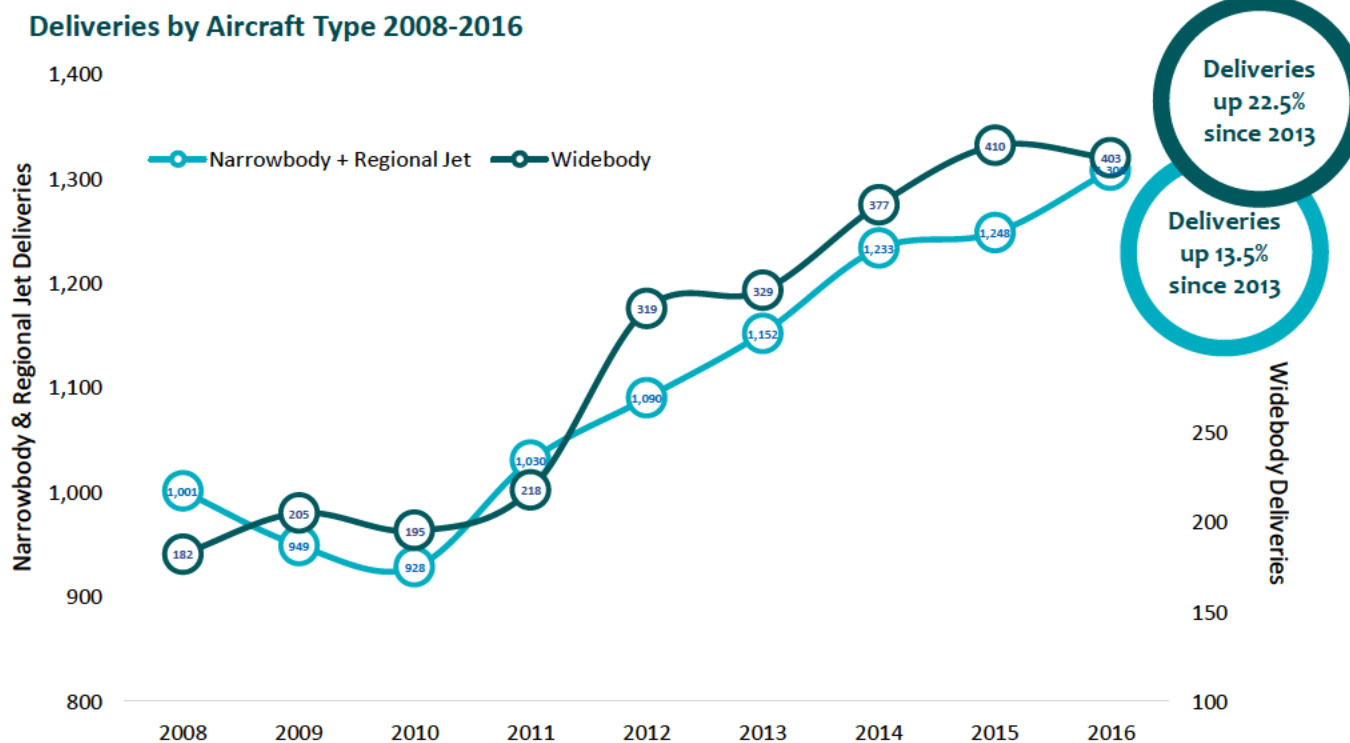
Source: Boeing; Airbus; Bloomberg Intelligence

Despite massive industry growth, core EPS has shrunk

# Operating Results: Arconic Should Have Thrived (cont.)

General trend for both types of aircraft have been up and to the right since 2008, through 2013 and to 2016

- Arconic management blamed 2016 failures in part on Widebody “slowdown”
- But Widebody delivery growth actually outpaced Narrowbody and Regional Jet delivery growth from 2013 to 2016



Source: Bloomberg Intelligence

**Arconic's business benefited from massive industry tailwinds, yet still shrunk**





# Poor Operating and Financial Results

## Section Summary

\$6.2 billion Spent, Only \$154 million NOPAT; Missed Targets

## Engineered Products & Solutions

Missed Targets, Poor ROIC, Absence of Growth, Lags PCC

## Firth Rixson

\$1.9-\$2.5 billion of Value Destruction

## Global Rolled Products

Missed Targets, Management Spin, Poor ROIC

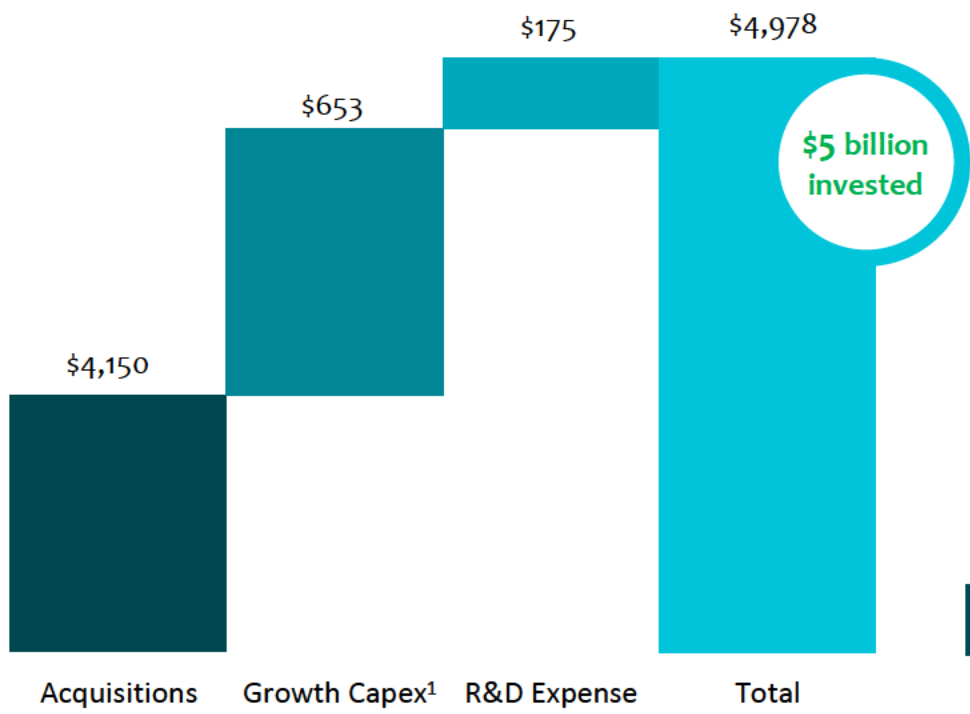
## Transportation and Construction Solutions

Lack of Growth Despite “Secular” and Cyclical Tailwinds

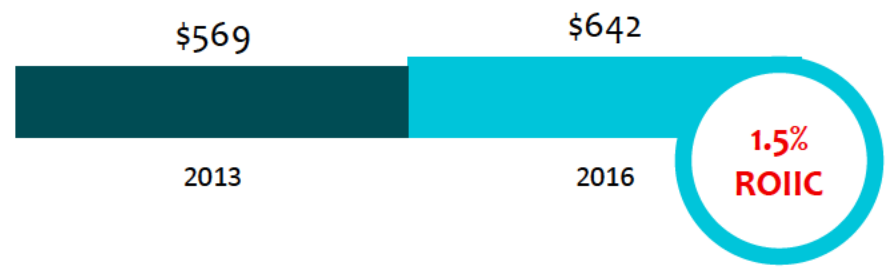
# EPS Results: 1.5% ROIIC in a 10-20%+ Business

From the end of 2013 to the end of 2016, Arconic invested \$5 billion dollars in growth capital expenditures, research and development and acquisitions in EPS. For the **\$5 billion invested**, Arconic generated an incremental **\$73 million of NOPAT** for a **Return on Incremental Invested Capital of 1.5%**

Cumulative Investments



NOPAT: 2013 vs. 2016



Source: Company filings; Arconic Investor Presentations

Note: R&D expense allocated to each segment based on consolidated R&D as a percentage of revenue

1. Growth capital expenditures are calculated as Capital Expenditures for Continuing Operations less 50% of Depreciation and Amortization (management has previously estimated sustaining capital is 50% of D&A – see Arconic Investor Day, December 14, 2016); 33% tax rate. Excluding R&D from the denominator, ROIIC is 1.52%

**EPS is a business that should have 10-20%+ ROIIC**

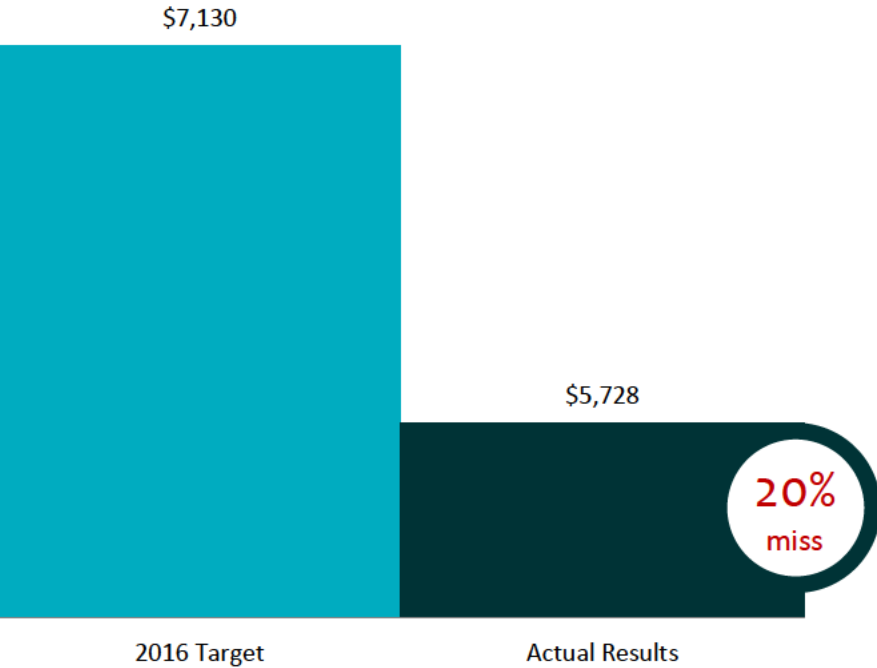
# EPS Results: Massively Missed Targets

Arconic's EPS business missed sales and profit targets by an enormous margin

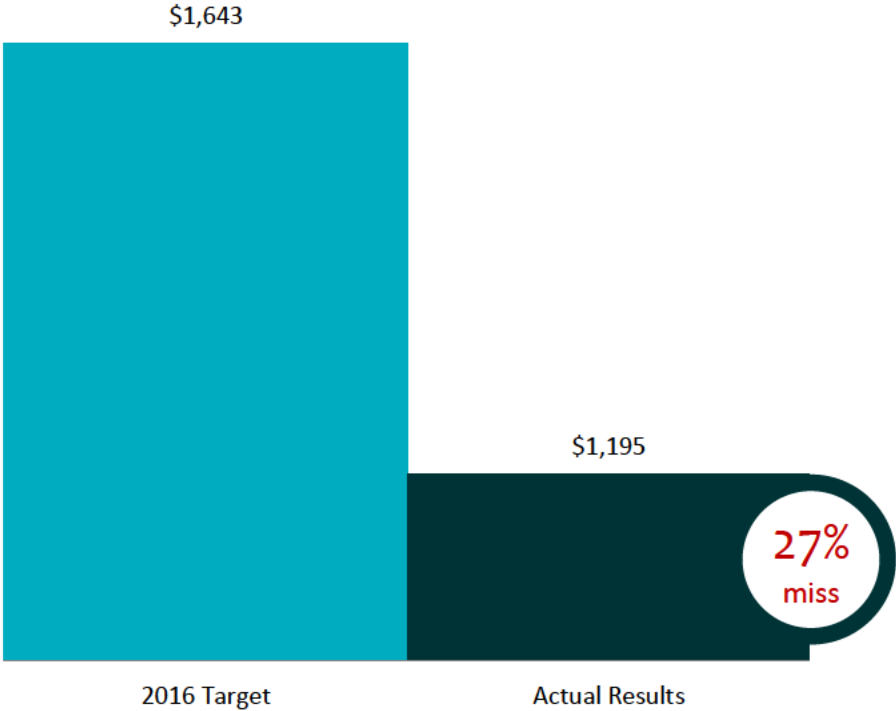
"There is a drive for excellence. And excellence does not accept mediocrity."

Dr. Klaus Kleinfeld, January 25, 2004

### Revenue Target vs. Results



### EBITDA Target vs. Results



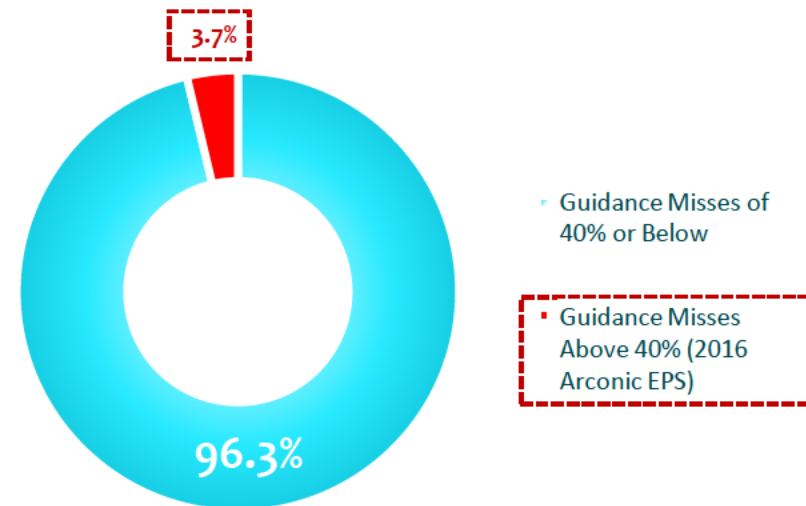
Source: Company filings; Arconic Investor Presentations  
Note: EPS Segment adjusted for sale of Remmele medical device business

# EPS Results: A Failure of Epic Proportions

The guidance miss reported in Arconic's EPS segment in 2016 ranks among the worst in the recent history of the S&P 500 Index

- In November 2015, and then again in January 2016, Arconic confirmed 2016 Engineered Products and Solutions segment EBITDA target of \$1.643 billion, or \$1.1 billion of After-Tax Operating Income ("ATOI")<sup>1</sup>
- After Dr. Kleinfeld restated this guidance not once, but twice in the following twelve months, the Company ended up reporting EPS segment ATOI of \$642 million, a miss of over 40%
- Based upon an analysis of S&P 500 company earnings misses over the past 5 years, the ATOI guidance miss reported in Arconic's EPS segment will go down as one of the most horrific in recent history, even before taking into account the theoretical pro-rata allocation of interest expense to Arconic's various segments, which would further increase the magnitude of the miss
- In fact, on average less than four percent of all annual earnings per share guidance provided in the last 5 years (by ~250 non-commodity companies in the S&P500 each year) achieved failure equal in magnitude to that demonstrated by Dr. Kleinfeld in Arconic's largest and most important business segment

"% of Instances Where Actual Results Missed EPS Guidance By Over 40% (Among S&P 500 Non-Commodity Companies in the Last Five Years)<sup>2</sup>



■ Guidance Misses of 40% or Below

■ Guidance Misses Above 40% (2016 Arconic EPS)

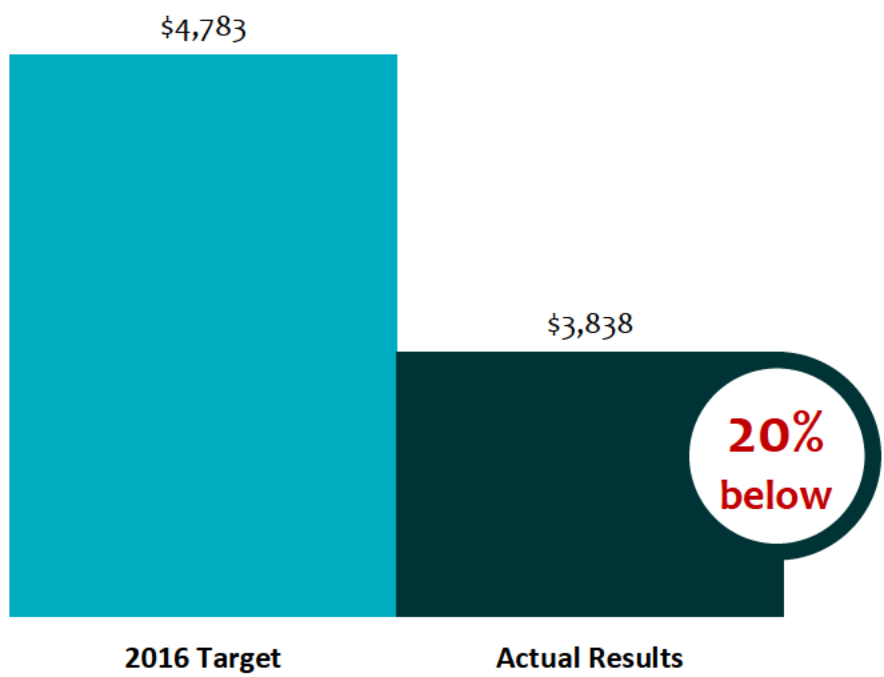
1. Note: EPS Segment adjusted for sale of Remmele medical device business; ATOI figure after taking into account depreciation, amortization and taxes, but not interest expense

2. Note: Analysis using S&P Index components as of December 30, 2016

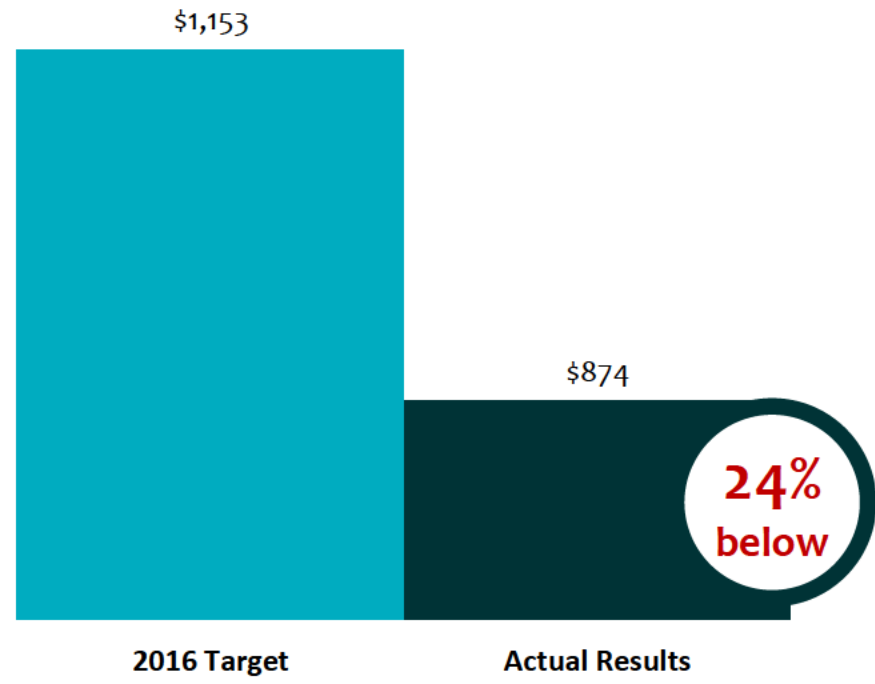
# EPS Results: Organic Results Equally Disappointing

EPS failures are not just a story of the failed Firth Rixson acquisition

Organic EPS Target vs. Actual Revenue



Organic EPS Target vs. Actual EBITDA



“On the one hand we’ve worked on profitable growth, **organic growth**, growth that I personally love a lot.”  
 Dr. Klaus Kleinfeld, November 4, 2015

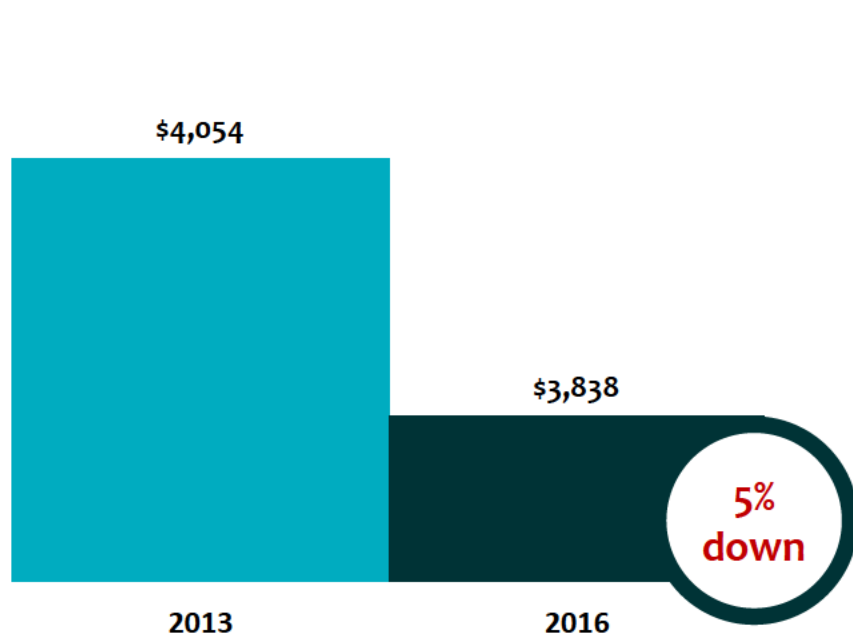
Source: Arconic Investor Presentations; Arconic Earnings Calls  
 Note: EPS target excludes Tital, Firth Rixson and RTI acquisitions; actual revenue results assumed 3<sup>rd</sup> party sales of \$765 million (RTI) and \$200 million (Tital); actual EBITDA results assumed RTI and Tital EBITDA margin of 19% and 20%, respectively

**There has been NO organic growth**

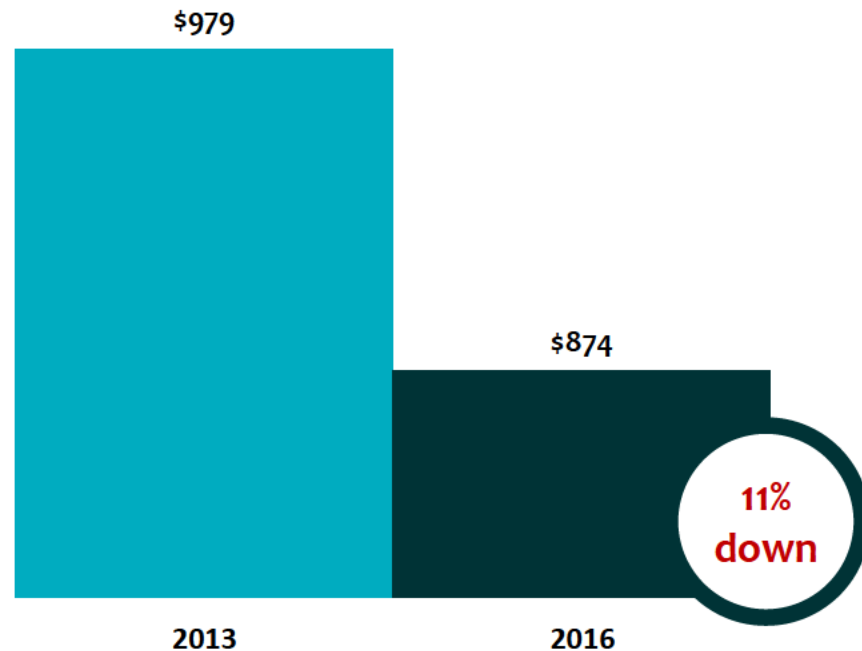


# EPS Results: Core EPS (Ex-Acquisitions) Has Shrunk, Margins Contracted

Organic EPS Revenue: 2013 vs. 2016



Organic EPS EBITDA: 2013 vs. 2016



“This is the good news. I mean, the good news is that we will be able to grow our aerospace business, I mean, and every one of the segments that caters to aerospace.”

Dr. Klaus Kleinfeld, July 8, 2013

Source: Company filings; Arconic Investor Presentations

**Have similarly situated businesses performed as poorly?**



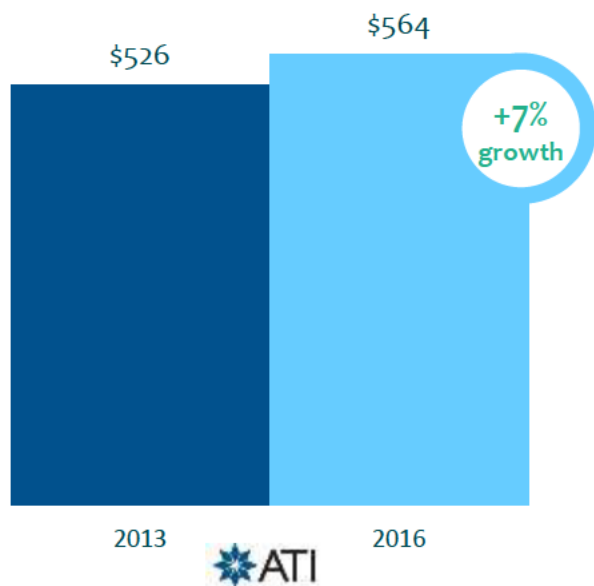


# EPS Results:

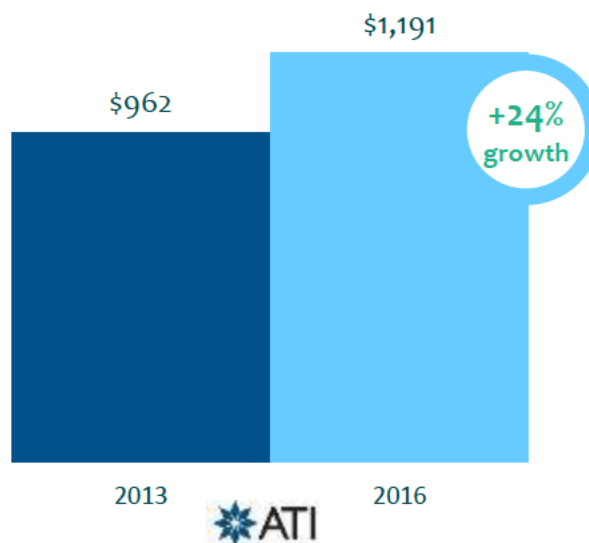
## ATI's EPS Competitor and Supplier Thrives, Arconic Shrinks

- A portion of ATI – the HPMC business – both competes with and supplies EPS. ATI's business has thrived, while EPS has shrunk.
- ATI reports sales within the High Performance Materials and Components (HPMC) segment by end-market (e.g., Jet Engines and Airframes). These products include Ladish's subcomponents and powders and alloys sold to customers such as Arconic and PCC
- Separately, ATI reports sales of Precision Forgings, Castings and Components (formerly Ladish – a business it acquired) as a percent of overall revenue. Ladish sales grew by 7% since 2013 despite significant oil and gas headwinds (greater exposure to oil and gas end-market than EPS)

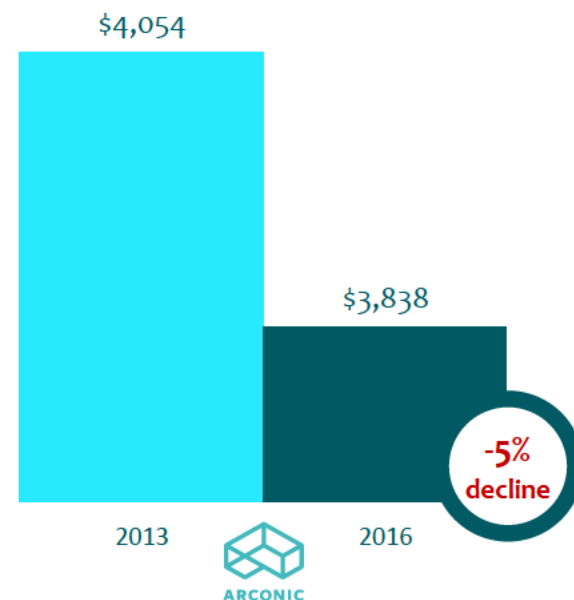
### Ladish 2013 to 2016



### ATI HPMC Engine + Airframe



### Arconic Core EPS



Source: ATI Company filings – Ladish sales defined as Precision Forgings share; Arconic Investor Presentations

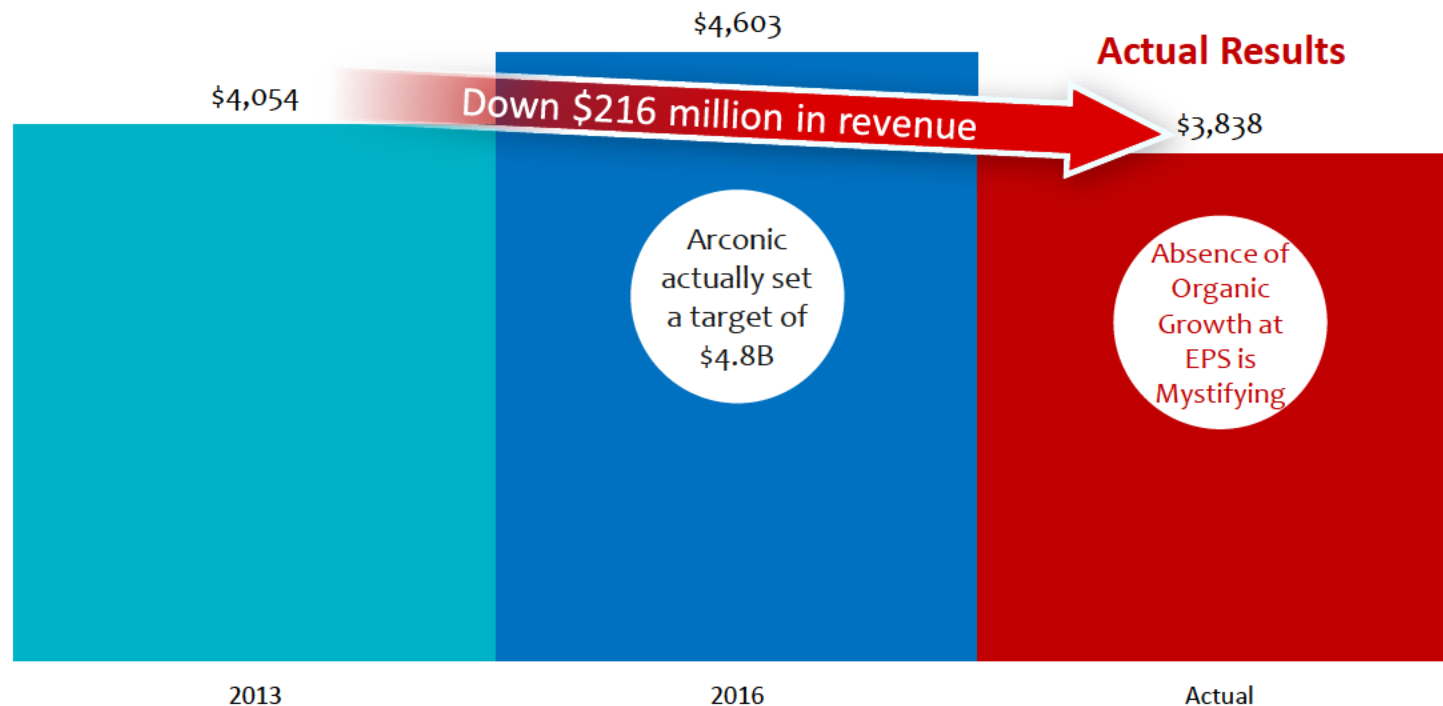
**Any way you look at ATI's results, it outgrew Arconic EPS**

# EPS Results: Should've Been at Least 14% Growth

Using EPS's mix and then taking Arconic's actual results in IGT, add in ATI's jet engine and airframe growth, Arconic EPS should have grown from \$4 billion to over \$4.6 billion between 2013 and 2016

- Another way to triangulate how much EPS should have grown is to use EPS's mix, take Arconic's actual results in Industrial Gas Turbines (IGT) and assume ATI's aerospace rates
- EPS 2013 mix calculated as IGT (13%), Other (14%), Aerospace (74%) broken down into Jet Engines (25% of overall), Airframe (48%)
- IGT growth rates (-10%, +3%, +34%) from Arconic, Other (2% p.a.)— assumption
- From ATI: Jet Engine (+7%, +12%, +16%); Airframe (+1.5%, +0.9%, -3.1%)

*If Arconic grew like ATI*

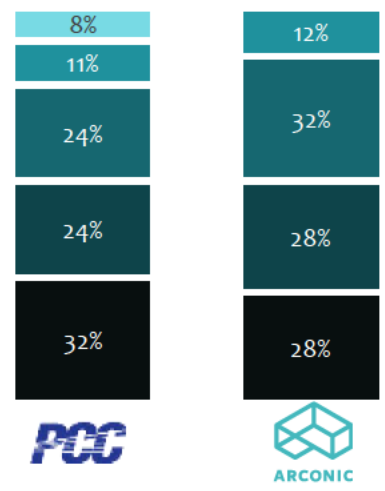


Source: ATI company filings; Arconic Investor Presentations; percentages may not add-up due to rounding

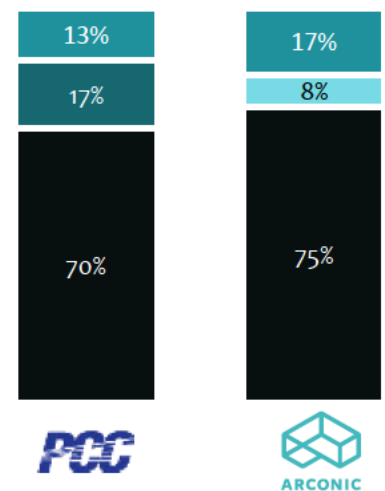
# EPS Results: Arconic EPS Benchmarks to PCC

Elliott worked with a number of experts including: former employees and customers of both Arconic EPS and Precision Castparts, external consulting firms and industry professionals. Their conclusion is unambiguous: EPS and PCC are substantially similar businesses

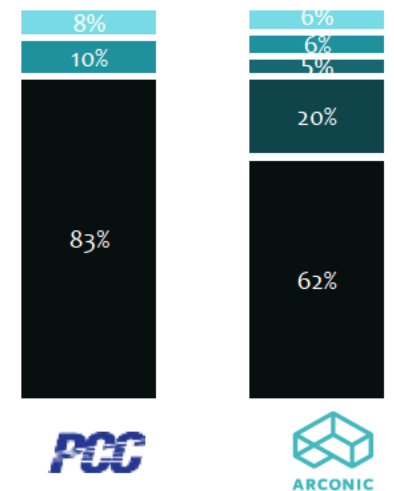
**Business Unit Revenue Contribution**



**Business End Markets**



**Geography**



- Forgings ▪ Fasteners ▪ Castings ▪ Titanium ▪ Other
- Aerospace ▪ Ind. Turbine ▪ Power Market ▪ Others
- United States ▪ Europe ▪ Asia ▪ United Kingdom ▪ Other

“So you've just seen the acquisition of PCC that's underway by Warren Buffet's Berkshire Hathaway. And he paid for a business that is having \$10 billion of revenue, whereas \$6 billion of those \$10 billion are having a full overlap with us.”

Dr. Klaus Kleinfeld, October 8, 2015

“So, I mean, the most natural competitor when you go to aerospace is PCC right? And the aerospace business, I mean, pretty much we are catering in all of these businesses that PCC also caters to, right?”

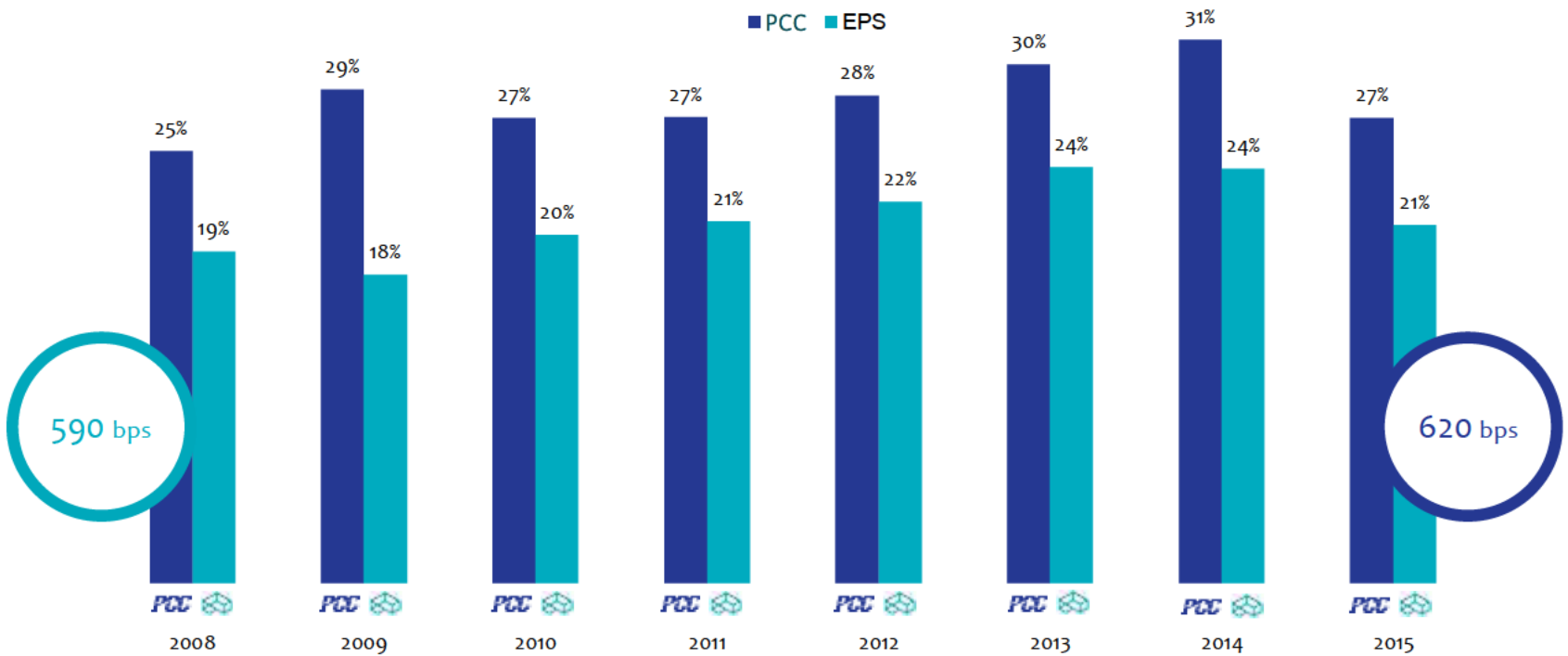
Dr. Klaus Kleinfeld, September 8, 2015

Source: Company filings; Arconic Investor Presentations; PCC Company filings – 9 months annualized

# EPS Results: EPS Margins Have Consistently Lagged PCC

However, Arconic has simply been unable to close the gap with Precision Castparts under current management

PCC vs. Arconic EPS Business EBITDA Margin



Source: Company filings; Arconic Investor Presentations  
 Note: Arconic EPS margins are fully adjusted and include proportional share of estimated downstream corporate and pension expenses based on historical LegacyCo reported figures; historical PCC numbers adjusted for pension expenses

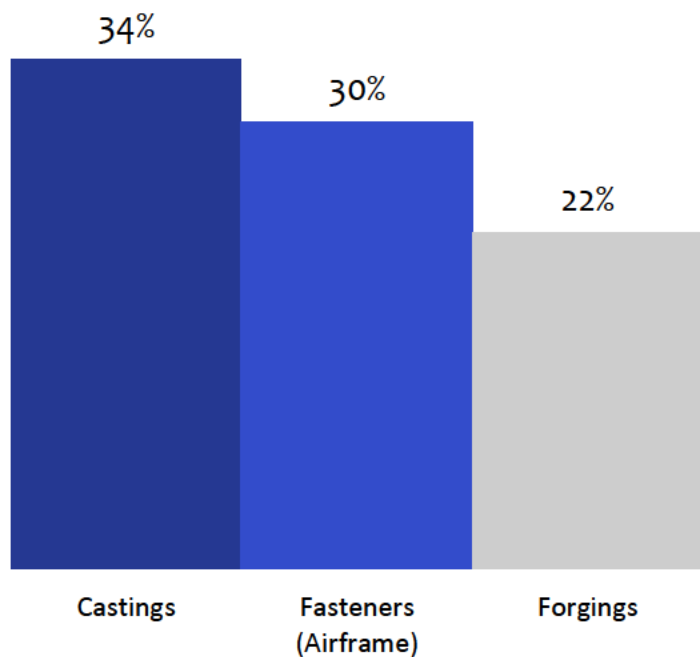
**For much of this period, EPS has actually enjoyed a more favorable product-margin mix vs. PCC**



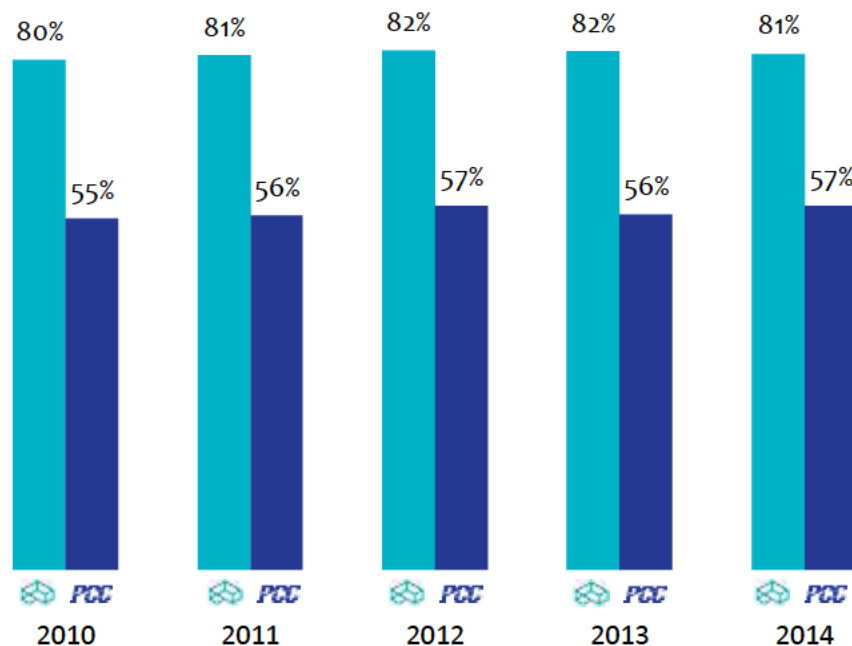
# EPS Results: EPS Margins Should Be Higher than PCC

EPS product mix – more fastener and casting sales, fewer forgings – actually suggests margins should be higher not lower than PCC

**PCC Operating (EBIT) Margins by Segment**



**Castings and Fasteners (the Higher Margin Segments) as % of Sales**



Source: Alcoa 10-K 2010-2014; PCC 10-K 2010-2014

Note: PCC operating margins by segment are based on 5 year average operating margins; Fasteners defined as PCC's Airframe segment

**Mix difference is actually favorable to Arconic**

# EPS Results: What Does Management Now Say?

After years of promoting the overlap with PCC, Arconic management now claims they are "structurally different." But a close examination of their "evidence" suggests an admission against interest. They won't admit it, but they know they lag

Scale issue is a red herring. PCC had high-20's/low-30's margins when it was EPS' current size. EPS has more assets than PCC

75% of Arconic's business overlaps with PCC. In fact, it overlaps more with higher-margin segments – fasteners and castings – than with forgings

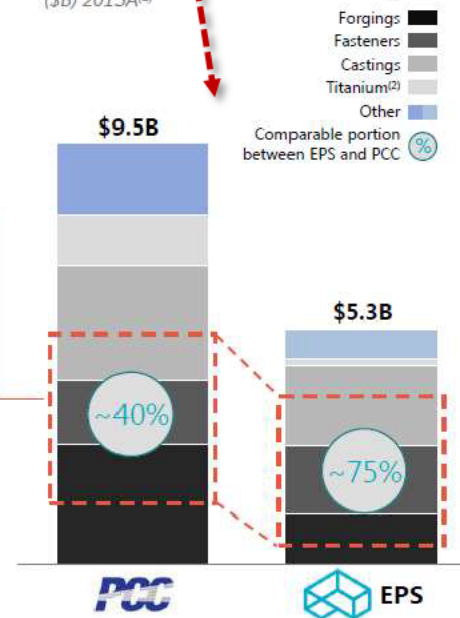
Nothing "structural" preventing Arconic from competing in large diameter structural castings. For years, PCC identified Arconic's Howmet unit as its primary competitor in castings and warned there was nothing preventing Howmet from competing with PCC

## The Facts: Key Differences Explain the Margin Gap Between PCC and Arconic EPS

PCC versus Arconic EPS comparison

	PCC	Arconic EPS Strategy
<b>Scale Differences</b>	<ul style="list-style-type: none"> <li>Greater scale enables bundling of content to expand margins</li> </ul>	<ul style="list-style-type: none"> <li>Investments have positioned EPS to capture greater content on select platforms</li> </ul>
<b>Vertical Integration</b>	<ul style="list-style-type: none"> <li>Greater vertical integration drives lower raw material costs</li> </ul>	<ul style="list-style-type: none"> <li>Recent investments (e.g. RTI) will improve raw material costs</li> </ul>
<b>Mix Differences</b>	<ul style="list-style-type: none"> <li>~40% of PCC's business is structurally comparable with EPS</li> <li>Participates in above-average margin segments (e.g. large diameter structural castings)</li> <li>Does not participate in certain lower margin segments (e.g. aluminum extrusions)</li> </ul>	<ul style="list-style-type: none"> <li>~75% of Arconic's EPS business is structurally comparable with only 40% of PCC</li> <li>Investments in key technologies and expansion of key facilities (e.g. La Porte) to compete in additional high margin segments</li> </ul>
<b>Capacity Utilization</b>	<ul style="list-style-type: none"> <li>Generally good capacity utilization</li> </ul>	<ul style="list-style-type: none"> <li>Made significant capital investments (including isothermal forging and structural castings facilities), which are still under-utilized but ramping up in volume based upon awarded work</li> </ul>

Relative Revenue Contribution (\$B) 2015A<sup>(1)</sup> Legend



Attacking the gap: Technology investments, increased capacity utilization, strategic acquisitions and organic expansions

Source: Arconic, Company filings

Note: Structural differences are defined as businesses in which EPS just entered and therefore has substantial differences in scale/volume (~5-10x) or where PCC does not compete.

1) Last 12 months revenue as of calendar year-end 2015, for both Arconic and PCC

2) Arconic's Titanium business has overlap with PCC's.

PCC derives significantly greater revenue from some substantially lower margin businesses (e.g., machining) than Arconic

Arconic's RTI is a direct competitor to PCC's Timet

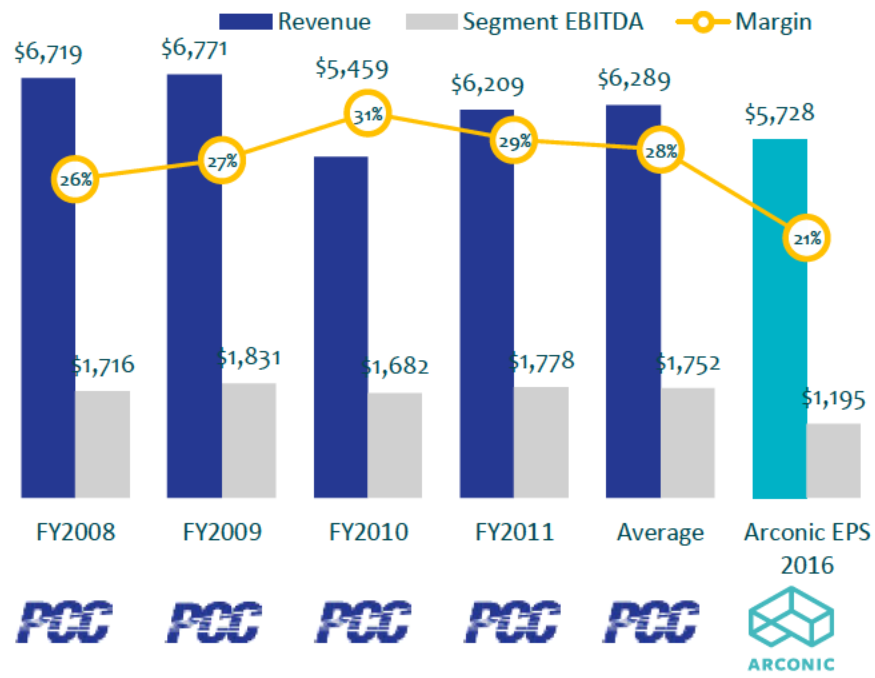




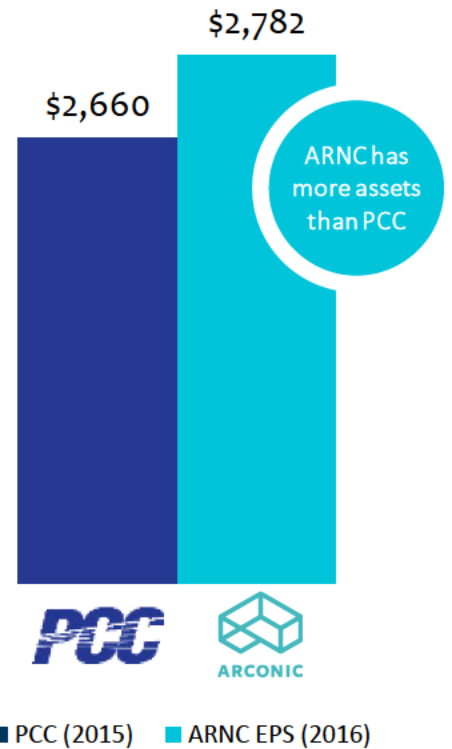
# EPS Results: Gap with PCC Is Not a Scale Issue

PCC had better margins when it was the same size as EPS is today; EPS **actually has greater** Net Property, Plant and Equipment than Precision Castparts

When PCC Had Between \$5-\$7 billion of Sales – Segment-Level Margins:



Net PP&E



Source: PCC FY 2010-FY 2013 10-K, Company filings  
 Note: EPS Net PP&E based on share of depreciation (51%); PCC Net PP&E is based on CY 2015 (i.e., December 31, 2015 balance sheet figure)

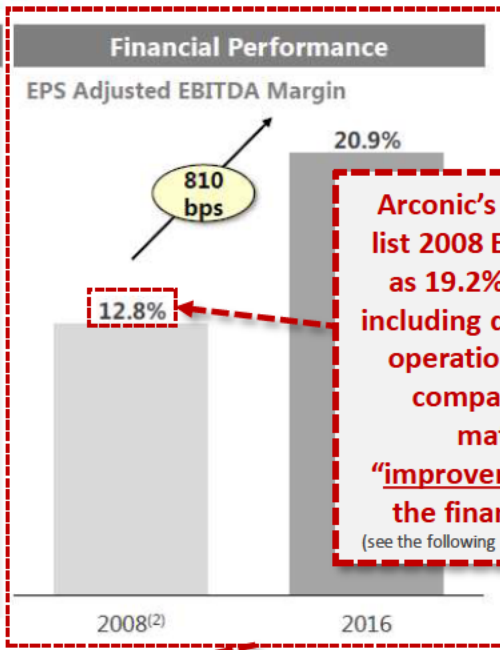
**Management needs a different excuse**

# EPS Results: Hiding from Own Numbers and Debunking Own Case

## Leading Airframe and Aerospace Engine Component Supplier

EPS results, EBITDA margin expansion and key actions

Key Actions Taken	Leadership Position Established
<ul style="list-style-type: none"> <li>High strength, light temperature airframe</li> <li>Engine fuel operating cost, e.g. reduced Equiax (EEQ) and advanced airframe coating</li> <li>Aluminum and Al powders and 3D printing techniques</li> </ul>	<ul style="list-style-type: none"> <li>~70% of revenue from products with #1 or #2 market position<sup>(1)</sup></li> <li>Able to supply &gt;90% of structural and rotating aero engine components</li> <li>Increased aerospace shipset value by double-digit percentages across next-generation platforms</li> <li>Signed \$11B+ in new contracts since 2015</li> </ul>



Arconic's own filings list 2008 EPS margins as 19.2%.<sup>1</sup> Only by including discontinued operations can the company show material "improvement" since the financial crisis (see the following page for more detail)

But shareholder focus on leverage with customers is misguided?

Didn't management say they had a scale problem versus PCC?

Unfortunately, shipset value growth does not equal share gain. Given more expensive metal content, shipsets will grow even if share is not increasing

Arconic markets rolling over existing contracts as new revenue and famously refuses to address the question of whether or not new contracts are actually profitable or entered into on favorable terms

Source: Arconic analysis based on data derived from Capital IQ and Bloomberg  
 1) Refers to 2016 revenue.  
 2) Including the wire harness and electrical distribution business which was sold in 2009; Excluding this business the margin increase is 170bps. See Appendix for Reconciliations.

1) Refers to 2016 revenue.  
 2) Including the wire harness and electrical distribution business which was sold in 2009; Excluding this business the margin increase is 170bps. See Appendix for Reconciliations.



# EPS Results: Changing Disclosures to Revise History

At EPS, the Company has massaged the figures in a disingenuous attempt to demonstrate improved operating performance:

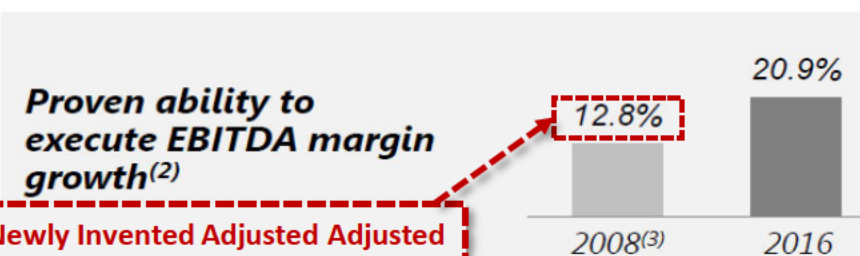
- During its October 2016 Investor Roadshow, the Company reported 2008 EBITDA margins were 19.2% and expanded to 20.8% in 2015 (see clip from the Company's October 27, 2016 Investor Presentation below)
- Now, under the bright lights of a proxy contest, the Company represents that margins have increased from 12.8% in 2008 to 20.9% in 2015 (or 20.9% in 2016)
- How did this happen? **Simple. By revising historical disclosure to include discontinued operations**

Arconic October 27, 2016 Investor Presentation: Past Disclosure

<b>Engineered Products and Solutions (EPS)</b>		
(\$ in millions)	2008	2015
After-tax operating income (ATOI)	\$465	\$595
Add:		
Depreciation, depletion, and amortization	118	233
Income taxes	225	282
Other	2	-
<b>Adjusted EBITDA</b>	<b>\$810</b>	<b>\$1,110</b>
Third-party sales	\$4,215	\$5,342
<b>Adjusted EBITDA Margin</b>	<b>19.2%</b>	<b>20.8%</b>

As of October 2016, management was still reporting numbers consistent with historical disclosure

Arconic March 27, 2017 Investor Presentation: Updated Management Spin



1) Based on 2016 revenue.

2) Represents adjusted EBITDA margins.

3) Including the wire harness and electrical distribution business which was sold in 2009; excluding this business the margin increase is 170bps.

See Appendix for Reconciliations.

However, in March 2017, in an apparent attempt to fabricate a compelling margin expansion story, the Company suddenly began adding back discontinued operations to its historical segment disclosure



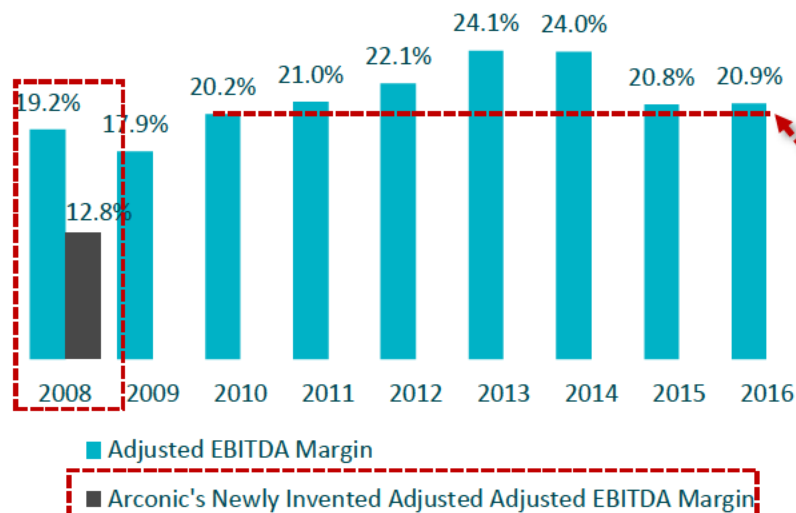
# EPS Results:

## Disclosure Gamesmanship But No Genuine Margin Improvement

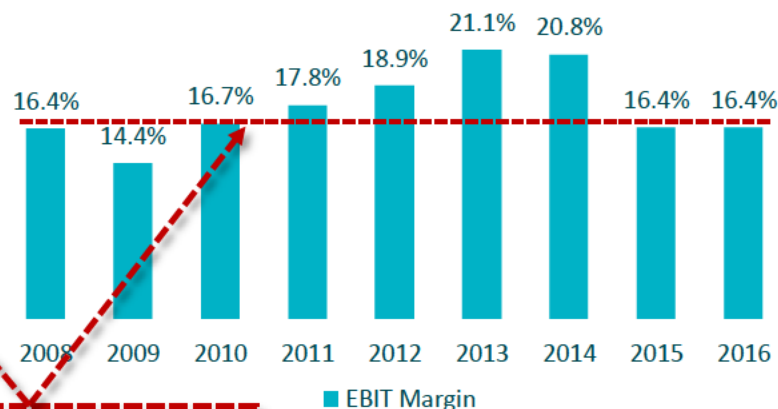
While Arconic's creation of a "Newly Invented Adjusted Adjusted EBITDA Margin" for 2008 helps the Company ensure a narrative of margin improvement since the financial crisis, it does not help explain the lack of margin improvement over the last seven years of Dr. Kleinfeld's tenure

- Quite simply, since 2010, EBITDA margins are effectively flat in the EPS business, while EBIT margins are actually down
- However, if recent history is any guide, we anticipate additional efforts by management to revise history on this front in a desperate attempt to convince shareholders of historical operational improvement

Arconic EPS Segment Historical EBITDA Margin



Arconic EPS Segment Historical EBIT Margin



Since 2010, EBITDA and EBIT margins are essentially flat



# Poor Operating and Financial Results

## Section Summary

\$6.2 billion Spent, Only \$154 million NOPAT; Missed Targets

## Engineered Products & Solutions

Missed Targets, Poor ROIC, Absence of Growth, Lags PCC

## Firth Rixson

**\$1.9-\$2.5 billion of Value Destruction**

## Global Rolled Products

Missed Targets, Management Spin, Poor ROIC

## Transportation and Construction Solutions

Lack of Growth Despite “Secular” and Cyclical Tailwinds

On June 26, 2014, Alcoa announced the acquisition of Firth Rixson for ~\$3 billion. We understand Dr. Kleinfeld did not visit the key Firth Rixson Savannah facility to do due diligence



Michael F. Gambardella, JP Morgan: “I'm just asking was this an auction process or not?”

Dr. Klaus Kleinfeld: “No, well, look, I mean, I don't really want to comment on it. I mean, in the end, it doesn't really matter. This is a transformational transaction.”



# Firth Rixson: What did Arconic Pay?

Taking two different approaches (taking Firth Rixson's EBITDA and multiplying by the corporate multiple and taking Firth Rixson's NOPAT over Arconic's WACC) to measuring the extent of the value destruction as a consequence of the Firth Rixson acquisition yields the result that Arconic's management has destroyed between \$1.9 and \$2.5 billion of value

What about the acquisition valuation?

Klaus Kleinfeld: "I know that some of you are already doing the math, running the math and are probably saying, 'Heck, what are they doing?' They are paying at a multiple that's above the average multiple. You won't understand how the multiple here has to be calculated if you don't apply these backed-by-contracts revenues on a highly profitable basis."

## Aerospace and Defense M&A Transactions Over \$500 million

<u>Transaction Date</u>	<u>Target</u>	<u>Transaction Value</u>	<u>Buyer</u>	<u>Implied EBITDA Multiple</u>
1/25/2007	Essex Corp.	555	Northrop Grumman Space & Mission	28.3x
<b>11/20/2014</b>	<b>Firth Rixson Ltd.</b>	<b>3,050</b>	<b>Alcoa Inc.</b>	<b>22.4x</b>
7/22/2003	TransDigm Inc.	1,102	Warburg Pincus LLC	20.6x
12/20/2007	EDO Corporation	1,571	ITT Corporation	19.8x
12/14/2005	Doncasters Group Limited	1,932	Dubai International Capital L.L.C.	19.1x
8/11/2003	Veridian Corporation	1,573	General Dynamics Corporation	18.8x

Source: Arconic 2016 10-K; Alcoa 2014 10-K; Firth Rixson Acquisition M&A Call, June 26, 2014; Capital IQ

**Note: Arconic has not taken a substantial impairment by burying Firth Rixson in multiple segments**

# Firth Rixson: Path to Value Destruction

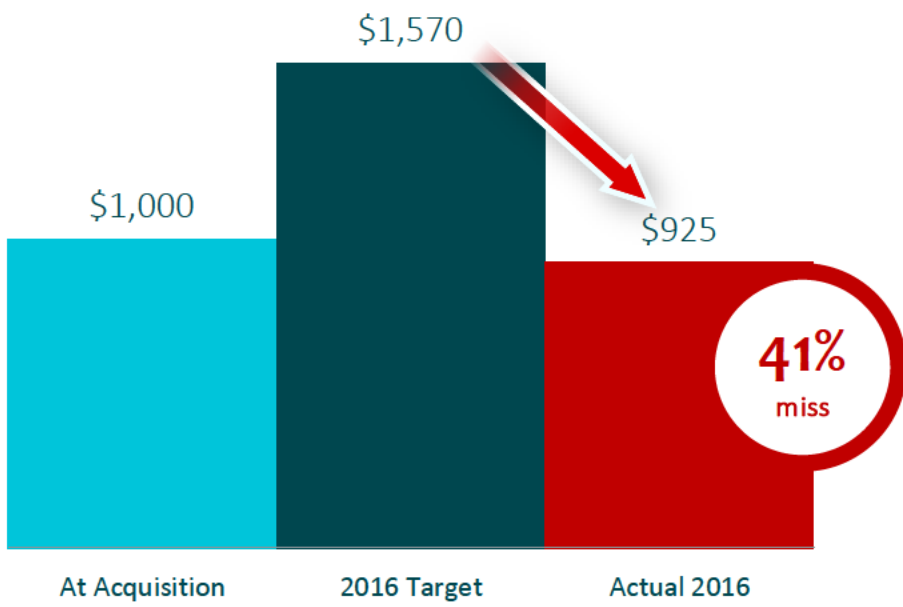
In June 2014, Alcoa acquired Firth Rixson for ~\$3 billion. For FY 2016, Firth Rixson generated \$136 million EBITDA, or 22x less than the acquisition price. Dr. Kleinfeld never visited Firth Rixson prior to the acquisition

“And we already pointed out that in the last quarter we have a path to achieve our 2016 targets. We actually said that we're going to have an EBITDA target of \$350 million 2016 on revenues of \$1.6 billion...”

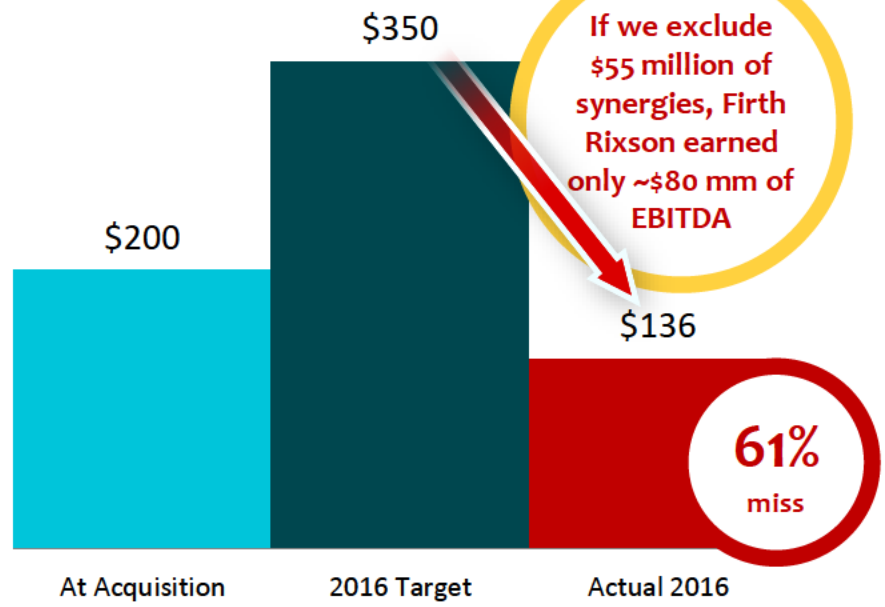
Dr. Klaus Kleinfeld, October 8, 2015

**(29%)**  
TSR vs. Proxy Peers since quote

Firth Rixson Revenue



Firth Rixson EBITDA



Source: Company filings; Arconic Investor Presentations

**As late as Jan. 2016, Dr. Kleinfeld insisted that Firth Rixson was “on track” to meet its targets**

# Firth Rixson: Always "On Track"

Even when it was painfully obvious to external observers that Firth Rixson would not achieve management's projections, management continued to insist that Firth Rixson was "on track" to achieve 2016 targets

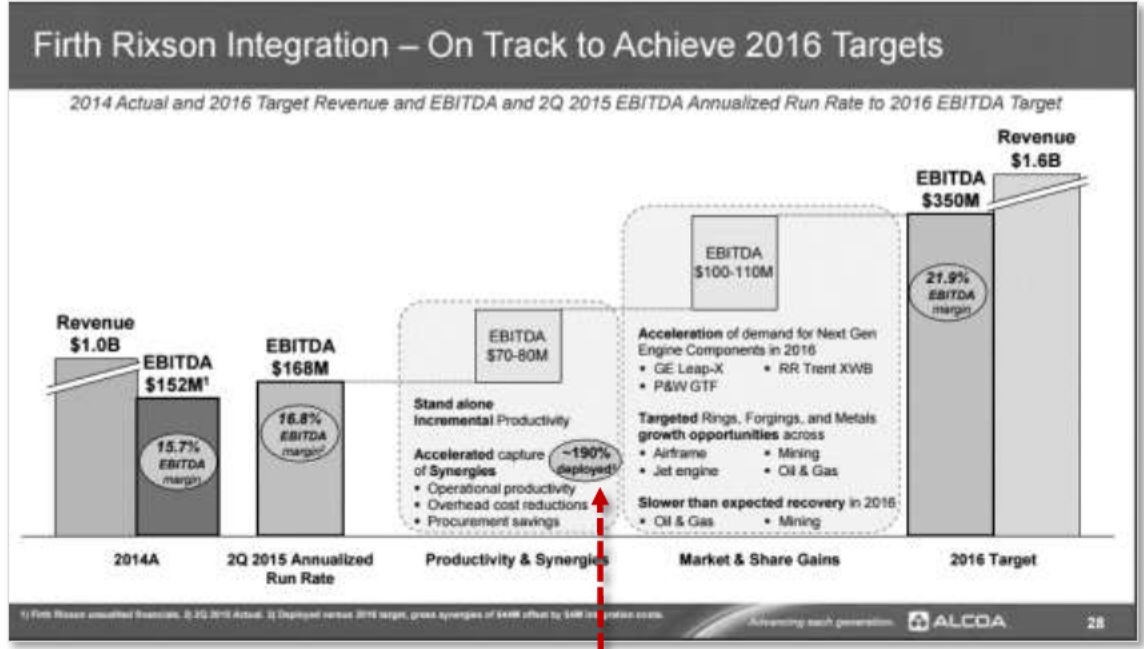
"Now let's also look at transformation, it's on track, Firth Rixson, I'll talk about later, on track"

Dr. Klaus Kleinfeld, July 8, 2015

(14%)  
TSR vs. S&P 500  
since quote

## July 2015

Management claimed synergies were 190% deployed and Firth Rixson was well on its way to hitting 2016 targets



**Synergies = 190% Deployed**

Source: Arconic Q2 2015 Earnings Presentation and Conference Call, July 8, 2015

# Firth Rixson: “On a Good Path”

Starting in Q3 2015 when it was clear to all that Firth Rixson would not hit targets, management failed to disclose direct Firth Rixson results. Analysts pushed in the Q&A...

“And we already pointed out that in the last quarter we have a path to achieve our 2016 targets.”

Dr. Klaus Kleinfeld, October 8, 2015

(29%)  
TSR

vs. Proxy Peers  
since quote

## October 2015

Management claimed synergies were now 190-200% deployed and Firth Rixson was “on a good path” to hitting 2016 targets

“Firth Rixson has been fully integrated into two business segments inside of Engineered Products and Solutions. And we already pointed out that in the last quarter **we have a path to achieve our 2016 targets.** We actually said that we're going to have an EBITDA target of \$350 million 2016 on revenues of \$1.6 billion, starting from basically 16.8% EBITDA in the second quarter 2015 and an EBITDA of \$168 million. And here is what we are doing as we speak. One big lever is around productivity and synergies, so we are lifting those. The one thing is the standalone incremental productivity that we're getting out of there. **And then on top of it the synergies, and we are at this point in time roughly around 190% – 200% deployed.** So we have this and the use of the implementation system which **gives us a good view inside of it and gives me some comfort that we are on a good path there.** So that's saying the productivity and synergies we believe is going to get us an uplift between \$70 million to \$80 million, and then the second part is about \$100 million to \$110 million coming from market and share gains. And we are well on our way here to build out our positions.”

Dr. Klaus Kleinfeld, Q3 2015 Earnings Call, October 8, 2015

## Firth Rixson: Damaged Credibility

*“We note that Alcoa acquired Firth Rixson in November 2014 for a purchase price of \$2.85 billion, which compares to our estimated EBITDA exit rate for 2015 of \$190 million. Alcoa thus far has not backed away from guidance of \$1.6 billion in sales and \$350 million in EBITDA for 2016; however, we believe these targets are not attainable and are modelling much lower growth rates.”*

Credit Suisse, March 10, 2016



# Firth Rixson: \$1.9-\$2.5 billion of Value Destroyed

Taking two different approaches (taking Firth Rixson's EBITDA and multiplying by the corporate multiple and taking Firth Rixson's NOPAT over Arconic's WACC) to measuring the extent of the value destruction as a consequence of the Firth Rixson acquisition yields the result that Arconic's management has destroyed between \$1.9 to \$2.5 billion of value as a result of the acquisition

## Value Destruction of the Firth Rixson Acquisition

Based on Corporate Multiple		Based on WACC	
Acquisition Cost	\$ 2,995	Acquisition Cost	\$ 2,995
Transaction Fees	42	Transaction Fees	42
Bridge Facility	13	Bridge Facility	13
<b>Total Cost</b>	<b>\$ 3,050</b>	<b>Total Cost</b>	<b>\$ 3,050</b>
2016 EBITDA	\$ 136	NOPAT	\$ 46
Corporate Multiple	8.5x	Arconic WACC	7.8%
<b>Firth Rixson Enterprise Value</b>	<b>\$ 1,156</b>	<b>Firth Rixson Enterprise Value</b>	<b>\$ 587</b>
<b>Value Destruction</b>	<b>\$ (1,894)</b>	<b>Value Destruction</b>	<b>\$ (2,463)</b>

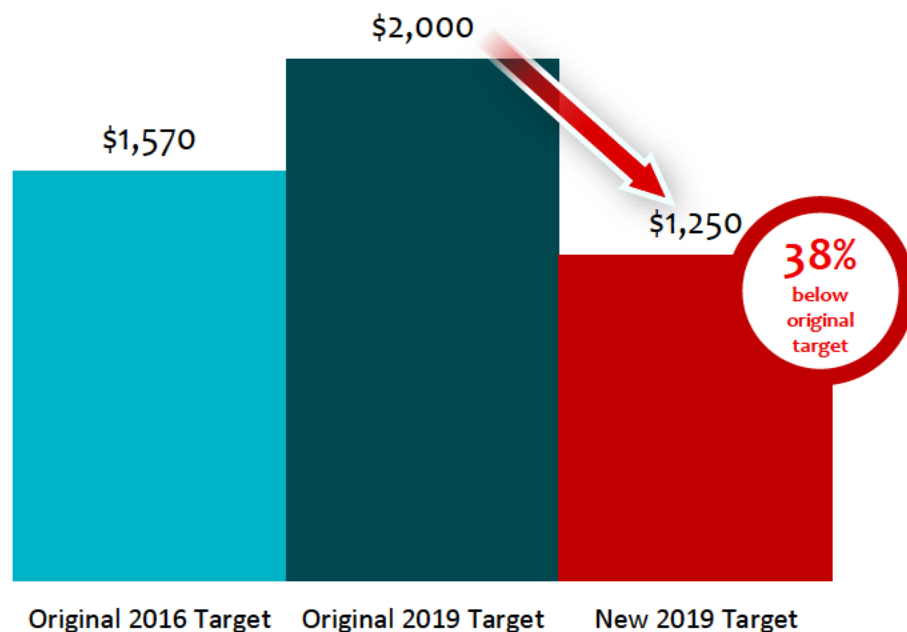
Source: Arconic 2016 10-K; Alcoa 2014 10-K; Firth Rixson Acquisition M&A Call, June 26, 2014; Capital IQ

***Note: Perhaps because of the pending proxy contest, Arconic has not yet taken a substantial impairment***

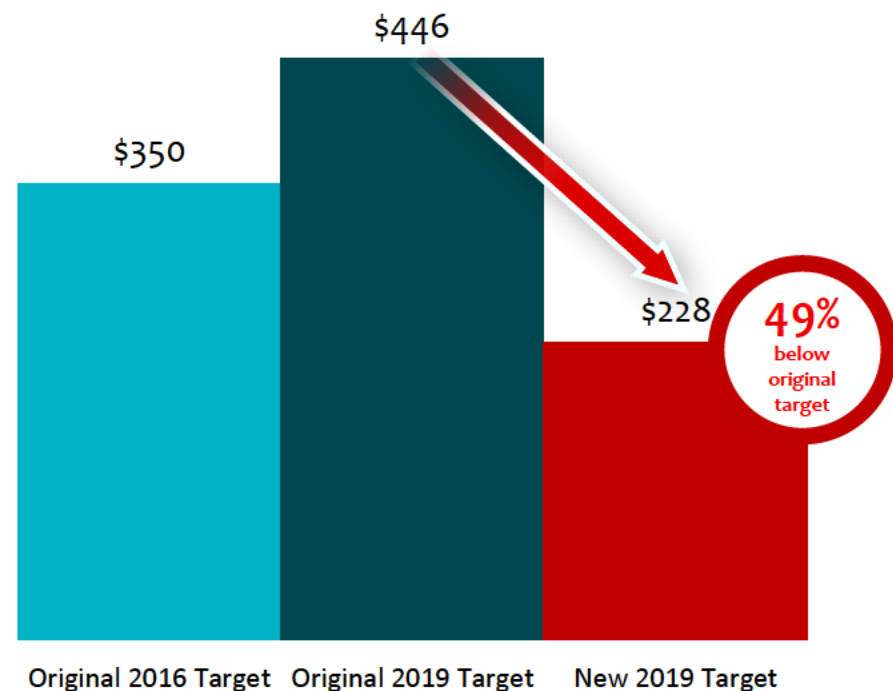
# Firth Rixson: New Firth Rixson 2019 Targets are 35-50% Below Original Targets

Arconic originally projected that Firth Rixson would do \$2 billion of revenue in 2019. At the same margins as originally projected for 2016 (i.e., conservatively assuming no incremental volume leverage), Firth Rixson will produce approximately 50% less EBITDA than originally targeted for 2019

### Evolution of Firth Rixson Revenue Targets



### Evolution of Firth Rixson EBITDA Targets



Source: Firth Rixson Acquisition Presentation, June 26, 2014; Arconic Investor Presentations

Note: Arconic originally projected \$2 billion in Firth Rixson revenue in 2019 but did not provide a margin target. Conservatively, keeping margins constant from 2016, revenue and EBITDA targets = \$446 million of EBITDA in 2019

**New 2019 targets are well short of original 2016 targets**



# Firth Rixson: Contracted Growth?

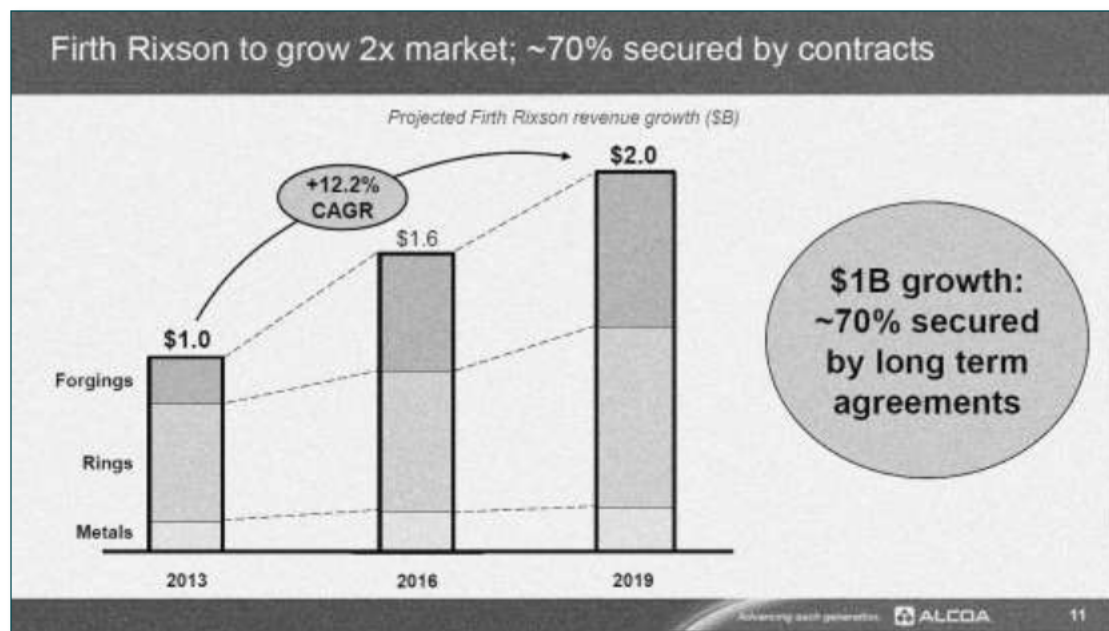
When Alcoa acquired Firth Rixson, management insisted that 70% of Firth Rixson's growth was secured by contracts. These "valuable" contracts justified the enormous premium paid by Alcoa. How has revenue in all facets of the business shrunk if the revenue growth was truly "contracted"?

"So we've been through contract-by-contract and looked at platform-by-platform. And roughly 70% of that \$1 billion growth is already locked in via contracts. So we're pretty confident that we'll get there."

Former Alcoa CFO, November 20, 2014

(51%)  
TSR vs. S&P 500  
since quote

Firth Rixson to  
grow at 2x  
market?  
70% of growth  
was "secured?"



Source: Firth Rixson Acquisition Presentation, Goldman Sachs Metals, Mining & Steel Conference, November 20, 2014

**Absence of growth is completely inexplicable in light of management's claims**



# Firth Rixson:

## If Firth Rixson Hits New 2019 Targets, It Will Not Earn WACC

### Capital Invested

Acquisition Cost	\$ 2,995
Transaction Fees	42
Bridge Facility	13
<b>Total</b>	<b>\$ 3,050</b>
D&A Estimate	\$ 68
Capex	68
Years of Capex	5
<b>Total Capex</b>	<b>\$ 340</b>
<b>Total Invested Capital</b>	<b>\$ 3,390</b>

### Firth Rixson Value vs. WACC in 2019

2019 Revenues	\$ 1,250
2016 EBITDA Margin	14.7%
Margin Improvement (bps)	350
2019 Margin	18.2%
2019 EBITDA	\$ 228
D&A	68
EBIT	\$ 160
<b>NOPAT (33% Tax Rate)</b>	<b>\$ 107</b>
Arconic WACC	7.8%
<b>Total Value in 2019</b>	<b>\$ 1,377</b>

*Value Discounted to Date of Acquisition = ~\$920*

Source: Company filings; Arconic Investor Presentations  
Note: Assume Capex = 100% of D&A

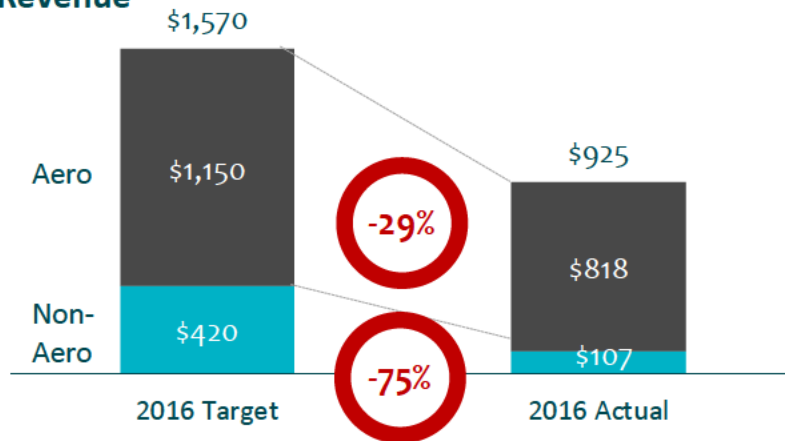
**Arconic's \$228 million EBITDA target in 2019 is more than \$200 million below original target and, even if achieved, would result in an unacceptable return on investment**

# Firth Rixson: New Explanation Does Not Add Up

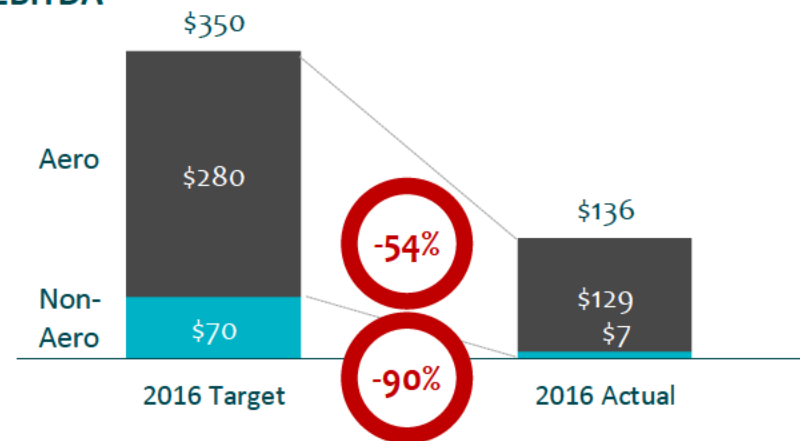
Arconic wants investors to focus on the cyclical disappointments in the non-aero portion of the Firth Rixson business, but, consistent with a familiar theme of management excuses, even this does not add up

## New Q4 2016: Firth Rixson Revenue and EBITDA Breakdown

### Revenue



### EBITDA



### The Problem:

1. Arconic wants to blame Firth Rixson's failures on the commodity cycle
2. But, at the time of the acquisition, management said Firth Rixson was 75% aerospace and 25% split between industrial gas turbines, off highway and mining, oil and gas, medical and commercial transportation markets. This implies that substantially less than \$250 million was exposed to metals and mining and oil and gas. Further, IGT is up substantially since 2013 and was one of Arconic's best performing end-markets in 2016 – up 34%
3. When Arconic acquired Firth Rixson in 2014, it said growth would largely come from aerospace, but the targets actually show its aerospace share declining from 75% in 2013 to 73% in its supposed 2016 revenue mix projection. This doesn't make sense and raises the question – is Arconic fudging the real 2016 targets to try and pin the blame on non-Aero end markets?

Source: Arconic 2016 10-K; Firth Rixson Acquisition Presentation, Goldman Sachs Metals, Mining & Steel Conference, November 20, 2014; Arconic 2016 Investor Day, December 14, 2016

**Why can't Arconic just come clean on Firth Rixson?**

## Firth Rixson: Blame the Seller

Management refuses to take responsibility, blaming the seller – with private comments even more stark than public hints

“So this is **partially an issue of lack of maintenance and bringing maintenance to the right levels** and understanding on how to run it. At the same time, when it comes to technology, frankly, I mean, as you know, the isothermal forging technology is a challenging one. The starting point was not where we expected it. At the same time, we are leveraging our own resources, I mean, our own technical resources to speed up the process of bringing this up. We kind of had a little bit of that already in our mind when we structured the deal, and the way we structured the deal is we built in \$150 million of an earn-out provision. That was entirely tied to the isothermal process, milestones on the isothermal process. And given where this is at this point in time, I am not optimistic -- this \$150 million will not be paid out. Now I'd rather wish to pay them out, to be honest. But that's the reality there.”

Dr. Klaus Kleinfeld, Alcoa Q4 2015 Earnings Call, January 11, 2016

**Analyst:** “First question, just on the guidance at Firth Rixson. When you look at it relative to your initial guidance, say, 18 months ago, you're off almost \$190 million of EBITDA. And you commented that you think that, that's -- you're 2 years behind your initial plan. So I guess, the question is, how much of the miss is on the isothermal piece? And then when you say you're 2 years out, does that mean you still think you can hit that initial target you outlined for the \$1.6 billion of revenue and the \$350 million of EBITDA?”



**Dr. Klaus Kleinfeld:** Well, the good news on the isothermal, I mean, we have structured the contract in such a way that we have a performance clause in there. This is not directly for the isothermal alone. It's for Savannah, and that was more for practical purposes of how to calculate that. And that's \$130 million, if I recall that correctly. And so that's the performance part in the purchasing agreement with the seller, right? So in case that doesn't happen, I mean, we would not have to pay that.”

Q1 2016 Earnings Call, April 11, 2016

**Dr. Kleinfeld actually tried to comfort investors by saying it was “good news” that they will not have to pay the \$150 million performance earn-out**

# Firth Rixson: Blame the Industry

To the extent blaming the old private equity owner falls short, management would like to blame industry issues rather than accept responsibility


*"But with the engine -- the new engines ramping up and the high level of technical sophistication, there's a lot of increased product introduction costs for qualification of the component. And at the same time, the legacy engine spares and replacements remain strong. So here, we have a different situation. We have very, very strong demand. At the same time, the ramp-up is accelerating, and we're going through the near-term teething issues here of the aero engine industry."*

Dr. Klaus Kleinfeld, Alcoa Q3 Earnings Call, October 11, 2016

*"So, the aero engine side, typically, in the past have always shown that there are these ramp up issues with the supply chain. In this case, we are seeing them again and we are seeing them probably a little bit more than in normal environment, very much driven by the level of technical sophistication and combined with the relatively long supply chain."*

Dr. Klaus Kleinfeld, Arconic Roadshow, October 28, 2016



 *ATI takes a different view:*

*"Our isothermal and hot-die forge presses operated at or near record levels during the third quarter in support of growing next-generation engine builds. But on the forgings side both the hot-die and the isothermal, I mean, we're really very good at making those parts, quite frankly... we're good at it and our customers know that and where others might be stumbling a little bit as they maybe start to ramp up, we're there to support the customer..."*

Richard J. Harshman, CEO of Allegheny Technologies, ATI Q3 Earnings Call, October 25, 2016

***Even when belatedly (and under pressure) seeming to take responsibility, Dr. Kleinfeld tries to shift the blame:***

*"The 2016 results were in line with what we last told you, however disappointing. Overall, we got it wrong on the non-aero side and our outlook substantially reduced for this market. On the aero side we are delayed but we will get there. We could have executed better and we recognize it and we own it and we are working diligently to improve the performance of this important asset."*

Dr. Klaus Kleinfeld, January 31, 2017

**Where does the buck stop at Arconic? Does it ever?**



# Firth Rixson: The Real Reason: Talent Exodus

Arconic knew it had to retain key Firth Rixson talent to make the acquisition a success. Has it done so? No!

“One of the things that’s critical for us in the Firth Rixson acquisition is that there is a lot of talent and a lot of technology. And so we wanted to make sure that the really top people in the organization stayed with Alcoa once the deal is done. And so we set up a mentoring program where we have connections with the technology talent, with the finance talent, so that even months ago they were learning about Alcoa and could get a feel for Alcoa.”

Former CFO of Alcoa, November 20, 2014

Name	Position	Stayed / Gone	Current/Most Recent Employer
David Mortimer	CEO	Gone	Self-Employed
Peter Bland	CFO	Gone	Self-Employed
Christopher Bohlmann	VP, GM, Plant Manager at Savannah	Gone	Norsk Titanium
Chris Meyers	Operations Manager at Savannah	Gone	Quality Aluminum Forge LLC
Renee Sullivan	Isothermal Development Manager	Gone	Precision Castparts, Daniel Defense Inc.
<b>David Hebert</b>	<b>VP, Technology</b>	<b>Gone</b>	<b>Precision Castparts (Wyman Gordon)</b>
Mark Zurosky	Lead Thermal Modeling Engineer	Gone	Precision Castparts (Wyman Gordon)
Matthew Foley	Lead Mechanical Engineer on Isothermal	Gone	Georgia-Pacific
Gregory Rivers	Project Engineer on Isothermal	Gone	Precision Castparts
Stephen Rittenburg	Forge Design Engineer	Gone	Pratt & Whitney
Steve Owens	Manager of Heat Treatment	Gone	Precision Castparts (Wyman Gordon)
Christopher Brink	Process Engineer-Metallurgy	Gone	Raytheon
Martin Quigley	Director of Business Development	Gone	Self-Employed, Precision Castparts
Aaron Johnson	GM, Schlosser Forge Company	Gone	Precision Castparts
Elinor Oldroyd	GM, Sheffield	Gone	Precision Castparts (Special Metals)
Michael McBride	Sr. Project and Process Dev. Manager	Gone	Precision Castparts
Jeff Yaker	VP Sales and Purchasing	Gone	5D Aero LLC
Steve Zorko	Lead Sales Exec. Rings Division	Gone	Self-Employed

## Losing David Hebert to PCC is a key loss for Firth Rixson

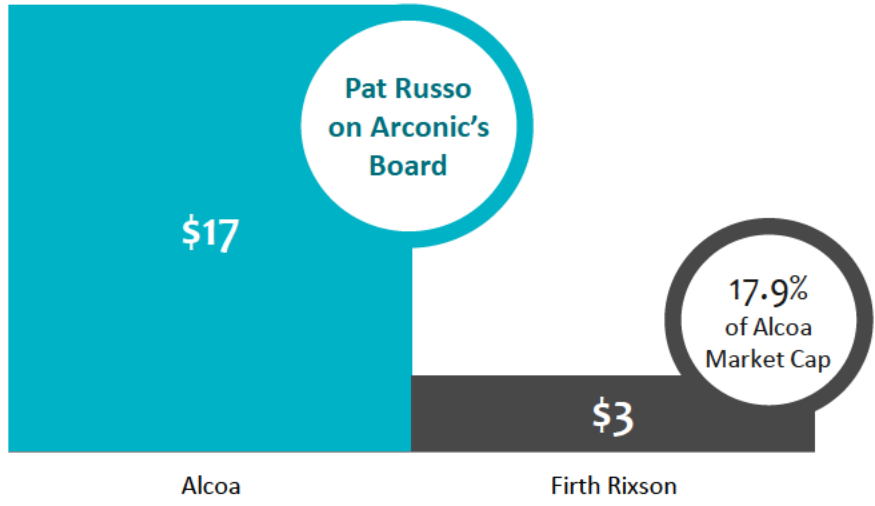
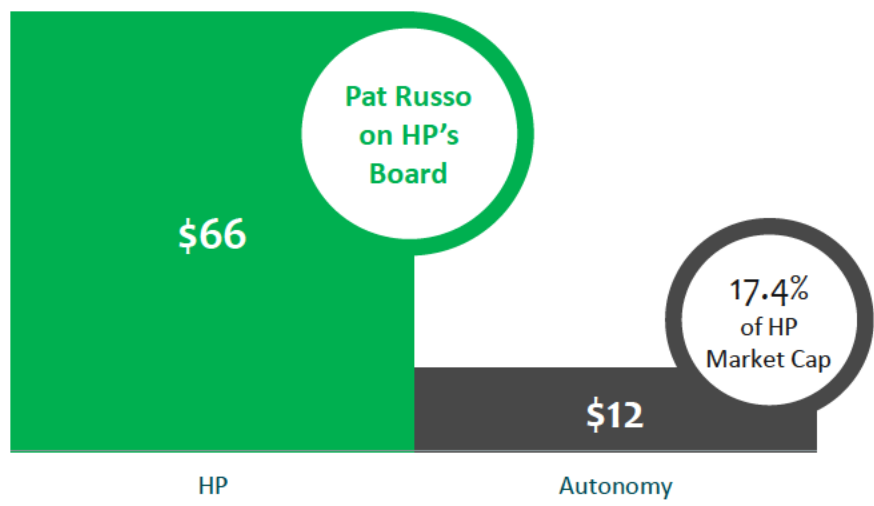
“At the same time, when it comes to technology, frankly, I mean, as you know, the isothermal forging technology is a challenging one.”

Dr. Klaus Kleinfeld, January 11, 2016



# Firth Rixson: Situation Is Similar to HP/Autonomy

**The situation at Arconic is similar to the situation at HP: Disastrous Acquisition + Repeated Guidance Failures + Poor Execution**



**Ouster of Hewlett-Packard C.E.O. Is Expected**  
 "This is a decade-long drama that the board has let unfold," said George F. Colony, chief executive of Forrester Research. "They have shown some dysfunction in the past, and had difficulty coming to consensus."

?

Source: Capital IQ; SEC filings; share prices from day before merger announcement; [www.nytimes.com/2011/09/22/technology/hewlett-packard-board-meets-on-replacing-ceo.html](http://www.nytimes.com/2011/09/22/technology/hewlett-packard-board-meets-on-replacing-ceo.html)

**The Firth Rixson failure alone might have been enough for the Board to dismiss Dr. Kleinfeld**





# Poor Operating and Financial Results

## Section Summary

\$6.2 billion Spent, Only \$154 million NOPAT; Missed Targets

## Engineered Products & Solutions

Missed Targets, Poor ROIC, Absence of Growth, Lags PCC

## Firth Rixson

\$1.9-\$2.5 billion of Value Destruction

## Global Rolled Products

Missed Targets, Management Spin, Poor ROIC

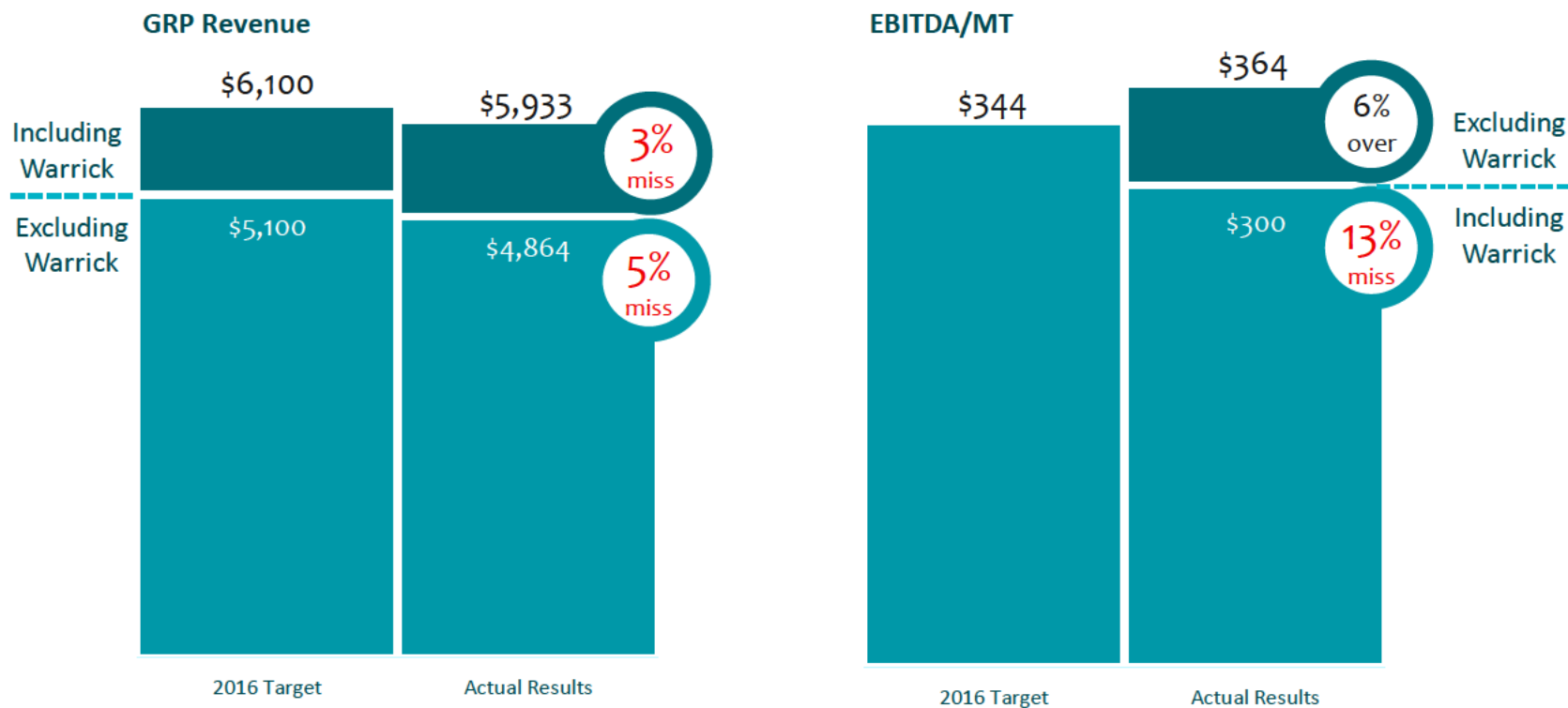
## Transportation and Construction Solutions

Lack of Growth Despite “Secular” and Cyclical Tailwinds



# GRP Results: Missed All Targets; Management Spin: Hit EBITDA/MT

Looking at the rolling assets that management actually operated for 2016, GRP missed both its revenue and EBITDA/MT target



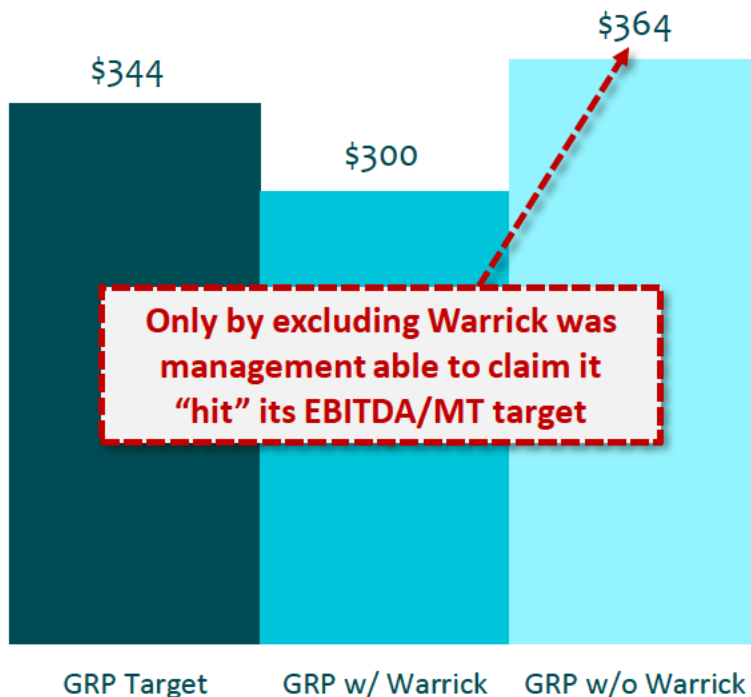
Source: Arconic 2016 10-K; Alcoa Corp. Q4 2016 Earnings Presentation; Alcoa Corp. 2016 10-K; Arconic Investor Presentations  
Notes: Warrick includes results from Q4 at Alcoa Corp. with rounding used in the manner most favorable to Arconic

**Only by putting Warrick into Alcoa Corp. does management claim to hit the EBITDA/MT target**

# GRP Results: Why Was Warrick Moved to Alcoa Corp.?

Midway through the separation process, management decided to put certain rolling assets in the upstream business

## The Real Reason:



## Optics Over Good Business?

Alcoa Corp. has no experience running rolled products:

- “We also have been granted the rolled products business”
- “We have a rolling business and rolling is new to us.”

- Alcoa Corp. management

Serving the North American can sheet market from Saudi Arabia requires increased transportation costs, more inventory-in-transit

Source: Arconic 2016 10-K; Alcoa Corp. Q4 2016 Earnings Presentation; Alcoa Corp. 2016 10-K; Arconic Investor Presentations

**Better optics for management? Sure. Good business?**

# GRP Results: Why Was Warrick Moved to Alcoa Corp.? (cont.)

Management never explained to shareholders why Warrick was moved to Upstream Co.

**At the time of the announced separation, Warrick was going to remain a part of Value-Add Co. (Arconic)**

**Mysteriously, in the middle of April, management decided to move Warrick to Upstream Co. (New Alcoa)**

## Separation Announcement (September)

## 2016 Annual Meeting (May)

*Can sheet has always been a part of GRP*

*“Now also as of 2 weeks ago, 2 rolling mills here that are in there...” – May 6, 2016*

Can sheet

Can sheet

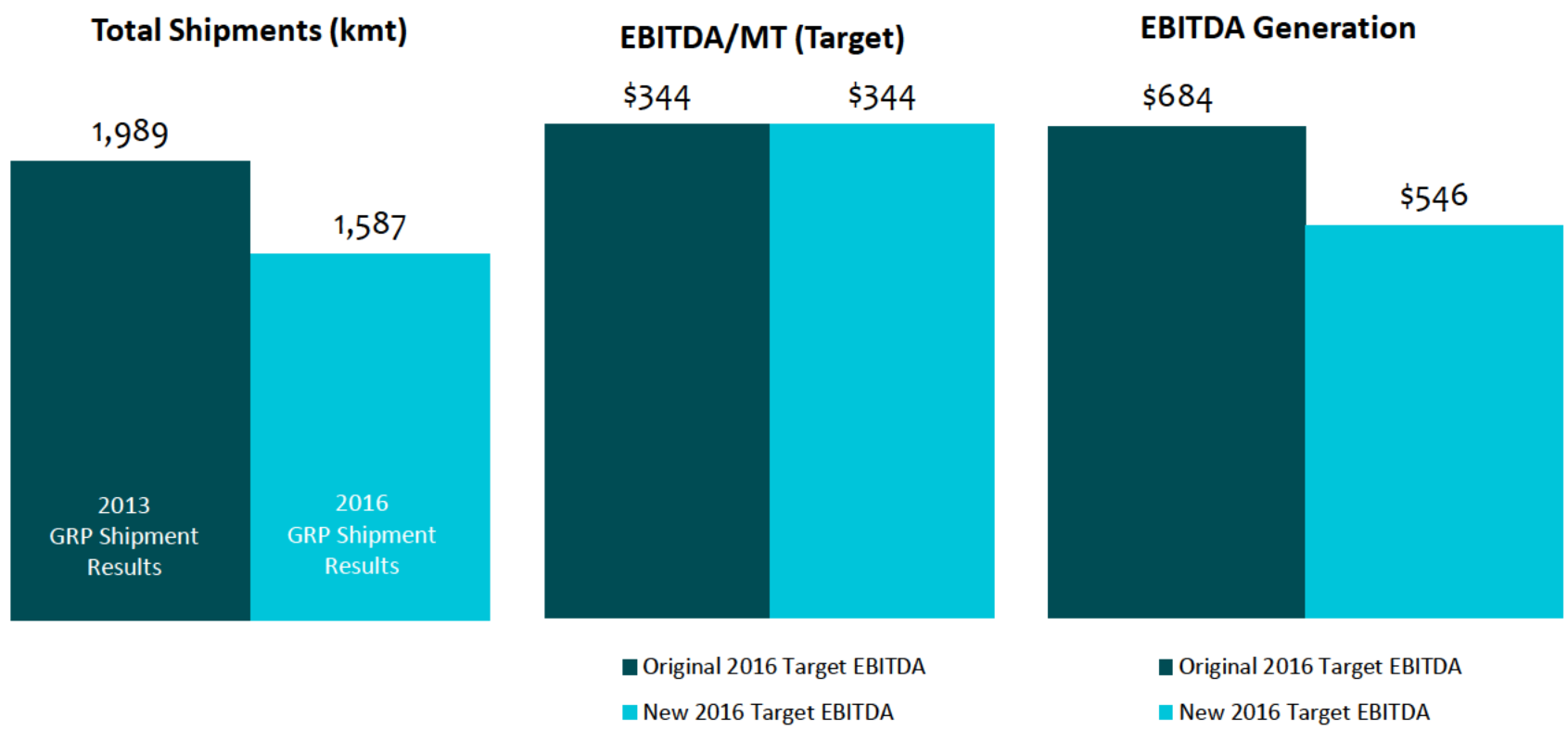
Source: Arconic Investor Presentations; Arconic 2016 Annual Meeting

## Moved to Upstream Co. – why?

# GRP Results: Original EBITDA/MT Target on More Tons = More EBITDA

Achieving \$344/MT on the base shipments as of 2013 is very different than achieving it on the business as of 2016. **Profits matter!**

**If the EBITDA/MT stays the same, but the number of "MT's" goes down, the EBITDA target is going down...**



Source: Arconic Investor Presentations

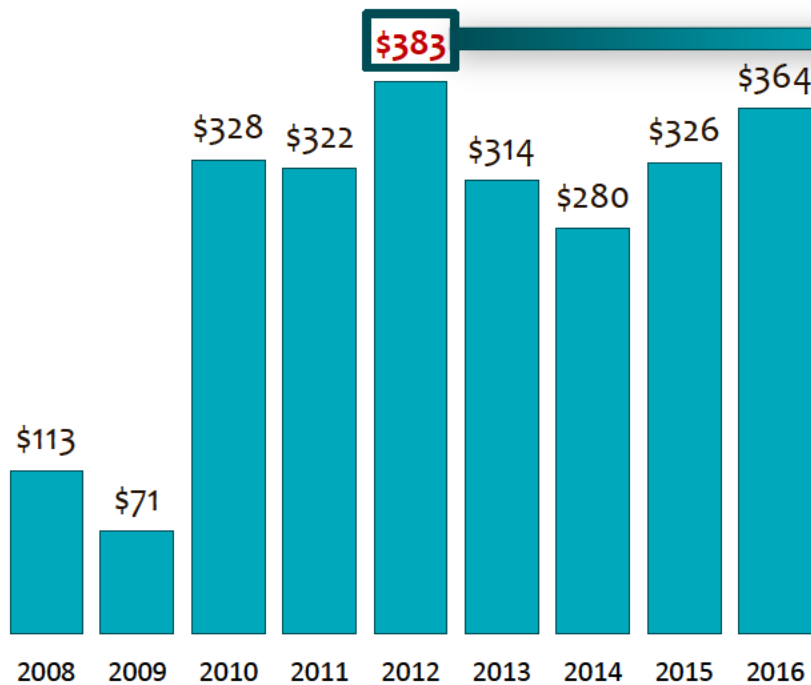
**There is approximately \$140 million of missing EBITDA in the "same target"**

# GRP Results:

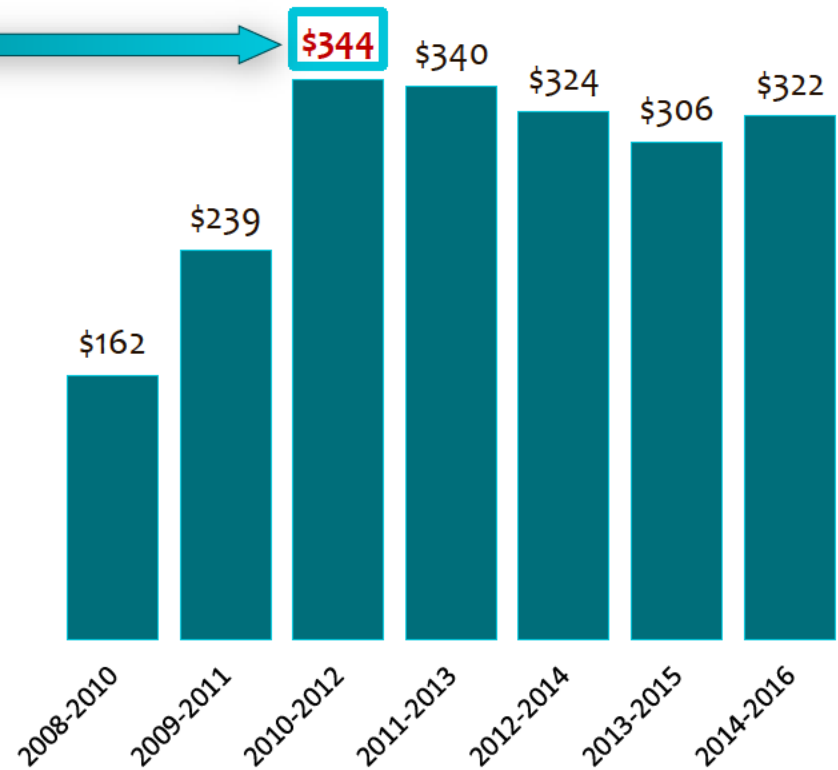
## Historic High Is Based on 3-Year Rolling Average EBITDA/MT

Arconic management defines "historic high" based on three-year rolling average EBITDA/MT

Actual Annual Results



Arconic Spin: "Historic Highs"



Source: Arconic Q4 2016 Earnings Presentation, January 31, 2017

**Excluding Warrick, true "historic high" is \$383**



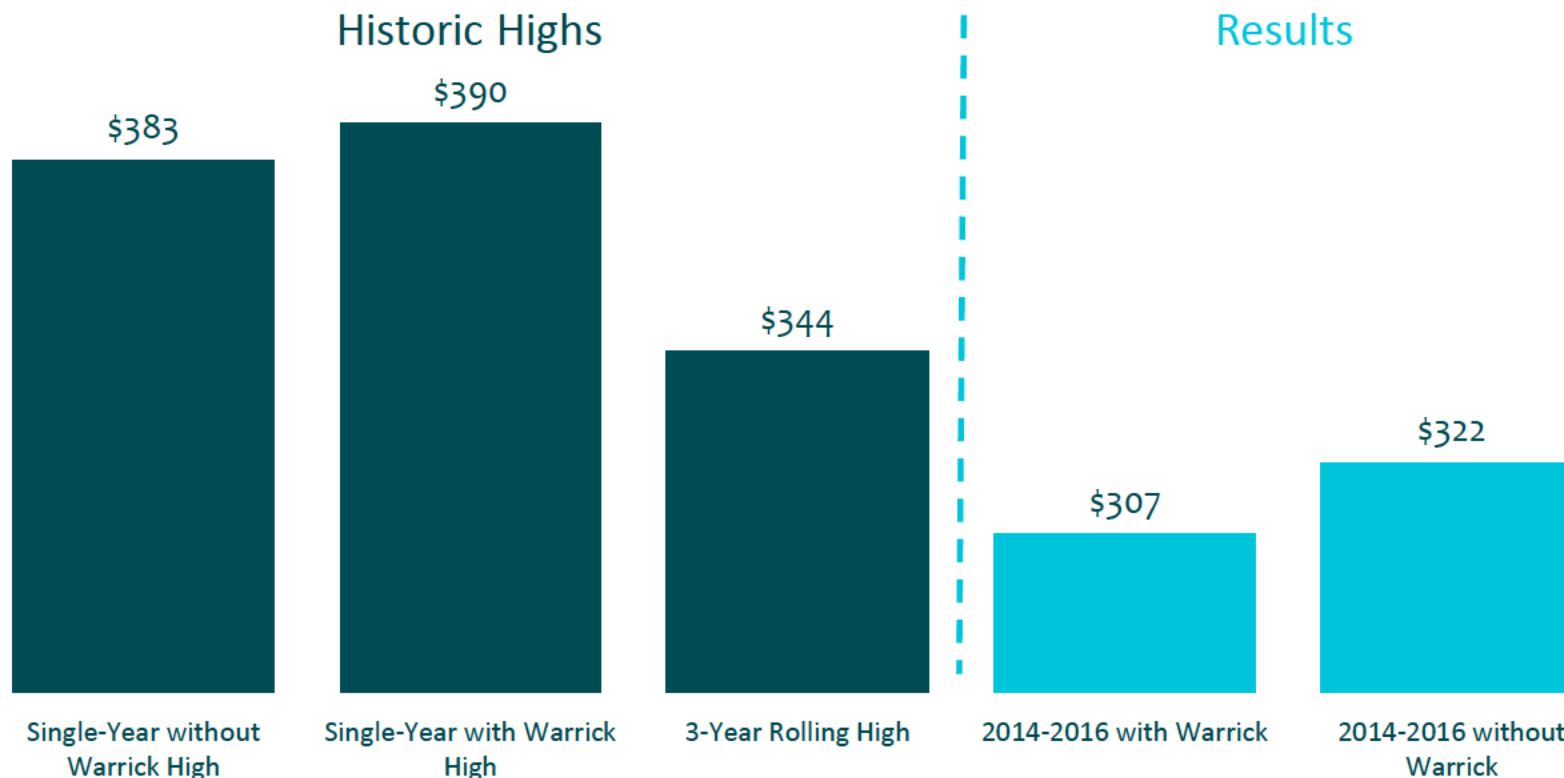


# GRP Results:

## If "Historic High" Is Based on 3-Year Rolling, Shouldn't Targets as Well?

But while "historic highs" are defined on 3-year rolling, management does not mention 3-year rolling in evaluating current performance

Performance is well below the highs...

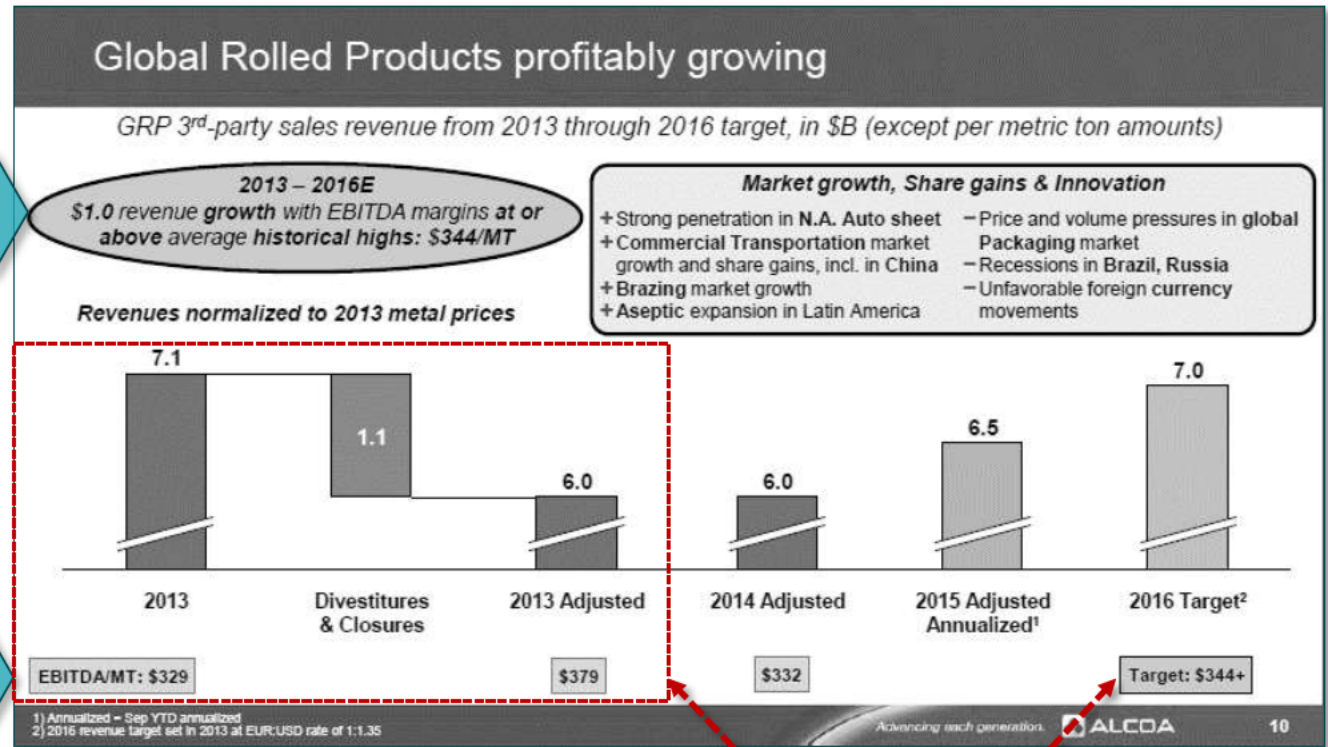


Source: Arconic Q4 2016 Earnings Presentation, January 31, 2017; Alcoa Q3 2016 Earnings Presentation, October 11, 2016

**Even excluding Warrick, Arconic missed 3-year rolling historic high**

# GRP Results: GRP Revenue Targets Go Down, Yet EBITDA/MT Stays the Same

The original GRP revenue target **was not \$6.1 billion – it was \$8.1 billion**. But Arconic divested less-profitable rolling mills in Australia, Spain and France. Importantly, the Company left EBITDA/MT targets the same despite the divestitures



Original target \$1 billion growth on \$7.1 billion base

Divestitures increase EBITDA/MT to \$379 on the base business but the target stays at \$344

Source: Arconic 2016 10-K; Alcoa 2013 10-K

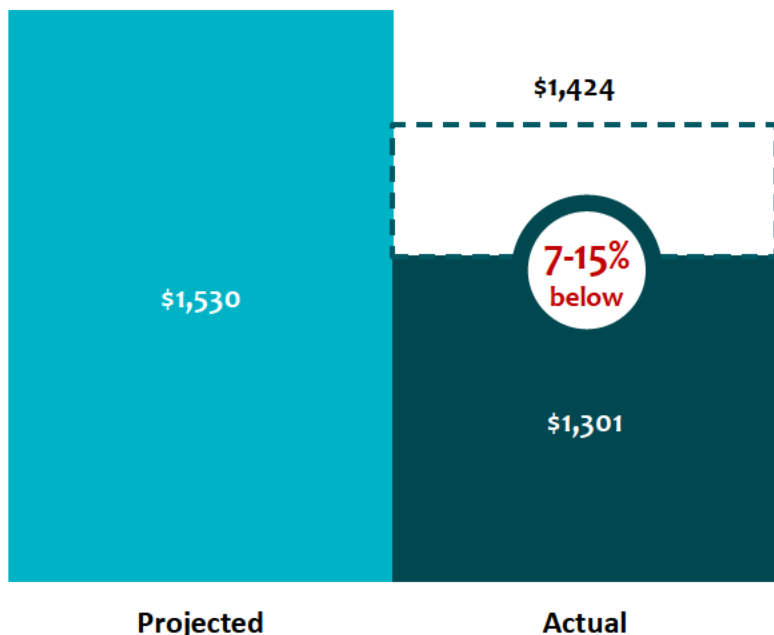
Pro forma for divestitures, management's new target is for EBITDA/MT to decline by \$35 (~9%)



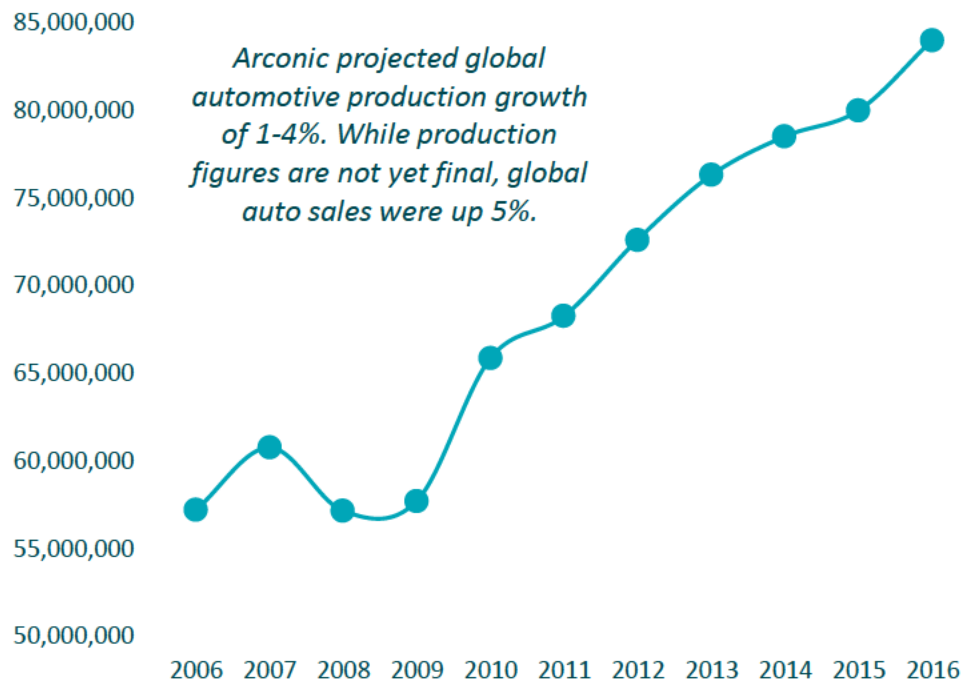
# GRP Results: Missed Its 2016 Auto Revenue Target

In the September 28, 2015 presentation announcing the Separation, the Company enthused that it would achieve significant revenue growth for sales of automotive sheet in 2016 and beyond. How did they do?

2016A: \$1.3 to \$1.4 billion



Global Auto Sales



Source: Bloomberg Intelligence

Note: The price of LME Aluminum was \$1,537 on the date the Separation was announced and it averaged \$1,605 during 2016. A higher aluminum price boosts reported revenue

**Arconic reported automotive (including brazing sheet) contributed 11% of 2016 sales; or between \$1.3 billion and \$1.4 billion (10.5% vs. 11.49%) vs. a \$1.5 billion target**

# GRP Results:

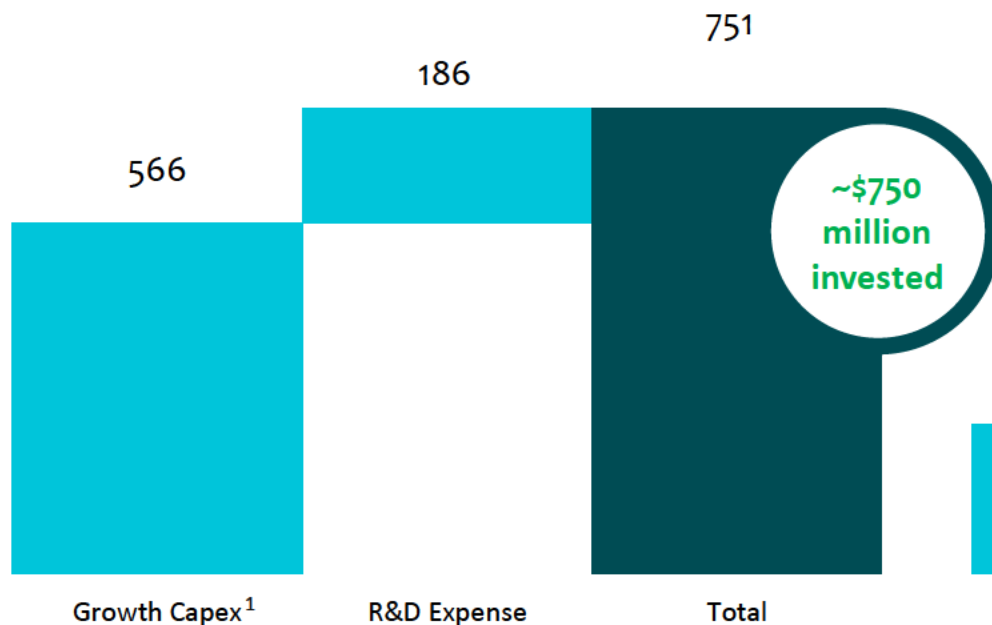
## 3.7% ROIIC, Below Cost of Capital

From the end of 2013 to the end of 2016, Arconic invested \$750 million in growth capital expenditures and research and development in GRP. For the approximately **\$750 million invested**, Arconic generated an incremental **\$28 million of NOPAT** for a **Return on Incremental Invested Capital of 3.7%**

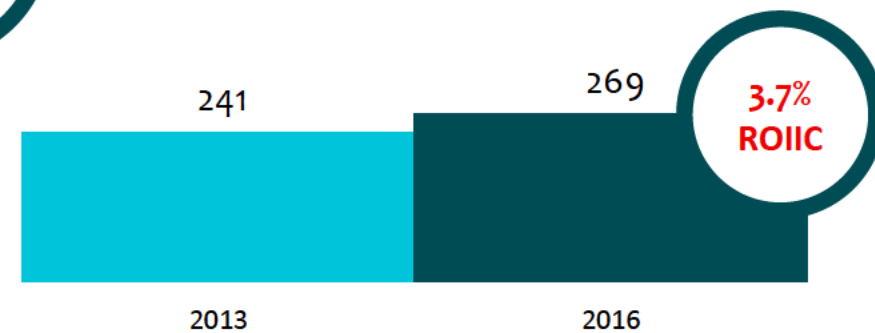
“We need to make sure that this business is also a competitive business which achieves on the long-term, higher than cost of capital returns, which we will be able to achieve.”

Dr. Klaus Kleinfeld, January 11, 2010

### Cumulative Investments



### NOPAT: 2013 vs. 2016



(155%)  
TSR  
vs. S&P 500  
since quote

Source: Company filings; Arconic Investor Presentations

Note: R&D expense allocated to each segment based on consolidated R&D as a percentage of revenue

1. Growth capital expenditures are calculated as Capital Expenditures for Continuing Operations less 50% of Depreciation and Amortization (management has previously estimated sustaining capital is 50% of D&A – see Arconic Investor Day, December 14, 2016); 33% tax rate. Excluding R&D from the denominator, ROIIC is 4.95%

**Approximately \$750 million deployed for \$28 million in returns**

# GRP Results: Management's Numbers Are Misleading

Only Arconic's management would suggest there is "Little to No Cost Opportunity" when their own math demonstrates that Arconic (a scale player) is at best in-line against "Top 10 w/Avg" which in most of these categories includes a significant number of small sub-scale producers

There are two scale players in North American automotive sheet. Comparing to the Top 10 weighted average includes a significant number of sub-scale European producers. Comparing to the North American peer, Arconic's costs are significantly higher. Benchmarking more appropriately shows that there is between \$100-\$120/MT which suggests a potential ~\$20-\$30 million opportunity on current production

## The Facts: CRU Data Suggests Little to No Cost Opportunity

CRU benchmarking data: Arconic GRP vs. top 10

	2015 Total Cost (\$/ton) as per CRU Cost Data			Theoretical CRU Cost Saving <sup>(3)</sup> (\$M)	Arconic Commentary
	Top 10 wAvg <sup>(1)</sup>	Arconic wAvg <sup>(2)</sup>	Δ		
Auto Body <sup>(4)</sup>	3,294	3,255	(1.2)%	(\$5M)	
Brazing Sheet	3,048	2,880	(5.5)%	(\$19M)	
Heat Treated	3,430	3,356	(2.2)%	(\$4M)	
Plate	3,740	3,858	3.2%	\$19M	Not relevant; Arconic is focused on differentiated, higher margin, premium products
Can Body Stock	2,562	2,630	2.7%	\$39M	Not relevant; Arconic is exiting this segment in North America by 2018

Brazing Sheet may be Arconic's strongest product category – but even here, management includes a single large outlier that skews the Top 10 weighted average by ~\$90/MT

Arconic is only able to arrive at a higher Top 10 weighted average by including a single outlier. Excluding that one outlier, Arconic's costs are ~\$50/MT higher than the Top 10 weighted average

GRP's cost structure already in-line with the weighted cost structure of the largest product relevant segments

Management has a strategy in place to further improve the cost and margin structure; is expected to add ~200bps or ~\$100M<sup>(5)</sup> adjusted EBITDA by 2019

This does not add up. Management has said they will increase margins by 200 bps. But 159 bps alone come from exiting the Tennessee packaging business not new EBITDA

Highly Relevant. Arconic's management has repeatedly made the argument that can sheet profitability had so eroded that it was forced to exit the business. In contrast, our argument has been that Arconic's cost position relative to peers has worsened over and above any industry dynamics. Management's own data supports this contention. Further, Arconic retains significant international can body stock business in its Qinhuangdao and Samara facilities. Comparing those plants to their relevant geographic competitors suggests that Arconic has a ~\$15 to ~\$30 million cost opportunity

Source: Arconic, CRU Aluminum Rolling Cost Model  
 1) CRU Aluminum Rolling Cost Model weighted average of top 10 producers by volume (excludes Arconic)  
 2) Weighted average cost across all Arconic GRP plants in each CRU category, respectively  
 3) Arconic's interpretation of CRU Cost Data. Opportunity size excludes improvement potential in "Sub-Structural" and "Other" given theoretical opportunity size is negative and/or not applicable  
 4) As defined by CRU (see Auto Structure)  
 5) As defined by CRU (see Auto Structure)

# GRP Results: Historical Results Lag Peers, Best-In-Class

To illustrate the potential for cost improvement at GRP, based on a bottoms-up analysis, we analyzed GRP's 2015 mix and cost position relative to peers. The opportunity for improvement was enormous

		CAN BODY STOCK	PLATE	BRAZING SHEET	AUTO BODY	HEAT TREATED	AUTO STRUCTURAL	OTHER	TOTAL
Industry Avg.	Opportunity size	\$70M	\$32M	\$1M	\$20M	\$2M	\$1M	\$21M	~\$150M Mid Pt. ~\$245M
Best-in-Class	Opportunity size	\$99M	\$81M	\$31M	\$15M	\$22M	\$1M	\$89M	~\$340M
Best-in-Class with BDP on Overhead/WIP	Opportunity size	\$127M	\$95M	\$35M	\$15M	\$27M	\$1M	\$102M	~\$400M
BDP Across the Board	Opportunity size	\$242M	\$117M	\$53M	\$59M	\$42M	\$10M	\$218M	~\$750M

\$2.32-\$4.41/share

Source: Elliott analysis derived from industry data

Notes:

- Industry Average: Production cost improvement opportunity calculated as difference between Arconic production cost and average production cost summed across Raw Material, Overhead & WIP and Other. Where Arconic's costs are lower than average at the cost-bucket level, \$0 improvement opportunity assumed; other and total buckets are weight averaged based on Arconic tonnage for industry costs
- Best-in-Class: Production cost improvement opportunity calculated as difference between Arconic production cost and best in class ('BIC') production cost of the top 10 volume producers for each product; Other and total buckets are weight averaged based on Arconic tonnage for industry costs; Production cost opportunity based on non-China benchmarking; Opportunity size calculated using global Arconic volumes
- Best-in-Class w/ BDP on Overhead and WIP: Production cost improvement opportunity calculated as difference between Arconic production cost and best in class ('BIC') production cost of the top 10 volume producers for each product, BDP overhead and WIP used in place of BIC overhead and WIP; Other and total buckets are weight averaged based on Arconic tonnage for industry costs; Production cost opportunity based on non-China benchmarking; Opportunity size calculated using global Arconic volumes
- BDP Across the Board: Production cost improvement opportunity calculated as difference between Arconic production cost and Best Demonstrated Practice (BDP) production cost (lowest cost line item across top 10 producers) summed across Raw Material, Overhead & WIP and Other; Other and total buckets are weight averaged based on Arconic tonnage for industry costs. The cost-level established by "Best Demonstrated Practice" may not be fully achievable. The components of rolling costs are interactive, i.e. one component might be low or high directly as a result of another being high or low



# GRP Results: Lots of Spin, Little Math

EBITDA, free cash flow and ROIIC matter most in the rolling business - not Margin and EBITDA/MT. In 2013 Arconic management said it was going to generate \$344/MT on a base business of 1,989 tons. Since then, Arconic has shrunk by more than 400 kMT resulting in \$138 million in lost EBITDA dollars. *Note: Novelis, Kaiser, Constellium and AMAG have all increased production while Arconic GRP has shrunk*

Arconic's position in the two key end-markets is not differentiated. Novelis is a larger and stronger competitor in automotive sheet and Constellium is a larger and stronger competitor in aerospace sheet. Moreover, Arconic's supposed innovations have largely benefited peers. Auto suppliers forced Arconic to share technology with Novelis and Constellium has similar aluminum lithium capabilities.

Arconic management is simply taking credit for the natural cyclical recovery from the financial crisis. Using 3-year rolling averages for both EBITDA margin and Arconic's preferred EBITDA/MT metric, GRP's adjusted EBITDA margin (which excludes the low-margin divestitures) has improved by a grand total of 70 bps since the end of the crisis (2010) and EBITDA/MT has decreased by \$22

Arconic has invested \$751 million in growth capex and R&D into GRP to generate an incremental \$28 million of NOPAT for a 3.7% Return on Incremental Invested Capital (ROIIC). Further, Arconic's automotive expansions have come at a significantly higher capex/MT than peers

## Actions Taken

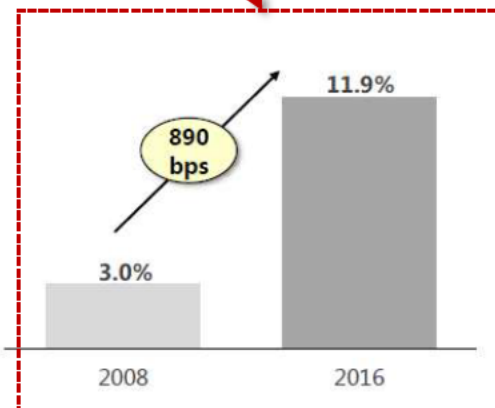
- Proactively exited low margin businesses
- Built the automotive sheet business with investments at Tennessee and Davenport
- Invested in **unique capability** to produce the world's largest single-piece aluminum airframe parts
- Commercialized **market leading innovations**, e.g.
  - Adhesive bonding, advanced aerospace alloys, brazing solutions and MicroMill™

## Leadership Position Established

- ~85% of revenue from products with #1 or #2 market position<sup>(1)</sup>
- Differentiated position in sheet and plate
- Signed \$4B+ in aerospace contracts since 2014

## Financial Performance

### GRP Adjusted EBITDA Margin



At Arconic's recent Investor Day, management grudgingly admitted that contracts that it trumpets as new wins include the rollover of existing business. Given the limited number of suppliers from which Boeing and Airbus have to choose, such contract "wins" are not a great accomplishment



Source: Arconic's 2017 Investor Day Presentation. See Appendix for details.



# Poor Operating and Financial Results

## Section Summary

\$6.2 billion Spent, Only \$154 million NOPAT; Missed Targets

## Engineered Products & Solutions

Missed Targets, Poor ROIC, Absence of Growth, Lags PCC

## Firth Rixson

\$1.9-\$2.5 billion of Value Destruction

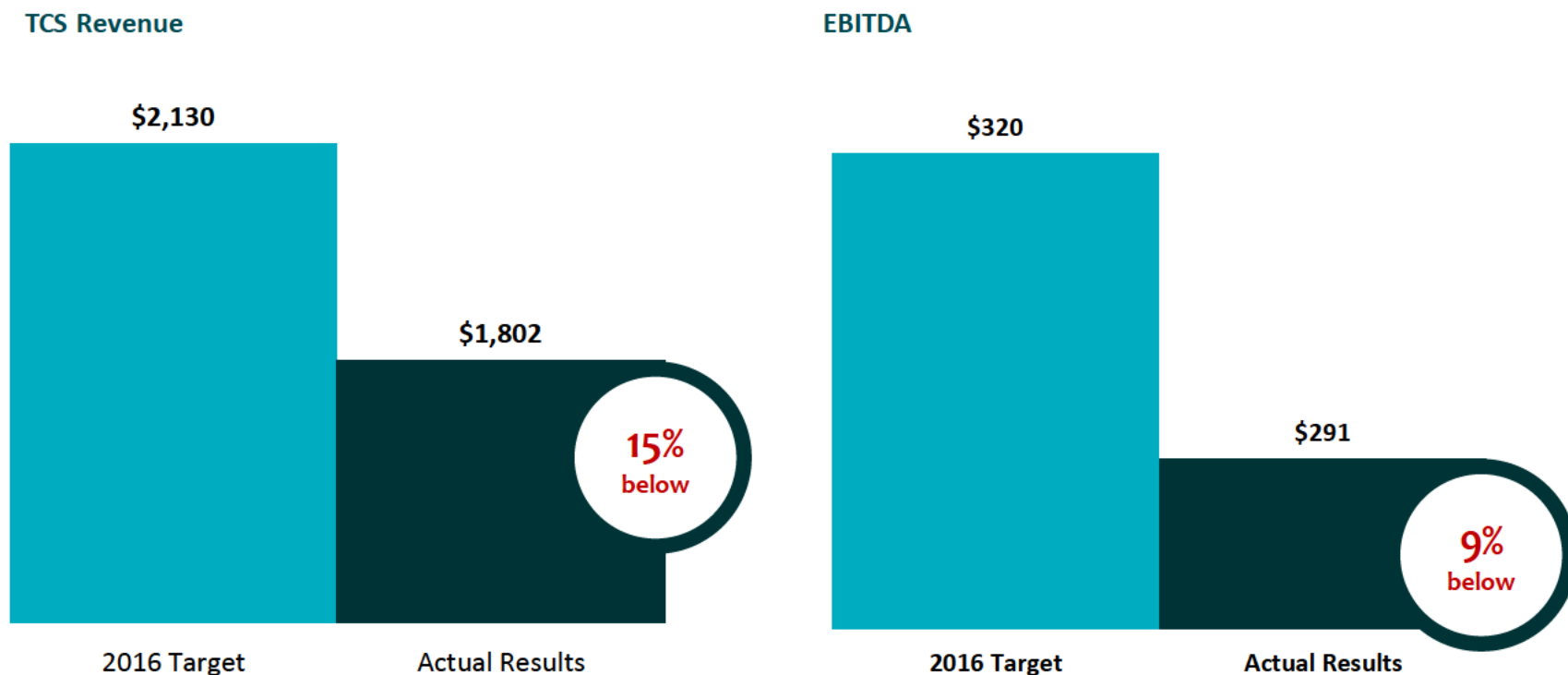
## Global Rolled Products

Missed Targets, Management Spin, Poor ROIC

## Transportation and Construction Solutions

Lack of Growth Despite “Secular” and Cyclical Tailwinds

# TCS Results: Yet Another Set of Missed Targets



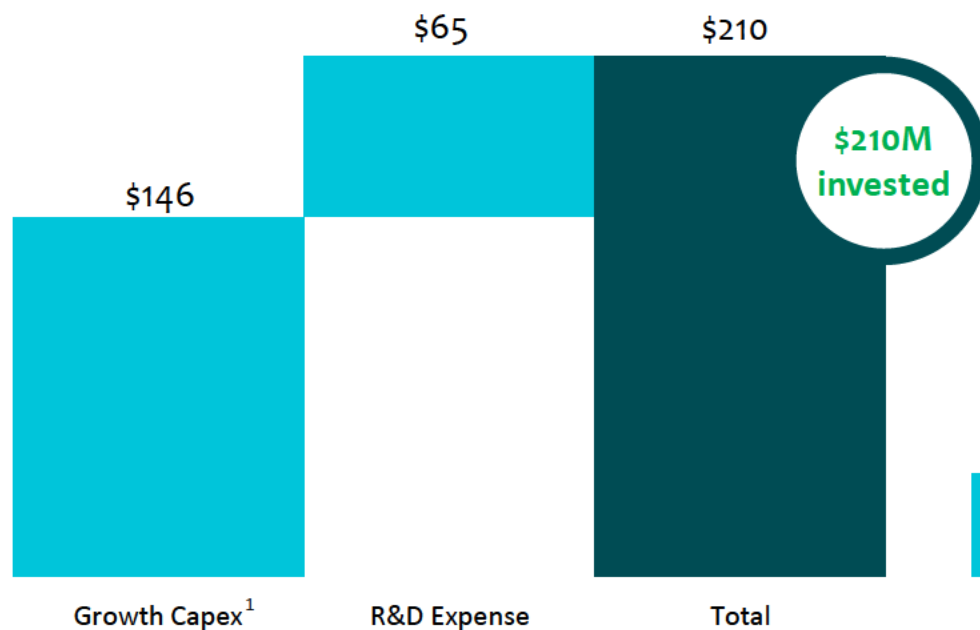
Source: Company filings; Arconic Investor Presentations  
Notes: TCS targets adjusted downward for FX in-line with management commentary

**TCS is yet another example of management failing to achieve its targets**

# TCS Results: 4.3% ROIIC, Arconic's Best

From the end of 2013 to the end of 2016, Arconic invested \$210 million dollars in growth capital expenditures and research and development in TCS. For the **\$210 million invested**, Arconic generated an incremental **\$9 million of NOPAT** for a **Return on Incremental Invested Capital of 4.3%**

## Cumulative Investments



## NOPAT: 2013 vs. 2016



Source: Company filings; Arconic Investor Presentations

Note: R&D expense allocated to each segment based on consolidated R&D as a percentage of revenue

1. Growth capital expenditures are calculated as Capital Expenditures for Continuing Operations less 50% of Depreciation and Amortization (management has previously estimated sustaining capital is 50% of D&A – see Arconic Investor Day, December 14, 2016); 33% tax rate. Excluding R&D from the denominator, ROIIC is 6.19%

**Management's best investments = 4.3% return on incremental invested capital**

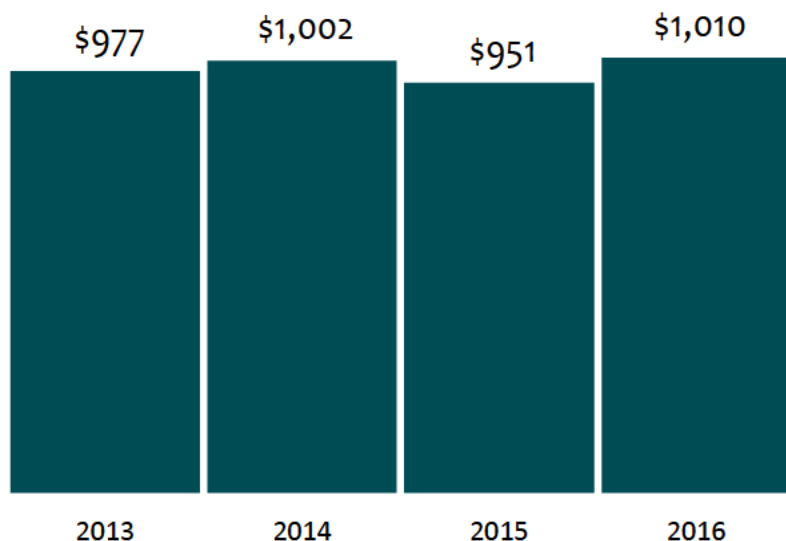


# TCS Results: Absence of Revenue Growth Is Odd

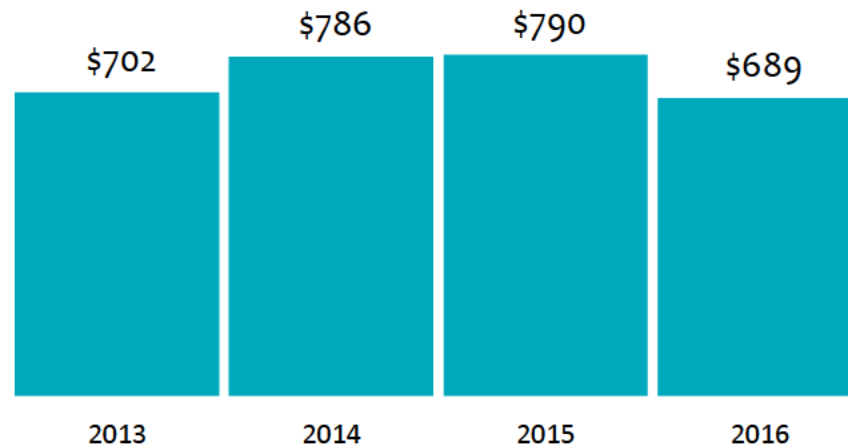
TCS is really three businesses, Business & Construction Solutions (BCS); Wheels; and Latin American Extrusions (LAE). The two main businesses are flat despite both cyclical and secular tailwinds

- BCS is approximately 56% of TCS Sales – primary market is North America
- Wheels is approximately 38% of TCS Sales – primary market is North American Class 8 Trucks

**BCS Business Is up 3%**



**Wheels Business Is down 2%**



Source: Company filings

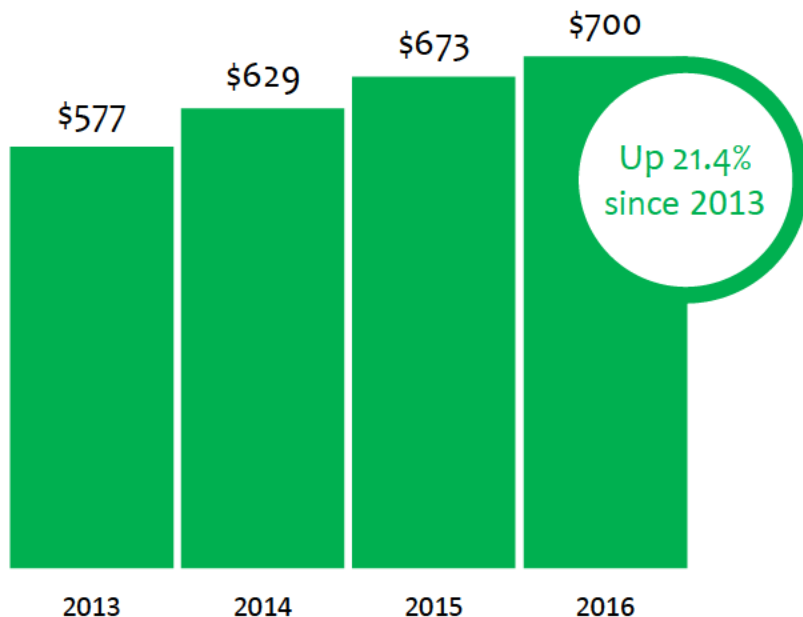
Note: BCS Business defined as "Architectural aluminum systems" from the 10-K; Wheels business defined as "Aluminum wheels" from the 10-K

**For business which has enjoyed significant secular tailwinds, results are extraordinarily weak**

# TCS Results: BCS End Markets Have Been in Cyclical Upswing

In both the United States and Europe, the two primary geographic end markets (weighted to the U.S.), the non-residential construction industry is doing very well


## US Total Non-Residential Construction Spending



## “Our BCS business is driven by favorable megatrends”

Target of 'Net Zero Energy' Building in EU by 2020<sup>1</sup> / USA by 2030<sup>2</sup>


### Thermal Performance



- + 40% Thermal Performance
- Air and water resistant (Superior resistance to rot, warp, buckle due to moisture or weather exposure)

OptiQ™ Ultra Thermal Window

### Blast Resistance




- Improves structural performance and glass retention by 60%
- 54% improvement in thermal performance

IR 601UT Framing

### Hurricane Resistance

- Withstands object impact of over 50 mph
- 20% improvement in dynamic wind resistance
- 15% thermal performance improvement



1630SS IR Curtain Wall

“U.S. in 2013, we estimate that the construction of green buildings will be roughly about 45% of the total constructions of commercial buildings. In '16, it will increase to about 55%, 60%.... So as you can see, very, very well positioned within our Building & Construction Systems to, how could I say, capture the U.S. market recovery, right, in the next 3 years.”

Olivier Jarrault, 2013 Investor Day

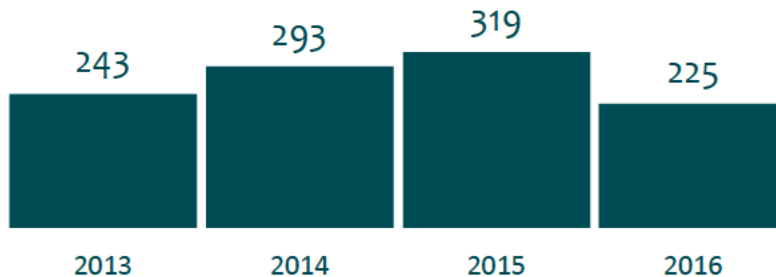
Source: Bloomberg Intelligence; header quote from Tim Myers, EVP TCS, Arconic 2016 Investor Day, December 14 2016; Arconic 2013 Investor Day, November 7, 2013

**Yet BCS has increased sales by just 3% since 2013**

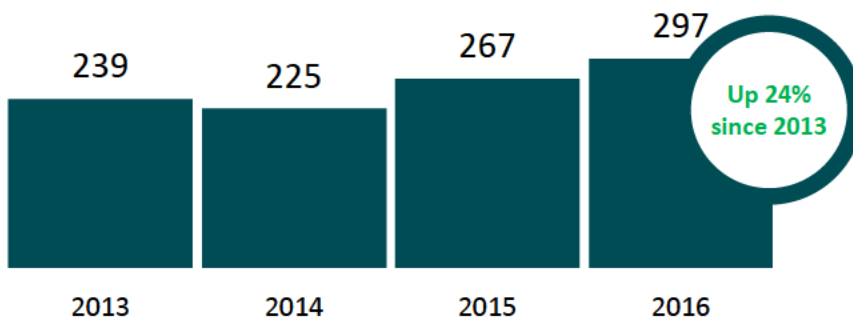
# TCS Results: No Wheels Growth Despite Tailwinds

While North American Class 8 builds are down, Europe has recovered and aluminum wheel penetration doubled from 2010 to 2015

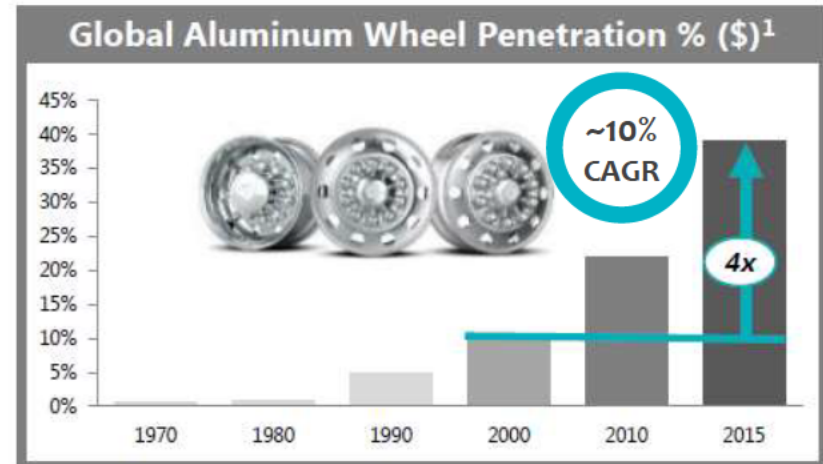
## North American Class 8 Heavy Duty Truck Builds



## EU+EFTA Heavy Duty Truck Registrations



## “Secular Tailwinds”



“4x more customers are adopting aluminum wheels than they were 15 years ago...that's pretty good, right? What's really good about that chart is the aluminum wheel cost is about twice what a steel wheel does. So if you're back into the math, it says that only 20% of the aluminum wheels in that market or the wheels in that market are aluminum today.” – Tim Myers, EVP TCS, 2016 Investor Day

“And that market continues to grow at least at the speed of 10%, 15%.” – Jose Drummond, Fmr. EVP TCS, 2015 Investor Day

Source: Bloomberg Intelligence; Arconic Investor Presentations  
Notes: EU and EFTA heavy duty truck registrations in thousands of units

**TCS wheels sales were down 2% since 2013, while aluminum penetration grew at a ~10% CAGR from 2010 to 2015**





# Incoherent Strategy

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# Incoherent Strategy

## Investor Skepticism

Undervaluation Grows as Investors Look Further Out

## No Fit Between Means and Strategic Ends

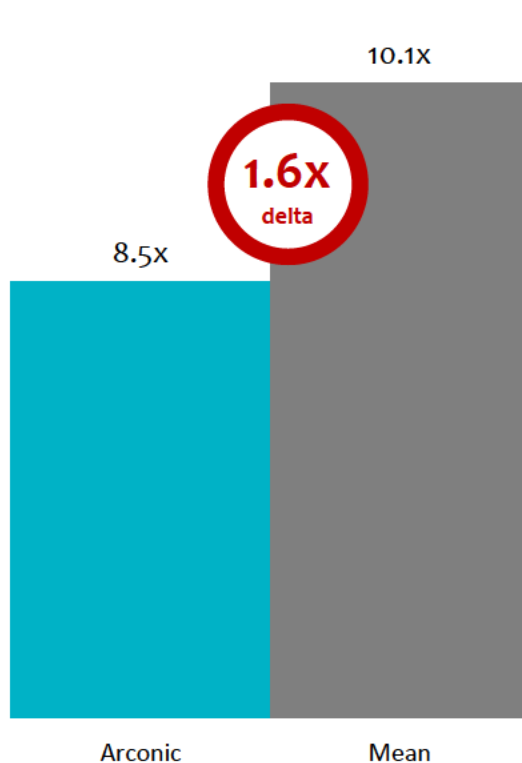
Arconic Does Not Understand How Activities Fit Together

## GRP Strategy Is Clearer but Misguided

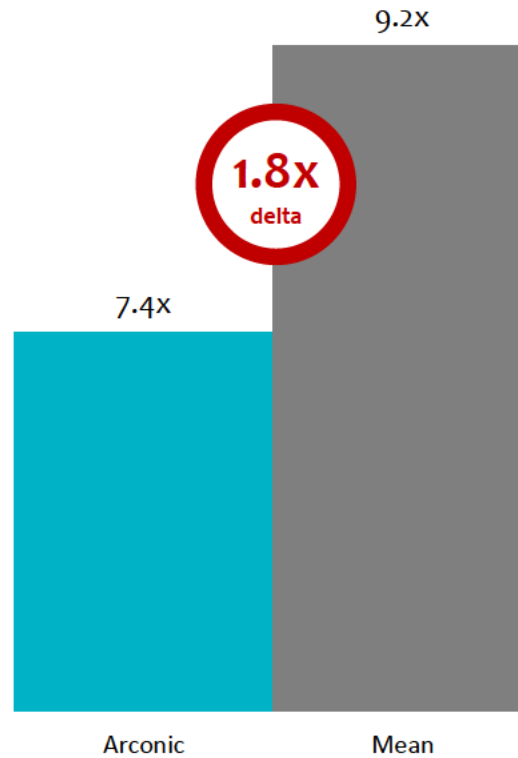
Emphasis on EBITDA/MT Growth over Utilization Is Wrong

# Investors Are Skeptical of Arconic's "Strategy"

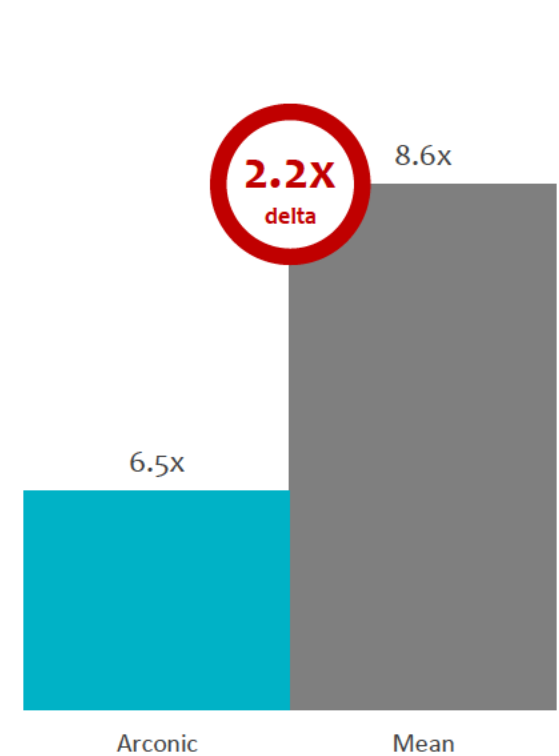
2017E EV/EBITDA



2018E EV/EBITDA



2019E EV/EBITDA



Source: Bloomberg; Elliott analysis. Utilizes broad universe of aerospace and industrial businesses.

**Greater discount in future years = less confidence in growth**

# Incoherent Strategy

## Investor Skepticism

Undervaluation Grows as Investors Look Further Out

## No Fit Between Means and Strategic Ends

Arconic Does Not Understand How Activities Fit Together

## GRP Strategy Is Clearer but Misguided

Emphasis on EBITDA/MT Growth over Utilization Is Wrong

“Strategy is creating fit among a company’s activities. The success of a strategy depends on doing many things well – not just a few – and integrating among them. If there is no fit among activities, there is no distinctive strategy and little sustainability. Management reverts to the simpler task of overseeing independent functions, and operational effectiveness determines an organization’s relative performance.”

Michael Porter, “What is Strategy?”, Harvard Business Review, November-December 1996 Issue

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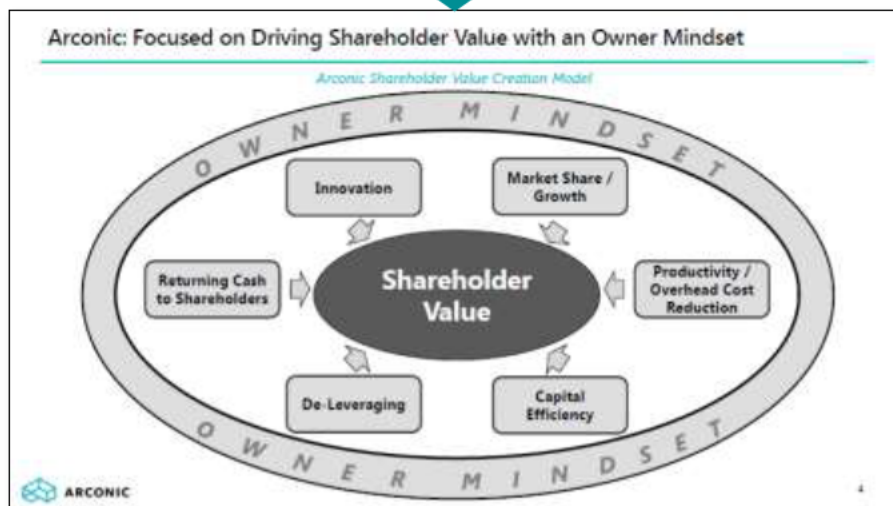
# Incoherent Strategy: Arconic's "New" Model

Arconic unveiled its new "strategy" in December 2016, and while it seemingly derived visual inspiration from PCC, there was a stunning lack of substance

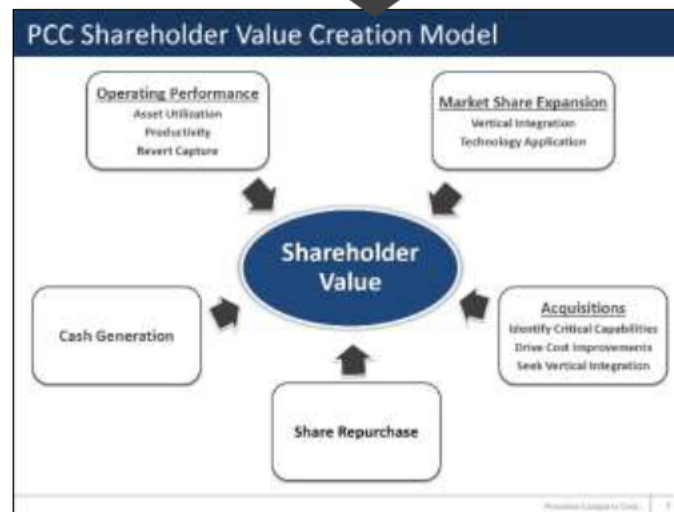
Arconic's new  
"strategy"

Visually similar to  
PCC's strategy, but  
what about the  
details?

December 2016



December 2014



Source: Company communications; PCC communications

Is there "fit" among Arconic's "strategy?"

# Incoherent Strategy: How Do Arconic's Activities Support Its Ends?

## *Please read this meandering explanation of company strategy by Dr. Kleinfeld*

“With Arconic, we also have an opportunity to create a very unique culture. And this chart really shows you what our view of that culture is, particularly important for you. We apply to pretty much everything we do [to an owner’s] mindset. We look at this company as though we are the owners. We look at this company as though the money that’s put in there needs to get the returns to us that you want, driving shareholder value here. Now how we do this? There’s a couple of different levers here, obviously. One thing is, driving it through the business performance. I talked about innovation already. Market share increased as well as growth, productivity, overhead reduction. So this -- you would see a lot of this here today, also on the business presentation. But we also look very, very strongly at applying the funds in a way that the capital is used in a very efficient way. So we put a lot of pressure on the capital efficiency. And Ken and I, as well as -- we’ll talk about that. As you know, we started with a balance sheet that was quite levered, and we will de-lever it. And the good news is, with what we are going to do, we have the means to substantially de-lever it. And last, but not least, we also will look at how can we return cash to shareholders. This is our mindset. This is kind of our mantra. This is what you will see throughout the day. I mean, people are pretty much emphasizing, how long we’re going to address these things.”

Dr. Klaus Kleinfeld, Arconic Investor Day, 2016



***Management’s new “owner mindset” is a collection of talking points, not a roadmap to building a better business and generating returns for Arconic’s shareholders***

***Management’s monologue is like an essay from a college student who has read the Cliffs’ Notes and knows the buzzwords, but has not read and does not understand the book***

***Management is simply faking it, in our view***

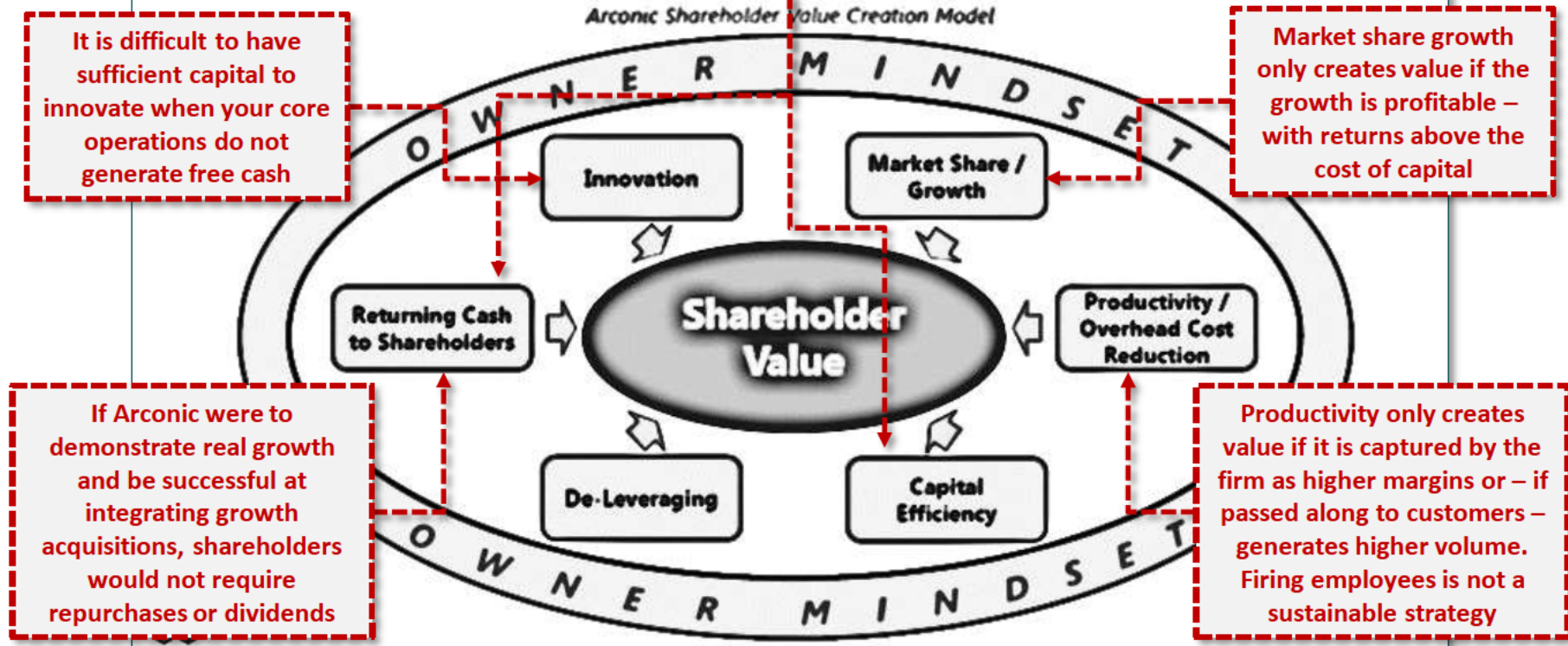


# Incoherent Strategy: Arconic's New Approach – Deconstructed

We believe Arconic management thinks the key to shareholders' hearts is by returning capital. They do not understand investors. The issue is not the amount of capital invested but the returns on that capital. Elliott would be happy were Arconic to retain every dollar it earns as long as management would invest that capital at reasonable rates of return

## Arconic: Focused on Driving Shareholder Value with an Owner Mindset

Arconic Shareholder Value Creation Model



# Incoherent Strategy: Cutting for Cutting's Sake

Investors want Arconic to grow and generate returns above its cost of capital. Artificial limits on capex do not make sense. Benchmarking to management's own projections means that Arconic could continue to underperform peers while management is handsomely compensated

Management's pitch appears to be: "We will not spend as much on capex and we will beat numbers we devise"

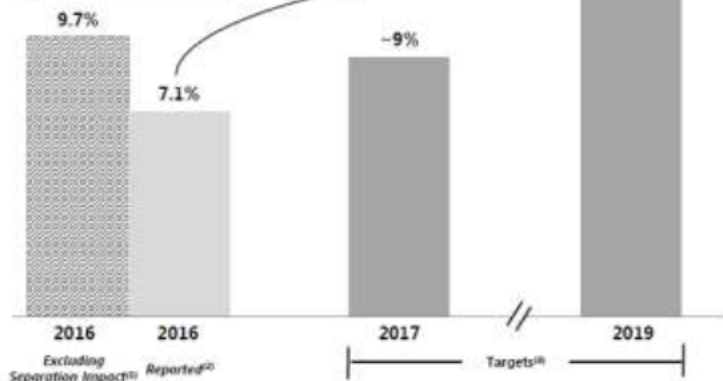
## 2 Driving Returns Through Operating Performance and Focus on Capital Efficiency

Return on Net Assets (RONA): 2016 Actual, 2017 and 2019 Targets

### 400-500 Basis Point Improvement in RONA through 2019

RONA impacted by separation

- Arconic retained Alcoa Inc.'s ~\$8.8B of debt (necessary to prudently capitalize Alcoa Corp.)
- Adjusting for separation impacts, Arconic's 2016 RONA was 9.7%



### Prudently Managing our Capital Base

- Reducing debt incurred via the separation (\$1B debt reduction planned in 1H 2017; further potential reduction using proceeds from Alcoa retained interest monetization)
- Exacting capex approval process with rigorous CFO, CFO and Board review (Capex capped at ~5% of annual revenue)
- Enforcing strict growth investment criteria (15% IRR and payback of <5 years)
- Reducing Working Capital Days (3-7 day reduction targeted in 2017)
- RONA is the appropriate metric for Arconic; it aligns management with shareholder value creation
- Represents 50% of long-term executive compensation (based on 3-year plan)

Was the sale of the Company's Alcoa Corp. stake done tax efficiently or did it consume tax assets?

No reason to artificially limit capital expenditures. If there are good growth projects, Arconic should pursue

Benchmarking against management's own 3-year plan means Arconic could continue to massively underperform for shareholders while management makes a fortune

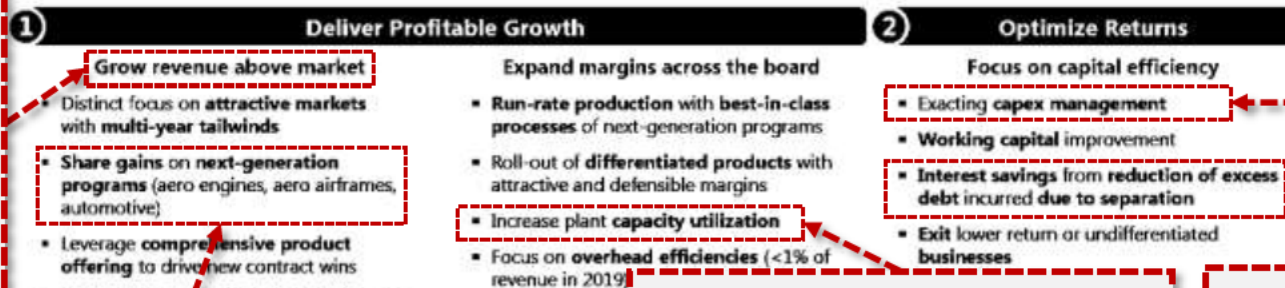
# Incoherent Strategy: Arconic's Three Year Strategic Plan

Optimistic buzzwords do not amount to a credible strategy

Which market? The midpoint of the Company's 2019 guidance - \$13.98 billion is actually below what the Company would earn - \$14.26 billion - if it grew in-line with its own estimates for the growth of its end-markets

## Innovation and Share Gains Will Continue To Deliver Substantial Value

Three-year strategic plan



This is what Dr. Kleinfeld has been saying for years

We have been in a historic aerospace upcycle – what has Arconic management been doing?

~80 bps of RONA improvement just from debt paydown

Is Arconic really gaining share? Core EPS (ex-Firth Rixson and RTI) is actually projected to grow slower than management's industry estimates

Outside of industry-driven automotive sheet and aerospace growth, Arconic is poised to shrink

Source: Arconic Investor Presentation, March 27, 2017

“Things are going to get better” is not a strategic plan

# Incoherent Strategy: Dr. Kleinfeld Does Not “Get It”

Management’s apparent strategy is “all of the above” – low-cost, technology leadership, better relationships with the customer. Unfortunately, “all of the above” is not an effective strategy

Douglas Dethy, DC Capital: “One of your most successful competitors [PCC] has a strategy of low prices and very high capacity utilization. You're bringing a lot of innovation and how met [ph] you acquired that -- strategy. But the other -- I got all the gross margin dollars over time. And how -- what assurance do you have that you can get your share of the gross margin dollars on these products over time to reward you for your innovation?”



Dr. Klaus Kleinfeld: “And I think it would be wrong to go away with saying, hey, we are only going for markets where there is an innovation future because in the end, you saw also a lot of innovations are around process optimization, right? So in reality, they drive costs down. The ideal situation is to combine these worlds, and that's exactly what we're trying to do. I mean, we are at scale here. So scale-wise, I mean, we are at a level where we can do this. So it's not that we are not looking at utilization or factories, right, but what we have the advantage that we also have a lot of technology. So we want to get to a position where, ideally, we can combine those both worlds, where we can give the customer a value, at the same time, at lower costs.”

Source: Arconic Investor Day, November 4, 2014

Douglas Dethy – a long-time Arconic investor – is making a very simple, but important point. Arconic has invested a considerable amount of money in R&D. This is usually a differentiation strategy – you have unique product that enables you to take price. Can Arconic do that?

Dr. Kleinfeld’s answer betrays his absence of strategic coherence. Arconic does it all – lowest cost, most innovative, closest to the customer. As anyone who has graduated from business school knows, it cannot all be true.

**Strategy is not “all of the above”, it is inherently about trade-offs**



# Coherent Strategy: PCC Has a Clear Idea of How to Generate Returns

Mark Donegan has a clear understanding of the relationship between PCC's activities and its strategic ends. This is the genuine article. Accept no substitutes

"It starts with going after Asset Utilization, Labor Productivity, and Revert to Lower Cost:

"The one thing we've seen over the years, so I'm just kind of giving you 3 basic kind of concepts to it, but the one that's really become very important to us is asset utilization. And if I think of how I define that, I don't care if you're looking at a casting furnace, a forging press, machine tools, it's finding the ability to create more headroom, more opportunity, more casting time, more cut time, chip time, whatever it is, that creates the opportunity to put more volume over the same asset. And that is something that we'll hear more about as we go through this, but it's just become a key driver and it's been able to deploy, like I said, across all of our -- TIMET, a whole utilization of assets that's been actually essential to us.

"Productivity. We're a labor-intensive business in a lot of areas. So finding the entitlement, what do we know, what's the best performers, how do we get all the other people to come up to speed, what -- how can we drive the constant performance crest, Max or investing or the foundry, whatever it is. Maximizing that productivity for us is a never-ending job to find kind of that headroom. Everything has got a bell curve to it, so being able to find out best performers and continuing to go after that across a large array of people.

"And then the other one we've talked about frequently is revert. I mean we've done a good job over the years in terms of nickel. So if you look at what we did with SMC back in the airfoils, structurals, forged products, but finding that low-cost material is essential for us. We're a metals business. There's a huge difference between virgin and revert and we've had to find ways to create qualification, processes that can expand and use that revert level. When I first started as a business, we had to use 100% virgin. In most cases now, we have the ability to use 100% revert. We're now moving into titanium. So with the acquisition of TIMET, this whole revert stream provides us a low-cost material into all of our businesses. (quote continues on next page)

1 Maximize production from your assets

2 Maximize production from your people

3 Maximize production from your materials

"With a strong factory supervision background, [Mark Donegan] spends a majority of his time visiting [PCC] facilities around the world."

Citi, December 13, 2010

# Coherent Strategy: PCC Operations Drive Growth

Arconic doesn't get it. They describe PCC's cost-focus as coming at the expense of growth. This is a critical mistake. PCC grew *because of*, not in *spite of*, its cost-focus

"High marks for management. CEO Mark Donegan has a manufacturing background and graduated from the GE manufacturing management program in 1979, two years prior to Jack Welch becoming CEO. His chief success prior to taking the reins at [PCC] was at the helm of Wyman-Gordon, a [PCC] subsidiary where he led the business to historically high operating margins and growth. We think the most notable aspect of Mark Donegan's career was his ability to manage a manufacturing concern profitably through the aerospace decline in the 1990's."

Goldman Sachs, October 10, 2007

"From there, we want to take that baseline cost structure and we want to go back into the market where we want to drive for market share. We'll also take and add to that the ability we have on vertical integration. And vertical integration comes in, in a number of ways. It could be as simple as providing alloy into a business and capturing whatever the lost leakage is in terms of profit from the standpoint of raw materials. It can cross into other businesses moving a forged product into a aerostructures product to machine it and provide a more complete assembly. And it also crosses in technology.... So market share is key and then we take that and drive that back across the assets that we created more capacity. So if you look at what we've done in Andrew's group and at aerostructures and I look at the standard of excellence in the machine tool business when we buy them, we've been able to get 50% to 70% more utilization of the asset. You go out and get the market share, you put that market share across the same asset and you get a very significant value creator. M&A has been and will continue to be a key part of our business.... So we're just not out there looking for stuff. We're not looking for just sales growth. We're looking for key assets that give us an expanding portfolio, attack our costs, long-term market share gain and growth, in a lot of cases, going after that vertical integration. Normally, when we go at the point that we've -- that we're actually going to acquire a company, we've been in some sort of planning, negotiations, conversations that go anywhere between 3 to 5 years to get the right assets. So we're not necessarily looking for things that are for sale, we're looking for the right assets for us."

Mark Donegan, December 3, 2014

- 4 Lower own costs to drive market share
- 5 Use M&A to pursue growth markets or vertical integration
- 6 Drive utilization of acquired company back into the PCC virtuous circle

"[PCC] generally leverages superb execution for market share gains through pricing strategies and long-term contracts. We believe [PCC] is one of the best operators in our space, as operating margins are generally above peer companies."

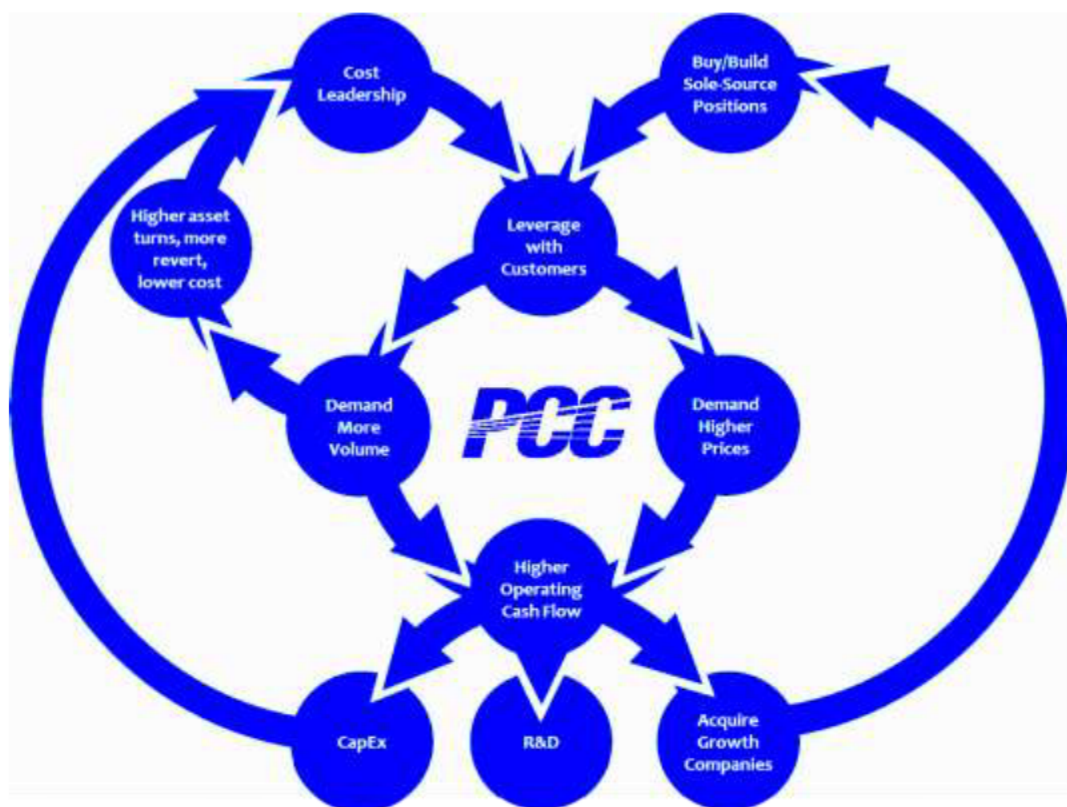
Bank of America, June 4, 2014

# Coherent Strategy: PCC's Virtuous Circle – Its Flywheel

"[PCC] generally leverages superb execution for market share gains through pricing strategies and long-term contracts. We believe [PCC] is one of the best operators in our space, as operating margins are generally above peer companies."

Bank of America, June 4, 2014

Good companies build virtuous circles of mutually reinforcing activities – flywheels that generate sustainable profits over the long-term. PCC uses cost leadership and sole source positions to gain leverage which drives incremental volume (primarily) and price (secondarily). This leads to higher free cash flow, which provides the funds to invest in cost-reducing capex and acquiring companies with sole source positions





# Incoherent Strategy: Compare How PCC Focuses on Plants as Integral to the Strategy

The contrast between the frequency, tenor and content of how Dr. Kleinfeld speaks about plants vs. PCC is very telling

## Dr. Kleinfeld Discussing His Plant Strategy, Culture, etc.

“[Productivity idea generation is] a very robust system because it goes down to the plant. I mean, everybody is involved.”

October 8, 2014

1

instance we can find of Dr. Kleinfeld speaking coherently about plant strategy



## Mark Donegan Discussing Plant Strategy, Culture, etc.



7/27/15: I look at when we go and do an acquisition, we not only look at what they, what's the product line, but we look at where that -- where can we bring the management, how do we think they can digest it. In the time we were doing due diligence, we were visiting plants.

1/22/15: [Demand signals] are sent out to basically all of our plants and our customers that we support other component manufacturers.

12/3/14: It is that relentless attack every day on every plant that finds out where the value is, extracts it and then drives it through kind of that drumbeat.

12/3/14: I don't care if we're looking at a plant manager in a quarterly view, day-to-day, we'll take what their plant's doing and we'll immediately say, okay, here's what that means to the shareholder.

12/3/14: A lot of the R&D we do happens in the facilities. So if you look at all of the ti-aluminide, that's done in the plant.

12/3/14: ...I understand what the customer wants and if you look at some of the re-engineing, the first high-pressure blades are the most complex parts we've ever manufactured, that occurred in the plants day-to-day using the resources from corporate or other businesses.

5/8/14: We're going to deliver substantially improved performance on our end markets. And we're always going to do it in an environment that each plant feels as though they are the whole company

5/8/14: ...to date the teams have basically focused on the opportunities inside their plants. So they're getting solid traction on yields, productivity, utilization of the assets.

10/24/13: But we always like -- when we can get a plant of substance, we always like to have that plant stand on its own so we can put one dot on somebody's head, and we know what they do and all

9/17/13: ...we have a wide array of facilities, so it's not though we're taking and overloading a single facility...we have the ability to spread that load over multiple plants.

9/17/13: I spent 11 out of 13 weeks grinding away in the plants. Kevin will spend 12 out of 13 weeks grinding away in the plants... you live and breathe it, and that's kind of the way what makes us tick.

7/25/13: ...if you went and had a conversation with any plant manager, I think everyone would immediately go to, "Here's where my opportunity is."

1/24/13: We do drive down the stock EPS and all that to our plant levels. So yes, it is a tool. In fact, we've got a group of people that are going to be together tomorrow that we're going to share with them how this impacts them.

11/28/12: So if you go out and talk to the plant manager, the manager manufacturing, the finance person at the plant, they'll all speak the same language.

10/25/12: ...the surprise for us has been the capability and the talent of the management to absorb, to maintain, get in and run the plants the way we want to run and see the opportunities.

1/26/12: We have the bulk of the capacity in place. And we are keenly focused as an operation, plant-by-plant, person-by-person, on delivering that strong drop to an incremental as the sales come through.

1/21/10: [managers] have been very good at looking how to utilize excess assets or combining assets in the Fastener side that kind of lets them maximize various sets of assets at a particular plant.

7/21/09: ...could I [quantify scrap] by plant, yes, I mean I see it broke in those categories.

10/21/08: Operationally, I think they continued to see solid performance, and again if I look at our aerospace plants, you got a group of people that are kind of attacking their cost model on of all parts, materials, yields, productivity.

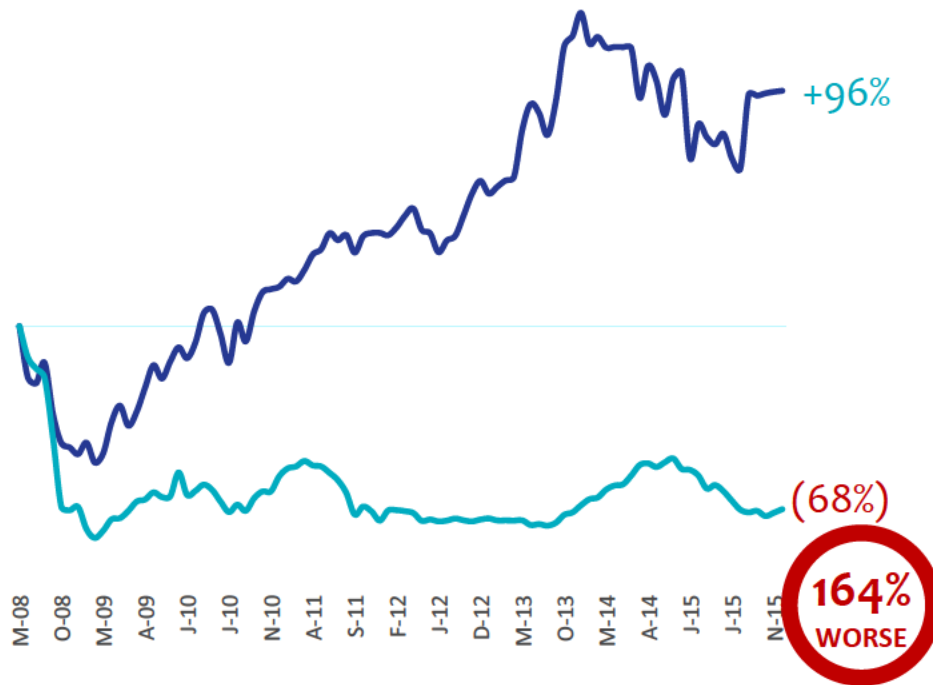
# Incoherent Strategy: The Results Speak Volumes

PCC outperformed Alcoa by 164%, but Dr. Kleinfeld was paid 25% more than Mark Donegan

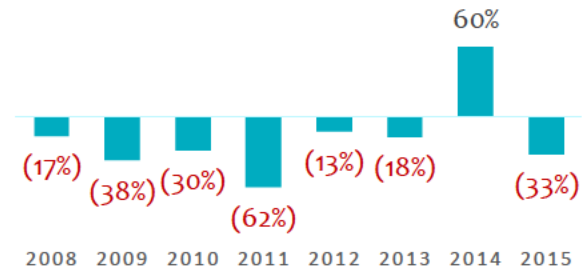
“So you've just seen the acquisition of PCC that's underway by Warren Buffett's Berkshire Hathaway. And he paid for a business that is having \$10 billion of revenue, whereas \$6 billion of those \$10 billion are having a full overlap with us, \$37 billion. So you get a feel for the value that's possible there.”

Dr. Klaus Kleinfeld, October 8, 2015

Alcoa vs. PCC TSR % May 2008 through December 2015

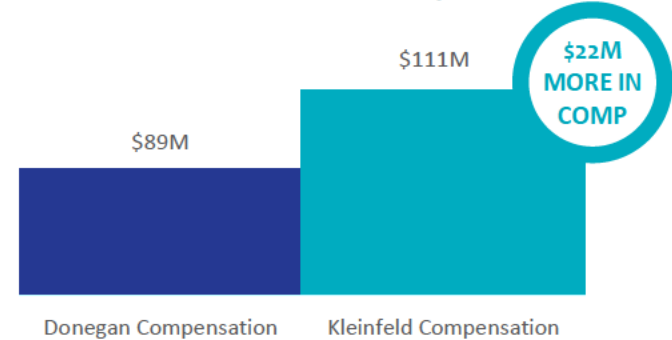


Alcoa Annual TSR % Relative to PCC



**(64%)**  
TSR vs. S&P 500 since quote

2008-2015 Cumulative CEO Compensation



Source: Bloomberg  
Note: Total shareholder return calculated May 1, 2008 through December 31, 2015

# Incoherent Strategy

## Investor Skepticism

Undervaluation Grows as Investors Look Further Out

## No Fit Between Means and Strategic Ends

Arconic Does Not Understand How Activities Fit Together

## GRP Strategy Is Clearer but Misguided

Emphasis on EBITDA/MT Growth over Utilization Is Wrong

## Incoherent Strategy: GRP Strategy Is Clearer; but Ill-Advised

Arconic wants to turn GRP into a “value-add” producer, but in doing so, it is sacrificing utilization and producing inferior returns

Arconic is saying its GRP strategy is to have higher priced products and thus higher margins. This might sound good. But if it requires massive capital expenditures, does not change the industry structure (competitors have the same technology) and it comes at the expense of utilization leaving high fixed cost assets idle – it will lead to lower EBITDA and much lower free cash flow.



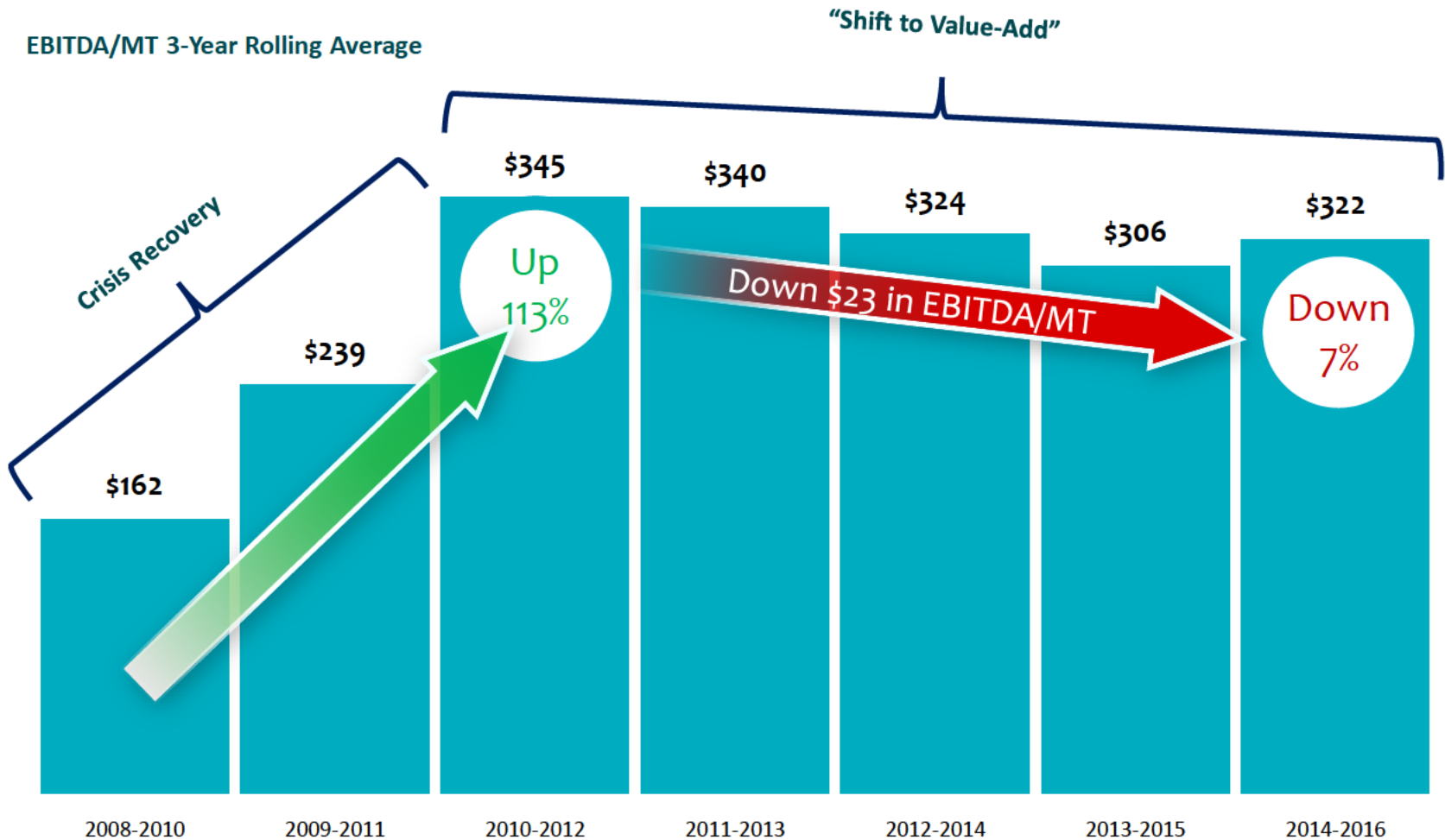
“The unifying mission or thread of this transformation is really the move to a higher margin product mix.”

**Kay Meggers**

December 14, 2016

# Incoherent Strategy: EBITDA/MT Is Actually Flat-Lining

Despite all the talk of a shift to “value-add”, EBITDA/MT has flat-lined



# Incoherent Strategy: Implicit Admission of Failed Strategy

GRP strategy only works if other players do not add auto sheet capacity. Otherwise Arconic's rolling mills will remain "permanently" underutilized

The whole GRP strategy was predicated on being dominant in automotive sheet. But, now new growth has been put on pause because competitors piled in: *"On the North America auto sheets, we see continued strong growth, as you can see here, next year as well as over the 3 years, in the 22% range. There we made a conscious decision after capturing the first wave of automotive light-weighting with Ford, when we saw that our other competitors there, Constellium, were investing when we held back, because we did not want to create overcapacity. We know very, very, very painfully what that means to our results from packaging. So that's why we made the conscious decision to instead focus on the commercialization of the Micromill, which I will talk about a little later. The growth potential that we have left in automotive is during the ramp-up of Tennessee and to close the remaining capacity that we have there or fill it, plus we will also continue to creep our capacity in both Davenport and Tennessee."*

Kay Meggers, Global President of GRP at Arconic  
December 14, 2016



**Translation: Our competitors are ramping in auto too; Tennessee to remain underutilized for the foreseeable future**

## Explicit admission of a failed strategy?

*"Second fact is we do not intend to build out or change the packaging side of the Tennessee mill into an automotive line."*

Dr. Klaus Kleinfeld, January 31, 2017



# Incoherent Strategy: Arconic Lacks Market Power in Automotive

Automakers forced Arconic to share its technology with peers

**Analyst:** “You're an innovative company, you have a lot of proprietary products. Do you actually get paid for it?”

**Dr. Klaus Kleinfeld:** “Yes. I mean, the question on innovation and what the returns are I think I answered previously.”

**Dr. Klaus Kleinfeld:** “And, Jorge, you were there at the ATC and you saw it with your own eyes and others did too. There was a lot of examples – lot of critical examples that contribute substantially to the profitability as well as the revenues. I mean, just to pick out a few, this very unique Flite-Tite fastener, the 787 mission critical fastener that allows for lightning strike protection. The A951, which really is a bonding – is the bonding for the Ford F-Series, which really allowed – enabled Ford to go all aluminum allowing for the benefits that we're already seeing here in GRP. The automotive ramp-up would not have been possible. The 3D core blades on the F-135 engine – this is the engine that goes into the Joint Strike Fighter. And the list is long. And if you look at the 90% of the alloys that ever have flown and the west have been invented by what's today Arconic and past Alcoa, this all would not have been possible without the investments in R&D.”

Arconic Earnings Call, January 31, 2017

“At the request of automakers, Alcoa Inc. is making its patented Alcoa 951 bonding process available to competitors who also supply aluminum to the auto industry. Alcoa 951 coats aluminum to prevent corrosion and prepare the surface for adhesives. It will help automakers produce more structural load-bearing parts made of aluminum. Novelis Inc., another major aluminum supplier, says it can use Alcoa 951 but has its own coating. Alcoa spokesman Kevin Lowery said the company rarely shares its proprietary technology with competitors but is doing so with 951 ‘at the request of automakers.’ He declined to name the automakers that applied the pressure.”

Automotive News, December 9, 2013

**Ford made Arconic share its innovations with Novelis. Now Novelis is the #1 auto sheet supplier. Arconic did the work. Novelis got paid**



# Poor Asset Utilization

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# Poor Asset Utilization

## The Importance of Utilization

In a High Fixed Cost Business, Turns Matter

## Arconic vs. PCC/Novelis Proxy Co.

ARNC Net PP&E = PCC + Novelis, but Gets Much Less Revenue

## Turns Lag Across Arconic's Business

No Matter the Metric, Arconic's Assets Are Underutilized

# Poor Utilization: Consequences of an Incoherent Strategy





“So it's not that we are not looking at the utilization of factories, right, but what we have the advantage that we also have a lot of technology so we want to get to a position where ideally we can combine those both worlds where we can give the customer a value at the same time at lower cost.”

Dr. Klaus Kleinfeld, November 4, 2014

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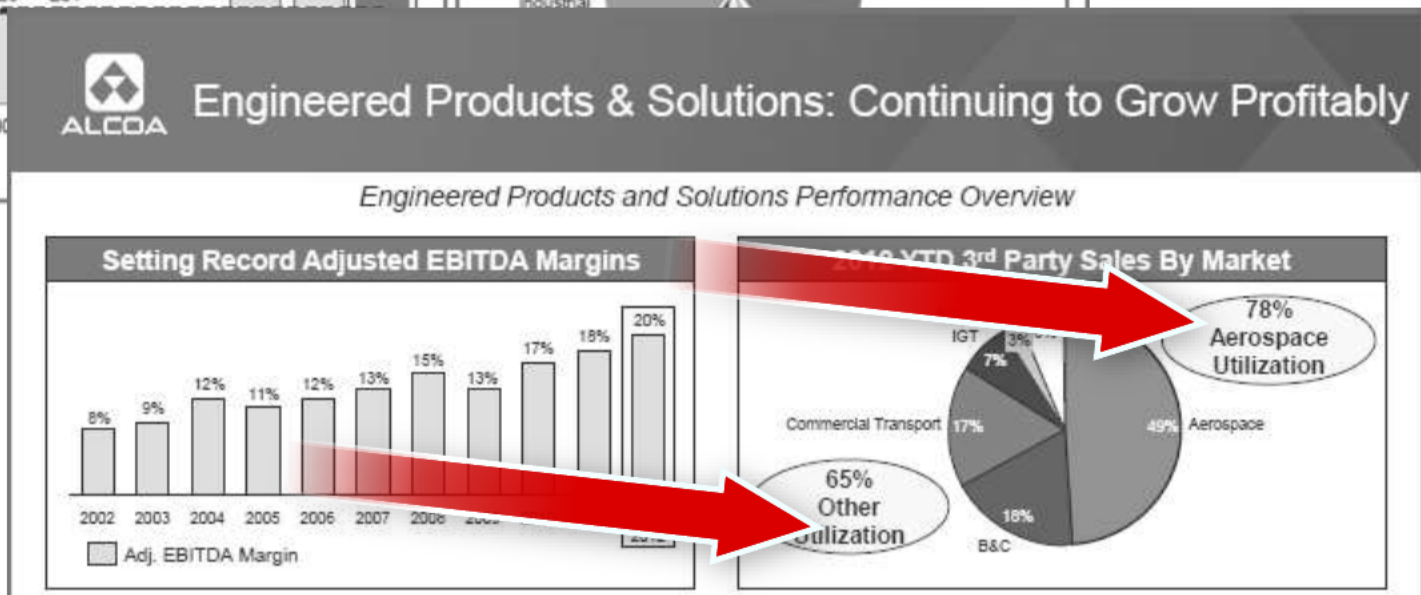
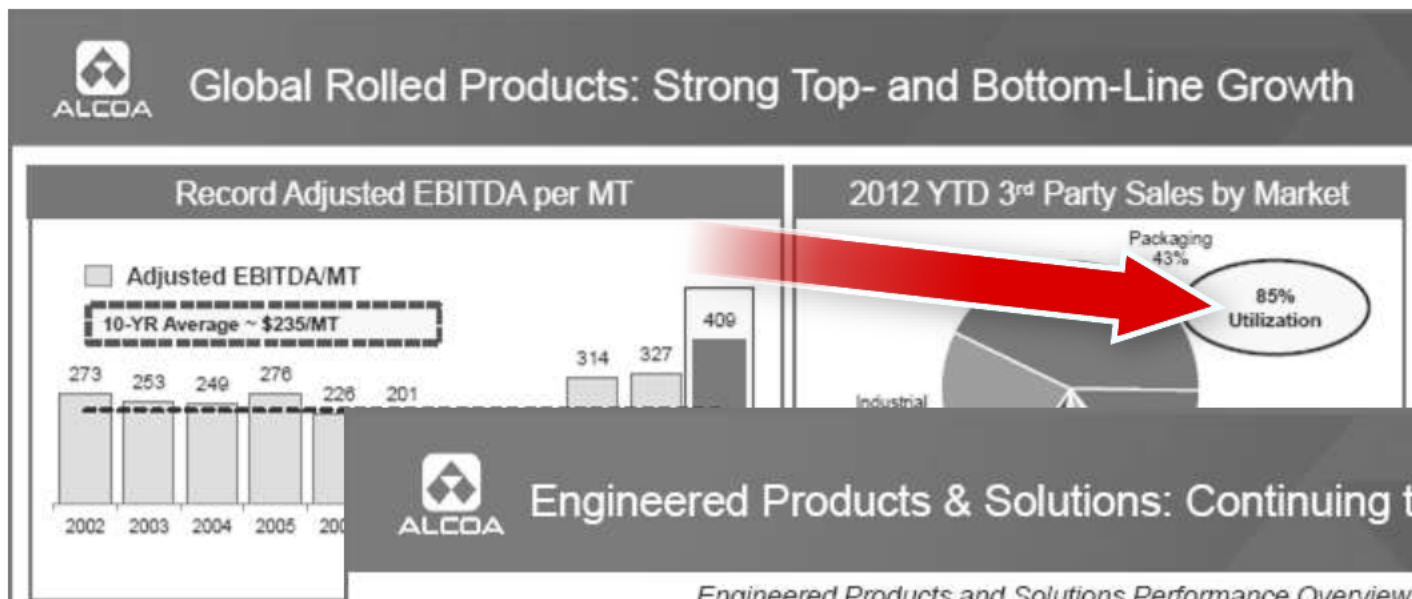
“But the one that's really become very important to us is asset utilization. And if I think of how I define that, I don't care if you're looking at a casting furnace, a forging press, machine tools, it's finding the ability to create more headroom, more opportunity, more casting time, more cut time, chip time, whatever it is, that creates the opportunity to put more volume over the same asset.”

Mark Donegan, December 3, 2014



# Poor Underlying Performance: Telling That Management Stopped Providing Utilization

Historically, Arconic/Alcoa disclosed utilization at EPS and GRP. But, beginning in the middle of 2012, Arconic/Alcoa stopped reporting these figures. In conversations with investors, Dr. Kleinfeld insisted that Arconic/Alcoa had never shared its utilization figures and, further that utilization was an unimportant and misleading metric. On both counts, nothing could be further from the truth



# Poor Underlying Performance: Management Does Not Understand Utilization

Does Arconic have the right management to improve utilization?

We believe the answer is no

## Dr. Kleinfeld is Not Focused on Utilization, Asset Turnover, or Asset Turns

0

- ❌ Number of times Dr. Kleinfeld brought up utilization, asset turnover, or asset turns at the 2016 Investor Day
- ❌ Number of times Dr. Kleinfeld brought up utilization, asset turnover, or asset turns at the 2015 Investor Day
- ❌ Number of times Dr. Kleinfeld brought up utilization, asset turnover, or asset turns at the 2014 Investor Day
- ❌ *In fact, the only time Dr. Kleinfeld discusses utilization appears to be in responses to questions in which he quickly pivots from utilization to talking about “sexier” topics*

## By Contrast, Mark Donegan Is Focused on Little Else

“But the one that’s really become very important to us is asset utilization. And if I think of how I define that, I don’t care if you’re looking at a casting furnace, a forging press, machine tools, **it’s finding the ability to create more headroom, more opportunity, more casting time, more cut time, chip time, whatever it is, that creates the opportunity to put more volume over the same asset.** And that is something that we’ll hear more about as we go through this, but it’s just become a key driver and it’s been able to deploy, like I said, across all of our -- TIMET, **a whole utilization of assets that’s been actually essential to us.**”

“**Productivity. We’re a labor-intensive business in a lot of areas.** So finding the entitlement, what do we know, what’s the best performers, how do we get all the other people to come up to speed, what – how can we drive the constant performance crest, Max or investing or the foundry, whatever it is. **Maximizing that productivity for us is a never-ending job to find kind of that headroom. Everything has got a bell curve to it, so being able to find out best performers and continuing to go after that across a large array of people.**”

Mark Donegan, Credit Suisse Global Industrials Conference, December 3, 2014

Note: At the 2014 Investor Day, slide 7 of Dr. Kleinfeld’s welcome section lists “better casthouse utilization” and “improve utilization to avoid equipment capacity upgrade” as examples of the 18,000+ ideas in the Company’s degree of implementation system. There is no mention or call-out

# Poor Asset Utilization

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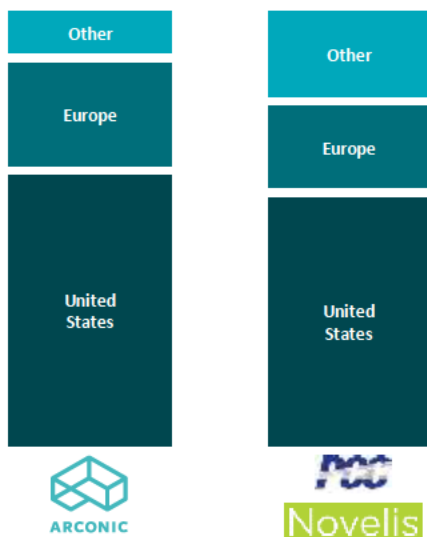
# PCC and Novelis as a ProxyCo

- Arconic has historically identified PCC and Novelis as its primary competitors in EPS and GRP respectively
- PCC and Novelis ProxyCo is a close approximation of Arconic but with a little bit greater weight from Rolled Products – specifically, can and foil

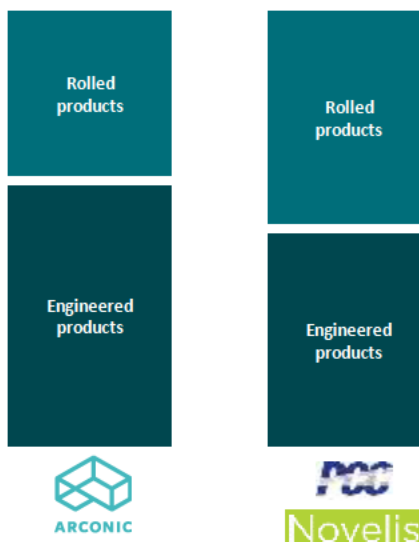
*“And the aerospace business, I mean, pretty much we are catering in all of these businesses that PCC also caters to, right? And have roughly about almost \$6 billion in this. I mean, I referred to the 40%, \$5.6 billion or something like this, the exact number, all right? Then when you look into the automotive business, it's probably more than Novelis' there that you would have to look at, right?”*

Dr. Klaus Kleinfeld, September 28, 2015

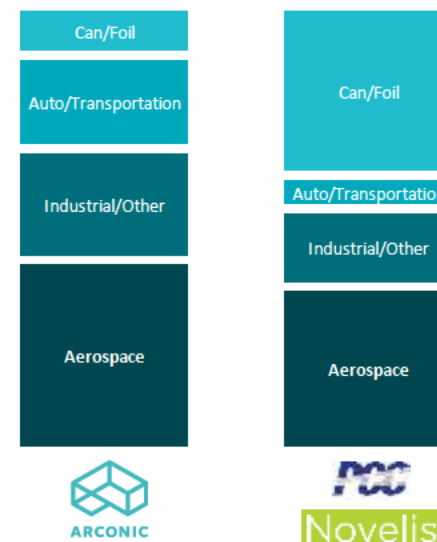
End-Markets by Geography



Revenue by Product Type



Revenue by End Market

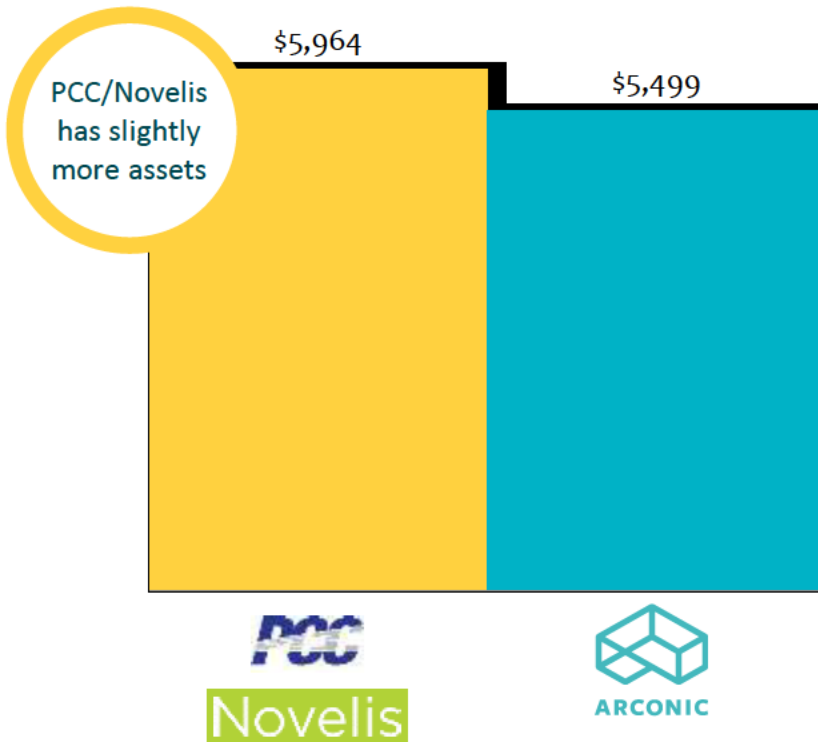


Source: Company filings, Engineered Products includes Transportation & Construction Solutions (TCS), PCC (2015) and Novelis (2016); PCC Company filings – 9 months annualized

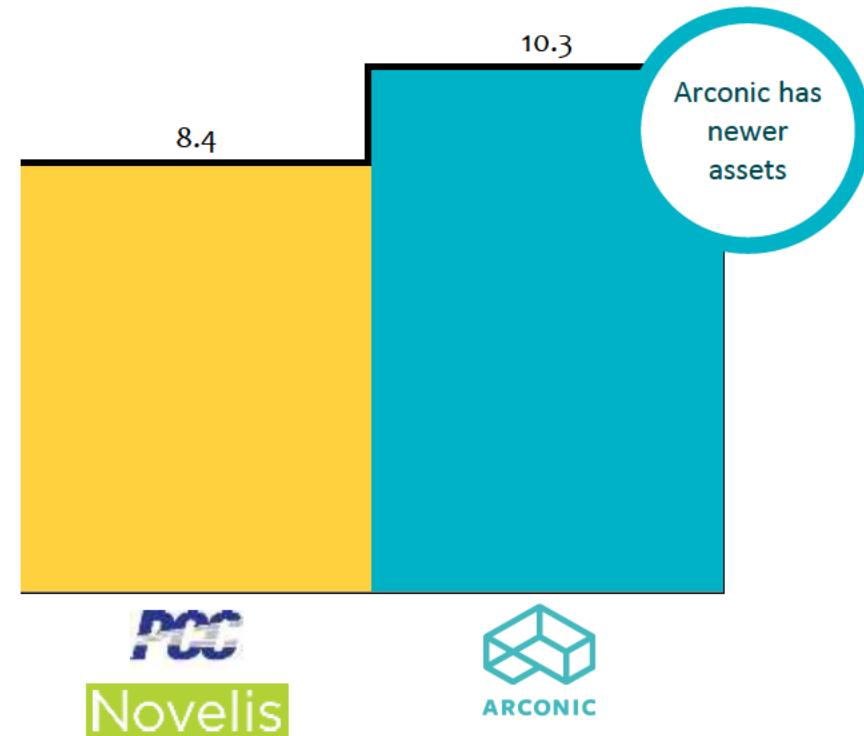
# PCC/Novelis Have Similar Assets as Arconic...

Arconic has a slightly smaller – but newer – stock of property, plant and equipment (PP&E) than a combined peer of PCC and Novelis

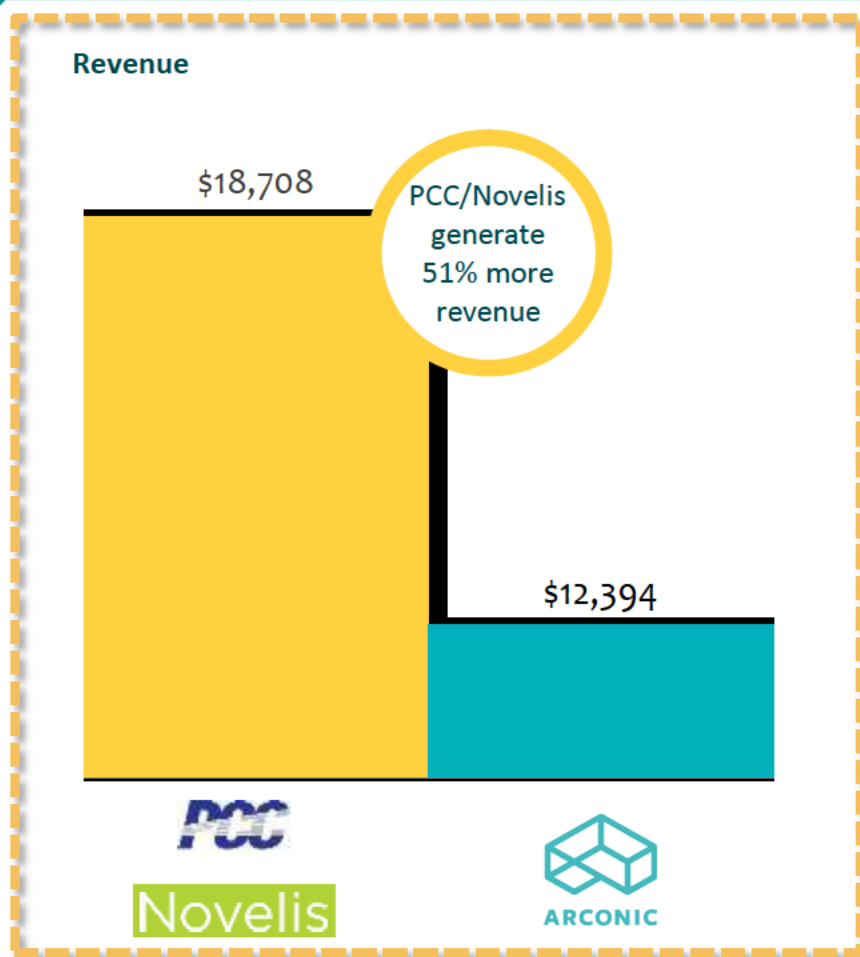
PP&E



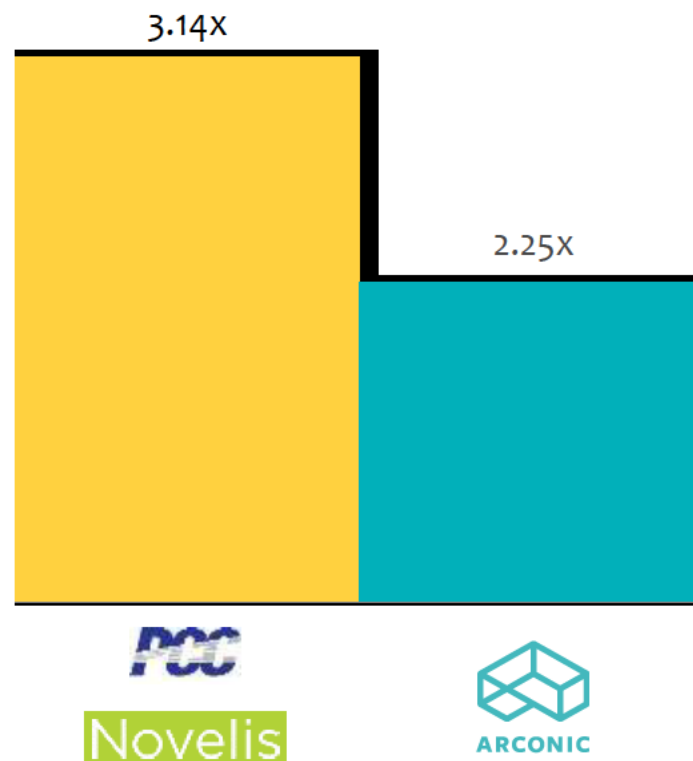
Remaining Depreciable Life



# But PCC/Novelis Generate Much More Revenue



Asset Turns



Source: SEC filings

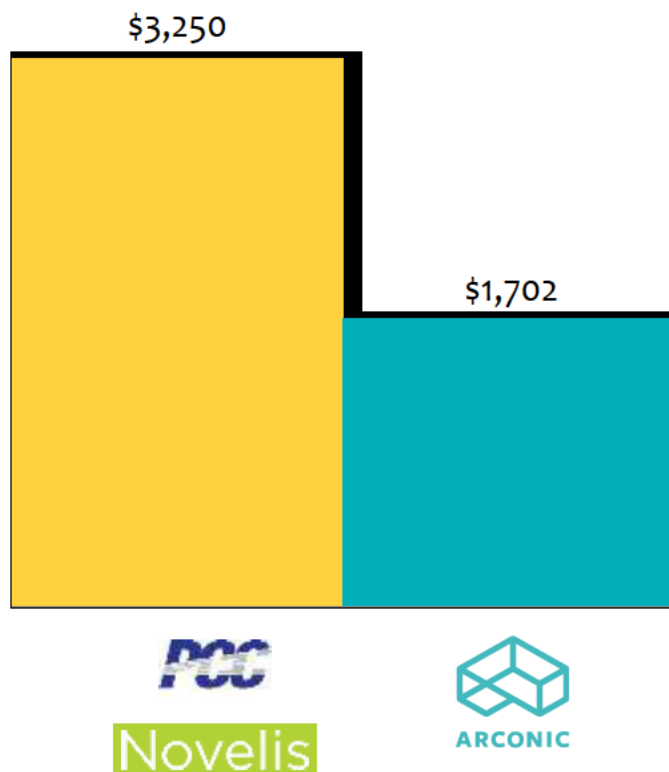
Arconic gets so much less out of what are very good assets, in our view



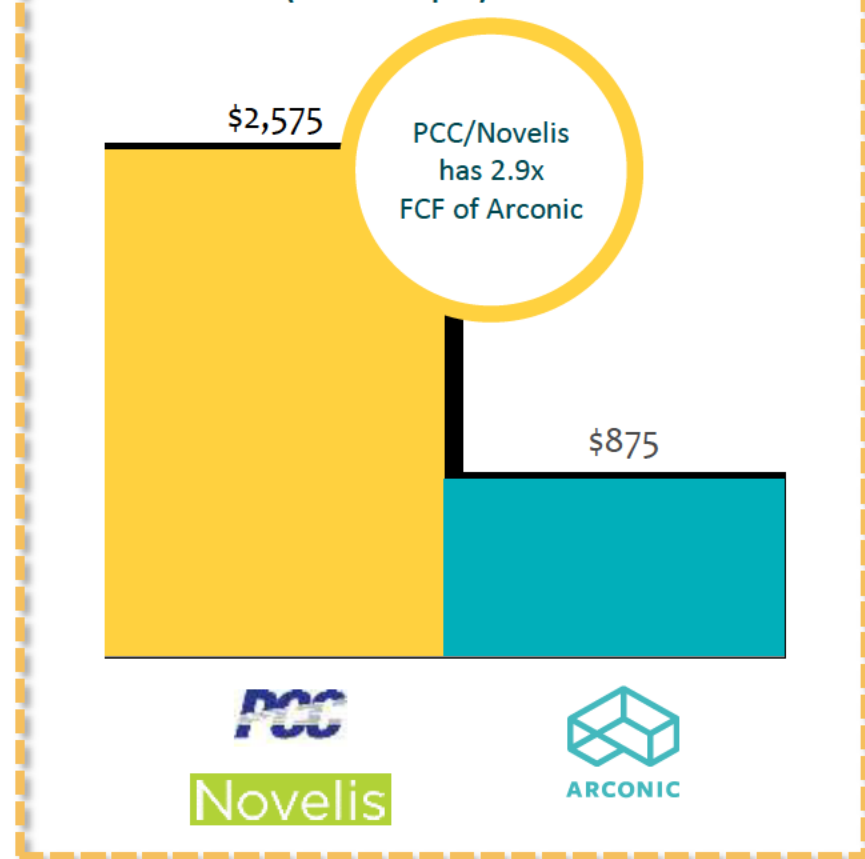
# And More Than DOUBLE the Free Cash Flow

One question we often get from investors is why does Arconic – a company that will do \$1.8-\$1.9 billion in EBITDA in 2017, while shrinking its working capital needs – plan to generate so little free cash flow. One of the answers is deceptively simple – it is over-investing relative to returns

EBITDA



Free Cash Flow (EBITDA-Capex)

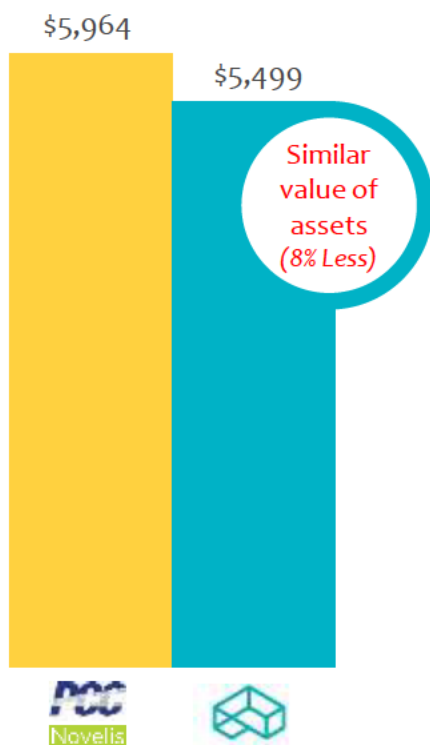


# To Review

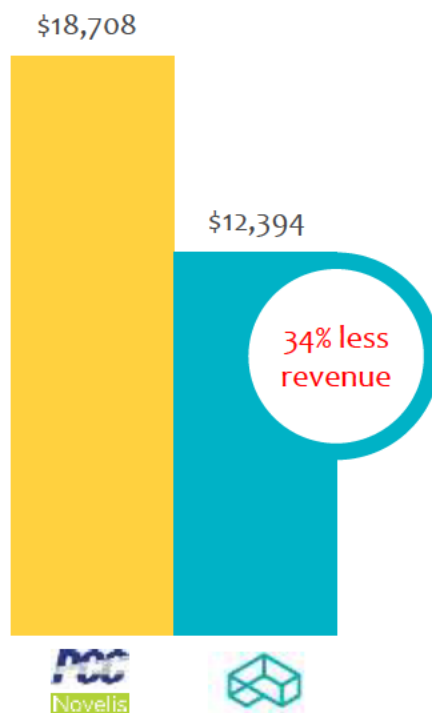
“The difference between PCC and Arconic is not the nature of the assets, but what PCC gets out of them.”

Chris Ayers, Shareholder Nominee, Fmr. EVP Precision Castparts, Fmr. EVP Arconic

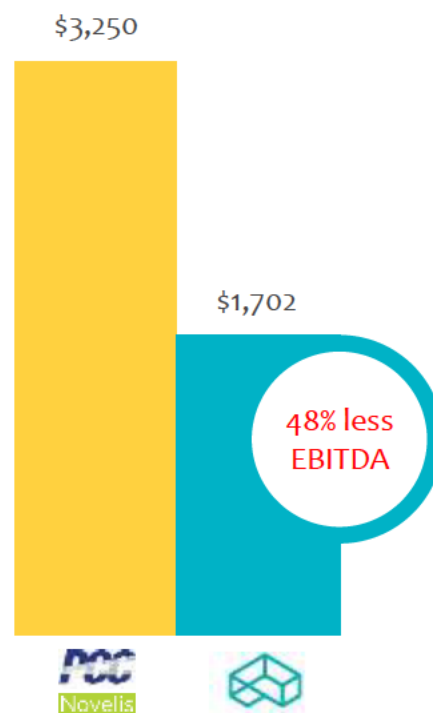
## Net PP&E



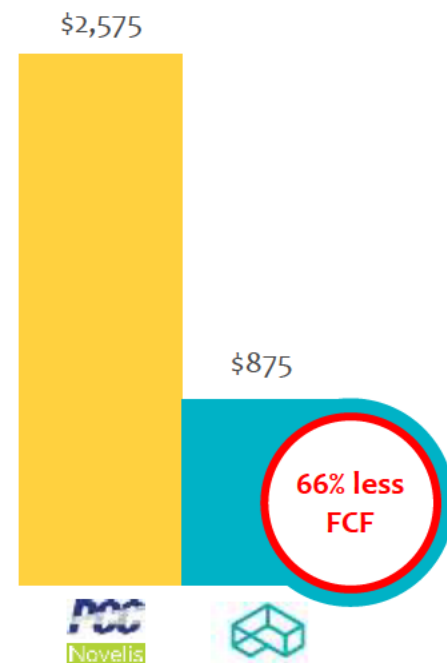
## Revenue



## EBITDA



## Free Cash Flow (EBITDA – Capex)



Source: SEC filings

**Lack of a coherent strategy means assets never achieve their potential**

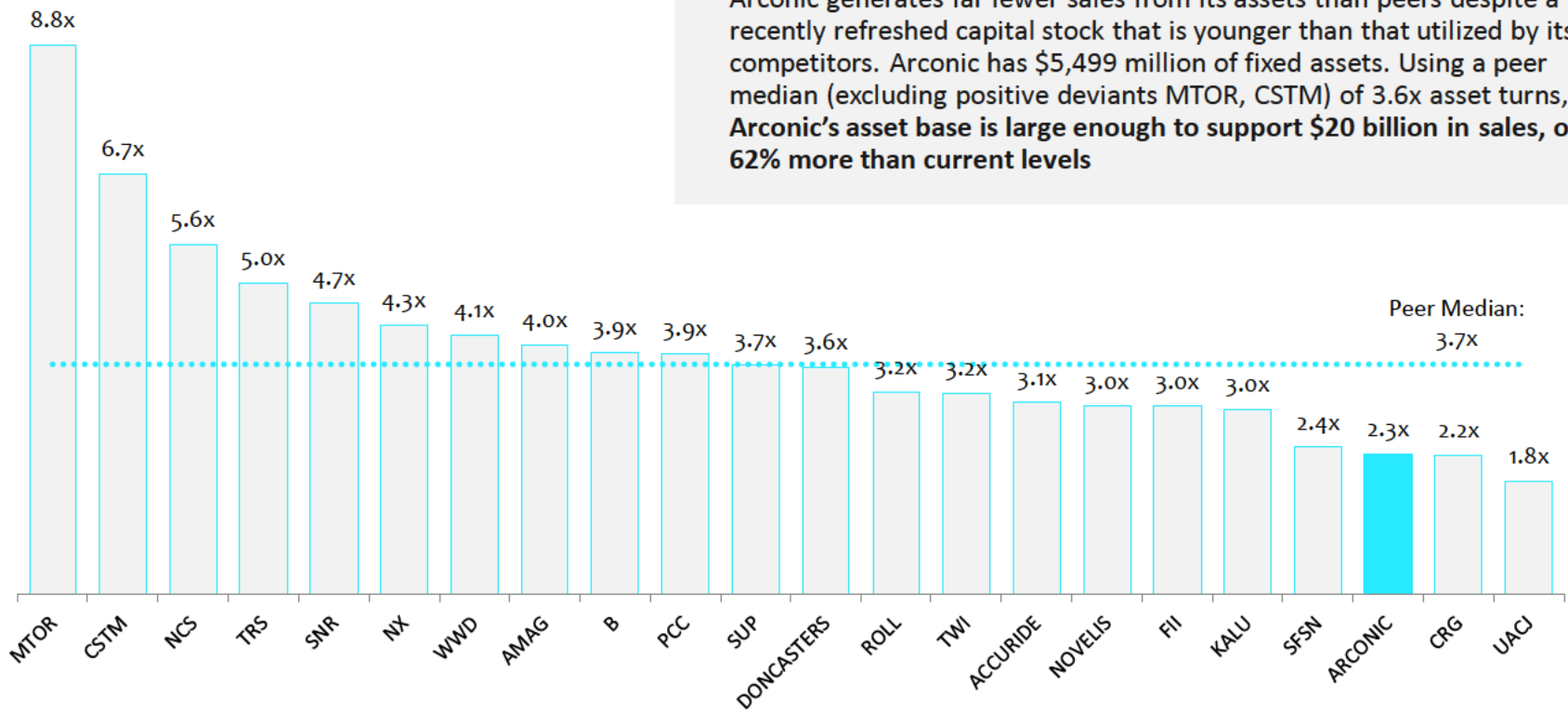
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# Poor Underlying Performance: Fixed Asset Turns Below Peers Historical Results

## Arconic Fixed Asset Turns at the Very Low-End of Median of Peer 5-Year Averages

Arconic generates far fewer sales from its assets than peers despite a recently refreshed capital stock that is younger than that utilized by its competitors. Arconic has \$5,499 million of fixed assets. Using a peer median (excluding positive deviants MTOR, CSTM) of 3.6x asset turns, **Arconic's asset base is large enough to support \$20 billion in sales, or 62% more than current levels**



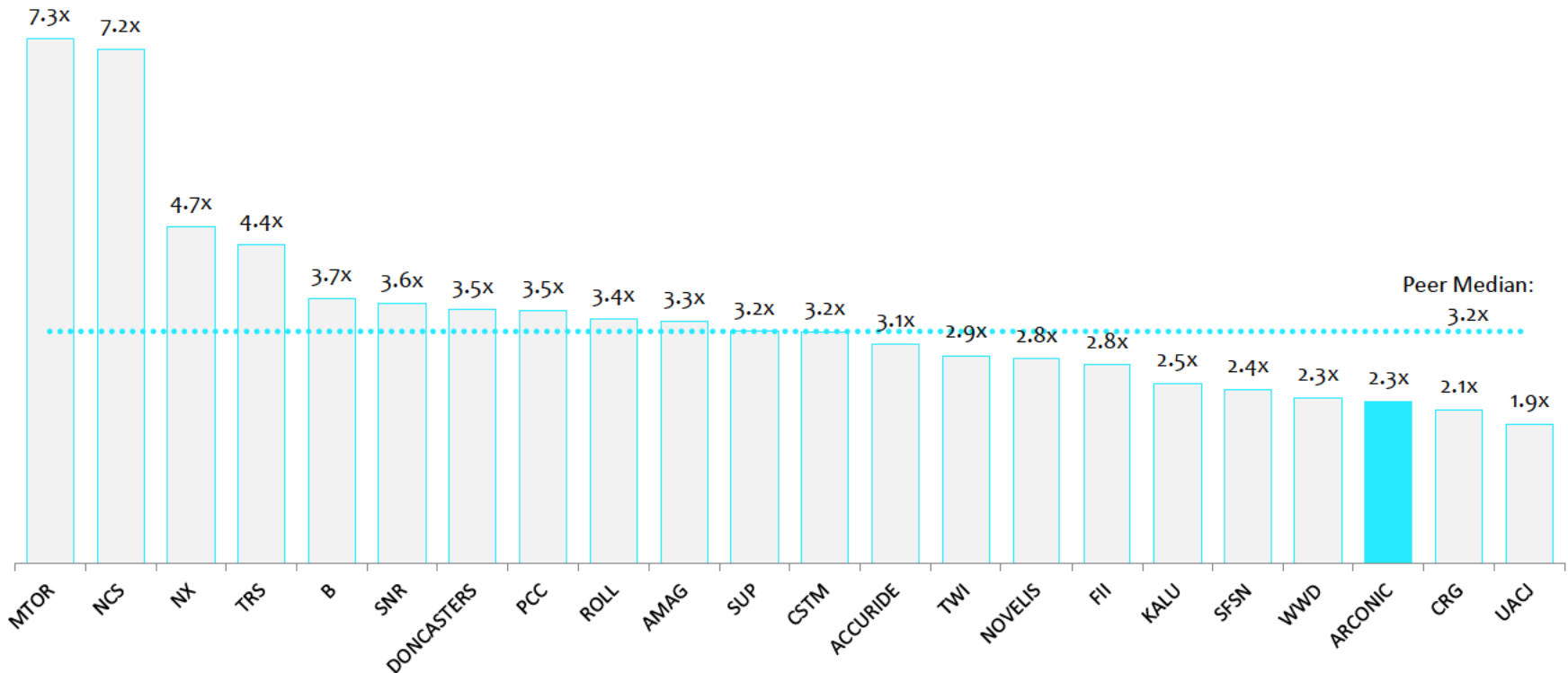
Source: Capital IQ; Company filings

Note: PCC, Doncasters and Accuride do not incorporate 2016 results due to lack of data availability

**Median of 5-year peer average = Arconic's assets should produce \$20 billion**

# Poor Underlying Performance: Fixed Asset Turns Below Peers 2016 Results

Arconic Fixed Asset Turns Remain at the Very Low-End of Peers Compared to 2016 Results

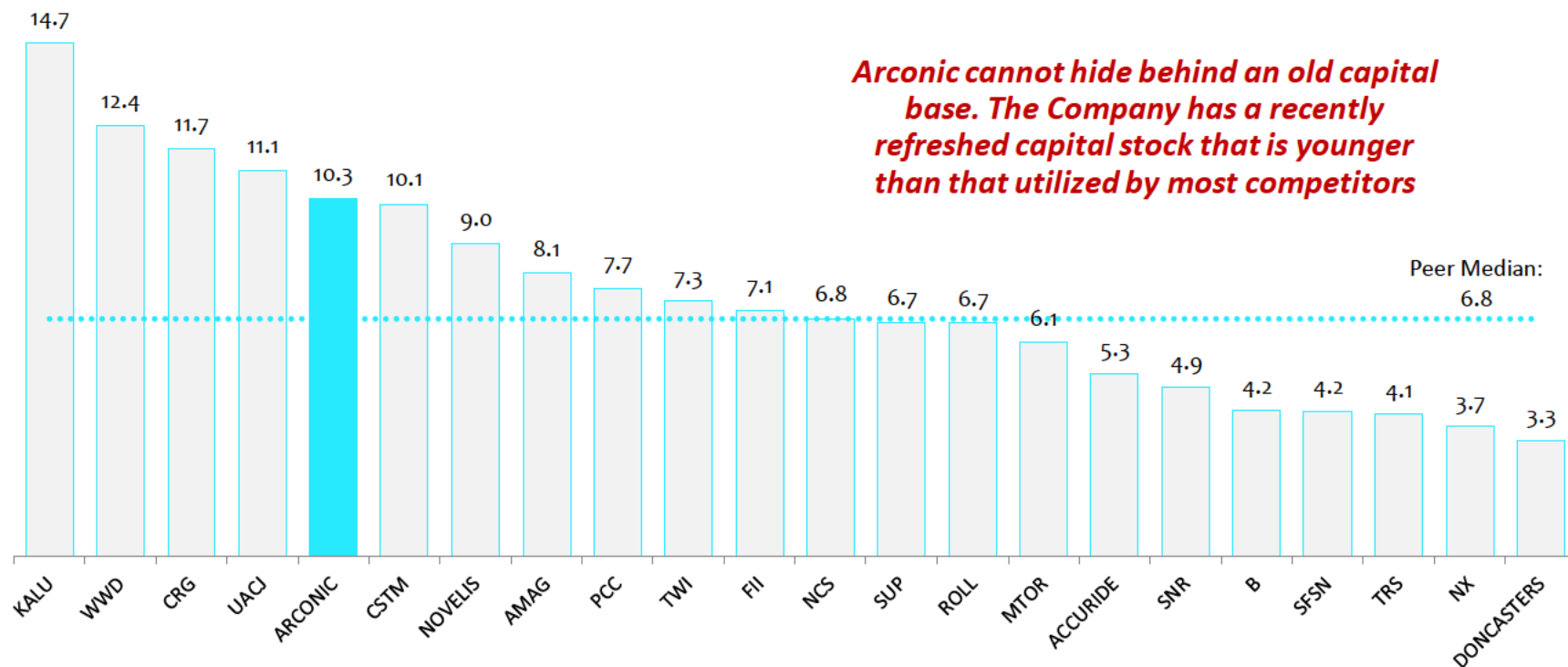


Source: Capital IQ; Company filings  
Note: PCC, Doncasters and Accuride are based on 2015 results

**2016 peer median = Arconic's assets should produce \$18 billion**

# Poor Underlying Performance: Arconic Cannot Hide Behind an Old Asset Base

But Arconic's Assets Are at the High-End of Remaining Depreciable Life



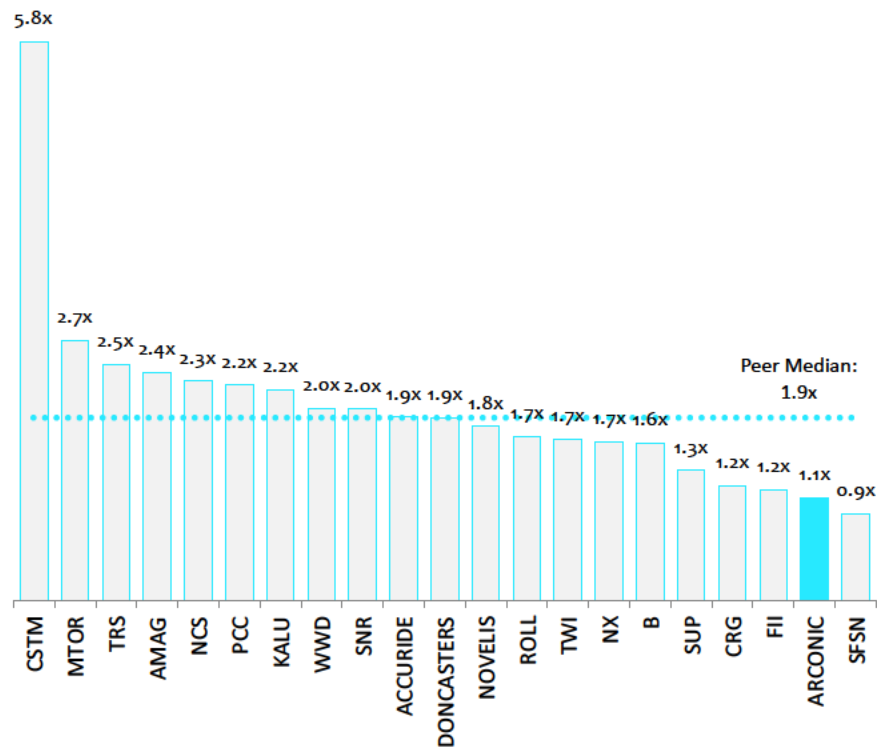
Source: Capital IQ; Arconic 2016 10-K  
Note: PCC, Doncasters and Accuride are based on 2015 results

**Arconic's assets are recently renewed**

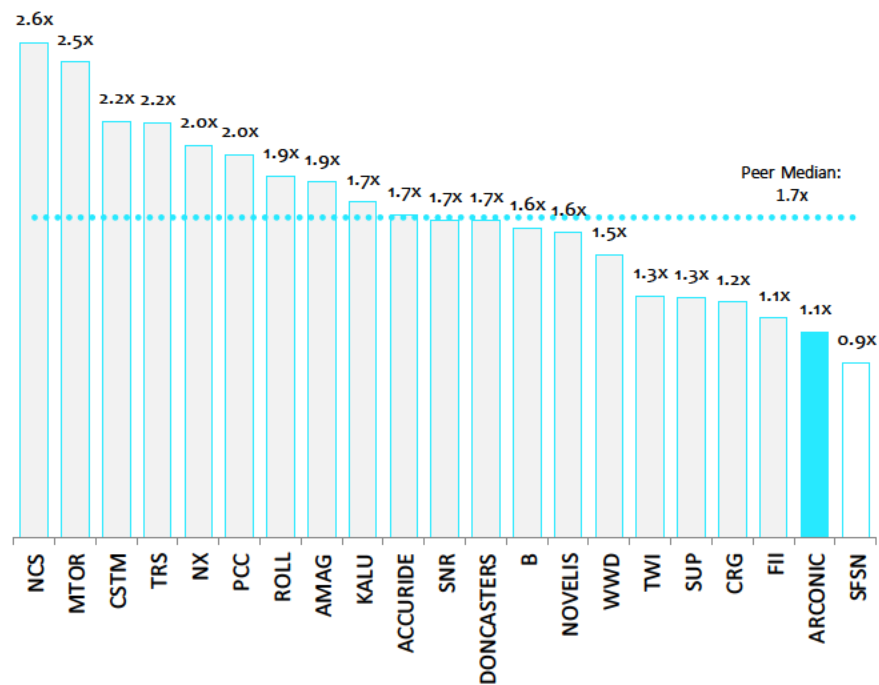


# Poor Underlying Performance: Fixed Asset Turns on Gross PP&E Tell Same Story

Arconic Turns vs. Peers on Gross PP&E – 5 Year Average



Arconic Turns vs. Peers on Gross PP&E – 2016



Source: Capital IQ; Company filings

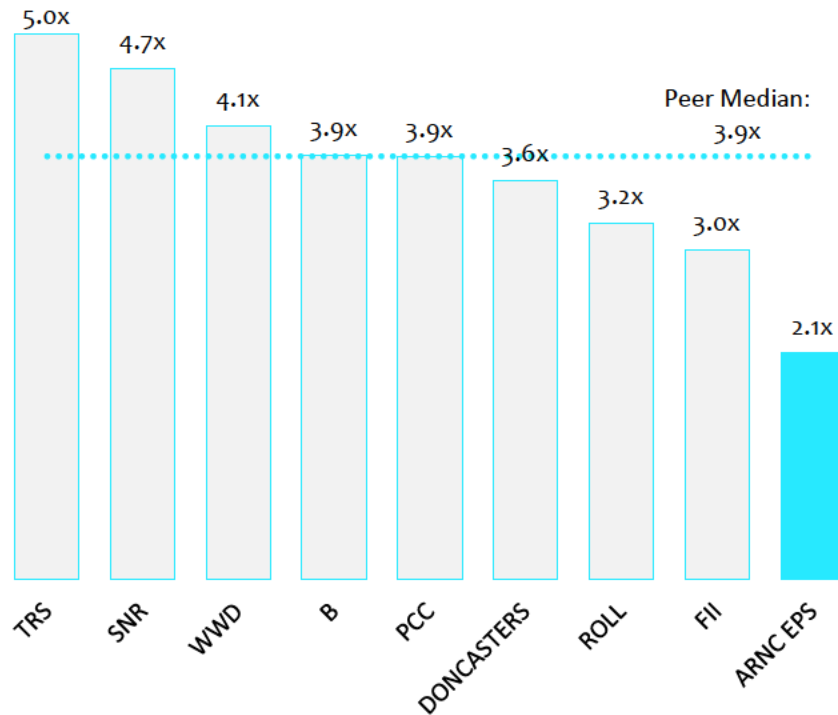
Note: PCC, Doncasters and Accuride are based on 2015 results; UACJ has been excluded due to lack of data availability

**Gross PP&E analysis, similar result = Arconic should be capable of \$19 billion to \$22 billion in sales**

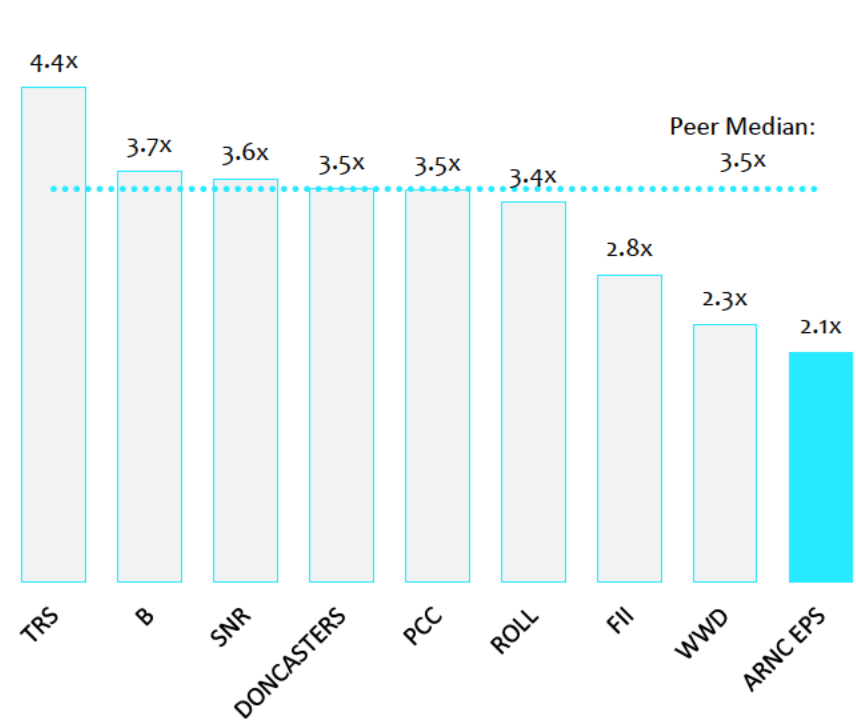
# Poor Underlying Performance: EPS Fixed Asset Turns Lag Significantly

By assuming net fixed assets are allocated in-line with depreciation (i.e., EPS is 51% of segment-level depreciation, therefore 51% of net fixed assets), we can compare Arconic's segment-level performance vs. relevant peers. The results are stark – EPS is dramatically underutilizing its asset base

EPS Fixed Asset Turns ~47% Below Median of Peer 5-Year Average



EPS Fixed Asset Turns Are ~41% Below 2016 Peer Median



*"The difference between PCC and Arconic is not the nature of the assets, but what PCC gets out of them."*

Chris Ayers, Shareholder Nominee, Fmr. EVP Precision Castparts, Fmr. EVP Arconic

Source: Capital IQ; Company filings

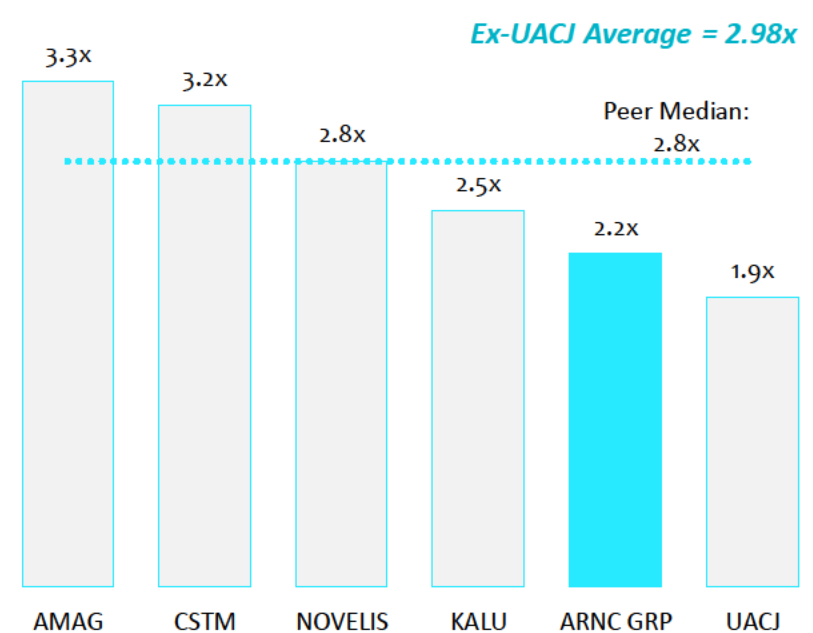
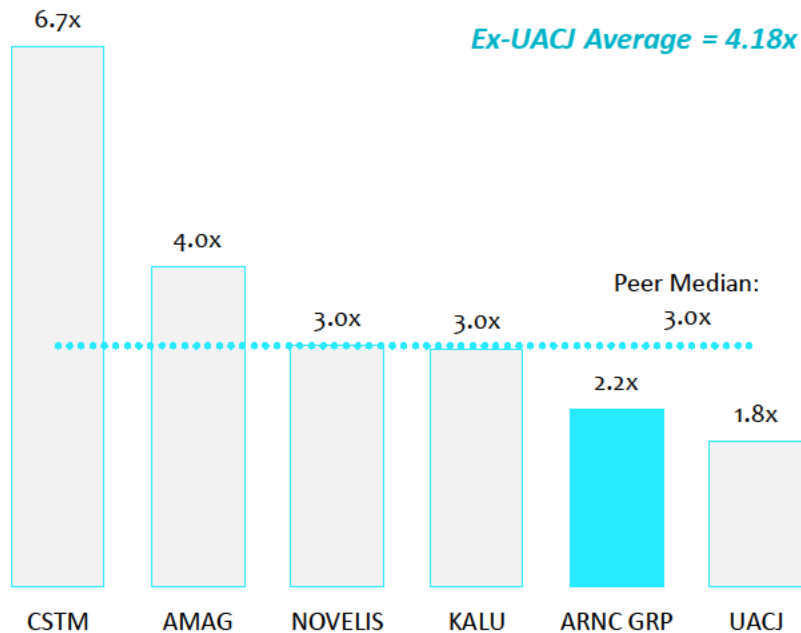
Note: PCC and Doncasters are based on 2015 results due to lack of data availability for 2016

# Poor Underlying Performance: GRP Fixed Asset Turns In-Line with Bottom-Tier Performers

GRP asset turns are below the most relevant peers: Novelis, Constellium and Kaiser Aluminum. In fact, GRP is in-line with UACJ (an asset-heavy Japanese company). Based on the 2016 average turns of 2.98 (excluding UACJ), GRP's is capable of supporting ~\$6.5 billion of sales, or 34% more than were generated in 2016

GRP Fixed Asset Turns Are 26% Below Median of Peer 5-Year Average

GRP Fixed Asset Turns 22% Below 2016 Peer Median



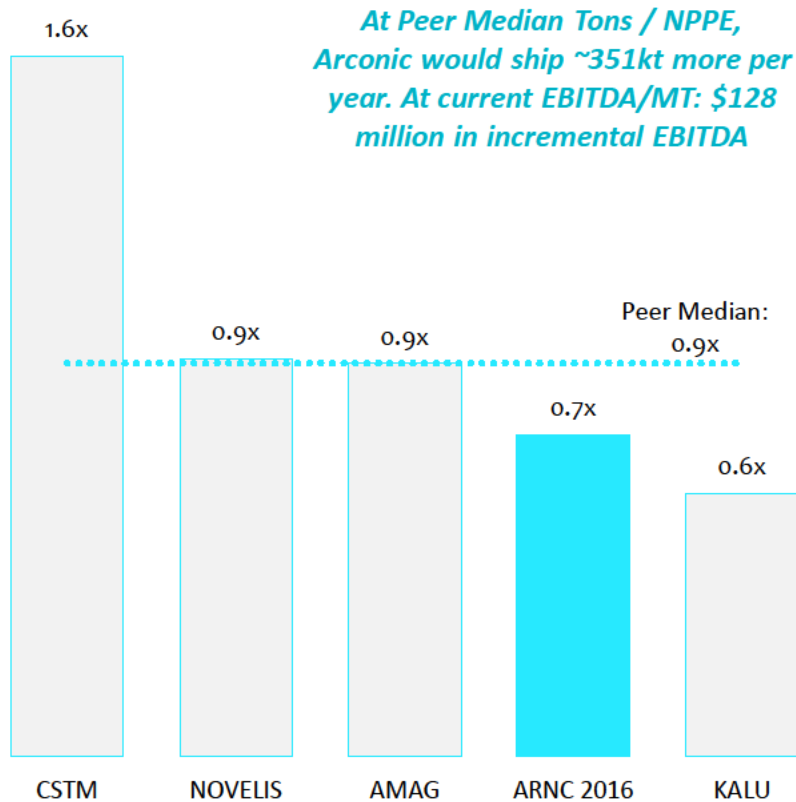
*"And let me just talk briefly about the future of our rolling business too. And it comes down to some pretty simple phrases. Number one, **fill the mill** and drive capacity. **It's about getting that mill filled.**"*

Roy Harvey, CEO of Alcoa Corporation, January 24, 2017

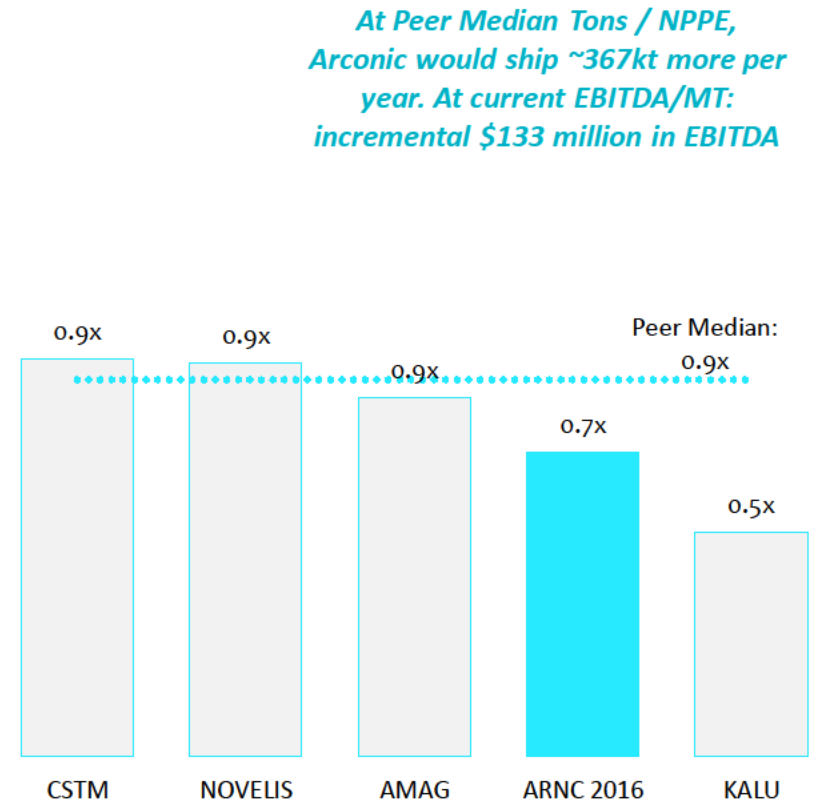
# Poor Underlying Performance: GRP Ships Fewer MT / \$ of Net PP&E

Only Kaiser, an exclusively value-add producer, ships fewer MT per dollar of Net PP&E than Arconic. Were Arconic generating EBITDA/MT similar to Kaiser (\$700+/MT), Arconic's low rate of production might be justified. At Arconic's EBITDA/ton (\$364/MT), utilization should be much, much higher

GRP Ships 18% Fewer Tons Than Peer 5 Year MT / Net PP&E



GRP Shipped 19% Fewer Tons Than Peer 2016 MT / Net PP&E

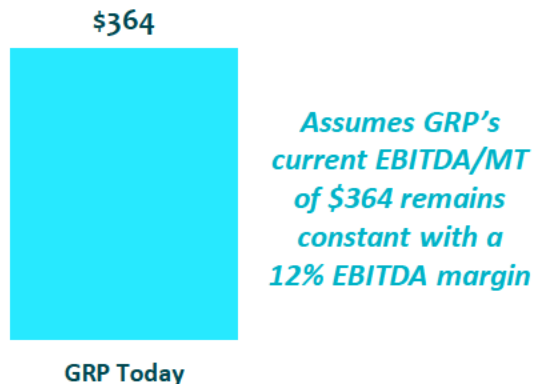


Source: Capital IQ; Company filings

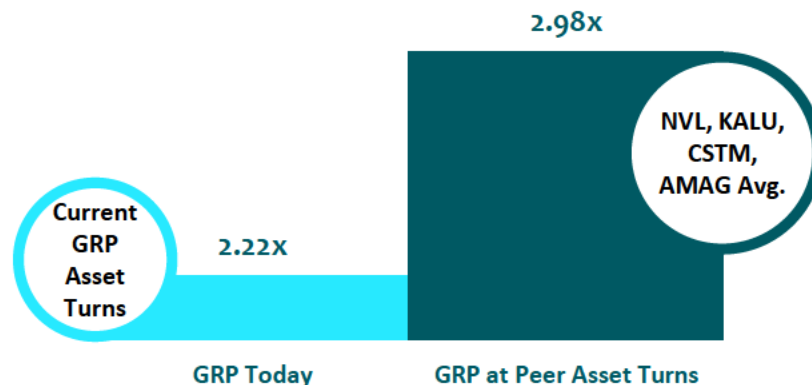
# Poor Underlying Performance: Illustrating GRP Free Cash Flow Effect from More Turns

While we believe there are substantial cost savings opportunities at GRP, the Company could produce a dramatic increase in free cash flow simply by increasing the utilization even in the absence of EBITDA/MT improvement

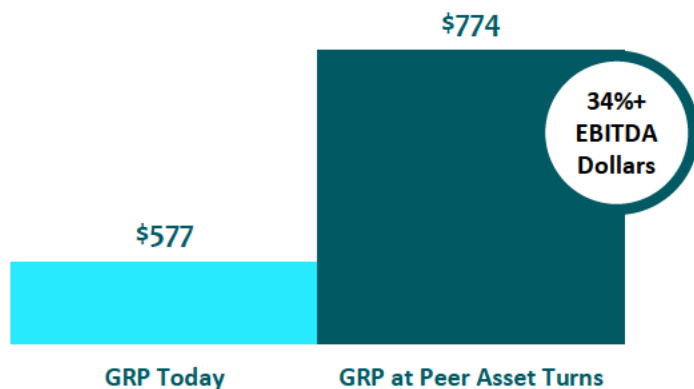
(1) Keep EBITDA/MT Constant (No Cost Savings)



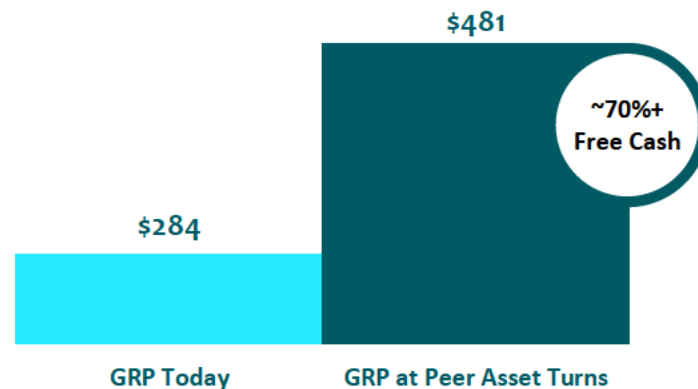
(2) But Raising Asset Turns to Peer Levels



(3) Dramatically Increases EBITDA Dollars



(4) w/o Need for More Maintenance Capex = A Lot More FCF



Source: Capital IQ; Company filings

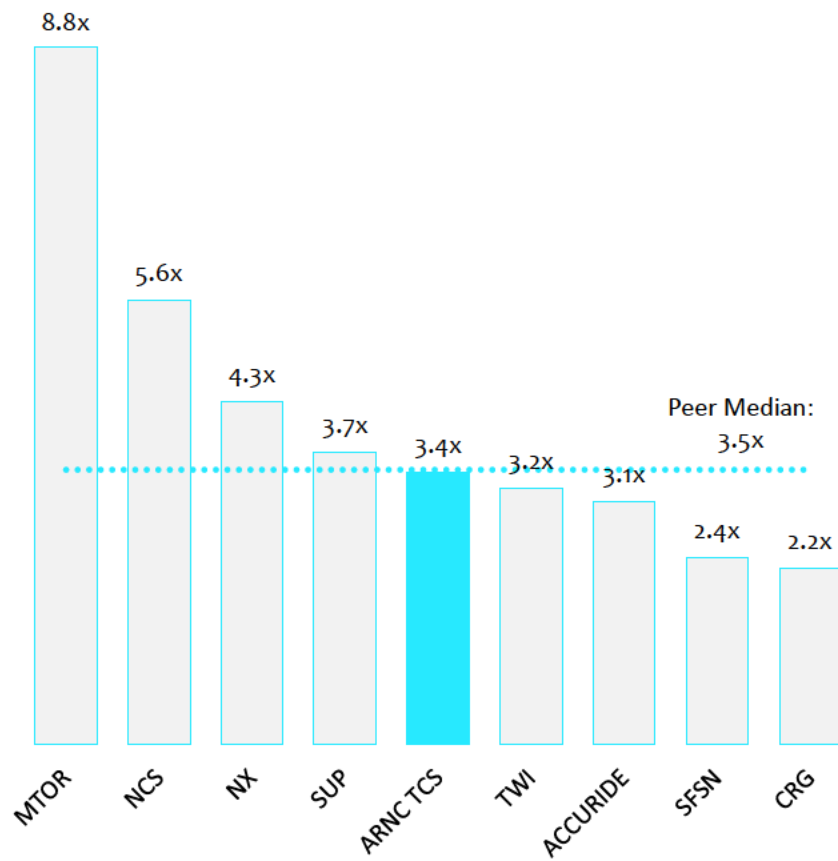
**"We are not going to run for EBITDA per ton, we're going to run for total EBITDA out of this business."**

Roy Harvey, CEO, Alcoa Corp., February 28, 2017

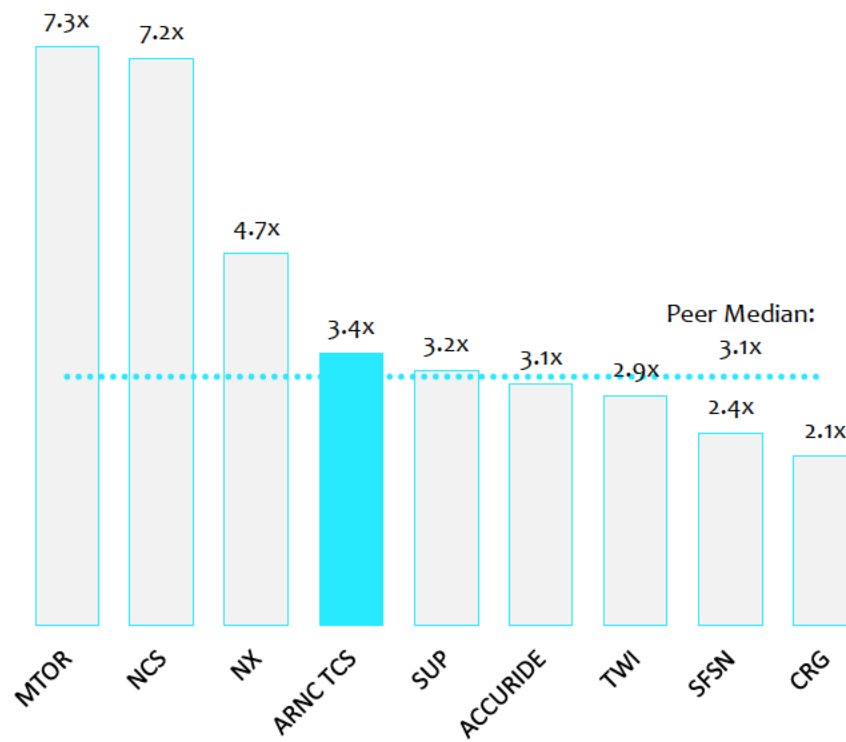
# Poor Underlying Performance: TCS Is the Only Business to Perform In-Line or Better

TCS might be Arconic's "best performing" business. Run by long-time Alcoa Tim Myers, TCS turns its assets essentially in-line with peers

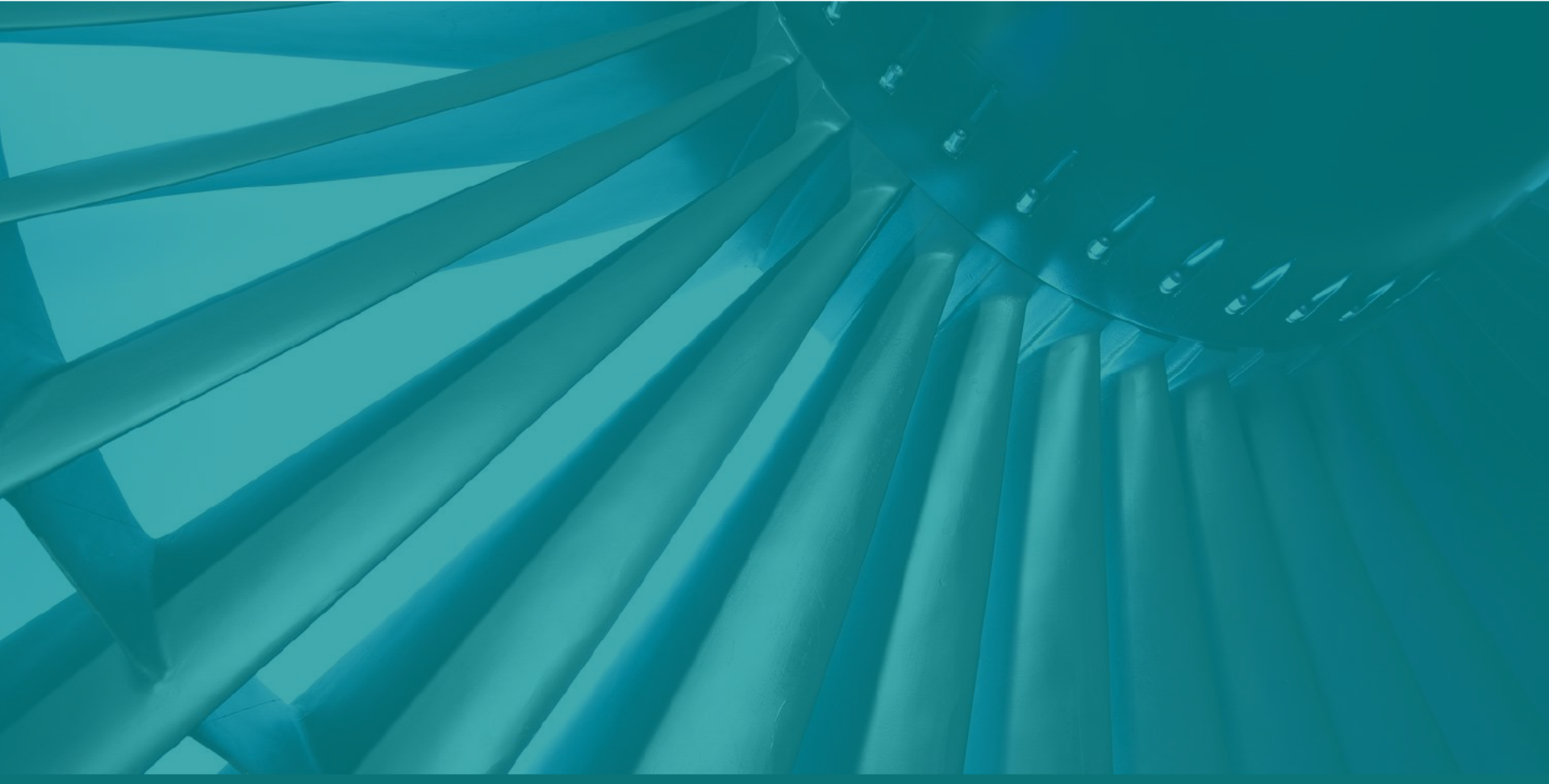
TCS Fixed Asset Turns Are Middle of the Pack vs. 5-Year Averages



TCS Fixed Asset Turns Are In-Line with 2016 Peer Median



Source: Capital IQ; Company filings  
Note: Accuride is based on 2015 results



# Underwhelming Targets

ELLIOTT®



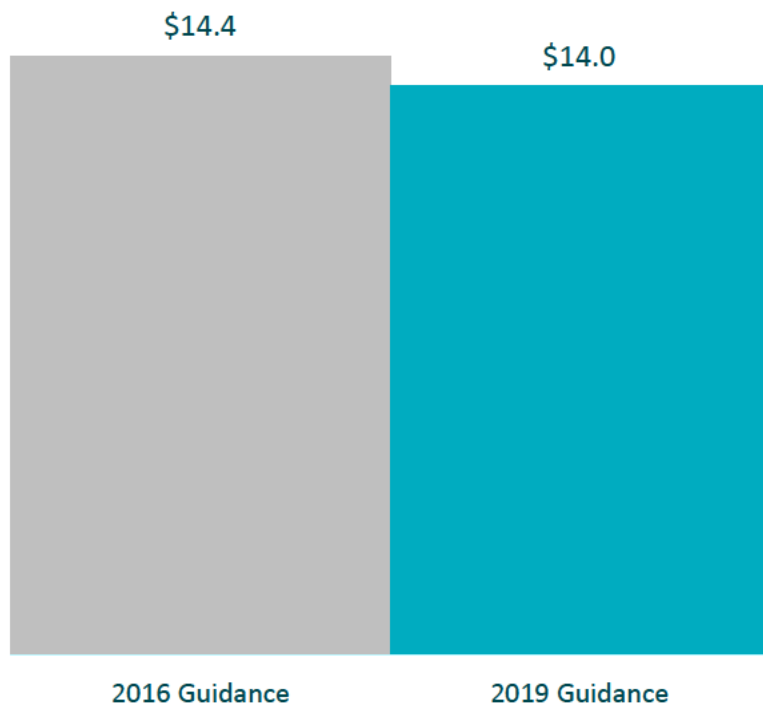
# Underwhelming Targets

- 3-Year Targets: 2019 Is the New 2016  
Even the Company's Own "Math" Implicitly Admits
- No Growth, No Share Gain  
Much Touted Share Gain Story Is Non-Existent in Projections
- Just Operating Leverage  
Margin Gains from Volume Growth and Losing Packaging
- 2017 Is Particularly Sandbagged  
Management Is Trying to Set as Low a Bar as Possible

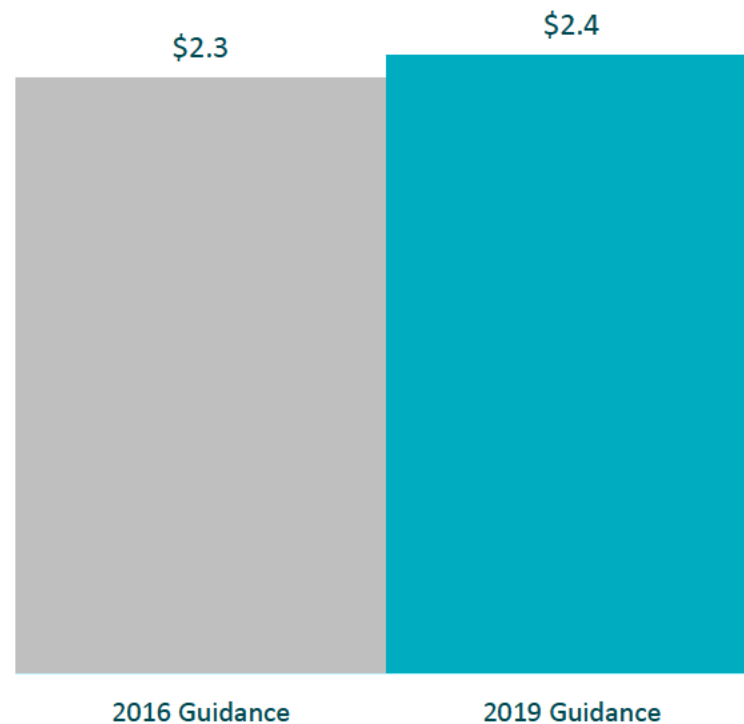
# 3-Year Targets: 2019 Target Nearly Identical to 2016 Target

*At Arconic's first investor day, the Company proudly rolled-out its new three-year targets. They are nearly identical to those the Company aspired to achieving in 2016, as recently as the second quarter of 2016!*

2016 and 2019 Revenue Guidance



2016 and 2019 EBITDA Guidance

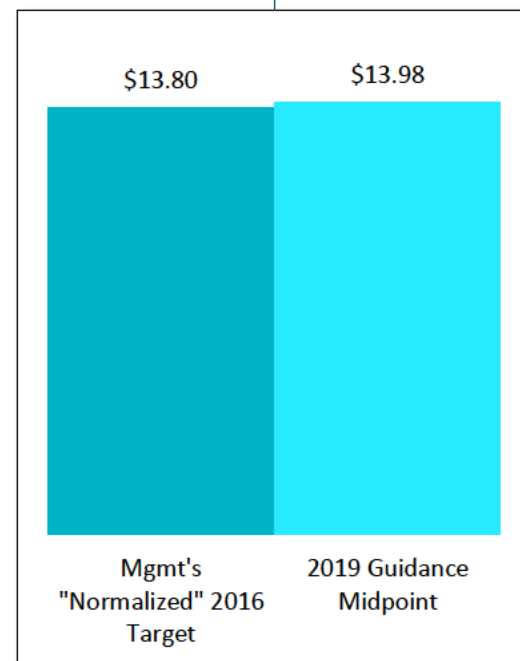
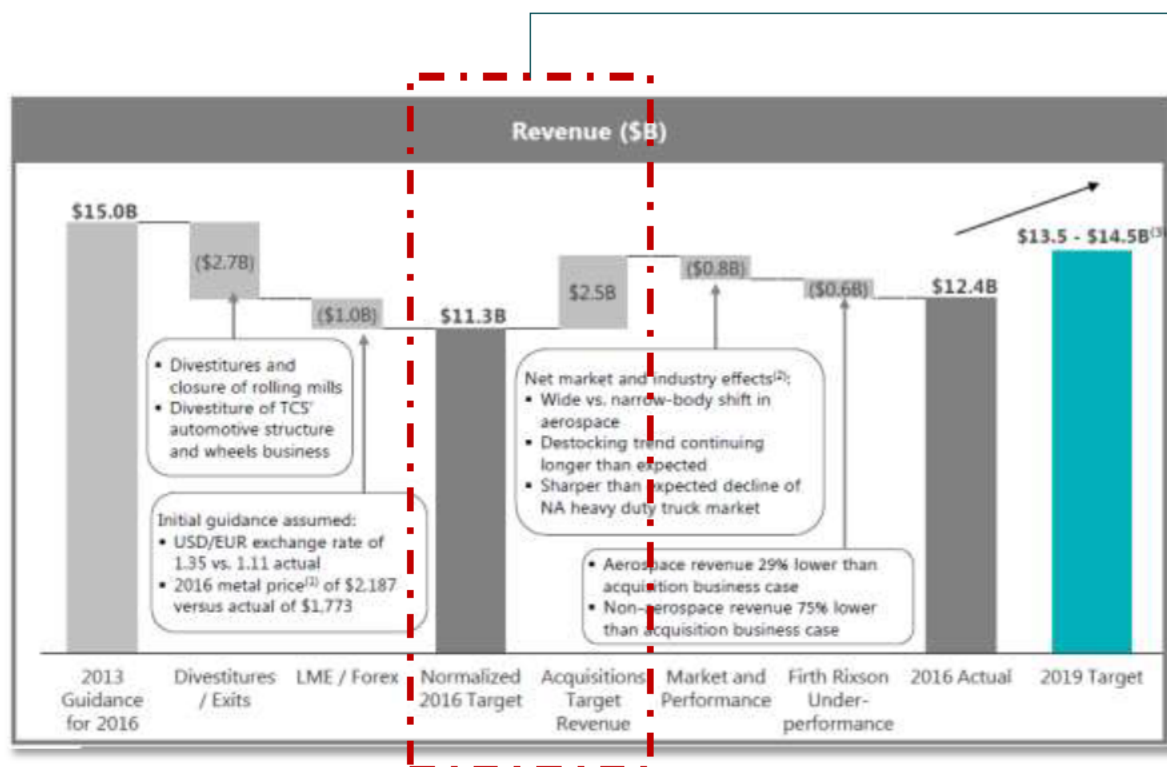


Source: Company communications

**Meet the new targets; same as the old targets**

# 3-Year Targets: Arconic Says We Got This Wrong

*Even if we put aside the argument that divestitures (which do not add up to Arconic's \$2.7 billion in sales) should reduce revenue targets but not result in improved margin targets (Arconic's routine gambit) and if we somehow accept the \$1 billion of LME/FX (which does not align with the Company's sensitivities table) – management's own normalized target for 2016 is the same as the midpoint of the 2019 targets – just like we said*



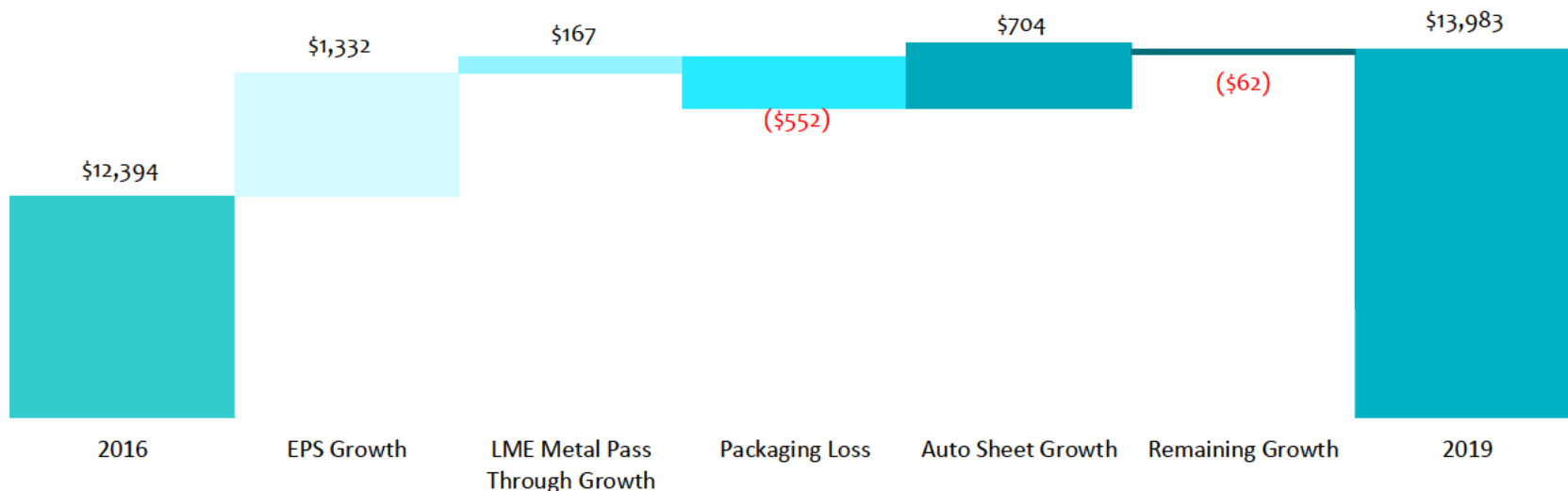
Source: Arconic Investor Presentation, March 27, 2017

Meet the new targets; *still* same as the old targets

# 3-Year Targets: GRP & TCS: Ex-Auto Sheet, Management Says Shrinking!

Combining the Company's forecast for EPS and the Company's forecast for the whole firm, implicitly GRP and TCS are essentially flat over the next three years

1. Midpoint of the 2017 guidance is \$12.1 billion. Company projects CAGR of 7-8% through 2019 for \$13.98 billion of 2019 revenue
2. EPS did \$5.7 billion in 2016. The Company projects 2.4% market growth in 2017; 6.8% in 2018 and 2019; Company projects \$370 million of "above market" growth for a total of \$1.33 billion of incremental revenue – with all of the above market growth coming from Firth Rixson catch-up and RTI – not base EPS
3. The Company uses a higher metal price for 2019 (\$1,750) vs. 2016 (\$1,605) for \$167 million of incremental revenue based on the sensitivities
4. Auto Sheet is expected to add \$704 million in revenue between 2016-2019



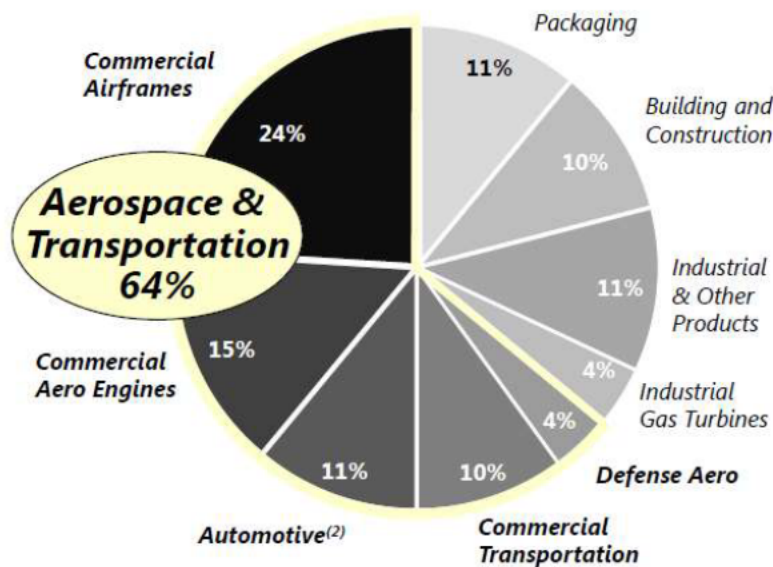
Source: Q4 2016 Investor Day Presentation, December 14, 2016; Arconic Q4 Earnings Presentation, January 31, 2017; Arconic Investor Presentations

**Midpoint of Company revenue guidance is for the rest of the business ex-EPS and auto sheet to shrink!**

# 3-Year Targets: Absence of Growth Ex-Aero/Auto Is Galling

## 1 Arconic is Focused on Attractive Markets With Multi-Year Tailwinds

Arconic 2016 revenue by end-market<sup>(1)</sup>



### Arconic's Key Markets Are Aligned with Global Megatrends

- ✓ **Rising Middle Class:** "Emerging Asia" adds 100M new passengers each year; ~2x global air passenger journeys in 2035 vs. today
- ✓ **Urbanization:** Continued urban population growth drives heightened building and construction demand
- ✓ **Energy Efficiency:** Consumer preference and increasing regulations drive demand for light-weighting and energy efficient solutions across transportation and building and construction

Despite the secular tailwinds in its businesses, Arconic is not projecting any growth outside of aero and auto. *In fact, from 2016 to 2019 it plans to shrink – outside of EPS and Auto Sheet*



Source: Arconic  
<sup>1)</sup> 2016 third party revenue of \$12.4B by end-market, excluding discontinued operations.  
<sup>2)</sup> Includes brazing and automotive sheet.

# 3-Year Targets: Low Free Cash Flow Continues

Even if Arconic achieved its free cash flow goals, they would be well below that of its new peer group

### High Correlation Between Revenue and FCF



Source: Bloomberg; Arconic Investor Presentations  
Note:  $R^2$  = Arconic's 2017 Proxy Peers ex-Arconic

**Investors always ask us “where’s the free cash”? Under Dr. Kleinfeld it’s still missing**



# Underwhelming Targets

3-Year Targets: 2019 Is the New 2016  
Even the Company's Own "Math" Implicitly Admits

**No Growth, No Share Gain**

**Much Touted Share Gain Story Is Non-Existent in Projections**

Just Operating Leverage

Margin Gains from Volume Growth and Losing Packaging

**2017 Is Particularly Sandbagged**

Management Is Trying to Set as Low a Bar as Possible

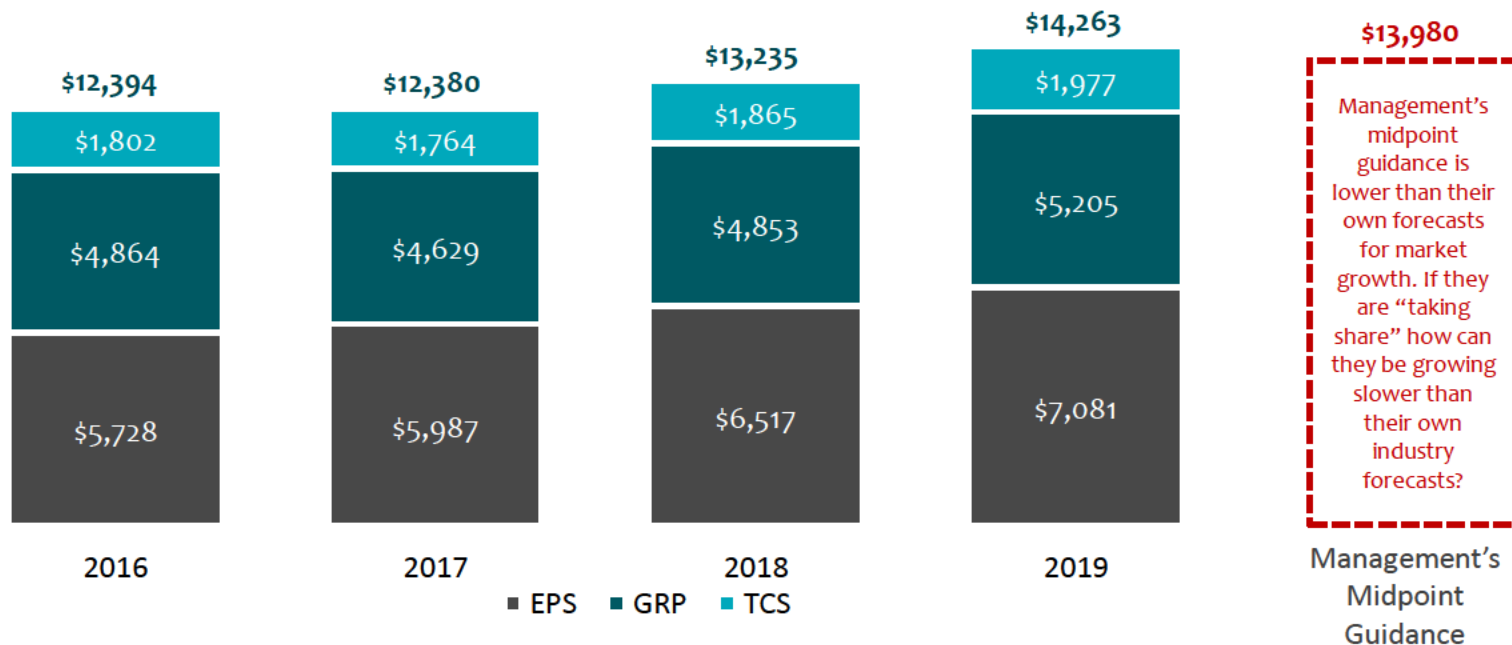


# Share Gain Story Is False There Is No Share Gain...

The upper bound of management's 2019 revenue is not achieved through "share gains" or "above market growth" – you get to \$14.3 billion just by taking the market growth forecasts provided by management...

- Arconic insists that across its business it is taking share
- We wish that were true – but the top-end of the Company's 2019 revenue guidance is achieved just by performing in-line with management's own forecasts for market growth

## Arconic Revenue at Management's Market Growth Rate Forecast



Source: 2016 Arconic Investor Day, December 14, 2016

**Management is projecting to achieve less growth than their own industry growth forecasts imply**

# Global Rolled Products: No Stated Revenue Target

Arconic's own market growth expectations suggest GRP should grow 7% between 2016 and 2019, inclusive of the wind-down of Tennessee packaging

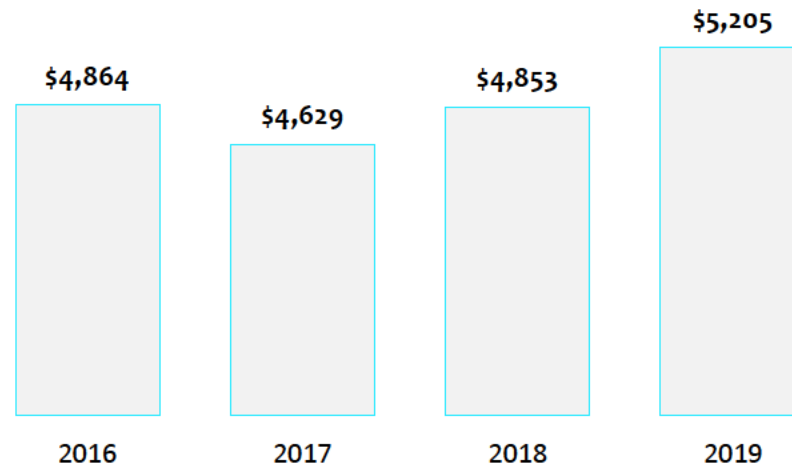
Management did not provide shareholders with a target for GRP, so we did it for them

- Using Arconic's own market forecasts (provided at the Investor Day), GRP should increase revenue to \$5.2 billion by 2019
- Management says margins can expand by 200 bps in 3 to 5 years!
- But, 159 bps of the margin expansion is just from exiting Tennessee packaging; the rest (and more) is from volume leverage. **There is no actual operating improvement**

GRP Serving Attractive and Growing Market Segments

Market Segment	% of 2015 Revenue	Market Growth		Arconic GRP Revenue Drivers
		2017	2019*	
Global Aerospace	22%	1.8%	5.0%	<ul style="list-style-type: none"> <li>Lower 30 wide body build rates</li> <li>Steady up of OBP (short body) rates</li> <li>New Thin Plate Aluminum starting in 2017</li> <li>Steady up of commercial capacity expansion in global manufacturing (new capacity)</li> </ul>
North America Auto Steel		26.2%	25.5%	<ul style="list-style-type: none"> <li>Steady up of Tennessee (new) Expansion</li> <li>Aluminum commercialization</li> </ul>
Boating	9%	1.0%	2.9%	<ul style="list-style-type: none"> <li>Technology leadership</li> <li>Global presence</li> </ul>
Commercial Transportation	18%	14.0%	4.8%	<ul style="list-style-type: none"> <li>Diversified product portfolio</li> </ul>
Industrial Products	23%	1.8%	1.8%	<ul style="list-style-type: none"> <li>Commercial capability and technology</li> </ul>
Other	2%			

Arconic's Own Market Growth Estimates for GRP Growth



Source: Arconic 2016 Investor Day (December 14, 2016); Arconic Q4 2016 Earnings Presentation

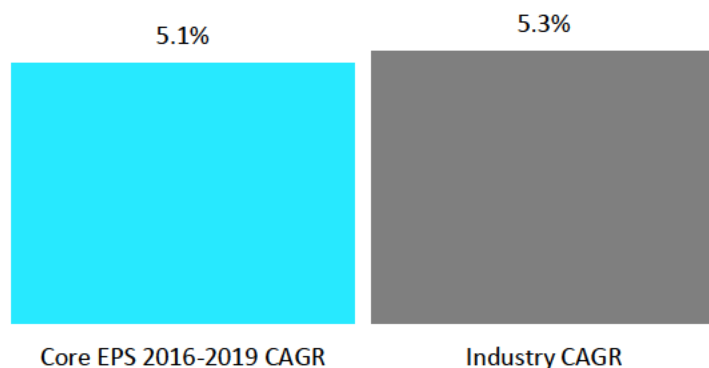
No share gain = just growth in-line with the market and some volume leverage

# Core EPS Projected to Grow Slower Than Industry

Despite claims of share gain, the core EPS business is actually projected by management to grow more slowly than the industry over the next three years

	2016A	2019P	CAGR
Arconic EPS Total	\$ 5,728	\$ 7,060	7.2%
(-) Firth Rixson	925	1,250	10.6%
(-) RTI	765	1,115	13.4%
(-) Tital	200	234	5.3%
<b>Core EPS</b>	<b>\$ 3,838</b>	<b>\$ 4,462</b>	<b>5.1%</b>
Arconic Management's Est. Industry Growth Rate			5.3%

## Core EPS Actually Growing Slower than Industry Per Management's Plan



- Arconic says the industry will grow at a 5.3% CAGR (2.4% in 2017, 6.8% in 2018 and 2019)
- Arconic insists that it will increase revenues between now and 2019 by \$370 million more than the industry growth rate
- Arconic projects Firth Rixson will generate between \$1.2 billion and \$1.3 billion in revenues in 2019 vs. \$925 million today (*December 2016 Investor Day Presentation*)
- When Arconic acquired RTI, it projected \$1.2 billion (\$1.115 est. ex-Remmele) in revenues by 2019 vs. an estimated \$765 million today
- Putting all that together, **Arconic is actually saying that the core EPS business will grow no faster – in fact, slightly slower – than the market. If EPS were “taking share” on the back of R&D, one would expect Arconic’s core franchise to actually outgrow the market. Management’s numbers do not make sense.**
- Even worse, much of Arconic’s supposed “above-market” growth to 2019 is simply Firth Rixson getting approximately half-way back (getting to \$1.25 billion) to its original 2016 targets (\$1.57 billion)

Source: Arconic Investor Presentations

Note: Tital revenue not described on Q3 2016 earnings call, Dr. Kleinfeld said Tital had doubled Y-o-Y and 2014 estimated revenue was \$100 million

**Targets belie management’s “share gain” story**

# Share Gain Story is False: Management Says They Are Gaining Share

Dr. Kleinfeld and Arconic management have repeatedly claimed that Engineered Products and Solutions is growing organically and is taking share from competitors on the back of its extensive R&D efforts

"From then on, we believe that after this has been worked through, the market is going to grow with around 6.8% on average and we're going to grow as you saw by our gains in the marketplace or by our market share gains, we got to grow above that. So, that gives you, I hope, a good feel of what is going on inside of our aerospace business."

Dr. Klaus Kleinfeld, February 8, 2017

"On Engineered Products and Solutions, we expect the revenues to be up low single digits driven by share gains of new aero platforms as well as new aero engine platform ramp-up, at the same time also pressured from market mix and competitive pricing and the negative impact of the aero supply chain risk."

Dr. Klaus Kleinfeld, January 31, 2017



"I want to show you and demonstrate how we can gain market share with those innovative products and how we can grow with those products... We signed in the year 2015 and 2016, \$11 billion of aero contracts. And there was just one question to Kay beforehand, how much is really our share growth there. So, I've put the number over here. So \$370 million of revenue by 2019 is just due to the share gains I have shown on the aircrafts and the engines before."

Karl Tragl, Group President – EPS at Arconic, December 14, 2016

**But the truth is...**

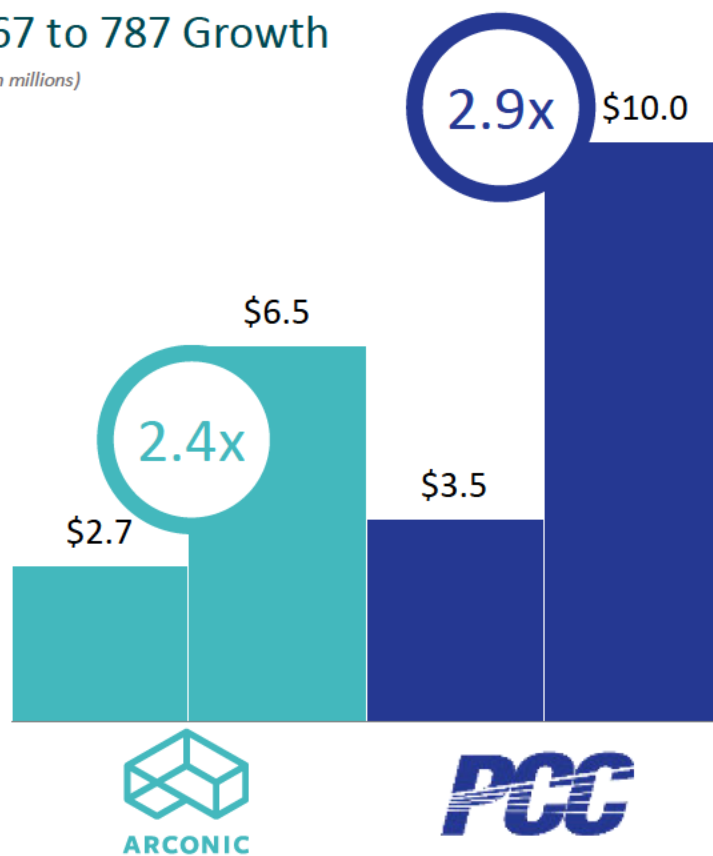
# Share Gain Story Is False: On Key Platforms, PCC Is Expanding Content at a Higher Rate

Based on shipset disclosures (with Arconic benefiting from more recent disclosure – at a point in time at which more parts specified) Arconic has actually expanded its shipset content at a **lower rate than PCC**

- Part of this may be due to acquisitions (shipsets include both organic and inorganic growth for both companies)
- Perhaps GRP is shrinking and EPS is growing, understating the increase in shipset, but this is unlikely

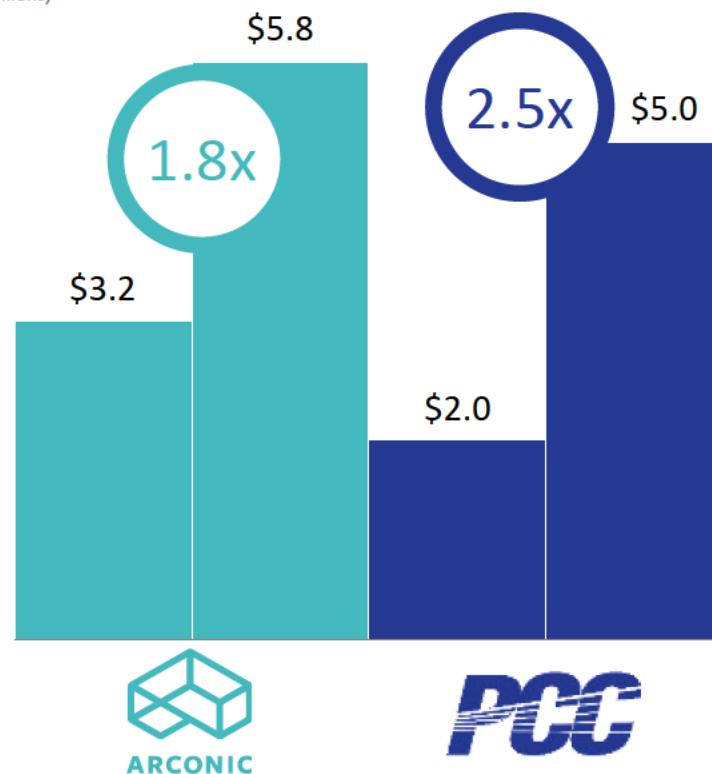
## 767 to 787 Growth

(\$ in millions)



## A330 to A350 Growth

(\$ in millions)



## Share Gain Story is False: No Evidence of “Taking Share”



“One thing that I think worries people is that, okay, aerospace is going to be a growing market, but is Precision losing share? We all know that because of Precision’s arrogance in the way it treats its customers — raising prices and making demands on them — they would like to cut Precision down to size.

So is there a case of customers taking market share away from Precision and giving it to Alcoa and others? I have looked under as many rocks as I can think of to try to get to the bottom of this and I am not finding the evidence. Maybe I am looking under the wrong rocks, but the fact that I have not turned anything up and the fact that the customers buy under long term contracts which they are locked into, and the fact that competitors are not giving me any examples of how they have taken share from Precision make me think we are okay on the market share question.”

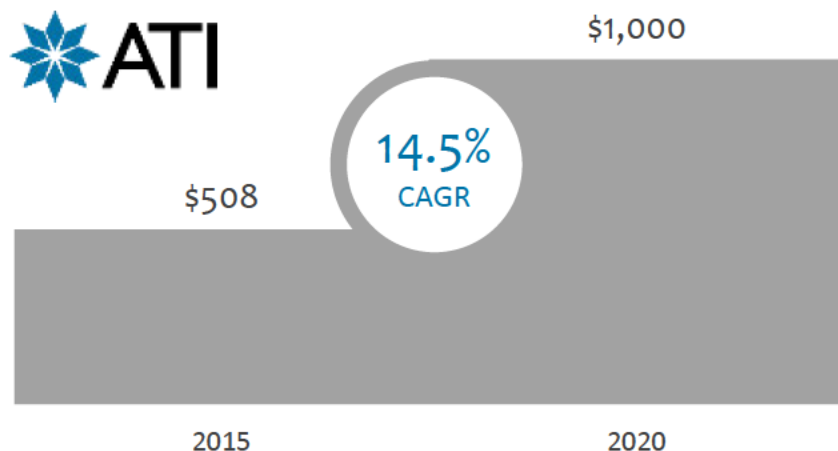
Greg Steinmetz, Sequoia Fund, May 15, 2015



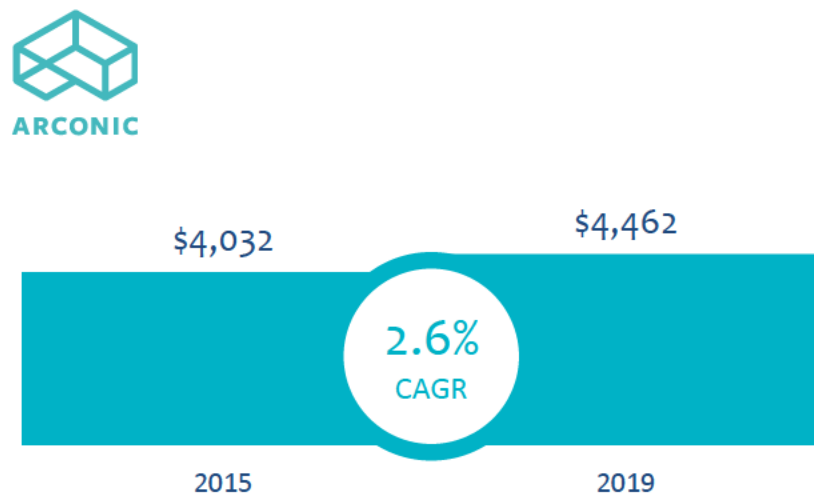
# Share Gain Story is False: It Is Not Just PCC, Arconic EPS to Lag Ladish As Well

- Ladish, part of ATI, is a competitor to Arconic EPS and PCC in forgings (and, to a lesser extent, castings)

Ladish Organic Growth Rate 2015 to 2020 = 14.5%



EPS Organic Growth Rate 2015 to 2019



“So, between the new jet engine, development on both forgings and castings, we're going to grow this business to \$1 billion in revenue by the end of the decade. A lot of that is based on projections of the build rates, a lot of that is secured already in LTAs, and we're very confident that we're going to hit that target. We'll see a nice step-up in revenue this year, in 2016, over this number from 2015, and then growth from there through the balance of the decade.”

Pat DeCourcy, ATI Senior Vice President and CFO, June 9, 2016

Source: ATI Presentation, Deutsche Bank 7<sup>th</sup> Annual Global Industrials and Materials Summit, June 9, 2016, Arconic Investor Presentations

**If EPS is not gaining on PCC, and is not gaining on Ladish...**



# Share Gain Story Is False: It Is Not Just PCC and ATI, Arconic Lags Carpenter Too



**Analyst:** “Sure. So, I mean when you look out over the next couple of years, ATI, and again, I'm not asking your comment on their business. But, I'm just – they have at least given guidance for a couple of years out. They have said their aerospace engine oriented-business will grow north of 10% for a number of years. Do you have the same level of conviction in the Carpenter's engine business?”

**Tony Thene, CEO of Carpenter Technologies:** “I think that's reasonable. I also think it's line with what you've heard from other folks in the supply chain, right?”

**Analyst:** “Okay.”

**Tony Thene, CEO of Carpenter Technologies:** “So, saying that aerospace is going to grow in the high-single digits or a 10% or low-teens, I think is reasonable.”

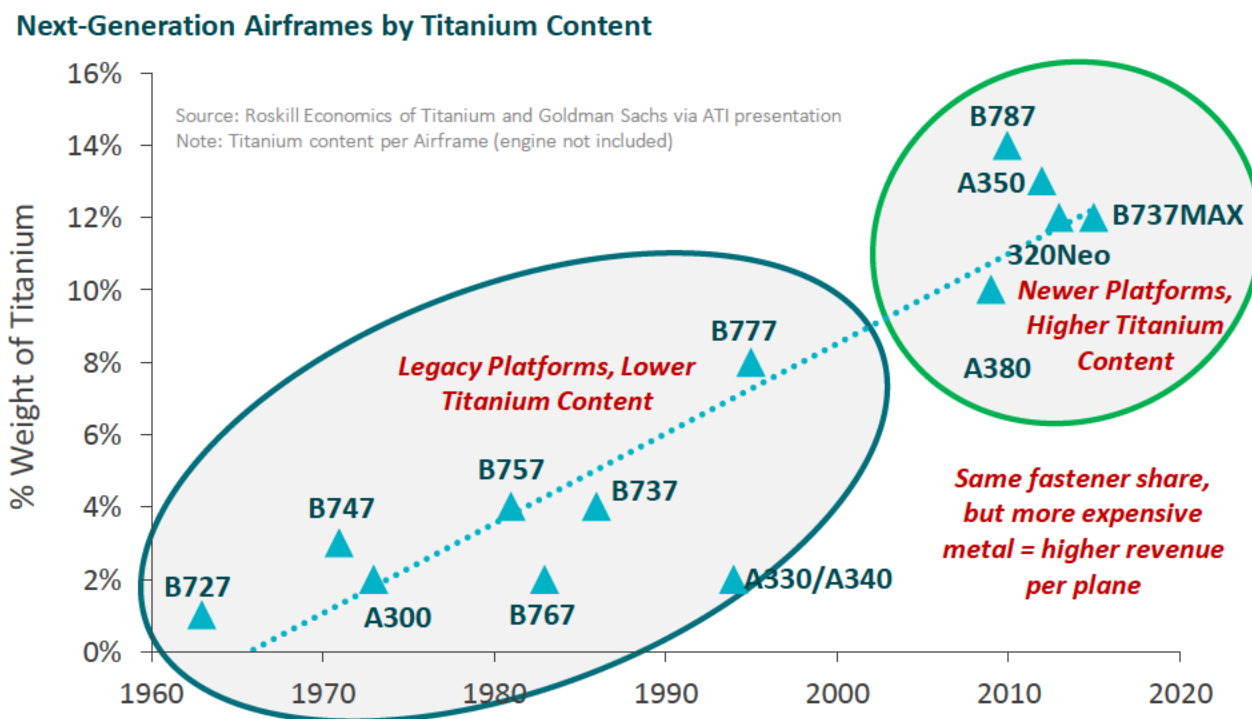
***Carpenter – a key supplier to Arconic – believes that aerospace will grow in the high single digits to low-teens over the next couple of years versus 5% organic growth from Arconic...***

Source: Carpenter Technologies Presentation, Cowen Aerospace/Defense & Industrials Conference, February 9, 2017

**And EPS is growing slower than the industry supplier... How can there be share gains?**

# Share Gain Story Is False: Shipset Growth $\neq$ Share Gain

- To increase engine efficiency, the engine has to burn hotter. This requires the use of more advanced materials in more complex forms. Separately, the use of composite aircrafts actually increases the amount of titanium content in the aerostructure. As a result, players across the industry are seeing significant growth in shipsets









**Fasteners on new airframes are more expensive. Gaining revenue in fasteners is a given**

# Share Gain Story Is False: Key Innovations in Aerospace?

Arconic continually boasts about innovation that is “industry-wide;” for which little incremental benefit (vs. peers) accrues to Arconic, and which Arconic struggles to actually deliver

### Key Innovations in Aerospace

<p><b>EEQ (Enhanced Equiax)</b></p>  <p>Improves fuel efficiency through lighter weight aero engine blades</p>	<p><b>Adv. Cooling / 3D core</b></p>  <p>Improves fuel efficiency; allows higher temperature aero engine operations with 50% less cooling air</p>	<p><b>3D Printing</b></p>  <p>Enables production of complex, difficult to manufacture parts and reduces time to market</p>
<p><b>TiAl</b></p>  <p>Improves fuel efficiency by enabling higher temperature aero engine operations</p>	<p><b>Al-Li Fan Blade Forging</b></p>  <p>Improves fuel efficiency and reduces noise and environmental emissions</p>	<p><b>Advanced Aero Alloys</b></p>  <p>Delivers high damage tolerance and superior strength properties</p>

“Enhanced Equiax” is a brand. It is a sales story nothing more. PCC can do the same thing.

Arconic did not invent 3D printing. Used throughout the industry including at PCC, Aubert & Duval, LISI.

Titanium Aluminide is generally available. In fact, TiAl turbine blades cast by Precision Castparts (not Arconic) power the new GENx engine.

Aerospace alloys can be purchased from Constellium, Kaiser, Aleris. Constellium, not Arconic is the leader in Aluminum Lithium

September 17, 2016 12:07 pm

**United Technologies cuts Pratt & Whitney engine production target**

REUTERS

The fan blade, developed with **Alcoa**, is made of aluminium-lithium alloy and tipped with titanium on the leading edge. Efforts to speed up blade manufacturing have taken longer than expected, leaving Pratt with fewer units than it expected by now, according to people familiar with the process.

Source: Arconic Investor Presentation, March 27th 2017; www.ft.com/cms/s/0/790dbe4c-7cb4-11e6-8e50-8ec15fb462f4.html?desktop=true&ft\_site=falcon&siteedition=intl#axzz4ccxm0RzA

# Share Gain Story Is False: Arconic Markets Big Contract Wins

For a company demonstrating no revenue growth, Arconic has sure managed to win a lot of contracts over the years...

Arconic Announces Multi-Year Deal with Toyota

Alcoa Announces Multiyear Supply Contracts with Boeing Valued at More Than \$2.5 Billion

Alcoa Signs \$1.4 Billion Supply Deal with Airbus

By ANDREA HOTTEN  
Updated July 11, 2012 10:11 A.M. ET

Alcoa Wins \$1 Billion Parts Deal With Airbus

New York company calls contract its largest 'aerospace fastening systems' pact

Alcoa Wins Titanium Contract with Lockheed Martin for F-35 Joint Strike Fighter

Arconic Signs More than \$450 Million in Long Term Agreements for Alcoa® Wheels

Alcoa Awarded Multi-year, \$470 Million Contract with Embraer

Alcoa Defense Awarded Contracts for Joint High-Speed Vessel Aluminum Tie Downs

Alcoa Develops New All-Aluminum Design for New BYD Electric Bus



Signed \$11B+ in new contracts since 2015

space Multi-Year Contracts Signed in 2015



But this isn't the whole story...



# Incoherent Strategy: Arconic Contract “Wins” Aren’t All That Meet the Eye

Arconic markets the roll-over of existing contracts as “winning new business” and claims new contract wins for deals previously won by companies it acquires – and is very cagey about it

Analyst: I had a question just as to with how you're disclosing your new contract wins in aerospace. Could you just clarify when you tell us, hey, we just won a \$1 billion contract with Boeing, **is that net of the legacy attrition** that you could be losing in another contract? So I'm just trying to understand, **are those net wins?**

Kay Meggers, EVP GRP: These are the numbers for those respective contracts.

Analyst: But for example, if you have an existing contract and that's lapsing and now you're starting a new contract with that same OEM, are you giving us sort of a number that is additive to your revenue or could there be some attrition from the loss of the last contract?

Kay Meggers, EVP GRP: **[T]his is the gross number....**

December 14, 2016

## THE WALL STREET JOURNAL.

### Alcoa to Purchase RTI International Metals

Aluminum maker seeks to expand in auto, aerospace industries with \$1.5 billion deal

By JOHN W. MILLER

Updated March 9, 2015 11:23 a.m. ET

17% of RTI's sales in 2014 were defense-related, including fighter jets, helicopters, artillery and armor for ground vehicles.

Thanks to RTI, which already supplies Lockheed Martin Corp. with two million pounds of titanium a year, Alcoa will become a leading supplier of titanium for F-35 fighter jets.

## Alcoa Wins Titanium Contract with Lockheed Martin for F-35 Joint Strike Fighter

Alcoa to Supply Titanium for All F-35 Variants Under Nine-Year Deal

- Contract draws on new titanium capabilities gained through RTI acquisition
- Builds on broad portfolio of multi-material products Alcoa already supplies to the F-35 program, from engine to aircraft body
- Alcoa well positioned to support Lockheed Martin's full-rate production goal of 13 aircraft a month by the mid-2020s, up from an average of three aircraft per month in 2014
- Contract has an estimated value of approximately \$1.1 billion at current projected build rates

Wednesday, October 7, 2015 9:29 am EDT

Source: Arconic 2016 Investor Day, December 14, 2017; Alcoa Newsroom, [news.alcoa.com/press-release/alcoa-wins-titanium-contract-lockheed-martin-f-35-joint-strike-fighter](https://news.alcoa.com/press-release/alcoa-wins-titanium-contract-lockheed-martin-f-35-joint-strike-fighter); WSJ, Alcoa to Purchase RTI International Metals, [www.wsj.com/articles/alcoa-to-buy-rti-international-metals-in-1-5-billion-deal-1425899603](http://www.wsj.com/articles/alcoa-to-buy-rti-international-metals-in-1-5-billion-deal-1425899603)



# Underwhelming Targets

3-Year Targets: 2019 Is the New 2016

Even the Company's Own "Math" Implicitly Admits

No Growth, No Share Gain

Much Touted Share Gain Story Is Non-Existent in Projections

Just Operating Leverage

Margin Gains from Volume Growth and Losing Packaging

2017 Is Particularly Sandbagged

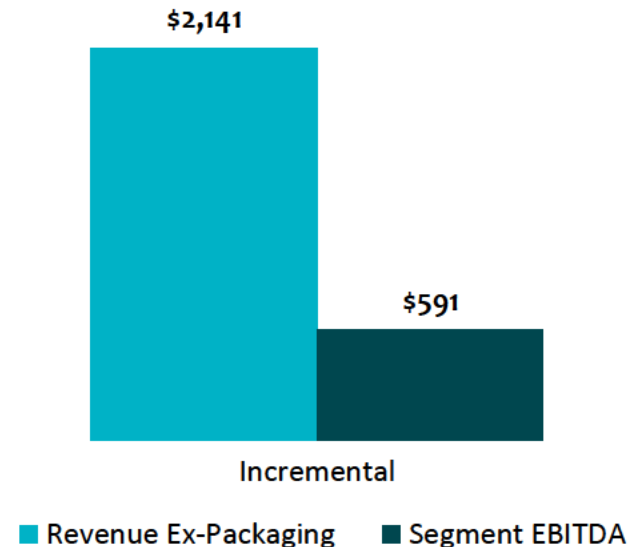
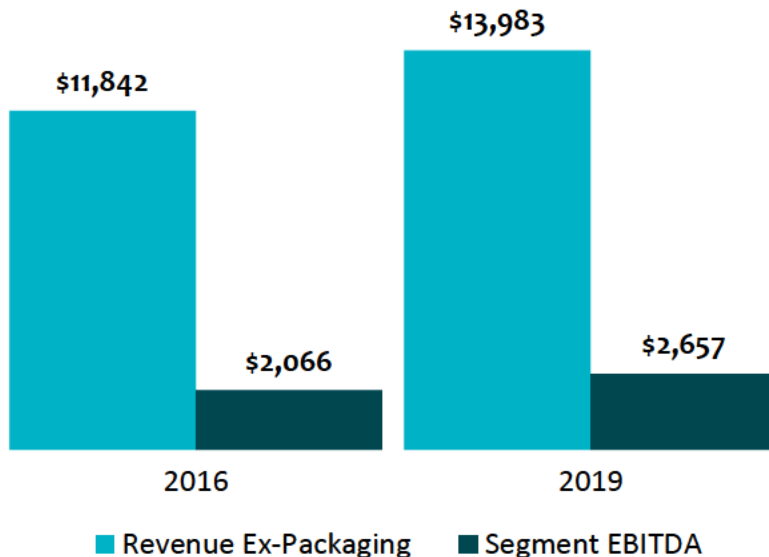
Management Is Trying to Set as Low a Bar as Possible

# Volume Leverage: There Is No Operational Improvement

All the supposed margin growth is either baked in (GRP exit from packaging) or comes from the inherent volume leverage in the businesses (EPS, GRP, TCS)

*In a business with high fixed costs, if market growth leads to \$2.1 billion in incremental revenue (mostly from a 20%+ overall margin business) (EPS) – and \$600 million of incremental EBITDA*

*That is not evidence of any special system or productivity gains, it is just operating leverage. Arconic's "goals" reflect 27.6% contribution margins (below EPS's historical and peer levels)*



Source: 2016 Arconic Investor Day, December 14, 2016

**It's just volume leverage; Days Improvement (DI) system and gross productivity = talk**



# Volume Leverage: EPS Margin “Goal” Is Not Better Ops

Management says that EPS can increase margins by 400 bps in 3-to-5 years. Given the volume leverage in this business, this is an extraordinarily undemanding target

- Arconic claims EPS has the potential to increase margins by 400 bps over the next 3-to-5 years
- Management points to process optimization, productivity, material cost reduction, overhead and other cost reductions as key drivers
- All of that is nonsense. The forecasted margin improvements are almost entirely a product of volume leverage. Using a 35% incremental margin (near the low-end of industry estimates), Arconic will achieve 2/3 of its 3-to-5 year margin goal without any operating improvements

EPS	2016A	2019P	Chg. (bps)
<i>Revenue</i>			
Existing	\$ 5,728	\$ 5,728	
Incremental		1,332	
<b>Total</b>	<b>\$ 5,728</b>	<b>\$ 7,060</b>	
<i>EBITDA Margin</i>			
Existing	20.9%	20.9%	
Incremental		35.0%	
<b>Total</b>	<b>20.9%</b>	<b>23.5%</b>	<b>267</b>
<i>EBITDA</i>			
Existing	\$ 1,195	\$ 1,195	
Incremental		466	
<b>Total</b>		<b>\$ 1,661</b>	

Incremental Margin	Overall Margin Lift (bps)
30.0%	172
32.5%	220
35.0%	267
37.5%	314
40.0%	361
42.5%	408
45.0%	455

**Analyst:** “We always talk about incremental margins with you.... You got all this operating leverage. How do we think about operating margin then?”

**Mark Donegan (PCC CEO):** “And again they move, but I think that the range in which you should expect to see it move is somewhere between that 35% and 45%, 48%.”

December 3, 2014

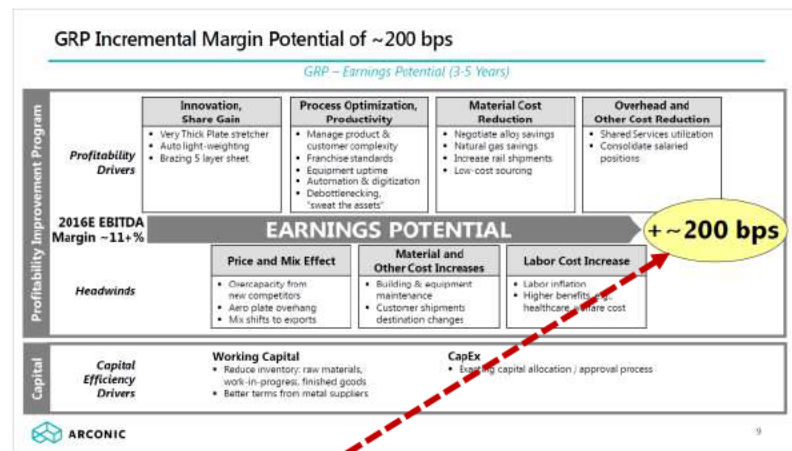
Source: Company filings; Arconic Investor Presentations

**Why won't management just admit it's volume leverage?**

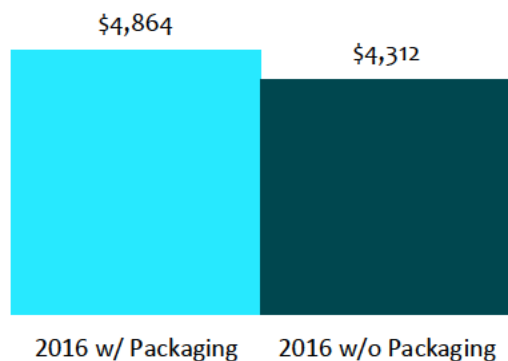
# Just Packaging: GRP Margin Growth Baked-In

Arconic is targeting 200 bps of margin expansion over the next 3-5 years in GRP. 159 bps are already baked-in simply as a result of exiting Tennessee packaging

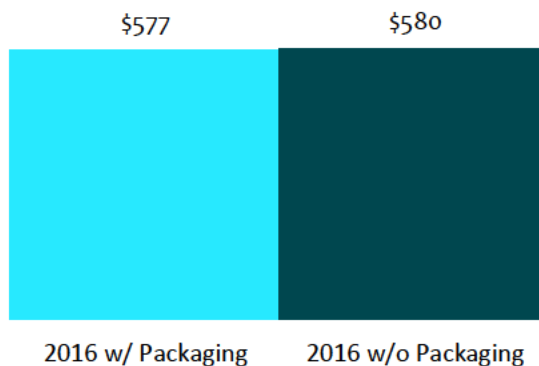
- Tennessee packaging produced \$552 million of revenue and generated negative \$3 million of EBITDA
- Exiting that low-margin business (over 2 years) achieves 159 bps (or almost 80% of the Company's 3-5 year margin goal)



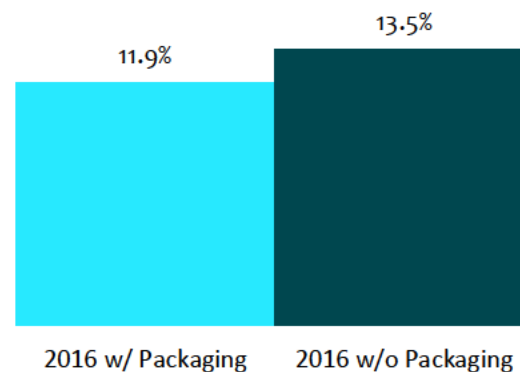
(1) \$552 million of Revenue



(2) Generating (\$3) million of EBITDA



(3) Exit Adds 159 bps of Margin



Source: Arconic Investor Presentations

GRP margin "target" is highly deceptive



# Underwhelming Targets

**3-Year Targets: 2019 Is the New 2016**

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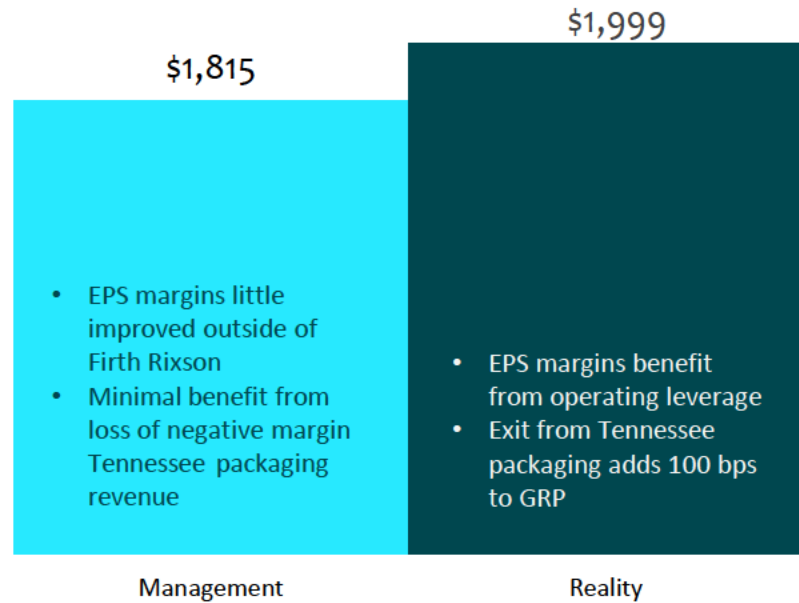
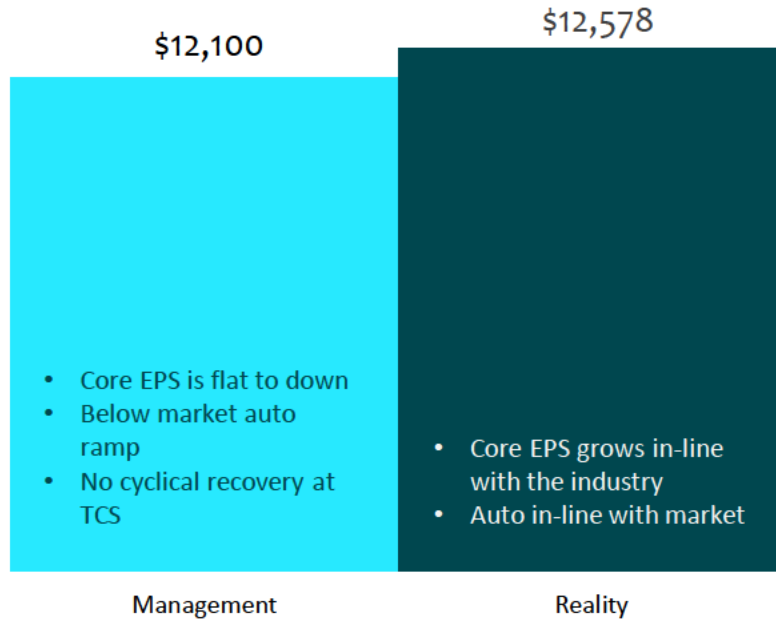
Management Is Trying to Set as Low a Bar as Possible

# 2017 Is Sandbagged: Guidance vs. Reality

Doing the math, Arconic should produce at least \$12.58 billion of revenue and ~\$2 billion of EBITDA in 2017 vs. management's \$12.1 billion and \$1.815 billion targets

## Revenue

## EBITDA



Source: Arconic Q4 2016 Earnings Call Presentation; January 31, 2017; Arconic 2016 Investor Day, December 14, 2016

Note: Targets exclude changes in LME/FX

Note: See appendix for additional detail

**Management has set a very low bar**

# 2017 Is Sandbagged: Guidance vs. Reality

Arconic's 2017 targets are a desperate attempt to set the bar so low that even this management team can hop over. The rest of the industry is growing but Arconic, which claims to be "taking share", has established pathetic 2017 targets

BU	2017 Targets		Acceptable Targets		Elliott Notes
	Revenues	EBITDA %	Revenues	EBITDA %	
EPS	Up Low-Single-Digits	(+) 30-60 bps	6.4%	(+) 150-200 bps	<ol style="list-style-type: none"> <li>1. Firth Rixson to grow in-line with management projections</li> <li>2. Firth Rixson margins in-line with management projections</li> <li>3. RTI in-line with management projections (straight-line) to 2019</li> <li>4. Core EPS in-line with the industry which is growing at 4-6%</li> <li>5. Incremental margins in the business are at least 30-40%</li> </ol>
GRP	Down High-Single-Digits	(+) 30-80 bps	-4.8%	(+) 125-200 bps	<ol style="list-style-type: none"> <li>1. Packaging Exit is worth at least 110 bps in margin for 2017</li> <li>2. Incremental Auto Sheet volume for \$170 million revenue growth</li> <li>3. Elliott assumes no growth in the rest of the business</li> </ol>
TCS	Up Low-Single-Digits	(+) 0-20 bps	3.1%	(+) 20-40 bps	<ol style="list-style-type: none"> <li>1. BCS should be up at least low-single-digits</li> <li>2. Truck builds in North America and Europe to be down slightly with aluminum penetration increasing</li> </ol>

Source: Arconic Investor Presentations  
Note: Targets exclude changes in LME/FX

**Management has set a very low bar**

# 2017 Is Sandbagged: Aero Firms Project Mid-Single-Digit or Greater Growth

**Arconic projects low-single-digit growth in EPS (inclusive of Firth Rixson rebound) while aerospace firms project mid-single-digit growth**



#### Allegheny Technologies (ATI) Aerospace Segment Guidance:

"In our High Performance Materials & Components segment, we expect to increase the pace throughout our operations, driven primarily by the increasing demands from the commercial aerospace market. In 2017, we expect High Performance Materials & Components segment revenue to grow about 10%..."



#### Barnes Group 2017 Aerospace Segment Guidance:

"For 2017, our Aerospace outlook is for total sales to be up mid single-digits for the year, with OEM, MRO and spare parts each exhibiting similar growth."



#### Woodward (WWD) 2017 Aerospace Segment Guidance:

"Lastly, turning to our fiscal 2017 outlook. We anticipate continued strength in our Aerospace segment, both commercial production volumes and aftermarket should remain solid. We will benefit from the continuing ramp-up of both the Airbus A320neo and the Boeing 737 MAX. We expect strong smart weapons demand to continue and defense overall to remain solid. **Therefore, we anticipate our Aerospace sales to be up approximately 6%.**"

*Reiterated on Q1 Earnings Call*



#### Meggitt (MGIT) 2017 Guidance:

"Most civil aftermarket forecasts we've seen talk in terms of low to mid-single-digit increases in 2017 and work towards the upper end of that range."

Source: ATI Q4 2016 Earnings Call, January 24, 2017; Barnes Group Q4 2016 Earnings Call, February 17, 2017; Woodward Q4 2016 Earnings Call, November 14, 2016; Meggitt Full year 2016 Earnings, February 28, 2017

**Why is Arconic projecting just low-single-digit EPS growth? – When Peers are More Optimistic**

# 2017 Is Sandbagged: Fastener Distributors Expect MSD Growth

***KLX Inc. and Wesco Aircraft are the two largest fastener distributors and the largest ex-OEM buyers of Arconic's fastener products. While Arconic is saying "flat", its two largest distributors are substantially more optimistic.***



## **Wesco Aircraft (WAIR) 2017 Guidance:**

"We continue to expect constant currency sales growth to be in the range of 3% to 5% in fiscal 2017, driven by an increase of long-term contracts through new business expansion, partially offset by a decline in ad hoc sales. We expect sales to increase sequentially in each quarter of the fiscal year, subject to the timing of new business implementation."



## **KLX Inc. 2017 Guidance for Aerospace Solutions Group (ASG):**

"ASG revenues are expected to increase by a mid-single digit percentage, reflecting slower growth in the first half of the year, followed by an acceleration in growth in the second half of the year, as new programs won during 2016 begin to materially contribute to the growth rate."

"As we announced in January, our Aerospace Solutions Group, or ASG, won approximately \$300 million of fourth quarter new program awards...These recently won programs are expected to significantly support ASG's growth trajectory beginning in the second half of 2017."



## **TriMas (TRS) 2017 Guidance:**

"Within aerospace, we anticipate sales growth ranging from 4% to 6%, assuming consistent industry build rates and given current order backlogs."

Source: Wesco Aircraft (WAIR) Earnings Call, February 7, 2017; KLX Inc. Earnings Call, March 7, 2017; TriMas Q4 2016 Earnings Call February 28, 2017

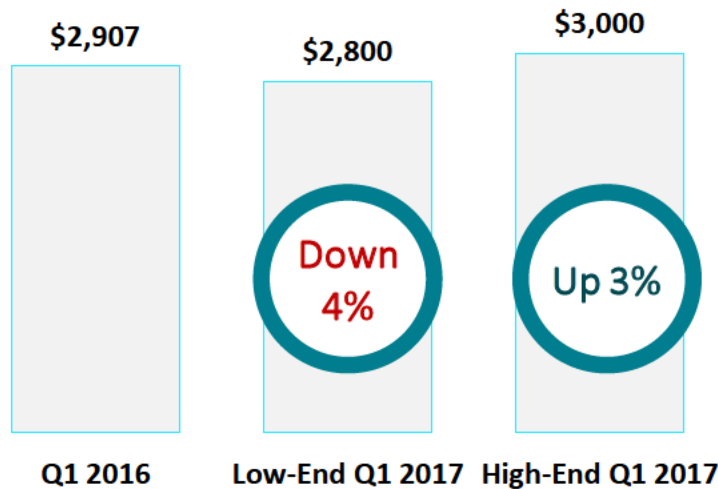
**Why is Arconic flat when distributors and TriMas are up mid-single-digits?**



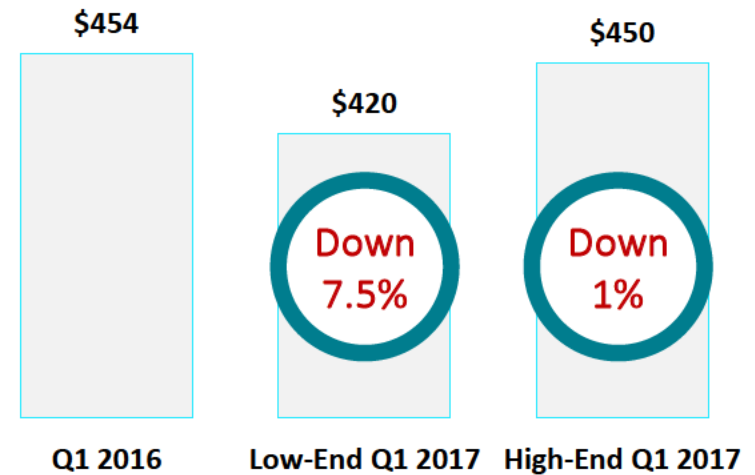
# 2017 Is Sandbagged: Q1 Revenue Guide Is Flat; EBITDA Down 1% to 7.5% Y-o-Y

*Despite the ramp-up in the aerospace supply chain, the continued growth of auto sheet and the absence of one-time costs with Lafayette, Arconic is projecting that Q1 2017 EBITDA will be down 1% to 7.5% Y-o-Y*

## Revenue



## EBITDA



And Q1 2016 was a disastrous quarter:

- Prompted first of two guide-downs at EPS; led to guide-down at TCS and GRP
- Firth Rixson not qualified on isothermal
- Included: 1-time ramp-up costs for Lafayette; “move to low cost countries”

Note: For Q1 2016, revenue, excluded \$101 million of packaging revenue and \$267 million from Warrick; Segment EBITDA of \$305 million at EPS; \$160 million at GRP (\$168 million reported less \$8 million for Warrick); \$64million at TCS; less \$75million of Corporate Costs - \$300million applied to both 2016 and 2017 for comparability

**Do they really think anyone buys the sandbagging?**



# Broken Company Culture

ELLIOTT®

# Broken Company Culture

The result of this failed culture has had a profound impact on the business and has naturally flowed through to the Company's persistently disappointing returns

## ✘ Blatant Corporate Waste

- *The Jetsons advertising campaign and lavish NYC headquarters serve as prime symbols*

## ✘ Demoralized Employees

- *Consultants detached from the plants are heavily relied upon to steer the business; Siemens cronies are installed in key positions*

## ✘ Disingenuous Rhetoric from CEO

- *CEO commentary completely detached from reality of Company performance*



# Broken Company Culture

## Blatant Corporate Waste

Vanity Projects Amidst Layoffs of Thousands

## Demoralized Employees

Centralized Power, Consultants, and Siemens 2.0

## Rhetoric vs. Reality

Severe Disconnect Between Dr. Kleinfeld's Rhetoric and the Reality of Business Performance

# Blatant Corporate Waste: Real Dollars, Symbolic Power

LEVER HOUSE  
390 Park Ave  
New York, NY



## Lavish Corporate Headquarters

A point of contention for investors for years has been the reality that Alcoa (and now Arconic) is the only mid-sized industrial company based in NYC

Moreover, Arconic leases six floors at one of the most exclusive and expensive buildings, Lever House

Notably, “New” Alcoa immediately down-sized and is looking to leave Lever House

When pressed about why the headquarters was in NYC and not Pittsburgh, Dr. Kleinfeld suggested that the public school system in Pittsburgh would prevent Arconic from attracting world-class talent

Alcoa was a struggling mid-size industrial company and aluminum miner. Arconic is a mid-size manufacturing company providing components to large OEMs. Yet the Company spends on marketing and its image – while laying off thousands of workers – as if it were a high-end consumer products company



## The Jetsons Ad Campaign

Despite missing targets and laying off thousands of employees, Dr. Kleinfeld initiated an elaborate marketing campaign, enlisting the director from “The Fast and The Furious” to create an Arconic commercial in the form of a remake of the 1960’s cartoon, *The Jetsons*

Shortly after the launch, Arconic initiated a global print and billboard campaign of a massive scale, purchasing ad space in airports and transit hubs all over the world and taking out full page ads in newspapers and magazines

Arconic utilized the advertising services of agencies affiliated with WPP, where Company director (until March 2016) Sir Martin Sorrell is founder and CEO

***We continue to be astounded by the discovery of new examples of the Company’s waste that are brought to our attention***

**We have little doubt that the next CEO of Arconic will also be astonished at the waste and will in short order rationalize tens of millions of dollars in unnecessary expenditures**



# Blatant Corporate Waste: Lever House, Park Avenue, New York

We have learned that employees find Arconic's headquarters location both insulting and demoralizing



*Contrast Arconic's opulent Manhattan headquarters with PCC's more modest headquarters in Oregon*



How can Arconic ask its employees to cut costs when its top executives work on Park Avenue?

# Blatant Corporate Waste:

## ★ ★ The Jetsons

In the face of poor performance and with thousands of employees losing their jobs, Dr. Kleinfeld thought it was a good idea to recreate the Jetsons for marketing purposes

“Arconic is a forward thinking, future oriented company. And the Jetsons is an iconic cultural reference point for the future.”



Libby Archell  
CHIEF COMMUNICATIONS OFFICER, ARCONIC

### ARCONIC BUSINESS LAYOFFS:

2016 layoffs: 1,800 employees

2015 layoffs: 1,240 employees

2014 layoffs: 1,035 employees

**4,075 LAID OFF**

**HOW DOES THEIR FUTURE LOOK?**

- ✗ Advertising is not relevant to Arconic's business
- ✗ How many people's jobs could have been saved for what Arconic spent on this nonsense?
- ✗ What does this campaign say about Dr. Kleinfeld's judgement?



*This photo is from Arconic's website*

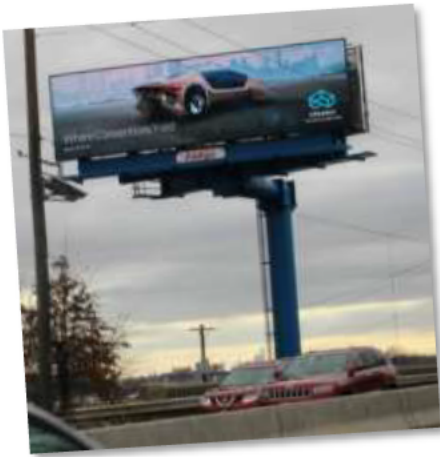


- We encourage shareholders to visit [arconic.com/thefuture](http://arconic.com/thefuture) and Arconic's YouTube page to see first-hand but one cartoonish example of Arconic's failed culture
- Dr. Kleinfeld is notably positioned in the middle of *The Jetsons* campaign "Brain Trust" and reveals himself to be an "engineer"

# Gallery of Corporate Waste: Nationwide Ad Campaign



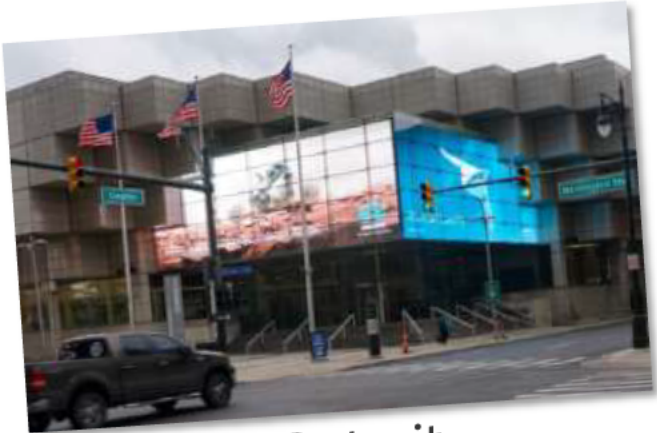
Chicago



New Jersey



Washington

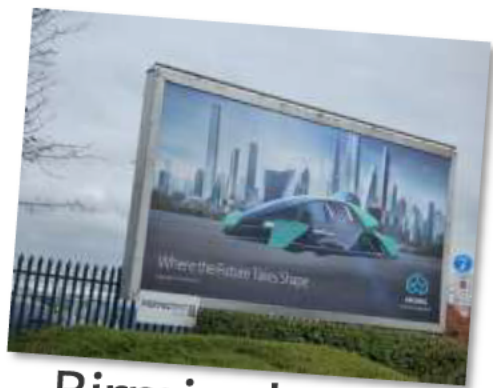


Detroit



New York City

# Gallery of Corporate Waste: Ad Campaign Goes Overseas



Birmingham



London



Munich



Dusseldorf



# Gallery of Corporate Waste: Ad Campaign Goes to the Racetrack



# Gallery of Corporate Waste: Ads Here. Ads There. Ads Everywhere.



*Note that Arconic purchased every single billboard in the above rail car*

*"You can only win the 'war' with ideas, not with spending cuts."  
Dr. Klaus Kleinfeld*



# Broken Company Culture

## Blatant Corporate Waste

Vanity Projects Amidst Layoffs of Thousands

## Demoralized Employees

Centralized Power, Consultants, and Siemens 2.0

## Rhetoric vs. Reality

Severe Disconnect Between Dr. Kleinfeld's Rhetoric and the Reality of Business Performance



# Demoralized Employees: CEO-Centric Culture

Comments on Glass Door reiterate what we have heard from dozens of former employees: Arconic's **culture centers around the CEO** and his teams of consultants in NYC. Employees at the plants are underutilized and detached from decision-making

"The New York office of Alcoa is best characterized as stale and unchanging, filled with protected mediocre talent who couldn't compete elsewhere."

Glass Door, April 10, 2015

"Management lives in a bubble, reactive, no planning, no support, it is like working with hands tied to your back and wearing blindfolds."

Glass Door, July 24, 2014

"Get some plant experience so you and your staffs learn that cost reductions often cost plants more than the savings you take credit for. Senior management is failing to deliver on promises to shareholders since company separated from Alcoa. Visit the plants and listen to the plant management to find a profitable path forward"

Glass Door, March 4, 2017

"While the C-suite enjoys an ever increasing suite of luxurious perks, they are consistently reducing benefits, withholding raises and cutting back for the regular employees who actually make the company run. The board needs to fire the CEO and stop his lavish spending."

Glass Door, July 13, 2016

"Stop putting non-technical background people in high leadership positions. They will run your plant into the ground and someone else will have to fix it."

Glass Door, January 16, 2016

"Unfortunately, without the engagement of your people that actually do the work and make your products, you can never achieve the excellence that you aspire to."

Glass Door, May 25, 2014



# Why Did Dr. Kleinfeld Resist the Separation for So Long?

The longstanding resistance to the separation seemingly represents another symptom of the broken company culture experienced under Dr. Kleinfeld, who has historically utilized his place at the top of large iconic organizations to promote himself

- As extensively detailed in Elliott's February 7<sup>th</sup> letter to Arconic's board, as well as the "Objections" section of this very presentation, Dr. Kleinfeld resisted separating the Company's downstream and upstream assets for more than seven years despite a steady drumbeat of commentary pushing for the transaction
- In fact, it was not until September 2015, after many years of poor operational execution, dramatic share-price underperformance and obstinate resistance to a break-up that the Company finally announced the Separation shortly after Elliott's stake-building had begun and without providing any clear rationale for the sudden about-face in strategy
- However, at least some **part of Dr. Kleinfeld's historical refusal to pursue the separation was likely motivated by his desire to continue running a large conglomerate**, especially given the fact that Dr. Kleinfeld's move to Alcoa Inc. following his departure from Siemens – under the dark clouds of a bribery scandal – could be viewed as an effective demotion given the size differential between the two companies, with Alcoa Inc. being less than one-third the size of Dr. Kleinfeld's former German employer
- As a result of the separation which he stubbornly resisted for nearly a decade, Dr. Kleinfeld's orbit has now been shrunk even further to encompass a mid-size industrial company roughly one-tenth the size of Siemens by revenue, a **confluence of events that can be construed as a second demotion for Dr. Kleinfeld who has historically utilized his place at the helm of Siemens and the 100-plus year-old Alcoa Inc. to promote both himself and his brand**
- Unfortunately for shareholders, Dr. Kleinfeld has yet to realize that running a mid-size industrial concern is different than running a \$100 billion dollar-plus multi-national conglomerate and seemingly believes that Arconic can prove to be a **just as effective self-promotion vehicle**, as evidenced by Arconic's Park Avenue headquarters, self-aggrandizing advertising campaign, layers of bureaucracy and bloated overhead
- In fact, Arconic is the only capital goods company with a market capitalization of between \$250 million and \$50 billion head-quartered in New York City

Note: Size comparison of Alcoa Inc. and Siemens measured by both revenue and total assets; analysis of NYC head-quartered capital goods companies based upon Capital IQ screening and excludes holding companies

# Demoralized Employees: Centralized Power

Even before Alcoa Corp. separated from Arconic, Alcoa Corp. management was planning to reduce waste

*“One of the things that we are going to try to do differently within Alcoa Corp... is to try to drive down overheads as significantly as we can.”*

Bill Oplinger, Alcoa Corp. CFO, October 20, 2016

*“And if I could just add to that -- mentions the word overhead gets me excited. It's -- when we've been part of the primary products business. And in plants, we spend a lot of our time complaining about overheads and the fact that there's way too many of them. So one of the fun things we've been able to do is look at every single line item and think about what that needs to be at the moment of separation. And then what are we going to do in order to continue to drive it down. And I would say that we've got a good start. We've been able to imagine how we should run the business, but we've got more to do. And we've got additional overhead to squeeze out, whether it's the location of business units around the world or any other number of places, we got more work to do when we're not satisfied with where the overhead sits today.”*

Roy Harvey, Alcoa Corp. CEO, October 20, 2016

Source: Alcoa Corp. Investor Presentation, October 20, 2016

**Alcoa Corp. management is telling you about Arconic**

# Demoralized Employees: Swelling Overhead as Plants Face Cuts

*Only 7% of Arconic employees are on LinkedIn, yet we found 26 communications professionals. By contrast PCC had 3*



1. Chief Communications and Marketing Officer
2. Global Communications Coordinator
3. Vice President, Communications and Marketing at Arconic
4. Senior Manager, Employee Communications
5. Vice President, Communications, GRP and TCS
6. Director of Internal Leadership Communications, Strategy, and Operations
7. Corporate Communications Manager
8. Communications Specialist
9. Senior Multimedia Communications Specialist
10. Senior Marketing Communications Analyst
11. Director, Digital Communications and Brand Strategy
12. External Communications Manager
13. EPS and TCS Communications
14. Director, Communications at Arconic
15. Employee Communications Specialist
16. Vice President, Communications at Arconic Europe
17. Director Communications Europe at Arconic
18. Communications Manager at Arconic
19. Vice President, Global Media Relations
20. Director, Ethics and Compliance Communications and Training
21. Communications Specialist
22. Manager, Communications, GRP Aerospace and Automotive & Micromill Products
23. Internal Communications & Public Relations
24. Head of Corporate Communications, Arconic
25. Communication Specialist
26. Creative Communications, Change Management, and Employee Engagement Leader

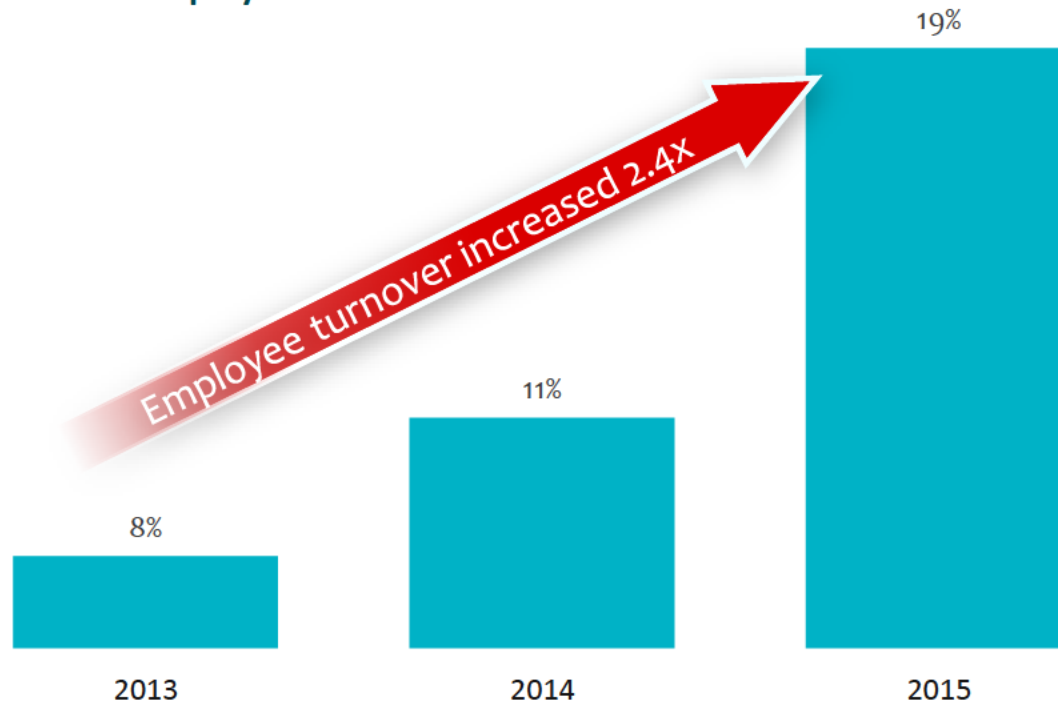


1. Director of Communications
2. Director of Corporate Communications
3. Communications Manager at Precision Castparts

# Demoralized Employees: Current Trend Is Telling

Arconic claims that Elliott is wrong to suggest turnover is a problem. Yet its own presentation admits that the overall turnover rate at Alcoa has doubled in the last three years

Annual Employee Turnover Rate



Source: Arconic Investor Presentation, March 27, 2017

**Newspaper writers call this “burying the lede”**



# Demoralized Employees: Consultants Valued Over All

Dr. Kleinfeld founded and led the internal consulting group at Siemens before becoming the company's CEO. He has brought that approach over to Arconic and has scores of internal and external consultants who have outsized power and influence on the Company. This extremely expensive experiment has not worked: Arconic is a mid-sized industrial manufacturing company, not a large capitalization multi-national conglomerate

"They don't want you to come up with ideas, they want you to implement ideas that management bought from consultants."

Glass Door, November 3, 2015

**Arconic's "Management Consulting and Strategy" group is an entire sub-organization**



Source: [www.arconic.com/global/en/join-us/mcs.asp](http://www.arconic.com/global/en/join-us/mcs.asp)

"Don't rely on individuals that have titles to tell you what is really going on in the work environment. Talk to the people that live it daily."

Glass Door, February 2, 2017

"Less management more workers."

Glass Door, January 30, 2017

"Make changes specific to the plants instead of the company as a whole."

Glass Door, February 7, 2017

"Management is the problem. Great workers just poorly managed."

Glass Door, February 14, 2017



“The teams in Germany are among our most intelligent. They bring our products to world markets at a fast pace. You should never change a winning team.”

Dr. Klaus Kleinfeld, April 19, 2006



# Demoralized Employees: SIEMENS 2.0

Dozens of employees have told us that Dr. Kleinfeld surrounds himself with sycophantic former Siemens colleagues who do not possess the experience or expertise required to lead Arconic's operations successfully



**Esra Ozer**  
**Arconic:** President of Arconic Foundation  
**Siemens:** Senior Director External Relations



**Christoph Kollatz**  
**Arconic:** EVP, Chief Strategy Officer  
**Siemens:** 22-year career at Siemens, where he held a series of leadership, strategy and technology positions



**Karl Tragl**  
**Arconic:** EVP of EPS  
**Siemens:** Managing Director of the Standard Drives business



**Dr. Klaus Kleinfeld**  
**Arconic:** CEO  
**Siemens:** CEO



**Kay Meggers**  
**Arconic:** EVP of GRP  
**Siemens:** SVP Building Technologies Division



**John D. Bergen**  
**Arconic:** VP of Corporate Projects  
**Siemens:** SVP Corporate Affairs and Marketing



**Dirk Bauer**  
**Arconic:** President of Arconic Power & Propulsion  
**Siemens:** President Directeur General for Flender Graffenstaden S.A.S

## 3 most important roles at Arconic

**Zero Relevant Industry and Operating Experience**



**Maureen Cooke**  
**Arconic:** Senior Manager, Employee Communications  
**Siemens:** Marketing Communications Manager



**Daniel Fried**  
**Arconic:** Grants Manager at Arconic Foundation  
**Siemens:** Communications Specialist



**Matthias Obermayer**  
**Arconic:** General Manager Germany and New Markets  
**Siemens:** Vice President & Partner, Siemens Management Consulting



**Michael Dawid**  
**Arconic:** CFO, Arconic Aerospace & Automotive Products  
**Siemens:** Former EVP, CFO & Treasurer, Siemens Postal, Parcel & Airport Logistics



**Doris Birkhofer**  
**Arconic:** President Arconic France/VP Business Strategy & Growth  
**Siemens:** Former Vice President of Corporate Strategy



**Lisa Dunham**  
**Arconic:** Business Improvement Manager  
**Siemens:** Senior Project Quality Manager



**Gerhard Kschwendt**  
**Arconic:** SVP, Business Integration  
**Siemens:** Program Director

# Demoralized Employees: SIEMENS 2.0 (cont.)

After Dr. Kleinfeld left Siemens, his successor faced many of the same problems that Dr. Kleinfeld has now created at Arconic – it does not appear that Dr. Kleinfeld has learned from past mistakes

## Peter Löscher – Successor to Dr. Klaus Kleinfeld at Siemens



“I arrived at Siemens at a very difficult moment. The company faced allegations of bribery in several countries, and eventually it paid \$1.6 billion in fines. But as I always remind anybody who is listening, never miss the opportunities that come from a good crisis—and we certainly didn’t miss ours. The scandal created a sense of urgency without which change would have been much more difficult to achieve, regardless of who was CEO. Siemens is a very proud company with a history of innovation and success. In the absence of a catalyst like this people would have asked themselves, ‘Why alter anything?’

“Yet [Siemens had to change](#). It’s not so much the uniqueness of your strategy that matters nowadays—it’s the strength of your execution. How can you adapt continually to the **changing world we are in right now?** **Siemens needed to execute more rapidly, and to do that we had to take** a hard look at both our organizational structure and whether we had the right people in the right jobs. [Within months of my taking over, we replaced about 80% of the top level of executives, 70% of the next level down, and 40% of the level below that. I fundamentally changed how our managing board made decisions. We also worked to streamline and simplify our global operating units.](#)

“[What I learned was that Siemens employees were frustrated with bureaucracy and wanted more independent decision making](#). At the same time, people felt that the corruption scandal represented a failure of leadership. They were shocked and ashamed, because they are very proud to be part of Siemens.

“[When it came to changing the company, I worked with my immediate team. I didn’t want to bring in consultants to tell us what to do.](#) The exercise became very painful at the end. Four-fifths of the managing board members had to leave.

“So at the first meeting I said, ‘Before we go into all the agenda items, let’s go around the room and report on how the business is doing.’ The reaction was [‘Actually, we should invite the operating units to provide the update.’](#) I said, [‘Just give me a flavor of what is really happening right now.’](#) [But the people on the board were surprised and not really prepared to answer those questions, because they weren’t deeply engaged in operations.’](#)”

## Broken Company Culture: Arconic's Celebrity CEO

“There is a **direct relationship between the absence of celebrity and the presence of good-to-great results.** Why? First, **when you have a celebrity, the company turns into ‘the one genius with 1,000 helpers.’** It creates a sense that the whole thing is really about the CEO. At a deeper level, we found that for leaders to make something great, their ambition has to be for the greatness of the work and the company, rather than for themselves. That doesn't mean that they don't have an ego. It means that at each decision point—at each of the critical junctures when Choice A would favor their ego and Choice B would favor the company and the work—time and again the good-to-great leaders pick Choice B. Celebrity CEOs, at those same decision points, are more likely to favor self and ego over company and work.”

Jim Collins, Fast Company



# Broken Company Culture: Arconic's Celebrity CEO



“Celebrity CEOs, at those same decision points, are more likely to favor self and ego over company and work.”  
Jim Collins, Fast Company



# Broken Company Culture

## Blatant Corporate Waste

Vanity Projects Amidst Layoffs of Thousands

## Demoralized Employees

Centralized Power, Consultants, and Siemens 2.0

## Rhetoric vs. Reality

Severe Disconnect Between Dr. Kleinfeld's Rhetoric and the Reality of Business Performance



## Broken Company Culture: Disingenuous Rhetoric from CEO

“[Management] is unequaled in its efforts to put a positive spin on bad news by accentuating the positive and eliminating the negative.... [I]f free cash flow looks bad, it will redefine it.... [S]omeday we will write a treatise on the psychology of earnings reports and presentations. And Alcoa will be our case study.... I think Alcoa is one of the more blatant spin doctors.... [N]othing ever looks bad in management’s version of the world, where all the news is good news.”

Carol Levenson, Director of Research for Gimme Credit, July 31, 2016

Source: [www.post-gazette.com/business/pittsburgh-company-news/2016/08/01/Len-Boselovic-s-Heard-off-the-Street-Does-Dale-Carnegie-write-Alcoa-s-earnings-news/stories/201607310110](http://www.post-gazette.com/business/pittsburgh-company-news/2016/08/01/Len-Boselovic-s-Heard-off-the-Street-Does-Dale-Carnegie-write-Alcoa-s-earnings-news/stories/201607310110)

**Not only does management eschew responsibility for the Company’s poor performance, it shockingly insists that Arconic’s performance has in fact been excellent**

# Disingenuous Rhetoric

A review of Dr. Kleinfeld's public comments as CEO depicts a Company that has not only delivered excellent results already, but one that is poised to do better over any imaginable timeframe. The disconnect between Dr. Kleinfeld's rhetoric and the reality of business performance has only furthered the erosion of his credibility flowing from that poor performance



Date of Comment	TSR % Since vs.			Comment
	S&P 500	Peers	All Peers	
October 11, 2016	3%	2%	(1%)	This is above already the annual target, so <b><u>very, very good job</u></b>
July 11, 2016	(5%)	(6%)	(21%)	I mean we will <b><u>continue to improve the performance</u></b> of our businesses, as you see
April 11, 2016	(6%)	(13%)	(16%)	Looking ahead, I mean, <b><u>we are on track to meet our three-year targets</u></b> in all businesses except EPS
January 11, 2016	8%	(1%)	(12%)	I think <b><u>it's a solid quarter</u></b> , reflects all the actions that we've taken
October 8, 2015	(20%)	(29%)	(34%)	And against this backdrop, we have seen <b><u>very resilient results</u></b>
July 8, 2015	(14%)	(14%)	(21%)	I mean, <b><u>this has been a strong quarter</u></b> . We continue to deliver our improved operational results
April 8, 2015	(34%)	(33%)	(7%)	We're <b><u>creating a sustainable value</u></b> for our shareholders
January 12, 2015	(48%)	(48%)	(29%)	So to summarize all of this, the transformation is <b><u>creating sustainable value</u></b>
October 8, 2014	(52%)	(49%)	(46%)	I mean the transformation delivers, <b><u>we're driving profitability</u></b>
July 8, 2014	(48%)	(39%)	(47%)	We're transforming Alcoa and we are <b><u>creating a compelling sustainable value</u></b>
April 8, 2014	(43%)	(28%)	(62%)	I hope you agree with me <b><u>this was a very strong quarter</u></b>
January 9, 2014	(30%)	(16%)	(60%)	[T]he <b><u>new three-year targets gives you a good guidance</u></b> of what we are intending to do
October 8, 2013	(12%)	5%	(33%)	I mean <b><u>we're creating value</u></b> by executing our strategy
July 8, 2013	(14%)	(3%)	(49%)	[W]e are <b><u>continuing to turn in strong operating performances</u></b>
April 8, 2013	(28%)	(18%)	(30%)	We're <b><u>executing on our targets to deliver long-term value</u></b>
January 8, 2013	(48%)	(25%)	(14%)	We're well <b><u>positioned to maximize on profitable growth</u></b>
October 9, 2012	(51%)	(50%)	(14%)	We are <b><u>delivering strong results</u></b>
July 9, 2012	(57%)	(69%)	(1%)	So, all of this will continue to make us <b><u>stronger going forward...</u></b>
April 10, 2012	(64%)	(54%)	(5%)	We're <b><u>delivering our promises...</u></b> We're delivering results
January 9, 2012	(76%)	(80%)	(15%)	[O]ur <b><u>outlook is relatively positive</u></b> here
October 11, 2011	(100%)	(106%)	(10%)	Alcoa <b><u>remains a confident company</u></b> in a very nervous world
September 30, 2011	(103%)	(115%)	(3%)	[W]e continue to <b><u>accelerate to build up shareholder value</u></b> creation
July 11, 2011	(117%)	(104%)	(21%)	So the second quarter was a <b><u>very good step in the right direction...</u></b>
April 11, 2011	(123%)	(107%)	(13%)	This quarter marks an <b><u>excellent performance</u></b> . It's a solid further step into the right direction
January 10, 2011	(127%)	(118%)	(13%)	[W]e will <b><u>continue to produce outstanding shareholder value...</u></b> that's our promise
October 7, 2010	(125%)	(118%)	7%	[The] most important thing <b><u>we're driving shareholder returns</u></b>
July 12, 2010	(131%)	(139%)	10%	[Y]ou will <b><u>expect profitability to grow and outperform our past</u></b>
April 12, 2010	(133%)	(136%)	2%	They are <b><u>very proud of the almost flawless execution</u></b> that we've shown
January 11, 2010	(155%)	(159%)	(6%)	[T]he track record of last year shows that very clearly, <b><u>we are able to deliver value for our shareholders</u></b>
October 7, 2009	(160%)	(196%)	(18%)	We are fulfilling our seven promises. On all those aspects, <b><u>we are on or above target</u></b>
July 8, 2009	(172%)	(258%)	14%	Lastly, the steps that we've taken in the first quarter will really help us to be <b><u>structurally much better off</u></b>
April 7, 2009	(172%)	(269%)	17%	...Alcoa will weather this crisis and <b><u>end up stronger when the economy recovers</u></b>
March 31, 2009	(171%)	(276%)	16%	I think you can say that <b><u>I'm reasonably optimistic and you can trust us</u></b>
January 12, 2009	(183%)	(234%)	(46%)	[Alcoa will] emerge <b><u>even stronger when the economy recovers</u></b>
October 7, 2008	(190%)	(202%)	(16%)	We have a thorough understanding of how <b><u>we can and will create value...</u></b>
July 8, 2008	(166%)	(187%)	(34%)	EPS, has produced <b><u>another record-setting quarter...</u></b>

# Disingenuous Rhetoric: “Good News”

4/7/08: “Michael the good news is we have a team here that’s really working together.”

7/8/09: “So the good news was we believe that there was room for improvement and here we go.”

1/10/11: “Good news is, and you’ll see some of this here on the right-hand side, Alcoa continues to be recognized for what I would call values-based management.”



10/6/08: “The good news is if you talk about real future projects, we can continue to look at future projects because as I said before our mid-to long-term prospect in alumina and aluminum is positive.”

7/12/10: “I mean the good news is Russia is coming back.”

4/11/11: “And the good news, also on top of it, 32% revenue growth on a year-over-year basis.”

10/11/11: “We are, and that’s the good news here, whatever lies ahead of us, we are prepared to take it.”

4/10/12: “And the good news also is all of that would not be possible if we wouldn’t have driven process innovations.”

1/8/13: “In Europe, we expect a decline of 4% to 6% in 2013, and that is also relatively good news because the decline is slowing.”

4/8/13: “But that’s better news -- I mean, more good news than bad news, I would say.”

10/8/13: “So good news to come and I think the orders are showing in the right direction here.”

1/12/09: “The good news is all of those markets are our end markets in Russia.”

10/7/10: “So with that, let’s go to the aluminum demand and see what implications the end markets drive has on the aluminum demand, and this is actually pretty good news.”

7/11/11: “And the good news is, we’ve constantly innovated and substituted our own solutions.”

11/9/11: “So there’s a lot of moving elements in this segment of our business, we need the productivity but we also get it, and that’s the good news.”

1/9/12: “Well, I think the good news is we’re doing it in addition to the things that we’ve done before.”

11/7/12: “The good news is the growth rate is exactly in those fields that are higher-margin on traditionally and will be, that’s fantastic.”

7/8/13: “This is the good news. I mean, the good news is that we will be able to grow our aerospace business, I mean, and every one of the segments that caters to aerospace.”



# Disingenuous Rhetoric: “Good News” (cont.)

11/7/13: “Building and construction, very, very good news, as I was saying, extremely good news.”

4/8/14: “And the good news is we have a leading position in the aerospace market and pretty much everything that is there, and has really been excellently positioned also on the composite planes.”

5/2/14: “Now the good news is we are globally active.”



4/8/14: “The good news is we have a deep understanding of our customers.”

6/26/14: “The good news is now the market is coming back, also here in the U.S., where we are very strong and in Europe, it's at least not going further down.”

10/8/14: “And that's really good news because you see the dark blue piece is growing.”

11/4/14: “We have opportunities and the good news is we know how to do it.”

1/12/15: “And the good news is, again, like in the last quarter, it's really coming from all segments and from all functions.”

5/1/15: “Good news is the shareholders and the stock market has recognized that, as well as the media have recognized that, as you can see there on -- in the Financial Times.”

1/11/16: “Now the good news of this is we know how to do these things, right?”

7/11/16: “And the good news is the separation is on track.”

4/8/14: “And the good news, it really comes from all segments, so everybody is performing well.”

7/8/14: “The good news is the U.S. market is coming back.”

4/8/15: “And also the fourth quarter, brought good news on that end because, the FAA basically certified our aluminum-lithium fan blade for the Pratt & Whitney PurePower engine for the A320neo.”

4/8/15: “What is the really, really good news here? The good news is that we have invested in the innovation, in the growth on the aero side.”

7/8/15: “And the good news is, I mean, we cater to everybody.”

4/11/16: “So the good news is we -- if you look at the left-hand side here, at Arconic, we currently have 11,644 actions under way for this year, right?”

10/11/16: “As you know, a major part of our DNA and a major part of the profit drivers, also good news on that end.”

# Disingenuous Rhetoric: “Proud”

1/11/10: “[W]e’re **extremely proud** of the efforts in maintaining our cash and liquidity position.”

4/12/10: “[V]ery proud of the almost flawless execution that we’ve shown in 2009.”

5/06/11: “I’m **most proud** of is this magazine called Exame.”

10/09/12: “[W]e’re **very proud** of inside of the company because 33 days working capital.”

1/11/10: “[W]e we have not compromised our values, we in fact live them every day and we are **very proud** of the achievement.”

1/10/11: “[O]ne other thing that makes me **really, really proud** – and I’m pretty sure that I speak for all Alcoans – that in the downturn it’s so easy to compromise your values.”

11/07/12: “I’m **very proud** of what we’ve accomplished here.”

11/04/15: “I’m **very proud** and excited to talk about an equity investment that we will make in Phinergy of \$10 million.”

4/11/16: “[W]e’re **pretty proud** of having won the Airbus contract for 3D metals printing.”

12/14/16: “**I’m proud** to report that by the end of the third quarter, we’ve already achieved the \$550 million target and are looking to Q4 add on top of those productivity gain.”

1/11/10: “[P]articularly proud of that, because that talks about the organic growth.”

11/10/10: “Alcoa is **very proud** of being a leader in not only in the industry....”

11/9/11: “I’m **extremely proud** honestly, and again, many of you I think understand why I say that, on the aerospace side.”

11/7/13: “**Very proud** to report that we have moved down 3 points on the alumina side.”

11/04/14: “[I]t makes me **very proud** to have the job I have.”

10/11/16: “[V]ery proud of how efficient we have been in the separation and how low our separation costs have been relative to what we’ve seen at other places.”

10/20/16: “[T]he thick plate stretcher products into the market. I am **very proud** of that one.”





# Disingenuous Rhetoric: “Sustainable”

1/12/09: “We completed a new smelter in Iceland, a location that gives us access to some of the most competitive and **sustainable energy** in the world.”

7/8/09: “We’re enhancing our position...how are we doing that and how we are getting this to a **sustainable level**.”

1/10/11: “We’ve been named the **Sustainable Company of the Year** by Exame Magazine, and we’re particularly proud of that.”



7/8/09: “Recyclability: It’s good for society, **sustainable**. It’s green.”

10/7/09: “Building a mine like that and the **sustainable way** we’ve done that, it really makes me proud of how we live out values.”

1/10/11: “We have just gone through a phase of tremendous expansion in Brazil. And to have done that in a **sustainable fashion**, I think that really stands out.”

11/7/13: “[H]ow important technology is, not to have just brought us where we are, but to get us further on the path and on a **sustainable path** to continue to grow, as well, the bottom line as the top line.”

11/4/14: “We are creating a compelling, **sustainable value** for all of you.”

4/8/15: “We are creating a **sustainable value** for our shareholders.”

7/8/09: “Capex: When it comes down to \$1.8 billion this year and then we want to have a **sustainable level** of \$850 million.”

1/11/10: “And literally, to make sure that we have a long-term **sustainable business** case here for can sheet as well as, and in TAP.”

5/6/11: “And as nobody was out there to have a **sustainable packaging**, we did it ourselves.”

7/8/14: “We are transforming Alcoa, and we are creating a compelling, **sustainable value**.”

11/4/14: “I am convinced that we will continue on the journey and we’ll continue to create a really compelling, **sustainable value**.”

1/12/15: “So to summarize all of this, the transformation is creating a sustainably – **sustainable value**.”

# Disingenuous Rhetoric: “Transforming”

1/12/09: “We have quickly shifted gears to put increased emphasis on maximizing cash and transforming the cost structure.”

11/7/13: “So I think the first point here is, that we are going through a transformation of the company, right.”

5/2/14: “The transformation is working and they are responding.”

5/13/14: “As you know, Alcoa has been transforming itself over the last few years.”



10/7/09: “[T]he work we’ve done to reposition our cost structure and transform our performance has driven improved cash generation across the company.”

1/9/14: “We’re going to do that by continuing on the productivity side and by transforming our asset base.”

6/26/14: “Alcoa’s transformation into a lightweight metals innovation powerhouse.... This is a transformational transaction.”

10/8/14: “I mean, as you probably all can see, the transformation is delivering results.... So let’s summarize. I mean, the transformation delivers.... Alcoa’s transformation is delivering.”

1/12/15: “I would say the transformation has delivered results.... It is the accelerated portfolio transformation.... [T]he transformation is sustainable value.”

4/8/15: “[I]t’s been a strong operational quarter and the transformation is fully on track.... So that’s pretty much what’s been happening: strong operational results, transformation fully on track.”

10/8/15: “The transformation is on course.”

3/23/16: “In 2015, we completed our portfolio transformation.”

11/7/12: “[W]e transform our plants into - sorry, for the word, lean, mean production centers.”

4/8/14: “The transformation is accelerating and the repositioning, in my view, is working so you will see more of this.”

7/8/14: “I mean, the transformation accelerates.... We are continuing the transformation, and we’re accelerating it.... [T]he transformation of Alcoa truly is in high gear.”

11/4/14: “We are transforming Alcoa.... We’re allocating capital to fund the transformation.... So this is what you’re getting, [the] transformation of Alcoa.”

3/9/15: “It’s clearly accelerating our transformation.”

5/12/15: “The transformation of the company continues.”

7/8/15: “[W]e are really transforming the company, and we are building these 2 value engines.... This was a strong quarter, shows that transformation is right on.”

11/4/15: “[T]he most recent step in the transformation was about a month ago.”

# Disingenuous Rhetoric: “Gaining Share”

4/7/08: “[T]his chart gives you quick snapshot of the success that we have displayed using all levers growth, share gain, productivity enhancement and so on and the results are clearly a good indication.”

1/8/13: “Their midterm target as depicted on the left hand side was, \$1.6 billion incremental revenue split up into \$1 billion to share gain and innovation and \$600,000 basically from market-to-market development and all of that also while achieving EBITDA margins that are above historic levels.”



7/9/12: “So, that’s why we are putting a lot of efforts into innovating and improving our position in this market and gaining share through innovation....”

11/7/13: “I opened the presentation, really innovation has been, and will continue to be in the next three years, the main engine behind our share gain.”

2/16/14: “For tension applications, 26 of them for vertical tail plane, major share gain for us.”

11/4/14: “But this is a structural gap that will take quite some time and we will be working it and we will be gaining share in this and we will continue to close the gap.”

11/9/11: “Again, the drivers, emerging market growth, as well as aluminum being the raw material of choice, taking share from steel, taking share from copper, being driven by the megatrends that we see today.”

10/9/12: “Obviously, these types of innovations driven by very, very strong, also innovation on the fundamental metal side, are driving share gain and growth.”

7/8/14: “I mean we have clear targets that we put out there; and the targets are \$1.8 billion value-add organic growth coming from innovation and share gain, right?”

11/4/14: “If the markets itself are growing and then our offerings are gaining share in growing markets, this is like a double whammy that you’re getting and we are extremely excited and I hope you are too.”

12/14/16: “It’s about the innovative products and the aero share gain, which I explain.”

1/10/11: “\$1 billion of new introduction, as well as share gains.”

# Disingenuous Rhetoric: “Shareholder Value”

4/7/08: “We need to execute our plans and move them safely and quickly from idea to cash as only cash creates real shareholder value.”

5/6/11: “Well, on the dividend side, obviously, we’re working very, very hard to increase shareholder value and increase value for the company in total.”

11/9/11: “[W]e are living our values. That all comes together, a pretty unique package, and we continue to accelerate to build up shareholder value creation.”



7/8/08: “You can be absolutely assured that we will make our decision based upon one criteria only: our confidence in creating shareholder value with respective investments.”

1/10/11: “We will continue to produce outstanding shareholder value across all businesses, and take my word, that’s our promise.”

10/11/11: “I also want to assure you that we will not lose sight of our True North, which is accelerating shareholder value through profitable growth.”

4/10/12: “I think then we are then creating substantial shareholder value. And that’s the main driver that we will continue to follow here.”

7/8/15: “So this is not something that comes tomorrow, but we believe that, that’s the right thing to do to get shareholder value here.”

7/8/15: “I think that’s really what counts, and that’s what’s going to create shareholder value short as well as long term.”

12/14/16: “We have a relentless focus on creating shareholder value, driven by an owner’s mindset.”

12/14/16: “So this I believe very strongly is a great alignment between the targets that we told you, the incentives for achieving it and how this will drive the shareholder value.”

10/7/08: “Rest assured, we will use every level possible to enhance our competitiveness, capture market share and deliver greater shareholder value.”

11/9/11: “So let me sum it up. Alcoa is committed to creating shareholder value.”

5/3/13: “And we look at how to create shareholder value in the best possible way.”

11/7/13: “[Y]ou mentioned that asset. I think the \$600 million shows you that when we do that, we do it right, and we generate quite a bit of shareholder value.”

7/8/15: “So we are really committed, I mean, to do all that we can do to create shareholder value.”

12/14/16: “Sixth, we’re really attacking all opportunities that drive shareholder value, that is for us the most important thing that we have on our mind.”

12/14/16: “We look at this company as though the money that’s put in there needs to get the returns to us that you want, driving shareholder value here.”

12/14/16: “The combination of owners mindset, shareholder value drive taking on all of the drivers for shareholder value at the same time having a very, very clear path.”



# Disingenuous Rhetoric: “Track Record”

1/11/10: “We have been able to show that we stick to our commitments. The track record of last year shows it very clearly. We are able to deliver value for our shareholders.”

11/10/10: “I believe that there are very few companies that have a track record like that and I think we earn it in a fashion every year.”

5/3/13: “We are now in a situation where our track record is 75x better than the average U.S. industrial firm.”

10/8/15: “[W]e have a proven track record in optimizing this segment....”

1/11/16: “In addition to that, this all would not have been achieved if we wouldn't, every year, basically not have let our eyes off productivity.... So I hope you agree with me that this has been a pretty good track record to drive profitability, and we have all intention to continue that as you've seen in 2015.”

10/11/16: “We are the major supplier to industry leaders in all of the sectors that Arconic is in. Arconic is a differentiated driver via innovation and advanced technology solutions. It has unparalleled capabilities on multi-material manufacturing processes as well as application engineering. It has a track record of breakthrough advances. I'm not going to mention all of this.”

11/7/13: “There's the track record, there's the trajectory, can you sustain it? Absolutely can do it, and I'll tell you why we can do it..”

5/2/14: “As you can see here, this is our... track record. And we already are known not only in our industry, but beyond our industry....”

11/4/15: “What has upstream achieved? It has a track record of cost leadership and margin expansion.”

1/11/16: “And if you also take a larger perspective and say, ‘Well, what is really the track record of the Value-Add business? What have they really achieved?’ I mean this is our track record from 2008 to 2015.”

10/27/16: “And you have - some of you have gotten to know the leadership team, and I hope you all will get to know it better, a team that really has a proven track record, and it's very strongly committed to create value for basically all of us here.”

5/2/14: “By the end of the year, we will basically be at 2.9 million tons of operating capacity. We have reduced the operating capacity by 28%. That means almost 1.2 million tons. That is an absolutely brutal task to do. And it's – I really take my hat off, I mean, that we tried to do it in the best possible way. And I think so far, the track record is good. Right.”





# Poor Governance

ELLIOTT®



# Poor Governance

## Frustrating Shareholder Rights

Arconic Has Clung to Retrograde Practices

## No Accountability

Chairman & CEO, No Real Lead “Independent” Director

## Lack of Alignment


Pay Not Linked to Performance, Board/CEO Not Owners

## Ethics Concerns

Management Used Company Assets to Secure Votes



ARCONIC  
Innovation engineered.



“We encourage you to rely on the judgment of the Arconic Board, which is independent, objective and thoroughly dedicated to the interests of all Arconic shareholders.”

Arconic Letter to Shareholders, March 2, 2017

# Frustrating Shareholder Rights: Arconic vs. New Alcoa

New Alcoa chose to embrace good governance when the companies split, Arconic chose not to

“[O]ne of the things about Alcoa Corp. that is fundamentally different than Alcoa Inc. is that we were given the opportunity to come out with a much better governance structure. So as a new company, we separated the Chairman and the CEO role. I personally believe that's the right way to have the business set up.... In addition to that, we've decided to incorporate in Delaware.... Delaware is much more shareholder-friendly.”

William F. Oplinger, CFO Alcoa Corp., November 16, 2016

<u>Governance Issue</u>	<u>Arconic</u>	<u>New Alcoa</u>
Election of Directors	✗ Staggered Board	✓ Annually Elected Board
State of Incorporation	✗ Pennsylvania	✓ Delaware
Removal of Directors	✗ 80% of outstanding	✓ Majority of outstanding
Charter Amendments	✗ Up to 80% of outstanding	✓ Majority of outstanding
Leadership Structure	✗ Combined Chairman & CEO	✓ Separate Chairman & CEO

*Is this an honest statement?*

Source: FactSet

“Made several attempts to improve legacy governance but could not garner sufficient shareholder support”

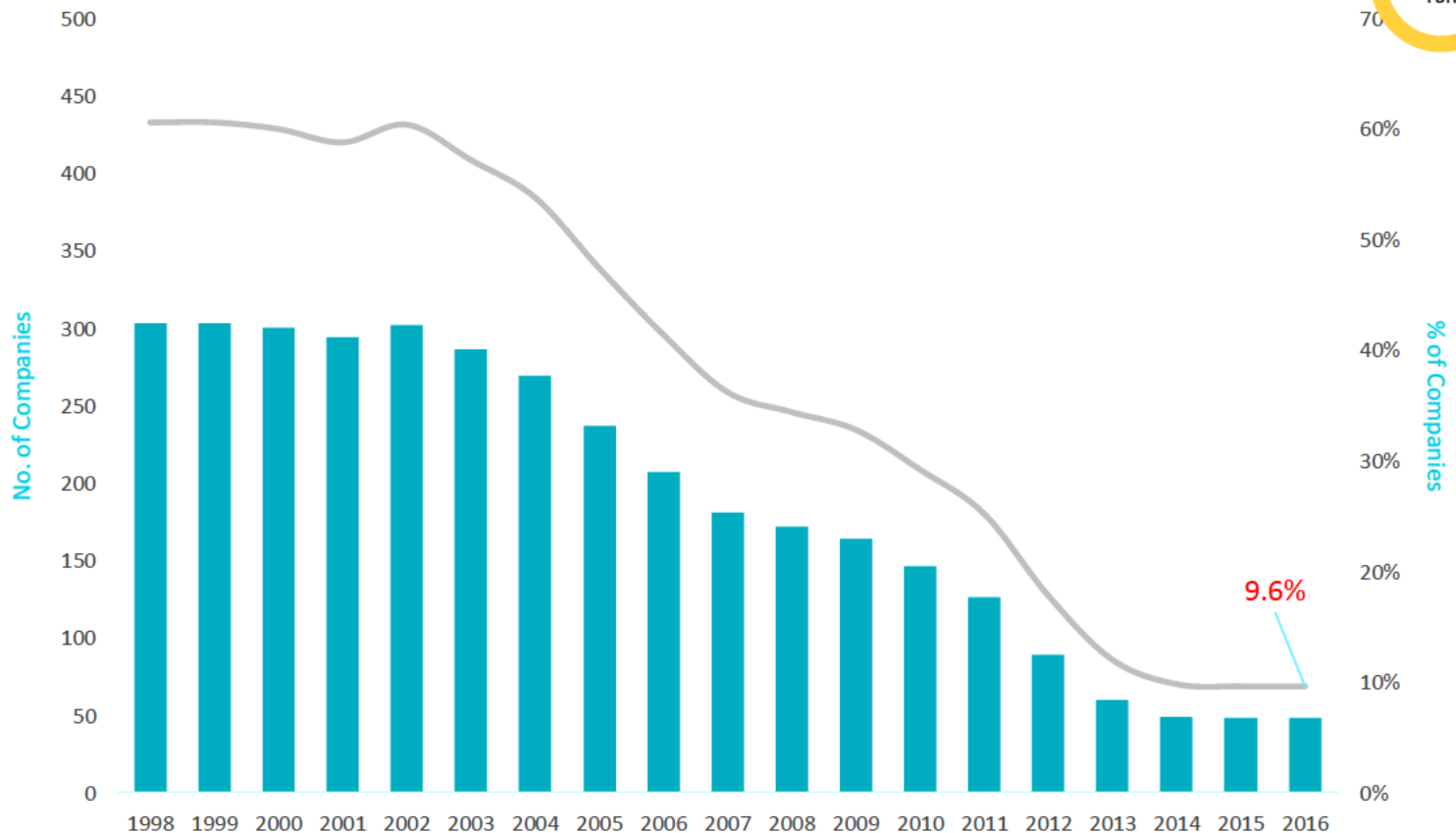
Arconic Investor Presentation, March 27, 2017

# Frustrating Shareholder Rights: Clinging to Outdated and Substandard Practices

“Having a classified board is not an accountability issue for Alcoa. The company’s corporate governance policies hold directors accountable to shareholders.”

Alcoa’s 2011 Proxy Statement

Decline in S&P 500 Companies with Classified Boards



**(101%)**  
TSR  
vs. Proxy Peers  
since 2011 AGM

Source: Bloomberg

# Frustrating Shareholder Rights: “Arconic’s Board Values Strong Corporate Governance”?


Consistent with a pattern of delusion that includes pretending that TSR and operating performance have been excellent, Arconic’s board claims to “value” good governance practices. Reality: the Company has been a corporate governance house of horrors

The Company could have reincorporated in Delaware. The split with Alcoa would have been a perfect opportunity to do so (and New Alcoa did just that). They also could have put a proposal to reincorporate into Delaware on the ballot THIS YEAR. The Company’s “ongoing efforts” this year could have been solved with one proposal to reincorporate in Delaware

We believe that Alcoa’s “efforts” to improve corporate governance were disingenuous

## The Facts: Arconic’s Board Values Strong Corporate Governance

*Focus and values of our Board*

Key Board and Governance Information		Proven Independent Leadership	
12 of 13	Number of Independent Directors		Patricia F. Russo Lead Independent Director
63	Average Age of Directors		Director on the Boards of:
19	Full Board Meetings Held in 2015 and 2016		• General Motors
< 4	Average Tenure of Independent Directors (in years)		• Hewlett Packard Enterprise
67%	Independent Directors Added in the Last Three Years		• KKR Management
93%	Average Board Attendance in 2016		• Merck & Co.
✓	Ongoing Efforts to Declaring Board Structure <sup>(1)</sup>	✓	Proven track record as executive and Board member
✓	Adopted Proxy Access Bylaw	✓	Has led companies through severe economic downturns
✓	Majority Voting for Directors		Experience leading complex, global organizations
✓	Ongoing Efforts to Eliminate Supermajority Voting Requirements <sup>(2)</sup>	✓	Extensive knowledge of governance practices and principles
✓	Lead Independent Director		
✓	Regular Executive Sessions of Independent Directors		
✓	Director Stock Ownership Guidelines		

**Governance Background and Actions**

- Arconic is a Pennsylvania corporation and is saddled with legacy governance requirements
- Board has attempted to modernize governance, but has not been able to garner sufficient shareholder support
- Board ensured Alcoa Corp. was spun with state-of-the-art governance
- Board committed to submitting a proposal to reincorporate in Delaware if this year’s governance proposals do not pass, which will enable a new charter with state-of-the-art governance, including annual election of directors

Would Alcoa Corp.’s management and board agree that Arconic’s current directors deserve credit for its “state-of-the-art” governance?

We believe Pat Russo’s leadership is not truly “independent” and her own poor track record of performance speaks for itself

TSR, relative to the S&P 500 Index, since Ms. Russo joined the board is (182%)



Source: Arconic  
 (1) The Company is seeking shareholder approval at the 2017 annual meeting to declare its Board of Directors  
 (2) The Company is seeking shareholder approval at the 2017 annual meeting to eliminate supermajority voting requirements

# Frustrating Shareholder Rights: Disingenuous Efforts

Under the current CEO, Alcoa has a history of failed efforts to expand shareholder rights. After 2012 the Company abandoned its “efforts” to improve corporate governance

Year	Mgmt. Rec.	ISS & GL Rec.	% for Voting	% for O/S	Notes	
<b>2009</b> (230%) TSR SINCE	Amend Vote Requirements to Amend Articles/Bylaws/Charter	Against	For	73.4	45.8	<ul style="list-style-type: none"> <li>This was the proposal that initiated Alcoa's apparent cat and mouse game of what we believe was a disingenuous effort to improve corporate governance</li> </ul>
<b>2010</b> (123%) TSR SINCE	Adopt Majority Voting	Against	For	94.6	70.5	<ul style="list-style-type: none"> <li>The Company could not get 8-10% more of the vote in?</li> <li>How many phone calls did the proxy solicitor make?</li> <li>How many mailings did the Company do?</li> </ul>
	Reduce Supermajority Vote in Director Elections	For	For	95.3	71.1	
	Reduce Supermajority Vote to Remove of Directors	For	For	96.8	72.2	
<b>2011</b> (101%) TSR SINCE	Reduce Supermajority Vote Requirement Relating to Fair Price Protection	For	For	95.2	70.3	<ul style="list-style-type: none"> <li>The Company could not get 10% more of the vote in?</li> <li>How many phone calls did the proxy solicitor make?</li> <li>How many mailings did the Company do?</li> </ul>
	Reduce Supermajority Vote Requirement Relating to Director Elections	For	For	95.1	70.2	
	Reduce Supermajority Vote Requirement Relating to the Removal of Directors	For	For	95.5	70.5	
	Declassify the Board of Directors	Against	For	80.7	42.5	
<b>2012</b> (55%) TSR SINCE	Reduce Supermajority Vote Requirement for Director Elections	For	For	95.9	47.1	<ul style="list-style-type: none"> <li>Why did so few shareholders vote at this meeting?</li> <li>What were Alcoa's proxy solicitation expenses for 2012?</li> </ul>
	Reduce Supermajority Vote Requirement for Director Removals	For	For	96.2	47.2	
	Declassify the Board of Directors	For	For	96.9	47.6	

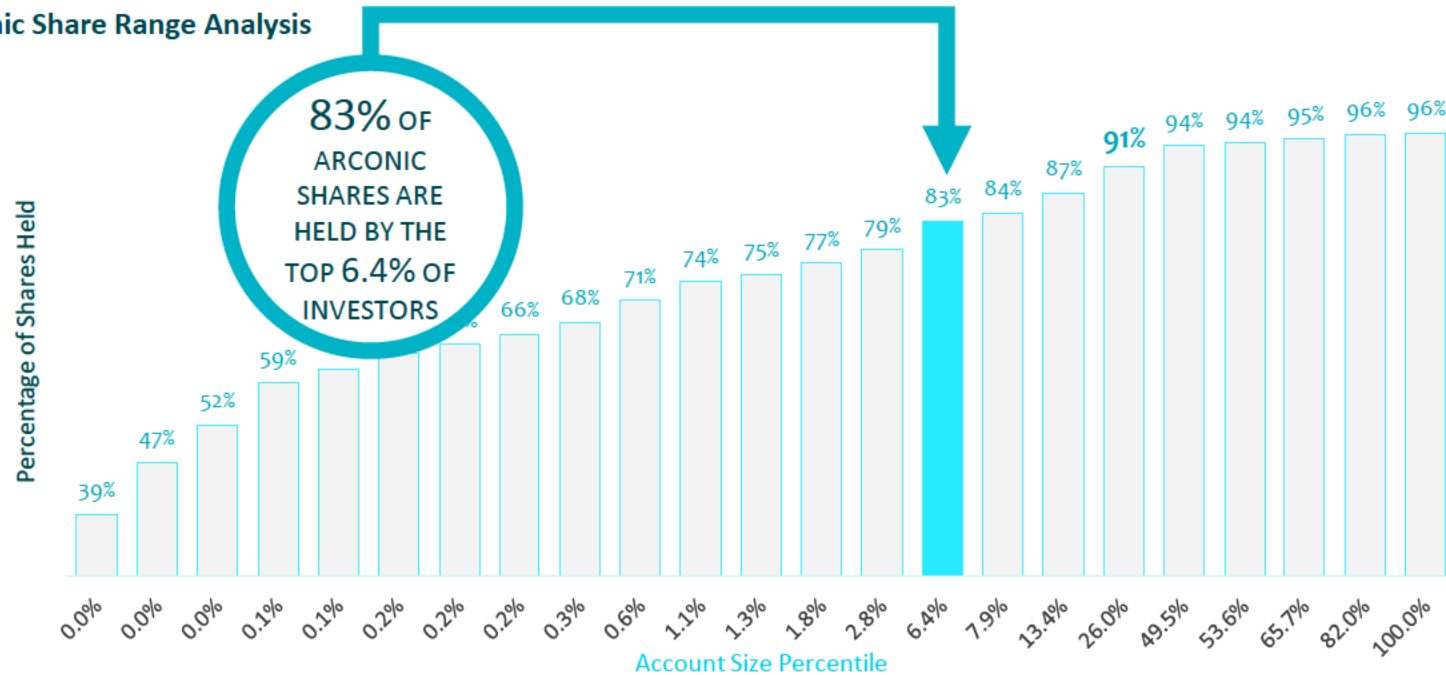
Source: Institutional Shareholder Services; Bloomberg  
 Note: Total shareholder return relative to Company Proxy Peer median



# Frustrating Shareholder Rights: Disingenuous Efforts (cont.)

Although there are ~400,000 shareholders of Arconic, more than 80% of the shares are held by less than 5% of holders. We believe the Company's **excuse that it could not achieve a supermajority vote is not credible**

Arconic Share Range Analysis



## NCR Corp.'s Extraordinary Effort

“One company, NCR Corporation, made a distinct effort to ensure its declassification proposal surpassed the 80 percent of outstanding shares supermajority vote requirement. 2016 represented the third consecutive year that NCR had placed a board-sponsored declassification proposal on the ballot. In 2014 and 2015 the proposal received the support of 78.4 and 77 percent of outstanding shares, respectively. At the time NCR convened its 2016 annual meeting, its declassification proposal again received less than 80 percent support of outstanding shares. Nonetheless, NCR took the extraordinary step to adjourn its meeting twice in order to solicit additional votes for the declassification proposal. When the annual meeting convened for a third time, the declassification had received the requisite votes of outstanding shares for passage at 80.1 percent.”

ISS Post Season Review, October 12, 2016

# Poor Governance: Failed Window-Dressing

Arconic's reactive governance changes - after we launched our proxy contest - serve as an admission of guilt, in our view, and we believe the current board will not necessarily follow through as needed

- The Board had ample time and opportunity under Dr. Kleinfeld's leadership to address Arconic's corporate governance practices, including its classified board structure and supermajority shareholder approval requirements
- Notably, Arconic could have sought to enhance its corporate governance in connection with the Separation by following suit with New Alcoa's Delaware incorporation (rather than Pennsylvania), annually elected board of directors, majority voting requirements and separated Chairman and CEO structure
- The Board acknowledges that these governance changes could be achieved through a Delaware reincorporation (which would not require supermajority approval) but chose not to take that path
- Search to fill a board vacancy did not commence until after Elliott launched its proxy contest. David Hess replaced Martin Sorrell, who only attended 63% of Arconic's board meetings in 2016 (which would have resulted in an automatic AGAINST recommendation by major proxy advisors). Furthermore, WPP, which Mr. Sorrell owns a significant stake in, was compensated for the wasteful *Jetsons* marketing campaign

*"If Arconic's board is so 'uniquely positioned' to steer the company in the right direction, why did it wait until after Elliott raised some of these issues to do something about them? Alcoa seems to have found the time to improve its corporate governance following the split in November."*

Brooke Sutherland, Bloomberg, March 6, 2017



# Poor Governance

## Frustrating Shareholder Rights

Arconic Has Clung to Retrograde Practices

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Chairman & CEO, No Real Lead “Independent” Director

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After two years as CEO, Dr. Kleinfeld re-combined the Chairman and CEO positions. Since then, Dr. Kleinfeld has held both positions. But a lead independent director can be just as good as an independent chairman, right?

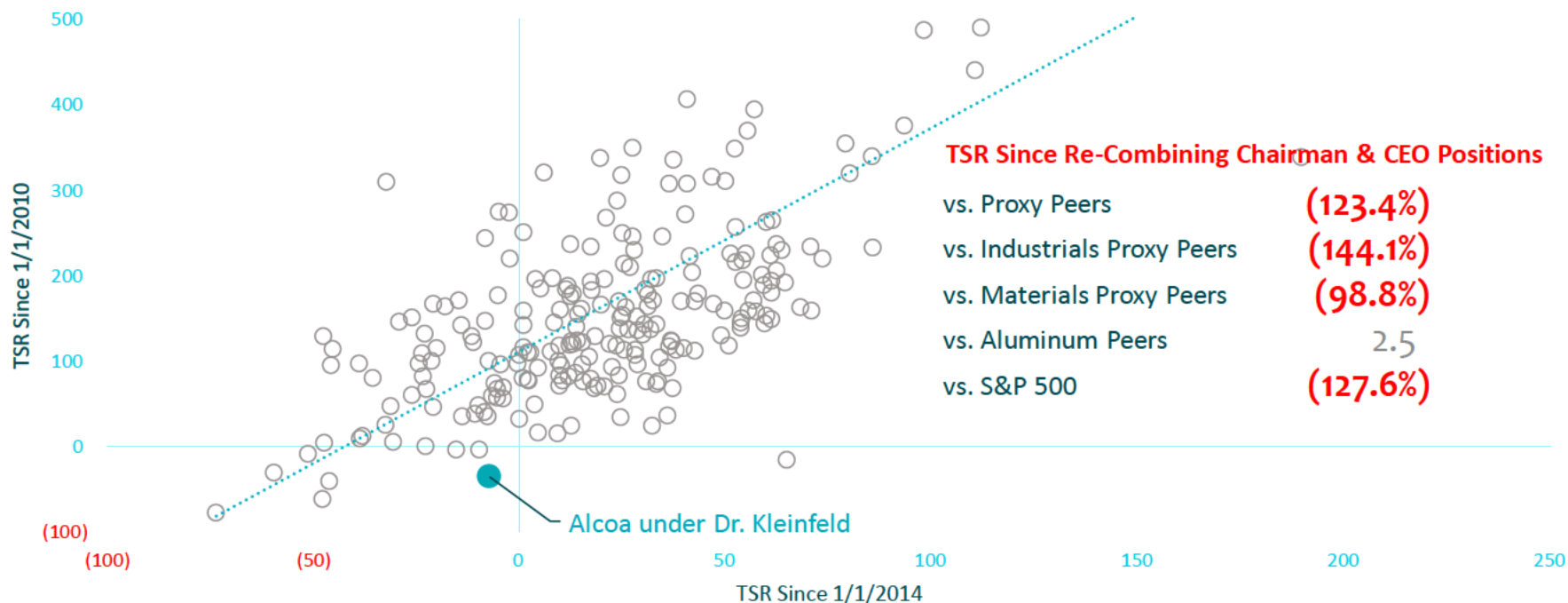
# No Accountability: An Undeserved Privilege

Combined Chairman and CEO positions should be a privilege enjoyed by sustained top performers only

“[Dr.] Klaus Kleinfeld serves as both the CEO and chairman. The combined role is increasingly discouraged by investors believing instead that the separation of these roles provides more effective board oversight. As an enhanced safeguard, the company has individual designated Patricia Russo as the Lead Director. However, Ms. Russo is overboarded, serving as Lead Director of GM, chairman of Hewlett Packard Enterprise (HPE), and is a director at Merck & Co. This calls into question the time she has available to lead the independent directors. Another issue is the fact that Chairman and CEO [Dr.] Klaus-Christian Kleinfeld, who is also overboarded, serves on the board of HPE with Ms. Russo. This can make it difficult for the lead director to act independently.”

MSCI ESG Research, Inc., December 19, 2016

TSR of S&P 500 with Combined CEO/Chairman Position



Source: Bloomberg

Note: End date for TSR is October 31, 2016; S&P 500 companies as of October 31, 2016



# No Accountability: Distracted CEO

Dr. Kleinfeld's outside interests are excessive given the Company's performance

"Evidence strongly suggests that the time commitment required to be an effective board member at a public company – driven by new regulations, boards' increasing role in risk oversight, and rising demands for directors to engage with shareholders – has jumped in recent years. Accounting restatements, unsolicited takeover offers, corporate scandals, data breaches and executive succession crises are just a few of the events that can place around-the-clock claims on a director's attention. It is important that board members have the capacity to fulfill all duties, including responding to such unforeseen events when they happen, without compromising their professional and boardroom commitments."

ISS 2016 Proxy Policy Update

"AGAINST: [Dr.] Kleinfeld... Nominee [Dr.] KLEINFELD serves as an executive of chairman and CEO of Arconic Inc ("Arconic"), a public company created by the recent split of Alcoa, while serving on a total of three public company boards... In [Dr.] Kleinfeld's case, we note that Arconic has been targeted by activist investor Elliott Management, which plans on nominating a slate of dissident candidates at Arconic's next annual meeting. We believe the volatility of this situation, including Elliott's push for [Dr.] Kleinfeld to be removed from his position as CEO of Arconic, may further distract from [Dr.] Kleinfeld's board commitments at the Company."

Glass Lewis, 2017 HPE Proxy Paper

## Public Company Boards



(150%) TSR  
VS. S&P 500  
SINCE  
BECOMING  
CEO



Hewlett Packard  
Enterprise

AA: (54%)  
TSR VS. S&P  
500 SINCE  
JOINING

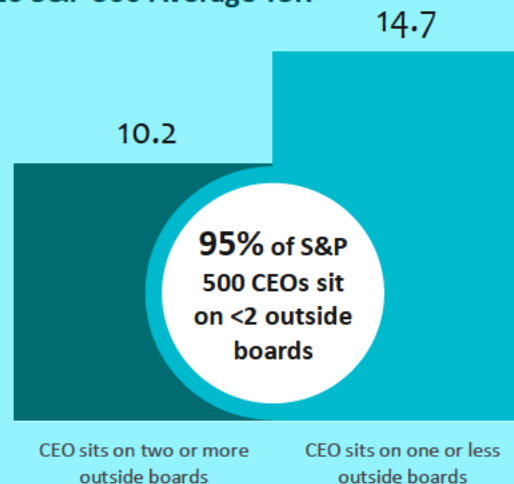
Morgan Stanley

AA: (60%)  
TSR VS. S&P  
500 SINCE  
JOINING

## Non-Profit / Advocacy Boards

1. The Brookings Institution
2. American Institute for Contemporary German Studies
3. The Assmann Foundation of Prevention
4. Partnership for New York City
5. US-Russia Business Council
6. The Bilderberg Group
7. Global CEO Advisory Council
8. World Economic Forum
9. American Council on Germany
10. Council on Foreign Relations

## 2016 S&P 500 Average TSR



"There isn't a corporate/shareholder event of prestige Klaus often declines so as to put in more hours at the office (oh, which by the way, occupies the top floor of the Unilever Building, NYC's most expensive offices, which by many accounts are worth a sizeable portion of Alcoa's market capitalization; certainly not a bad upgrade from the steel mills of Pittsburgh). An investor would have fared best by avoiding [Dr.] Kleinfeld's hijinks all-together from mid '08- to the present by way of holding aluminum outright (which plummeted in pricing/ton from ~\$3k to \$1.4k in '08) or better yet a S&P 500 index fund...Bravo Davos, why not ask your posterchild Klaus to run an annual seminar on Disruptive Value Destruction?"

Cara Goldenberg, Value Walk, May 15, 2016



# No Accountability: “Cosmetic” Independence

2017 PROXY STATEMENT

Corporate Governance [continued](#)

## The Structure and Role of the Board of Directors

### Board Leadership Structure

The Company's current Board leadership structure comprises a combined Chairman of the Board and Chief Executive Officer, an independent director serving as the Lead Director and strong, active independent directors. Arconic has had a strong, independent Lead Director for a number of years. The Board believes this structure provides a very well-functioning and effective balance between strong Company leadership and appropriate safeguards and oversight by independent directors. A combined role of Chairman and Chief Executive Officer confers advantages, including those listed below:

- By serving in both positions, the Chairman and Chief Executive Officer is able to draw on his detailed knowledge of the Company to provide the Board, in coordination with the Lead Director, leadership in focusing its discussions, review and oversight of the Company's strategy, businesses, and operating and financial performance.
- A combined role ensures that the Company presents its message and strategy to stakeholders with a unified voice.
- The structure allows for open and effective communication between executives and the Board, as well as efficient decision making and focused accountability.

The Board believes that it is in the best interest of the Company and its shareholders for Mr. Kleinfeld to serve as Chairman and Chief Executive Officer, considering the strong role of our independent Lead Director and other corporate governance practices providing independent oversight of management as set forth below.


**Our Independent Lead Director has substantial responsibilities.**

**Our Lead Director:**

- Presides at all meetings of the Board at which the Chairman is not present, including executive sessions of the independent directors;
- Responds directly to shareholder and other stakeholder questions and comments that are directed to the Lead Director or to the independent directors as a group, with such consultation with the Chairman or other directors as the Lead Director may deem appropriate;
- Reviews and approves meeting agendas and schedules for the Board;
- Ensures personal availability for consultation and communication with independent directors and with the Chairman, as appropriate;
- Calls executive sessions of the Board;
- Calls special meetings of the independent directors, as the Lead Directors may deem to be appropriate; and
- In her capacity as Chair of the Governance and Nominating Committee, oversees the Board's self-evaluation process.

Patricia F. Russo is our current Lead Director. Ms. Russo's strength in leading the Board is complemented by her depth of experience in Board matters ranging from her service on the Company's Compensation and Benefits Committee (including as Chair from May 2011 to May 2015), Governance and Nominating Committee (the current Chair) and Executive Committee to her memberships on other company boards.

33



“CEOs or other top executives who serve on each other’s boards create an interlock that poses conflicts that should be avoided to ensure the promotion of shareholder interests above all else”  
Glass Lewis 2017 Proxy Paper Guidelines

“While many companies have an independent lead or presiding director who performs many of the same functions of an independent chair (e.g., setting the board meeting agenda), we do not believe this alternate form of independent board leadership provides as robust protection for shareholders as an independent chair.”  
Glass Lewis 2017 Proxy Paper Guidelines

“If the person [Lead Director] is not independent or lacks substantive duties, the position is simply cosmetic.”  
ISS 2016 U.S. Proxy Voting Manual

“One particular relationship that should raise a red flag is when the CEO of company A sits on the compensation committee of company B whose CEO is a director of company A or the converse. ISS typically categorizes such directors as affiliated outsiders.”  
ISS 2016 U.S. Proxy Voting Manual

**And “Substantial”  
Conflicts of Interest**

**AGAINST PAT RUSSO.** “The nominee [Russo] is an incumbent member of the nominating committee and the chair of the board is not independent. The nominee is an incumbent member of the compensation committee and the ratio of CEO compensation to compensation of the average named executive officer is inequitable. The nominee sits together on more than one board with another director. The nominee sits on five or more public company boards..”  
NEI Investments 2015 Proxy Voting Report

# No Accountability: Lead “Independent” Director

Dr. Kleinfeld oversees Ms. Russo’s compensation at HPE while Ms. Russo oversees Dr. Kleinfeld’s compensation at Arconic. Cool, right?

Hewlett Packard  
Enterprise



Have been  
on Board  
together  
since 2014

Hewlett Packard  
Enterprise



## Pat Russo, Chair of the Board

- \$434,675 in FY 2016 compensation for the position – a 39% increase since Dr. Kleinfeld joined the HPE Board

## Dr. Klaus Kleinfeld, Director

- Member of Human Resources and Compensation Committee, responsible for *“Discharging the Board’s responsibilities relating to the compensation of our executives and directors”*
- Member of the Nominating, Governance, and Social Responsibility Committee, responsible for *“Design[ing] and execut[ing] annual evaluations of the Board, committees, and individual directors”* and *“Oversee[ing] the organization and leadership structure of the Board to discharge its duties and responsibilities properly and efficiently”*

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8  
years  
together!

ARCONIC



## Pat Russo, Lead Independent Director

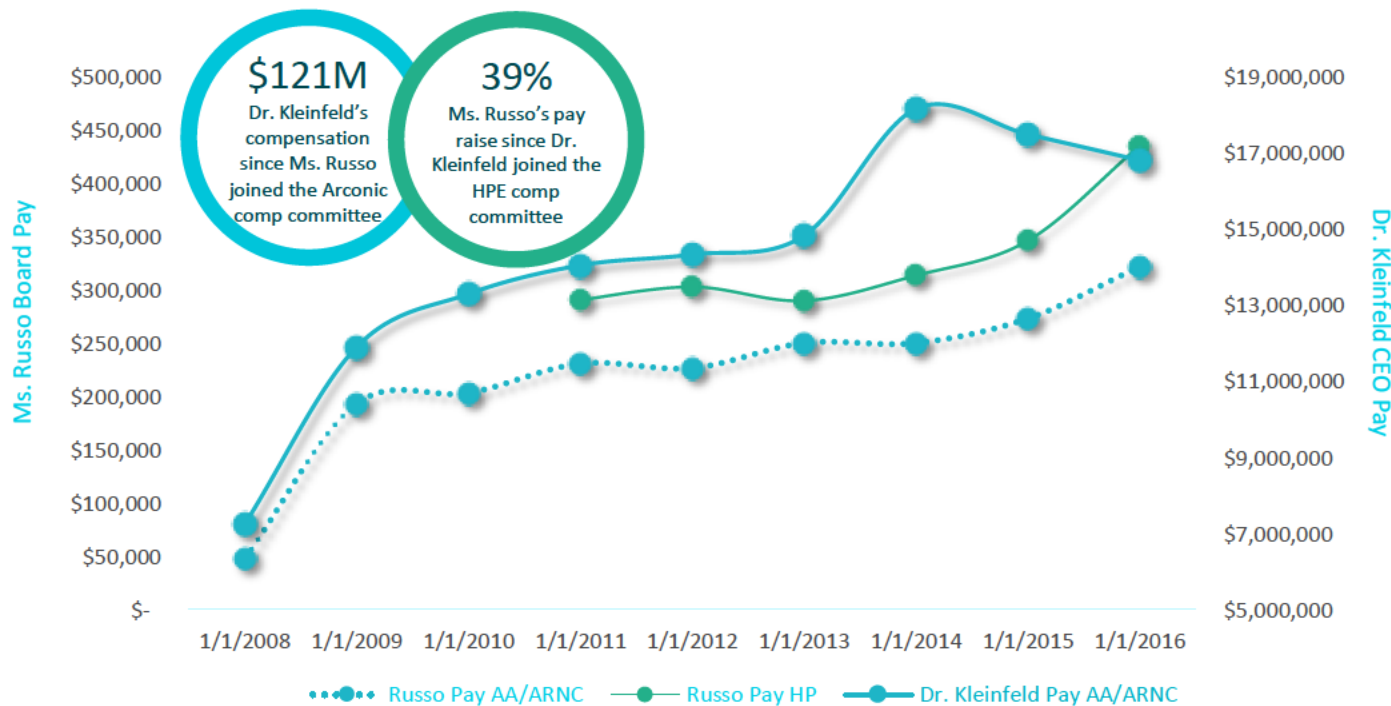
- Has made approximately \$2 million as a director under Dr. Kleinfeld
- As Lead Director, Ms. Russo is responsible for *“providing independent oversight of management”*
- Chairman of Governance and Nominating Committee, and member of the Compensation and Benefits Committee which is tasked with: *“Design of compensation programs and incentive arrangements”*

## Dr. Klaus Kleinfeld, Chairman & CEO

- Has been paid more than \$120 million since Ms. Russo joined the Compensation Committee

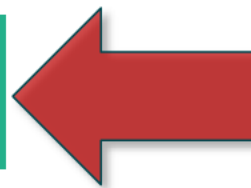
# No Accountability: Reciprocal Back Scratching?

Dr. Kleinfeld and Ms. Russo have done very well by overseeing one another



“None of our executive officers served as a member of the compensation committee of another company, or as a director of another company, whose executive officers also served on our compensation committee or as one of our directors.”

HPE 2017 Proxy Statement



Source: Bloomberg

**Ms. Russo’s interlocks with Dr. Kleinfeld are so significant as to not permit her to serve as Executive Chairman of HPE**

# No Accountability: Ms. Russo's Stewardship Does Not Give Us Comfort

*Not only is Ms. Russo conflicted, her own track record as a CEO is abysmal*

*"I don't even want you to finish the phone call, I want you to hang up right now and just say I want to sell every share of Lucent because the combination of Lucent and Alcatel is going to be run by Patricia, Run Into the Ground, House of Pain, Train Wreck, Sell-Sell-Sell, Russo."*

Jim Cramer, July 31, 2007

*"She has a remarkable lack of vigor, a lack of execution, a lack of vision..."*

Jim Cramer, September 14, 2007

*"After such poor results, "the board would be totally irresponsible" for keeping Ms. Russo on, says author and consultant Noel Tichy."*

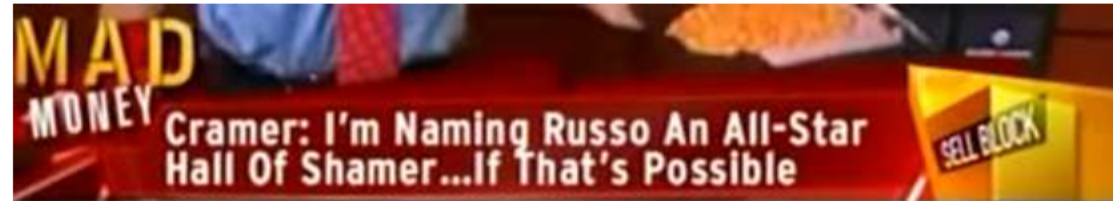
The Wall Street Journal, July 29, 2008

*"Pat Russo will step down as CEO by no later than the end of this year and Serge Tchuruk (Chairman) will also leave by October 1, 2008. We believe this joint resignation will be well received by investors and gives scope for a fresh approach going forward."*

Credit Suisse, July 29, 2008

*"Alcatel-Lucent announced this morning that CEO Pat Russo and the Chairman of the Board Serge Tchuruk will step down by the end of the year. The board has announced it will reduce in size and add new members with strong industry expertise. This is positive news for the company: a new management team is likely to improve investor confidence and opens a wider range of options for turnaround of the company."*

Sanford Bernstein, July 29, 2008



## THE WALL STREET JOURNAL. Patricia Russo Out at Alcatel-Lucent

(86%) vs.  
S&P 500 as  
CEO



TSR as a  
Director at  
Alcoa (226%)  
vs peers



# No Accountability: “External Recognition”

What makes someone “external”? Perhaps Pat Russo could tell us

## External Recognition of Board’s Commitment to Good Governance

*Endorsement from Corporate Governance Expert Professor Joseph A. Grundfest*

“The Arconic Board has repeatedly demonstrated a clear commitment to good governance. It created Alcoa Corporation as a Delaware entity with a state-of-the-art, shareholder-friendly governance profile. It is seeking shareholder approval to declassify its board and eliminate all supermajority voting requirements, and if the requisite approval is not obtained, it has committed to propose a Delaware reincorporation that would achieve that result. This Board—which consists of a majority of directors who joined the board since the beginning of last year including three directors selected by a major activist shareholder—deserves the full support of investors who embrace best practices in corporate governance.”

Is this true?

Who created Alcoa Corp.?

— Joseph A. Grundfest, Professor of Law and Business at Stanford Law School, March 2017

On what basis?



Has written widely criticized research about the benefits of classified boards

Sits on the Board of KKR with Pat Russo, Arconic’s Lead Independent Director



# No Accountability: Shareholders Should Trust These Directors?

TSR as CEO of Lucent was (55%); as CEO of Alcatel-Lucent was (58%); dramatically underperformed S&P 500 and Peers. Interlocking relationship with Dr. Kleinfeld at the HPE/Arconic Boards.

## Directors Have Been Change Agents

Widely considered responsible for the collapse of Merrill Lynch. Former bond trader with no operating experience

Track record of Board action

### World Class Independent Directors



**Patricia F. Russo**  
Former CEO, Alcatel-Lucent

- Active Board Seats:
- General Motors
  - HPE (Chairman)
  - KKR Management
  - Merck & Co., Inc.



**Arthur D. Collins, Jr.**

**Former Chairman and CEO, Medtronic**  
Active Board Seats:

- Boeing Company
- U.S. Bancorp



**E. Stanley O'Neal**

**Former Chairman and CEO, Merrill Lynch & Co.**  
Active Board Seats:

- Platform Specialty Products Corp.



**L. Rafael Reif**

**President, Massachusetts Institute of Technology**  
Active Board Seats:

- Schlumberger



**Ratan N. Tata**

**Chairman Emeritus, Tata Sons Limited**

ARCONIC

Alcoa Inc. and Arconic Board

### Action-Oriented Board

- ✓ **Supported significant business and capital structure change** through the financial crisis
  - Recapitalized balance sheet
  - Closed or sold 25 plants, disposed of 100,000 jobs
  - Acquired two major aerospace companies
- ✓ **Modified strategy to create two new businesses**
  - Upstream:** Strengthened business, sold assets less impacted by commodity prices
  - Downstream:** Built a leading manufacturing business in high growth markets
- ✓ **Separated Alcoa Corp. and Arconic** after extensive multi-year study
- ✓ **Consistent record of strong corporate governance**
  - Made several attempts to improve legacy governance but could not garner sufficient shareholder support
  - Ensured Alcoa Corp. had state-of-the-art governance at split
  - Proposing significant governance enhancements at the first Arconic annual meeting

*The Board has proactively and thoughtfully enacted key strategic decisions that have driven shareholder value*

As CEO, underperformed peers by 61%

Evidence suggests that there were several successful attempts at keeping the status quo

Missed nearly 1/3 of Arconic's 2016 Board Meetings

Has substantial legal issues at his namesake company, highly distracted, making capacity to serve as an attentive director limited

When faced with a proxy contest



# No Accountability: Arconic's Board Lacks Critical Skills

Remarkably little relevant industry expertise, numerous conflicts, questionable judgment

**Arconic's Board**

**Experienced**

- Patricia Leary**, Independent Director, Former CEO, Alcatel-Lucent
- Arthur Co**
- E. Stanley O'Neal**, Former Chairman and CEO, Merrill Lynch & Co.
- Ratan N. Tata**, Chairman Emeritus, Tata Sons Limited

**Elliott Input (Feb-16)**

- Sean O. Mahoney**, Former Partner, Goldman, Sachs & Co.
- John C. Plant**, Former Chairman, President, & CEO, TRW Automotive
- Ulrich R. Schmidt**, Former EVP and CFO, Spirit Aerosystems

**New Perspectives (Nov-16)**

- Amy E. Alving**, Former SVP & CTO, BAC
- Rajiv L. Gupta**, Former Chairman and CEO, Rahm & Haas
- David P. Hess**, Former President, Pratt & Whitney United Technologies
- Julie G. Richardson**, Former Partner, Providence Equity Partners

**Annotations:**

- Highly conflicted. TSR as a CEO (55%). TSR vs. Proxy Peers since becoming Lead "Independent" Director (32%). NO relevant industry EXPERTISE
- CEO presided over demise of Merrill Lynch. NO RELEVANT INDUSTRY EXPERTISE
- NO RELEVANT INDUSTRY EXPERIENCE
- Served on HP Board with Dr. Kleinfeld and Ms. Russo. NO RELEVANT INDUSTRY EXPERIENCE
- Worked with Stan O'Neal at Merrill Lynch. NO RELEVANT INDUSTRY EXPERTISE
- Search for a new director did not commence until after Elliott launched its proxy contest. Mr. Hess replaced Sir Martin Sorrell, who only attended 63% of Arconic's board meetings in 2016 – this would have resulted in an automatic AGAINST recommendation by major proxy advisors. Mr. Hess decided to join the Board after Elliott launched proxy contest and promptly endorsed a failed CEO, sight unseen. Furthermore, WPP, which Sir Sorrell has a significant stake, was compensated for Dr. Kleinfeld's wasteful and exorbitantly expensive Jetsons marketing campaign
- TSR as a Director at Alcoa (62%) or (169%) vs peers
- TSR as a Director at Alcoa (68%) or (162%) vs peers
- Underperformed index and peers as CEO. TSR as a director of Alcoa (27%) or (123%) vs peers. NO relevant industry EXPERTISE
- Worst performing CEO in S&P 500
- Academic. NO RELEVANT INDUSTRY EXPERIENCE

ARCONIC Source: Arconic

Source: Arconic Investor Presentation, March 27, 2017

# Poor Governance

## Frustrating Shareholder Rights

Arconic Has Clung to Retrograde Practices

## No Accountability

Chairman & CEO, No Real Lead “Independent” Director

## Lack of Alignment

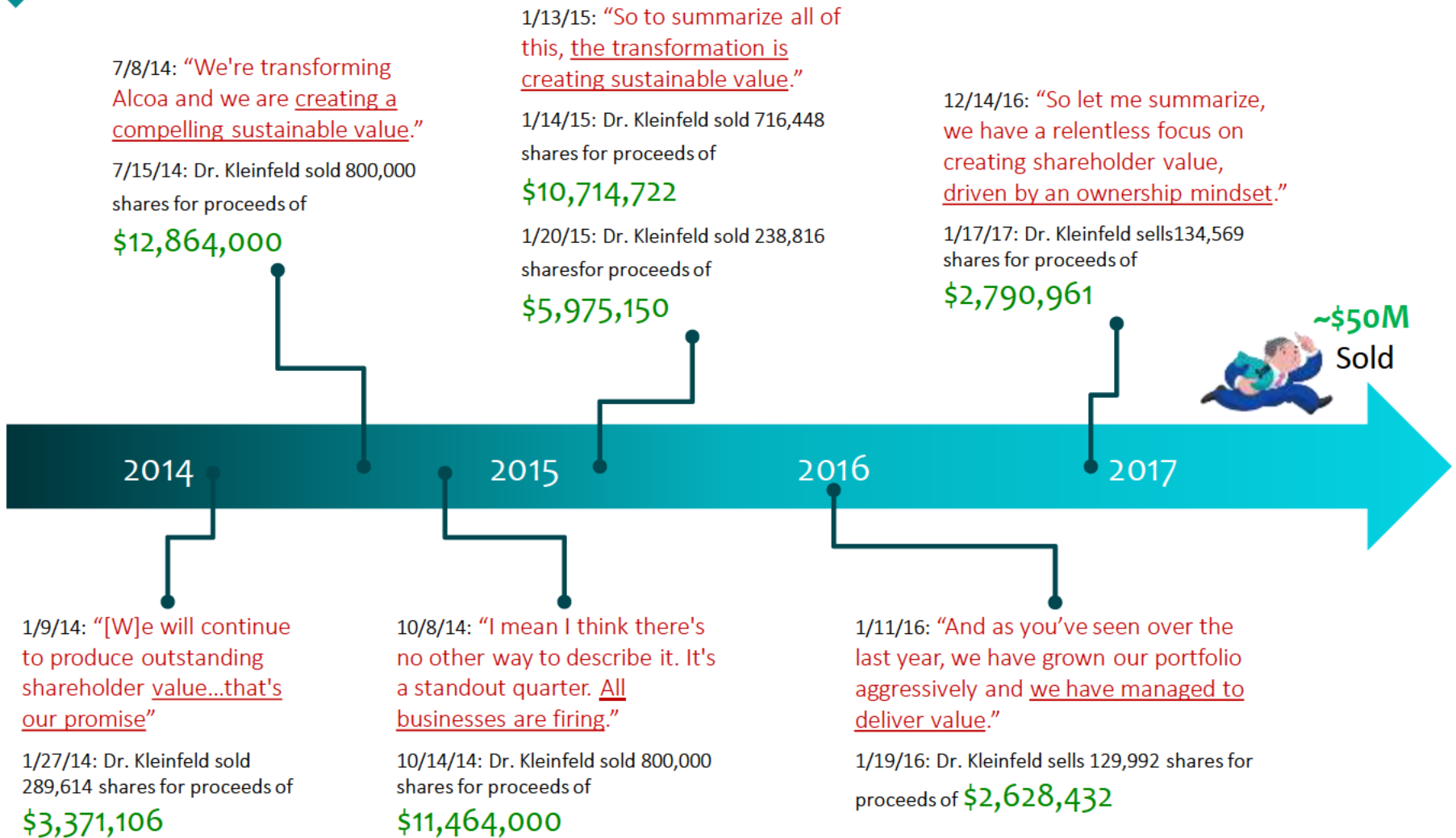
Pay Not Linked to Performance, Board/CEO Not Owners

## Ethics Concerns

Management Used Company Assets to Secure Votes

# Lack of Alignment: Grandiose and Bullish Rhetoric While Selling Stock

While Dr. Kleinfeld has touted Alcoa's transformation, his actions belied his words

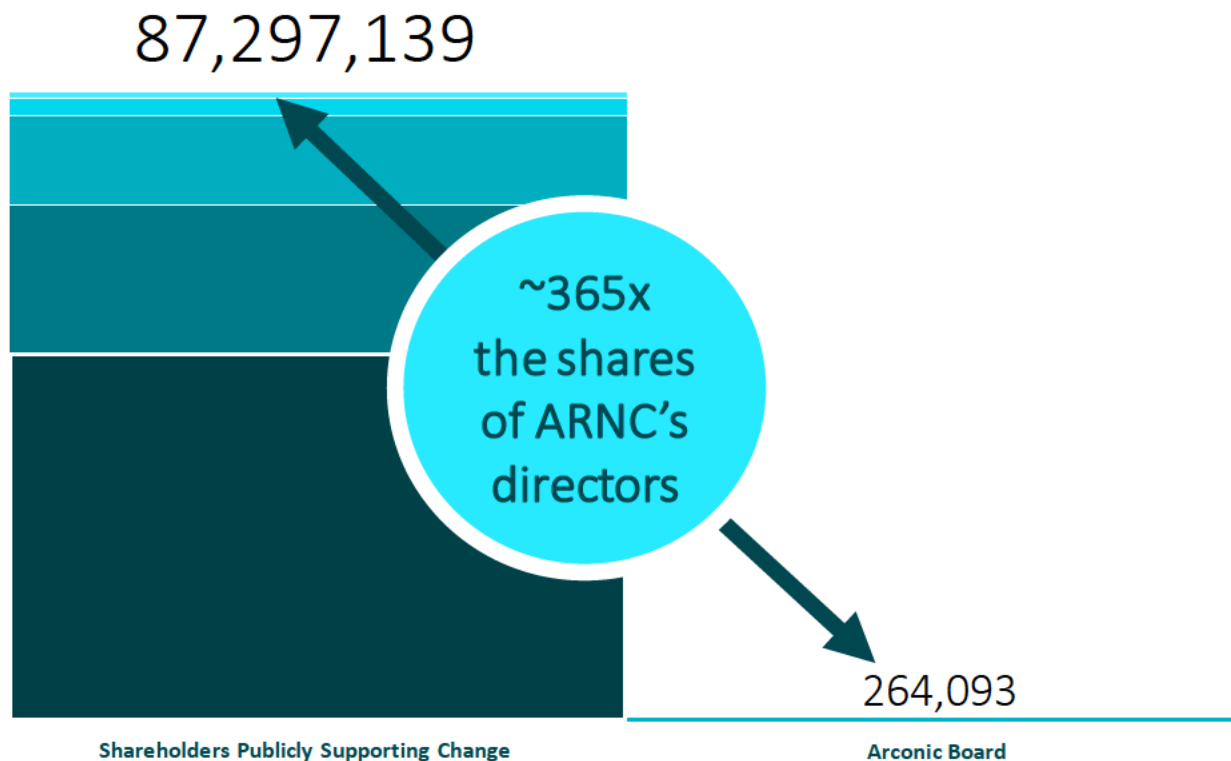


Source: FactSet; Company filings

# Lack of Alignment: Who Has Shareholder Interests in Mind?

Including Elliott, investors representing more than 87 million shares of Arconic stock (23%) have come out publicly in support of changing leadership. This is, to our knowledge, unprecedented

## ARNC Shares Held



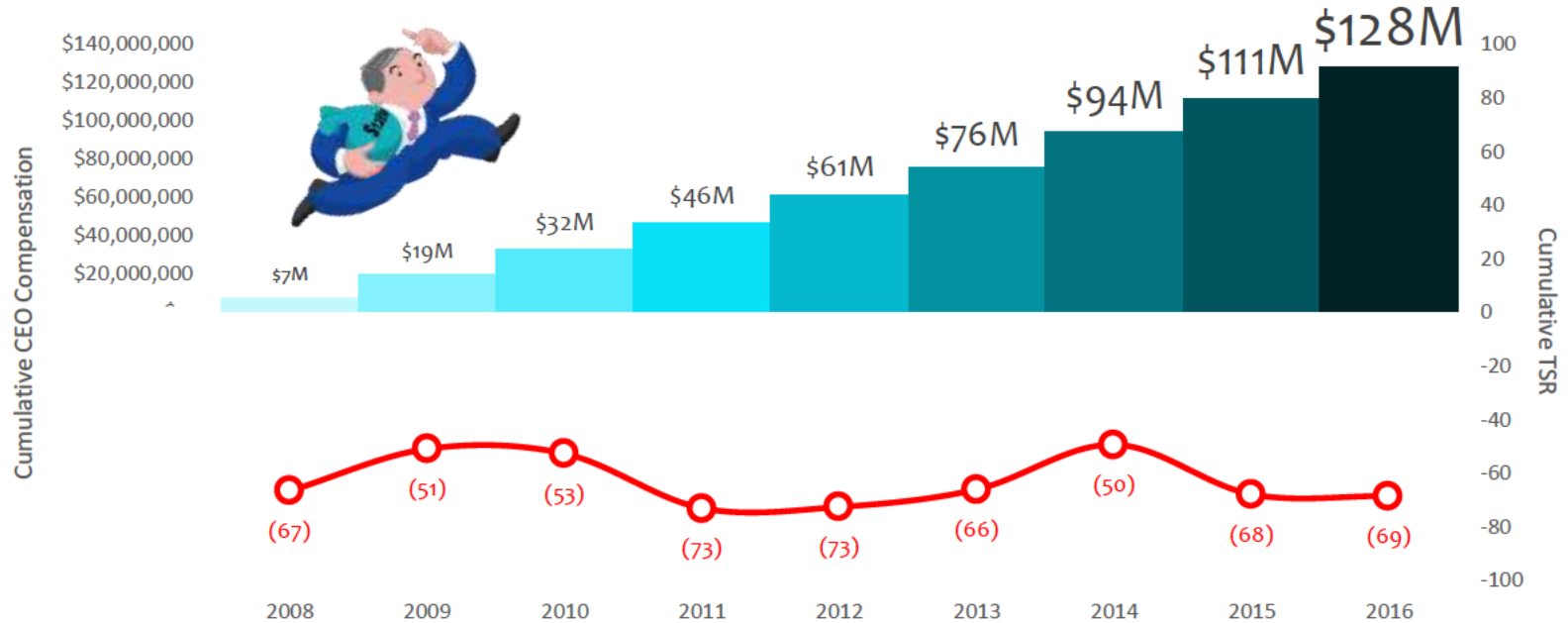
Source: SEC filings; press releases

“[W]e are demonstrating leadership on the additive manufacturing front and we are entirely focused on shareholder value with an owner's mindset...”

Dr. Klaus Kleinfeld, February 8, 2017

# Lack of Alignment: Cumulative CEO Pay and TSR

Dr. Kleinfeld's Cumulative Compensation vs. Cumulative TSR % Since Becoming CEO



"The CEO's annual incentives did not rise or fall in line with annual financial performance, reflecting a potential misalignment in the short-term incentive design."

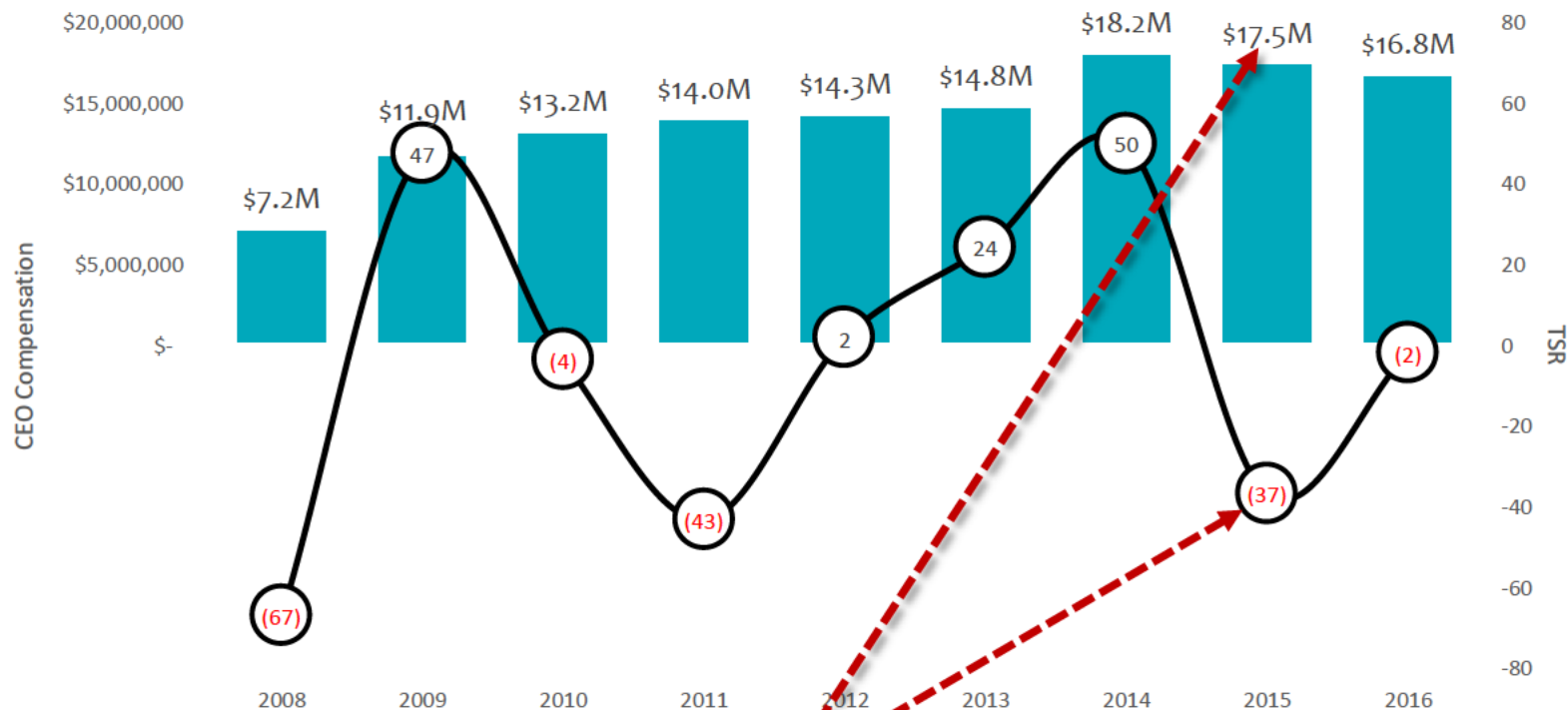
MSCI ESG Research, Inc., December 19, 2016

Source: Bloomberg. Total shareholder return as of 10/31/2016. FY 2008 TSR = 5/1/2008-12/31/2008. FY 2016 = 1/1/2016-10/31/2016  
 Note: ARNC fell an additional 2% between 11/1/2016-12/31/2016

# Lack of Alignment: Extreme Pay vs. Performance Disconnect

Dr. Kleinfeld's compensation does not appear linked to shareholder returns and in 2015, much of the current board saw fit to gross up Dr. Kleinfeld's compensation by 34% despite the fact that company shares declined by 37%

Dr. Kleinfeld's Annual Compensation vs. Annual Return %



"As a result of the Company's performance and in consideration of management's transformation accomplishments and the importance of retaining and motivating IC-eligible executives and managers to complete the separation, the Compensation Committee approved a 34.2 percentage point increase (an aggregate increase of approximately \$16.8 million for all IC-eligible participants) to the attained IC pool, resulting in a final below-target IC payout of 88.5%."

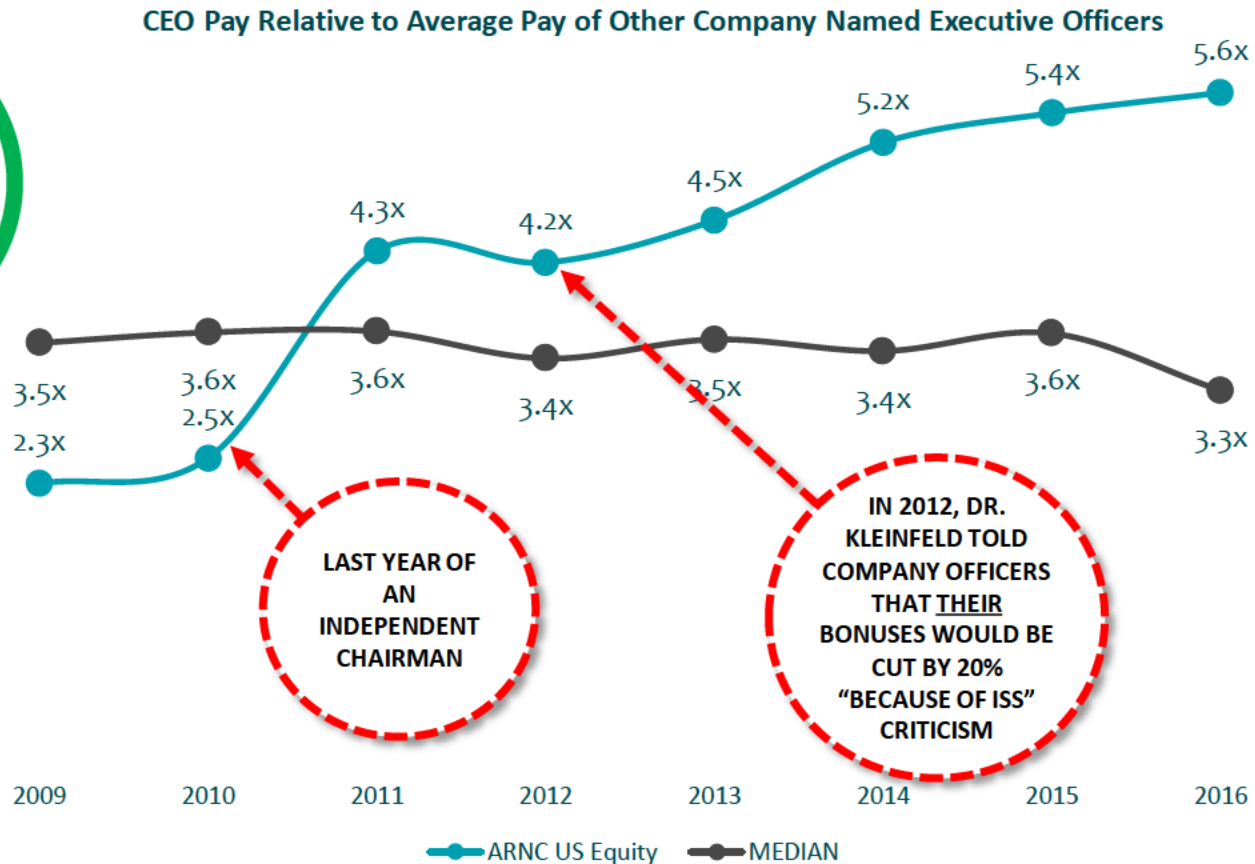
Alcoa 2016 Proxy Statement (for FY 2015)



# Lack of Alignment: Dr. Kleinfeld's Quintuple Value



WHY IS DR. KLEINFELD'S RELATIVE VALUE ACCELERATING?



Source: Bloomberg. Peer median uses Arconic's 2017 Proxy Peers

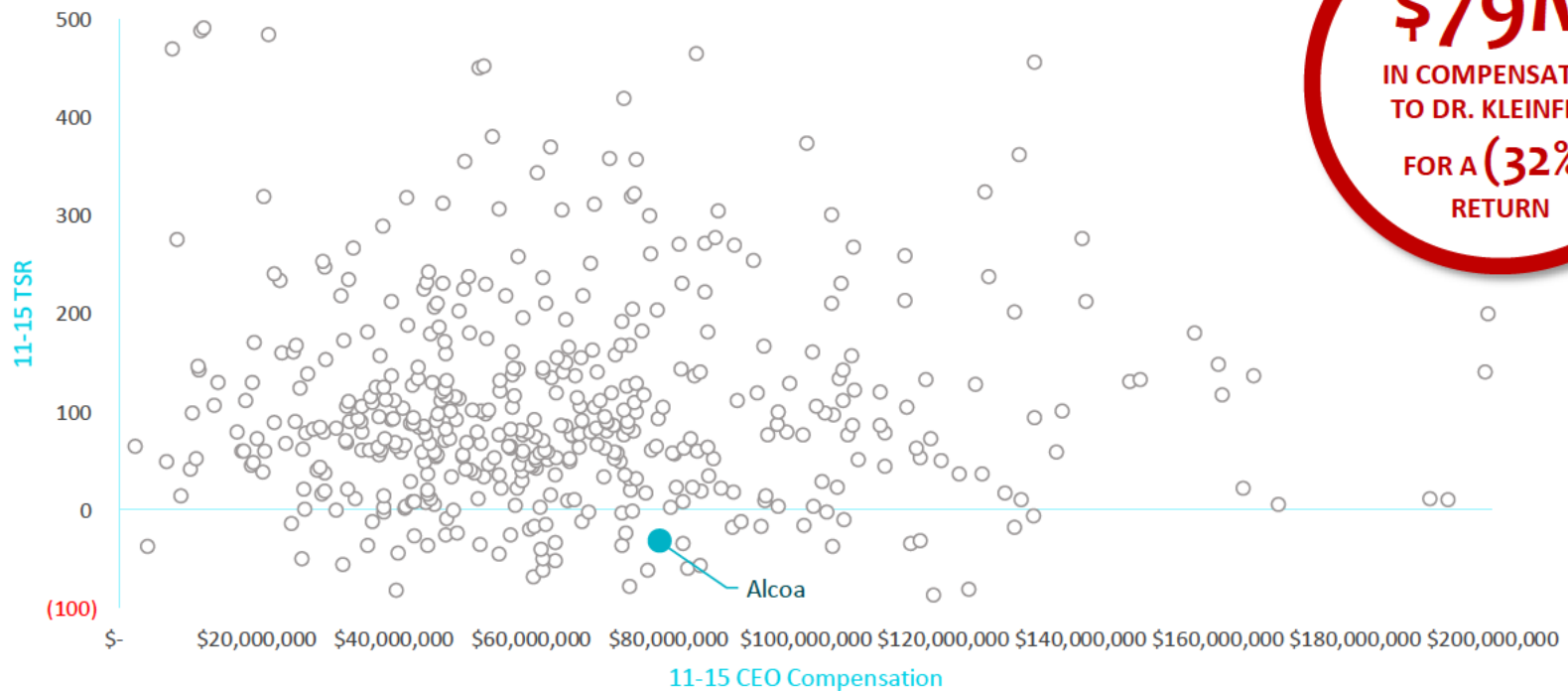
"SWIB will vote AGAINST this proposal, as the following concern(s) remain: CEO pay is 5.00 times greater than the next highest paid NEO."

State of Wisconsin Investment Board – 2016 Proxy Voting Report (Alcoa 2016 Annual Meeting Vote)

# Lack of Alignment: CEO Pay vs. Performance

From 2011 through 2015, Dr. Kleinfeld was paid \$79 million while delivering a loss of 32% for shareholders

2011 – 2015 CEO Pay vs. Performance of the S&P 500



**\$79M**  
IN COMPENSATION  
TO DR. KLEINFELD  
FOR A (32%)  
RETURN

Source: Bloomberg

“The Company has been deficient in linking executive pay to corporate performance, as indicated by the ‘D’ grade received by the Company in Glass Lewis’ pay-for-performance model. Shareholders should be concerned with this disconnect. A properly structured pay program should motivate executives to drive corporate performance, thus aligning executive and long-term shareholder interests. In this case, as indicated by the poor grade, the Company has not implemented such a program. In our view, shareholders should be concerned with the compensation committee’s failure in this area.”

Glass Lewis, 2016 Alcoa Proxy Paper

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# Ethics Concerns: Vote Buying Agreement

In Arconic's 2017 definitive proxy statement, the Company disclosed that they had **traded away Company assets in exchange for votes**

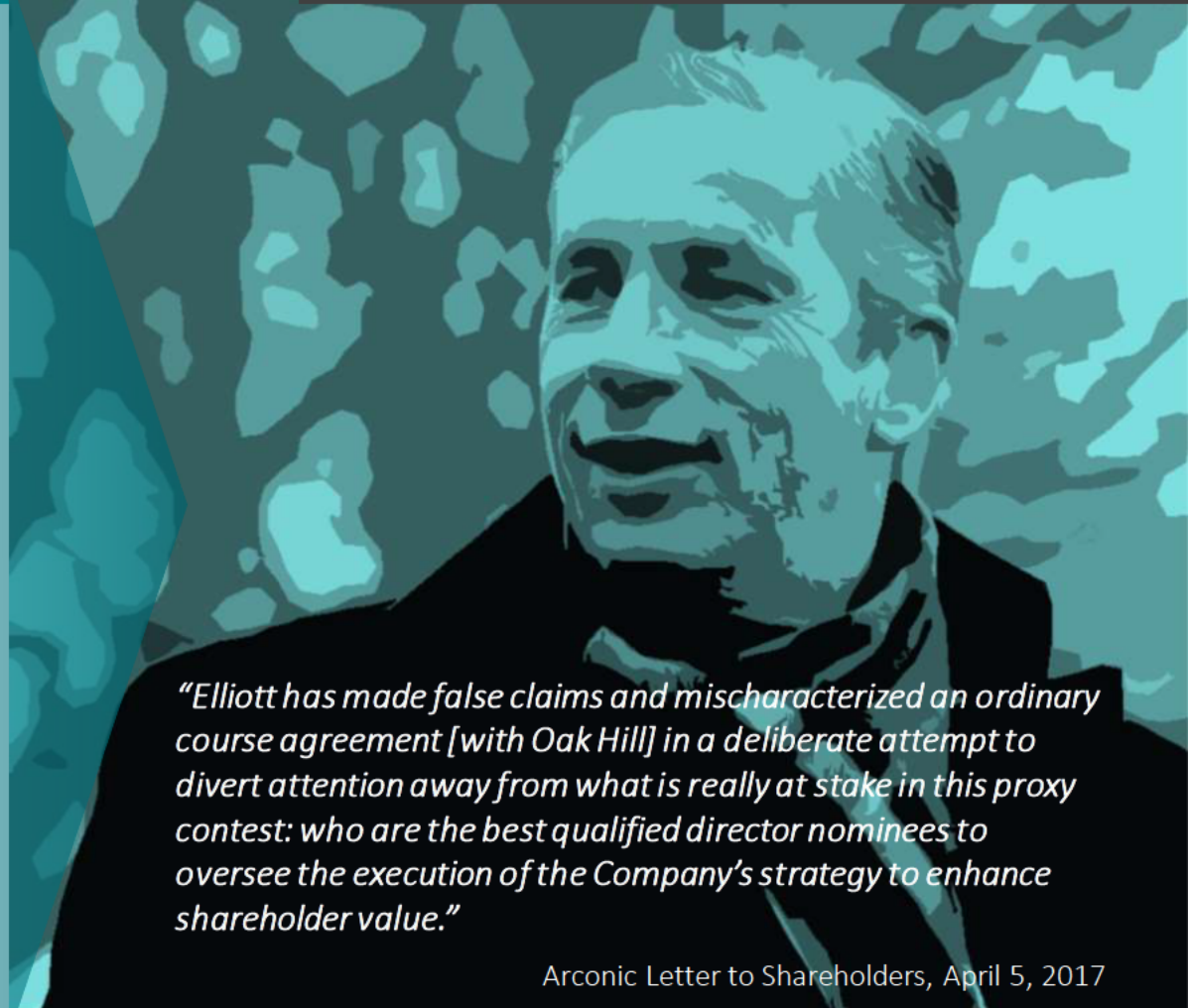
- In Arconic's March 13, 2017 definitive proxy statement, reference is made to a previously undisclosed transaction from August 2016, in which the Company locked up the vote of approximately 8.7 million shares of Arconic common stock in exchange for the resolution of potential legal claims against the former owner of Firth Rixson
- Three days after Elliott publically criticized the Company's subversive maneuver, Arconic back-tracked and "waived" the voting commitment in a statement which contradicted its March 13<sup>th</sup> disclosure and insulted the common sense of Company investors by insisting that "no additional value was given for the commitment" and that "at the time of the agreement there was no pending proxy contest"
- The Company expects shareholders to believe that 1) Oak Hill agreed to a two-year voting lock-up for free, and 2) Arconic had asked for this voting commitment without the concern of a contested election
- In response to Elliott's request for books and records, the Company refused to comply with the request and stated that "Elliott's serial press releases here suggest that it already has all the information it needs to communicate with other shareholders about this issue."
- Arconic's shareholders have every right to receive a detailed account of this transaction, not only because it speaks to management's judgment and fitness to continue leading the Company, but we believe is symptomatic of a long and larger pattern of poor decision-making under the aegis of Arconic's CEO

**The Company has yet to make fulsome public disclosure to resolve concerns regarding the vote buying impropriety**

## Ethics Concerns: Vote Buying Agreement (cont.)

We have asked for more information about this transaction because shareholders unquestionably deserve to know precisely what Arconic gave up in exchange for the secret August voting lock-up. The Company continues to stone-wall

After we expressed our doubts about Dr. Kleinfeld's ability to lead Arconic, we were assured by the Board that Dr. Kleinfeld was on "thin ice" and that one more mistake would cost him his job



*"Elliott has made false claims and mischaracterized an ordinary course agreement [with Oak Hill] in a deliberate attempt to divert attention away from what is really at stake in this proxy contest: who are the best qualified director nominees to oversee the execution of the Company's strategy to enhance shareholder value."*

Arconic Letter to Shareholders, April 5, 2017

**Unfortunately, shareholders must hold Dr. Kleinfeld accountable if the Board does not**

## Ethics Concerns: Vote Buying Agreement (cont.)

It is the Board's job to "Establish the appropriate 'tone at the top' to actively cultivate a corporate culture that gives high priority to ethical standards, principles of fair dealing, professionalism, integrity, full compliance with legal requirements, ethically sound strategic goals and long-term sustainable value creation."

Martin Lipton, Wachtell Lipton Rosen & Katz

Source: "The New Paradigm, A Roadmap for an Implicit Corporate Governance Partnership Between Corporations and Investors to Achieve Sustainable Long-Term Investment and Growth," Martin Lipton, Wachtell Lipton Rosen & Katz, prepared for the International Business Council of the World Economic Forum, available at: [www.wlrk.com/docs/thenewparadigm.pdf](http://www.wlrk.com/docs/thenewparadigm.pdf)

**Arconic management traded legal claims belonging to the Company and its shareholders in exchange for a voting lock-up agreement personally benefiting themselves. What does that say about "the tone at the top"?**



# Ethics Concerns: Siemens History

During Dr. Kleinfeld's tenure as an executive at Siemens, from 2001 through 2007, Siemens made approximately \$1.4 billion in bribes to foreign government officials

- While Dr. Kleinfeld was an executive at Siemens (including serving as the company's CEO), Siemens had secret overseas slush funds in place to pay bribes to foreign government officials in an effort to win contracts



## The New York Times *At Siemens, Bribery Was Just a Line Item*

Matthew W. Friedrich, the acting chief of the Justice Department's criminal division, called corruption at Siemens "systematic and widespread." Linda C. Thomsen, the S.E.C.'s enforcement director, said it was "egregious and brazen." Joseph Persichini Jr., the director of the F.B.I.'s Washington field office, which led the investigation, called it "massive, willful and carefully orchestrated."

All told, Siemens will pay more than \$2.6 billion to clear its name: \$1.6 billion in fines and fees in Germany and the United States and more than \$1 billion for internal investigations and reforms.

"Bribery was Siemens's business model," said Uwe Dolata, the spokesman for the association of federal criminal investigators in Germany. "Siemens had institutionalized corruption."

- These bribes were a violation of the Foreign Corrupt Practices Act (FCPA) in the U.S., and were also a violation of German law

*"Siemens' then-corporate culture seemed openly tolerant of bribes, helping staff to feel they were 'not only acceptable but implicitly encouraged'."*

Graham Dietz and Nicole Gillespie, "Rebuilding trust: How Siemens atoned for its sins", The Guardian, March 26, 2012

# Ethics Concerns: Siemens History (cont.)

Despite all signs pointing to an exit as CEO, Dr. Kleinfeld took dramatic action in an attempt to stubbornly hold on to the position

- In 2006, when Dr. Kleinfeld was serving as CEO, German authorities raided the company's headquarters in connection with their investigation into the company's illegal payments
- Dr. Kleinfeld disclaimed responsibility for or knowledge of the illegal payments and refused to step down as CEO
- As the massive scale of the bribes began to come out, Dr. Kleinfeld lost the support of several members of the company's supervisory board
- In what may be perceived as a stunt to deflect criticism and remain CEO, Dr. Kleinfeld unexpectedly pre-announced an earnings beat as the pressure to step down peaked
- This pre-announcement, however, did not quiet the calls for Dr. Kleinfeld's resignation



**The New York Times**  
*In a last-ditch effort to save his job, Kleinfeld released quarterly earnings figures late Tuesday, two days earlier than planned, to underscore the company's financial health. Net income rose 36 percent to €1.26 billion, greater than analysts had predicted.*

## Ethics Concerns: Siemens History (cont.)

As the bribery investigation enveloped more and more executives and board members, Dr. Kleinfeld eventually announced that he would leave Siemens



### DER SPIEGEL

**Kleinfeld Throws in the Towel**

#### **Siemens CEO Undermined by Board**

Since Monday it had been clear that Kleinfeld was fighting to hold on to his position. But in the end the lack of support on the company's supervisory board prompted him to jump before he was pushed.

### The New York Times

Problems escalated for Mr. Kleinfeld, and Mr. von Pierer, last month when prosecutors arrested Johannes Feldmayer, a member of the Siemens board of management and the company's second-highest paid executive after Kleinfeld.

Source: "Kleinfeld Throws in the Towel: Siemens CEO Undermined by Board", Der Spiegel, April 26, 2007; G. Thomas Sims, "Siemens chief says he will step down", The New York Times, April 26, 2007

**Dr. Kleinfeld had nothing to fear though, because he was on the board of Alcoa at the time. He was named COO of Alcoa less than two months after leaving Siemens**



# Ethics Concerns: Siemens History (cont.)

Dr. Kleinfeld's legacy at Siemens will be forever defined by the bribery scandal which resulted in his departure

- In an unprecedented move, Siemens' Supervisory Board – comprised of the most successful leaders of "Germany Inc." – sought damages from Dr. Kleinfeld for his failure to properly supervise
- Two years after leaving his post as CEO of Siemens, Dr. Kleinfeld settled claims related to his personal involvement in the corruption scandal for €2 million (apparently a significant share of his then net worth)
- Note that shareholders were left holding a bill for €1.6 billion in costs related to the scandal – including the largest FCPA fine ever paid (it remains the largest to this day)
- Additionally, we note that Alcoa paid one of the largest FCPA fines in history for bribes that were paid while Dr. Kleinfeld was a director and served on the Audit Committee of the Board
- How much Dr. Kleinfeld knew about the widespread bribery at Siemens will likely remain a mystery
- It is fair to ask, however, whether a competent CEO would have seen the warning signs



Source: Von Helmut Boger and Roman Eichinger, "Der Ruinator", Bild, October 1, 2006; Chris V. Nicholson, "Siemens to Collect Damages From Form Chiefs in Bribery Scandal", The New York Times, December 2, 2009

**Being publicly threatened with a lawsuit by Siemens' supervisory board, and being dubbed "The Ruinator" by the press for leaving an iconic German company in ruins, is extraordinary**

# Ethics Concerns: Denying Performance Issues

*Maybe some shareholders don't trust Elliott. Maybe some shareholders don't think that Arconic can close the margin gap with PCC. Perhaps some think the current board is fine as-is. It's even possible that some don't think that there is anything wrong with using the Company's assets for securing favorable proxy votes. But we cannot imagine anyone thinking that Dr. Kleinfeld's contention that "performance has been excellent" is reasonable. The current attempt to represent performance as excellent is an absolute scandal in and of itself, in our view. Dr. Kleinfeld's apparent "impunitive nature" is on full display – and we believe this personality type cannot be entrusted to lead any important organization.*



## Characteristics of Impunitive Personality: Denies Blame

- Bold: Big Person on Campus
  - *Becomes angry or hurt when blamed. Integrates self with superiors in hopes of avoiding blame*
- Mischievous: High Wire Walker
  - *Denies role in failure, may deny that failure has even occurred. Distorts information to avoid blame*
- Colorful: Thespian
  - *Expects forgiveness for any and all failures*
  - *Would rather be blamed than ignored*
- Imaginative: Assertive Daydreamer
  - *Offers complex explanations for failures*
  - *Seems anxious about being blamed in the future, but indifferent in the present*

# Ethics Concerns: Denying Issues



Management's Claim	Arconic Facts
Value has been created	➔ Among the worst shareholder return records of <u>any</u> company in the S&P 500 Index
Targets have been hit	➔ Only through accounting acrobatics and asset sales have certain relatively insignificant goals been achieved
Saved the Company	➔ No comparable companies became insolvent during the financial crisis
Good governance is valued	➔ Shareholder rights frustrated
Executive compensation is tied to performance	➔ \$128 million of CEO compensation for a TSR decline of approximately 70%
Gaining share	➔ All evidence suggests there are no share gains, and peers are growing faster
The split created tremendous value	➔ Prior to Elliott's proxy contest launch, investors fled Arconic stock in exchange for New Alcoa's highly regarded management team
Dr. Kleinfeld is responsible for the Separation	➔ Dr. Kleinfeld refused the Separation for almost a decade, relenting hurriedly only after Elliott's stake building forced his hand
Margins have grown	➔ Only by selecting 2008 (financial crisis) can Arconic represent meaningful margin improvement





**A New Arconic**

# A New Arconic

## Changing the Culture

### New CEO

The Leadership Arconic Needs

### Empower the Plants

Create Organizational Alignment, Entrepreneurial Culture

### Instill Accountability

Ensure Culture of High Ethical Standards and Good Governance

## Improve the Business

### GRP Opportunity

Fill the Mill

### EPS Opportunity

Create Arconic's Flywheel

### Aiming Higher

New Arconic's 3-Year Goals

# Change Culture: Finding Arconic's Next CEO

*What do you want in Arconic's next CEO?*

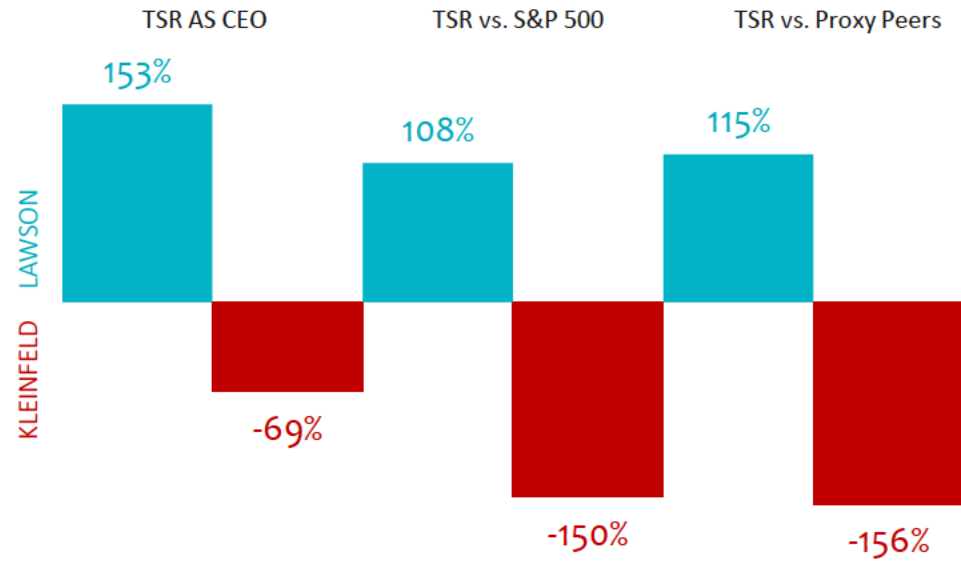
- Track record of creating value for shareholders**
- Successful turn-around experience**
- Aerospace manufacturing expertise**
- Track record of operational improvements**
- Tough, no-nonsense approach**

# Elliott's Suggestion: Consider Larry Lawson

Elliott has engaged Mr. Lawson as a consultant on its investment in Arconic and believes that Mr. Lawson should be a leading candidate to become the Company's CEO, as he has the ideal set of skills needed to turn around Arconic's woefully and continually underperforming business



- ✓ Former CEO of Spirit Aerosystems, Inc. (NYSE: SPR)
- ✓ Former Executive Vice President of Aeronautics of Lockheed Martin (NYSE: LMT)
- ✓ Former Flight Control Engineer of McDonnell Douglas (Acquired by The Boeing Company in 1997)



"SPR stock is up over 160% since Larry Lawson was named president and CEO of the company on March 19, 2013 effective April 6, 2013. Sentiment for SPR has improved as the company focused on controlling costs, generating positive free cash flow, and divesting the problematic G650 and G280 wing programs in Tulsa. In our view, market expectation for performance is now significantly higher for SPR than with the previous management team."

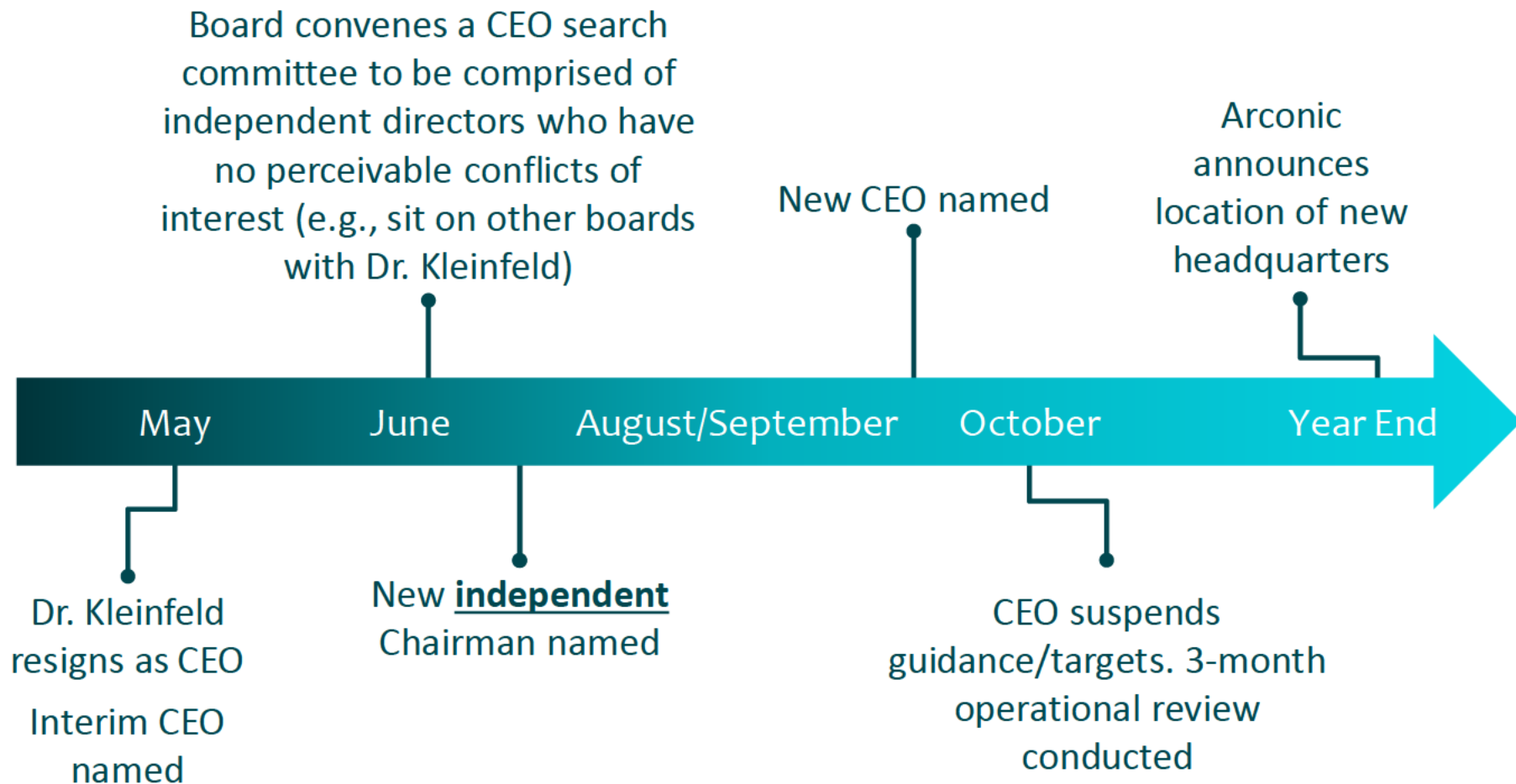
BAML, April 30, 2015

"[H]e is a tough change agent with unrelenting demands on performance improvements. As such, we're beginning to conclude that he might be just what SPR always needed."

Barclays, December 18, 2013

# Change the Culture: Transition Timeline

*By the end of 2017, a New Arconic can be poised for sustainable success*



# Change the Culture: New CEO's First 100 Days

*Arconic's new board and management team should undertake a comprehensive strategic and operational review*

## First 100 Days, Deep-Dive Financial and Operating Assessment

- Starting at standard financial and operating results (i.e., EBITDA, RONA, etc.) , going down to the lowest-level possible (factory, program, process, specific contract). Then build back-up so it is clear how underlying performance ultimately drives financial returns
- Key Questions: At every business and product level, ask how much money do we make? How much money do our competitors make? How much money should we make? Do we have good contracts? Bad contracts? What is the historical veracity of our estimates? Have we hit our targets historically? Have we missed? If we have missed, why? Can we predict our cash flow (hardest to forecast)? How is the business run today? How should it be run?
- End-Products:
  - ✓ Assess Organizational Alignment: There needs to be a single-owner for each P/L in the organization. Too often P/L is diffuse (i.e., sales team responsible for pricing; plant manager for operations; procurement for raw material) and accountability crosses lines which results in no one truly being accountable
  - ✓ Re-Structure Organizational Lines of Authority: If necessary restructure the organization to ensure that for each program/part/plant, there is a single P/L-owner
  - ✓ Identify Key Drivers: For every contract, process, part, plant – identify the key drivers and determinants of performance
  - ✓ Design New Incentives: Build out a small number of key operational metrics that tie directly to the key drivers and determinants of performance. Create new incentives that are applied to each individual such that there is a direct correlation between job function and incentive. Every single person in the organization should have significant economic incentive to achieve world-class performance. Increase compensation as long as it is tied to performance
  - ✓ Build Ledger of Risks and Opportunities: Most important end-product. What are the threats to business performance? How can such risks be mitigated? What are the opportunities for improvement? Identify what world-class performance looks like. Do not just focus on problems, since opportunities can be greater source of improved earnings and cash flow
- **Who Participates?** Business unit heads, plant managers, even workers on the factory floor participate. It is a time-consuming, tedious, arduous process, where everyone involved must continually grind and grind
- **Ancillary Benefits:** Review itself acts as a cultural shift: Establishes new criteria for decision-making; new criteria for investment; serves to teach people how to do their jobs more effectively; establishes organizational buy-in for change

**“Hardest part of the job is where do you set the bar. Most people set it low so they can jump over. I want world-class.”**

Larry Lawson



## Change the Culture: Empower the Plants, Leave NYC

A change in culture is *the key* to a more sustainable Arconic. The Company can only flourish in a new culture that empowers its employees



**To a person – everyone we spoke with stated that leaving NYC is an important potential initial step to improving the connection with employees in the field. A much smaller headquarters could be moved to a more central location (e.g., back to Pittsburgh, Atlanta, Houston)**

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## Improve the Business

GRP Opportunity

Fill the Mill

EPS Opportunity

Create Arconic's Flywheel

Aiming Higher

New Arconic's 3-Year Goals

# Change the Culture: Empower the Plants

At New Arconic, headquarters will be an afterthought. The plants will be empowered to make decisions and compensated based on performance

“Visits to several [PCC] facilities have highlighted the extent to which [PCC] seeks to involve every employee in efforts to improve productivity and reduce costs. Each day, factory floor employees are provided with a report for the prior day, tracking actual performance versus plan for output, raw material usage & scrap, and financial performance, including labor hours, purchased costs, inventory positions. These reports provide area/process supervisors with timely key performance metrics, and form the basis for daily performance reviews. Combined with an hourly employee quarterly cash bonus pool (which can range up to 25% of total compensation), payouts for which are tied to meeting the performance metrics, these daily reports ensure that employees’ actions are aligned with plant, divisional, and corporate goals. Tightly linked to the daily P&L statements are graphs that present the daily P&L data in an easily interpretable version. The charts are posted throughout the plant, offering employees a quick review of their area’s performance.”

Cowen, September 22, 2004



**Analyst:** You mentioned the operating reviews and in your direct involvement in the facilities, how do you get this discipline, the [PCC] mindset down to everyone on the plant floor? I mean, how do you keep people motivated to do it?

**Mark Donegan:** [I]f you look at the infamous quarterly review process, there's 26 pages. And of those 26 pages, one you get to say look at how good I did. The other 25, an excruciating detail on every aspect of running a business, variable costs, fixed costs, sales, quality, returns, receivables, payables. It looks at what did you leave on the table and it doesn't give you credit for the good things you did, it only extracts what did we leave on the table. It the n engages a conversation. So the whole goal is to get that engagement to occur. [I]t's designed to create conflict... So we've tried to create an environment that you can get these steps that create a successful environment and get traction. And we compensate and reward every person down through the shop in that same manner. So if you can get that drumbeat going, you will get a bigger QCB, a bigger bonus... [Y]ou go down to the plant level, you have a very motivated group of people.

February 7, 2013

# Empowering the Plants: Chris Ayers

*Deep experience in the specialty materials industry and broad institutional knowledge of Arconic*



“Chris has had a solid track record of success in achieving operational excellence and financial performance. Given Chris’s significant leadership skills and relevant industry experience, we believe he is the ideal choice to drive improvements in the business and further develop our brand while delivering a consistently superior customer experience for all existing and prospective customers.”

John J. Anton, Chairman of  
WireCo, May 15, 2013

- Former President and Chief Executive Officer of WireCo WorldGroup, Inc.
- Former executive at Alcoa Inc., including serving as President of its Global Primary Products Business
- Former manager at Precision Castparts including as Executive Vice President, President - PCC Forgings Division, President - Wyman Gordon Forgings, and Vice President/General Manager
- Director of Universal Stainless & Alloy Products, Inc. (NASDAQ:USAP)
- Mr. Ayers is a graduate of the Georgia Institute of Technology, where he received a bachelor's and master's degree in aerospace engineering. He obtained an MBA degree from the University of Connecticut

“The difference between Arconic and PCC has always been one of culture. PCC is relentless at operating the plants effectively and incentivizing its boots on the ground to drive efficiency. PCC is flat, tough, and hungry. Arconic (Alcoa EPS) has been plagued by bureaucracy and a fundamental disregard for the plant workers. That has to change not only for the Company to succeed, but for the Company to survive.”

# Change the Culture: Empower the Plants to Make Decisions

## Empower Plant Managers

### ☑ Decentralize Decision-Making:

Arconic is too big for anyone to manage centrally. Decision-making should be driven down to the plant-level with plant managers given more direct P/L responsibility and freed to make more customer-facing decisions

### ☑ Prioritize Engineering:

Arconic's culture prioritizes marketing and consultants. New management must put the emphasis on the people who make products in the field

### ☑ Push R&D into the Factory:

Too much R&D centralization yields products that customers do not want or products for which customers will not pay a premium price. Employees that are closer to customers will have a more concrete knowledge of customer needs

### ☑ Set Clear Metrics:

Arconic needs to establish clear operational metrics on which plant managers will be judged (i.e., variable cost per part, labor utilization, scrap/revert utilization)

### ☑ Hold Plant Managers Accountable:

Our conversations with former employees suggest accountability has been lost within the organization. Once clear targets are set and plant managers are empowered, they must be expected to deliver

## Get More Out of Our People

### ☑ Reduce Internal and External Consultants:

Arconic has good people, but poor management and bad processes. We believe the company suffers from an excess of bureaucracy and overhead. Eliminating internal and external consulting and streamlining processes should unleash productivity

### ☑ Pay for Performance at All Levels:

Further, we believe in incentives. Our analysis suggests while Arconic and PCC pay similar base compensation, PCC offers substantially larger opportunities for performance-based bonuses

“We're going to decentralize decision-making ... having an operator-centric culture, where we would push down decision-making into the organization further, trying to unlock some of the entrepreneurial spirit of the people that we have.”

Bill Oplinger, CFO, Alcoa Corp., November 16, 2016

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- New Arconic's 3-Year Goals

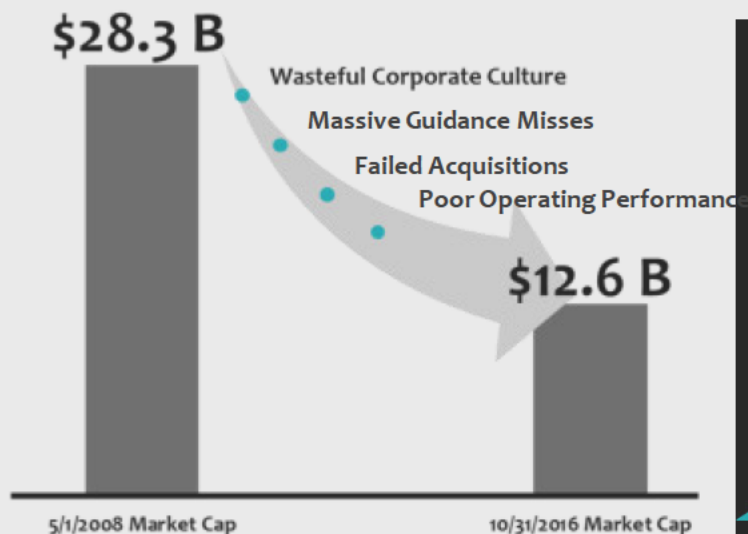


# Institute a Culture of Accountability

A New Arconic will not tolerate prolonged poor performance. A New Arconic will pay for performance. A New Arconic will invest in its field personnel and its customers

What has been tolerated by the current Board is unacceptable

## Market Cap more than Halved



"It's time to open up the windows at Arconic. When you speak with a former employee of Arconic, they are sad. They want a pension. A decade of poor returns and unfulfilled promises at Arconic and take our place as a top performer in an attractive industry."

Patrice E. Merrin, Nominee for New Arconic

# Instill Accountability: New Governance Standards

*Shareholders of Arconic have seen what can happen when onerous takeover defenses protect an underperforming management team*



Reincorporate in Delaware



Zero outside boards for the CEO for first two years. Maximum of one thereafter



Separate Chairman and CEO roles



Annually elected board

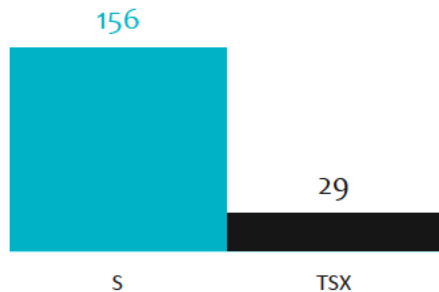
**There is no reason to “get cute” with Arconic’s governance improvements. A culture that welcomes accountability will welcome best practice corporate governance**

# Instill Accountability: Patrice E. Merrin

*Experienced international business executive and corporate director, led multiple CEO searches*



**Sherritt International TSR vs. TSX during Ms. Merrin's tenure as COO**



- Former President and Chief Executive Officer of Luscar Ltd., Canada's largest producer of thermal coal
- Former Executive Vice President and Chief Operating Officer of Sherritt International Corporation (TSE:S)
- Director of Glencore plc (LON:GLEN), Novadaq Technologies Inc. (NASDAQ:NVDQ) and Stillwater Mining Company (NYSE:SWC)
- Former Chairman of CML Healthcare Inc.
- Former Director of Climate Change and Emissions Management Corporation, Enssolutions Group Inc., Ornge Inc. and The NB Power Group
- Serves as Co-Chair of the Emmy Noether Circle at Perimeter Institute for Theoretical Physics which funds and supports women in physics and mathematical physics.
- Ms. Merrin holds a Bachelor of Arts degree from Queen's University and completed the Advanced Management Programme at INSEAD.

"Campaigners for gender equality in the boardroom hailed [the appointment of Patrice Merrin to the board of Glencore] as a 'landmark' moment for British business...."

The Daily Mail, June 26, 2014

"'She's very, very strong on the corporate governance side of things and the market-facing aspects,' Mick McMullen, chief executive officer of Stillwater Mining, said in a phone interview from Billings, Montana, where Stillwater is based. 'There's some big names on that board and working within the confines of that will be an interesting challenge, or an opportunity.'"

Bloomberg, July 18, 2014

# Instill Accountability: Board for Improved Stewardship

Shareholders have a real chance to change Arconic

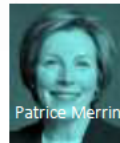
## Current Board:

- ✓ Little aerospace experience
- ✓ Numerous conflicts
- ✓ Poor governance
- ✓ Defenders of failed CEO



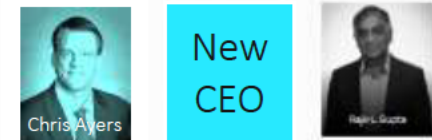
## May 17, 2017 Board:

- ✓ Removes poor performing CEO
- ✓ Adds 80 years of aerospace experience
- ✓ Mandate for strategic and cultural change



## Ideal 2018 Board:

- ✓ We believe the Arconic Board size of 13 should be reduced to 11 directors



# A New Arconic



## Changing the Culture

### New CEO

The Leadership Arconic Needs

### Empower the Plants

Create Organizational Alignment, Entrepreneurial Culture

### Instill Accountability

Ensure Culture of High Ethical Standards and Good Governance



## Improve the Business

### GRP Opportunity

Fill the Mill

### EPS Opportunity

Create Arconic's Flywheel

### Aiming Higher

New Arconic's 3-Year Goals

# GRP Opportunity: Fill the Mill

Pursue free cash  
flow and ROIIC,  
not EBITDA/MT

Since  
Maintenance  
Capex Is Similar  
If 80% Utilized  
vs. 60%, Much  
Higher FCF



Focus on  
Utilization and  
Cost – Measure  
and Disclose

Increase  
Utilization Even  
If Lower  
EBITDA/MT

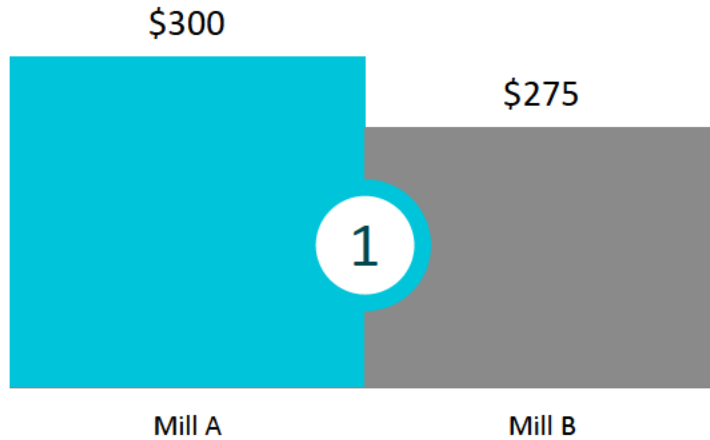
Higher Utilization to  
Drive Incremental  
Absolute EBITDA  
Dollars



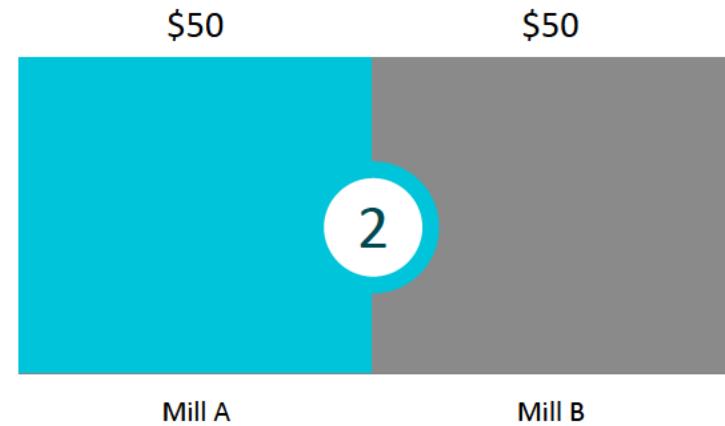
# GRP Opportunity: Filling the Mill Trumps EBITDA/MT

Take two hypothetical identical mills – 500ktpa capacity; \$50 million in maintenance capex, one focused on EBITDA/MT, one focused on utilization

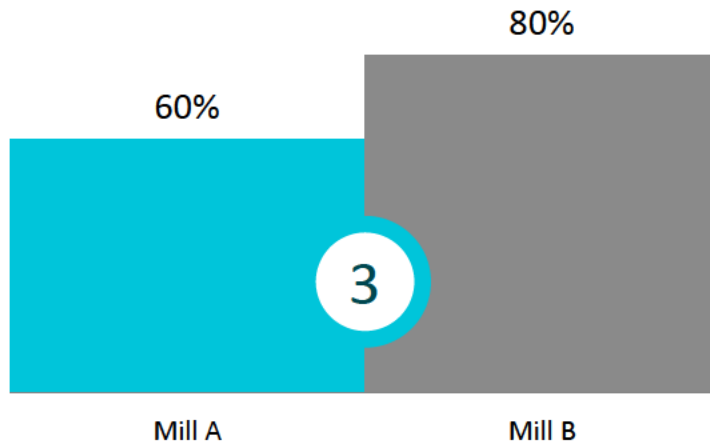
EBITDA/MT



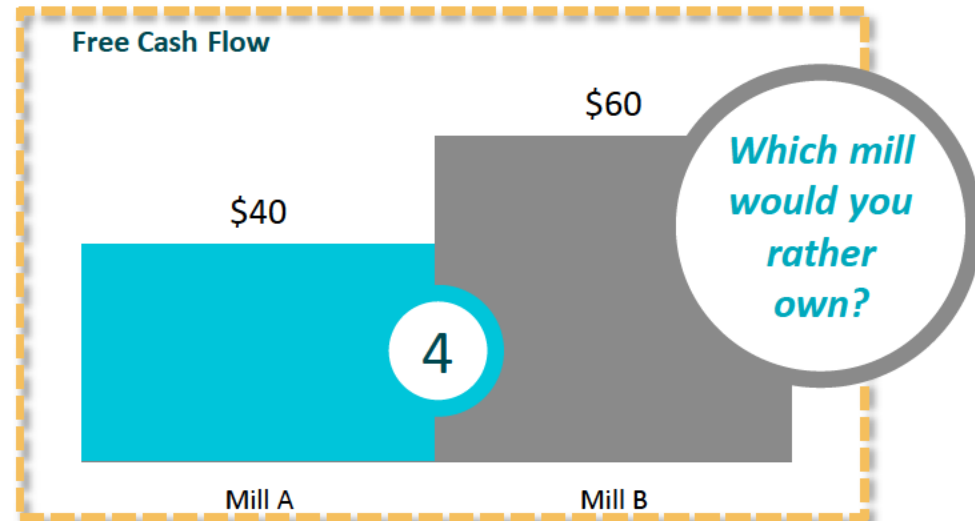
Maintenance Capex



Utilization



Free Cash Flow



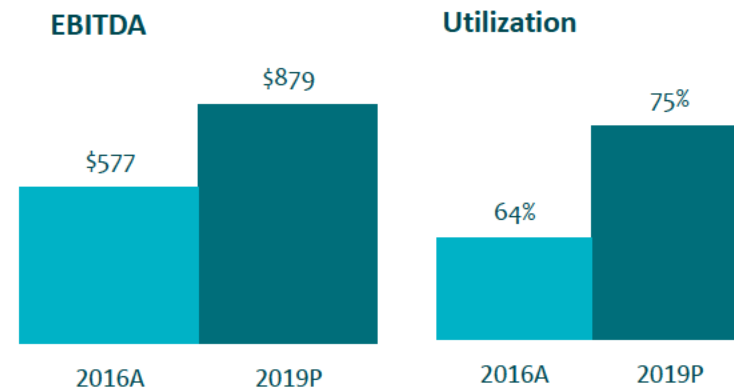
# GRP Opportunity: Elliott Case

Arconic can boost EBITDA dollars and generate higher free cash flow by focusing on “filling the mill”

	<u>2016A</u>	<u>2017P</u>	<u>2018P</u>	<u>2019P</u>
Revenue	\$ 4,864	\$ 5,009	\$ 5,570	\$ 5,998
EBITDA	577	670	788	879
Shipments	1,587	1,586	1,731	1,847
<b>Margin</b>				
<i>EBITDA Margin</i>	11.9%	13.4%	14.1%	14.7%
EBITDA/Mt	\$ 364	\$ 422	\$ 455	\$ 476
<b>Free Cash Flow</b>				
Capex	\$ 293	\$ 210	\$ 214	\$ 218
E-C	284	460	574	661
E-C Margin	5.8%	9.2%	10.3%	11.0%
<b>Utilization</b>	64%	64%	70%	75%

## Key Points

- Market growth and revenue mix shift in-line with management assumptions
- Contribution margins built-up product-by-product, i.e. auto sheet coming in at higher margins than incremental commercial transportation volumes.
- Low-margin incremental basic industrial volume secured to “fill the mill”
- Productivity improvements to drive down costs



Note: GRP assumed capacity = 2,462 KT/annum; capacity utilization practically maxes out between 85-90%

**Incremental utilization (at lower EBITDA/MT) drives higher EBITDA and FCF**

# A New Arconic



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## Improve the Business

### GRP Opportunity

Fill the Mill

### EPS Opportunity

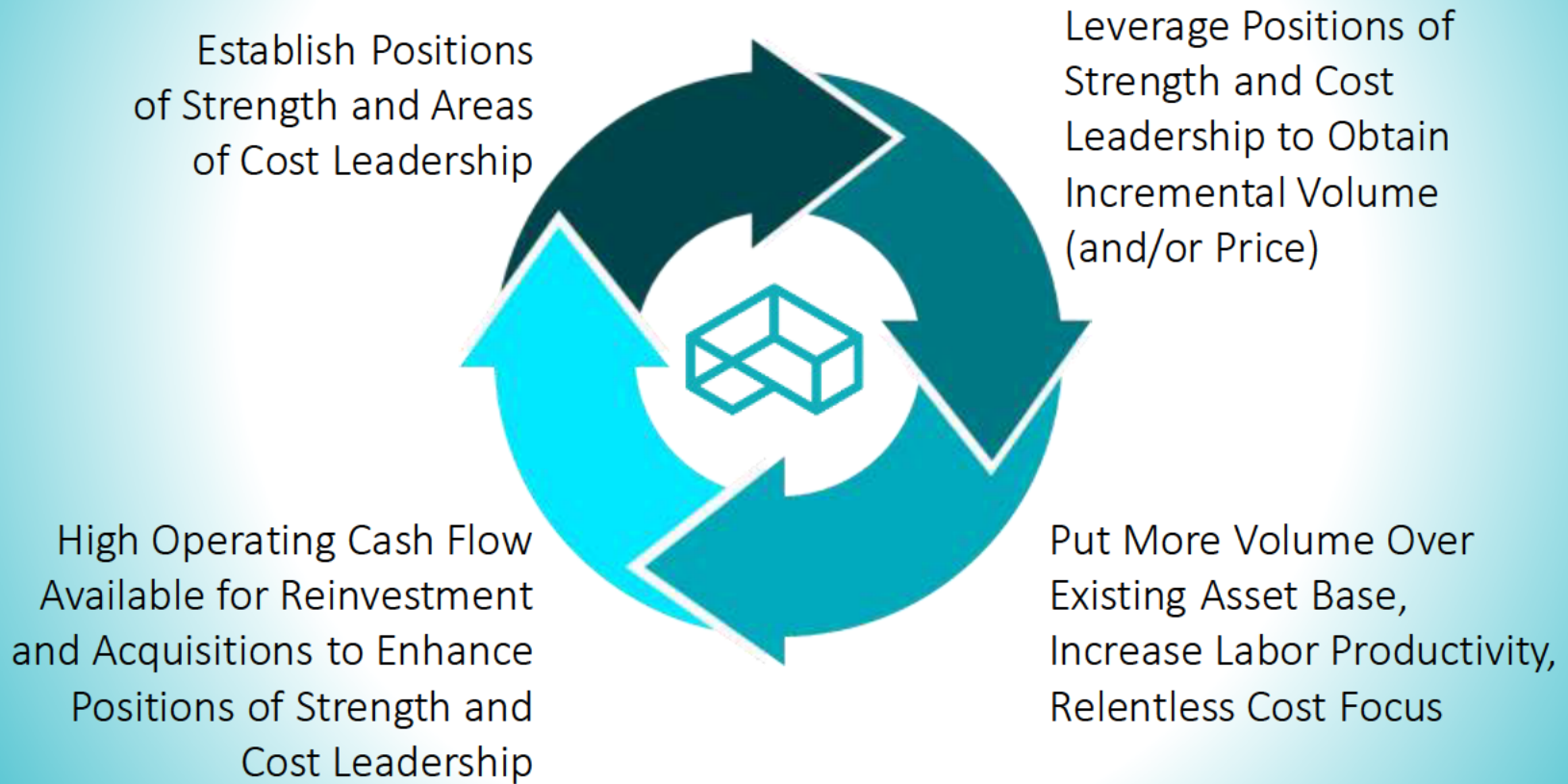
Create Arconic's Flywheel

### Aiming Higher

New Arconic's 3-Year Goals

# EPS Opportunity: Create the Flywheel/Positive Feedback Loop

*Gain leverage through either price and innovation. Use leverage to drive volume or price*



# EPS Opportunity: Closing the Margin Gap

*Improving operating performance sounds good, but how do you actually do it?*

- 1 Measure
- 2 Align Company Goals at Each Plant
- 3 Build Momentum
- 4 Aim Higher


# EPS Opportunity: Closing the Margin Gap

*Meticulous measuring is the first step*

1

## Financial and Operating Assessment

- ↳ Go direct to the plant managers and factory floor
- ↳ Deep-dive to the lowest possible unit to identify the drivers of performance
- ↳ End product: Build the ledger of risks and opportunities



*“You have to meet with each plant manager and find out what their P&L is. Once you know that – then you have find out what the drivers of that P&L are. Ask them. They will know. If there is some sort of misalignment with those answers, and what we’re doing as an organization, give that plant manager some room to make tweaks that work for his/her actual plant.”*

Bernd Kessler, Nominee for New Arconic



# EPS Opportunity: Closing the Margin Gap (cont.)

Once measured, time to assign plant-specific goals

2

## Install New Operating Metrics and Incentives; Align Organization

- ↳ Make sure there is clear ownership for everything in the organization
- ↳ Build out a few key operating metrics that will drive the organization's financial performance (e.g., quality; inventory; repair times; machine-down time; variable cost-per-part; support ratio)
- ↳ Ensure all employees have incentives tied directly to personal operating performance



*“The boots on the ground are not really motivated differently than the c-suite. They want to perform well and get paid for it. Give each plant targets that are tangible. Plaster the targets up all over the plant. Pay out bonuses when they are achieved. This may sound overly simplistic, but implementing this across each plant takes a real commitment and good ol’ fashion elbow grease. PCC is great at this. Arconic is not.”*

Chris Ayers, Nominee for New Arconic


# EPS Opportunity: Closing the Margin Gap (cont.)

Ensuring momentum is key to employee morale and creating incremental leverage

3

## Build Momentum: Achieve Key Early Wins

- ↳ Focus on a few key processes where immediate improvement can be demonstrated
- ↳ Early wins serve to begin changing the culture
- ↳ Employees buy-in when there are clear signs of corporate turnaround



*“Change can be scary, especially for employees in the field. It is very important to provide immediate rewards for the adoption of performance improvements and get employees to buy-in. Having the plants participate more closely will ensure that Arconic’s ‘ownership mindset’ flows through the entire organization.”*

Patrice Merrin, Nominee for New Arconic

# EPS Opportunity: Closing the Margin Gap (cont.)

*With the operating machinery gaining momentum, try and be the best*

4

## Go for “World Class”

- ↳ At the start of the original review, on every product, every process – constantly ask “why”?
- ↳ Do not just look at problems, find opportunities. Often the highest margin products can go higher, “best practices” can get better
- ↳ Benchmark every financial, operating and underlying performance metric to best-in-class competitors
- ↳ Then go out and beat them
- ↳ Move the whole organization from aiming to be better to aiming for world class



*“The fun thing about Aerospace is that the innovation never stops. Arconic management loves to speak about innovation, the future of space exploration, 3D printing. They even started a venture capital fund. But for the Company to actually have the capital it needs to be a sustainable innovator, it will need to also have sustained operating improvements. Leveraging the momentum of early improvements, Arconic should eventually leave the goal of ‘closing the gap’ in the rearview mirror and aim for being the best operator and supplier in the industry.”*

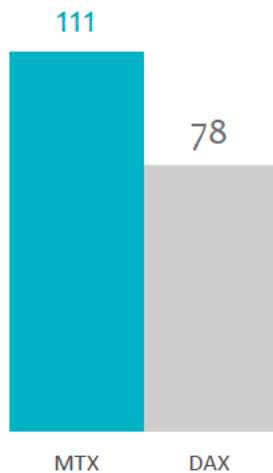
Elmer Doty, Nominee for New Arconic

# Operating Execution: Bernd F. Kessler

Strong background in engineering, operational excellence and organizational development



MTU Aero Engines TSR vs. Dax  
during Mr. Kessler's tenure



- Former Chief Executive Officer of SRTechnics AG
- Former President and Chief Executive Officer of MTU Maintenance, a subsidiary of MTU Aero Engines AG (ETR:MTX)
- Former manager and executive at Honeywell International Inc. (NYSE:HON) and AlliedSignal Inc.
- Director of Polaris Industries Inc. (NYSE:PII), Flowcastings GmbH and Zitec GmbH
- Chairman of RENA Technologies GmbH
- Former Director of JorAMCo and Finnair Technical Services Oy
- Mr. Kessler completed his Mechanical Engineering studies at Germany's Constance College. At the City University in Bellevue, Washington, he completed his MBA and also attended the General Manager/Executive Program at Harvard Business School

*"I have been a 'fix-it' man in the aerospace industry for more than 30 years. One consistent thing I have observed is that the regional workers really want to see their plant's performance improve. Quite simply, running a tighter ship feels better and liberates the field to use their creative energy to take performance to new heights. I am certain that this is the case at Arconic and I am excited to help empower this transition."*

# EPS Opportunity: Elliott Case

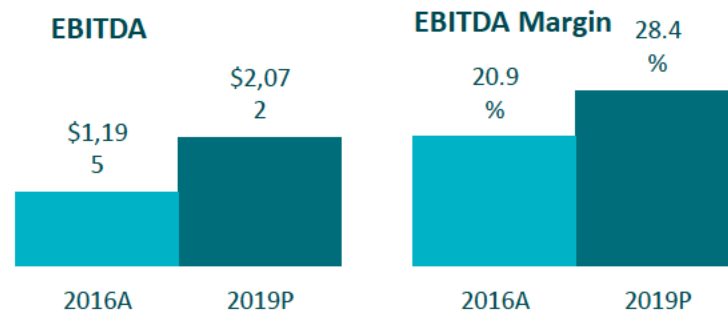
We believe there is a significant margin opportunity that is both larger than management projects and can be achieved more quickly

EBITDA  
Margin +750  
bps from  
2016

	<u>2016A</u>	<u>2017P</u>	<u>2018P</u>	<u>2019P</u>
Firth Rixon	\$ 925	\$ 985	\$ 1,118	\$ 1,250
RTI	765	867	983	1,115
Tital	200	210	224	240
Core Business	3,838	4,030	4,304	4,597
Other (Price/Volume)		43	77	103
<b>Total Revenue</b>	<b>\$ 5,728</b>	<b>\$ 6,135</b>	<b>\$ 6,706</b>	<b>\$ 7,304</b>
		<b>7.1%</b>	<b>9.3%</b>	<b>8.9%</b>
<b>Growth</b>				
<i>Firth Rixon</i>		6.5%	13.5%	11.9%
<i>RTI</i>		13.4%	13.4%	13.4%
<i>Tital</i>		5.0%	6.8%	6.8%
<i>Core Business</i>		5.0%	6.8%	6.8%
<b>EBITDA</b>	<b>\$ 1,195</b>	<b>\$ 1,473</b>	<b>\$ 1,784</b>	<b>\$ 2,072</b>
<i>Margin</i>	20.9%	24.0%	26.6%	28.4%

## Key Points

- Firth Rixon and RTI growth rates in-line with management's forecasts.
- Core Business and Tital to grow at industry growth rates – 2017 uses Elliott estimate, 2018 and 2019 uses management estimate of industry growth.
- Other Price / Volume actions off of 2016 business.
- Productivity improvements to drive down costs and improve asset utilization



**Assumes management's growth projections (ex-2017); no accretive M&A**

# EPS Opportunity: Disciplined M&A Creates Value

*PCC acquired 41 companies between 2005-2015*

**PCC vs. S&P 500 Jan 2005 – Jan 2016**



Source: Bloomberg, TSR Dates, 1/1/2005 – 1/29/2016

**Aerospace is a growth industry! Arconic should be a growth company!**



# EPS Opportunity: Growth M&A, Elmer L. Doty

*40 years of leadership experience in aerospace industry*



“Two years ago, the Nashville Vought Aircraft Industries plant was scheduled to be shut down to streamline costs. Instead, the 1,200 jobs stayed in Nashville, the company became profitable and productivity, safety and morale improved steadily. At the helm is Vought CEO and President Elmer Doty, who brought in new management and led a strategic planning effort at the aerospace industry manufacturer. Doty and his new management crew - 40 percent of whom were from outside the aerospace industry - scrutinized everything from low morale to aging facilities and equipment to supply chain problems.”

Nashville Business Journal, May 11, 2008

- Operating Executive at The Carlyle Group LP (NASDAQ:CG), Aerospace, Defense & Government Services
- Former President and Chief Executive Officer of Accudyne Industries LLC
- Former President, Chief Executive Officer and Director of Vought Aircraft Industries, Inc. and former President of successor entity Triumph Aerostructures – Vought Aircraft Division
- Former Executive Vice President and General Manager – Land Systems Division of United Defense Industries, Inc. (now BAE Systems)
- Former manager at General Electric Company and FMC Corporation
- Former Director of Triumph Group, Inc. (NYSE:TGI)
- Mr. Doty earned a bachelor’s degree in nuclear engineering and a master’s degree in mechanical engineering from the University of Missouri and has received Executive Education at Harvard Business School and University of Chicago.

*“Arconic is a tremendous platform for growth. It is not very often that a potential growth platform goes underutilized like Arconic has. I see a huge opportunity for accretive M&A in the EPS business, however, before those deals can be pursued, Arconic has to get its house in order. The Company as-is has the assets and people to generate robust profits which can be used for real growth initiatives.”*

# EPS Opportunity: Long-Term Growth Platform

Working with industry professionals, Elliott has identified multiple opportunities for Arconic to add key products and capabilities to enhance its position on next-generation platforms

*Forgings and castings – add scale, technical expertise, put more parts over existing base*

COMPANY DESCRIPTION	KEY STATISTICS
<ul style="list-style-type: none"> <li>▪ Additional castings scale with significant aftermarket exposure – significant synergies with Howmet</li> <li>▪ Impressive collection of technical talent with deep industry experience</li> <li>▪ Private-equity owned</li> </ul>	Est. EBITDA: \$50
<ul style="list-style-type: none"> <li>▪ Proven isothermal capacity</li> <li>▪ Also enables greater vertical integration in titanium, nickel, powder alloys</li> <li>▪ Complicated transaction</li> </ul>	N/A
<ul style="list-style-type: none"> <li>▪ Titanium casting specialist complements Tital</li> <li>▪ Additional machining capacity which fits with existing RTI business</li> <li>▪ Private-equity owned</li> </ul>	Est. EBITDA: \$20-25
<ul style="list-style-type: none"> <li>▪ Diversified casting and forging operation, partially-vertically integrated into metals</li> <li>▪ Excellent fit with Firth Rixson – would add significant manufacturing expertise</li> <li>▪ Family-owned</li> </ul>	N/A
<ul style="list-style-type: none"> <li>▪ European forging business with significant defense wins. Complements existing Firth Rixson operations</li> <li>▪ Private-equity owned</li> </ul>	Est. EBITDA: \$20
<ul style="list-style-type: none"> <li>▪ Large casting operation with opportunity for significant manufacturing improvement</li> <li>▪ Significant synergies with Howmet</li> <li>▪ Private-equity owned</li> </ul>	Est. EBITDA: \$150

**But M&A only works if you know how to integrate...**

# EPS Opportunity: Long-Term Growth Platform (cont.)

Working with industry professionals, Elliott has identified multiple opportunities for Arconic to add key products and capabilities to enhance its position on next-generation platforms

*Machining – get closer to the customer, add scrap/revert*

COMPANY DESCRIPTION	KEY STATISTICS
<ul style="list-style-type: none"> <li>▪ Diversified machining and sub-component assembly with low-cost manufacturing footprint. Opens up opportunities on the aftermarket side</li> <li>▪ Private-equity owned</li> </ul>	Est. EBITDA: \$50
<ul style="list-style-type: none"> <li>▪ Global collection of small aerospace sub-component and component suppliers</li> <li>▪ Significant cost-synergy opportunity</li> </ul>	N/A
<ul style="list-style-type: none"> <li>▪ Specializes in the precision machining of complex hot- and cold-section turbine hardware across all major aerospace engine programs with high proficiency in the machining of titanium-aluminide, low-pressure turbine blades</li> <li>▪ Private-equity owned</li> </ul>	Est. EBITDA: \$20-25
<ul style="list-style-type: none"> <li>▪ Diversified sub-component and component supplier with operations across aerospace and IGT</li> <li>▪ Significant MRO business for potential aftermarket expansion</li> </ul>	N/A
<ul style="list-style-type: none"> <li>▪ Agglomeration of multiple fabrication and machine shops – key strengths in measurement and coatings</li> <li>▪ Private-equity owned</li> </ul>	Est. EBITDA: \$100
<ul style="list-style-type: none"> <li>▪ Build-to-print operation with products in aerospace, marine and IGT</li> <li>▪ Private-equity owned</li> </ul>	Est. EBITDA: \$20
<ul style="list-style-type: none"> <li>▪ Manufactures metal components for aerospace, power-generation, transportation, marine and medical industries</li> <li>▪ Family-owned</li> </ul>	Est. EBITDA: \$50
<ul style="list-style-type: none"> <li>▪ Small fabricator and assembly of close tolerance turbine components for aerospace, power generation and landing gear</li> <li>▪ Private-equity owned</li> </ul>	Est. EBITDA: \$10
<ul style="list-style-type: none"> <li>▪ Well-established machine shop with large book of LTAs (unclear extent of new program wins)</li> <li>▪ Private-equity owned</li> </ul>	Est. EBITDA: \$70

**But M&A only works if you know how to integrate...**

# A New Arconic



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## Improve the Business

### GRP Opportunity

Fill the Mill

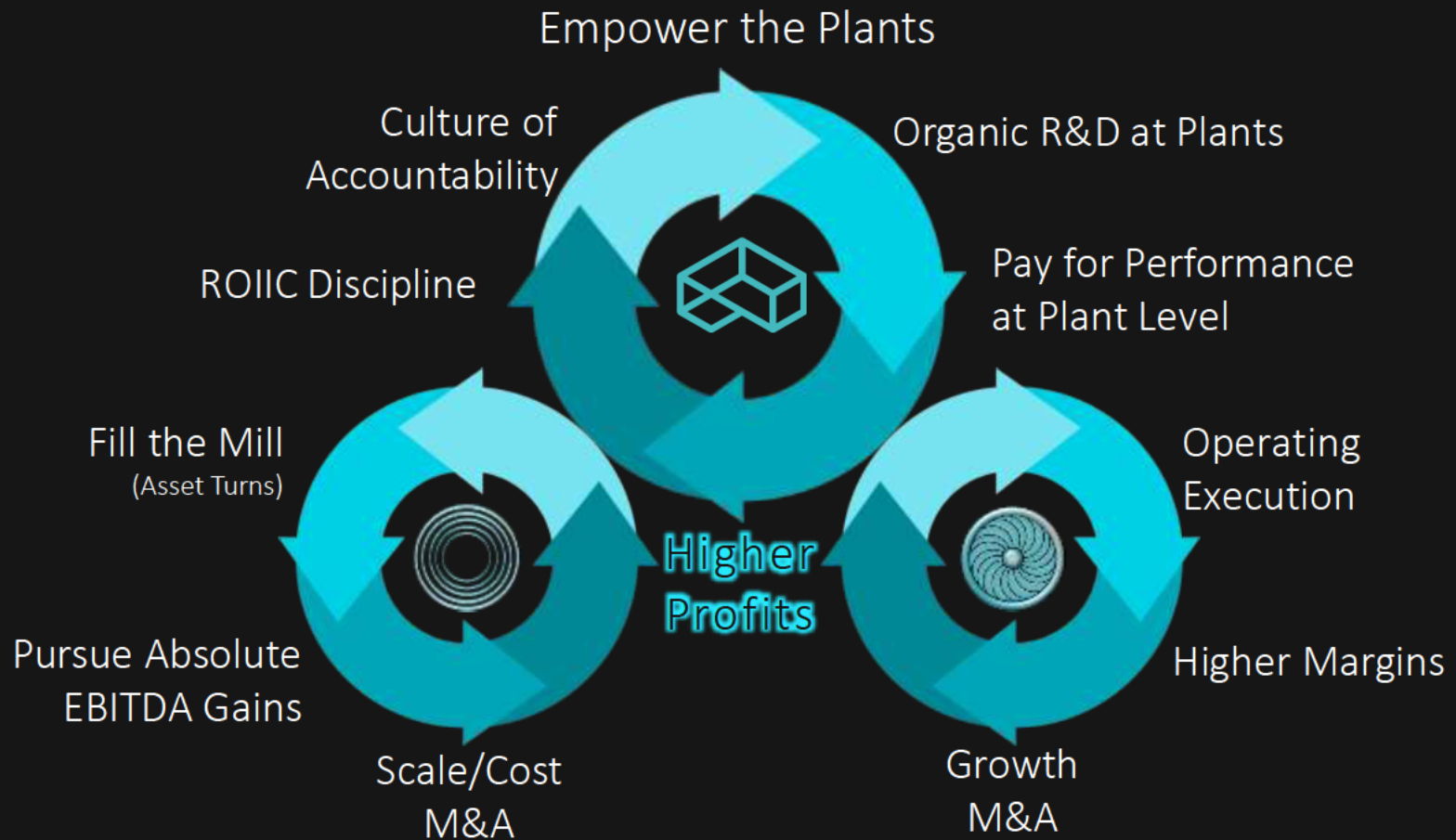
### EPS Opportunity

Create Arconic's Flywheel

### Aiming Higher

New Arconic's 3-Year Goals

# Improving the Business, Aiming Higher



# Aiming Higher: 3-Year Organic Targets

*New Arconic should be able to achieve four key goals*

Operating Discipline + Improved Asset Utilization

EPS in-line with  
historic PCC  
margins

+

GRP EBITDA  
dollars of at  
least \$800  
million

=

Significantly Greater FCF, Higher RONA

\$1.2+ billion of  
FCF

+

16%+ RONA



# Aiming Higher: Focus on Returns

Arconic needs more than an “owner’s mindset” – it needs to understand how its business generates returns on capital and then ensure that its investments earn more than the firm’s cost of capital

## Key Principles

### ☑ Measure Returns (Both Before & After):

- Arconic needs to exercise far more capital discipline. The issue is not how much money Arconic spends, but the return it gets on that capital
- The solution is not more “bureaucracy” (i.e., Arconic’s new Board-level “Finance Committee”). This will simply slow-down decision-making and exacerbate the field-level frustration with Arconic’s already painfully slow processes.
- The key is:
  1. Better investment diligence – Our understanding is that on key investments (i.e., Firth Rixson) management has gone into transactions with insufficient diligence; and
  2. Evaluate performance – Measure returns both before and after the investment has been made

### ☑ Invest in High-Return Businesses, Long-Term Favorable Industry Structure:

- More than 40% of Arconic’s growth capex has gone into Global Rolled Products – its lowest return business
- Arconic should invest in industries and areas with a more favorable industry structure (EPS/Wheels)
- Growth capex should be focused on EPS

### ☑ Demand a Return on R&D Investment:

- Elliott is not opposed to spending on innovation. In fact, we believe that smart R&D – either cost-saving process improvements or products where EPS can establish true differentiation – can be very accretive to Arconic’s business
- Arconic management celebrates its Net Promoter Score – an indication of customer willingness to recommend. By contrast, Elliott believes customer acceptance is proven by a willingness to pay for Arconic’s innovations and utilize its products. Given the evidence, there is little to suggest Arconic is successful at this
- Arconic needs a management team that understands the products on which Arconic has commercial leverage and is willing to use that leverage in a measured fashion to drive appropriate price and volume growth

# Aiming Higher: Discounted Cash Flow

Cash Flows				
	2017P	2018P	2019P	2020P
Total Revenue	<b>\$12,980</b>	<b>\$14,212</b>	<b>\$15,345</b>	<b>\$15,652</b>
EPS Revenue	\$6,135	\$6,706	\$7,304	\$7,523
GRP Revenue	\$5,009	\$5,570	\$5,998	\$5,998
TCS Revenue	\$1,837	\$1,936	\$2,042	\$2,130
<b>EBITDA</b>	<b>\$2,148</b>	<b>\$2,627</b>	<b>\$3,060</b>	<b>\$3,136</b>
<i>Margins</i>	16.5%	18.5%	19.9%	20.0%
DA	\$568	\$576	\$585	\$594
<b>EBIT</b>	<b>\$1,580</b>	<b>\$2,051</b>	<b>\$2,475</b>	<b>\$2,542</b>
Interest	\$410	\$410	\$410	\$410
EBT	\$1,170	\$1,641	\$2,065	\$2,132
Taxes	\$386	\$542	\$681	\$704
<b>Net Income</b>	<b>\$784</b>	<b>\$1,100</b>	<b>\$1,384</b>	<b>\$1,429</b>
<b>EBIT less Excess Pension (1-t)</b>				
	\$965	\$1,280	\$1,564	\$1,609
(+) D&A	\$568	\$576	\$585	\$594
(-) Capex	\$666	\$678	\$689	\$693
(+/-) WC	\$103	-\$141	-\$129	-\$35
<b>FCF</b>	<b>\$969</b>	<b>\$1,038</b>	<b>\$1,331</b>	<b>\$1,475</b>
Terminal Value (9.2x EBITDA Multiple)			\$28,895	
Discounted Cash Flows	\$899	\$894	\$24,152	

Value	
Total Enterprise Value	\$25,945
Less Debt	\$8,084
Preferred Stock	\$55
Non-Controlling Interest	\$26
Cash	\$2,113
Plus Alcoa Corp.	\$1,324
Total Value	\$21,217
Shares Outstanding	470
<b>Price/Share</b>	<b>\$45.19</b>

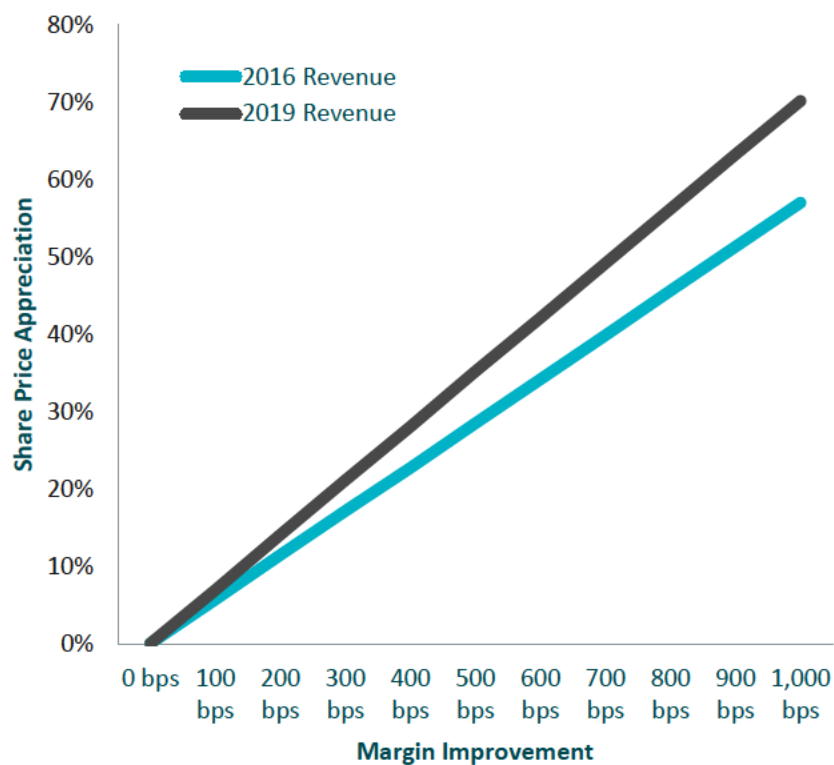
Assumptions for DCF	
Risk-Free Rate (10 Year)	2.45%
Market Risk Premium	6.25%
Beta	1.37
Return on Equity	11.0%
Return on Debt	5.11%
After-Tax Return on Debt	3.4%
D/V	43.0%
WACC	7.8%
Tax Rate	33.0%

Achieving these goals will require Arconic to bring in new leadership

# Aiming Higher: Upside to Better Operating Performance Is Massive



## Closing the Margin Gap vs. PCC



Note: Uses management's estimated \$7,060 of 2019 revenue for EPS



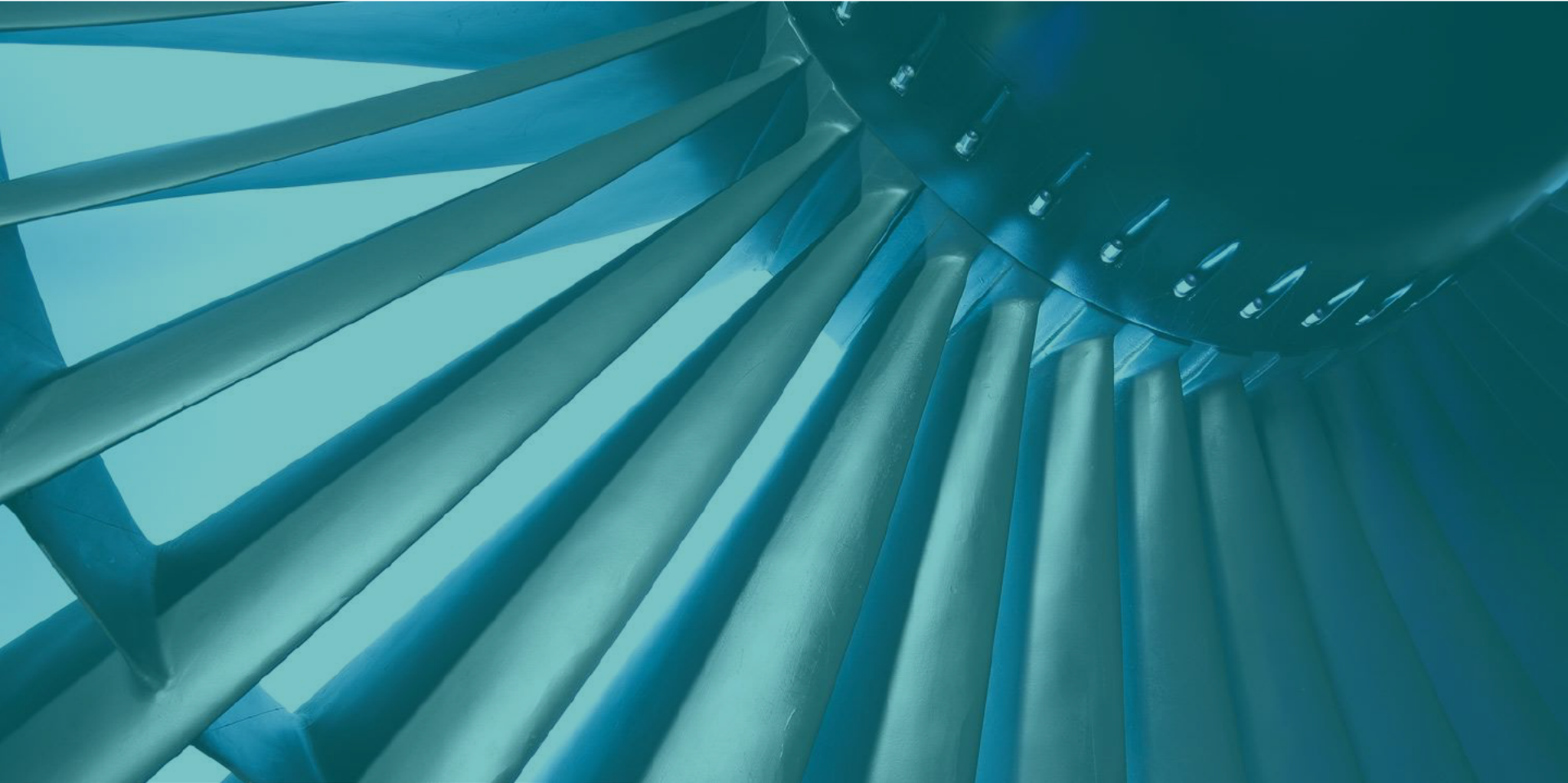
## Illustrating the Value of Improving Utilization and Cost Cuts at GRP (2016 Revenue)

Target Cost Cuts	EBITDA Dollar Sensitivity								Peer Avg.
	Target Fixed Asset Turn Level								
	2.22x	2.30x	2.40x	2.50x	2.60x	2.70x	2.80x	2.90x	3.00x
\$0	\$577	\$589	\$605	\$620	\$635	\$650	\$665	\$680	\$695
\$25	\$602	\$614	\$630	\$645	\$660	\$675	\$690	\$705	\$720
\$50	\$627	\$639	\$655	\$670	\$685	\$700	\$715	\$730	\$745
\$75	\$652	\$664	\$680	\$695	\$710	\$725	\$740	\$755	\$770
\$100	\$677	\$689	\$705	\$720	\$735	\$750	\$765	\$780	\$795
\$125	\$702	\$714	\$730	\$745	\$760	\$775	\$790	\$805	\$820
\$150	\$727	\$739	\$755	\$770	\$785	\$800	\$815	\$830	\$845
\$175	\$752	\$764	\$780	\$795	\$810	\$825	\$840	\$855	\$870
\$200	\$777	\$789	\$805	\$820	\$835	\$850	\$865	\$880	\$895
\$225	\$802	\$814	\$830	\$845	\$860	\$875	\$890	\$905	\$920
\$250	\$827	\$839	\$855	\$870	\$885	\$900	\$915	\$930	\$945

Target Cost Cuts	EBITDA Margin Sensitivity								
	Target Fixed Asset Turn Level								
	2.22x	2.30x	2.40x	2.50x	2.60x	2.70x	2.80x	2.90x	3.00x
\$0	11.9%	11.7%	11.5%	11.3%	11.1%	11.0%	10.8%	10.7%	10.6%
\$25	12.4%	12.2%	12.0%	11.8%	11.6%	11.4%	11.2%	11.1%	10.9%
\$50	12.9%	12.7%	12.4%	12.2%	12.0%	11.8%	11.6%	11.5%	11.3%
\$75	13.4%	13.2%	12.9%	12.7%	12.4%	12.2%	12.1%	11.9%	11.7%
\$100	13.9%	13.7%	13.4%	13.1%	12.9%	12.7%	12.5%	12.3%	12.1%
\$125	14.4%	14.2%	13.9%	13.6%	13.3%	13.1%	12.9%	12.7%	12.5%
\$150	14.9%	14.7%	14.3%	14.0%	13.8%	13.5%	13.3%	13.1%	12.8%
\$175	15.5%	15.2%	14.8%	14.5%	14.2%	13.9%	13.7%	13.4%	13.2%
\$200	16.0%	15.7%	15.3%	14.9%	14.6%	14.4%	14.1%	13.8%	13.6%
\$225	16.5%	16.1%	15.8%	15.4%	15.1%	14.8%	14.5%	14.2%	14.0%
\$250	17.0%	16.6%	16.2%	15.9%	15.5%	15.2%	14.9%	14.6%	14.4%

Note: Assumes incremental EBITDA/Mt at \$200



# Addressing Arconic's Objections



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## “Dr. Kleinfeld Deserves Credit for the Split”

Analysts and investors extolled the benefits of a separation of Alcoa Inc.’s Upstream and Downstream businesses for years, while Dr. Kleinfeld dragged his feet and argued that he was the best steward of the Company’s various assets

- In an attempt to distract shareholders from his historical track record of epically bad execution and record setting value destruction, Dr. Kleinfeld has repeatedly pointed to the Separation as one of his achievements and great epiphanies, going as far as to claim full and singular credit for the strategy in a nationally televised CNBC interview on February 1, 2017: *“Alcoa Corporation would not exist if it hadn't been for me basically creating it”*
- Dr. Kleinfeld's comments are not only demeaning to the thousands of Alcoa Inc. employees whose hard-work made the Separation possible, but they also mask the fact that Dr. Kleinfeld actually resisted separating the downstream and upstream assets for more than seven years despite a steady drumbeat of commentary from Wall Street as well as outside observers pushing for the transaction.
- While investors and analysts highlighted the value creation opportunity associated with separating, Dr. Kleinfeld stubbornly and consistently argued that the benefits of integration outweighed the advantages associated with a split, pointing to the “Alcoa Advantage” – a series of soft, intangible and difficult-to-quantify hypothetical benefits – as rationale for not pursuing a break-up
- It was only in September 2015, after many years of poor operational execution, dramatic share price underperformance and obstinate resistance to a break-up that the Company finally announced the Separation shortly after Elliott’s stake-building had begun (and our HSR filed) and without providing any clear rationale for the sudden 180-degree about-face in strategy



# “Dr. Kleinfeld Deserves Credit for the Split” (cont.)

Analysts and investors pushed for a split throughout 2015 and 2014, yet Dr. Kleinfeld dragged his feet

*Dr. Kleinfeld has been resisting this for a long time*

*“We see the most efficient means to maximizing shareholder value as spinning off the Engineered, Products & Solutions (Downstream) segment to capture the peak valuations of the aerospace cycle.” Sterne Agee, March 13, 2014*

*“However, through a sum-of-the-parts analysis we believe significant investor value can be unlocked through re-rating segments. Alcoa is unique as a large (\$4 billion) aerospace supplier in the ownership of up/mid/downstream units. Alcoa argues this structure allows the company to leverage capabilities. The problem with this argument is that peers [Precision Castparts ([PCC], \$252.76, Buy)] without such assets have created more value.” Sterne Agee, April 1, 2014*

*“The big question now is what the company decides to do with its confidence. Does it stick with its current integrated strategy? Or does it finally start listening to those who think the company should spin off its “downstream” Engineered Products & Solutions segment? [Dr.] Kleinfeld has never given much hope to those who think the company should break itself up.” Gordon Haskett, April 9, 2014*

*“Investors were very focused on ways to separate the upstream and downstream businesses to create more value. AA’s management was vocal that it is ready to implement any strategic action to further enhance stakeholders’ value and has ran various iterations of possible scenarios, but to this point, has not identified a suitable solution which would generate more value.” Goldman Sachs, May 28, 2014*

**Firth Rixson M&A Call, June 26, 2014**

*Justin L. Bergner, Gabelli & Co.: “Recently you’ve talked as a management team about considering all sorts of strategic actions that could increase value in the company. Was the Firth transaction sort of what you were referring to at the time or are there still additional options on the table in terms of considering the role of upstream and downstream in Alcoa’s portfolio?”*

*Dr. Klaus Kleinfeld: “I understand. I understand. So, we constantly assess the portfolio and also discuss that with the board. We constantly look at how can we create value with the portfolio. And as you can see, I mean with this transaction, we are really building a lightweight metals innovation powerhouse here. This is a nice addition to it. At the same time, when we talk about our commodity business, where it’s really in the main all about the cost position. We’ve done tremendous things. We’ve come down further on the cost curve. And we will continue to do that with curtailing and shutting down capacity, at the same time bringing on lowest cost capacity with our partners in Saudi Arabia and that will continue. At this point in time, we feel that the structure is the one that adds the most value.”*

*“At the risk of beating a dead horse, we’ll mention [Dr.] Kleinfeld has typically answered this question by saying there are no sacred cows in the portfolio but AA’s integrated model is synergistic and there are no plans to break things apart. The only reason why we see that answer changing anytime soon is the stock is no longer where it was six months ago and [Dr.] Kleinfeld has less room to argue on behalf of integration.” Gordon Haskett, June 8, 2015*

*“...company announced split-up of company (finally).” Mario Gabelli, September 28, 2015*

# “Dr. Kleinfeld Deserves Credit for the Split” (cont.)

Analysts and investors even pushed for a split throughout 2013 and 2012, yet Dr. Kleinfeld resisted

*A really long time*

*“[Dr.] Kleinfeld is sticking to that vertically integrated strategy. ‘We have to earn, every day, the right to own each one of our businesses... that we are a better part to these businesses than others could be.’” Financial Times, October 16, 2011*

*“We ... do not believe the shares will be appropriately valued under the current corporate structure. A difficult decision to spin off its downstream businesses could ultimately be the key.” Dahlman Rose, September 2012*

*“Alcoa could choose to either sever the company into two parts or spin off the flat-rolled aluminum sheets and engineered-products businesses into a separate public entity in which Alcoa retains a majority stake. Either of these two options would boost transparency and ‘allow the market to independently value those assets,’ O’Carroll said in a phone interview. ‘It’s simple. It meets market tests.’” Davenport & Co, October 9, 2012*

## Earnings Call: October 9, 2012

*“David Francis Gagliano (Barclays): “I was wondering if we could just use this as an opportunity to switch gears a bit and talk a bit about the strategy for Alcoa moving forward. There’s been a bit of renewed chatter about potentially splitting the company in parts, upstream and downstream. And I was wondering if you could just talk us through what your views are, obviously, on the subject, and also why you think it does or does not make sense to separate the upstream from the downstream businesses.”*

*Dr. Klaus-Christian Kleinfeld: “Yes, David. That’s a good question. And I know that we have talked – with those that follow us a lot, we’ve talked about it quite a bit. But I’m happy to give you a high-level overview. First thing is, I mean, we don’t see any kind of rocks that should remain unturned or that should not be questioned.... So basically, we’ve told you what strategy we have. I don’t want to get into it in detail, and we also have our Investor Day coming up in November so that we have plenty of time to review it and go into this in detail. We believe that this is the right strategy and the best way to deliver value. Thank you, David.”*

*“Our vertical integration – producing aluminum, rolling aluminum, and engineering unique and specialized products for our customers – is a huge advantage.” Dr. Kleinfeld, China Hands Magazine, July 1, 2013*

*“We argue spinning off the Primary metals business unit (or alternatively spinning off down-stream)... is a decision that should be seriously contemplated... Hence, we would propose splitting Alcoa in two via a one-for-one share offering would be a better way to structure the company.” Deutsche Bank, October 1, 2013*

# “Dr. Kleinfeld Deserves Credit for the Split” (cont.)

Dr. Kleinfeld’s resistance to a separation of the Upstream and Downstream business dates back all the way to 2008

*The Separation was a long time coming... a really, really long time*

*“We are downgrading our rating on Alcoa to Neutral from Overweight as we believe the market will be disappointed with both the strategic direction from the new CEO, [Dr.] Klaus Kleinfeld, and the company’s near term earnings due to higher than expected input costs. While the market appears to be discounting a sale of Alcoa or at least some sort of spinoff to separate its upstream from its downstream businesses, we believe that both of these assumptions are incorrect. Instead, we think Alcoa will not only remain a conglomerate but that it is also likely to grow both its upstream and downstream businesses organically and even through acquisitions... As a result, we think the market will be very disappointed by AA’s intent to remain a conglomerate.” J.P. Morgan, 6/10/08*

*“Aluminum producer Alcoa fell 4 per cent yesterday as broker JP Morgan said the company was not planning to sell itself or spin off part of its business — a move that will leave Wall Street “very disappointed”. After an analysts' meeting, JP Morgan reckoned new Alcoa chief executive [Dr.] Klaus Kleinfeld would increase the company's size rather than streamline it.” Daily Express 6/12/08*

*“Throughout his speech, [Dr.] Kleinfeld kept emphasizing that Alcoa's integrated structure is a key strength, not just for Alcoa but for the industry as a whole.” Platts Metals Week Article, 9/15/08*

*“The fundamentals and our integrated structure provided the flexibility and staying power to act swiftly when the economy began to fall, helped us to strengthen our competitive lead during the downturn and they give us a potential to emerge even stronger when the economy recovers.” Dr. Klaus Kleinfeld 1/12/09*

*“[Dr.] Kleinfeld indicated that with the exception of the businesses that are currently up for sale (Global Foil, Cast Auto Wheels, Transportation Products Europe and a small portion of Electrical and Electronic Systems not part of the April 30 sale to Platinum Equity), the remainder of the company’s portfolio pieces are an integral part of the entire company and more valuable in Alcoa than if they were sold off.” J.P. Morgan, 6/3/09*

*“The greatest upside risk to our Neutral rating would be a sale of the company (either friendly or hostile) or moves by the company to separate its upstream and downstream businesses.” J.P. Morgan, 1/13/09*

*“The Alcoa advantage raises the question that I have heard from many of you and I think that we more and more often have good answers to it raises the question of what gives you Alcoa the right to own that business? What can you add to that business? Why does the business perform under the Alcoa wing better than if somebody else what you own at all, if it were standalone. And the answer is inherent in what do. We as Alcoa bring to the table and we coined that the Alcoa Advantages.” Dr. Kleinfeld, 11/10/2010*

# Elliott Thanks Dr. Kleinfeld for FINALLY Pursuing a Separation

Elliott continues to believe that with the right leadership, the split of Alcoa Inc. into Arconic Inc. and Alcoa Corp. can create value, although it is unfortunate it took Dr. Kleinfeld so long to finally heed the calls of shareholders and analysts

Following the announcement of the Separation in 2015, Elliott commended Dr. Kleinfeld for finally pursuing the separation of the Company's Upstream and Downstream businesses, after nearly a decade of resistance

However, being the last one in the room to – at long last – “see the light” and do reluctantly what shareholders have long demanded does not warrant meaningful plaudits

Rather, Elliott's positive comment regarding management, carefully unearthed by the Company from under a mountain of general critiques, can best be likened to the occasional C-minus grade mercifully bestowed upon a failing student

The ultimate historical record is clear: Dr. Kleinfeld publicly opposed and prevented the consummation of the Separation for years and every dollar of value-creation which may result therefrom constitutes a damning further indictment of his leadership and judgment

**Elliott Has Previously Recognized Our Focus on Shareholder Value Creation**

*Elliott's prior position*

**“Elliott would like to commend the Board and management team for the significant steps taken to build a better Alcoa and maximize value for shareholders.”**

— Elliott Presentation to Alcoa, Nov 9, 2015

Since Elliott's praise, shareholder value has increased by 66%<sup>(1)</sup>

**ARCONIC**

(1) Shareholder value is calculated based on the performance of 1 share of Alcoa Inc. and 1.1 shares of Alcoa Corp. from Nov 9, 2015 through Nov 1, 2016, from Nov 1, 2016 through Nov 1, 2017. Percentage value to the rebound in shares following Elliott's call for managerial change, shareholder value increased only 6.2% since Nov. 9, 2015 at the Dr. Kleinfeld led Arconic, underperforming the S&P Metals and Mining Index by 92%<sup>1</sup>

Elliott commended management for **FINALLY** pursuing the separation of the Upstream and Downstream businesses, once Dr. Kleinfeld reluctantly announced the split and after nearly a decade of resisting the demands of shareholders, analysts and third-party observers

Removing various misleading distortions which require over 100 words to explain in a footnote, including the Company's attempt to take credit for the rebound in shares following Elliott's call for managerial change, shareholder value increased only 6.2% since Nov. 9, 2015 at the Dr. Kleinfeld led Arconic, **underperforming the S&P Metals and Mining Index by 92%<sup>1</sup>**

(1) Note: Return excludes appreciation of Alcoa Corp. shares following the 11/1/16 split and is calculated through 1/31/17 – the date on which Elliott initiated its proxy campaign

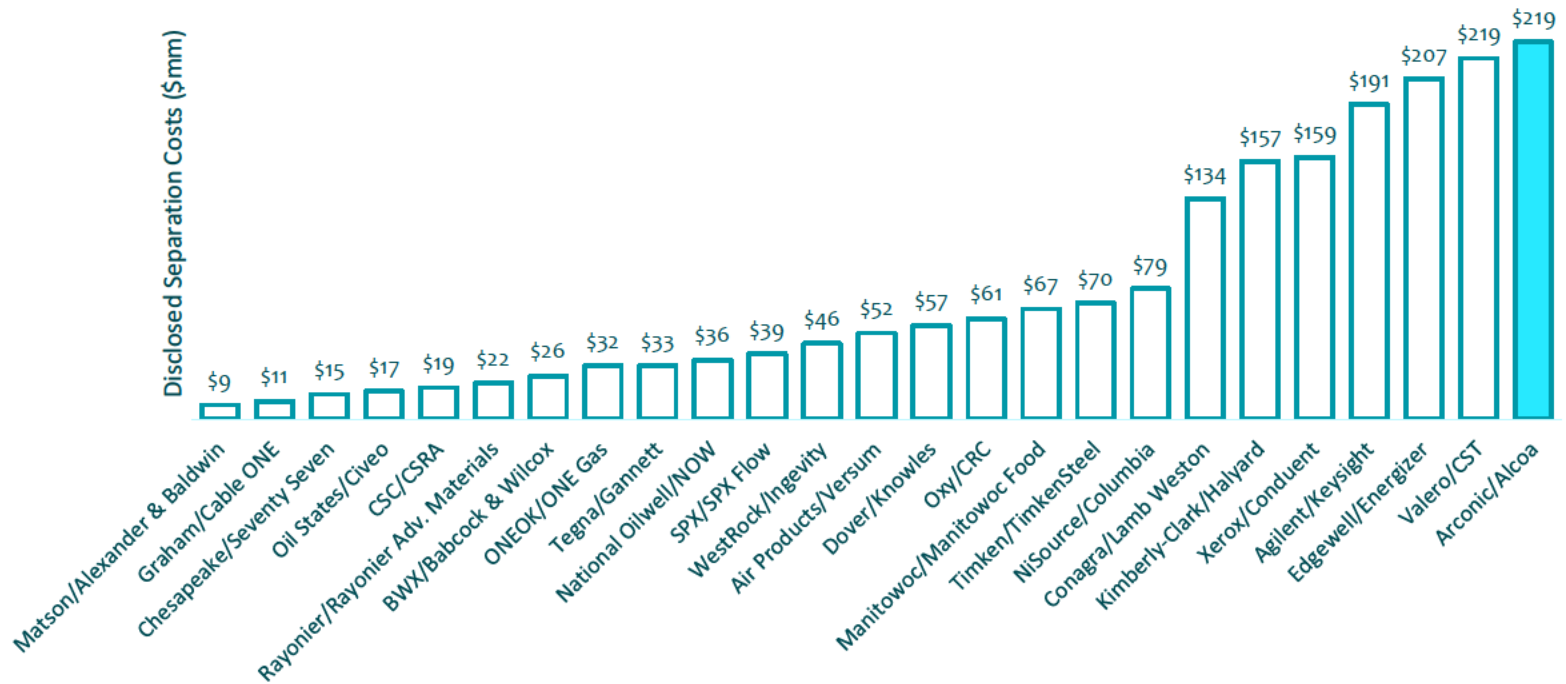


# Of Course, It Would Have Been Preferable to Do So Cost Effectively

Based upon publicly available disclosure, the separation of Alcoa and Arconic was **the most expensive separation** of a company with a below \$50 billion market capitalization in at least the past 5 years

In summary, although Dr. Kleinfeld has repeatedly attempted to take credit for the Separation, the fact of the matter remains that his only real contribution was to complete it years later than the market had hoped for and more expensively than ever before

Arconic/Alcoa Separation Cost vs. Other Spinoffs since 2012



Note: Separation costs are for U.S. transactions above \$1 billion where at least 80% of SpinCo was distributed and exclude prepayment penalties. Transactions above exclude REIT spinoffs and companies above \$50 billion in market cap. This analysis is based on self-disclosed separation costs taken from RemainCo financials. Cost categories may vary by company given differing levels of disclosure and disclosure requirements



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# “Margin Gap with PCC is Structural”: PCC’s Large Structural Castings Business

Far from being a “structural” impediment to reaching peer margins, large structural castings are yet another missed opportunity under Dr. Kleinfeld’s leadership

Historically, Arconic EPS actually enjoyed a more favorable product-margin mix. But management likes to point to a single product-category (large diameter structural castings) and insist that PCC’s margins were structurally superior. Even if we were to accept the premise (see above, we do not) Arconic’s longstanding absence in structural castings is actually a damning indictment of management. PCC has been anticipating competition from the Company for years. Why has management been asleep at the switch?

**Q:** “I guess with respect to trying to close the margin gap with Precision Castparts, and I've probably seen the presentation from Elliott. But I guess if you think that -- do you think incremental margins could be up to 40% EPS, i.e., if you -- would you need say, a 10% volume environment to really close the gap with [PCC]?”

**A:** “*The gap with [PCC] is a bit of a different question. **Because the biggest difference, to keep it simple here is, that PCC has the luxury of having a business of titanium and nickel, large structural cast. And they have almost a virtual monopoly in this business.** The last time they published numbers, had a size of around 1.4 billion and they had a profitability in the segment of over 40%. So this is the biggest difference because we actually have just started to build up that business by building out our LaPorte facility. This has been ramping up. And this facility, even when it's in full swing, will probably produce roughly around \$300 million of revenues. So it's a nice margin, very, very nice margin. **But this is a structural gap that will take quite some time. And we will be working it and we would be gaining share in this, and we will continue to close the gap. But that's the biggest point there in terms of that PCC comparison.***”

2017

Dr. Klaus Kleinfeld, Arconic Q4 2016 Conference Call, **January 31, 2017**

“*In the Investment Cast Products segment, our principal competitor is Howmet, a subsidiary of Alcoa Inc. Howmet produces superalloy, titanium, stainless steel and aluminum investment castings principally for the aerospace and IGT markets. We believe that Howmet is capable of producing investment castings comparable to all but the largest and most complex of our structural investment castings. We also believe Howmet has the financial and technical resources to produce structural castings as large and complex as those produced by us, should they decide to do so.*”

2009

Precision Castparts FY 2009 10-K, **May 28, 2009**

# “Margin Gap with PCC is Structural”: Management Failed Year after Year...

*“In the Investment Cast Products segment, our principal competitor is Howmet, a subsidiary of Alcoa Inc. Howmet produces superalloy, titanium, stainless steel and aluminum investment castings principally for the aerospace and IGT markets. We believe that Howmet is capable of producing investment castings comparable to all but the largest and most complex of our structural investment castings. We also believe Howmet has the financial and technical resources to produce structural castings as large and complex as those produced by us, should they decide to do so.”*

*Precision Castparts FY 2010 10-K, May 27, 2010*

2010

*“In the Investment Cast Products segment, our principal competitor is Howmet, a subsidiary of Alcoa Inc. Howmet produces superalloy, titanium, stainless steel and aluminum investment castings principally for the aerospace and IGT markets. We believe that Howmet is capable of producing investment castings comparable to all but the largest and most complex of our structural investment castings. We also believe Howmet has the financial and technical resources to produce structural castings as large and complex as those produced by us, should they decide to do so.”*

*Precision Castparts FY 2011 10-K, June 2, 2011*

2011

*“In the Investment Cast Products segment, our principal competitor is Howmet, a subsidiary of Alcoa Inc. Howmet produces superalloy, titanium, stainless steel and aluminum investment castings principally for the aerospace and IGT markets. We believe that Howmet is capable of producing investment castings comparable to all but the largest and most complex of our structural investment castings. We also believe Howmet has the financial and technical resources to produce structural castings as large and complex as those produced by us, should they decide to do so.”*

*Precision Castparts FY 2012 10-K, May 31, 2012*

2012

*“In the Investment Cast Products segment, our principal competitor is Howmet, a subsidiary of Alcoa Inc. Howmet produces superalloy, titanium, stainless steel and aluminum investment castings principally for the aerospace and IGT markets. We believe that Howmet is capable of producing investment castings comparable to all but the largest and most complex of our structural investment castings. We also believe Howmet has the financial and technical resources to produce structural castings as large and complex as those produced by us, should they decide to do so.”*

*Precision Castparts FY 2013 10-K, May 30, 2013*

2013

*“In the Investment Cast Products segment, our principal competitor is Howmet, a subsidiary of Alcoa Inc. Howmet produces superalloy, titanium, stainless steel and aluminum investment castings principally for the aerospace and IGT markets. We believe that Howmet is capable of producing investment castings comparable to all but the largest and most complex of our structural investment castings. We also believe Howmet has the financial and technical resources to produce structural castings as large and complex as those produced by us, should they decide to do so.”*

*Precision Castparts FY 2014 10-K, May 29, 2014*

2014

*“In the Investment Cast Products segment, our principal competitor is Alcoa Inc. (“Alcoa”). Alcoa produces superalloy, titanium, stainless steel and aluminum investment castings principally for the aerospace and IGT markets. We believe that Alcoa is capable of producing investment castings comparable to all but the largest and most complex of our structural investment castings. **We also believe Alcoa has the financial and technical resources to produce structural castings as large and complex as those produced by us, should they decide to do so.”***

*Precision Castparts FY 2015 10-K, May 28, 2015*

2015



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# “Created Leading Upstream Business”

Alcoa was founded as the Pittsburgh Reduction Company in 1888. It has been a “leading upstream business” for 128 years

Majority of movement down the cost curve was driven by Alcoa closing down high cost smelters and opening one low cost facility at Ma’aden. Like-for-like improvements in its smelters have been minimal

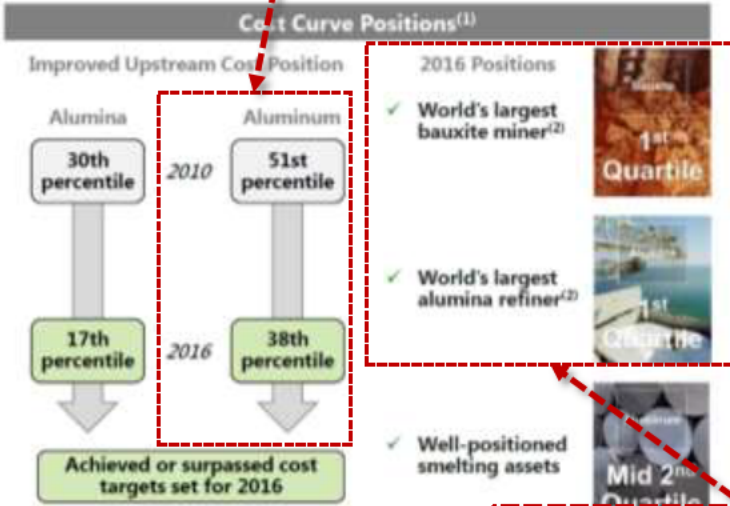
Alcoa was the world’s largest miner of bauxite and the world’s largest alumina refiner *before* Dr. Kleinfeld became CEO

## Created Leading Upstream Business with Low-Cost, World-Class Assets

Results from Upstream transformation

Upstream management deserves credit for shutting poorly performing smelters. But, Cost Curve claims should not be confused with “operational improvement.” The majority of gains on the cost curve have been because of smelter closures and Ma’aden, not better operations

- | Actions Taken   |
|---|
| <ul style="list-style-type: none"> <li>Sold, curtailed or closed 43% of smelting and 35% of refining high cost operating capacity</li> <li>Created new alumina global pricing mechanism</li> <li>Created highly profitable energy business</li> <li>Established third-party bauxite business</li> <li>Grew cast house value-add shipments to 67%</li> </ul> |



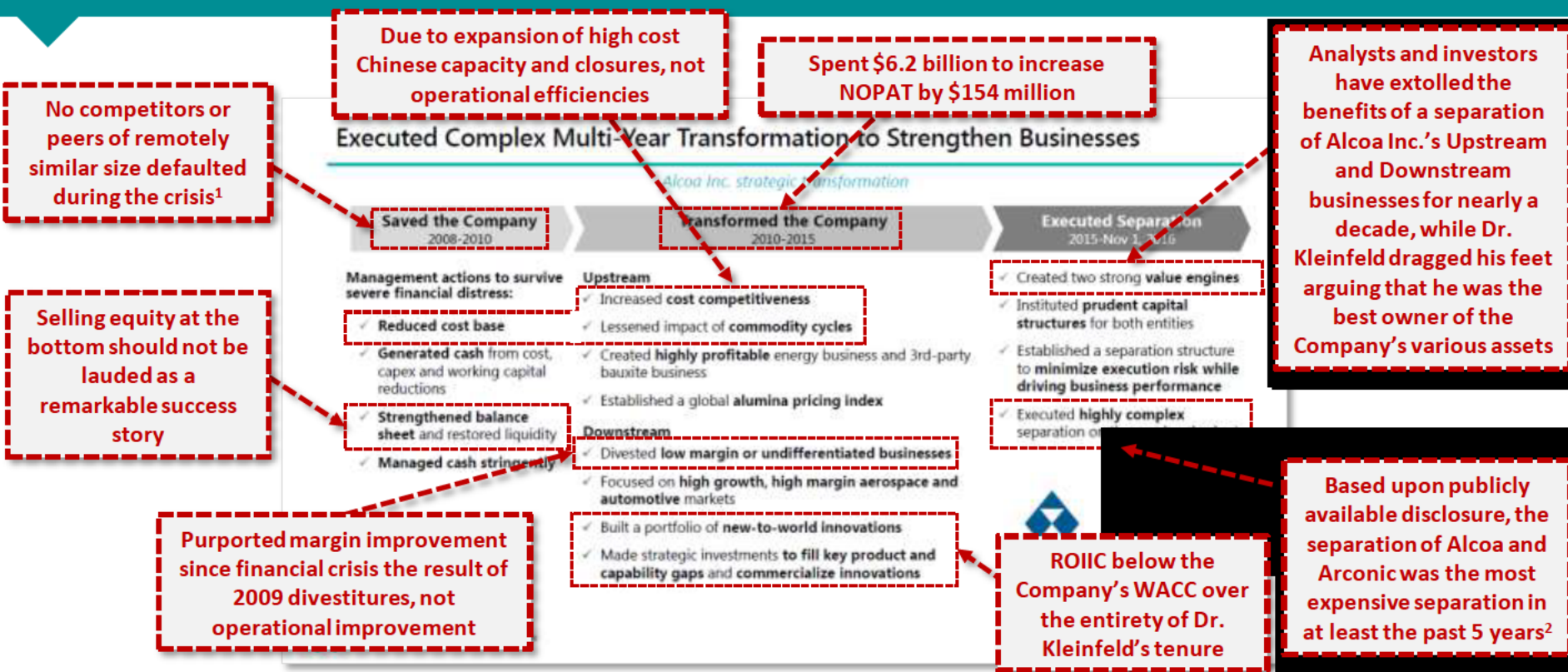
Management did not “create” a “highly profitable” energy business. Rather, when smelters were closed, formerly captive power sources sold their electricity generation to the grid

Alcoa’s Bauxite and Alumina business is part of its AWAC JVs. Unfortunately, Dr. Kleinfeld negotiated away valuable effective “control premium” on the potential sale of Alumina Ltd. because of ill-conceived separation structure



Source: Arconic, Arconic website, Alcoa Inc. investor presentation, Alcoa Corp. Proxy 2016  
 1) As per Alcoa Corp. presentation Nov 18, 2016  
 2) Based on 2011 production. Includes both equity interests as well as ARCONIC wholly-owned subsidiaries.

# Dr. Kleinfeld “Saved” and “Transformed” the Company



Source: Arconic Investor Presentation, March 27, 2017

(1) S&P Capital IQ data for U.S. companies in the aerospace/defense, metals/mining and chemicals industries; standard industry classifications; market cap greater than \$300 million as of December 31, 2007

(2) Note: Separation costs are for U.S. transactions above \$1 billion where at least 80% of SpinCo was distributed; transactions exclude REIT spinoffs and companies above \$50 billion in market cap; analysis is based on self-disclosed costs

**Although Dr. Kleinfeld has repeatedly attempted to take credit for the separation, his only real contribution was to complete it years later than the market had hoped and in the most expensive manner in history**



# Dr. Kleinfeld “Saved” Alcoa

*Did Dr. Kleinfeld inherit a mess that he was in no way responsible for?*

*Michael Gambardella: “Yes, good afternoon. Another question for Mr. Kleinfeld. Since you've been on the Board for almost 5 years now, you have had a say in some of the strategic issues of the company. But since you have taken the role of President, Chief Operating Officer [October 2007], you have gotten into a lot of the segments in a nitty gritty way. What, if you were the CEO of the company what would be the one thing that you would change in the way the company is run today to try to maximize value for the shareholder?”*

*Klaus Kleinfeld: “Right. Michael, the good news is – I mean, we have a team here that's really working together as a very, very close team. And frankly, I mean, I would most likely not have come on board if that wouldn't have been the case. So I feel a good bit of responsibility of, what we are currently doing.”*

Dr. Klaus Kleinfeld, April 7, 2008



# Dr. Kleinfeld “Saved” Alcoa (cont.)

*Not a single one of the 143 companies of similar size and industry as Alcoa defaulted or filed for bankruptcy protection during the global financial crisis*

Shareholders are fully aware of the challenges faced by Alcoa during the financial crisis. However, such **challenges were not unique**, and Alcoa was not the only metals and mining concern to survive.

- In fact, Elliott identified all companies with a market capitalization in excess of \$300 million at the end of 2007 (at the time, Alcoa enjoyed a \$30 billion market capitalization), and between 2008 and 2013, of such companies operating in aerospace/defense, metals, mining and chemicals, not one company defaulted.<sup>1</sup>
- Viewed in this light, Alcoa’s survival is unremarkable. Many similarly situated companies can lay claim to the same achievement, and the overwhelming majority of these companies have provided shareholders with vastly superior returns.
- The fact is that most companies – **almost a decade after the financial crisis** – do not still boast about surviving it, because they can point to numerous other achievements that have followed since. That we are still talking about the 2008-2009 financial crisis in 2017 is itself very telling with regard to Dr. Kleinfeld’s record



*“The makings of today’s Arconic began when Klaus Kleinfeld was appointed CEO of Alcoa Inc... [the management team’s] actions saved the company and set the stage for the successful execution of a multi-year transformation.”*

Board Letter to Shareholders, February 6, 2017

*“We’ve created Arconic, we’ve created Alcoa Corporation. In the crisis in 2009 the company had an almost near-death experience. We saved it from this.”*

Dr. Klaus Kleinfeld, February 1, 2017

<sup>1</sup>) S&P Capital IQ; U.S. headquartered companies; standard industry classifications; Market capitalization as of 12/31/2007



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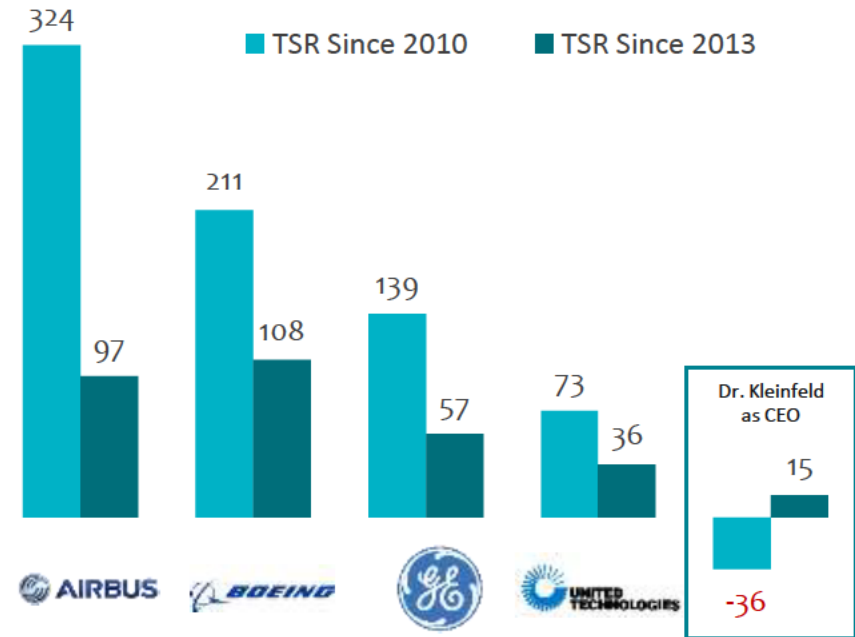
“Customers Love Dr. Kleinfeld”; “Elliott Is Flawed”; “Larry Lawson Is Legally Prohibited from Serving”

# “Customers Love Dr. Kleinfeld”

Why would anyone want to damage Arconic’s customers?

Implied in Arconic’s response to Elliott is that a new CEO would damage the Company’s customers

- Arconic solicited the support of its top customers, Airbus, Boeing, GE and UTX and received favorable quotes regarding how Dr. Kleinfeld supported their goals and was a good partner for their businesses
- To be clear: there is no Arconic without its customers. This is common sense
- Customers may be the easiest constituency to please as providers can be as generous as they wish in negotiations and even give things away if they wish
- We would like to see a CEO that balances the needs of customers, while at the same time generating acceptable returns for shareholders who capitalize the company’s businesses



“The single most important decision in evaluating a business is pricing power... If you’ve got the power to raise prices without losing business to a competitor, you’ve got a very good business. And if you have to have a prayer session before raising the price by 10 percent, then you’ve got a terrible business.”

Warren Buffett, May 26, 2010

Source: Bloomberg  
Note: Total shareholder return as of October 31, 2016

**We’d like shareholders to love Arconic’s CEO too**

# “Elliott used to be happy with us but they changed their mind”

We have never been “happy” with Dr. Kleinfeld. Never. We did make an effort to see if he could finally “figure it out”, but *every piece of evidence* we have accumulated has informed our view that Arconic will never achieve its potential under Dr. Kleinfeld

***“Elliott would like to commend the Board and management team for the significant steps taken to build a better Alcoa and maximize value for shareholders.”***

***-Elliott presentation to Alcoa, Nov. 9, 2015***



**Vote using the WHITE proxy card today.**

Source: Company solicitation materials

# “Larry Lawson Is Legally Prohibited from Serving”

*Elliott conducted a search process with a nationally-recognized consulting firm to identify the world's best aerospace executives. We found our Board Members and we found Larry Lawson – an industry legend who has who built the world's most complex aircrafts, the F-35, the F-22 and 787.*

Elliott believes Arconic should be run by the world's best aerospace executive. So we hired Larry as a consultant for the primary purpose of ensuring that Larry (a very in-demand world-class aerospace executive) would be available to become Arconic's CEO should Arconic's Board wish to hire him after the conclusion of the Proxy Contest. **We did this for the benefit of all of Arconic's shareholders.**

*“Elliott's consultant and candidate for CEO – Larry Lawson, a former Spirit AeroSystems CEO – is legally restricted from taking the job and is on Elliott's payroll. Elliott has agreed to pay him approximately \$28 million over next two years, raising the question of whether he would truly serve the interests of ALL Arconic shareholders.”*

Arconic's Letter to Employees, April 7, 2017

- (1) There is nothing precluding Larry Lawson from becoming CEO at Arconic
- (2) Spirit owes Larry Lawson ~\$26 million as deferred compensation from his service as Spirit's CEO. As part of his retirement package, Larry agreed to avoid competing with Spirit for two years. Neither Elliott nor Larry Lawson believe Arconic competes with Spirit nor do we believe Larry Lawson's work as a consultant to Elliott constitutes a violation of that agreement
- (3) Nevertheless, Elliott has agreed to indemnify Larry *if* Spirit does not pay him
- (4) Any indemnification payments from Elliott to Larry would cease prior to the start of Larry becoming CEO
- (5) Elliott has agreed to compensate Larry for any lost payments as a consequence of his service as a consultant to Elliott. None of these costs – not one dime – will be the obligation of Arconic or its shareholders

**It is telling that Arconic management would distort the facts in an attempt to avoid a direct comparison. They know that any rational shareholder – given the choice between Larry Lawson and Dr. Kleinfeld – would choose Larry Lawson.**

# “Elliott Changed Its Mind, Has Presented Flawed Analysis and Is Not Forthcoming”

## The Facts: Elliott Changed Its Views, Published Flawed Analyses and Hid Key Facts

### Elliott's actions

#### Elliott Has Changed its Views

- Elliott **previously praised management** and the Board for value creation and focus on shareholder interest
  - Since then, shareholders have seen 66% appreciation in value of their holdings
- Elliott previously stated that Alcoa valuation suffered because of myriad issues
  - Wrong analyst coverage
  - Wrong shareholder base
  - Correlation to LME prices
  - Poor communication

• Only recently has Elliott claimed that management is the problem

#### Elliott's Analysis is Flawed

- Elliott's **analysis of potential cost opportunities is flawed**
  - Its GRP analysis has had **four material revisions** and still is incorrect
  - EPS is not comparable to PCC in scale and mix; **Elliott's key assumption is wrong**
- Elliott **disingenuously measures TSR**
  - Insists on beginning with the financial crisis, which occurred just months after new CEO took office
  - Has refused to give credit for value created by spin, which was the most important strategic act of CEO and Board
  - Uses inappropriate peer group to measure 8 years of performance

• In calculating performance against original 2016 goals, **Elliott ignores divestitures** and unexpected market and FX moves which are outside of the company's control

#### Elliott Has Not Been Forthcoming

- Elliott's **disclosure has been slow**, as it failed to initially disclose
  - Its **four different attempts to correct its flawed analysis** of the GRP cost structure
  - That Elliott's choice for the CEO position is **legally precluded from taking the job** by a binding non-compete
  - That Elliott is **paying its suggested CEO replacement candidate millions** under its indemnity agreement

This is simply false and a telling scare tactic. Since current management can't compete, they pretend new management is precluded

This is not correct. Arconic's own math shows a \$13.8 billion revenue target vs. \$12.4 billion achieved. The Company does not discuss EBITDA targets since performance was so poor

This historical mix of Arconic's EPS segment was actually superior to PCC. Arconic management has long benchmarked EPS vs. PCC

Elliott has not been accurate or transparent with shareholders



Source: Arconic, Elliott

This is simply not true. From our very first interaction with the Company, we have cited poor operating performance and poor management credibility as a fundamental driver of poor shareholder returns and low valuation



# “Elliott Does Not Understand Arconic”

*Elliott and the other holders – cumulatively with ~80 million shares – are not naïve*

In meetings with investors, and in their materials, the Board characterizes Elliott as not understanding the business

- *We believe that any investor who meets with Elliott and the Board will see in no uncertain terms that we have a vastly better understanding of the business than independent directors of the current Board*
- *Not only have we done exhaustive due diligence, but we have heard from countless employees, customers, competitors and industry observers that our assessment of Arconic and Dr. Kleinfeld is “on the nose”*
- *Furthermore, our slate has more than 80 years of cumulative experience in the aerospace industry, and includes a former named executive officer of the Company*
- *Investors owning more than 80M shares – or 365x the amount of the board – are supportive of change. Are we all less informed than the current board?*



**Pat Russo**

- *“Lead Independent Director”*
- *Owner of 3,333 shares of ARNC*
- *Zero (0) open market purchases as a director of Alcoa and Arconic*
- *Alcoa TSR (226%) vs. proxy peers as director*
- *(55%) TSR as CEO of Lucent*
- *Sits on four public company boards, is Chairman or Lead Director on two of them*

*“We believe this proxy fight boils down to a simple question: Do you trust the judgment of Elliott, a hedge fund without the benefit of full information and with no fiduciary duty to you or to any other Arconic shareholder, or do you trust 12 experienced business executives who have thoroughly reviewed Elliott’s assertions and unanimously support the continued leadership of Mr. Kleinfeld? We encourage you to rely on the judgment of the Arconic Board, which is independent, objective and thoroughly dedicated to the interests of all Arconic shareholders.”*

Note: Ms. Russo’s share ownership is not inclusive of deferred share units or deferred restricted units

**Elliott would be happy to compare its track record against any of the board members**

# Potential Future Argument: “We did great in Q1!”

*We imagine that Arconic is doing everything it can to have a strong first quarter*

We have heard from numerous self-described Arconic employees, that the Company is doing everything possible to post strong first quarter results. While we cannot verify the claims of these unsolicited communications, we are concerned that Dr. Kleinfeld could be aggressively cutting costs for a short-term gain that could hurt the Company’s future sustainability.

*“Saving Klaus from Paul Singer is top priority for its management. Drain the swamp. Let Elliott Management’s recommendations prevail. Too many good people are getting hurt throughout this Company.”*

Glass Door, 3/17/17

*“Arconic managers are being told not to pay their vendors. Several have not been paid since last July...and MANY have not been paid since October 1st.”*

Email sent to Elliott, 3/27/17

*“Your company might want to somehow request financials in regard to payments to vendors, etc. Arconic is either trying to make itself look good for a sale or the inflated stock price.”*

Email sent to Elliott, 3/16/17

*“I have been a supplier [redacted] to Arconic. Payable terms have been 60 days for the life of the company’s supply agreement with Arconic. However, it seems in conjunction with the announcement of the proxy fight, Arconic unilaterally changed payable terms to 120 days. I believe the change was made to goose up reported results for the first quarter, and that the company might also be hiding vendor invoices.”*

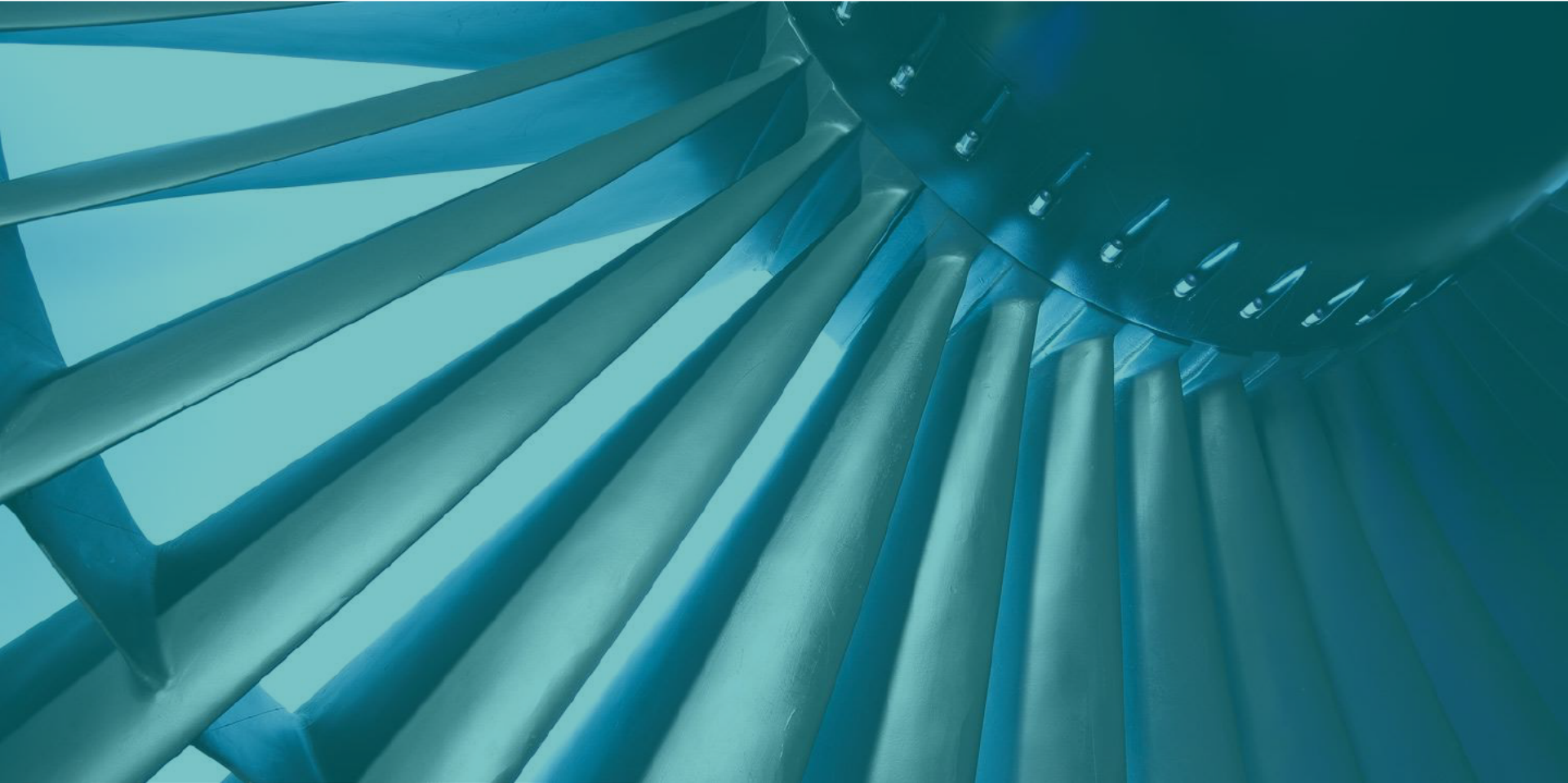
Unsolicited Phone Call to Elliott, 3/8/17

## ***Following his lead at Siemens***

*“In a last-ditch effort to save his job, [Siemens CEO] Kleinfeld released quarterly earnings figures late Tuesday, two days earlier than planned, to underscore the company's financial health.”*

The New York Times, April 25, 2007

**We are long-term investors in Arconic. We hope this is not true.**



# APPENDIX

# How We Benchmark Dr. Kleinfeld's Performance

Before buying a single share of Alcoa stock, we performed extensive analysis, benchmarking Alcoa's performance vs. peers. Below is the list of peer group companies that we believe best represent public company peers in each of legacy Alcoa's business units

## Engineered Products and Solutions (EPS) Peers

Precision Castparts Corp.\*  
Senior plc  
Barnes Group Inc.  
RBC Bearings Inc.  
TriMas Corp.  
Lisi S.A.  
Woodward Inc.

## Transportation and Construction Solutions (TCS) Peers

Superior Industries International  
Accuride Corp.  
Titan International Inc.  
Meritor Inc.  
NCI Building Systems Inc.  
Quanex Building Products  
CRH plc  
SFS Group A.G.

## Global Rolled Products (GRP) Peers

Kaiser Aluminum Corp.  
Amag Austria Metall A.G.  
Constellium  
UACJ Corp.

## Upstream Peers

Rio Tinto plc  
Norsk Hydro ASA  
Hindalco Industries Ltd.  
Aluminum Corp. of China Ltd.  
National Aluminum Co. Ltd.  
United Co. Rusal plc  
BHP Billiton Limited  
South32 Limited

## Weighting

Elliott has constructed a peer group of comparable companies that best represent, in our view, peers for each area of the Company business units prior to the split of AA/ARCN. Peers are weighted by 2008-2016 revenue contribution (Upstream 43%, GRP 31%, EPS 18% and TCS 8.5%). This conservative methodology, we believe, is charitable to the Company's as the mix of revenue has moved towards the better-performing peer groups in recent years

\* Note: Precision Castparts Corp. was acquired by Berkshire Hathaway on February 1, 2016

# Company Self-Selected Peers

## Company's Self-Selected Proxy Peers

### Industrial Peers

3M Co.

Cummins Inc.

Danaher Corp.

Deere & Co.

Eaton Corp. plc

Emerson Electric Co.

General Dynamics Corp.

L3 Technologies Inc.

Northrop Grumman Corp.

Raytheon Company

### Materials Peers

du Pont (E.I.) de Nemours

The Dow Chemical Co.

Freeport-McMoRan Inc.

Huntsman Corp.

International Paper Co.

PPG Industries Inc.

Newmont Mining Corp.

Nucor Corp.

United States Steel Corp.

LyondellBassell Industries

## Company's Self-Selected Aluminum Peers

Aluminum Corporation of China Limited

United Company RUSAL plc

Norsk Hydro ASA

Alumina Limited

National Aluminum Company Limited

Shangdong Nanshan Aluminum Co., Ltd.

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