Novelis Holdings Inc.

Financial Statements and Related Notes As of March 31, 2017

(Unaudited)

Novelis Holdings Inc.

Table of Contents

	Page Number
CERTIFICATION	3
BALANCE SHEET (unaudited)	4
STATEMENT OF OPERATIONS (unaudited)	5
STATEMENT OF COMPREHENSIVE INCOME (unaudited)	6
STATEMENT OF CASH FLOWS (unaudited)	7
STATEMENT OF SHAREHOLDER'S EQUITY (unaudited)	8
NOTES TO THE FINANCIAL STATEMENTS	9
1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	9
2. INVESTMENTS IN SUBSIDIARIES AND RELATED PARTY TRANSACTIONS	12
3. 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 2017 and the results of its operations for the year then ended.

By: Stephanie Rauls
Name: Stephanie Rauls
Title: Chief Accounting Officer & Controller
Date: 5/24/2017

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.

BALANCE SHEET (unaudited)

(In thousands, except number of shares)

	March 31,	
	2017	**2016**
ASSETS		
Current assets		
Cash and cash equivalents	$ 1	$ 1
Accounts receivable		
— related parties	16,821	29,524
Total current assets	16,822	29,525
Investments in subsidiaries	325	325
Deferred income tax assets	83,362	93,139
Other long-term assets		
— related parties	222,472	167,590
Total assets	$ 322,981	$ 290,579
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Accounts payable		
— related parties	$ 4,768	$ 3
Total current liabilities	4,768	3
Total liabilities	4,768	3
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, 2017 and 2016	-	-
Retained earnings	318,213	290,576
Total shareholder's equity	318,213	290,576
Total liabilities and shareholder's equity	$ 322,981	$ 290,579

See accompanying notes to financial statements.

Novelis Holdings Inc.

STATEMENT OF OPERATIONS (unaudited)

(In thousands)

	Year Ended March 31,	
	2017	2016
Net sales	$ -	$ -
Selling, general and administrative expenses	-	(1)
Dividend income	-	325
Interest income	8,783	3,271
	8,783	3,597
Income before income taxes	8,783	3,597
Income tax benefit	(18,854)	(54,022)
Net income	$ 27,637	$ 57,619

See accompanying notes to financial statements.

Novelis Holdings Inc.

STATEMENT OF COMPREHENSIVE INCOME (unaudited)

(In thousands)

	Year Ended March 31,	
	2017	**2016**
Net income	$ 27,637	$ 57,619
Comprehensive income	$ 27,637	$ 57,619

See accompanying notes to financial statements.

Novelis Holdings Inc.

STATEMENT OF CASH FLOWS (unaudited)

(In thousands)

	Year Ended March 31,	
	2017	**2016**
OPERATING ACTIVITIES		
Net income	$ 27,637	$ 57,619
Adjustments to determine net cash provided by operating activities:		
Deferred income taxes	9,777	(2,663)
Changes in assets and liabilities:		
Accounts receivable	12,703	(29,849)
Accounts payable - related party	4,765	1
Other noncurrent assets	(68,495)	(25,107)
Net cash provided by operating activities	(13,613)	1
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)	1
Cash and cash equivalents — beginning of period	1	-
Cash and cash equivalents — end of period	$ (13,612)	$ 1

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, 2015	2,000	$ -	$ 232,957	$ 232,957
Net income	-	-	57,619	57,619
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

See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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 is in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires us to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as of 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 tax uncertainties and valuation allowances. 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. GAAP requires 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. When applicable, Investments in subsidiaries are presented using the cost method.

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 guarantee 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, 2017, 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 thousand is (1) accelerated prior to its maturity or (2) not repaid at its maturity. As of March 31, 2017, 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, 2017 and March 31, 2016 (in thousands) using the cost method.

	March 31,		Participation
	2017	2016	
Shareholdings - Common Stock			
Novelis Corporation	$ -	$ 325	100.00%
Novelis Global Employment Organization	325	$ -	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,	
	2017	2016
Accounts payable - related party	$ 4,768	$ 3
Other long-term assets - related party	$ 236,085	$ 167,590
Accounts receivable - related party	$ 16,821	$ 29,523

Material Non-Cash Contributions

During the year ended March 31, 2016, the cumulative non-cash contribution of capital related to shared net operating loss carryforwards was recharacterized as a loan receivable from Novelis Corporation. The loan receivable is recorded within “Other long-term assets – related parties.

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 "Income before income taxes" are as follows (in thousands).

	Year Ended March 31,	
	2017	2016
Domestic (US)	$ 8,783	$ 3,272
Pre-tax loss	$ 8,783	$ 3,272

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

	Year Ended March 31,	
	2017	2016
Current benefit:		
Federal	$ (36,602)	$ (50,455)
State	7,971	(904)
Total current	(28,631)	(51,359)
Deferred benefit:		
Federal	6,475	161
State	3,302	(2,824)
Total deferred	9,777	(2,663)
Income tax benefit	$ (18,854)	$ (54,022)

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, 2017 the Company had total deferred tax assets of approximately $116,443 thousand primarily arising from book reserves not deductible for tax and net operating loss carryforwards. At March 31, 2016 the Company had total deferred tax assets of approximately $93,139 thousand primarily arising from book reserves not deductible for tax and net operating loss carryforwards.

It is reasonably possible that our estimates of future taxable income may change within the next 12 months, resulting in a change to the valuation allowance in one or more jurisdictions.

As of March 31, 2017, we had net operating loss carryforwards of approximately $64,784 thousand (tax effected) which will be available to offset future taxable income. The carryforwards begin expiring in fiscal 2036. As of March 31, 2017, valuation allowances of $28,094 thousand and $4,974 thousand 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. The net operating loss carryforwards are federal and state related.

As of March 31, 2016, we had net operating loss carryforwards of approximately $69,495 thousand (tax effected) and tax credit credit carryforwards of $4,017 thousand, which will be available to offset future taxable income. The carryforwards begin expiring in fiscal 2032. As of March 31, 2016, valuation allowances of $26,633 thousand and $4,017 thousand 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. The net operating loss carryforwards are federal and state related.

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

Our balance sheet previously included a federal and state income taxes receivable (net) of $213,094 thousand and $9,133 thousand as of March 31, 2017, respectively. Novelis Holdings, Inc. and its affiliates are parties to a tax sharing agreement and under the tax sharing agreement terms an intercompany receivable has been recorded for taxes of $213,094 and $9,133 thousands as of March 31, 2017.

Our balance sheet previously included a federal and state income taxes receivable (net) of $117,085 thousand and $7, 971 thousand as of March 31, 2016, respectively. Novelis Holdings, Inc. and its affiliates are parties to a tax sharing agreement and under the tax sharing agreement terms, an intercompany receivable has been recorded for taxes of $117,085 and $7, 971 thousand as of March 31, 2016.