Novelis Records $118 Million Profit In Fourth Quarter Of Fiscal Year 2008

Operational Improvements Help Narrow Full-Year Loss to $69 Million

ATLANTA, June 19 /PRNewswire/ -- Novelis Inc., a subsidiary of Hindalco Industries Limited (BSE: HINDALCO), today reported net income of US$118 million for the fourth quarter of fiscal year 2008, which ended on March 31, 2008. For the full fiscal year, the company recorded a net loss of $69 million. This compares with net losses of $64 million and $265 million, respectively, for the corresponding prior-year periods.

Novelis changed its fiscal year-end from December 31 to March 31 following its acquisition by Hindalco on May 15, 2007 (see note below).

"In the face of an inflationary environment, we are focused on operational performance and risk management improvement," said Martha Finn Brooks, President and Chief Operating Officer. "We made good progress last year through initiatives such as portfolio optimization, price increases, working capital improvements and reductions in corporate costs. The benefits can be seen in our increased revenues and stronger cash flow."

"At the same time," Brooks added, "we continued to expand our business with capacity increases in the fast-growing markets of Asia and South America and further implementation of our proprietary Novelis Fusion™ technology for multi-alloy products."

Fourth Quarter Summary (see Note below regarding combined results of operations and comparability)

Flat-rolled product shipments increased in the fourth quarter versus the prior year in all of the company's reported regions except Europe. Despite continued challenging conditions in North America, total rolled products shipments increased 21 kilotonnes (kt) over the corresponding prior period, from 772 kt to 793 kt.

Novelis reported pre-tax income of $117 million on sales of $2,862 million for the fourth quarter, compared with the prior-year period when it incurred a pre-tax loss of $57 million on sales of $2,630 million. The $174 million increase in pre-tax earnings includes non-cash unrealized gains on derivatives of $118 million versus a loss of $1 million for the same prior-year period. The gain was primarily driven by an increase in the forward aluminum price on the London Metal Exchange (LME) during the fourth quarter of fiscal year 2008.

The increased earnings also reflect significant underlying operational improvement for Novelis, including the following:

-- Product mix improvements and price increases added approximately $49 million of pre-tax earnings in the quarter compared with the prior-year period;

-- The company's exposure to customer contracts with metal price ceilings was reduced by $27 million, net of hedges and exclusive of the impact of the accounting associated with the acquisition, compared with the corresponding quarter of 2007; and

-- Corporate selling, general and administrative (SG&A) expenses were reduced by $44 million including a reduction in sale transaction fees of $32 million and other reductions driven by streamlining of corporate staff and costs related to financial reporting requirements in the prior-year period.

Improved operational performance was partially offset by higher input and operational costs in the quarter compared with the prior-year period. Higher operational costs were driven primarily by the strengthening currencies in Europe and Brazil.

Included in the net income of $118 million for the fourth quarter of fiscal year 2008 is $1 million of income tax benefit. This effective tax rate differs from the statutory rate primarily due to the following tax items:

-- $20 million of tax benefit related to exchange translation and re-measurement items;

-- $60 million of tax benefit on change in valuation allowances;

-- $24 million of tax expense associated with expense/income items with no tax effect; and

-- $25 million of tax expense associated with enacted tax rate changes.

Cash taxes paid during the fourth quarter of fiscal year 2008 were $14 million.

Full Year Results (see Note below regarding combined results of operations and comparability)

For the fiscal year ended March 31, 2008, Novelis reported a combined net loss of $69 million. This compares with a net loss of $265 million for the corresponding period of 2007.

Full-year products shipments increased to 3,150 kt from 3,113 kt in the prior year. The company incurred a combined pre-tax loss of $62 million on combined net sales of $11,246 million in the current year, which represents an improvement of $302 million over the prior year when Novelis reported a pre-tax loss of $364 million on net sales of $10,160 million.

The combined pre-tax loss for the fiscal year 2008 includes a number of non-recurring expenses related to the acquisition by Hindalco. These include $45 million of stock compensation expense triggered by the sale of Novelis and $32 million for sale transaction costs, among other items, as the company previously disclosed in its financial results for the first quarter of fiscal year 2008. Excluding the transaction expenses, pre-tax earnings improvement was $379 million compared with the corresponding period of 2007. This was primarily driven by improvements in prices, product mix and volumes, reduced corporate costs and reduced exposure to contracts with metal price ceilings. In addition, the combined pre-tax loss for the fiscal year ended March 31, 2008, was impacted by certain income and expense items associated with fair value adjustments recorded at the date of acquisition. The net pre-tax impact of these items was a benefit of $21 million primarily driven by the amortization of accruals related to unfavorable contracts (recorded at fair value at the date of acquisition) partially offset by higher depreciation and amortization.

Included in the net loss of $69 million is $7 million of income tax expense. This compares with the corresponding period of 2007 when the net loss of $265 million included an income tax benefit of $99 million. Significant tax items in the fiscal year 2008 included $92 million of tax expense related to exchange translation and re-measurement items, and $78 million of tax benefit associated with enacted tax rate changes.

Cash taxes paid during the fiscal year 2008 were $73 million.

For further information regarding Novelis' fiscal year results, please review the company's Annual Report on Form 10-K as filed with the U.S. Securities and Exchange Commission on June 19, 2008.

NOTE REGARDING COMBINED RESULTS OF OPERATIONS AND SELECTED FINANCIAL AND OPERATING INFORMATION DUE TO THE ACQUISITION

Under generally accepted accounting principles in the United States of America (US GAAP), the consolidated financial statements for the fiscal year ended March 31, 2008, are presented in two distinct periods, as Predecessor and Successor entities are not comparable in all material respects. However, in order to facilitate an understanding of our results of operations for the fiscal year ended March 31, 2008, in comparison with the twelve months ended March 31, 2007, our Predecessor results and our Successor results are presented and discussed on a combined basis. The combined results of operations are non-GAAP financial measures, do not include any pro-forma assumptions or adjustments and should not be used in isolation or substitution of the Predecessor and Successor results.

Shown below are combining schedules of (1) shipments and (2) our results of operations for periods allocable to the Successor, Predecessor and the combined presentation for the fiscal year ended March 31, 2008:

	May 16, 2007 Through March 31, 2008	**April 1, 2007 Through May 15, 2007**	**Year Ended March 31, 2008**
Combined Shipments (kt)(A)	Successor	Predecessor	Combined
Rolled products(B)	2,640	348	2,988
Ingot products(C)	147	15	162
Total shipments	2,787	363	3,150

(A) One kilotonne (kt) is 1,000 metric tonnes. One metric tonne is equivalent to 2,204.6 pounds.

(B) Rolled products include tolling (the conversion of customer-owned metal).

(C) Ingot products include primary ingot in Brazil, foundry products in Korea and Europe, secondary ingot in Europe and other miscellaneous recyclable aluminum.

	May 16, 2007 Through March 31, 2008	**April 1, 2007 Through May 15, 2007**	**Year Ended March 31, 2008**

Combined Results of Operations ($ in millions)	Successor	Predecessor	Combined
Net sales	$9,965	$1,281	$11,246
Cost of goods sold (exclusive of depreciation and amortization shown below)	9,042	1,205	10,247
Selling, general and administrative expenses	319	95	414
Depreciation and amortization	367	28	395
Research and development expenses	46	6	52
Interest expense and amortization of debt issuance costs - net	173	26	199
(Gain) loss on change in fair value of derivative instruments - net	(22)	(20)	(42)
Equity in net (income) loss of non-consolidated affiliates	4	(1)	3
Sale transaction fees	-	32	32
Other (income) expenses - net	-	4	4
	9,929	1,375	11,304
Loss before provision for taxes and minority interests' share	36	(94)	(58)
Provision for taxes	3	4	7
Loss before minority interests' share	33	(98)	(65)
Minority interests' share	(5)	1	(4)
Net loss	$ 28	$ (97)	$ (69)

Change in Fiscal Year End

On June 26, 2007, our Board of Directors approved the change of our fiscal year end to March 31 from December 31. On June 28, 2007, we filed a Transition Report on Form 10-Q for the three-month period ended March 31, 2007, with the United States Securities and Exchange Commission (SEC) pursuant to Rule 13a-10 under the Securities Exchange Act of 1934 for transition period reporting.

Data for all periods, except as of and for the year ended March 31, 2007, are derived from our audited consolidated and combined financial statements included in our Annual Report on Form 10-K for the year ended March 31, 2008. All data as of and for the year ended March 31, 2007, are derived from our unaudited condensed consolidated financial statements included in our transition period ended March 31, 2007, and our Quarterly Report on Form 10-Q for the period ended December 31, 2007.

About Novelis

Novelis Inc. is the global leader in aluminum rolled products and aluminum can recycling. The company operates in 11 countries, has approximately 12,700 employees and reported revenue of $11.2 billion in 2008. Novelis supplies premium aluminum sheet and foil products to automotive, transportation, packaging, construction, industrial and printing markets throughout Asia, Europe, North America and South America. Novelis is a subsidiary of Hindalco Industries Limited, Asia's largest integrated producer of aluminum and a leading copper producer. Hindalco is the flagship company of the Aditya Birla Group, a multinational conglomerate based in Mumbai, India. For more information on Novelis, please visit http://www.novelis.com/.

Statements made in this news release which describe Novelis' intentions, expectations, beliefs or predictions may be forward-looking statements within the meaning of securities laws. Forward-looking statements include statements preceded by, followed by, or including the words "believes," "expects," "anticipates," "plans," "estimates," "projects," "forecasts," or similar expressions. Novelis cautions that, by their nature, forward-looking statements involve risk and uncertainty and that Novelis' actual results could differ materially from those expressed or implied in such statements. We do not intend, and we disclaim any obligation, to update any forward-looking statements, whether as a result of new information, future events or otherwise. Factors that could cause actual results or outcomes to differ from the results expressed or implied by forward-looking statements include, among other things: the level of our indebtedness and our ability to generate cash; relationships with, and financial and operating conditions of, our customers and suppliers; changes in the prices and availability of aluminum (or premiums associated with such prices) or other materials and raw materials we use; the effect of metal price ceilings in certain of our sales contracts; our ability to successfully negotiate with our customers to remove or limit metal price ceilings in our contracts; the effectiveness of our metal hedging activities, including our internal used beverage can and smelter hedges; fluctuations in the supply of, and prices for, energy in the areas in which we maintain production facilities; our ability to access financing for future capital requirements; continuing obligations and other relationships resulting from our spin-off from Alcan; changes in the relative values of various currencies; factors affecting our operations, such as litigation, environmental remediation and clean-up costs, labor relations and negotiations, breakdown of equipment and other events; economic, regulatory and political factors within the countries in which we operate or sell our products, including changes in duties or tariffs; competition from other aluminum rolled products producers as well as from substitute materials such as steel, glass, plastic and composite materials; changes in general economic conditions; our ability to maintain effective internal control over financial reporting and disclosure controls and procedures in the future; changes in the fair value of derivative instruments; cyclical demand and pricing within the principal markets for our products as well as seasonality in certain of our customers' industries; changes in government regulations, particularly those affecting taxes, environmental, health or safety compliance; changes in interest rates that have the effect of increasing the amounts we pay under our principal credit agreements and other financing arrangements; the development of the most efficient tax structure for the Company; and the ongoing integration with Hindalco. The above list of factors is not exhaustive. Other important risk factors are included under the caption "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended March 31, 2008, as filed with the SEC, and may be discussed in subsequent filings with the SEC. Further, the risk factors included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2008, are specifically incorporated by reference into this news release.

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