Ulsan Aluminum Limited

Financial Statements
March 31, 2018

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Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
Ulsan Aluminum Limited

We have audited the accompanying financial statements of Ulsan Aluminum Limited (the Company), which comprise the statement of financial position as at March 31, 2018, and the statement of profit or loss, statement of changes in equity and statement of cash flows for the period from April 27, 2017 to March 31, 2018, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Standards for Non-Public Entities in the Republic of Korea, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Korean Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Ulsan Aluminum Limited as at March 31, 2018, and its financial performance and its cash flows for the period from April 27, 2017 to March 31, 2018, in accordance with Accounting Standards for Non-Public Entities in the Republic of Korea.

Other Matter

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, financial performance and cash flows in conformity with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea. In addition, the procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries.

Seoul, Korea
June 8, 2018

This report is effective as of June 8, 2018, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Ulsan Aluminum Limited
Statement of Financial Position
March 31, 2018

(in Korean won)	Notes		2018
Assets			
Current assets			
Cash and cash equivalents		₩	3,578,903,591
Trade receivables	22		158,710,442,902
Non-trade receivables	22		6,077,087,221
Inventories	4		77,266,112,360
Prepaid expenses			547,880,803
Short-term loans to employees			36,083,338
Deferred tax assets	12		1,014,385,264
Other current assets			28,453,401
			247,259,348,880
Non-current assets			
Long-term investment assets	3		2,000,000
Long-term loans to employees			172,583,334
Property, plant and equipment, net	5		585,305,936,996
Intangible assets, net	7		526,969,935
Deferred tax assets	12		646,013,872
			586,653,504,137
Total assets		₩	833,912,853,017
Liabilities			
Current liabilities			
Trade payables	8,10,22	₩	200,216,046,616
Non-trade payables	8,10,22		10,198,015,396
Value added tax withheld			2,469,125,247
Withholdings			139,273,149
Accrued expenses			11,389,942,106
Short-term borrowings	8		13,620,000,000
Income tax payables			2,548,427,100
Carbon Emission liabilities	19		145,398,000
			240,726,227,614
Non-current liabilities			
Long-term accrued expenses			1,236,225,828
Provision for severance benefits, net	9		440,049,290
			1,676,275,118
Total liabilities			242,402,502,732
Equity			
Share capital	1,13		
Ordinary shares			50,000,000
Reserves			
Share premium	13		702,497,230,030
Capital adjustments			
Other capital adjustments	13		(114,185,859,245)
Retained earnings			
Retained earnings available for appropriation	14		3,148,979,500
Total equity			591,510,350,285
Total liabilities and equity		₩	833,912,853,017

The above statement of financial position should be read in conjunction with the accompanying notes.

Ulsan Aluminum Limited
Statements of Profit or Loss
Period from April 27, 2017 (date of incorporation) to March 31, 2018

(in Korean won)	**Notes**		**2017**
Sales	15,22	₩	419,098,131,764
Cost of sales	16,18,22		401,799,630,636
Gross profit			17,298,501,128
Selling and administrative expenses	17,18		12,164,475,151
Operating profit			5,134,025,977
Non-operating income			
Interest income			276,905,896
Gain on foreign currency transactions			13,166,456
Gain on foreign currency translation			992,068
Gain on disposal of property, plant and equipment			24,313,120
Rental income			45,000,000
Others			33,552
			360,411,092
Non-operating expenses			
Interest expenses			215,463,245
Loss on foreign currency transactions			12,641,334
Loss on foreign currency translation			1,419,096
Loss on disposal of property, plant and equipment			646,393,910
Depreciation of temporarily idle asset			280,099,815
Donations			16,637,500
Impairment loss on property, plant and equipment			284,628,952
Others			3
			1,457,283,855
Profit before income tax			4,037,153,214
Income tax expense	12		888,173,714
Profit for the period	24	₩	3,148,979,500

The above statement of profit or loss should be read in conjunction with the accompanying notes.

Ulsan Aluminum Limited
Statements of Changes in Equity
Period from April 27, 2017 (date of incorporation) to March 31, 2018

(in Korean won)

	Share capital	Reserves	Capital adjustments	Retained earnings	Total
Balance at April 27, 2017 (date of incorporation)	₩ 5,000	₩ -	₩ -	₩ -	₩ 5,000
In-kind contribution	49,995,000	702,497,230,030	(114,185,859,245)	-	588,361,365,785
Profit for the period	-	-	-	3,148,979,500	3,148,979,500
Balance at March 31, 2018	₩ 50,000,000	₩ 702,497,230,030	₩ (114,185,859,245)	₩ 3,148,979,500	₩ 591,510,350,285

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Ulsan Aluminum Limited
Statements of Cash Flows
Period from April 27, 2017 (date of incorporation) to March 31, 2018

(in Korean won)	Notes		2018
Cash flows from operating activities			
Profit for the period		₩	3,148,979,500
Adjustments to reconcile profit for the period			
to net cash provided by operating activities			
Severance benefits expenses			1,952,485,100
Depreciation			17,001,023,815
Impairment loss on property, plant and equipment			284,628,952
Amortization			102,825,237
Loss on foreign currency translation			1,419,096
Loss on disposal of property, platn and equipment			646,393,910
Gain on foreign currency translation			(992,068)
Gain on disposal of property, platn and equipment			(24,313,120)
			19,963,470,922
Changes in operating assets and liabilities			
Increase in trade receivables			(158,710,442,902)
Increase in non-trade receivables			(1,333,287,026)
Increase in prepaid expenses			(547,880,803)
Increase in current deferred tax assets			(1,014,385,264)
Increase in advance payment			(28,453,401)
Increase in inventories			(77,266,112,360)
Increase in non-current deferred tax assets			(646,013,872)
Increase in trade payables			117,756,531,288
Increase in non-trade payables			92,641,652,121
Increase in value added tax withheld			2,469,125,247
Increase in withholdings			139,273,149
Increase in accrued expenses			7,989,374,426
Increase in income tax payables			2,548,427,100
Increase in long-term accrued expenses			57,654,828
Payments of severance benefits			(76,262,496)
Increase in pension plan assets			(1,405,757,314)
Decrease in contributions to the National Pension Fund			3,132,600
Increase in carbon emission liabilities			145,398,000
			(17,278,026,679)
Net cash inflow from operating activities			5,834,423,743
Cash flows from investing activities			
Proceeds from short-term loans to employees			7,999,998
Proceeds from disposal of property, plant and equipment			36,000,000
Long-term loans provided to employees			(216,666,670)
Payments for property, plant and equipment			(15,312,741,212)
Payments for intangible assets			(352,342,298)
Payment of guarantee deposits			(2,000,000)
Net cash outflow from investing activities			(15,839,750,182)
Cash flows from financing activities			
Paid-in capital for incorporation			5,000
Increase in short-term borrowings			13,620,000,000
Registration fee of capital increase			(35,774,970)
Net cash inflow from financing activities			13,584,230,030
Net increase in cash and cash equivalents			3,578,903,591
Cash and cash equivalents at the beginning of period	28		-
Cash and cash equivalents at the end of period	28	₩	3,578,903,591

The above statement of cash flows should be read in conjunction with the accompanying notes.

1. General Information

Ulsan Aluminum Limited (the Company), a joint venture between Novelis Korea Limited and Kobe Steel Ltd. of Japan, was established on April 27, 2017. On September 27, 2017, the Company received Ulsan plant as an in-kind contribution from Novelis Korea. The Company is engaged in developing, manufacturing and selling aluminum and related products. The Company's headquarter is located in Ulsan.

After several capital increase, the share capital of the Company as at March 31, 2018, amounted to ₩50 million and its shareholders are as follows:

	Number of share owned	Percentage of ownership (%)
Novelis Korea Limited	5,010	50.1
Kobe Steel Ltd.	4,990	49.9
	10,000	100.0

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of Preparation

The Company maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul). The financial statements of the Company have been prepared in accordance with Korean Accounting Standards for Non-Public Entities (KAS-NPEs), which apply to those companies which are subject to the Act on External Audit of Stock Companies but do not prepare their financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS). Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. The accompanying financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Company's financial position, financial performance or cash flows, is not presented in the accompanying financial statements.

2.2 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Korean won, which is the Company's functional and presentation currency.

(b) Foreign currency transactions and translations

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss.

2.3 Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash without significant transaction costs which are subject to an insignificant risk of changes in value.

2.4 Investments in Securities

Costs of securities are determined using the moving-weighted average method. Investments in equity securities or debt securities are classified into trading securities, available-for-sale securities and held-to-maturity securities, depending on the acquisition and holding purpose. Investments in equity securities of companies, over which the Company exercises a significant control or influence, are recorded using the equity method of accounting. Trading securities are classified as short-term investments while available-for-sale securities and held-to-maturity securities are classified as long-term investments, excluding those securities that mature or are certain to be disposed of within one year, which are then classified as short-term investments.

Held-to-maturity securities are measured at amortized cost while available-for-sale and trading securities are measured at fair value. However, equity instruments that do not have a quoted price in an active market, classified as available-for-sale securities, are measured at cost if their fair value cannot be measured reliably.

Gains and losses arising from valuation of trading securities are recognized in profit or loss and gains and losses from valuation of available-for-sale securities are recognized in accumulated other comprehensive income and loss. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in other comprehensive income are reclassified to profit or loss.

2.5 Allowance for Doubtful Accounts

The Company recognizes allowance for doubtful accounts for uncollectible trade receivables based on a reasonable and objective standard. When an allowance for uncollectible trade receivables is established or increased based on revised estimates, bad debt expense is charged (debited). Bad debts expense for trade receivables from commercial transactions is accounted for as selling and administrative expenses, while bad debts expense from other receivables is accounted for as non-operating expense. Uncollectible receivables are offset against allowance for doubtful accounts and in case of insufficient amount of allowance, bad debts expense is recognized.

2.6 Inventories

The quantities of inventories are determined using the perpetual method and periodic inventory count, while the costs of inventories are determined using the monthly-average method, except for inventories in-transit which is determined using the specific identification method. Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expense. Replacement cost is used for the estimate of net realizable value of raw materials. If, however, the circumstances which caused the valuation loss cease to exist, the valuation loss is reversed, but not exceeding the original carrying amount before valuation. The said reversal is deducted from cost of sales.

2.7 Property, Plant and Equipment

Property, plant and equipment are stated at cost, which includes acquisition cost, production cost and other costs required to prepare the asset for its intended use.

Property, plant and equipment are stated at acquisition cost, less accumulated depreciation. Depreciation is calculated over estimated useful lives and depreciation method as follows:

	Estimated useful lives	**Depreciation method**
Buildings	4 - 46 years	Straight-line method
Structures	2 - 20 ”	”
Machinery and equipment	1 - 25 ”	”
Vehicles	1 - 7 ”	”
Tools and furniture	1 - 5 ”	”

Expenditures incurred after the acquisition or completion of assets are capitalized only when it is probable that future economic benefits associated with the item will flow to the Company, which includes any increase in productivity, extension of the useful life of the related assets, significant reduction of cost or enhancement of the value of the related assets over their recently appraised value and the fair value for the related cost can be reliably measured. All other routine maintenance and repairs are charged to expense as incurred.

2.8 Capitalization of Borrowing Costs

The Company capitalizes the interest it incurs on borrowings used to finance the cost of manufacturing, acquisition, and construction of property, plant and equipment, intangible assets, investment property and inventories that require more than one year to complete from the initial date of manufacture, acquisition, and construction (qualifying assets).

2.9 Intangible Assets

Intangible assets are stated at cost, which includes acquisition cost, production cost and other costs required to prepare the asset for its intended use. Intangible assets are stated at cost less accumulated amortization. Amortization is calculated over estimated useful lives and depreciation method as follows:

	Estimated useful lives	**Depreciation method**
Software	1 - 8 years	Straight-line method

2.10 Impairment of Non-financial Assets

Intangible assets not yet available for use are tested annually for impairment. Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Property, plant and equipment are reviewed for impairment under the above circumstances and when gross estimated future cash flows expected from the use and disposal of property, plant and equipment (individual assets or cash-generating units) are less than the carrying amount. Impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and its value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels (cash-generating units) for which there are separate and identifiable cash flows.

Non-financial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Provisions and Contingent Liabilities

Provisions are recognized when it is probable that an outflow of resources will occur due to a present obligation resulting from a past event or transaction, and the amount can be reliably estimated. However, when such outflow is dependent upon a future event, is not certain to occur, or cannot be reliably estimated, a disclosure regarding the contingent liability is made in the notes to the financial statements.

Provisions are measured at the present value of the expenditures expected to be settled using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. The discount rate used is the original discount rate assuming that the discount rate does not change.

2.12 Income Tax and Deferred Tax

Income tax expense includes the current income tax under the relevant income tax law and the changes in deferred tax assets or liabilities. Deferred tax assets and liabilities represent temporary differences between financial reporting and the tax bases of assets and liabilities. Deferred tax assets are recognized for temporary differences which will decrease future taxable income or operating loss to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized. Deferred tax effects applicable to items in the equity are directly reflected in the equity.

2.13 Employee Benefits

(a) Provision for severance benefits

According to the payment provision of the employees and directors' severance benefit, employees and directors with at least one year of service are entitled to receive a lump-sum payment upon termination of their employment with the Company based on their length of service and rate of pay at the time of termination. The Company recognizes total estimated severance benefits payable as provisions for severance benefits.

The Company contributes a certain portion of severance benefits to the National Pension Service according to the National Pension Law. The contribution amount is recorded as a deduction from provision for severance benefits.

The Company has a defined benefit pension plan with the related contribution to the pension plan recorded as severance benefit expense.

The Company has a defined benefit pension plan and recognizes accrued pension benefits for current employees as provision for severance benefits and liabilities arising from retired employees who elected to receive pensions as pension payables.

Pension plan assets are treated as assets directly owned by the Company. Pension plan assets are presented as a deduction from the total of provision for severance benefits and pension payables. The excess portion of pension plan assets over provision for severance benefits and pension plan liabilities is recorded as investment assets.

The Company has a defined contribution pension plan with the related contribution to the pension plan recorded as severance benefit expense.

(b) Annual paid leave obligations

The Company recognizes expenses and liabilities related to annual paid leave during an accounting period when an employee has rendered service that gives rise to employee's entitlement to future annual paid leave.

The Company recognizes expenses and liabilities for the entire annual paid leave resulting from the rendered service as the Company compensates for unused annual leave.

2.14 Revenue Recognition

Revenue is measured as the fair value of the consideration received or receivable, and represents amounts receivable for the sale of goods and rendering of services, stated net of value-added tax, sales discounts and sales returns. The Company recognizes revenue when the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow into the Company.

Revenue from the sale of finished goods is recognized when the significant risks and rewards of ownership of goods are transferred to the customer. Interest income is recognized using the effective interest method.

2.15 Carbon Emission Rights (Allowance) and Liabilities

With Enforcement of Allocation and Trading of Carbon Emissions Allowances, allowances that are received free of charge from the government are measured at zero while allowances purchased are measured at acquisition cost and stated net of accumulated impairment loss. Emissions liabilities are measured as the sum of the carrying amount of the allocated allowances that will be submitted to the government and the best estimate of expenditure required to settle the obligation at the end of reporting period for any excess emission. The allowances and emissions liabilities are classified as intangible assets and provisions, respectively, in the statement of financial position.

2.16 Measurement of Financial Assets and Financial Liabilities

(a) Initial measurement

Financial assets and financial liabilities are measured at the fair value at the initial recognition. Generally, the transaction price (that is, the fair value of the consideration paid for financial assets and received for financial liabilities) is treated as fair value. In addition, if there is any significant difference between the fair value and the nominal amount of receivable and payable from long-term lending and borrowing transactions or sales transactions with long-term deferred payment conditions, total amount of receivable and payable is carried at fair value.

If the consideration paid (or received) includes any amount other than the fair value, the fair value of the financial instrument is carried at the market price. When market price is not available, the fair value is estimated using valuation techniques (including present value based techniques). However, although the consideration consists of the amount other than the fair value, the whole amount is initially recognized if a benefit in return from using the funds is imposed or there is a certain relationship between raising and using the funds. Also for lease deposits, the whole transaction price is recognized at the initial recognition. Trading securities and derivatives (except for derivatives designated as hedging instruments in cash flow hedges) are subsequently measured at fair value after initial recognition, and changes in fair value are recognized in profit and loss. In case of other financial assets and liabilities, any transaction costs related to acquisition of financial assets or issuance of financial liabilities are added to or deducted from initially recognized fair value.

When measuring the present value of financial instruments, the Company uses the internal interest rate of transactions that occurred in the current period. If the internal interest rate is not available or the difference from the market interest rate is significant, the market interest rate is applied. If the market interest rate cannot be calculated, then the weighted average interest rate which is calculated by reasonable and objective standards is used. If reasonable and objective standards are unavailable, the Company applies the financing costs which are reasonably estimated using the distribution rate of corporate bonds, reflecting the Company's credit rating.

(b) Subsequent measurement

Financial assets and financial liabilities are measured at amortized cost using the effective interest method.

3. Restricted Financial Instruments

As at March 31, 2018, restricted financial instruments related to bank overdraft agreements amounted to ₩2 million.

4. Inventories

Details of inventories as at March 31, 2018, are as follows:

(in millions of Korean won)		**2018**
Finished goods	₩	19,121
Work-in-process		38,721
Raw materials		12,767
Supplies		8,958
Materials in transit		24
		79,592
Less: valuation allowance[1]		(2,325)
	₩	77,266

[1] As at March 31, 2018, valuation allowance of finished goods and work-in-process amounted to ₩- million, respectively. In addition, valuation allowance of supplies amounted to ₩2,325 million.

5. Property, Plant and Equipment

Changes in property, plant and equipment for the period from April 27, 2017 to March 31, 2018, are as follows:

(in millions of Korean won)	**2018**							
	Land	**Buildings**	**Structures**	**Machinery and equipment**	**Vehicles**	**Tools and furniture**	**Construction - in- progress**	**Total**
Balance as at April 27, 2017	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -
In-kind contribution	223,936	74,341	19,610	260,640	1,791	2,993	4,775	588,086
Acquisition	3,212	1,070	412	5,911	154	1,264	3,305	15,328
Disposal	-	-	-	(805)	(16)	(2)	-	(823)
Transfer	-	-	57	6,956	-	23	(7,036)	-
Depreciation	-	(1,242)	(1,587)	(13,506)	(221)	(445)	-	(17,001)
Impairment loss	-	-	-	(285)	-	-	-	(285)
Balance as at March 31, 2017	₩ 227,148	₩ 74,169	₩ 18,492	₩ 258,911	₩ 1,708	₩ 3,833	₩ 1,044	₩ 585,305
Acquisition cost	₩ 227,148	₩ 75,411	₩ 20,079	₩ 272,655	₩ 1,928	₩ 4,278	₩ 1,044	₩ 602,543
Accumulated depreciation	-	(1,242)	(1,587)	(13,459)	(220)	(445)	-	(16,953)
Accumulated impairment	-	-	-	(285)	-	-	-	(285)

As at March 31, 2018, the book amount of the Company's land is recorded at ₩227,148 million. And, the value of the Company's land, as determined by the local government for property tax assessment purposes, amounts to approximately ₩100,121 million.

The amount of its net book amount exceeding the recoverable value, ₩ 285 million, was recognized as an impairment loss on the machinery which were not used. The recoverable value of the machinery is calculated based on the estimated disposal value of the asset.

The total book amount of property, plant and equipment not in use is ₩1,112 million.

6. Insured Assets

The details of insurance as at March 31, 2018, are as follows:

(in thousands of Korean won and US dollars)

Type of insurance	Asset insured	Amount insured 2018	Insurance company	Beneficiary
General property insurance	Inventories and property, plant and equipment	USD 500,000	Hyundai Marine & Fire Insurance Co., Ltd.	The Company
Environment liability insurance	-	KRW 30,000,000	DB Insurance Co., Ltd.	The Company
Group accident insurance	-	KRW 20,000	Samsung Marine & Fire Insurance Co., Ltd., Kyobo	The Company
General insurance for losses from gas accidents	property, plant and equipment	KRW 80,000 per person, KRW 300,000 per accident	Hyundai Marine & Fire Insurance Co., Ltd.	The Company

Besides the above insurance, the Company has car liability insurance and comprehensive insurance for its vehicles and accident insurance for the benefit of its employees.

7. Intangible Assets

Changes in intangible assets for the period from April 27, 2017 to March 31, 2018, are as follows:

(in millions of Korean won)	2018	
	Software	Total
Beginning balance	₩ -	₩ -
In-kind contribution	277	277
Acquisition	353	353
Amortization	(103)	(103)
Ending balance	₩ 527	₩ 527
Acquisition cost	₩ 630	₩ 630
Accumulated amortization	(103)	(103)

For the period from April 27, 2017 to March 31, 2018, the Company classified the amortization amounting to ₩75 million as cost of sales and ₩27 million as selling and administrative expenses.

8. Borrowings

Short-term borrowings as at March 31, 2018, are as follows:

(in millions of Korean won)	**Lender**	**Interest rate (%) as at March 31, 2018**	**2018**
General loans	Shinhan Bank	3.10	₩ 13,620
			₩ 13,620

Liquidity risk

Liquidity risk is defined as the risk that the Company is unable to meet its short-term payment obligations on time due to deterioration of its business performance or inability to access financing. The Company forecasts its cash flow and liquidity status such as sufficient cash level to meet operational needs and sets action plans on a monthly basis to manage liquidity risk proactively.

In addition, the Company copes with potential financial distress by maintaining adequate amount of cash and committed credit facilities. The balance of cash and cash equivalents, and current financial deposits as at March 31, 2018, is ₩3,579 million. The Company maintains total committed credit lines of ₩63,000 million in Shinhan Bank as at March 31, 2018.

Details of the Company's maturity analysis as at March 31, 2018, are as follows:

(in millions of Korean won)	**2018**					
	Less than 6 months	**Between 6 months and 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
Trade payables	₩ 200,216	₩ -	₩ -	₩ -	₩ -	₩ -
Non-trade payables	10,198	-	-	-	-	-
Borrowings	13,759	-	-	-	-	-
	₩ 223,712	₩ -	₩ -	₩ -	₩ -	₩ -

The table above analyses the Company's non-derivative financial liabilities into relevant maturity based on the remaining period at the date of the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

9. Provisions for Severance Benefits

Changes in provisions for severance benefits for the period from April 27, 2017 to March 31, 2018, are as follows:

(in millions of Korean won)		**2018**
Beginning balance	₩	-
In-kind contribution		21,906
Transfer from Joint investor		3,419
Increase		1,952
Payment		(372)
Ending balance		26,905
Less: Cumulative contribution to the National Pension Fund		(30)
Less: Pension Plan assets		(26,435)
Provision for severance benefits	₩	440

As at March 31, 2018, the Company estimated severance payable to all employees to be ₩26,905 million and recorded the corresponding amount as provision for severance benefits. Also, the Company funded 100% of severance payable through severance insurance deposits with Korea Investment & Securities and other financial institutions.

The Company made an additional contribution amounting to ₩192 million under the defined contribution pension plan for the period from April 27, 2017 to March 31, 2018.

Changes in the fair value of plan assets for the period from April 27, 2017 to March 31, 2018, are as follows:

(in millions of Korean won)		**2018**
Beginning balance	₩	-
In-kind contribution		21,906
Transfer from Joint investor		3,419
Employer contributions		1,405
Benefits paid		(295)
Ending balance	₩	26,435

Plan assets as at March 31, 2018, are as follows:

(in millions of Korean won)		**2018**
Time deposits	₩	5,243
Securities combined with derivatives (guaranteed)		21,192
	₩	26,435

10. Monetary Assets and Liabilities Denominated in Foreign Currency

Significant monetary assets and liabilities denominated in foreign currencies as at March 31, 2018, are as follows:

(in millions of Korean won, foreign currencies in thousands)	**Foreign currencies**		**Won equivalents**
Trade payables	US$	79	₩ 84
	JP¥	13,960	140
	EUR	9	12
Non-trade payables	US$	74	78

11. Contingencies and Commitments

The Company entered into a bank overdraft agreement with Shinhan Bank with limit of ₩3 billion as at March 31, 2018.

The Company entered into bank loan agreement with Shinhan Bank amounting to ₩ 30 billion and as at March 31, 2018, outstanding balance is ₩ 13.6 billion.

The Company entered into agreement with Shinhan Bank regarding a purchase card program of up to ₩30 billion and as at March 31, 2018, outstanding balance is ₩ 8.4 billion.

The Company has entered into a Shared Service Agreement with Novelis Korea Limited and received HR, Logistics, Communication, Non-metal purchasing and IT related services from Novelis Korea Limited. The commission expenses recognized during the year is ₩ 1,600 million.

During September 2018, the Company, Novelis Korea Limited and Kobe Steel Ltd. have entered into a Joint Venture Agreement (‘JV Agreement’). JV Agreement have a significant influence on operation of the Company and main details are as follows.

Under the JV Agreement, the company's major decision-making bodies (management committee, board of directors and shareholders' meeting) and operation are jointly involved by Novelis Korea Limited and Kobe Steel Ltd.

Under the JV Agreement, the Company purchases aluminum metal from Novelis Korea Limited and Kobe Steel Ltd. and manufactures and supplies products for Novelis Korea Limited and Kobe Steel Ltd. The Company is provided free of charge technology such as intellectual property rights necessary for production of each exclusive product. In addition, the profit of the company caused by supplying exclusive product to each shareholder is attributed to each shareholder. And each shareholder has the right of preferential dividend for the attributed profit.

The production capacity of each machine center of the Company is allocated between Novelis Korea Limited and Kobe Steel Ltd. in accordance with JV Agreement, and such ratio would be mutually negotiated in the future.

Under JV Agreement, Novelis Korea Limited and Kobe Steel Ltd. may make new investments in

the Company, if needed, by the way such as increasing of preferred stock with mutual agreement in the future. Shareholder participating in the capital increase may preferentially participate in the increased capacity due to the new investment.

12. Deferred Taxes

Income tax expense for the period from April 27, 2017 to March 31, 2018, consists of:

(in millions of Korean won)		**2018**
Current income taxes	₩	2,548
Deferred tax due to temporary differences		(1,660)
Total income tax effect		888
Deferred tax charged directly to equity		-
Income tax expense	₩	888

Reconciliation between profit before income tax and income tax expense for the period from April 27, 2017 to March 31, 2018, is as follows:

(in millions of Korean won)		**2018**
Profit before income tax	₩	4,037
Income tax based on statutory tax rate		888
Add (deduct):		
Others		-
Income tax expense	₩	888
Effective tax rate (Income tax expense / Profit before income tax)		22.00%

Changes in the temporary differences and related deferred tax assets and liabilities for the period from April 27, 2017 to March 31, 2018, are as follows:

(in millions of Korean won)	**2018**					
	Temporary differences			**Deferred tax assets (liabilities)**		
	Beginning balance	**Increase (decrease)**	**Ending balance**	**Beginning balance**	**Increase (decrease)**	**Ending balance**
Allowance for carbon emission rights	₩ -	₩ 145	₩ 145	₩ -	₩ 32	₩ 32
Accrued expenses	-	4,252	4,252	-	935	935
Property, plant and equipment	-	2,466	2,466	-	542	542
Loss on valuation of inventories	-	214	214	-	47	47
Others	-	470	470	-	104	104
	₩ -	₩ 7,547	₩ 7,547	₩ -	₩ 1,660	₩ 1,660

Realization of the future tax benefits related to the deferred tax assets is dependent on many factors, including the Company's ability to generate taxable income within the period during which

the temporary differences reverse, the outlook of the Korean economic environment, and the overall future industry outlook. Management periodically considers these factors in reaching its conclusion and recognized the deferred income tax asset since all the future deductible tax benefits are determined to be realizable as at March 31, 2018.

The gross balances of deferred tax assets and liabilities as at March 31, 2018, are as follows:

(in millions of Korean won)	Deferred tax assets	Deferred tax liabilities
Current	₩ 1,014	₩ -
Non-current	646	-
	₩ 1,660	₩ -

13. Share capital

The Company is authorized to issue 100,000 shares with a par value of ₩5,000. As at March 31, 2018, the Company has issued 10,000 shares of ordinary shares.

Changes in the Company's share capital, share premium and capital adjustments for the period from April 27, 2017 to March 31, 2018, are as follows:

(in millions of Korean won)	Number of shares (in shares)	Share capital	Share premium	Capital adjustments	
			Paid-in capital in excess of par value	Goodwill	Total
April 27, 2017	1	₩ -	₩ -	₩ -	₩ -
Investment in kind [1]	9,999	50	702,497	(114,186)	588,361
March 31, 2018	10,000	₩ 50	₩ 702,497	₩ (114,186)	₩ 588,361

[1] On September 27, 2017, the Company received in-kind contribution and the transferred assets and liabilities are as follows.

(in millions of Korean won)	Amount
Property, plant and equipment	₩ 588,086
Intangible assets	277
Cumulative contribution to the National Pension Fund	34
Pension plan assets	21,906
Provision for severance benefit	(21,906)
Total	₩ 588,397

14. Retained Earnings

Appropriation of Retained Earnings

The appropriation of retained earnings for the period from April 27, 2017 (date of incorporation) to March 31, 2018, is expected to be appropriated at the shareholders' meeting on June 20, 2018.

Retained earnings as at March 31, 2018, consist of:

(in millions of Korean won)		**2018**
Retained earnings before appropriation		
Unappropriated retained earnings carried over from prior year	₩	-
Profit before income tax		3,149
		3,149
Appropriation of retained earnings		
Dividends		-
		-
Unappropriated retained earnings carried forward to subsequent year	₩	3,149

15. Sales

Sales for the period from April 27, 2017 to March 31, 2018, consist of:

(in millions of Korean won)		**2018**
Sales of finished goods	₩	416,505
Other sales		2,593
	₩	419,098

16. Cost of Sales

Cost of sales for the period from April 27, 2017 to March 31, 2018, consists of:

(in millions of Korean won)		**2018**
Cost of finished goods sold		
Finished goods, beginning	₩	20,318
Manufacturing cost		400,817
Finished goods, ending		(19,121)
Transfer to other accounts		(2,749)
		399,265
Other cost of sales		2,535
	₩	401,800

17. Selling and Administrative Expenses

Selling and administrative expenses for the period from April 27, 2017 to March 31, 2018, are as follows:

(in millions of Korean won)		**2018**
Personnel expenses	₩	5,444
Severance benefits		403
Welfare expenses		1,050
Travel expenses		70
Communication expenses		8
Fees		225
Rental charge		109
Freight costs		845
Depreciation		603
Shared service expenses		1,600
Service expenses		592
Taxes and dues		181
Training expenses		98
Computer expenses		67
Utility expenses		173
Repairs expenses		110
Supplies expenses		294
Others		292
	₩	12,164

18. Value Added Information

Value added information for the period from April 27, 2017 to March 31, 2018, is as follows:

(in millions of Korean won)	**2018**		
	Manufacturing costs	**Selling and administrative expenses**	**Total**
Personnel expenses	₩ 17,522	₩ 5,444	₩ 22,966
Severance benefits	1,549	403	1,952
Welfare expenses	3,212	1,050	4,262
Depreciation[1]	16,220	603	16,823
Tax and dues	265	181	446
Rental charges	-	109	109
	₩ 38,768	₩ 7,790	₩ 46,558

[1] Including amortization expense and depreciation expense transferred to other accounts, excluding depreciation expense for idle assets.

19. Carbon Emissions Rights (Allowances) and Liabilities

Details of emissions rights for the period from April 27, 2017 to March 31, 2018, are as follows:

(in millions of Korean won)		**Quantity**		**Amount**
Beginning balance	₩	-	₩	-
Allocation with nil consideration		132,459		-
Ending balance	₩	132,459	₩	-

Details of emissions liabilities for the period from April 27, 2017 to March 31, 2018, are as follows:

(in millions of Korean won)		**2018**
Beginning balance	₩	-
Addition (excess of emission permits held)		145
Ending balance	₩	145

20. Comprehensive Income

Comprehensive income for the period from April 27, 2017 to March 31, 2018, consists of:

(in millions of Korean won)		**2018**
Profit for the period	₩	3,149
Other comprehensive income		-
Comprehensive income	₩	3,149

21. Significant Transactions Not Affecting Cash Flows

(in millions of Korean won)		**2018**
Reclassification of construction-in-progress to property, plant and equipment	₩	7,036
Increase in non-trade payable related to acquisition of property, plant and equipment and intangible assets		15
Increase in non-trade receivable related to disposal of property, plant and equipment and intangible assets		165
Increase in non-trade receivable and accrued expenses related to settlement of accrued expenses with shareholder		4,597
Property, plant and equipment invested through in kind contribution		588,086
Intangible assets invested through in kind contribution		277
Provisions for severance benefits invested through in kind contribution		21,906
Plan asset invested through in kind contribution		21,906

22. Related Party Transactions

As at March 31, 2018, the jointly controlling entities of the Company are Novelis Korea Limited (percentage of ownership: 50.1%) and Kobe Steel Ltd. (percentage of ownership: 49.9%).

Details of jointly controlling entities and other related party that have sales and other transactions with the Company or have receivables and payables balances as at March 31, 2018, are as follows:

	2018
Jointly controlling entities	Novelis Korea Limited, Kobe Steel Ltd.

Sales and purchases with related parties for the period from April 27, 2017 to March 31, 2018, are as follows:

(in millions of Korean won)		2018		
	Counter party	**Sales**	**Purchase**	**Other income**
Jointly controlling entities	Novelis Korea Limited	₩ 419,098	₩ 410,383	₩ (2,231)
		₩ 419,098	₩ 410,383	₩ (2,231)

Outstanding balances arising from sales/purchases of goods and services as at March 31, 2018, are as follows:

(in millions of Korean won)		2018			
		Receivables		**Payables**	
	Counter party	**Trade receivables**	**Other receivables**	**Trade payables**	**Other payables**
Jointly controlling entities	Novelis Korea Limited	₩ 158,710	₩ 5,020	₩ 113,328	₩ 82,459
		₩ 158,710	₩ 5,020	₩ 113,328	₩ 82,459

Fund transactions with related parties for the period from April 27, 2017 to March 31, 2018, are as follows:

(in millions of Korean won)		**Contribution in kind**
Jointly controlling entities	Novelis Korea Limited	₩ 588,397

23. Events After the Reporting Period

The March 31, 2018 financial statements of the Company may be approved by Regular shareholders' meeting on June 20, 2018.