Novelis Holdings Inc.

Financial Statements and Related Notes As of March 31, 2020

(Unaudited)

Novelis Holdings Inc.

Table of Contents

	Page Number
CERTIFICATION	**2**
STATEMENT OF OPERATIONS (unaudited)	**3**
STATEMENT OF COMPREHENSIVE LOSS (unaudited)	**4**
BALANCE SHEET (unaudited)	**5**
STATEMENT OF CASH FLOWS (unaudited)	**6**
STATEMENT OF SHAREHOLDER'S EQUITY (unaudited)	**7**
NOTES TO THE FINANCIAL STATEMENTS (unaudited)	**8**
1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	**8**
2. INVESTMENTS IN SUBSIDIARIES AND RELATED PARTY TRANSACTIONS	**11**
3. DEBT	**12**
4. INCOME TAXES	**13**

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 2020 and the results of its operations for the year then ended.

By: Stephanie Rauls
Name: Stephanie Rauls
Title: Chief Accounting Officer & Controller
Date: May 29, 2020

Novelis Inc.
3560 Lenox Rd, Suite 2000
Atlanta, Georgia 30326

Telephone +1 404 760 4000
Fax +1 404 760 0120

Website www.novelis.com
Email info@novelis.com

Novelis Holdings Inc.

STATEMENT OF OPERATIONS (unaudited)

(In thousands)

	Year Ended March 31,	
	2020	**2019**
Net sales	$ -	$ -
Selling, general and administrative expenses	28,273	23,976
Business acquisition and other integration related expenses	65,286	28,984
Interest income - related party	(15,888)	(15,927)
	77,671	37,033
Loss before income taxes	(77,671)	(37,033)
Income tax expense (benefit) provision	(11,494)	(2,652)
Net loss	$ (66,177)	$ (34,381)

See accompanying notes to financial statements.

Novelis Holdings Inc.

STATEMENT OF COMPREHENSIVE LOSS (unaudited)

(In thousands)

	Year Ended March 31,	
	2020	**2019**
Net loss	$ (66,177)	$ (34,381)
Comprehensive loss	$ (66,177)	$ (34,381)

See accompanying notes to financial statements.

Novelis Holdings Inc.

BALANCE SHEET (unaudited)

(In thousands, except number of shares)

	March 31,	
	2020	**2019**
ASSETS		
Current assets		
Cash and cash equivalents	$ -	$ -
Accounts receivable		
— related parties	64,012	48,124
Prepaid expenses and other current assets	11,410	-
Total current assets	75,422	48,124
Investments in subsidiaries	325	325
Deferred income tax assets	9,550	9,466
Other long-term assets		
— related parties	246,944	246,944
Total assets	$ 332,241	$ 304,859
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Accounts payable		
— related parties	$ 4,856	$ 57,816
Total current liabilities	4,856	57,816
Long-term debt - net of current portion - related parties		
— related parties	146,519	-
Total liabilities	151,375	57,816
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, 2020 and 2019	-	-
Retained earnings	180,866	247,043
Total shareholder's equity	180,866	247,043
Total liabilities and shareholder's equity	$ 332,241	$ 304,859

See accompanying notes to financial statements.

Novelis Holdings Inc.

STATEMENT OF CASH FLOWS (unaudited)

(In thousands)

	Year Ended March 31,	
	2020	**2019**
OPERATING ACTIVITIES		
Net loss	$ (66,177)	$ (34,381)
Adjustments to determine net cash provided by operating activities:		
Deferred income taxes	(84)	42,389
Other, net	-	(30,549)
Changes in assets and liabilities:		
Accounts receivable	(15,888)	(15,927)
Accounts payable - related party	(52,960)	52,960
Other current assets	(11,410)	-
Other noncurrent assets	-	(14,492)
Net cash provided by operating activities	(146,519)	-
INVESTING ACTIVITIES		
Capital expenditures	-	-
Net cash provided by investing activities	-	-
FINANCING ACTIVITIES		
Proceeds from issuance of debt, related party	146,519	-
Net cash provided by financing activities	146,519	-
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents — beginning of period	-	-
Cash and cash equivalents — end of period	$ -	$ -

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, 2018	2,000	$ -	$ 281,424	$ 281,424
Net loss	-	-	(34,381)	(34,381)
Balance as of March 31, 2019	2,000	-	247,043	247,043
Net loss	-	-	(66,177)	(66,177)
Balance as of March 31, 2020	2,000	$ -	$ 180,866	$ 180,866

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.

Selling, General and Administrative Expenses

"Selling, general and administrative expenses" include selling, marketing and advertising expenses; salaries, travel and office expenses of administrative employees and contractors; legal and professional fees; software license fees; bad debt expenses; and factoring expenses.

Business Acquisition and Other Integration Related Costs

"Business acquisition and other integration related costs" include expenses associated with the acquisition of Aleris Corporation (Aleris), which closed on April 14, 2020. The expenses consist of the costs incurred related to the transaction and to the integration of Aleris subsequent to the acquisition.

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 September 14, 2016, Novelis Corporation issued $1.5 billion in aggregate principal amount of 5.875% Senior Notes Due 2026 (the 2026 Notes). In January 2020, Novelis Corporation issued $1.6 billion in aggregate

principal amount of 4.75% Senior Notes due 2030 (the 2030 Notes, together with the 2026 Notes, the Notes). The 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) 2026 Notes and 2030 Notes. As of March 31, 2020, 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, 2020, 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 September 2024 for the 2026 Notes and through January 2028 for the 2030 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, 2020 and March 31, 2019 (in thousands).

	March 31,		Participation
	2020	2019	
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,	
	2020	2019
Accounts payable - related party	$ 4,858	$ 57,817
Other long-term assets - related party	$ 246,944	$ 246,944
Accounts receivable - related party	$ 64,012	$ 48,124
Long-term debt - net of current portion - related parties	$ 146,519	$ -

Below is interest income related to the long term loans we have made to Novelis Corporation, which is shown as related party in the accompanying statement of operations (in thousands).

`

	March 31,	
	2020	2019
Interest income — related party	$ (15,888)	$ (15,927)

3. DEBT

Debt consists of the following (in thousands).

	March 31, 2020				March 31, 2019		
	Interest Rates (A)	Principal	Unamortized Carrying Value Adjustments	Carrying Value	Principal	Unamortized Carrying Value Adjustments	Carrying Value
Related party debt:							
Fixed rate debt due March 10, 2022	6.80%	$ 146,519	$ -	$ 146,519	$ -	$ -	$ -
Total debt —related party (B)		146,519	-	146,519	-	-	-
Current portion of long term debt		-	-	-	-	-	-
Long-term debt, net of current portion — related party:		$ 146,519	$ -	$ 146,519	$ -	$ -	$ -

(A) Interest rates are the stated rates of interest on the debt instrument (not the effective interest rate) as of March 31, 2020. We present stated rates of interest because they reflect the rate at which cash will be paid for future debt service.

(B) This represents related party debt with Novelis Corp.

Principal repayment requirements for our total debt over the next five years and thereafter are as follows (in thousands).

As of March 31, 2020	Amount
Short-term borrowings and Current portion of long term debt due within one year	$ -
2 years	146,519
3 years	-
4 years	-
5 years	-
Thereafter	-
Total	$ 146,519

4. 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,	
	2020	2019
Domestic (US)	$ (77,671)	$ (37,033)
Pre-tax loss	$ (77,671)	$ (37,033)

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

	Year Ended March 31,	
	2020	2019
Current provision (benefit):		
Federal	$ (9,435)	$ (42,504)
State	(1,975)	(2,537)
Total current	(11,410)	(45,041)
Deferred provision (benefit):		
Federal	(532)	38,750
State	448	3,639
Total deferred	(84)	42,389
Income tax expense (benefit)	$ (11,494)	$ (2,652)

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, 2020, 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. Simultaneous with the Act, the SEC Staff released Accounting Bulletin No. 118 ("SAB 118"), which allows the use of provisional amounts (reasonable estimates) if the analysis of the impacts of the Act have not been completed when financial statements are issued. During the third quarter of fiscal year 2019, we finalized the computations of the income tax effects of the Act. As such, in accordance with SAB 118, our accounting for the effects of the Act is complete. We did not significantly adjust provisional amounts recorded in the prior fiscal year and the SAB 118 measurement period subsequently ended on December 22, 2018. Although we no longer consider these amounts to be provisional, the determination of the Act’s income tax effects may change following future legislation or further interpretation of the Act based on the publication of recently proposed U.S. Treasury regulations and guidance from the Internal Revenue Service and state tax authorities.

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, 2020, the Company had total deferred tax assets of approximately $48 million primarily arising from book reserves not deductible for tax and net operating loss carryforwards. At March 31, 2019, the Company had total deferred tax assets of approximately $47 million primarily arising from book reserves not deductible for tax and net operating loss carryforwards.

At March 31, 2020, we had net operating loss carryforwards of approximately $39 million (tax effected). At March 31, 2020, valuation allowances of $37 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, 2019, we had net operating loss carryforwards of approximately $39 million (tax effected). As of March 31, 2019, valuation allowances of $36 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.

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 $276 million as of March 31, 2020.

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 $276 million as of March 31, 2019.