Novelis Holdings Inc.

Financial Statements and Related Notes As of March 31, 2018

(Unaudited)

Novelis Holdings Inc.

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ADITYA BIRLA
NOVELIS

CERTIFICATION

I, Stephanie Rauls, have reviewed the attached unaudited standalone financial statements for Novelis Holdings Inc. and certify that the information included therein accurately reflects the financial position of Novelis Holdings Inc. as of 31 March 2018 and the results of its operations for the year then ended.

By: _____
Name: Stephanie Rauls
Title: VP, Chief Accounting Officer & Controller
Date:

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Novelis Holdings Inc.

STATEMENT OF OPERATIONS (unaudited)

(in thousands)

	Year Ended March 31,	
	2018	**2017**
Net sales	$ -	$ -
Selling, general and administrative expenses	1	-
Dividend income	-	-
Interest income	15,287	8,783
	15,286	8,783
Income before income taxes	15,286	8,783
Income tax expense provision (benefit)	52,075	(18,854)
Net loss (income)	$ (36,789)	$ 27,637

See accompanying notes to financial statements.

Novelis Holdings Inc.

STATEMENT OF COMPREHENSIVE LOSS (INCOME) (unaudited)

(in thousands, except number of shares)

	Year Ended March 31,	
	2018	**2017**
Net loss (income)	$ (36,789)	$ 27,637
Comprehensive loss (income)	$ (36,789)	$ 27,637

See accompanying notes to financial statements.

Novelis Holdings Inc.

BALANCE SHEET (unaudited)

(in thousands, except number of shares)

	March 31,	
	2018	**2017**
ASSETS		
Current assets		
Cash and cash equivalents	$ -	$ 1
Accounts receivable		
— related parties	32,196	16,821
Total current assets	32,196	16,822
Investments in subsidiaries	325	325
Deferred income tax assets	34,615	83,362
Other long-term assets		
— related parties	219,144	222,472
Total assets	$ 286,280	$ 322,981
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Accounts payable		
— related parties	$ 4,856	$ 4,768
Total current liabilities	4,856	4,768
Total liabilities	4,856	4,768
Shareholder's equity		
Common stock, $0.01 par value; 10,000 number of shares authorized; 2,000 shares issued and outstanding as of March 31, 2018 and 2017	-	-
Retained earnings	281,424	318,213
Total shareholder's equity	281,424	318,213
Total liabilities and shareholder's equity	$ 286,280	$ 322,981

See accompanying notes to financial statements.

Novelis Holdings Inc.

STATEMENT OF CASH FLOWS (unaudited)

(In thousands, except number of shares)

	Year Ended March 31,	
	2018	**2017**
OPERATING ACTIVITIES		
Net loss (income)	$ (36,789)	$ 27,637
Adjustments to determine net cash provided by operating activities:		
Deferred income taxes	65,801	9,777
Changes in assets and liabilities:		
Accounts receivable	(15,375)	12,703
Accounts payable - related party	88	4,765
Other noncurrent assets	3,633	(68,495)
Net cash provided by operating activities	-	(13,613)
INVESTING ACTIVITIES		
Net cash provided by investing activities	-	-
FINANCING ACTIVITIES		
Net cash provided by financing activities	-	-
Net increase in cash and cash equivalents	-	(13,613)
Cash and cash equivalents — beginning of period	(13,612)	1
Cash and cash equivalents — end of period	$ (13,612)	$ (13,612)

See accompanying notes to financial statements.

Novelis Holdings Inc.

STATEMENT OF SHAREHOLDER'S EQUITY (unaudited)

(In thousands, except number of shares)

	Common Shares		Retained	Total
	Shares	Amount	Earnings	Equity
Balance as of March 31, 2016	2,000	$ -	$ 290,576	$ 290,576
Net income	-	-	27,637	27,637
Balance as of March 31, 2017	2,000	-	318,213	318,213
Net loss	-	-	(36,789)	(36,789)
Balance as of March 31, 2018	2,000	$ -	$ 281,424	$ 281,424

See accompanying notes to financial statements.

Novelis Holdings Inc.

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

References herein to the "Company," "we," "our," or "us" refer to Novelis Holdings Inc. unless the context specifically indicates otherwise.

Organization and Description of Business.

Novelis Holdings Inc. was formed in Delaware on November 29, 2010 as a holding company. The company is a wholly owned subsidiary of Novelis Inc. (Canada). The Company's functional and reporting currency is United States Dollar (USD).

Use of Estimates and Assumptions

The preparation of our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires us to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as on the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. The principal areas of judgment relate to (1) the fair value of derivative financial instruments; (2) impairment of goodwill; (3) impairment of long lived assets and other intangible assets; (4) impairment and assessment of consolidation of equity investments; (5) actuarial assumptions related to pension and other postretirement benefit plans; (6) tax uncertainties and valuation allowances; and (7) assessment of loss contingencies, including environmental and litigation liabilities. Future events and their effects cannot be predicted with certainty, and accordingly, our accounting estimates require the exercise of judgment. The accounting estimates used in the preparation of our consolidated financial statements may change as new events occur, as more experience is acquired, as additional information is obtained and as our operating environment changes. We evaluate and update our assumptions and estimates on an ongoing basis and may employ outside experts to assist in our evaluations. Actual results could differ from the estimates we have used.

Basis of Presentation

These financial statements have been prepared to satisfy the reporting requirements of the ultimate parent company, Hindalco Industries Limited, for the sole purpose of complying with the Companies Act, 2013 ("The 2013 Act"). In accordance with Sections 136 and 137 of The 2013 Act, it is required to present separate subsidiary financial statements, and Section 137 further requires entities with foreign subsidiaries to submit individual financial statements of such foreign subsidiaries along with its own standalone and consolidated financial statements. Thus, the results of the Company's separate financial statements are included in the consolidated financial statements of our direct parent, Novelis Inc. and our ultimate parent, Hindalco Industries Limited, and those consolidated financial statements are publicly available.

U.S. Generally Accepted Accounting Principles (U.S. GAAP) require that wholly-owned subsidiaries, majority-owned subsidiaries over which we exercise control, entities in which we have a controlling financial interest and entities for which we are deemed to be the primary beneficiary be consolidated. The books and records of Novelis Holdings Inc. are prepared and recorded under U.S. GAAP. Accordingly, we have presented these financial statements on a standalone unconsolidated basis, which is a deviation from U.S. GAAP as it is not feasibly possible to present these statements in another basis of accounting other than books and records of the subsidiary. Otherwise, these separate financial statements are prepared in accordance with U.S. GAAP. These statements have not been audited, as there is no local jurisdictional requirement to present audited standalone subsidiary financial statements.

Risks and Uncertainties

We are exposed to a number of risks in the normal course of our operations that could potentially affect our financial position, results of operations, and cash flows.

Investments in Subsidiaries

For purposes of these standalone financial statements, we account for our investments in subsidiaries using the cost method. See Note 2 - Investments in Subsidiaries and Related Party Transactions for further discussion.

Income Taxes

We account for income taxes using the asset and liability method. This approach recognizes the amount of income taxes payable or refundable for the current year, as well as deferred tax assets and liabilities for the future tax consequence of events recognized in the financial statements and income tax returns. Deferred income tax assets and liabilities are adjusted to recognize the effects of changes in tax laws or enacted tax rates. Under ASC 740, *Income Taxes* (ASC 740), a valuation allowance is required when it is more likely than not that some portion of the deferred tax assets will not be realized. Realization is dependent on generating sufficient taxable income through various sources.

We record tax benefits related to uncertain tax positions taken or expected to be taken on a tax return when such benefits meet a more than likely than not threshold. Otherwise, these tax benefits are recorded when a tax position has been effectively settled, the statute of limitation has expired or the appropriate taxing authority has completed their examination. Interest and penalties related to uncertain tax positions are recognized as part of the provision for income taxes and are accrued beginning 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. See Note 3 — Income Taxes for further discussion.

Operating Guarantees

We have issued guarantees on behalf of certain of Novelis Corporation's subsidiaries. The indebtedness guaranteed is for trade accounts payable to third parties. Some of the guarantees have annual terms while others have no expiration and have termination notice requirements. Neither we nor any of the other subsidiaries hold any assets of any third parties as collateral to offset the potential settlement of these guarantees.

Guarantees of Indebtedness

On August 29, 2016, Novelis Corporation, an indirect wholly owned subsidiary of Novelis Inc., issued $1.15 billion in aggregate principal amount of 6.25% Senior Notes Due 2024 (the 2024 Notes). On September 14, 2016, Novelis Corporation issued $1.5 billion in aggregate principal amount of 5.875% Senior Notes Due 2026 (the 2026 Notes, and together with the 2024 Notes, the Notes). The 2024 and 2026 Notes are guaranteed, jointly and severally, on a senior unsecured basis, by Novelis Inc. and certain of its subsidiaries. We have issued guarantees on behalf of Novelis Inc.'s (the Parent and Issuer) 2024 Notes and 2026 Notes. As of March 31, 2018, no contingent loss has been recorded related to the guarantee of debt.

The Notes contain customary covenants and events of default that will limit our ability and, in certain instances, the ability of certain of our subsidiaries to (1) incur additional debt and provide additional guarantees, (2) pay dividends or return capital beyond certain amounts and make other restricted payments, (3) create or permit certain liens, (4) make certain asset sales, (5) use the proceeds from the sales of assets and subsidiary stock, (6) create or permit restrictions on the ability of certain of the Company's subsidiaries to pay dividends or make other distributions to the Company, (7) engage in certain transactions with affiliates, (8) enter into sale and leaseback transactions, (9) designate subsidiaries as unrestricted subsidiaries and (10) consolidate, merge or transfer all or substantially all of our assets and the assets of certain of our subsidiaries. During any future period in which either Standard & Poor's Ratings Group, Inc. or Moody's Investors Service, Inc. have assigned an investment grade credit rating to the Notes and no default or event of default under the indenture has occurred and is continuing, most of the covenants will be suspended. The Notes include a cross-acceleration event of default triggered if (1) any other indebtedness with an aggregate principal amount of more than $100 million is (1) accelerated prior to its maturity or (2) not repaid at its maturity. As of March 31, 2018, we were in compliance with the covenants in the Notes. The Notes also contain customary call protection provisions for our bond holders that extend through August 2022 for the 2024 Notes and through September 2024 for the 2026 Notes.

2. INVESTMENTS IN SUBSIDIARIES AND RELATED PARTY TRANSACTIONS

The following table summarizes our ownership percentage of our subsidiaries in which we have an investment as of March 31, 2018 and March 31, 2017 (in thousands).

	March 31,		Participation
	2018	2017	
Shareholdings - Common Stock			
Novelis Corporation	$ 325	$ 325	100.00%
Novelis Global Employment Organization	-	$ -	100.00%
	$ 325	$ 325	

Included in the accompanying financial statements are transactions and balances arising from business we conduct with wholly-owned subsidiaries and majority owned subsidiaries over which we exercise control, which we classify as related party transactions and balances. The following table describes the period-end account balances that we had with these related parties, shown as related party balances in the accompanying balance sheet (in thousands).

	March 31,	
	2018	2017
Accounts payable - related party	$ 4,857	$ 4,768
Other long-term assets - related party	$ 232,453	$ 236,085
Accounts receivable - related party	$ 32,196	$ 16,821

3. INCOME TAXES

We used the benefits-for-loss method of tax allocation so that net operating losses are characterized as realized (or realizable).

We are subject to United States federal and state income taxes. The domestic components of our "Loss before income taxes" are as follows (in thousands).

	Year Ended March 31,	
	2018	2017
Domestic (US)	$ 15,286	$ 8,783
Pre-tax loss	$ 15,286	$ 8,783

The components of the "Income tax (benefit)" are as follows (in thousands).

	Year Ended March 31,	
	2018	2017
Current provision (benefit):		
Federal	$ (11,208)	$ (36,602)
State	(2,518)	7,971
Total current	(13,726)	(28,631)
Deferred provision (benefit):		
Federal	61,693	6,475
State	4,108	3,302
Total deferred	65,801	9,777
Income tax expense (benefit)	$ 52,075	$ (18,854)

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the U.S. Tax Cuts and Jobs Act of 2017 (the "Act"). The Act makes broad and complex changes to the U.S. tax code that affects our fiscal year ended March 31, 2018, including, but not limited to, (1) reducing the U.S. federal corporate tax rate from 35% to 21% effective January 1, 2018 and (2) bonus depreciation that allows for full expensing of qualified property. Section 15 of the Internal Revenue Code stipulates that our fiscal year ending March 31, 2018 has a blended corporate tax rate of 31.55%, which is based on the applicable tax rates before and after the Tax Act and the number of days in the year. Also recorded in the fiscal year is a provisional income tax expense of $31 million for the remeasurement of deferred tax asset and liabilities to reflect the anticipated rate at which the deferred items will be realized. The amounts are subject to change as the Company obtains information necessary to complete the calculations. The Company will continue to review the technical interpretations of the Tax Act and other applicable laws, monitor legislative changes, and review U.S. state guidance as it is issued. The Company expects to complete the analysis of the provisional items within the one-year measurement period during fiscal year ending March 31, 2019. The following information is needed to complete the accounting for the remeasurement of deferred tax assets and liabilities:

- Determination of state conformity
- Actual reversals of temporary differences based on tax return filing positions

Based on an initial assessment of the Act, the Company believes that most significant impact on the Company's consolidated fiscal year 2018 financial statements is the remeasurement of deferred tax assets and liabilities. Other provisions of the Act did not have a material impact on the fiscal year 2018 consolidated financial statements.

Deferred Income Taxes

Deferred income taxes recognize the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the carrying amounts used for income tax purposes, and the impact of available net operating loss (NOL) and tax credit carryforwards. These items are stated at the enacted tax rates that are expected to be in effect when taxes are actually paid or recovered.

At March 31, 2018, the Company had total deferred tax assets of approximately $74 million primarily arising from book reserves not deductible for tax and net operating loss carryforwards. At March 31, 2017, the Company had total deferred tax assets of approximately $134 million primarily arising from book reserves not deductible for tax and net operating loss carryforwards.

At March 31, 2018, we had net operating loss carryforwards of approximately $68 million (tax effected), which will be available to offset future taxable income. The carryforwards begin expiring in fiscal 2019. At March 31, 2018, valuation allowances of $38 million and $1 million had been recorded against net operating loss carryforwards and other deferred tax assets, respectively, where it appeared more likely than not that such benefits will not be realized.

As of March 31, 2017, we had net operating loss carryforwards of approximately $109 million (tax effected), which will be available to offset future taxable income. The carryforwards begin expiring in fiscal 2018. As of March 31, 2017, valuation allowances of $31 million and $2 million had been recorded against net operating loss carryforwards and other deferred tax assets, respectively, where it appeared more likely than not that such benefits will not be realized.

Although realization is not assured, management believes it is more likely than not that all the remaining net deferred tax assets will be realized. In the near term, the amount of deferred tax assets considered realizable could be reduced if we do not generate sufficient taxable income in certain jurisdictions.

Income Taxes Receivable

Novelis Holdings Inc. is party to a tax sharing agreement and under the tax sharing agreement terms an intercompany receivable has been recorded for taxes of $226 and $5 million as of March 31, 2018.

Novelis Holdings Inc. is party to a tax sharing agreement and under the tax sharing agreement terms an intercompany receivable has been recorded for taxes of $217 and $5 million as of March 31, 2017.