*The Element of* ***Possibility***™

# Alcoa Corporation

**Investor Presentation**

September 2020



# Important information

## Cautionary statement regarding forward-looking statements

This presentation may contain statements that relate to future events and expectations and as such constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include those containing such words as “anticipates,” “believes,” “could,” “estimates,” “expects,” “forecasts,” “goal,” “intends,” “may,” “outlook,” “plans,” “projects,” “seeks,” “sees,” “should,” “targets,” “will,” “would,” or other words of similar meaning. All statements by Alcoa Corporation that reflect expectations, assumptions or projections about the future, other than statements of historical fact, are forward-looking statements, including, without limitation, forecasts concerning global demand growth for bauxite, alumina, and aluminum, and supply/demand balances; statements, projections or forecasts of future or targeted financial results or operating performance; statements about strategies, outlook, and business and financial prospects; and statements about return of capital. These statements reflect beliefs and assumptions that are based on Alcoa Corporation’s perception of historical trends, current conditions, and expected future developments, as well as other factors that management believes are appropriate in the circumstances. Forward-looking statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties, and changes in circumstances that are difficult to predict. Although Alcoa Corporation believes that the expectations reflected in any forward-looking statements are based on reasonable assumptions, it can give no assurance that these expectations will be attained and it is possible that actual results may differ materially from those indicated by these forward-looking statements due to a variety of risks and uncertainties. Such risks and uncertainties include, but are not limited to: (a) current and potential future impacts of the coronavirus (COVID-19) pandemic on the global economy and our business, financial condition, results of operations, or cash flows; (b) material adverse changes in aluminum industry conditions, including global supply and demand conditions and fluctuations in London Metal Exchange-based prices and premiums, as applicable, for primary aluminum and other products, and fluctuations in indexed-based and spot prices for alumina; (c) deterioration in global economic and financial market conditions generally and which may also affect Alcoa Corporation’s ability to obtain credit or financing upon acceptable terms or at all; (d) unfavorable changes in the markets served by Alcoa Corporation; (e) the impact of changes in foreign currency exchange and tax rates on costs and results; (f) increases in energy costs or uncertainty of energy supply; (g) declines in the discount rates used to measure pension liabilities or lower-than-expected investment returns on pension assets, or unfavorable changes in laws or regulations that govern pension plan funding; (h) the inability to achieve improvement in profitability and margins, cost savings, cash generation, revenue growth, fiscal discipline, or strengthening of competitiveness and operations anticipated from portfolio actions, operational and productivity improvements, cash sustainability, technology advancements, and other initiatives; (i) the inability to realize expected benefits, in each case as planned and by targeted completion dates, from acquisitions, divestitures, restructuring activities, facility closures, curtailments, restarts, expansions, or joint ventures; (j) political, economic, trade, legal, public health and safety, and regulatory risks in the countries in which Alcoa Corporation operates or sells products; (k) labor disputes and/or and work stoppages; (l) the outcome of contingencies, including legal and tax proceedings, government or regulatory investigations, and environmental remediation; (m) the impact of cyberattacks and potential information technology or data security breaches; and (n) the other risk factors discussed in Item 1A of Alcoa Corporation’s Form 10-K for the fiscal year ended December 31, 2019, Form 10-Q for the quarter ended March 31, 2020, Form 10-Q for the quarter ended June 30, 2020, and other reports filed by Alcoa Corporation with the U.S. Securities and Exchange Commission (SEC). 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# Important information (continued)

## Non-GAAP financial measures

Some of the information included in this presentation is derived from Alcoa's consolidated financial information but is not presented in Alcoa's financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Certain of these data are considered "non-GAAP financial measures" under SEC rules. Alcoa Corporation believes that the presentation of non-GAAP financial measures is useful to investors because such measures provide both additional information about the operating performance of Alcoa Corporation and insight on the ability of Alcoa Corporation to meet its financial obligations by adjusting the most directly comparable GAAP financial measure for the impact of, among others, "special items" as defined by the Company, non-cash items in nature, and/or nonoperating expense or income items. The presentation of non-GAAP financial measures is not intended to be a substitute for, and should not be considered in isolation from, the financial measures reported in accordance with GAAP. Reconciliations to the most directly comparable GAAP financial measures and management's rationale for the use of the non-GAAP financial measures can be found in the appendix to this presentation.

## Glossary of terms

A glossary of abbreviations and defined terms used throughout this presentation can be found in the appendix.

# Alcoa: A global values-driven enterprise

## Global operations by business segment




OUR VALUES

Act with Integrity

Operate with Excellence

Care for People

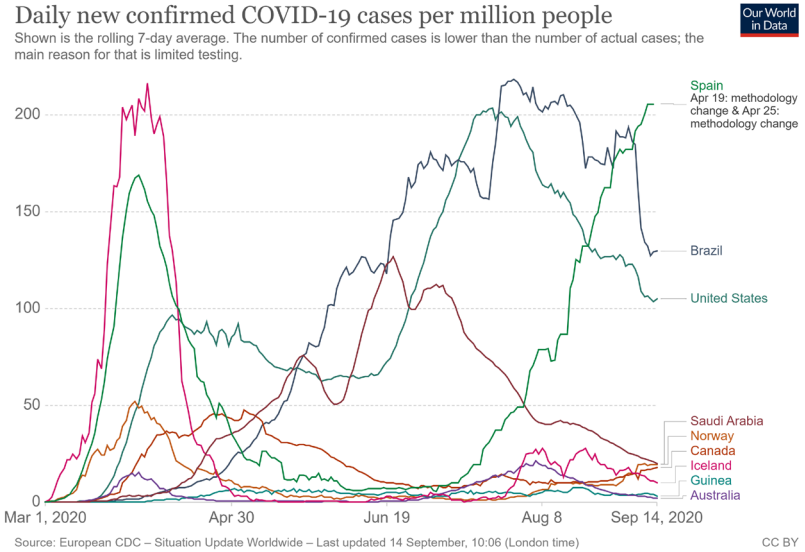


# Continued action to maintain safe and stable operations

## COVID-19 Alcoa impacts and actions

### Countries with Alcoa operations COVID cases

Brazil and US COVID-19 per capita case counts appear to have peaked; watching Spain closely




### Alcoa operational and commercial impacts

At Sept. 14, 609 (~2%) employees and contractors had been diagnosed with COVID-19, 99% have recovered

All facilities remain in operation at pre-COVID-19 production levels, excluding curtailment changes

Bauxite

- China continuing to drive seaborne Bauxite demand
- Atlantic market tighter; Alunorte seaborne demand up

Alumina

- Price supported by Alunorte supply disruption and steady Chinese demand

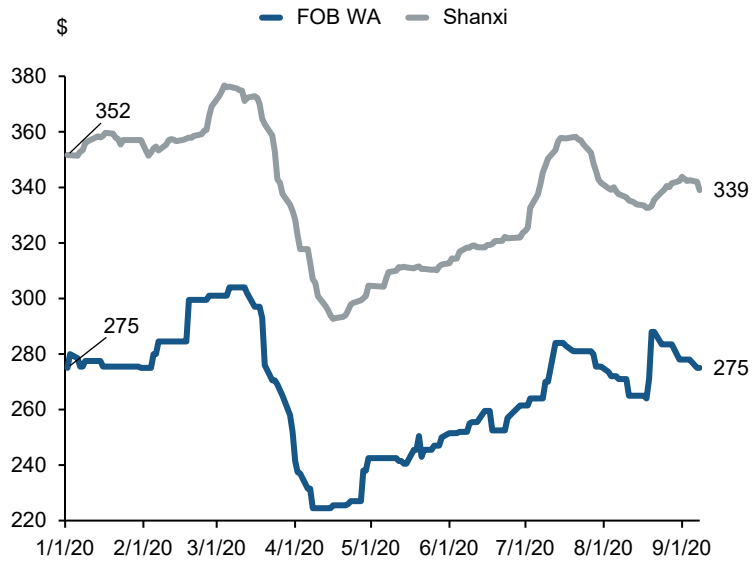
Aluminum

- Value-add product recovery underway with strong demand across market segments
- Regional premiums well supported

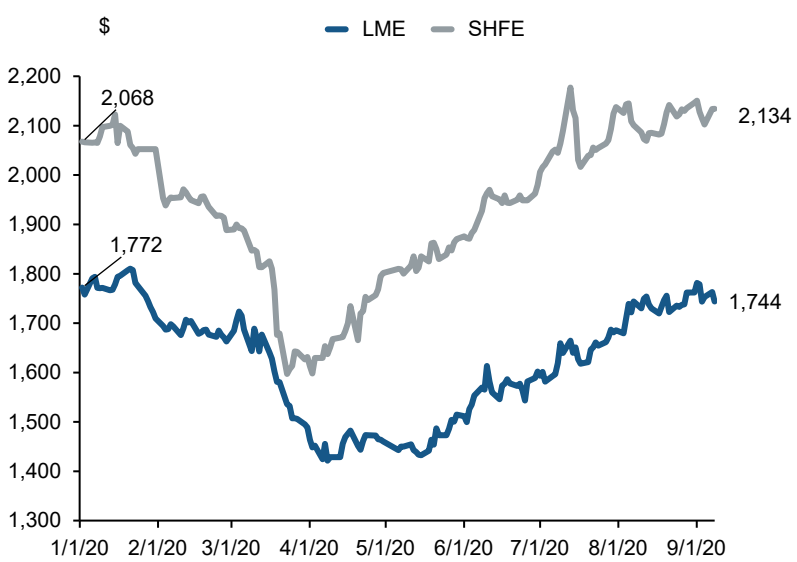
# Market prices have recovered to January 2020 levels

## 2020 market dynamics

### Alumina




### Aluminum




Sources: Alcoa analysis, Baiinfo, Aladdiny, CRU, LME, Platts. Note: Prices are updated to Sep 8, 2020. Chinese prices are VAT included.

# Continuing near and long term improvement programs

## Key strategic actions, 2020 programs, COVID-19 response

**Key strategic actions** (October 2019)

New operating model: Creating a leaner, more integrated, operator-centric Alcoa

Non-core asset sales: Generating additional cash through non-core asset sales
- Gum Springs treatment facility sale (completed January 2020)

Asset portfolio review: Positioning to succeed financially in an evolving sustainable world
- Point Comfort refinery closure (announced December 2019)
- Intalco smelter curtailment (announced April 2020)
- San Ciprián smelter consultation (began May 2020)

**2020 Programs** (February 2020)

Leaner working capital: Lowering inventory, optimizing contract terms
- $75-100 million

Productivity improvement: Lowering production costs through improved efficiencies and higher volumes
- ~$100 million

**COVID-19 response** (March 2020)

Pension deferral: ~$220 million of U.S. pension funding deferred to 2021 via the CARES Act

Capex reduction: $100 million in 2020 to new target of $375 million

Other spending cuts: $60 million in 2020 from hiring, travel and other reductions, environmental/ARO deferrals

# Operating well through pandemic; positioning for future

## Key takeaways




- **Care and safety**
  Protecting our employees and our operations throughout the COVID-19 pandemic
- **Strong operating performance**
  YoY production increases across all segments; working capital improvements bolstering cash balance
- **Building our future**
  Increased liquidity and flexibility driving continued progress on our strategic priorities

**Drive results** and **deliver returns** to stockholders over the long term

# Update on tariff and foreign currency impacts

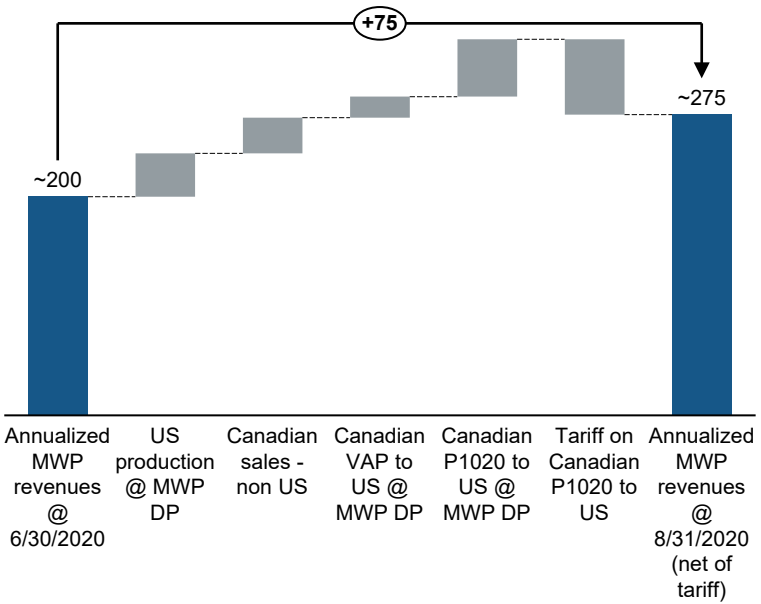


# Lost Canadian P1020 tariff exemption increases revenues

## Annualized Midwest Premium (MWP) revenues before and after tariff exemption lifted

### Annualized MWP revenues net of tariffs

($US millions)




### Impacts of Canadian P1020 tariff change

- Tariff change increases Alcoa's annualized net revenues in the short run
- Changing tariff regimes disrupt key supply chains and promote inefficient trade flows
- Tariffs do not address real problem of Chinese aluminum overcapacity and subsidization

Assumptions:

- Annualized impacts, net of tariffs, based on production rates at June 30, 2020
- For comparison, used actual Midwest Duty Paid and Duty Unpaid premiums at June 30, 2020 and August 31, 2020

| Midwest Premium Duty Paid (MWP DP) | | | Midwest Premium Duty Unpaid (MWP DUP) | | | Canada P1020 Tariff | | |
|---|---|---|---|---|---|---|---|---|
| 30-Jun-20 | 31-Aug-20 | Change | 30-Jun-20 | 31-Aug-20 | Change | 30-Jun-20 | 31-Aug-20 | Change |
| $ 0.090 | $ 0.152 | $ 0.062 | $ 0.021 | $ 0.070 | $ 0.049 | $ - | $ 0.082 | $ 0.082 |

# With large currency moves, revaluations can have impacts

## Currency balance sheet revaluation and EBITDA sensitivities ($M, except currencies)

### Balance sheet revaluation impact

| | AUD | BRL | CAD | EUR | ISK | NOK | Total |
|---|---|---|---|---|---|---|---|
| 9/30/19 currencies | 0.68 | 4.16 | 1.33 | 1.09 | 124.11 | 9.08 | |
| 12/31/19 currencies | 0.70 | 4.05 | 1.31 | 1.12 | 121.38 | 8.82 | |
| 4Q19 revaluation | (4.9) | (1.8) | (0.9) | 1.2 | 0.4 | 1.5 | (4.5) |
| 3/31/20 currencies | 0.61 | 5.16 | 1.42 | 1.11 | 139.54 | 10.57 | |
| 1Q20 revaluation | 20.9 | 10.0 | 4.4 | 0.4 | 3.1 | (1.6) | 37.2 |
| 1Q20 sequential impact | 25.8 | 11.9 | 5.3 | (0.7) | 2.7 | (3.2) | 41.8 |
| 6/30/20 currencies | 0.69 | 5.44 | 1.37 | 1.13 | 137.77 | 9.68 | |
| 2Q20 revaluation | (20.1) | 1.8 | (1.6) | (0.5) | 0.6 | (1.0) | (20.8) |
| 2Q20 sequential impact | (40.9) | (8.2) | (6.0) | (1.0) | (2.5) | 0.7 | (58.0) |
| 8/31/20 currencies | **0.73** | **5.47** | **1.31** | **1.19** | **137.43** | **8.80** | |
| 3Q20 QTD revaluation | (7.4) | 1.3 | (3.3) | (1.7) | 1.4 | 0.6 | (9.4) |
| **3Q20 QTD revaluation sequential impact** | **12.7** | **(0.6)** | **(1.7)** | **(0.8)** | **0.8** | **1.5** | **11.4** |

### Currency annual sensitivity and actual impact

| | +0.01 AUD | +0.10 BRL | +0.01 CAD | +0.01 EUR | + 10 ISK | +0.10 NOK | Total |
|---|---|---|---|---|---|---|---|
| EBITDA sensitivity | (22) | 9 | 2 | (4) | 11 | 2 | |
| 4Q19 currency avg. | 0.68 | 4.12 | 1.32 | 1.11 | 123.54 | 9.12 | |
| 1Q20 currency avg. | 0.66 | 4.44 | 1.34 | 1.10 | 127.78 | 9.44 | |
| 1Q20 currency impact | 12.6 | 7.0 | 1.1 | 0.4 | 1.2 | 1.3 | 23.6 |
| 2Q20 currency avg. | 0.66 | 5.38 | 1.39 | 1.10 | 141.37 | 10.04 | |
| 2Q20 currency impact | 1.8 | 21.0 | 2.7 | 0.3 | 3.7 | 2.4 | 31.9 |
| 8/31/20 currency avg. | **0.71** | **5.40** | **1.33** | **1.17** | **137.24** | **9.10** | |
| **3Q20 QTD currency impact** | **(31.2)** | **0.3** | **(2.6)** | **(6.8)** | **(1.1)** | **(4.7)** | **(46.2)** |
| **Total 3Q20 QTD EBITDA currency impact[1]** | **(18.5)** | **(0.3)** | **(4.4)** | **(7.6)** | **(0.4)** | **(3.1)** | **(34.7)** |

Totals may not tie due to rounding

1. Total EBITDA currency impact includes balance sheet revaluation (based on August end values) and currency impacts (based on quarterly averages using August actual as September)

# **Appendix:**
# 2Q20 Financial Results and Other Information as presented on July 17, 2020

Alcoa

# Quarterly income statement

## Quarterly income statement

| *M, Except realized prices and per share amounts* | 2Q19 | 1Q20 | 2Q20 | Prior Year Change | Sequential Change |
|---|---|---|---|---|---|
| Realized primary aluminum price ($/mt) | $2,167 | $1,988 | **$1,694** | $(473) | $(294) |
| Realized alumina price ($/mt) | $376 | $299 | **$250** | $(126) | $(49) |
| Revenue | $2,711 | $2,381 | **$2,148** | $(563) | $(233) |
| Cost of goods sold | 2,189 | 2,025 | **1,932** | (257) | (93) |
| SG&A and R&D expenses | 75 | 67 | **49** | (26) | (18) |
| Adjusted EBITDA | 447 | 289 | **167** | (280) | (122) |
| Depreciation, depletion and amortization | 174 | 170 | **152** | (22) | (18) |
| Other expenses (income), net | 50 | (132) | **51** | 1 | 183 |
| Interest expense | 30 | 30 | **32** | 2 | 2 |
| Restructuring and other charges, net | 370 | 2 | **37** | (333) | 35 |
| Provision for income taxes | 116 | 80 | **45** | (71) | (35) |
| Net (loss) income | (293) | 139 | **(150)** | 143 | (289) |
| Less: Net income attributable to noncontrolling interest | 109 | 59 | **47** | (62) | (12) |
| Net (loss) income attributable to Alcoa Corporation | $(402) | $80 | **$(197)** | $205 | $(277) |
| Diluted (loss) earnings per share | $(2.17) | $0.43 | **$(1.06)** | $1.11 | $(1.49) |
| Diluted average shares[1] | 185.5 | 186.6 | **185.9** | 0.4 | (0.7) |

1. For 2Q19 and 2Q20, share equivalents related to employee stock-based compensation were excluded from Diluted average shares as the impact was anti-dilutive given a net loss attributable to Alcoa Corporation.

# Special items

## Breakdown of special items by income statement classification – gross basis

| *M, Except per share amounts* | 2Q19 | 1Q20 | 2Q20 | Description of significant 2Q20 special items |
|---|---|---|---|---|
| Net (loss) income attributable to Alcoa Corporation | $(402) | $80 | **$(197)** | |
| Diluted (loss) earnings per share | $(2.17) | $0.43 | **($1.06)** | |
| Special items | $400 | $(122) | **$193** | |
| *Cost of goods sold* | *8* | *32* | ***17*** | Bécancour restart costs |
| *SG&A and R&D expenses* | *-* | *-* | ***1*** | |
| *Restructuring and other charges, net* | *370* | *2* | ***37*** | Intalco smelter curtailment and take or pay contracts at idled facilities |
| *Other expenses (income), net* | *-* | *(169)* | ***(3)*** | |
| *Provision for income taxes* | *22* | *14* | ***141*** | Interim tax impacts |
| *Noncontrolling interest* | *-* | *(1)* | ***-*** | |
| Adjusted net loss attributable to Alcoa Corporation | $(2) | $(42) | **$(4)** | |
| Adjusted diluted loss per share | $(0.01) | $(0.23) | **$(0.02)** | |

# Quarterly income statement excluding special items

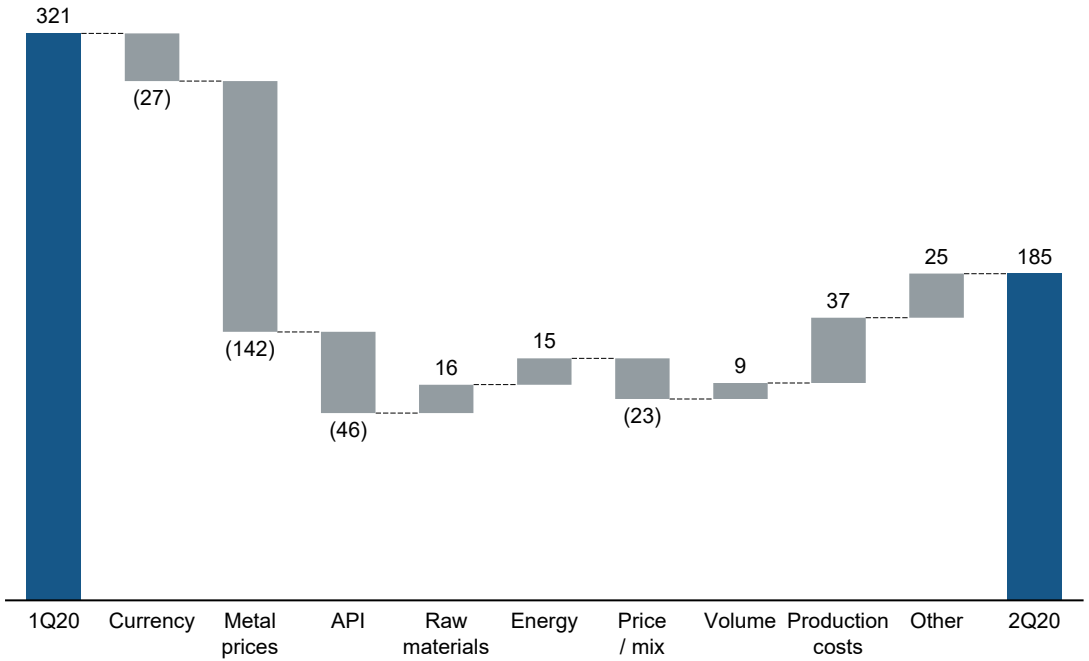
## Quarterly income statement excluding special items

| *M, Except realized prices and per share amounts* | 2Q19 | 1Q20 | 2Q20 | Prior Year Change | Sequential Change |
|---|---|---|---|---|---|
| Realized primary aluminum price ($/mt) | $2,167 | $1,988 | **$1,694** | $(473) | $(294) |
| Realized alumina price ($/mt) | $376 | $299 | **$250** | $(126) | $(49) |
| Revenue | $2,711 | $2,381 | **$2,148** | $(563) | $(233) |
| Cost of goods sold | 2,181 | 1,993 | **1,915** | (266) | (78) |
| COGS % of Revenue | 80.5% | 83.7% | **89.2%** | 8.7% pts. | 5.5% pts. |
| SG&A and R&D expenses | 75 | 67 | **48** | (27) | (19) |
| SG&A and R&D % of Revenue | 2.8% | 2.8% | **2.2%** | (0.6)% pts. | (0.6)% pts. |
| Adjusted EBITDA | 455 | 321 | **185** | (270) | (136) |
| Depreciation, depletion and amortization | 174 | 170 | **152** | (22) | (18) |
| Other expenses, net | 50 | 37 | **54** | 4 | 17 |
| Interest expense | 30 | 30 | **32** | 2 | 2 |
| Provision for income taxes | 94 | 66 | **(96)** | (190) | (162) |
| Operational tax rate | 46.5% | 78.5% | **178.3%** | 131.8% pts. | 99.8% pts. |
| Adjusted net income | 107 | 18 | **43** | (64) | 25 |
| Less: Adjusted net income attributable to noncontrolling interest | 109 | 60 | **47** | (62) | (13) |
| Adjusted net loss attributable to Alcoa Corporation | $(2) | $(42) | **$(4)** | $(2) | $38 |
| Adjusted diluted loss per share | $(0.01) | $(0.23) | **$(0.02)** | $(0.01) | $0.21 |
| Diluted average shares[1] | 185.5 | 185.7 | **185.9** | 0.4 | 0.2 |

1. For all periods presented, share equivalents related to employee stock-based compensation were excluded from Diluted average shares as the impact was anti-dilutive given an adjusted net loss attributable to Alcoa Corporation.

# Lower market prices impact Adjusted EBITDA

## Adjusted EBITDA excluding special items sequential changes, $M

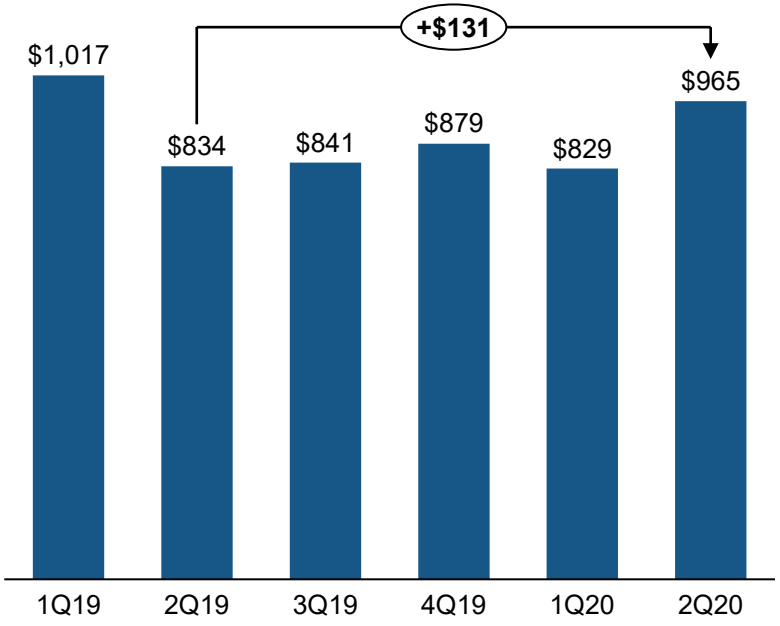



| | 1Q20 | 2Q20 | Change |
|---|---|---|---|
| Bauxite | $120 | $131 | $11 |
| Alumina | 193 | 88 | (105) |
| Aluminum | 62 | (34) | (96) |
| **Segment total** | 375 | 185 | (190) |
| Transformation | (16) | (10) | 6 |
| Intersegment eliminations | (8) | 30 | 38 |
| Other corporate | (30) | (20) | 10 |
| **Total** | $321 | $185 | $(136) |

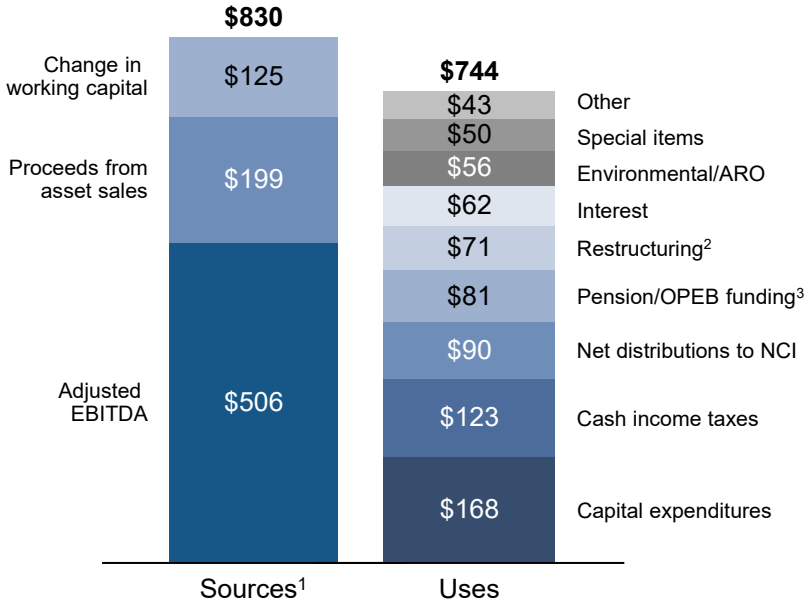
# Cash balance improves to $965 million

## Quarterly cash comparison and cash flow information

### Quarter ending cash balance, $M




### YTD Cash flow information, $M




1. Sources defined as Adjusted EBITDA excluding special items plus changes in working capital (accounts receivable, inventories, accounts payable) and proceeds from asset sales.
2. Restructuring includes payments related to divestiture of the Avilés and La Coruña facilities and severance related to implementing the new operating model.
3. Minimum required pension/all OPEB funding is reflected net of related expenses within Adjusted EBITDA.

# Focus on balance sheet; modest pension impacts

## Key financial metrics and pension/OPEB update

### Key financial metrics

| 2Q20 Days working capital | 1H20 Return on equity |
|---|---|
| **24 Days** | **(2.3)%** |
| **1H20 Capital expenditures** | **Proportional adjusted net debt** |
| **$168M** | **$3.3B** |
| **1H20 Free cash flow less net NCI distributions** | **2Q20 Cash balance** |
| **$(60)M** | **$965M** |

### Pension/OPEB update

Balance sheet impacts (remeasured at year end)

- Pension expected return on plan assets is 6.28%; preliminary actual returns were ~0% through June 30
- Discount rate for pension and OPEB liabilities down ~35 and ~60 basis points, respectively, from last plan remeasurement to June 30 (pension remeasurement April 30 due to Intalco curtailment, $0.2 billion impact)

Funding requirements (current estimates)

- ~$220 million CARES Act deferral of 2020 U.S. pension funding to January 1, 2021; nets to ~$80 million FY20 pension funding
- U.S. pension pre-funding balance of ~$380 million available for future funding requirements in FY21+
- OPEB cash requirements ~$100 million in FY20

# On target to achieve cash actions totaling ~$900 million

## Impacts of announced FY20 actions, before tax and noncontrolling interest, $M

| Cash actions | | | | | YTD |
|---|---|---|---|---|---|
| | Run rate | One time | Deferral | FY20 | Comments |
| **Key strategic actions** | | | | | |
| New operating model | 60 | | | **45** | Savings at full run rate in 2Q20 |
| Non-core asset sales | | 200 | | **200** | Asset sale program continuing |
| Portfolio review | 35-100 | (25) | | **10-75** | Intalco, San Ciprián processes underway |
| **2020 programs** | | | | | |
| Leaner working capital | | 75-100 | | **75-100** | DWC working capital down $138 since 12/31/19 |
| Lower production costs | 100 | | | **100** | Volume driving current improvement |
| **COVID-19 response** | | | | | |
| Reduce capital expenditures | | 100 | | **100** | Spending at targeted rate |
| Defer environmental/ARO | | | 25 | **25** | Spending at targeted rate |
| Defer pension funding to 2021 | | | 220 | **220** | Underway using CARES Act |
| Hiring, travel, other restrictions | | 20 | 15 | **35** | Spending at targeted rate |
| **Total** | **~225** | **~400** | **~260** | **~900** | |

# 2020 Outlook

## FY20 Key metrics

### Income statement excl. special items impacts

| | 1H20 | FY20 Outlook |
|---|---|---|
| Bauxite shipments (Mdmt) | 24.3 | 48.0 – 49.0 |
| Alumina shipments (Mmt) | 6.8 | 13.6 – 13.7 |
| Aluminum shipments (Mmt)[1] | 1.5 | 2.9 – 3.0 |
| Transformation (adj. EBITDA impacts) | $(26)M | ~ $(75)M |
| Intersegment elims. (adj. EBITDA impacts) | $22M | Varies |
| Other corporate (adj. EBITDA impacts) | $(49)M | ~ $(90)M |
| Depreciation, depletion and amortization | $322M | ~ $665M |
| Non-operating pension/OPEB expense | $52M | ~ $100M |
| Interest expense | $62M | ~ $150M |
| Operational tax rate[2] | (97.7)% | Varies |
| Net income of noncontrolling interest | $106M | 40% of AWAC NI |

### Cash flow impacts

| | 1H20 | FY20 Outlook |
|---|---|---|
| Minimum required pension/all OPEB funding | $103M | ~ $180M |
| Additional pension funding | $4M | Will vary based on market conditions and cash availability |
| Discretionary debt repayment | $0M | |
| Stock repurchases | $0M | |
| Return-seeking capital expenditures[3] | $31M | ~ $35M |
| Sustaining capital expenditures[3] | $137M | ~ $340M |
| Payment of prior year income taxes[4] | $47M | ~ $50M |
| Current period cash taxes[2] | $76M | Varies |
| Environmental and ARO payments[5] | $56M | ~ $125M |
| Impact of restructuring and other charges | $71M | TBD |

*Note: The COVID-19 pandemic has increased the potential for variance of actual results compared to our outlook.*
*Additional market sensitivities and business information are included in appendix.*

1. Intalco curtailment reflected in outlook.
2. Estimate will vary with market conditions and jurisdictional profitability.
3. AWAC portion of FY20 Outlook: ~30% of return-seeking capital expenditures, and ~60% of sustaining capital expenditures.
4. Net of pending tax refunds.
5. As of June 30, 2020, the environmental remediation reserve balance was $323M and the ARO liability was $665M.

# 2Q20 Financial summary

## Three months ending June 30, 2020, excluding special items

| $M | Bauxite | Alumina | Aluminum[3,4] | Transformation | Intersegment eliminations | Other corporate | Alcoa Corporation |
|---|---|---|---|---|---|---|---|
| Total revenue | $311 | $892 | $1,477 | $4 | $(536) | - | $2,148 |
| Third-party revenue | $66 | $603 | $1,475 | $4 | - | - | $2,148 |
| Adjusted EBITDA[1] | $131 | $88 | $(34) | $(10) | $30 | $(20) | $185 |
| *Adjusted EBITDA margin %* | *42.1%* | *9.9%* | *(2.3)%* | | | | *8.6%* |
| Depreciation, depletion and amortization | $30 | $37 | $79 | - | - | $6 | $152 |
| Other (income) expenses, net[2] | - | $8 | $12 | - | - | $34 | $54 |
| Interest expense | | | | | | | $32 |
| Provision for income taxes | | | | | | | $(96) |
| Adjusted net income | | | | | | | $43 |
| Net income attributable to noncontrolling interest | | | | | | | $47 |
| Adjusted net loss attributable to Alcoa Corp. | | | | | | | $(4) |

1. Includes the Company's proportionate share of earnings from equity investments in certain bauxite mines, hydroelectric generation facilities, and an aluminum smelter located in Brazil, Canada, and/or Guinea.
2. Amounts for Alumina and Aluminum represent the Company's proportionate share of earnings from its equity investment in the Saudi Arabian joint venture.
3. Flat-rolled aluminum shipments, revenue and adjusted EBITDA were 0.08 Mmt, $277M and $2M, respectively.
4. Third-party energy sales volume, revenue and adjusted EBITDA in Brazil were 970 GWh, $14M and $2M, respectively.

# 2Q20 Adjusted EBITDA drivers by segment

## Adjusted EBITDA excl. special items sequential changes by segment, $M

| Segment | Adj. EBITDA 1Q20 | Currency | Metal prices | API | Raw materials | Energy | Price/mix | Volume | Production costs | Other | Adj. EBITDA 2Q20 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Bauxite | $120 | 2 | 0 | 0 | 0 | 2 | (2) | 9 | (2) | 2 | $131 |
| Alumina | $193 | (29) | 0 | (82) | 10 | 3 | (7) | 1 | 4 | (5) | $88 |
| Aluminum | $62 | 0 | (144) | 10 | 6 | 10 | (14) | (1) | 35 | 2 | $(34) |
| **Segment Total** | **$375** | **(27)** | **(144)** | **(72)** | **16** | **15** | **(23)** | **9** | **37** | **(1)** | **$185** |

# Aluminum value chain

## 1H20 Alcoa product shipments by segment



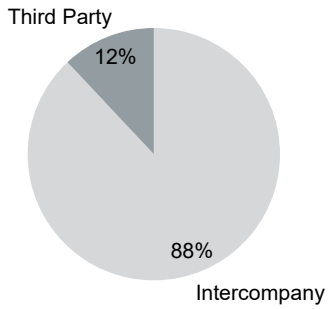

*24.3 Mdmt shipments*

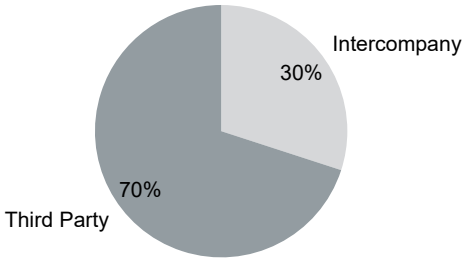


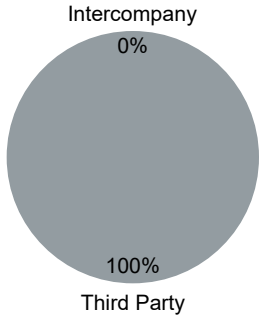

*6.8 Mmt shipments*




*1.5 Mmt shipments*



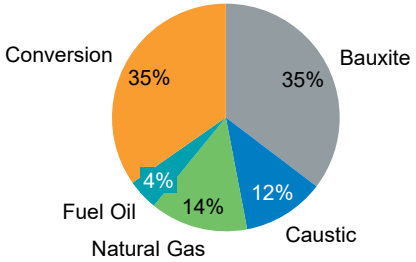



# Composition of alumina and aluminum production costs

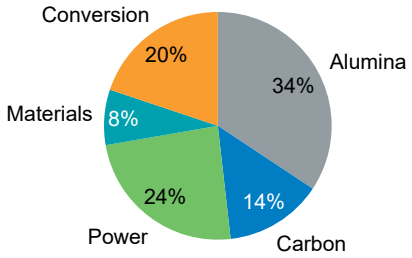
## Alcoa 2Q20 production cash costs

### Alumina refining




| Input Cost | Inventory Flow | Pricing Convention | FY20 Annual Cost Sensitivity |
|---|---|---|---|
| **Caustic Soda** | 5 - 6 Months | Quarterly, Spot | $10M per $10/dmt |
| **Natural Gas**[1] | N/A | N/A | N/A |
| **Fuel Oil** | 1 - 2 Months | Prior Month | $3M per $1/barrel |

### Aluminum smelting




| Input Cost | Inventory Flow | Pricing Convention | FY20 Annual Cost Sensitivity |
|---|---|---|---|
| **Alumina** | ~2 Months | API on a 6-8 month average | $39M per $10/mt |
| **Petroleum Coke** | 1 - 2 Months | Quarterly | $7M per $10/mt |
| **Coal Tar Pitch** | 1 - 2 Months | Quarterly | $1.8M per $10/mt |

1. Australia is priced on a 16 quarter rolling average.

# 2020 Business information

## Estimated annual Adjusted EBITDA sensitivities

| $M<br>Segment | LME<br>+ $100/mt | API<br>+ $10/mt | Midwest<br>+ $100/mt | Europe<br>+ $100/mt | Japan<br>+ $100/mt | AUD<br>+ 0.01<br>0.66[1] | BRL<br>+ 0.10<br>5.38[1] | CAD<br>+ 0.01<br>1.39[1] | EUR<br>+ 0.01<br>1.10[1] | ISK<br>+ 10<br>141.37[1] | NOK<br>+ 0.10<br>10.04[1] |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Bauxite | | | | | | (4) | 3 | | | | |
| Alumina | | 119 | | | | (18) | 8 | | (1) | | |
| Aluminum | 219 | (47) | 141 | 86 | 27 | 0 | (2) | 2 | (3) | 11 | 2 |
| Total | 219 | 72 | 141 | 86 | 27 | (22) | 9 | 2 | (4) | 11 | 2 |

## Pricing conventions

| Segment | 3rd-Party Revenue |
|---|---|
| Bauxite | • Negotiated prices |
| Alumina | • ~95% of third-party smelter grade alumina priced on API/spot<br>• API based on prior month average of spot prices |
| Aluminum | • LME + Regional Premium + Product Premium<br>• Primary aluminum 15-day lag; flat rolled aluminum 30-day lag<br>• Brazilian hydroelectric sales at market prices |

## Regional premium breakdown

| Regional premiums | % of 2020 Primary aluminum shipments |
|---|---|
| Midwest | ~50% |
| Rotterdam Duty Paid | ~40% |
| CIF Japan | ~10% |

1. Average 2Q20 exchange rates

# With large currency moves, revaluations can have impacts

## Currency balance sheet revaluation and EBITDA sensitivities ($M, except currencies)

### Balance sheet revaluation impact

| | AUD | BRL | CAD | EUR | ISK | NOK | Total |
|---|---|---|---|---|---|---|---|
| 9/30/19 currencies | 0.68 | 4.16 | 1.33 | 1.09 | 124.11 | 9.08 | |
| 12/31/19 currencies | 0.70 | 4.05 | 1.31 | 1.12 | 121.38 | 8.82 | |
| 4Q19 revaluation | (4.9) | (1.8) | (0.9) | 1.2 | 0.4 | 1.5 | (4.5) |
| 3/31/20 currencies | 0.61 | 5.16 | 1.42 | 1.11 | 139.54 | 10.57 | |
| 1Q20 revaluation | 20.9 | 10.0 | 4.4 | 0.4 | 3.1 | (1.6) | 37.2 |
| 1Q20 sequential impact | 25.8 | 11.9 | 5.3 | (0.7) | 2.7 | (3.2) | 41.8 |
| 6/30/20 currencies | 0.69 | 5.44 | 1.37 | 1.13 | 137.77 | 9.68 | |
| 2Q20 revaluation | (20.1) | 1.8 | (1.6) | (0.5) | 0.6 | (1.0) | (20.8) |
| **2Q20 revaluation sequential impact** | **(40.9)** | **(8.2)** | **(6.0)** | **(1.0)** | **(2.5)** | **0.7** | **(58.0)** |

### Currency annual sensitivity and actual impact

| | +0.01 AUD | +0.10 BRL | +0.01 CAD | +0.01 EUR | + 10 ISK | +0.10 NOK | Total |
|---|---|---|---|---|---|---|---|
| EBITDA sensitivity | (22) | 9 | 2 | (4) | 11 | 2 | |
| 4Q19 currency avg. | 0.68 | 4.12 | 1.32 | 1.11 | 123.54 | 9.12 | |
| 1Q20 currency avg. | 0.66 | 4.44 | 1.34 | 1.10 | 127.78 | 9.44 | |
| 1Q20 EBITDA impact | 12.6 | 7.0 | 1.1 | 0.4 | 1.2 | 1.3 | 23.6 |
| 2Q20 currency avg. | 0.66 | 5.38 | 1.39 | 1.10 | 141.37 | 10.04 | |
| **2Q20 currency sequential impact** | **1.8** | **21.0** | **2.7** | **0.3** | **3.7** | **2.4** | **31.9** |
| **Total 2Q20 EBITDA currency impact[1]** | **(39.3)** | **13.0** | **(3.4)** | **(0.8)** | **1.3** | **3.1** | **(26.7)** |

Totals may not tie due to rounding

1. Total EBITDA currency impact includes balance sheet revaluation (based on quarter end values) and currency impacts (based on quarterly averages)

# Additional business considerations

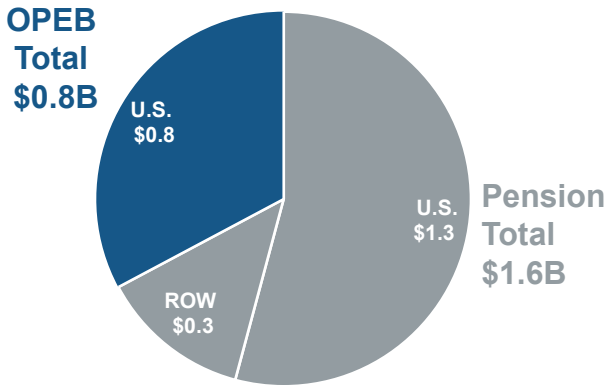
## Items expected to impact adjusted EBITDA for 3Q20

- In the Bauxite segment, Adjusted EBITDA is expected to be ~$5 million lower, primarily due to lower export volume
- In the Alumina segment, expecting ~$15 million lower due to higher energy costs from Western Australia gas contract commencing in June, partially offset by higher sales volume due to timing of shipments and lower costs
- In the Aluminum segment:
  - Lower alumina costs are estimated to provide a sequential benefit of ~$10 million
  - Other items (excluding metal prices and foreign currency) expected to be flat sequentially
- Due to volatility in quarter end exchange rates, 2Q20 adjusted EBITDA included an unfavorable balance sheet revaluation impact of $21 million and $58 million sequential decline compared to 1Q20; currency changes related to balance sheet revaluation are not incorporated into the currency sensitivities provided for EBITDA
- Estimate intercompany profit elimination for every $10/mt decrease in API prices to be a $8 to $10 million favorable impact based on comparison of the average prices of the last two months of each quarter; consider intersegment eliminations as component of minority interest calculation
- The Company expects third quarter 2020 operational tax expense to approximate $150 million, based on recent pricing. Alcoa's operational tax rate can fluctuate significantly in the current economic environment, even with modest change in the tax expense.

# Pension and OPEB summary

## Net pension and OPEB liability and financial impacts

### Net liability as of June 30, 2020[1]




**Pension funding status as of December 31, 2019**

- U.S. ERISA **~80%**
- GAAP Worldwide **~77%**

**U.S. pension contributions currently not tax deductible**

### Estimated financial impacts, $M

| Expense impact | 2020 |
|---|---|
| Segment pension | $50 |
| Segment OPEB | 5 |
| Corporate pension & OPEB | 5 |
| **Total adj. EBITDA impact** | **60** |
| Non-operating | 110 |
| Special items[2] (curtailment/settlement) | 2 |
| **Total expense impact** | **$172** |

| Cash flow impact | 2020 |
|---|---|
| Minimum required pension funding[3] | $80 |
| OPEB payments | 100 |
| **Total cash impact** | **$180** |

1. The impact on the combined pension and OPEB liability of a 25 basis point change in the weighted average discount rate is approximately $175 million.
2. Certain Canadian pension plans remeasured as of January 31, 2020 due to announced benefit freeze. U.S. hourly pension and retiree life plans remeasured as of April 30, 2020 due to the Intalco curtailment.
3. U.S. pension cash funding requirements are based on smoothed asset performance and 25-year average segment rates mandated by the IRS. The COVID-19 stimulus allows 2020 pension funding of approximately $220 million to be deferred to January 1, 2021.

# Investments summary

## Investments listing and income statement location

| Investee | Country | Nature of Investment[4] | Ownership Interest | Carrying Value as of June 30, 2020 | Income Statement Location of Equity Earnings |
|---|---|---|---|---|---|
| ELYSIS™ Limited Partnership | Canada | Aluminum smelting technology | 48.235% | | |
| Ma'aden Aluminium Company[1] | Saudi Arabia | Aluminum smelter | 25.1% | | |
| Ma'aden Bauxite and Alumina Company[1] | Saudi Arabia | Bauxite mine and Alumina refinery | 25.1%[5] | | |
| ***Subtotal Ma'aden and ELYSIS™*** | | | | ***$564M*** | ***Other (income) expenses, net*** |
| Consorcio Serra do Facão | Brazil | Hydroelectric generation facility | 34.97% | | |
| Energetica Barra Grande S.A. | Brazil | Hydroelectric generation facility | 42.18% | | |
| Halco Mining, Inc.[2] | Guinea | Bauxite mine | 45.0%[5] | | |
| Manicouagan Power Limited Partnership | Canada | Hydroelectric generation facility | 40.0% | | |
| Mineração Rio do Norte S.A. (MRN) | Brazil | Bauxite mine | 18.2%[5] | | |
| Pechiney Reynolds Quebec, Inc.[3] | Canada | Aluminum smelter | 50.0% | | |
| ***Subtotal other*** | | | | ***$473M*** | ***COGS*** |
| **Total investments** | | | | **$1,037M** | |

1. Alcoa Corporation has an investment in a joint venture related to the ownership and operation of an integrated aluminum complex (bauxite mine, alumina refinery, and aluminum smelter) in Saudi Arabia. The joint venture is owned 74.9% by the Saudi Arabian Mining Company (known as "Ma'aden") and 25.1% by Alcoa Corporation.
2. Halco Mining, Inc. owns 100% of Boké Investment Company, which owns 51% of Compagnie des Bauxites de Guinée (CBG).
3. Pechiney Reynolds Quebec, Inc. owns a 50.1% interest in the Bécancour smelter in Quebec, Canada thereby entitling Alcoa Corporation to a 25.05% interest in the smelter. Through two wholly-owned Canadian subsidiaries, Alcoa Corporation also owns 49.9% of the Bécancour smelter.
4. Each of the investees either owns the facility listed or has an ownership interest in an entity that owns the facility listed.
5. A portion or all of each of these ownership interests are held by majority-owned subsidiaries that are part of AWAC.

# Rigorous standard in place to manage tailings and residue

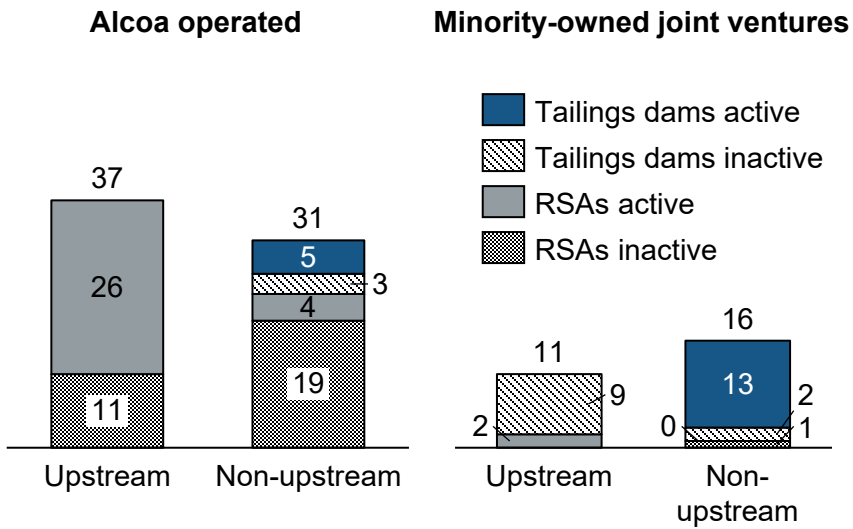
## Tailings and residue impoundments management process and inventory

### Robust and ongoing management process

- Established industry-leading standards over 25 years ago; global impoundment policy in place; 2019 impoundment database most recently updated as of June 30, 2020
- Governance structure with global oversight; all Alcoa standards externally benchmarked and updated in 1Q20
- Completed 2019 third-party inspections of Alcoa operated impoundments, proposed actions tracked; non-operated facilities also tracked. 2020 inspections progressing
- Impoundment facilities master planned, engineered, constructed, operated, maintained, closed and rehabilitated in accordance with global standards
- Alcoa has led industry improvements including residue dry stacking and filtration technologies (Kwinana and Pinjarra alumina refineries) and studying options at other locations
- International Council on Mining and Metals (ICMM) member; engaged in developing the Global Tailings Standard (GTS) and planning for implementation in 3Q20

### Inventory of tailings dams & residue storage[1]

- No Alcoa operated upstream bauxite tailings dams
- 37 Alcoa operated upstream residue storage areas (RSAs)




1. Information as of June 2020. Inventory does not include 97 Alcoa operated and 15 minority joint venture other impoundments such as hydroelectric dams, fresh water reservoirs, stormwater management, process water, ash ponds, process materials outside of bauxite residue, and tailings, closed and remediated legacy location RSAs.

# Production and capacity information

## Alcoa Corporation annual consolidated amounts as of June 30, 2020

### Bauxite production, Mdmt

| Mine | Country | 2019 Production |
|---|---|---|
| Darling Range | Australia | 34.7 |
| Juruti | Brazil | 6.0 |
| Poços de Caldas | Brazil | 0.3 |
| Trombetas (MRN) | Brazil | 2.2 |
| Boké (CBG) | Guinea | 3.0 |
| Al Ba'itha[1] | Saudi Arabia | 1.2 |
| **Total** | | **47.4** |

### Alumina refining, kmt

| Facility | Country | Capacity | Curtailed |
|---|---|---|---|
| Kwinana | Australia | 2,190 | - |
| Pinjarra | Australia | 4,234 | - |
| Wagerup | Australia | 2,555 | - |
| Poços de Caldas | Brazil | 390 | 214 |
| São Luís (Alumar) | Brazil | 1,890 | - |
| San Ciprián | Spain | 1,500 | - |
| **Total** | | **12,759** | **214** |
| *Ras Al Khair[1]* | *Saudi Arabia* | *452* | - |

### Aluminum smelting, kmt

| Facility | Country | Capacity | Curtailed |
|---|---|---|---|
| Portland | Australia | 197 | 30 |
| São Luís (Alumar) | Brazil | 268 | 268 |
| Baie Comeau | Canada | 280 | - |
| Bécancour[2] | Canada | 310 | 25 |
| Deschambault | Canada | 260 | - |
| Fjarðaál | Iceland | 344 | - |
| Lista | Norway | 94 | - |
| Mosjøen | Norway | 188 | - |
| San Ciprián | Spain | 228 | - |
| Intalco[3] | U.S. | 279 | 209 |
| Massena West | U.S. | 130 | - |
| Warrick | U.S. | 269 | 108 |
| Wenatchee | U.S. | 146 | 146 |
| **Total** | | **2,993** | **650** |
| *Ras Al Khair[1]* | *Saudi Arabia* | *186* | - |

1. The Company's proportionate share of earnings from its equity investment in the Saudi Arabian joint venture does not impact adjusted EBITDA.
2. On July 26, 2019, the Bécancour smelter began the restart of curtailed smelting capacity.
3. On April 22, 2020, Alcoa announced curtailment of the remaining 230,000 metric tons of smelting capacity at Intalco; expected completion third quarter of 2020.

# Valuation framework

## Valuation framework key considerations

| | | | | LTM ending 6/30/2020 Adj. EBITDA excl. special items |
|---|---|---|---|---|
| Business Operations | + | Bauxite | Economic value using market multiple of:<br>i. AWAC joint venture, minus small portions of AWAC JV in Aluminum and Transformation<br>ii. Ownership in certain mines and refineries outside the JV | $517M |
| | + | Alumina | | $637M |
| | + | Aluminum | Economic value using market multiple of:<br>i. Smelters, casthouses, rolling mill, and energy assets<br>ii. Smelters and casthouses restart optionality | $146M |
| | - | Non-segment expenses (income) | Economic value using market multiple of:<br>i. Net corporate expenses and Transformation | $60M |
| | = | Enterprise value | | |
| Financial Considerations | - | Noncontrolling interest | Implied value of noncontrolling interest in AWAC JV, based on Alumina Limited's observed enterprise value | |
| | - | Debt & debt-like items[1] | Book value of debt of $1.8B ($1.8B, >95% Alcoa), pension & OPEB net liabilities of $2.4B ($2.4B, >95% Alcoa; U.S. contributions not tax deductible), environmental & ARO liabilities of $0.8B ($1.0B, ~80% Alcoa) | |
| | + | Cash & equity investments[1] | Cash position of $0.8B ($1.0B, ~85% Alcoa) plus carrying value of investments in the Ma´aden joint venture and ELYSIS™ of $0.5B ($0.6B, ~85% Alcoa) | |
| | = | Equity value | | |

1. Dollar amounts reflect Alcoa Corporation's consolidated balance sheet values as of June 30, 2020. The "Alcoa" percentages exclude amounts attributable to Alcoa Corporation's partner in the AWAC JV.

# Adjusted EBITDA reconciliation

| *$M* | 1Q19 | 2Q19 | 3Q19 | 4Q19 | FY19 | 1Q20 | 2Q20 | LTM |
|---|---|---|---|---|---|---|---|---|
| **Net (loss) income attributable to Alcoa** | **$(199)** | **$(402)** | **$(221)** | **$(303)** | **$(1,125)** | **$80** | **$(197)** | **($641)** |
| Add: | | | | | | | | |
| Net income (loss) attributable to noncontrolling interest | 141 | 109 | 74 | (52) | 272 | 59 | 47 | 128 |
| Provision for income taxes | 150 | 116 | 95 | 54 | 415 | 80 | 45 | 274 |
| Other expenses (income), net | 41 | 50 | 27 | 44 | 162 | (132) | 51 | (10) |
| Interest expense | 30 | 30 | 30 | 31 | 121 | 30 | 32 | 123 |
| Restructuring and other charges, net | 113 | 370 | 185 | 363 | 1,031 | 2 | 37 | 587 |
| Depreciation, depletion and amortization | 172 | 174 | 184 | 183 | 713 | 170 | 152 | 689 |
| **Adjusted EBITDA** | **448** | **447** | **374** | **320** | **1,589** | **289** | **167** | **1,150** |
| Special items before tax and noncontrolling interest | 19 | 8 | 14 | 26 | 67 | 32 | 18 | 90 |
| **Adjusted EBITDA excl. special items** | **$467** | **$455** | **$388** | **$346** | **$1,656** | **$321** | **$185** | **$1,240** |

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

# Free Cash Flow reconciliation

| *$M* | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 1Q20 | 2Q20 |
|---|---|---|---|---|---|---|
| Cash from (used in) operations | $168 | $82 | $174 | $262 | $(90) | $288 |
| Capital expenditures | (69) | (89) | (87) | (134) | (91) | (77) |
| **Free cash flow** | **99** | **(7)** | **87** | **128** | **(181)** | **211** |
| Contributions from noncontrolling interest | 20 | 1 | 20 | 10 | - | 16 |
| Distributions to noncontrolling interest | (214) | (72) | (102) | (84) | (31) | (75) |
| **Free cash flow less net distributions to noncontrolling interest** | **$(95)** | **$(78)** | **$5** | **$54** | **$(212)** | **$152** |

Free Cash Flow and Free Cash Flow less net distributions to noncontrolling interest are non-GAAP financial measures. Management believes that these measures are meaningful to investors because management reviews cash flows generated from operations after taking into consideration capital expenditures and net distributions to noncontrolling interest. Capital expenditures are necessary to maintain and expand Alcoa Corporation's asset base and are expected to generate future cash flows from operations, while net distributions to noncontrolling interest are necessary to fulfill our obligations to our joint venture partners. It is important to note that Free Cash Flow and Free Cash Flow less net distributions to noncontrolling interest do not represent the residual cash flows available for discretionary expenditures since other non-discretionary expenditures, such as mandatory debt service requirements, are not deducted from the measure.

# Net Debt reconciliation

| $M | 4Q19 Cons. | 4Q19 NCI | 4Q19 Alcoa Prop. | 1Q20 Cons. | 1Q20 NCI | 1Q20 Alcoa Prop. | 2Q20 Cons. | 2Q20 NCI | 2Q20 Alcoa Prop. |
|---|---|---|---|---|---|---|---|---|---|
| Short-term borrowings | $- | $- | $- | $- | $- | $- | $- | $- | $- |
| Long-term debt due within one year | 1 | - | 1 | 1 | - | 1 | 1 | - | 1 |
| Long-term debt, less amount due within one year | 1,799 | 31 | 1,768 | 1,801 | 31 | 1,770 | 1,800 | 31 | 1,769 |
| Total debt | 1,800 | 31 | 1,769 | 1,802 | 31 | 1,771 | 1,801 | 31 | 1,770 |
| Less: Cash and cash equivalents | 879 | 167 | 712 | 829 | 139 | 690 | 965 | 157 | 808 |
| **Net debt** | **921** | **(136)** | **1,057** | **973** | **(108)** | **1,081** | **836** | **(126)** | **962** |
| Plus: Net pension / OPEB liability | 2,330 | 40 | 2,290 | 2,265 | 40 | 2,225 | 2,393 | 38 | 2,355 |
| **Adjusted net debt** | **$3,251** | **$(96)** | **$3,347** | **$3,238** | **$(68)** | **$3,306** | **$3,229** | **$(88)** | **$3,317** |

Net debt is a non-GAAP financial measure. Management believes that this measure is meaningful to investors because management assesses Alcoa Corporation's leverage position after considering available cash that could be used to repay outstanding debt. Adjusted net debt is also a non-GAAP financial measure. Management believes that this additional measure is meaningful to investors because it provides further insight into Alcoa Corporation's leverage position by including the Company's net pension/OPEB liability.

# Days Working Capital

| *$M* | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 1Q20 | 2Q20 |
|---|---|---|---|---|---|---|
| Receivables from customers | $758 | $684 | $596 | $546 | $570 | $402 |
| Add: Inventories | 1,799 | 1,767 | 1,649 | 1,644 | 1,509 | 1,419 |
| Less: Accounts payable, trade | 1,503 | 1,523 | 1,418 | 1,484 | 1,276 | 1,253 |
| DWC working capital | $1,054 | $928 | $827 | $706 | $803 | $568 |
| Sales | $2,719 | $2,711 | $2,567 | $2,436 | $2,381 | $2,148 |
| Number of days in the quarter | 90 | 91 | 92 | 92 | 91 | 91 |
| **Days Working Capital[1]** | **35** | **31** | **30** | **27** | **31** | **24** |

1. Days Working Capital = DWC working capital divided by (Sales / number of days in the quarter).

# Annualized Return on Equity (ROE)

## Reconciliation and calculation information

| *$M* | 1H19 | 1H20 |
|---|---|---|
| *Numerator:* | | |
| Net (loss) income attributable to Alcoa Corporation | $(601) | $(117) |
| Add: Special items[1] | 556 | 71 |
| **ROE Adjusted Net Income YTD** | **$(45)** | **$(46)** |
| **ROE Adj. Net Income multiplied by two** | **$(90)** | **$(92)** |
| *Denominator[2]:* | | |
| Total assets | $15,652 | $13,475 |
| Less: Total Liabilities | 8,681 | 7,908 |
| Less: Noncontrolling Interest | 1,945 | 1,578 |
| **Shareholders' Equity** | **$5,026** | **$3,989** |
| **ROE** | **-1.8%** | **-2.3%** |

$$\text{ROE \%} = \frac{\text{(Net Loss/Income Attributable to Alcoa + Special Items)}}{\text{(Total Assets – Total Liabilities – Noncontrolling Interest)}^2} \times 100$$

$$\text{1H19 ROE \%} = \frac{\text{(-\$601 + \$556) x 2}}{\text{(\$15,652 – \$8,681 – \$1,945)}} \times 100 = -1.8\%$$

$$\text{1H20 ROE \%} = \frac{\text{(-\$117 + \$71) x 2}}{\text{(\$13,468 – \$7,901 – \$1,578)}} \times 100 = -2.3\%$$

1. Special items include provisions for interest expense, income taxes, and noncontrolling interest.
2. Denominator calculated using average of quarter ending balances.

# Annualized Return on Capital (ROC)

## Reconciliation and calculation information

| *$M* | 1H19 | 1H20 |
|---|---|---|
| *Numerator:* | | |
| Net (loss) income attributable to Alcoa Corporation | $(601) | $(117) |
| Add: Net income attributable to noncontrolling interest | 250 | 106 |
| Add: Provision for income taxes | 266 | 125 |
| **Profit before taxes (PBT)** | **(85)** | **114** |
| Add: Interest expense | 60 | 62 |
| Less: Interest income | 10 | 4 |
| Add: Special items[1] | 501 | (83) |
| **ROC earnings before taxes** | **$466** | **$89** |
| **ROC earnings before taxes multiplied by two** | **$932** | **$178** |
| **ROC earnings after fixed tax rate of 35%** | **$606** | **$116** |
| *Denominator[2]:* | | |
| Total assets | $15,653 | $13,475 |
| Less: Cash, cash equivalents, restricted cash and short-term investments | 930 | 901 |
| Less: Current liabilities | 2,667 | 2,232 |
| Add: Long-term debt due within one year and short-term borrowings | 1 | 1 |
| **Capital Base[2]** | **$12,057** | **$10,343** |
| **ROC** | **5.0%** | **1.1%** |

$$\text{ROC \%} = \frac{\text{(PBT + net interest}^{3}\text{ + special items}^{1}\text{) x 4 x (1 – fixed tax rate}^{4}\text{)}}{\text{(Total assets – cash}^{5}\text{ – current liabilities + short-term debt)}} \times 100$$

$$\text{1H19 ROC \%} = \frac{\text{((-\$85 + \$50 + \$501) x 2) x (1 – 0.35)}}{\text{(\$15,653 – \$930 – \$2,667 + \$1)}} \times 100 = 5.0\%$$

$$\text{1H20 ROC \%} = \frac{\text{((\$114 + \$58 – \$83 ) x 2) x (1 – 0.35)}}{\text{(\$13,468 – \$901 – \$2,225 + \$2)}} \times 100 = 1.1\%$$

1. Special items exclude interest expense, income taxes, and noncontrolling interest.
2. Denominator calculated using average of quarter ending balances.
3. Interest expense less interest income.
4. Fixed tax rate of 35%.
5. Defined as cash, cash equivalents, restricted cash and short-term investments.

# Strengthening the Company, 2017-2019

## Key actions

### 2017 – 2018

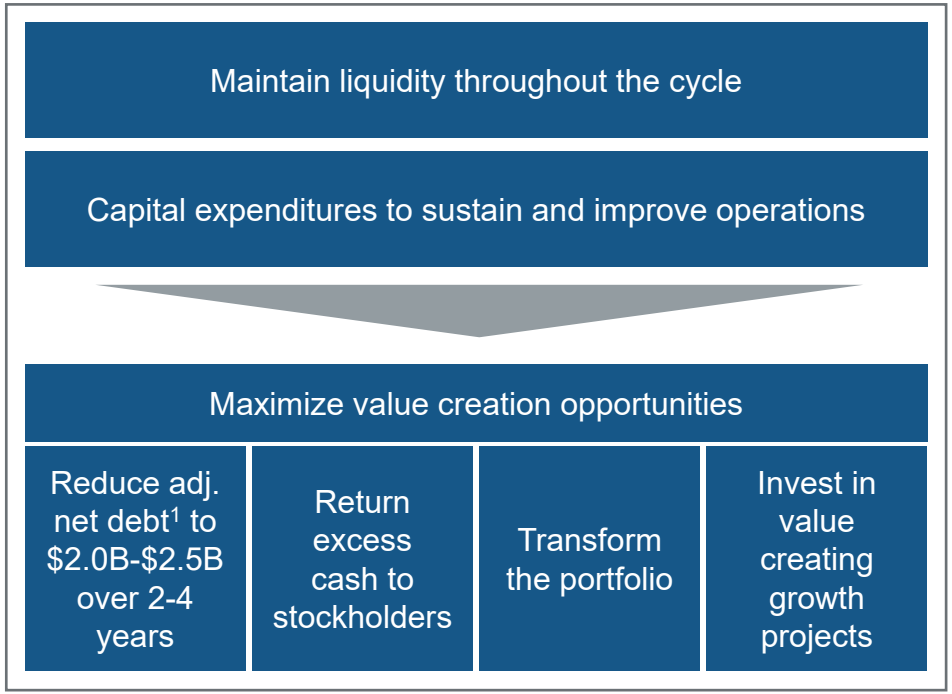
- Revitalized safety program; zero fatalities in 2018
- Restarted Portland smelter and Lake Charles calciner
- Streamlined business units to three, reduced administrative locations, relocated headquarters to Pittsburgh
- Set annual production records
- Terminated Rockdale power contract, closed site
- Restarted Warrick smelter
- Divested Portovesme smelter
- Launched ELYSIS™ joint venture
- Renegotiated revolving credit for more favorable terms
- Froze salaried pension plan as of January 1, 2021; prefunded pension with $500 million debt issue
- Repurchased $50 million in stock

### 2019

- Continued solid safety performance; zero fatalities
- Set annual and quarterly production records
- Modernized labor contracts in Canada, U.S. and Australia
- Began restart of Bécancour smelter
- Initiated Deschambault smelter creep project
- Divested Avilés and La Coruña facilities, as well as minority interest in Saudi rolling mill
- Implemented new operating model
- Announced Point Comfort alumina refinery closure
- Agreed to sale of Gum Springs treatment facility
- Achieved four ASI certifications across value chain
- Joined International Council on Mining and Metals
- Finalized Suriname closure agreements; transferred dam
- Took further actions to reduce pension/OPEB net liability

# Capital allocation framework

## Capital allocation framework and considerations




- $1 billion target for minimum cash balance
- Sustaining capital expenditures of ~$340 million, return seeking capital of ~$35 million, per 2020 outlook

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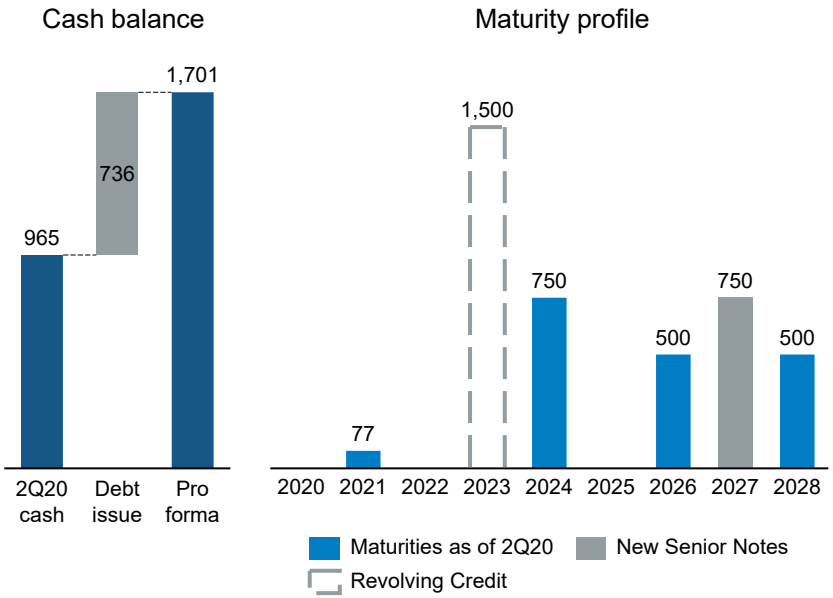
- Based on current discount rates and estimated asset returns, expect meeting adjusted net debt target solely through minimum required pension contributions
- $150 million available of existing $200 million buyback authorization
- Portfolio review and transformation over five years
- Invest in major value creating projects

1. Adjusted net debt defined as the Alcoa proportional share of net debt plus net pension and OPEB liability

# Debt issuance provides optionality in uncertain times

## Liquidity position and rationale for debt issuance ($M)

### Pro forma cash and maturity profile




### Reasons for debt issuance

On July 13, issued $750 million aggregate principal amount of 5.5% senior notes due 2027

Cash proceeds provide increased liquidity and flexibility in the short term, as these major factors coincide:

- Signs of solid recovery in China, but timing of world ex-China economic recovery uncertain
- Strategic actions ongoing in 2020 include non-core asset sales and portfolio review; potentially sources, and uses, of cash
- Options to make other capital structure moves, including reducing nearer term maturities or pension de-risking actions if they generate stockholder value
- Reaffirming the basic tenets of our capital allocation framework including the mid-term proportional net debt target

# Revenues, Adjusted EBITDA, reflect softer market

## Quarterly income statement highlights

| M, Except realized prices and per share amounts | 2Q19 | 1Q20 | 2Q20 | Prior year change | Sequential change |
|---|---|---|---|---|---|
| **Income statement highlights** | | | | | |
| Revenue | $2,711 | $2,381 | **$2,148** | $(563) | $(233) |
| Restructuring and other charges, net | $370 | $2 | **$37** | $(333) | $35 |
| Provision for income taxes | $116 | $80 | **$45** | $(71) | $(35) |
| Net (loss) income attributable to Alcoa Corporation | $(402) | $80 | **$(197)** | $205 | $(277) |
| Diluted (loss) earnings per share | $(2.17) | $0.43 | **$(1.06)** | $1.11 | $(1.49) |
| | | | | | |
| **Adjusted income statement highlights** | | | | | |
| Adjusted EBITDA excluding special items | $455 | $321 | **$185** | $(270) | $(136) |
| Provision for income taxes | $94 | $66 | **$(96)** | $(190) | $(162) |
| Operational tax rate | 46.5% | 78.5% | **178.3%** | 131.8% pts. | 99.8% pts. |
| Adjusted net loss attributable to Alcoa Corporation | $(2) | $(42) | **$(4)** | $(2) | $38 |
| Adjusted diluted loss per share | $(0.01) | $(0.23) | **$(0.02)** | $(0.01) | $0.21 |

# Glossary of terms

## Abbreviations listed in alphanumeric order

| Abbreviation | Description |
|---|---|
| % pts | Percentage points |
| 1H## | Six months ending June 30 |
| 1Q## | Three months ending March 31 |
| 2H## | Six months ending December 31 |
| 2Q## | Three months ending June 30 |
| 3Q## | Three months ending September 30 |
| 4Q## | Three months ending December 31 |
| Adj. | Adjusted |
| API | Alumina Price Index |
| ARO | Asset retirement obligations |
| AUD | Australian dollar |
| AWAC | Alcoa World Alumina and Chemicals |
| B | Billion |
| BRL | Brazilian real |
| CAD | Canadian dollar |
| CIF | Cost, insurance and freight |
| $CO_2e$ | Carbon dioxide equivalent |
| COGS | Cost of goods sold |
| Cons. | Consolidated |
| DoC | Days of consumption |
| dmt | Dry metric ton |
| DWC | Days working capital |
| EBITDA | Earnings before interest, taxes, depreciation and amortization |
| Elims. | Eliminations |
| EPS | Earnings per share |
| ERISA | Employee Retirement Income Security Act of 1974 |
| EUR | Euro |
| Est. | Estimated |
| excl. or ex. | Excluding |

| Abbreviation | Description |
|---|---|
| FY## | Twelve months ending December 31 |
| GAAP | Accounting principles generally accepted in the United States of America |
| GWh | Gigawatt hour |
| ISK | Icelandic krona |
| JV | Joint venture |
| kmt/kdmt | Thousand metric tonnes/Thousand dry metric tonnes |
| LME | London Metal Exchange |
| LTM | Last twelve months |
| M | Million |
| Mdmt | Million dry metric tons |
| Mmt | Million metric tons |
| Mt | Metric ton |
| N/A | Not applicable |
| NCI | Noncontrolling interest |
| NI | Net income |
| NOK | Norwegian krone |
| OPEB | Other postretirement employee benefits |
| PBT | Profit before taxes |
| Prop. | Proportional |
| R&D | Research and development |
| ROC | Return on capital |
| ROW | Rest of world |
| SEC | Securities and Exchange Commission |
| SG&A | Selling, general administrative and other |
| TBD | To be determined |
| U.S. | United States of America |
| USD | United States dollar |
| USW | United Steelworkers |
| YTD | Year to date |

*The Element of* ***Possibility***™

