# Novelis Inc. Reports Results For Third Quarter Of Fiscal 2009

**- Pre-tax loss was $32 million, excluding asset impairments, restructuring charges and unrealized mark-to-market losses on derivatives.**
**- Net loss of $1.8 billion due to impairment charges of $1.5 billion and unrealized mark-to-market losses on derivatives of $472 million, both non-cash items.**
**- Shipments declined in most sectors, but the beverage can market remains relatively stable.**
**- Actions are under way to reduce costs, including a workforce reduction of more than 10%.**

ATLANTA, Feb. 17 -- Novelis Inc., a subsidiary of Hindalco Industries Limited , today reported a net loss of $1.8 billion for the third quarter of fiscal year 2009, which ended on December 31, 2008. The loss includes non-cash, pre-tax charges of $1.5 billion for asset impairments and $472 million of unrealized losses on derivatives which hedge exposure to commodities and foreign currencies. For the corresponding period of fiscal 2008, the company reported a net loss of $73 million, including $24 million of unrealized losses on derivatives.

On a pre-tax basis, and excluding impairment and restructuring charges as well as mark-to-market losses on derivatives, the company recorded a loss of $32 million, compared to a loss of $22 million in the prior-year period. Sales declined 20 percent to $2.2 billion as a result of lower volumes and decreased metal prices.

Shipments of flat-rolled aluminum products decreased 13 percent versus last year's third quarter to 633 kilotonnes (kt). Shipments to automotive, construction and industrial markets were significantly impacted by the economic downturn. Can sheet shipments were lower by 5 percent year-over-year due to inventory reductions in the supply chain. These trends affected all regions except South America where shipments were flat when compared to the prior-year quarter. The lower shipment volumes negatively impacted pre-tax income by $78 million, when compared to the prior-year quarter.

Despite the difficult business conditions, inventory levels continued to be effectively managed. Through the end of the third quarter, metal inventories were down 9 percent for the fiscal year-to-date.

"The impact of the economic downturn varies across our regions and business segments," said Martha Finn Brooks, President and Chief Operating Officer. "The can sheet market, while dampened by customer de-stocking during the quarter, remains a relatively stable sector. This is a positive factor for Novelis, given that we are the world leader in this market, which represents approximately half of our shipments."

In response to market conditions, Brooks stated, "We are making adjustments in line with the lower demand levels we expect to continue to see in the near term. These actions include adjusting our metal intake, reducing production and aggressively cutting costs. We are in the process of reducing our global workforce by more than 10 percent. In addition, we expect to benefit in future quarters from lower commodity costs, particularly for energy, alloying materials and freight."

The $1.5 billion non-cash asset impairment charge includes a $1.3 billion impairment in the value of goodwill and a $160 million write-down of our investment in Aluminium Norf GmbH (Alunorf). These charges reflect changes in certain assumptions used to calculate asset impairments under U.S. GAAP. The changes include:

-- The increased market cost of capital, which is due primarily to the significant deterioration in the capital markets during the third fiscal quarter. The market cost of debt required in these calculations is significantly higher than the interest rates on Novelis' existing debt.

-- The related decline in the market capitalization of both our parent company, Hindalco Ltd., and other industry participants. The relative public equity values of a company, its parent, and other industry participants are significant inputs in business valuation models under U.S. GAAP.

-- The impact of the global recession on our near-term operating forecast, although the long-term outlook for the business remains positive.

The current conditions in stock, debt and physical markets have resulted in goodwill and other asset impairments in a number of U.S. and international companies, including those in the commodities space.

The $472 million of non-cash unrealized losses on derivatives in the current year compares to a $24 million loss in the prior-year quarter. These derivatives are used to hedge exposures to aluminum, primarily related to customer fixed-price contracts, other commodities and currency. The magnitude of the mark-to-market loss on the company's derivative portfolio primarily reflects the dramatic downward movement in the LME price of aluminum. Generally, the losses on these hedges will be offset in future periods by the benefits of lower commodity costs, more favorable currency relationships and fixed exposure to contracts with metal price ceilings.

Other significant operational factors that created variances between the third fiscal quarters of the current and prior years include:

-- Foreign exchange benefit of $52 million related largely to the strengthening U.S. dollar;

-- $31 million benefit of metal price lag, net of realized derivatives instruments;

-- $25 million unfavorable impact of higher non-aluminum input costs; and

-- $26 million reduction in selling, general and administrative (SG&A) expenses.

Cash taxes paid were $20 million and $19 million during the third quarters of fiscal years 2009 and 2008, respectively.

**Nine Month Results**
(see Note below regarding combined results of operations for the prior-year period)

For the nine months ended December 31, 2008, ("year-to-date" or "current year"), Novelis reported a net loss of $1.9 billion. This loss includes non- cash, pre-tax charges of $1.5 billion for asset impairment and $672 million of unrealized losses on derivatives, primarily used to hedge exposure to commodities and foreign currencies. For the corresponding period of 2008, the company reported a net loss of $234 million, which included a $121 million pre-tax unrealized loss on derivatives.

For further information regarding Novelis' third quarter and year-to-date results, please review the company's Quarterly Report on Form 10-Q as filed with the U.S. Securities and Exchange Commission on February 17, 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 (GAAP), the condensed consolidated financial statements for the nine months ended December 31, 2007, 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 nine months ended December 31, 2007, in comparison with the nine months ended December 31, 2008, 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 comparative (1) shipments, (2) results of operations and (3) cash flows for the three and nine months ended December 31, 2008, and for the combined nine months ended December 31, 2007. To facilitate reconciliation of combined schedules to GAAP financial measures, we have included the respective Successor and Predecessor periods in each table.

| | Three Months Ended December 31, 2008 | Three Months Ended December 31, 2007 | Nine Months Ended December 31, 2008 | Nine Months Ended December 31, 2007 | May 16, 2007 Through December 31, 2007 | April 1, 2007 Through May 15, 2007 |
|---|---|---|---|---|---|---|
| | Successor | Successor | Successor | Combined | Successor | Predecessor |
| Shipments (kt) (A): | | | | | | |
| Rolled products(B) | 633 | 730 | 2,165 | 2,234 | 1,886 | 348 |
| Ingot products© | 26 | 42 | 126 | 122 | 107 | 15 |
| Total shipments | 659 | 772 | 2,291 | 2,356 | 1,993 | 363 |

(A) One kilotonne (kt) is 1,000 metric tonnes. One metric tonne is equivalent to 2,204.6 pounds.
(B) Rolled products shipments include tolling (the conversion of customer-owned metal).
© Ingot products include primary ingot in Brazil, foundry products in Korea and Europe, secondary ingot in Europe and other miscellaneous recyclable aluminum.

Novelis Inc.
Condensed Consolidated Statements of Operations
($ in millions)

| | Three Months Ended December 31, 2008 Successor | Three Months Ended December 31, 2007 (Restated) Successor |
|---|---|---|
| Net sales | $2,176 | $2,735 |
| Cost of goods sold (exclusive of depreciation and amortization shown below) | 2,023 | 2,474 |
| Selling, general and administrative expenses | 73 | 99 |
| Depreciation and amortization | 107 | 108 |
| Research and development expenses | 11 | 11 |
| Interest expense and amortization of debt issuance costs, net | 44 | 47 |
| (Gain) loss on change in fair value of derivative instruments, net | 405 | 56 |
| Impairment of goodwill | 1,340 | - |
| Restructuring charges, net | 15 | 1 |
| Equity in net (income) loss of non-consolidated affiliates | 166 | 3 |
| Other (income) expenses, net | 20 | (17) |
| | 4,204 | 2,782 |
| Loss before provision (benefit) for taxes on income (loss) and minority interests' share | (2,028) | (47) |
| Income tax provision (benefit) | (199) | 26 |
| Loss before minority interests' share | (1,829) | (73) |
| Minority interests' share | 9 | - |
| Net loss | $(1,820) | $(73) |

Novelis Inc.
Condensed Consolidated Statements of Operations
($ in millions)

| | Nine Months Ended December 31, 2008 Successor | Nine Months Ended December 31, 2007 (Restated) Combined | May 16, 2007 Through December 31, 2007 Successor | April 1, 2007 Through May 15, 2007 Predecessor |
|---|---|---|---|---|
| Net sales | $8,238 | $8,384 | $7,103 | $1,281 |
| Cost of goods sold (exclusive of depreciation and amortization shown below) | 7,645 | 7,670 | 6,465 | 1,205 |
| Selling, general and administrative expenses | 246 | 324 | 229 | 95 |
| Depreciation and amortization | 330 | 292 | 264 | 28 |
| Research and development expenses | 33 | 40 | 34 | 6 |
| Interest expense and amortization of debt issuance costs, net | 125 | 154 | 128 | 26 |
| (Gain) loss on change in fair value of derivative instruments, net | 524 | 52 | 72 | (20) |
| Impairment of goodwill | 1,340 | - | - | - |
| Restructuring charges, net | 14 | 3 | 2 | 1 |
| Equity in net (income) loss of non-consolidated affiliates | 166 | (17) | (16) | (1) |
| Sale transaction fees | - | 32 | - | 32 |
| Other (income) expenses, net | 53 | (6) | (9) | 3 |
| | 10,476 | 8,544 | 7,169 | 1,375 |
| Loss before provision (benefit) for taxes on income (loss) and minority interests' share | (2,238) | (160) | (66) | (94) |
| Income tax provision (benefit) | (333) | 77 | 73 | 4 |

| | | | | |
|---|---|---|---|---|
| Loss before minority interests' share | (1,905) | (237) | (139) | (98) |
| Minority interests' share | 7 | 3 | 2 | 1 |
| Net loss | $(1,898) | $(234) | $(137) | $(97) |

Novelis Inc.
Condensed Consolidated Statements of Cash Flows
($ in millions)

| | Nine Months Ended December 31, 2008 Successor | Nine Months Ended December 31, 2007 Combined | May 16, 2007 Through December 31, 2007 Successor | April 1, 2007 Through May 15, 2007 Predecessor |
|---|---|---|---|---|
| OPERATING ACTIVITIES | | | | |
| Net cash provided by (used in) operating activities | $(434) | $(201) | $29 | $(230) |
| INVESTING ACTIVITIES | | | | |
| Capital expenditures | (107) | (137) | (120) | (17) |
| Net proceeds from settlement of derivative instruments | 180 | 74 | 56 | 18 |
| Proceeds from sales of assets | 4 | 4 | 4 | - |
| Changes to investment in, and advances to, non-consolidated affiliates | 17 | 6 | 5 | 1 |
| Proceeds from loans receivable - net - related parties | 18 | 12 | 12 | - |
| Net cash provided by (used in) investing activities | 112 | (41) | (43) | 2 |
| FINANCING ACTIVITIES | | | | |
| Proceeds from issuance of common stock | - | 92 | 92 | - |
| Proceeds from issuance of debt | 8 | 1,250 | 1,100 | 150 |
| Principal repayments | (11) | (1,006) | (1,005) | (1) |
| Short-term borrowings - net | 193 | (43) | (103) | 60 |
| Dividends - minority interests | (5) | (8) | (1) | (7) |
| Debt issuance costs | - | (39) | (37) | (2) |
| Proceeds from the exercise of stock options | - | 1 | - | 1 |
| Net cash provided by (used in) financing activities | 185 | 247 | 46 | 201 |
| Net increase (decrease) in cash and cash equivalents | (137) | 5 | 32 | (27) |
| Effect of exchange rate changes on cash balances held in foreign currencies | (13) | (2) | (3) | 1 |
| Cash and cash equivalents - beginning of period | 326 | 128 | 102 | 128 |
| Cash and cash equivalents - end of period | $176 | $131 | $131 | $102 |

**About Novelis**

Novelis Inc. is the global leader in aluminum rolled products and aluminum can recycling. The company operates in 11 countries, has approximately 12,500 employees and reported revenue of $11.2 billion in fiscal year 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 www.novelis.com.

**Forward-Looking Statements**

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. Examples of such statements in this news release include, among other matters, the positive long-term outlook for our business, the benefit of lower metal and energy prices on our profitability, the changes in currency on our profitability, our ability to adjust our production levels, and the recovery of losses on hedging instruments through lower commodity costs. 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: changes in global economic conditions, 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; 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 amended Annual Report on Form 10-K/A 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 amended Annual Report on Form 10-K/A for the fiscal year ended March 31, 2008, and our Quarterly Report on Form 10-Q for the period ended December 31, 2008, are specifically incorporated by reference into this news release.

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SOURCE: Novelis Inc.

CONTACTS:

Investors:
Randy Miller
+1 404 814 4259
randy.miller@novelis.com

Media:
Charles Belbin
+1 404 814 4260
charles.belbin@novelis.com

Web site: http://www.novelis.com/