Alcoa World Alumina and Chemicals

(Majority owned by Alcoa Corporation)

Combined Financial Statements and Supplementary Combining Information

December 31, 2023 and 2022 and for Each of the Three Years in the Period Ended December 31, 2023

Alcoa World Alumina and Chemicals
(Majority owned by Alcoa Corporation)
Index

Report of Independent Auditors

To the Members of the Strategic Council of
Alcoa World Alumina and Chemicals
(Majority-owned by Alcoa Corporation)

Opinion

We have audited the accompanying combined financial statements of Alcoa World Alumina and Chemicals ("AWAC" or the "Company"), which comprise the combined balance sheets as of December 31, 2023 and 2022, and the related combined statements of (loss) income, comprehensive (loss) income, cash flows, and changes in members' equity for each of the three years in the period ended December 31, 2023, including the related notes (collectively referred to as the "combined financial statements").

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the combined financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

PricewaterhouseCoopers LLP

Pittsburgh, Pennsylvania
March 14, 2024

Alcoa World Alumina and Chemicals
(Majority owned by Alcoa Corporation)
Combined Balance Sheet
Years Ended December 31, 2023 and 2022

(U.S. dollars in millions)	**2023**	**2022**
Assets		
Current assets		
Cash and cash equivalents (M)	$ 353.7	$ 236.1
Receivables from customers	318.6	289.0
Related party receivables (I)	145.5	97.9
Other receivables	32.1	48.1
Inventories (D)	735.3	868.9
Fair value of derivative contracts (M)	15.8	31.9
Prepaid expenses and other current assets	172.1	164.8
Total current assets	1,773.1	1,736.7
Properties, plants and equipment, net (E and J)	3,172.7	2,852.7
Investments (F)	374.9	400.6
Deferred income taxes (L)	-	96.0
Gas supply prepayment (O)	282.9	311.2
Other noncurrent assets (G)	839.8	787.4
Total assets	$ 6,443.4	$ 6,184.6
Liabilities		
Current liabilities		
Long-term debt due within one year (H)	$ 78.1	$ 0.3
Accounts payable, trade	722.0	743.1
Accounts payable, related party (I)	72.6	50.7
Accrued compensation and retirement costs	178.1	165.6
Taxes, including taxes on income	12.0	129.7
Other current liabilities	229.0	204.3
Total current liabilities	1,291.8	1,293.7
Long-term debt, less amount due within one year (H)	1.0	79.3
Accrued pension benefits (K)	42.6	29.5
Accrued other postretirement benefits (K)	25.6	37.8
Deferred alumina sales revenue (A)	20.1	28.2
Deferred income taxes (L)	169.7	191.3
Asset retirement obligations (C)	578.7	470.8
Noncurrent accrued tax liability (L)	199.3	174.4
Other noncurrent liabilities and deferred credits	196.7	158.8
Total liabilities	2,525.5	2,463.8
Contingencies and commitments (O)		
Members' equity		
Members' equity	6,524.2	6,442.3
Accumulated other comprehensive loss (S)	(2,606.3)	(2,721.5)
Total members' equity	3,917.9	3,720.8
Total liabilities and members' equity	$ 6,443.4	$ 6,184.6

The accompanying notes are an integral part of these combined financial statements.

Alcoa World Alumina and Chemicals
(Majority owned by Alcoa Corporation)
Combined Statement of (Loss) Income
Years Ended December 31, 2023, 2022 and 2021

(U.S. dollars in millions)	2023	2022	2021
Revenues			
Sales	$ 3,904.1	$ 4,093.6	$ 3,711.4
Sales to related parties (I)	1,492.2	1,620.9	1,512.7
	5,396.3	5,714.5	5,224.1
Costs and expenses			
Cost of goods sold (exclusive of expenses below)	5,072.6	4,951.7	3,945.1
Selling, general administrative, and other expenses	95.2	75.3	78.4
Research and development expenses	22.8	17.5	18.2
Provision for depreciation, depletion and amortization	317.5	295.3	326.7
Restructuring and other charges, net (Q)	4.1	(3.6)	63.6
Interest expense	5.6	2.9	1.9
Other expenses (income), net (R)	26.1	(165.5)	(28.1)
	5,543.9	5,173.6	4,405.8
(Loss) income before income taxes	(147.6)	540.9	818.3
Provision for taxes on income (L)	170.2	239.8	374.5
Net (loss) income	$ (317.8)	$ 301.1	$ 443.8

The accompanying notes are an integral part of these combined financial statements.

Alcoa World Alumina and Chemicals
(Majority owned by Alcoa Corporation)
Combined Statement of Comprehensive (Loss) Income
Years Ended December 31, 2023, 2022 and 2021

(U.S. dollars in millions)	2023	2022	2021
Net (loss) income	$ (317.8)	$ 301.1	$ 443.8
Other comprehensive income (loss)			
Foreign currency translation adjustments	140.5	(165.2)	(239.1)
Change in unrecognized (losses) gains and prior service cost related to pension and other postretirement benefit plans, net of tax	(23.3)	19.4	133.6
Unrecognized (losses) gains on cash flow hedges, net of tax	(2.0)	5.6	(1.9)
Total other comprehensive income (loss)	115.2	(140.2)	(107.4)
Comprehensive (loss) income	$ (202.6)	$ 160.9	$ 336.4

The accompanying notes are an integral part of these combined financial statements.

Alcoa World Alumina and Chemicals
(Majority owned by Alcoa Corporation)
Combined Statement of Cash Flows
Years Ended December 31, 2023, 2022 and 2021

(U.S. dollars in millions)	2023	2022	2021
Cash (used for) from operations			
Net (loss) income	$ (317.8)	$ 301.1	$ 443.8
Adjustments to reconcile net (loss) income to cash from operations			
Depreciation, depletion and amortization	317.5	295.3	326.7
Deferred income taxes	77.3	24.5	136.4
Equity loss (income), net of dividends	24.2	23.8	(16.9)
Restructuring and other charges, net (Q)	4.1	(3.6)	63.6
Stock-based compensation	3.7	3.0	2.3
Loss (gain) on mark-to-market derivative financial contracts	16.3	(31.2)	3.2
Other	23.8	12.6	(7.9)
Changes in assets and liabilities, excluding effects of foreign currency translation adjustments			
(Increase) decrease in receivables	(57.8)	82.9	(245.7)
Decrease (increase) in inventories	154.9	(236.0)	(153.6)
Decrease in prepaid expenses and other current assets	37.6	21.7	3.7
(Decrease) increase in accounts payable and accrued expenses	(63.5)	103.7	145.7
(Decrease) increase in taxes, including taxes on income	(116.0)	(12.2)	130.3
Net change in noncurrent assets and liabilities, and other	(114.2)	(104.1)	(113.3)
Cash (used for) provided from operations	(9.9)	481.5	718.3
Financing activities			
Net change in short-term borrowings (original maturities of three months or less)	-	-	1.5
Additions to long-term debt (H)	-	3.6	-
Payments on debt (original maturities greater than three months) (H)	(1.0)	-	-
Capital contributions (I)	471.1	535.4	65.0
Dividends paid and return of capital to members	(75.1)	(947.1)	(549.5)
Cash provided from (used for) financing activities	395.0	(408.1)	(483.0)
Investing activities			
Capital expenditures	(278.5)	(273.3)	(240.7)
Proceeds from sale of assets	2.9	9.8	29.9
Cash used for investing activities	(275.6)	(263.5)	(210.8)
Effect of exchange rate changes on cash and cash equivalents	8.1	(17.6)	(20.9)
Net change in cash and cash equivalents	117.6	(207.7)	3.6
Cash and cash equivalents			
Beginning of year	236.1	443.8	440.2
End of year	$ 353.7	$ 236.1	$ 443.8

The accompanying notes are an integral part of these combined financial statements.

Alcoa World Alumina and Chemicals
(Majority owned by Alcoa Corporation)
Combined Statement of Changes in Members' Equity
Years Ended December 31, 2023, 2022 and 2021

(U.S. dollars in millions)	Members' Equity	Accumulated Other Comprehensive Loss	Total Members' Equity
Balances at December 31, 2020	$ 6,588.3	$ (2,473.9)	$ 4,114.4
Net income	443.8	-	443.8
Other comprehensive loss (S)	-	(107.4)	(107.4)
Capital contributions from members (I)	65.0	-	65.0
Dividends paid and return of capital to members	(549.5)	-	(549.5)
Stock-based compensation	2.3	-	2.3
Balances at December 31, 2021	6,549.9	(2,581.3)	3,968.6
Net income	301.1	-	301.1
Other comprehensive loss (S)	-	(140.2)	(140.2)
Capital contributions from members (I)	535.4	-	535.4
Dividends paid and return of capital to members	(947.1)	-	(947.1)
Stock-based compensation	3.0	-	3.0
Balances at December 31, 2022	6,442.3	(2,721.5)	3,720.8
Net loss	(317.8)	-	(317.8)
Other comprehensive income (S)	-	115.2	115.2
Capital contributions from members (I)	471.1	-	471.1
Dividends paid and return of capital to members	(75.1)	-	(75.1)
Stock-based compensation	3.7	-	3.7
Balances at December 31, 2023	$ 6,524.2	$ (2,606.3)	$ 3,917.9

The accompanying notes are an integral part of these combined financial statements.

(U.S. dollars in millions)

A. Summary of Significant Accounting Policies

Principles of Combination and Basis of Presentation

The Combined Financial Statements of Alcoa World Alumina and Chemicals ("AWAC" or the "Company") have been prepared pursuant to a Formation Agreement dated December 21, 1994 between Alcoa Corporation, formerly Alcoa Inc. ("Alcoa"), and WMC Limited of Melbourne, Australia ("WMC"), which was amended on September 1, 2016. Effective December 11, 2002, WMC shareholders voted to create two entities, WMC Resources Limited and Alumina Limited, resulting in existing WMC shareholders receiving shares in a new listed entity 'WMC Resources Limited', which holds non AWAC businesses. AWAC consists of a number of affiliated entities that own, operate or have an interest in bauxite mines and alumina refineries, as well as certain aluminum smelters, in seven countries. AWAC is owned 60% by Alcoa and 40% by Alumina Limited.

The Combined Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). In accordance with GAAP, certain situations require management to make estimates based on judgments and assumptions, which may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. They also may affect the reported amounts of revenues and expenses during the reporting periods. Management uses historical experience and all available information to make these estimates. Management regularly evaluates the judgments and assumptions used in its estimates, and results could differ from those estimates upon future events and their effects or new information.

The following operating entities represent the combined operations of AWAC and form the basis of the Combined Financial Statements:

Entity	Country
Alcoa World Alumina (AWA) LLC*	United States
Alcoa of Australia (AofA)	Australia
Alúmina Española	Spain
AWA Brazil (AWAB)	Brazil
AWA Saudi Limited**	Saudi Arabia

* Alcoa World Alumina LLC holds AWAC's mining and refining interests in the United States, Suriname, and Guinea (collectively referred to as the "Combined LLCs").

** AWA Saudi Limited holds AWAC's investment in a mining and refining operating joint venture in the Kingdom of Saudi Arabia owned 25.1% by AWAC and 74.9% by Saudi Arabian Mining Company ("Ma'aden").

(U.S. dollars in millions)

The Combined Financial Statements have been derived from the books and records of Alcoa. All transactions between entities included in the Combined Financial Statements have been eliminated. The Combined Statement of (Loss) Income includes all items of revenue and income generated by AWAC and all items of expense directly incurred by AWAC. These include expenses charged to AWAC by Alcoa in the normal course of business. The amounts have been allocated on a basis considered reasonable by management using either specific identification or proportional allocations based on usage, headcount or other reasonable methods of allocation. As a result of these allocated amounts, the financial statements of AWAC may not be indicative of the results that would be presented if AWAC had operated as an independent stand-alone entity. The Combined Financial Statements reflect amounts necessary in order to depict the combined financial position, results of operations and cash flows of AWAC on a stand-alone basis.

Related Party Transactions

AWAC sells alumina to Alcoa. AWAC purchases bauxite from certain entities in which AWAC retains a 50% or less equity interest. Additionally, Alcoa provides employee, administrative and other services to AWAC.

Cash and Cash Equivalents

Cash equivalents are highly liquid investments purchased with an original maturity of three months or less.

Inventory Valuation

Inventories are carried at the lower of cost or net realizable value, with the cost of inventories principally determined under the average-cost method.

Properties, Plants, and Equipment

Properties, plants, and equipment are recorded at cost. Interest related to the construction of qualifying assets is capitalized as part of the construction costs. Depreciation is recorded principally on the straight-line method over the estimated useful lives of the assets. Depreciation is recorded on temporarily idled facilities until such time management approves a permanent closure. The following table details the weighted-average useful lives of structures and machinery and equipment (numbers in years):

	Structures	Machinery and Equipment
Alumina	30	27

Repairs and maintenance are charged to expense as incurred while costs for significant improvements that add productive capacity or that extend the useful life are capitalized. Gains or losses from the sale of assets are generally recorded in Other expenses (income), net.

(U.S. dollars in millions)

Properties, plants, and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets (asset group) may not be recoverable. Recoverability of assets is determined by comparing the estimated undiscounted net cash flows of the operations related to the assets (asset group) to their carrying amount. An impairment loss would be recognized when the carrying amount of the assets (asset group) exceeds the fair value. The amount of the impairment loss to be recorded is calculated as the excess of the carrying value of the assets (asset group) over their fair value, with fair value determined using the best information available, which generally is a discounted cash flow (DCF) model. The determination of what constitutes an asset group, the associated estimated undiscounted cash flows, and the estimated useful lives of assets also require significant judgments.

Leases
AWAC determines whether an arrangement is a lease at the inception of the arrangement based on the terms and conditions in the contract. A contract contains a lease if there is an identified asset which the Company has the right to control. Lease right-of-use (ROU) assets are included in Properties, plants, and equipment, net with the corresponding operating lease liabilities included within Other current liabilities and Other noncurrent liabilities and deferred credits.

Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Company uses its incremental borrowing rate at the commencement date in determining the present value of lease payments unless a rate is implicit in the lease. Lease terms include options to extend the lease when it is reasonably certain that those options will be exercised. Leases with an initial term of 12 months or less, including anticipated renewals, are not recorded on the Combined Balance Sheet.

The Company has made a policy election not to record any non-lease components of a lease agreement in the lease liability. Variable lease payments are not presented as part of the ROU asset or liability recorded at the inception of a contract. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

Equity Investments
AWAC invests in a number of privately-held companies, primarily through joint ventures and consortia, which are accounted for using the equity method. The equity method is applied in situations where AWAC has the ability to exercise significant influence, but not control, over the investee. Management reviews equity investments for impairment whenever certain indicators are present suggesting that the carrying value of an investment is not recoverable.

(U.S. dollars in millions)

Deferred Mining Costs
AWAC incurs deferred mining costs during the development stage of a mine life cycle. Such costs include the construction of access and haul roads, detailed drilling and geological analysis to further define the grade and quality of the known bauxite, and overburden removal costs. These costs relate to sections of the related mines where AWAC is currently extracting bauxite or preparing for production in the near term. These sections are outlined and planned incrementally and generally are mined over periods ranging from one to five years, depending on specific mine plans. The amount of geological drilling and testing necessary to determine the economic viability of the bauxite deposit being mined is such that the reserves are considered to be proven. Deferred mining costs are amortized on a units-of-production basis and included in Other noncurrent assets on the accompanying Combined Balance Sheet.

Asset Retirement Obligations
AWAC recognizes asset retirement obligations (AROs) related to legal obligations associated with the standard operation of bauxite mines, alumina refineries, and aluminum smelters. These AROs consist primarily of costs associated with mine reclamation, closure of bauxite residue areas, spent pot lining and regulated waste materials disposal, and landfill closure. Additionally, costs are recorded as AROs upon management’s decision to permanently close and demolish certain structures and for any significant lease restoration obligations. The fair values of these AROs are recorded on a discounted basis at the time the obligation is incurred and accreted over time for the change in present value; related accretion is recorded as a component of Cost of goods sold. Additionally, the Company capitalizes asset retirement costs by increasing the carrying amount of the related long-lived assets and depreciating these assets over their remaining useful life.

The fair values for AROs are determined using significant assumptions, including engineering designs for construction or closure, materials and services costs, regulatory requirements, volume of regulated material to be removed, disposition of demolition materials, and timing to complete construction or closure.

Subsequent adjustments to estimates of previously established AROs for current operations are capitalized by increasing the carrying amount of the related long-lived assets and depreciating these assets over their remaining useful life. Adjustments to estimates of AROs for closed locations are charged to Restructuring and other charges, net on the accompanying Combined Statement of (Loss) Income.

Certain conditional asset retirement obligations (CARO) related to alumina refineries and the aluminum smelter have not been recorded in the Combined Financial Statements due to uncertainties surrounding the ultimate settlement date. The fair value of these asset retirement obligations will be recorded when a reasonable estimate of the ultimate settlement date can be made.

(U.S. dollars in millions)

Environmental Matters
Environmental related expenditures for current operations are expensed as a component of Cost of goods sold or capitalized, as appropriate. Expenditures relating to existing conditions caused by past operations, generally for closed locations which will not contribute to future revenues, are charged to Restructuring and other charges, net. Liabilities are recorded when remediation costs are probable and can be reasonably estimated. In instances where the Company has ongoing monitoring and maintenance responsibilities, it is AWAC's policy to maintain a reserve equal to five years of expected costs. The liability is continuously reviewed and adjusted to reflect current remediation progress, rate and pricing changes, actual volumes of material requiring management, changes to the original assumptions regarding how the site was to be remediated, and other factors that may be relevant, including changes in technology or regulations.

Litigation Matters
For asserted claims and assessments, liabilities are recorded when an unfavorable outcome of a matter is deemed to be probable and the loss is reasonably estimable. With respect to unasserted claims or assessments, liabilities are recorded when the probability that an assertion will be made is likely, an unfavorable outcome of the matter is deemed to be probable, and the loss is reasonably estimable. Legal matters are reviewed on a continuous basis to determine if there has been a change in management's judgment regarding the likelihood of an unfavorable outcome or the estimate of a potential loss. Legal costs, which are primarily for general litigation, environmental compliance, tax disputes, and general corporate matters, are expensed as incurred.

Revenue Recognition
AWAC recognizes revenue when it satisfies a performance obligation(s) in accordance with the provisions of a customer order or contract. This is achieved when control of the product has been transferred to the customer, which is generally determined when title, ownership, and risk of loss pass to the customer, all of which occurs upon shipment or delivery of the product. The shipping terms vary across all businesses and depend on the product, the country of origin, and the type of transportation. Accordingly, the sale of AWAC's products to its customers represent single performance obligations for which revenue is recognized at a point in time. Revenue is based on the consideration the Company expects to receive in exchange for its products. Due to the nature of the products sold, the Company has not experienced significant returns or other adjustments. Based on the foregoing, no significant judgment is required to determine when control of a product has been transferred to a customer.

AWAC considers shipping and handling activities as costs to fulfill the promise to transfer the related products. As a result, customer payments of shipping and handling costs are recorded as a component of revenue. Taxes collected (e.g., sales, use, value-added, excise) from its customers related to the sale of its products are remitted to governmental authorities and excluded from Sales.

(U.S. dollars in millions)

Deferred Alumina Sales Revenue
AWAC periodically enters into long-term supply contracts with alumina customers and receives advance payments for product to be delivered in future periods. These advance payments are recorded as deferred revenue, and revenue is recognized as shipments are made and title, ownership, and risk of loss pass to the customer during the term of the contracts. AWAC recorded a prepayment of $240.0 related to an agreement with a third party customer received in 1997 that is being amortized over the life of the contract based on the tonnage shipped. The amount of the prepayment remaining as deferred revenue at December 31, 2023 and 2022 was $28.1 and $36.2, respectively, (of which $8.0 and $8.0 was classified as a current liability). The amount of revenue recognized related to this agreement was $8.1, $8.2 and $8.2, for the years ended December 31, 2023, 2022 and 2021, respectively.

Cost of goods sold
AWAC includes the following in Cost of goods sold: operating costs excluding depreciation, depletion, and amortization, but including all production related costs: raw materials consumed; conversion costs, such as labor, materials, and utilities; equity earnings of certain investments integral to the Company’s supply chain; and plant administrative expenses.

Selling, general administrative, and other expenses
AWAC includes the costs of company-wide functional support in Selling, general administrative, and other expenses. Such costs include: executive; sales; marketing; strategy; operations administration; finance; information technology; legal; human resources; and government affairs and communications.

Pension and Other Postretirement Benefits
Liabilities and expenses for pension and other postretirement benefits are determined using actuarial methodologies and incorporate significant assumptions, including the interest rate used to discount the future estimated liability, the expected long-term rate of return on plan assets, and several assumptions relating to the employee workforce (salary increases, health care cost trend rates, retirement age, and mortality).

Derivatives and Hedging
Derivatives are held for purposes other than trading and are part of a formally documented risk management program.

AWAC accounts for certain hedges of foreign currency exposures and certain forecasted transactions as cash flow hedges. The fair values of the derivatives are recorded as assets and liabilities in the Combined Balance Sheet. The changes in the fair values of these derivatives are recorded in Other comprehensive income (loss) and are reclassified to Sales, Cost of goods sold, or Other expenses (income), net in the period in which earnings are impacted by the hedged items or in the period that the transaction no longer qualifies as a cash flow hedge. These contracts cover the same periods as known or expected exposures, generally not exceeding five years.

If no hedging relationship is designated, the derivative is marked to market through Other expenses (income), net.

(U.S. dollars in millions)

Cash flows from derivatives are recognized in the Combined Statement of Cash Flows in a manner consistent with the underlying transactions.

Income Taxes
The provision for income taxes is determined using the asset and liability approach of accounting for income taxes. Under this approach, the provision for income taxes represents income taxes paid or payable (or received or receivable) for the current year plus the change in deferred taxes during the year. Deferred taxes represent the future tax consequences expected to occur when the reported amounts of assets and liabilities are recovered or paid, result from differences between the financial and tax bases of AWAC's assets and liabilities and are adjusted for changes in tax rates and tax laws when enacted.

Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not (greater than 50%) that a tax benefit will not be realized. In evaluating the need for a valuation allowance, management applies judgment in assessing all available positive and negative evidence and considers all potential sources of taxable income. Deferred tax assets for which no valuation allowance is recorded may not be realized upon changes in facts and circumstances, resulting in a future charge to establish a valuation allowance. Existing valuation allowances are re-examined under the same standards of positive and negative evidence. If it is determined that it is more likely than not that a deferred tax asset will be realized, the appropriate amount of the valuation allowance, if any, is released. Deferred tax assets and liabilities are also re-measured to reflect changes in underlying tax rates due to law changes and the granting and lapse of tax holidays.

Tax benefits related to uncertain tax positions taken or expected to be taken on a tax return are recorded when such benefits meet a more likely than not threshold. Otherwise, these tax benefits are recorded when a tax position has been effectively settled, which means that the statute of limitations has expired or the appropriate taxing authority has completed their examination even though the statute of limitations remains open. Interest and penalties related to uncertain tax positions are recognized as part of the provision for income taxes and are accrued in the period that such interest and penalties would be applicable under relevant tax law until such time that the related tax benefits are recognized.

AWAC consists of a variety of different tax-paying legal entities. Income taxes are accrued and recorded on the financial statements of entities within AWAC except for entities that are multiple member limited liability companies ("LLCs"). LLC income is taxable to the members that hold the LLC interest (for U.S. federal and most state income tax purposes). Therefore, current and deferred U.S. and most state tax assets and liabilities of the LLCs are recorded in the financial statements of the members and, thus, are not reflected in AWAC's Combined Financial Statements.

(U.S. dollars in millions)

Foreign Currency
The local currency is the functional currency for AWAC's significant operations outside the United States, except for certain operations in Suriname where the U.S. dollar is used as the functional currency. The determination of the functional currency for AWAC's operations is made based on the appropriate economic and management indicators. Where local currency is the functional currency, assets and liabilities are translated into U.S. dollars using period end exchange rates and income and expenses are translated using the average exchange rates for the reporting period. Unrealized foreign currency translation gains and losses are deferred in Accumulated other comprehensive loss on the Combined Balance Sheet.

Recently Adopted Accounting Guidance
On January 1, 2023, the Company adopted Accounting Standard Update No. 2022-04 which requires a buyer in a supplier finance program to disclose qualitative and quantitative information about its supplier finance programs, including the key terms of the program, the amount of obligations outstanding at the end of the reporting period, a description of where those obligations are presented in the balance sheet, and effective January 1, 2024, a roll-forward of such amounts during the annual period. The adoption of this guidance resulted in enhanced disclosures regarding these programs (see Note T) and did not have a material impact on the Company's Combined Financial Statements.

Recently Issued Accounting Guidance
In December 2023, the FASB issued ASU 2023-09 which includes changes to income tax disclosures, including greater disaggregation of information in the rate reconciliation and disclosure of taxes paid by jurisdiction. The guidance is effective for annual periods beginning after December 15, 2025. Early adoption is permitted. The adoption of this guidance will provide enhanced disclosures regarding income taxes and will not have a material impact on the Company's financial statements.

B. Nature of Operations

AWAC consists of a number of affiliated entities that own, operate, or have an interest in bauxite mines and alumina refineries, as well as an aluminum smelter, in seven countries. Alcoa owns 60% and Alumina Limited owns 40% of these entities, directly or indirectly. The scope of AWAC generally includes the mining of bauxite and other aluminous ores; the refining, production, and sale of smelter grade and non-metallurgical alumina; and the production of certain primary aluminum products.

Product Information
Bauxite—Bauxite is a reddish clay rock that is mined from the surface of the earth's terrain. This ore is the basic raw material used to produce alumina and is the primary source of aluminum.

Alumina—Alumina is an oxide that is extracted from bauxite and is the basic raw material used to produce primary aluminum. This product can also be consumed for non-metallurgical purposes, such as industrial chemical products.

Primary aluminum—Primary aluminum is metal in the form of a common alloy ingot.

(U.S. dollars in millions)

The following table represents the general commercial profile of AWAC's Bauxite, Alumina and Primary aluminum product divisions:

Product Division	Pricing Components	Shipping Terms[3]	Payment Terms[4]
Bauxite	Negotiated	FOB/CIF	LC Sight
Alumina:			
Smelter-grade	API[1]/spot/fixed	FOB/CIF	LC Sight/CAD/Net 30 days
Non-metallurgical	Negotiated	FOB/CIF	Net 30 days
Primary aluminum:			
Common alloy ingot	LME + Regional premium[2]	DAP/CIF	Net 30 to 45 days

1. API (Alumina Price Index) is a pricing mechanism that is calculated by the Company based on the weighted average of a prior month's daily spot prices published by the following three indices: CRU Metallurgical Grade Alumina Price; Platts Metals Daily Alumina PAX Price; and FastMarkets Metal Bulletin Non-Ferrous Metals Alumina Index.

2. LME (London Metal Exchange) is a globally recognized exchange for commodity trading, including aluminum. The LME pricing component represents the underlying base metal component, based on quoted prices for aluminum on the exchange. The regional premium represents the incremental price over the base LME component that is associated with the physical delivery of metal to a particular region (e.g., the Midwest premium for metal sold in the United States).

3. CIF (cost, insurance, and freight) means that the Company pays for these items until the product reaches the buyer's designated destination point related to transportation by vessel. DAP (delivered at place) means the same as CIF related to all methods of transportation. FOB (free on board) means that the Company pays for costs, insurance, and freight until the product reaches the seller's designated shipping point.

4. The net number of days means that the customer is required to remit payment to the Company for the invoice amount within the designated number of days. LC Sight is a letter of credit that is payable immediately (usually within five to ten business days) after a seller meets the requirements of the letter of credit (i.e. shipping documents that evidence the seller performed its obligations as agreed to with a buyer). CAD (cash against documents) is a payment arrangement in which a seller instructs a bank to provide shipping and title documents to the buyer at the time the buyer pays in full the accompanying bill of exchange.

The following table details AWAC's sales by product division:

	2023	2022	2021
Sales			
Alumina	$ 4,531.1	$ 5,040.5	$ 4,576.8
Bauxite	483.7	202.9	235.2
Primary Aluminum	375.9	463.9	407.3
Other	5.6	7.2	4.8
Total sales	$ 5,396.3	$ 5,714.5	$ 5,224.1

(U.S. dollars in millions)

The following table details AWAC's sales by geographic area (based upon the country where the point of sale originated):

	2023	2022	2021
Sales			
U.S.	$ 2,511.0	$ 2,114.5	$ 2,449.6
Australia	2,502.6	2,995.6	2,148.2
Other	382.7	604.4	626.3
Total sales	$ 5,396.3	$ 5,714.5	$ 5,224.1

The following table details AWAC's net assets by geographic area:

	2023	2022
Net assets		
Australia	$ 2,224.8	$ 2,131.2
Brazil	1,069.5	1,109.8
Other	623.6	479.8
Total net assets	$ 3,917.9	$ 3,720.8

C. Asset Retirement Obligations

AWAC records AROs related to legal obligations associated with the standard operation of bauxite mines, alumina refineries, and aluminum smelter. These AROs consist primarily of costs associated with mine reclamation, closure of bauxite residue areas, spent pot lining disposal, and landfill closures.

The following table details the changes in the total carrying value of recorded AROs at December 31:

	2023	2022
Balances at beginning of year	$ 571.8	$ 554.7
Accretion expense	22.9	14.8
Liabilities incurred	170.7	115.6
Payments	(91.4)	(76.9)
Reversals of previously recorded liabilities	(4.2)	(6.8)
Foreign currency translation and other	20.6	(29.6)
Balances at end of year	$ 690.4	$ 571.8

Liabilities incurred in 2023 primarily include $84.1 for new mining areas opened during the year and higher estimated mine reclamation costs, $39.4 related to improvements required on both operating and non-operating bauxite residue areas at the Alumar (Brazil) refinery for changes in closure estimates and to comply with updated impoundment regulations in the regions, and $44.1

(U.S. dollars in millions)

for bauxite residue areas related to water management at non-operating bauxite residue areas and changes in engineering designs for closure of operating bauxite residue areas.

Liabilities incurred in 2022 primarily include $76.8 for new mining areas opened during the year and higher estimated mine reclamation costs, $18.7 related to improvements required on both operating and non-operating bauxite residue areas at the Alumar (Brazil) refinery for changes in closure estimates and to comply with updated impoundment regulations in the regions, and $11.0 for bauxite residue areas related to water management at non-operating bauxite residue areas and changes in engineering designs for closure of operating bauxite residue areas.

AROs are recorded in Other current liabilities ($111.7 and $101.0 as of December 31, 2023 and 2022, respectively) and the noncurrent portion is recorded in Asset retirement obligations ($578.7 and $470.8 as of December 31, 2023 and 2022, respectively) on the accompanying Combined Balance Sheet.

D. Inventories

	2023	2022
Finished goods	$ 15.8	$ 14.4
Work-in-process	51.0	56.4
Bauxite and alumina	272.1	332.1
Purchased raw materials	232.6	342.3
Operating supplies	163.8	123.7
	$ 735.3	$ 868.9

E. Properties, Plants, and Equipment, Net

	2023	2022
Land and land rights, including mines	$ 138.4	$ 137.9
Structures	3,882.6	3,401.7
Machinery and equipment	4,725.9	4,576.5
	8,746.9	8,116.1
Less: Accumulated depreciation, depletion, and amortization	5,867.1	5,554.2
	2,879.8	2,561.9
Construction work-in-progress	292.9	290.8
	$ 3,172.7	$ 2,852.7

(U.S. dollars in millions)

F. Investments

The following tables summarize information of AWAC's equity investments as of December 31, 2023 and 2022:

Investee	Country	Nature of Investment	Income Statement Location of Equity Earnings	Ownership Interest
Ma'aden Bauxite and Alumina Company	Saudi Arabia	Bauxite mine and alumina refinery	Other expenses (income), net	25.1 %
Halco Mining, Inc.	Guinea	Bauxite mine	Cost of goods sold	45.0 %

	2023	2022
Ma'aden	$ 155.4	$ 204.4
Halco Mining, Inc.	219.5	196.2
	$ 374.9	$ 400.6

AWAC and Ma'aden, have a 30-year (from December 2009) joint venture shareholders agreement (automatic extension for an additional 20 years, unless the parties agree otherwise or unless earlier terminated) setting forth the terms for the development, construction, ownership, and operation of a bauxite mine and alumina refinery.in Saudi Arabia.

On February 15, 2022, the Company signed an agreement to sell its share of its investment in MRN in Brazil for $5.3 to South32 Minerals S.A. Related to this transaction, the Company recorded an asset impairment of $42.7 in the first quarter of 2022 in Restructuring and other charges, net on the Combined Statement of (Loss) Income. On April 30, 2022, the Company completed the sale of its investment in MRN. An additional $15.9 in cash could be paid to the Company in the future if certain post-closing conditions related to future MRN mine development are satisfied. In addition, the Company entered into several bauxite offtake agreements with South32 Minerals S.A. to provide bauxite supply for existing long-term supply contracts.

G. Other Noncurrent Assets

	2023	2022
Prepaid gas transmission contract	$ 296.7	$ 284.8
Value added tax credits	208.3	182.3
Deferred mining costs, net	185.4	159.6
Tax assessment deposit (L)	72.6	71.9
Related party receivable (I)	29.2	31.9
Prepaid pension benefit (K)	26.9	46.2
Other	20.7	10.7
	$ 839.8	$ 787.4

(U.S. dollars in millions)

Prepaid gas transmission contract

As part of a previous sale transaction of an equity investment, AWAC maintained access to approximately 30% of the Dampier to Bunbury Natural Gas Pipeline transmission capacity in Western Australia for gas supply to three alumina refineries. At December 31, 2023 and 2022, AofA had an asset of $296.7 and $284.8, respectively, representing prepayments made under the agreement for future gas transmission services.

Value added tax credits

The Value added tax (VAT) credits (federal and state) relates to AWAB concerning the São Luís refinery and the Juruti mine. The mine and refinery pay VAT on the purchase of goods and services used in the mining and alumina production process. The credits generally can be utilized to offset the VAT charged on domestic sales of bauxite and alumina.

In March 2021, the Brazil Federal Supreme Court provided clarification on an earlier ruling that found the inclusion of state VAT within the federal VAT tax base to be unconstitutional. After receiving further clarification from the court in August 2021, the Company finalized the amount of its recovery claim and submitted the claim to the tax authorities in the fourth quarter and received acknowledgment of the claim in January 2022. As a result, in the fourth quarter of 2021, the Company recorded $5.9 of additional VAT credits in Other noncurrent assets (all of which was recorded in Sales on the accompanying Combined Statement of (Loss) Income).

In the fourth quarter of 2018, after an assessment of the future realizability of Brazil state VAT credits recorded, the Company established an allowance on the accumulated state VAT credit balances and stopped recording any future credit benefits. With the restart of the Alumar smelter in São Luís, Brazil and its first metal sales in June 2022, the Company had the ability to monetize these credits. In June 2022, the Company reversed the allowance with a credit of $60.3 to Restructuring and other charges, net and reversed the subsequent additions to the valuation allowance with a credit to Cost of goods sold of $20.5 (same accounts as when incurred).

H. Long-Term Debt

On October 31, 2022, AofA entered into an amendment of the existing credit agreement, dated October 26, 2017. The amended agreement provides for a financing commitment of up to $78.6. Principal payments under this amended agreement have been extended to November 1, 2024, with the ability to extend to a later date. Interest accrues at a rate of Term SOFR plus 145 basis points. Outstanding amounts under this facility classified as current at December 31, 2023 were $77.6 and classified as long-term at December 31, 2022 were $78.6.

I. Related Party Transactions

Sales to related parties included in the Combined Statement of (Loss) Income consist of sales of alumina and alumina-based chemicals to Alcoa. The terms for all transactions and agreements between related parties and AWAC are established by negotiation between the parties.

(U.S. dollars in millions)

Entities within AWAC have entered into contractual agreements with Alcoa for employee services and administrative services. Total costs incurred by AWAC for these agreements were approximately $102.0 in 2023, $91.6 in 2022 and $83.5 in 2021. AWAC also has a long-term bauxite purchase agreement with an equity investee. Total purchases under this agreement were approximately $306.4, $260.2 and $198.0 during 2023, 2022 and 2021, respectively. Prior period amounts have been revised to correct the presentation of related party bauxite purchases for the years ended December 31, 2022 and 2021 as previously presented.

Certain employees of AWAC receive stock-based awards under Alcoa's stock incentive plans, and AWAC records an expense for these plans. In 2023, 2022 and 2021, AWAC was charged and paid $7.4, $7.5 and $2.3, respectively, for stock option exercises and restricted share unit distributions under Alcoa stock incentive plans.

AWAC has a noncurrent related party receivable due from Alcoa of $29.2 and $31.9 as of December 31, 2023 and 2022, respectively. This relates to certain environmental remediation and asset retirement obligations that will be reimbursed by Alcoa in accordance with the terms of the Formation Agreement.

During 2023, capital contributions from members of $471.1 were used to fund AWA, LLC, Alúmina Española, and AWAB.

During 2022, capital contributions from members of $535.4 were used to fund AWA, LLC and Alúmina Española.

During 2021, capital contributions from members of $65.0 were used to fund AWA, LLC.

J. Leasing

AWAC records a right-of-use asset and lease liability for several types of operating leases, including land and buildings, alumina refinery process control technology, plant equipment, vehicles, and computer equipment. These amounts are equivalent to the aggregate future lease payments on a discounted basis. The leases have remaining terms of less than one to 30 years. The discount rate applied in determining the present value of lease payments is the Company's incremental borrowing rate at the lease commencement date, unless there is a rate implicit in the lease agreement. The Company does not have material financing leases.

Lease expense and operating cash flows include:

	2023	2022	2021
Costs of operating leases	$ 23.0	$ 26.1	$ 42.9
Variable lease payments	18.8	8.1	5.7
Short-term rental expense	3.0	2.4	3.0

(U.S. dollars in millions)

The weighted average lease term and weighted average discount rate were as follows:

December 31,	**2023**	**2022**
Weighted average lease term for operating leases (years)	12.9	5.1
Weighted average discount rate for operating leases	6.7 %	5.6 %

The following represents the aggregate right-of use assets and related lease obligations recognized in the Combined Balance Sheet:

December 31,	**2023**	**2022**
Properties, plants and equipment, net	$ 92.5	$ 48.5
Other current liabilities	15.0	14.0
Other noncurrent liabilities and deferred credits	77.5	34.5
Total operating lease liabilities	$ 92.5	$ 48.5

New leases of $60.5 and $18.0 were added during the years ended December 31, 2023 and 2022, respectively.

The future cash flows related to the operating lease obligations as of December 31, 2023 were as follows:

	Operating Leases
Year ending December 31,	
2024	$ 19.6
2025	15.6
2026	12.6
2027	10.6
2028	7.4
Thereafter	101.9
Total lease payments (undiscounted)	167.7
Less: Discount to net present value	(75.2)
Total	$ 92.5

K. Pension Plans and Other Postretirement Benefits

Entities within AWAC maintain pension plans covering certain non-U.S. employees. Pension benefits generally depend upon length of service, job grade, and remuneration. Substantially all benefits are paid through pension trusts that are sufficiently funded to ensure that all plans can pay benefits to retirees as they become due.

(U.S. dollars in millions)

Entities within AWAC also maintain health care and life insurance postretirement benefit plans covering certain non-U.S. retirees. Generally, the medical plans are unfunded and pay a percentage of medical expenses, reduced by deductibles and other coverages. Life benefits are generally provided by insurance contracts. The entities retain the right, subject to existing agreements, to change or eliminate these benefits.

In 2023, management initiated the following actions to certain pension and other postretirement benefit plans:

Action #1 – In the second quarter of 2023, plan amendment accounting and related plan remeasurements were triggered within the Surinamese pension and other postretirement plans as a result of participants electing to prospectively convert their Surinamese dollar pension and Company-provided retiree medical to a United States dollar pension with no Company-provided retiree medical. As a result, Alcoa recorded a $14.9 increase to Accrued pension benefits and a $8.9 decrease to Accrued other postretirement benefits. This action caused interim plan remeasurements, including an update to the discount rates used to determine the benefit obligations of the affected plans. The above amounts include impacts due to the interim plan remeasurements.

Action #2 – In the third quarter of 2023, settlement accounting and a related plan remeasurement was triggered within the Australian pension plan as a result of participants electing lump sum payments. As a result, the Company recorded a $2.2 decrease to Other noncurrent assets and recognized a settlement gain of $0.2 ($0.1 after-tax) in Restructuring and other charges, net on the Combined Statement of (Loss) Income. This action caused an interim plan remeasurement, including an update to the discount rate used to determine the benefit obligation of the affected plan. The above amount includes the impact due to the interim plan remeasurement.

Action #3 – In the fourth quarter of 2023, settlement accounting was triggered within the Australian pension plan as a result of participants electing lump sum payments. As a result, the Company recorded a $0.5 decrease to Other noncurrent assets and recognized a settlement loss of $0.4 ($0.2 after-tax) in Restructuring and other charges, net on the Combined Statement of (Loss) Income. This action did not cause an interim plan remeasurement.

In 2022, management initiated the following action to a certain pension plan:

Action #1 – In the third quarter of 2022, settlement accounting and a related plan remeasurement was triggered within the Australian pension plan as a result of participants electing lump sum payments. The Company recorded a $21.5 increase to Other noncurrent assets and recognized a settlement gain of $2.8 (pre- and after-tax) in Restructuring and other charges, net on the Combined Statement of (Loss) Income.

(U.S. dollars in millions)

The table below reflects the status of AWAC's pension and postretirement benefit plans.

	Pension Benefits		Postretirement Benefits	
	2023	2022	2023	2022
Change in benefit obligation				
Benefit obligation at beginning of year	$ 457.3	$ 603.7	$ 40.5	$ 53.4
Service cost	8.8	10.4	-	-
Interest cost	20.6	13.8	1.7	1.3
Actuarial losses (gains)	25.9	(73.5)	(0.2)	(11.8)
Settlements	(39.6)	(58.2)	-	-
Benefits paid	(14.7)	(14.0)	(2.2)	(2.4)
Participants' contributions	2.9	3.9	-	-
Amendments	1.8	-	-	-
Suralco resident election transfer	12.2	-	(12.2)	-
Exchange rate	4.5	(28.8)	-	-
Benefit obligation at end of year	479.7	457.3	27.6	40.5
Change in plan assets				
Fair value of plan assets at beginning of year	476.0	620.1	-	-
Actual return on plan assets	24.6	(42.2)	-	-
Employer contributions	15.8	2.2	-	-
Participants' contributions	2.9	3.9	-	-
Settlements	(39.6)	(58.2)	-	-
Benefits paid	(14.7)	(14.0)	-	-
Administrative expenses	(4.5)	(2.7)	-	-
Exchange rate	4.7	(33.1)	-	-
Fair value of plan assets at end of year	465.2	476.0	-	-
Funded status	(14.5)	18.7	(27.6)	(40.5)
Amounts attributed to joint venture partners	(1.2)	(2.0)	-	-
Net funded status	$ (15.7)	$ 16.7	$ (27.6)	$ (40.5)

(U.S. dollars in millions)

	Pension Benefits		Postretirement Benefits	
	2023	**2022**	**2023**	**2022**
Amounts recognized in the combined balance sheets consist of				
Noncurrent assets	$ 26.9	$ 46.2	$ -	$ -
Current liabilities	-	-	(2.0)	(2.7)
Noncurrent liabilities	(42.6)	(29.5)	(25.6)	(37.8)
Net amount recognized	$ (15.7)	$ 16.7	$ (27.6)	$ (40.5)
Amounts recognized in accumulated other comprehensive loss consist of				
Net actuarial losses (gains)	$ 127.1	$ 104.3	$ (16.3)	$ (22.2)
Prior service cost	1.8	-	-	-
Less: Amounts attributed to joint venture partners	0.7	(0.2)	-	-
Net amount recognized before tax effect	$ 128.2	$ 104.5	$ (16.3)	$ (22.2)
Components of net periodic benefit costs				
Service cost	$ 8.5	$ 10.0	$ -	$ -
Interest cost	20.1	13.4	1.7	1.3
Expected return on plan assets	(24.5)	(21.7)	-	-
Recognized actuarial losses (gains)	3.5	6.5	(1.2)	(0.5)
Amortization of prior service cost	0.1	-	-	-
Settlement losses (gains)	0.2	(3.1)	-	-
	$ 7.9	$ 5.1	$ 0.5	$ 0.8

(U.S. dollars in millions)

	Pension Benefits		Postretirement Benefits	
	2023	**2022**	**2023**	**2022**
Other changes in plan assets and benefit obligations recognized in other comprehensive (loss) income consist of				
Net loss (gain)	$ 26.5	$ (4.9)	$ 4.7	$ (11.8)
Amortization of net (loss) gain	(3.7)	(3.2)	1.2	0.5
Prior service cost	1.9	-	-	-
Amortization of prior service cost	(0.1)	-	-	-
Totals before tax effect	24.6	(8.1)	5.9	(11.3)
Less: Amounts attributed to joint venture partners	0.9	0.1	-	-
Net amount recognized before tax effect	$ 23.7	$ (8.2)	$ 5.9	$ (11.3)

Pension Plan Benefit Obligations

	Pension Benefits	
	2023	**2022**
The projected benefit obligation and accumulated benefit obligation for all defined benefit pension plans was as follows		
Projected benefit obligation	$ 479.7	$ 457.3
Accumulated benefit obligation	432.7	430.7
The aggregate projected benefit obligation and fair value of plan assets for pension plans with projected benefit obligations in excess of plan assets was as follows		
Projected benefit obligation	180.9	167.0
Fair value of plan assets	138.3	137.5
The aggregate accumulated benefit obligation and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets was as follows		
Accumulated benefit obligation	180.9	167.0
Fair value of plan assets	138.3	137.5

(U.S. dollars in millions)

Assumptions

Weighted average assumptions used to determine benefit obligations at December 31:

	2023	2022
Weighted average assumptions		
Discount rate - pension plans	4.98 %	5.28 %
Discount rate - other postretirement benefit plans	5.24	5.59
Rate of compensation increase - pension plans	5.00	3.00

The yield curve model used to develop the discount rate parallels the plans' projected cash flows and has a weighted average duration of seven years. The underlying cash flows of the high-quality corporate bonds included in the model exceed the cash flows needed to satisfy the plans' obligations multiple times. If a deep market of high-quality corporate bonds does not exist in a country, then the yield on government bonds plus a corporate bond yield spread is used.

The rate of compensation increase is based upon anticipated compensation increases and estimated inflation. For 2024, the rate of compensation increase will be 5.0%.

Weighted average assumptions used to determine the net periodic benefit cost for years ended December 31:

	2023	2022	2021
Weighted average assumptions			
Discount rate - pension plans	5.13 %	2.46 %	1.43 %
Discount rate - other postretirement benefit plans	5.35	2.49	1.99
Expected long-term return on plan assets - pension plans	5.52	4.29	4.16
Rate of compensation increase - pension plans	3.00	2.50	2.75

The expected long-term rate of return used by management was based on the prevailing and planned strategic asset allocations, as well as estimates of future returns by asset class. For 2024, management anticipates that 5.25% will be the weighted-average expected long-term rate of return.

Assumed health care cost trend rates for other postretirement benefit plans were as follows at December 31:

(U.S. dollars in millions)

	2023	2022	2021
Health care cost trend rate assumed for next year	6.5 %	7.0 %	5.5 %
Rate to which the cost trend rate gradually declines	5.0	5.0	4.5
Year that the rate reaches the rate it is assumed to remain	2032	2028	2026

The assumed health care cost trend rate is used to measure the expected cost of gross eligible charges covered by AWAC's other postretirement benefit plans. For 2024, a 6.5% trend rate will be used, reflecting management's best estimate of the change in future health care costs covered by the plans.

Plan Assets

AWAC's pension plan target asset allocation and weighted average actual asset allocations at December 31, 2023 and 2022, by asset category, were as follows:

	Target Asset Allocation		Plan Assets	
	2023	2022	2023	2022
Asset category				
Equities	21 %	22 %	22 %	22 %
Fixed income	59	65	65	65
Other investments	20	13	13	13
	100 %	100 %	100 %	100 %

The principal objectives underlying the investment of the pension plan assets are to ensure that the Company can properly fund benefit obligations as they become due under a broad range of potential economic and financial scenarios, maximize the long-term investment return with an acceptable level of risk based on such obligations, and broadly diversify investments across and within various asset classes to protect asset values against adverse movements. Investment risk is controlled by rebalancing to target allocations on a periodic basis and ongoing monitoring of investment manager performance. Investment practices comply with the requirement of applicable laws and regulations in the respective jurisdictions.

The following section describes the valuation methodologies used by the trustees to measure the fair value of pension plan assets. For plan assets measured at net asset value, this refers to the net asset value of the investment on a per share basis (or its equivalent) as a practical expedient. Otherwise, an indication of the level in the fair value hierarchy in which each type of asset is generally classified is provided (see Note M for the definition of fair value and a description of the fair value hierarchy).

(U.S. dollars in millions)

Equities
These securities consist of: (i) direct investments in the stock of publicly traded U.S. and non-U.S. companies and are valued based on the closing price reported in an active market on which the individual securities are traded (generally classified in Level 1); (ii) the plans' share of commingled funds that are invested in the stock of publicly traded companies and are valued at net asset value; and (iii) direct investments in long/short equity hedge funds and private equity (limited partnerships and venture capital partnerships) and are valued at net asset value.

Fixed Income
These securities consist of: (i) U.S. government debt and are generally valued using quoted prices (included in Level 1); (ii) cash and cash equivalents invested in publicly-traded funds and are valued based on the closing price reported in an active market on which the individual securities are traded (generally classified in Level 1); (iii) publicly traded U.S. and non-U.S. fixed interest obligations (principally corporate bonds and debentures) and are valued through consultation and evaluation with brokers in the institutional market using quoted prices and other observable market data (included in Level 2); and (iv) cash and cash equivalents invested in institutional funds and are valued at net asset value.

Other Investments
These investments include, among others: (i) real estate investment trusts valued based on the closing price reported in an active market on which the investments are traded (included in Level 1); (ii) the plans' share of commingled funds that are invested in real estate partnerships and are valued at net asset value; and (iii) direct investments in private real estate (includes limited partnerships) and are valued at net asset value.

The fair value methods described above may not be indicative of net realizable value or reflective of future fair values. Additionally, while AWAC believes the valuation methods used by the plans' trustees are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables present the fair value of pension plan assets classified under the appropriate level of the fair value hierarchy or net asset value:

	2023			
	Level 1	**Level 2**	**Net Asset Value**	**Total**
Equities	$ 35.3	$ -	$ 66.4	$ 101.7
Fixed income	46.7	41.1	216.8	304.6
Other investments	2.4	-	56.5	58.9
	$ 84.4	$ 41.1	$ 339.7	$ 465.2

(U.S. dollars in millions)

	2022			
	Level 1	Level 2	Net Asset Value	Total
Equities	$ 30.7	$ -	$ 74.4	$ 105.1
Fixed income	45.0	42.5	223.4	310.9
Other investments	2.3	-	57.7	60.0
	$ 78.0	$ 42.5	$ 355.5	$ 476.0

Funding and Cash Flows
It is AWAC's policy to fund amounts for defined benefit pension plans sufficient to meet the minimum requirements set forth in applicable country benefits laws and tax laws. From time to time, the Company contributes additional amounts as deemed appropriate. In 2023, 2022, and 2021, cash contributions to AWAC's defined benefit pension plans were $15.5, $1.9, and $12.4.

The minimum required contribution to the defined benefit pension plans in 2024 is estimated to be $12.4.

Benefit payments expected to be paid to plan participants are as follows:

	Pension Benefits	Postretirement Benefits
Years Ending		
2024	$ 60.3	$ 2.0
2025	54.5	2.0
2026	53.1	2.0
2027	51.7	2.0
2028	48.9	2.1
2029 through 2033	210.3	10.2
	$ 478.8	$ 20.3

Other Plans
Certain AWAC employees participate in a number of defined contribution plans sponsored by Alcoa. Expenses recognized by AWAC for these plans were $47.1 in 2023, $43.1 in 2022 and $42.8 in 2021.

Certain AWAC employees participate in pension and other postretirement benefit plans sponsored by Alcoa. Expenses recognized by AWAC for these plans were $0.2 and $0.0 in 2023, $1.1 and $0.1 in 2022, and $0.5 and $0.0 in 2021, respectively.

(U.S. dollars in millions)

L. Income Taxes

The components of income before income taxes were as follows:

	2023	2022	2021
U.S.	$ (37.3)	$ (63.0)	$ (49.8)
Foreign	(110.3)	603.9	868.1
	$ (147.6)	$ 540.9	$ 818.3

Provision for income taxes consisted of the following:

	2023	2022	2021
Current			
U.S. federal	$ -	$ (0.2)	$ 4.7
Foreign	92.9	215.5	246.5
	92.9	215.3	251.2
Deferred			
U.S. federal	-	0.2	6.6
Foreign	77.3	24.3	116.7
	77.3	24.5	123.3
	$ 170.2	$ 239.8	$ 374.5

A reconciliation of the U.S. federal statutory rate to AWAC's effective tax rate was as follows:

	2023	2022	2021
U.S. federal statutory rate	21.0 %	21.0 %	21.0 %
(Gains) losses not taxed to AWAC (pass-through entities)	(5.2)	2.2	2.1
Taxes on foreign income	(2.4)	14.6	9.6
Tax holidays (1)	0.0	(6.8)	(2.3)
Changes in valuation allowance	(127.7)	13.4	16.0
Other	(1.1)	(0.1)	(0.7)
Effective tax rate	(115.4)%	44.3 %	45.7 %

(1) Certain income earned by AWAB is eligible for a tax holiday, which decreases the tax rate on this income from 34% to 15.25%, which will result in future cash tax savings. The holiday related to production at the Alumar refinery was originally expected to end on December 31, 2027. During 2023, it was extended to December 31, 2032. The holiday related to the operation of the Juruti (Brazil) bauxite mine will end on December 31, 2026. In 2021, it was determined that the deferred taxes associated with the tax holiday would be fully exhausted within the holiday period and the amounts were therefore maintained on the Combined Balance Sheet at the holiday tax rate. In 2022, the Company's projection of the reversal of deferred tax assets during the holiday tax period was lowered, and as a result, the remainder was revalued at the statutory rate of 34%, resulting in a discrete income tax benefit of $32.9,

(U.S. dollars in millions)

which is included in Tax holidays, above. In 2023, the Company determined that it was no longer more likely than not that the deferred tax asset at AWAB would be realized and recorded a full valuation allowance against the deferred tax asset (see below). As a result, the amount reflected in Tax holidays, above, is zero as of December 31, 2023.

The components of deferred tax assets and liabilities based on the underlying attributes without regard to jurisdiction at December 31 were as follows:

	2023		2022	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Depreciation	$ 36.9	$ 160.8	$ 30.7	$ 152.2
Derivatives and hedging activities	-	5.4	0.1	17.8
Employee benefits	106.2	-	107.7	-
Loss provisions	80.3	-	79.2	-
Tax loss carryforwards	398.7	-	391.5	-
Deferred income/expense	7.8	117.3	2.0	133.5
Lease assets and liabilities	14.8	14.8	14.6	14.6
Other	3.6	2.1	6.7	2.8
	648.3	300.4	632.5	320.9
Valuation allowance	(517.5)	-	(406.7)	-
	$ 130.8	$ 300.4	$ 225.8	$ 320.9

The following table details the expiration periods of the deferred tax assets presented above:

	Expires Within 10 Years	Expires Within 11-20 Years	No Expiration	Other	Total
Tax loss carryforwards	$ 79.0	$ 2.7	$ 317.0	$ -	$ 398.7
Other	-	-	54.6	195.0	249.6
Valuation allowances	(79.0)	(2.7)	(371.6)	(64.2)	(517.5)
	$ -	$ -	$ -	$ 130.8	$ 130.8

Deferred tax assets with no expiration may still have annual limitations on utilization. Other represents deferred tax assets whose expiration is dependent upon the reversal of the underlying temporary difference. The total deferred tax asset (net of valuation allowance) is supported by projections of future taxable income exclusive of reversing temporary differences and taxable temporary differences that reverse within the carryforward period.

(U.S. dollars in millions)

The following table details the changes in the valuation allowance at December 31:

	2023	2022	2021
Balances at beginning of year	$ 406.7	$ 337.5	$ 242.2
Establishment of new allowances	105.9	-	103.4
Net change to existing allowances	(2.9)	77.1	(7.0)
Foreign currency translation	7.8	(7.9)	(1.1)
Balances at end of year	$ 517.5	$ 406.7	$ 337.5

In December 2023, AWAC recorded a valuation allowance of $153.9 against the net deferred tax assets of AWAB, of which $105.7 related to the balance as of December 31, 2022. The 2023 full valuation allowance for AWAB was a result of AWAB's three-year cumulative loss position for the period ended December 31, 2023. The majority of AWAB's net deferred tax assets relate to prior net operating losses; the loss carryforwards are not subject to an expiration period. AWAB's profitability in future periods could prompt the Company to evaluate the realizability of the deferred tax asset and assess the possibility of a reversal of the valuation allowance, which could have a significant impact on net income in the quarter the valuation allowance is reversed.

In December 2021, AWAC recorded a valuation allowance of $103.4 against the net deferred tax assets of Alúmina Española. Management concluded that it was more likely than not that Alúmina Española’s net deferred tax assets, which consisted primarily of tax loss carryforwards, would not be realized as the entity’s sole operating asset, the San Ciprián refinery, was in a three-year cumulative loss position for the period ended December 31, 2021. This cumulative loss position was the result of recent operating losses due to the high energy costs in Spain and the impact of the refinery workers’ strike on the fourth quarter of 2021. After weighing all available positive and negative evidence as of December 31, 2023, AWAC’s position continues to be that it is more likely than not that the Company would not realize the benefit of these deferred tax assets and continues to have a full valuation allowance recorded against the deferred tax assets.

Unrecognized Tax Benefits

AWAC consists of a variety of different tax-paying legal entities, including entities that are multiple member limited liability companies (AWA LLC in the U.S.). AWAC entities outside of the U.S. file income tax returns in the various foreign jurisdictions. Foreign jurisdiction tax authorities are in the process of examining income tax returns of certain of the AWAC entities for various tax years. Excluding the Australia tax matter discussed below, the Company is no longer subject to examinations by tax authorities in any major tax jurisdiction for years before 2014. Unrecognized tax benefits recorded on the Combined Balance Sheet as of December 31, 2023 and 2022 is not material.

(U.S. dollars in millions)

In the third quarter of 2020, AofA paid approximately $74.0 (A$106.8) to the ATO related to the tax dispute described in Note O. Upon payment, AofA recorded a noncurrent prepaid tax asset, as the Company continues to believe it is more likely than not that AofA's tax position will be sustained and therefore is not recognizing any tax expense in relation to this matter. In accordance with Australian tax laws, the initial interest assessment and additional interest are deductible against AofA's taxable income. AofA applied this deduction beginning in the third quarter of 2020, reducing cash tax payments. Interest compounded in future years is also deductible against AofA's income in future periods. If AofA is ultimately successful, the interest deduction would become taxable as income in the year the dispute is resolved. In addition, should the ATO decide in the interim to reduce any interest already assessed, the reduction would be taxable as income at that point in time. During 2023, AofA continued to record its tax provision and tax liability without effect of the ATO assessment, since it expects to prevail. The tax payable will remain on AofA's balance sheet as a noncurrent liability, increased by the tax effect of subsequent periods' interest deductions, until dispute resolution, which is expected to take several years. The noncurrent liability resulting from the cumulative interest deductions was approximately $199.3 (A$293.1) and $174.4 (A$260.3) at December 31, 2023 and 2022, respectively.

M. Derivatives and Other Financial Instruments

Fair Value

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

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates); and inputs that are derived principally from or corroborated by observable market data by correlation or other means; and

Level 3 Inputs that are both significant to the fair value measurement and unobservable.

(U.S. dollars in millions)

Derivatives

AWAC is exposed to certain risks relating to its ongoing business operations, including the risks of changing commodity prices, foreign currency exchange rates and interest rates. AWAC's commodity and derivative activities include aluminum, energy, foreign exchange and interest rate contracts, which are held for purposes other than trading. They are used to mitigate uncertainty and volatility, and to cover underlying exposures. While AWAC does not generally enter into derivative contracts to mitigate the risk associated with changes in aluminum price, the Company may do so in isolated cases to address discrete commercial or operational conditions. AWAC is not involved in trading activities for energy, weather derivatives, or other nonexchange commodities.

AWAC's commodity and derivative activities are subject to the management, direction, and control of Alcoa's Strategic Risk Management Committee (SRMC), which consists of at least three members, including the chief executive officer, the chief financial officer, and the chief commercial officer. The remaining member(s) are other officers and/or employees of the Company as the chief executive officer may designate from time to time. The SRMC meets on a periodic basis to review derivative positions and strategy.

Several of AWAC's aluminum, energy, foreign exchange contracts, and interest rate contracts are classified as Level 1 under the fair value hierarchy. All of these Level 1 contracts are designated as either fair value or cash flow hedging instruments. AWAC also has a derivative instrument classified as Level 3 under the fair value hierarchy, which is undesignated.

The following tables present the detail for Level 1, 2 and 3 derivatives (see additional Level 3 information in further tables below):

	Asset	
	2023	2022
Balance at December 31,		
Level 1 and 2 derivative instruments	$ -	$ -
Level 3 derivative instruments	15.8	31.9
Total	15.8	31.9
Less: Current	15.8	31.9
Noncurrent	$ -	$ -

(U.S. dollars in millions)

	Unrealized Gain Recognized in Other Comprehensive (loss) Income		Realized Gain Reclassed from Other Comprehensive (loss) Income to Earnings	
	2023	**2022**	**2023**	**2022**
Year ended December 31,				
Level 1 and 2 derivative instruments	$ -	$ -	$ -	$ -
Level 3 derivative instruments	-	-	-	-
Equity interest	0.7	5.1	(2.7)	0.5
Total	$ 0.7	$ 5.1	$ (2.7)	$ 0.5

Derivative instruments classified as Level 3 in the fair value hierarchy represent those in which management has used at least one significant unobservable input in the valuation model. AWAC uses a discounted cash flow model to fair value all Level 3 derivative instruments. Inputs in the valuation models for Level 3 derivative instruments are composed of the following: (i) quoted market prices (e.g., aluminum prices on the 10-year LME forward curve and energy prices), (ii) significant other observable inputs (e.g., information concerning time premiums and volatilities for certain option type embedded derivatives and regional premiums for aluminum contracts, and (iii) unobservable inputs (e.g., aluminum and energy prices beyond those quoted in the market). For periods beyond the term of quoted market prices for aluminum, AWAC estimates the price of aluminum by extrapolating the 10-year LME forward curve. For periods beyond the term of quoted market prices for energy, management has developed a forward curve based on independent consultant market research. Where appropriate, valuations are adjusted for various factors such as liquidity, bid/offer spreads, and credit considerations. Such adjustments are generally based on available market evidence (Level 2). In the absence of such evidence, management's best estimate is used (Level 3). If a significant input that is unobservable in one period becomes observable in a subsequent period, the related asset or liability would be transferred to the appropriate classification (Level 1 or 2) in the period of such change (there were no such transfers in the periods presented). There were no sales or settlements of Level 3 derivative instruments in the periods presented.

AWAC's Level 3 derivative instruments are described in the table below:

Description	**Designation**	**Contract Termination**	**Unobservable Inputs Impacting Valuation**	**Sensitivity to Inputs**
Financial contract				
Hedge power prices	Not designated	June 2035	LME price and power price	Lower prices in the power market or higher LME prices result in an increase in the derivative liability

(U.S. dollars in millions)

In addition to the instruments presented above, AWAC had a financial contract that expired in July 2021 that hedged the anticipated power requirements at one of its smelters and was designated as a cash flow hedge of future purchases of electricity. In March 2021, AWAC entered into four financial contracts (Financial contracts (undesignated), below) with three counterparties to hedge the anticipated power requirements at this smelter for the period from August 1, 2021 through June 30, 2026. A fifth financial contract (undesignated) was entered into in November 2021, with an effective date of September 30, 2022 through June 30, 2026. In August 2023, the Company entered into a nine-year financial contract (undesignated) effective July 1, 2026 when the current contracts end. Three of these financial contracts include LME-linked pricing components and do not qualify for hedge accounting treatment. Management elected not to apply hedge accounting treatment for the other three financial contracts. Unrealized and realized gains and losses on these financial contracts are included in Other expenses (income), net on the accompanying Combined Statement of (Loss) Income.

The following table presents quantitative information related to the significant unobservable inputs described above for Level 3 derivative instruments (megawatt hours in MWh):

	December 31, 2023	Unobservable Input	Unobservable Input Range	
Asset Derivatives				
Financial contract (undesignated)	$ 15.8	Interrelationship of forward energy price, LME forward price and the Consumer Price Index	Electricity (per MWh)	2024: $50.99 2024: $53.55
			LME (per mt)	2024: $2,352 2024: $2,424
Total asset derivatives	$ 15.8			

The fair value of the Level 3 derivative instrument recorded as an asset in the accompanying Combined Balance Sheet was as follows:

	December 31, 2023	December 31, 2022
Asset derivatives		
Derivatives not designated as hedging instruments:		
Current—financial contract	$ 15.8	$ 31.9
Noncurrent—financial contract	-	-
Total asset derivatives	$ 15.8	$ 31.9

(U.S. dollars in millions)

The following table shows the fair value of the Level 3 derivative instruments at December 31, 2023 and the effect on these amounts of a hypothetical change (increase or decrease of 10%) in the market prices or rates that existed as of December 31, 2023:

	Fair Value Asset	Index Change of + / -10%
Financial contract	$ 15.8	$ 8.0

The following table presents a reconciliation of activity for Level 3 derivative instruments:

	Asset Financial Contract	
	2023	**2022**
January 1	$ 31.9	$ 2.2
Total gains or losses included in:		
Other (expenses) income, net (unrealized/realized)	(5.4)	171.1
Settlements and other	(10.7)	(141.4)
December 31	$ 15.8	$ 31.9
Change in unrealized gains or losses included in earnings for derivative instruments held at December 31:		
Other expenses (income), net	$ 5.4	$ (171.1)

Material Limitations

The disclosures with respect to commodity prices and foreign currency exchange risk do not consider the underlying commitments or anticipated transactions. If the underlying items were included in the analysis, the gains or losses on the futures contracts may be offset. Actual results will be determined by several factors that are not under AWAC's control and could vary significantly from those factors disclosed.

AWAC is exposed to credit loss in the event of nonperformance by counterparties on the above instruments, as well as credit or performance risk with respect to its hedged customers' commitments. AWAC does not anticipate nonperformance by any of these parties. Contracts are with creditworthy counterparties and are further supported by cash, treasury bills, or irrevocable letters of credit issued by carefully chosen banks. In addition, various master netting arrangements are in place with counterparties to facilitate settlement of gains and losses on these contracts.

(U.S. dollars in millions)

Other Financial Instruments
The carrying values and fair values of AWAC's other financial instruments at December 31 were as follows:

	2023		2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and cash equivalents	$ 353.7	$ 353.7	$ 236.1	$ 236.1
Long-term debt due within one year	78.1	78.1	0.3	0.3
Long-term debt, less amount due within one year	1.0	1.0	79.3	79.3

Cash and Cash Equivalents
The carrying amounts approximate fair value because of the short maturity of the instruments. The fair value amounts for Cash and cash equivalents were classified in Level 1 of the fair value hierarchy.

Long-Term Debt, including amounts due within one year
The fair value of Long-term debt, less amount due within one year was based on anticipated cash flows which approximates carrying value. The fair value amounts for Long-term debt were classified in Level 2 of the fair value hierarchy.

N. Cash Flow Information

Cash paid for interest and income taxes was as follows:

	2023	2022	2021
Interest, net of amount capitalized	$ 5.4	$ 2.3	$ 1.8
Income taxes, net of amount refunded	183.0	195.9	98.3

O. Contingencies and Commitments

Tax Matters
Brazil (AWAB) — In March 2013, AWAB was notified by the Brazilian Federal Revenue Office (RFB) that approximately $110.0 (R$220.0) of value added tax credits previously claimed were being disallowed and a penalty of 50% was assessed. Of this amount, AWAB received $41.0 (R$82.0) in cash in May 2012. The value added tax credits were claimed by AWAB for both fixed assets and export sales related to the Juruti bauxite mine and Alumar refinery expansion for tax years 2009 through 2011. The RFB has disallowed credits they allege belong to the consortium in which AWAB owns an interest and should not have been claimed by AWAB. Credits have also been disallowed as a result of challenges to apportionment methods used, questions about the use of the credits, and an alleged lack of documented proof. AWAB presented defense of its claim to the RFB on April 8, 2013. In February 2022, the RFB notified AWAB that it had inspected the value added tax credits claimed for 2012 and disallowed $3.6 (R$18.6). In its decision, the RFB allowed

(U.S. dollars in millions)

credits of $12.7 (R$65.4) that were similar to those previously disallowed for 2009 through 2011. In July 2022, the RFB notified AWAB that it had inspected the value added tax credits claimed for 2013 and disallowed $13.4 (R$69.7). In its decision, the RFB allowed credits of $16.1 (R$84.1) that were similar to those previously disallowed for 2009 through 2011. The decisions on the 2012 and 2013 credits provide positive evidence to support management's opinion that there is no basis for these credits to be disallowed. AWAB received the 2012 allowed credits with interest of $8.5 (R$43.7) in March 2022 and the 2013 allowed credits with interest of $5.8 (R$31.2) in August 2022. AWAB will continue to dispute the credits that were disallowed for 2012 and 2013. If AWAB is successful in this administrative process, the RFB would have no further recourse. If unsuccessful in this process, AWAB has the option to litigate at a judicial level. Separately from AWAB's administrative appeal, in June 2015, a new tax law was enacted repealing the provisions in the tax code that were the basis for the RFB assessing a 50% penalty in this matter. As such, the estimated range of reasonably possible loss for these matters is $0.0 to $49.5 (R$239.0). It is management's opinion that the allegations have no basis; however, at this time, the Company is unable to reasonably predict an outcome for this matter.

Australia (AofA) — In December 2019, AofA received a statement of audit position (SOAP) from the Australian Taxation Office (ATO) related to the pricing of certain historic third-party alumina sales. The SOAP proposed adjustments that would result in additional income tax payable by AofA. During 2020, the SOAP was the subject of an independent review process within the ATO. At the conclusion of this process, the ATO determined to continue with the proposed adjustments and issued Notices of Assessment (the Notices) that were received by AofA on July 7, 2020. The Notices asserted claims for income tax payable by AofA of approximately $145.3 (A$213.6). The Notices also included claims for compounded interest on the tax amount totaling approximately $480.8 (A$707.0).

On September 17, 2020, the ATO issued a position paper with its preliminary view on the imposition of administrative penalties related to the tax assessment issued to AofA. This paper proposed penalties of approximately $87.2 (A$128.2).

AofA disagreed with the Notices and with the ATO's proposed position on penalties. During 2020, AofA lodged formal objections to the Notices, provided a submission on the ATO's imposition of interest and submitted a response to the ATO's position paper on penalties. After the ATO completes its review of AofA's response to the penalties position paper, the ATO could issue a penalty assessment.

To date, AofA has not received a response to its submission on the ATO's imposition of interest or its response to the ATO's position paper on penalties.

Through February 1, 2022, AofA did not receive a response from the ATO on AofA's formal objections to the Notices and, on that date, AofA submitted statutory notices to the ATO requiring the ATO to make decisions on AofA's objections within a 60-day period. On April 1, 2022, the ATO issued its decision disallowing the Company's objections related to the income tax assessment, while the position on penalties and interest remains outstanding.

(U.S. dollars in millions)

On April 29, 2022, AofA filed proceedings in the Australian Administrative Appeals Tribunal (AAT) against the ATO to contest the Notices, a process which could last several years. The AAT held the first directions hearing on July 25, 2022 ordering AofA to file its evidence and related materials by November 4, 2022, ATO to file its materials by April 14, 2023 and AofA to file reply materials by May 26, 2023. AofA filed its evidence and related materials on November 4, 2022. The ATO did not file its materials by April 14, 2023. At a directions hearing on May 17, 2023, the ATO was granted an extension to file its materials by August 18, 2023. At a directions hearing on September 26, 2023, the ATO was granted an additional extension to file its materials by November 3, 2023. The ATO filed its materials on November 13, 2023. At a directions hearing on November 22, 2023, AofA was ordered to file any reply materials by March 15, 2024. The substantive hearing is scheduled for June 2024.

The Company maintains that the sales subject to the ATO's review, which were ultimately sold to Aluminium Bahrain B.S.C., were the result of arm's length transactions by AofA over two decades and were made at arm's length prices consistent with the prices paid by other third-party alumina customers.

In accordance with the ATO's dispute resolution practices, AofA paid 50% of the assessed income tax amount exclusive of interest and any penalties, or approximately $73.9 (A$106.8), during the third quarter 2020, and the ATO is not expected to seek further payment prior to final resolution of the matter. If AofA is ultimately successful, any amounts paid to the ATO as part of the 50% payment would be refunded. AofA funded the payment with cash on hand and recorded the payment within Other noncurrent assets as a noncurrent prepaid tax asset; the related December 31, 2023 balance is $72.6 (A$106.8).

Further interest on the unpaid tax will continue to accrue during the dispute. The initial interest assessment and the additional interest accrued are deductible against taxable income by AofA but would be taxable as income in the year the dispute is resolved if AofA is ultimately successful. AofA applied this deduction beginning in the third quarter of 2020, reducing cash tax payments. At December 31, 2023 and December 31, 2022, total reductions in cash tax payments were $199.3 (A$293.1) and $174.4 (A$260.3), respectively, and are reflected as a Noncurrent accrued tax liability on the accompanying Combined Balance Sheet.

The Company continues to believe it is more likely than not that AofA's tax position will be sustained and therefore is not recognizing any tax expense in relation to this matter. However, because the ultimate resolution of this matter is uncertain at this time, the Company cannot predict the potential loss or range of loss associated with the outcome, which may materially affect its results of operations and financial condition. References to any assessed U.S. dollar amounts presented in connection with this matter have been converted into U.S. dollars from Australian dollars based on the exchange rate in the respective period.

General
In addition to the matters discussed above, various other lawsuits, claims, and proceedings have been or may be instituted or asserted against AWAC, including those pertaining to environmental, safety and health, commercial, tax, product liability, intellectual property infringement, employment,

(U.S. dollars in millions)

and employee and retiree benefit matters, and other actions and claims arising out of the normal course of business. While the amounts claimed in these other matters may be substantial, the ultimate liability is not readily determinable because of the considerable uncertainties that exist. Accordingly, it is possible that the Company's liquidity or results of operations in a particular period could be materially affected by one or more of these other matters. However, based on facts currently available, management believes that the disposition of these other matters that are pending or asserted will not have a material adverse effect, individually or in the aggregate, on the financial position of the Company.

Pursuant to the terms of the Formation Agreement, Alcoa and Alumina Limited have agreed to remain liable for Extraordinary Liabilities (as defined in the agreement) as well as for certain other preformation liabilities, such as existing environmental conditions, to the extent of their preformation ownership of the company or asset with which the liability is associated.

Commitments

AofA has a gas supply agreement to power its three alumina refineries in Western Australia which began in July 2020 for a 12-year period. The terms of this agreement required AofA to make a prepayment of $500.0 prior to 2017. At December 31, 2023, prepayments of $37.1 and $282.9 were included in Prepaid expense and other current assets and Gas supply prepayment, respectively, on the accompanying Combined Balance Sheet. At December 31, 2022, $36.5 and $311.2 were included in Prepaid expenses and other current assets and Gas supply prepayment, respectively, on the accompanying Combined Balance Sheet.

In connection with the sale of Alcoa Specialty Chemicals ("ASC"), in 2004 AWAC entered into a 20-year agreement to supply ASC with approximately 488,000 tons of alumina feedstock annually. The first five years of the contract provide for a fixed price with adjustments in pricing to the extent certain AWAC costs fluctuate outside of agreed upon thresholds. In years six through ten pricing is tied to an industry-accepted index, and in the final ten years the pricing is to be negotiated.

AWAC has entered into other purchase commitments for energy, raw materials, and other goods and services which total $2,520.6 in 2024, $1,216.7 in 2025, $922.2 in 2026, $851.3 in 2027, $820.3 in 2028 and $3,269.7 thereafter.

AWAC has outstanding bank guarantees and letters of credit primarily related to environmental obligations, leasing obligations, legal matters, and customs duties, among others. The total amount committed under these instruments, which automatically renew or expire at various dates, between 2024 and 2025, was $128.0 at December 31, 2023. AWAC has outstanding surety bonds primarily related to customs duties. The total amount committed under these bonds, which automatically renew or expire at various dates, between 2026 and 2028, was $22.7 at December 31, 2023.

In December 2023, AofA committed to provide a bank guarantee for approximately $68.0 (A$100.0) which demonstrates the Company's confidence that its operations will not impair drinking water supplies.

(U.S. dollars in millions)

P. Environmental Matters

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

The following table details the changes in the total carrying value of recorded environmental remediation liabilities at December 31:

	2023	2022
Balances at beginning of year	$ 103.9	$ 109.4
Liabilities incurred	2.2	6.6
Payments	(15.2)	(6.6)
Reversals of previously recorded liabilities	-	(4.5)
Translation and other	0.3	(1.0)
Balances at end of year	$ 91.2	$ 103.9

Environmental remediation liabilities are recorded in Other current liabilities ($21.9 and $24.2 as of December 31, 2023 and 2022, respectively) and the noncurrent portion is recorded in Other noncurrent liabilities and deferred credits ($69.3 and $79.7 as of December 31, 2023 and 2022, respectively) on the accompanying Combined Balance Sheet.

In 2023, the Company incurred liabilities of $2.2 primarily related to estimates for environmental remediation at the Point Henry site. These charges are recorded in Restructuring and other charges, net on the accompanying Combined Statement of (Loss) Income. Payments related to remediation expenses applied against the reserve were $15.2 in 2023. These amounts include mandated expenditures as well as those not required by any regulatory authority or third party. Further, there were no reversals recorded during 2023.

In 2022, the Company incurred liabilities of $6.6 primarily related to $5.6 for estimates for environmental remediation at the Point Henry site. These charges are recorded in Restructuring and other charges, net on the accompanying Combined Statement of Income. Payments related to remediation expenses applied against the reserve were $6.6 in 2022. These amounts include mandated expenditures as well as those not required by any regulatory authority or third party. Further, the Company recorded reversals of reserves of $4.5 during 2022, primarily related to changes in estimates for site remediation at Suralco.

(U.S. dollars in millions)

Q. Restructuring and Other Charges, Net

Restructuring and other charges, net for each of the periods ending December 31, 2023, 2022 and 2021 were comprised of the following:

	2023	2022	2021
Asset impairment	$ -	$ 42.7	$ -
Environmental liabilities and asset retirement obligations	0.6	21.3	3.5
Reversals	-	(65.0)	(4.8)
Severance and other costs	3.5	(2.6)	64.9
	$ 4.1	$ (3.6)	$ 63.6

During 2023, AWAC incurred charges for severance and other costs of $3.5. These charges were comprised of $9.7 for employee termination and severance costs, primarily related to the Kwinana refinery productivity program, partially offset by a credit of $6.2 for changes in estimates and scope for costs related to certain environmental remediation and asset retirement obligations to be reimbursed by Alcoa in accordance with the Formation Agreement (see Note I).

During 2022, AWAC incurred charges of $42.7 for an asset impairment related to the sale of the Company’s interest in MRN (see Note F) and $21.3 to record additional environmental and asset retirement related reserves (see Notes C and P) offset by $60.3 for the reversal of a valuation allowance on Brazil value added taxes (VAT) (see Note G).

During 2021, AWAC recorded a non-cash pension settlement charge of $63.2 related to the purchase of a group annuity contract to transfer approximately $55.0 of pension obligations and assets associated with a Suriname pension plan for approximately 800 retirees and beneficiaries.

(U.S. dollars in millions)

Activity and reserve balances for restructuring charges were as follows:

Reserve balance at December 31, 2020	$ 0.3
Cash payments	(1.4)
Restructuring charges	63.6
Asset impairment	-
Environmental liabilities and asset retirement obligations	(3.5)
Pension adjustments	(63.7)
Reversals	4.8
Other	-
Reserve balance at December 31, 2021	0.1
Cash payments	(0.4)
Restructuring charges	(3.6)
Asset impairment	(42.7)
Environmental liabilities and asset retirement obligations	(21.3)
Pension adjustments	3.1
Reversals	65.0
Other	0.4
Reserve balance at December 31, 2022	0.6
Cash payments	(4.4)
Restructuring charges	4.1
Asset impairment	-
Environmental liabilities and asset retirement obligations	(0.6)
Pension adjustments	(0.2)
Reversals	-
Other	6.8
Reserve balance at December 31, 2023	$ 6.3

R. Other Expenses (Income), Net

	2023	2022	2021
Interest income	$ (11.0)	$ (22.0)	$ (0.6)
Equity loss (earnings)	47.5	39.6	(4.1)
(Gain) loss from asset sales	(3.7)	0.2	(14.5)
Foreign currency (gains) losses, net	(5.1)	(11.1)	1.7
Loss (gain) on derivative instruments	5.4	(171.1)	(5.5)
Other, net	(7.0)	(1.1)	(5.1)
	$ 26.1	$ (165.5)	$ (28.1)

(U.S. dollars in millions)

S. Accumulated Other Comprehensive Loss

The following table details the activity of the three components that comprise Accumulated other comprehensive loss for AWAC:

	2023	2022	2021
Pension and other postretirement benefits			
Balance at beginning of period	$ (15.7)	$ (35.0)	$ (168.6)
Other comprehensive income (loss):			
Unrecognized net actuarial gain (loss) and prior service cost/benefit	(32.4)	16.1	75.2
Tax (expense) benefit[2]	7.1	0.3	(8.1)
Total Other comprehensive income (loss) before reclassifications, net of tax	(25.3)	16.4	67.1
Amortization of net actuarial loss and prior service cost/benefit[1]	2.6	2.9	74.5
Tax expense[2]	(0.6)	-	(8.0)
Total amount reclassified from Accumulated other comprehensive loss, net of tax[4]	2.0	2.9	66.5
Total Other comprehensive income (loss)	(23.3)	19.3	133.6
Balance at end of period	$ (39.0)	$ (15.7)	$ (35.0)
Foreign currency translation			
Balance at beginning of period	$ (2,707.6)	$ (2,542.5)	$ (2,303.4)
Other comprehensive income (loss)	140.5	(165.1)	(239.1)
Balance at end of period	$ (2,567.1)	$ (2,707.6)	$ (2,542.5)
Cash flow hedges			
Balance at beginning of period	$ 1.8	$ (3.8)	$ (1.9)
Other comprehensive income (loss):			
Net change from periodic revaluations	0.7	5.1	(14.5)
Tax benefit[2]	-	-	4.8
Total Other comprehensive income (loss) before reclassifications, net of tax	0.7	5.1	(9.7)
Net amount reclassified to earnings:			
Aluminum contracts[5]	-	-	10.5
Financial contracts[6]	-	-	2.7
Interest rate contracts[3]	(2.7)	0.5	1.7
Foreign exchange contracts[5]	-	-	(4.5)
Tax expense[2]	-	-	(2.6)
Total amount reclassified from Accumulated other comprehensive loss, net of tax[4]	(2.7)	0.5	7.8
Total Other comprehensive income (loss), net of tax	(2.0)	5.6	(1.9)
Balance at end of period	$ (0.2)	$ 1.8	$ (3.8)

(U.S. dollars in millions)

(1) These amounts were included in the computation of net periodic benefit cost for pension and other postretirement benefits (Note K).

(2) These amounts were included in Provision for income taxes on the accompanying Combined Statement of (Loss) Income.

(3) These amounts were included in Other expenses (income), net on the accompanying Combined Statement of (Loss) Income.

(4) A positive amount indicates a corresponding charge to earnings and a negative amount indicates a corresponding benefit to earnings.

(5) These amounts were included in Sales on the accompanying Combined Statement of (Loss) Income.

(6) These amounts were included in Cost of goods sold on the accompanying Combined Statement of (Loss) Income.

T. Supplier Finance Programs

The Company has various supplier finance programs with third-party financial institutions that are made available to suppliers to facilitate payment term negotiations. Under the terms of these agreements, participating suppliers receive payment in advance of the payment date from third-party financial institutions for qualifying invoices. AWAC's obligations to its suppliers, including amounts due and payment terms, are not impacted by its suppliers’ participation in these programs. The Company does not pledge any assets as security or provide any guarantees beyond payment of outstanding invoices at maturity under these arrangements. The Company does not pay fees to the financial institutions under these arrangements. At December 31, 2023 and December 31, 2022, qualifying supplier invoices outstanding under these programs were $35.3 and $29.7, respectively, and have payment terms ranging from 50 to 110 days. These obligations are included in Accounts payable, trade on the accompanying Combined Balance Sheet.

U. Subsequent Events

On January 8, 2024, the owners of AWAC announced the full curtailment of the Kwinana refinery beginning in the second quarter of 2024. The refinery has an annual nameplate capacity of 2.2 million metric tons and has been operating at approximately 80 percent of its nameplate capacity since January 2023, when the Company reduced production in response to a domestic natural gas shortage in Western Australia due to production challenges experienced by key gas suppliers. The Company’s decision to fully curtail the refinery was made based on a variety of factors, including the refinery’s age, scale, operating costs and current bauxite grades, in addition to current market conditions. The refinery currently has approximately 800 employees and this number will be reduced to approximately 250 in the third quarter of 2024, when alumina production will cease. Certain processes will continue until about the third quarter of 2025, when the employee number will be further reduced to approximately 50.

In the first quarter of 2024, AWAC will record restructuring charges between $180.0 and $200.0 related to the curtailment of the refinery. The charges include approximately $81.0 for water management costs, $55.0 for employee related costs, $26.0 for asset retirement obligations, and $18.0 of other costs. Related cash outlays of approximately $191.0 (which includes existing

(U.S. dollars in millions)

employee related liabilities and asset retirement obligations) is expected to be spent in 2024 ($133.0) and 2025 ($58.0).

On February 25, 2024, the owners of AWAC announced that they have entered into an agreement on terms and process for the acquisition of Alumina Limited by Alcoa Corporation, subject to entry into a scheme implementation agreement. On March 11, 2024 (Eastern Daylight Time) / March 12, 2024 (Australian Eastern Daylight Time), the owners of AWAC entered into the Scheme Implementation Deed, pursuant to which, subject to the satisfaction or waiver of the conditions set forth therein, Alcoa will acquire all Alumina ordinary shares on issue and outstanding pursuant to a court-approved scheme of arrangement.

Supplementary Combining Information

Report of Independent Auditors

To the Members of the Strategic Council of
Alcoa World Alumina and Chemicals
(Majority-owned by Alcoa Corporation)

We have audited the combined financial statements of Alcoa World Alumina and Chemicals ("AWAC") as of and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated March 14, 2024, which included an unmodified opinion on those combined financial statements. That audit was conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The supplemental combining information as of and for each of the three years in the period ended December 31, 2023 (the "supplemental information") is presented for purposes of additional analysis and is not a required part of the combined financial statements. The combining information is not intended to present, and we do not express an opinion on, the financial position, results of operations and cash flows of the individual companies. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the combined financial statements taken as a whole.

PricewaterhouseCoopers LLP

Pittsburgh, Pennsylvania
March 14, 2024

PricewaterhouseCoopers LLP, 301 Grant Street, Suite 4500, Pittsburgh, PA 15219
T: (412) 355 6000, F: (412) 355 8089, www.pwc.com/us