

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q**

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2018

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 001-32312

Novelis Inc.

(Exact name of Registrant as specified in its charter)

Canada

(State or other jurisdiction of
incorporation or organization)

98-0442987

(I.R.S. Employer
Identification Number)

**3560 Lenox Road, Suite 2000
Atlanta, Georgia**

(Address of principal executive offices)

30326

(Zip Code)

Telephone: (404) 760-4000

(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

The Registrant is a voluntary filer and is not subject to the filing requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934. However, the Registrant has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months.

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

| | | | |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large accelerated filer | <input type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer | <input checked="" type="checkbox"/> | Smaller reporting company | <input type="checkbox"/> |
| Emerging growth company | <input type="checkbox"/> | | |

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

As of November 1, 2018, the Registrant had 1,000 shares of common stock, no par value, outstanding. All of the Registrant's outstanding shares were held indirectly by Hindalco Industries Ltd., the Registrant's parent company.

Novelis Inc.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

Novelis Inc.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)
(in millions)

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|----------------------------------|---------------|--------------------------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net sales | \$ 3,136 | \$ 2,794 | \$ 6,233 | \$ 5,463 |
| Cost of goods sold (exclusive of depreciation and amortization) | 2,657 | 2,354 | 5,248 | 4,610 |
| Selling, general and administrative expenses | 127 | 118 | 244 | 219 |
| Depreciation and amortization | 86 | 91 | 172 | 181 |
| Interest expense and amortization of debt issuance costs | 68 | 64 | 134 | 128 |
| Research and development expenses | 17 | 16 | 32 | 31 |
| Restructuring and impairment, net | — | 7 | 1 | 8 |
| Gain on sale of a business, net | — | (318) | — | (318) |
| Equity in net (income) loss of non-consolidated affiliates | (1) | 1 | (1) | 1 |
| Other (income) expenses, net | (6) | 38 | 23 | 36 |
| Business acquisition and other integration related costs | 8 | — | 10 | — |
| | 2,956 | 2,371 | 5,863 | 4,896 |
| Income before income taxes | 180 | 423 | 370 | 567 |
| Income tax provision | 64 | 116 | 117 | 159 |
| Net income | 116 | 307 | 253 | 408 |
| Net income attributable to noncontrolling interests | — | — | — | — |
| Net income attributable to our common shareholder | \$ 116 | \$ 307 | \$ 253 | \$ 408 |

See accompanying notes to the condensed consolidated financial statements.

Novelis Inc.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)
(in millions)

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|--|----------------------------------|---------------|--------------------------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net income | \$ 116 | \$ 307 | \$ 253 | \$ 408 |
| Other comprehensive income (loss): | | | | |
| Currency translation adjustment | (1) | 28 | (118) | 91 |
| Net change in fair value of effective portion of cash flow hedges | 11 | (41) | (57) | 3 |
| Net change in pension and other benefits | 10 | 10 | 28 | 5 |
| Other comprehensive income (loss) before income tax effect | 20 | (3) | (147) | 99 |
| Income tax provision (benefit) related to items of other comprehensive income (loss) | 5 | (11) | (9) | 4 |
| Other comprehensive income (loss), net of tax | 15 | 8 | (138) | 95 |
| Comprehensive income | 131 | 315 | 115 | 503 |
| Less: Comprehensive income attributable to noncontrolling interests, net of tax | 1 | 1 | 1 | — |
| Comprehensive income attributable to our common shareholder | \$ 130 | \$ 314 | \$ 114 | \$ 503 |

See accompanying notes to the condensed consolidated financial statements.

Novelis Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)
(in millions, except number of shares)

| | September 30, 2018 | March 31, 2018 |
|---|-----------------------|-------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 829 | \$ 920 |
| Accounts receivable, net | | |
| — third parties (net of uncollectible accounts of \$6 and \$7 as of September 30, 2018 and March 31, 2018, respectively) | 1,419 | 1,353 |
| — related parties | 194 | 242 |
| Inventories | 1,748 | 1,560 |
| Prepaid expenses and other current assets | 169 | 125 |
| Fair value of derivative instruments | 87 | 159 |
| Assets held for sale | 5 | 5 |
| Total current assets | 4,451 | 4,364 |
| Property, plant and equipment, net | 3,254 | 3,110 |
| Goodwill | 607 | 607 |
| Intangible assets, net | 381 | 410 |
| Investment in and advances to non-consolidated affiliates | 817 | 849 |
| Deferred income tax assets | 84 | 75 |
| Other long-term assets | | |
| — third parties | 107 | 97 |
| — related parties | — | 3 |
| Total assets | \$ 9,701 | \$ 9,515 |
| LIABILITIES AND SHAREHOLDER'S EQUITY | | |
| Current liabilities | | |
| Current portion of long-term debt | \$ 83 | \$ 121 |
| Short-term borrowings | 147 | 49 |
| Accounts payable | | |
| — third parties | 2,149 | 2,051 |
| — related parties | 184 | 205 |
| Fair value of derivative instruments | 77 | 106 |
| Accrued expenses and other current liabilities | 565 | 591 |
| Total current liabilities | 3,205 | 3,123 |
| Long-term debt, net of current portion | 4,330 | 4,336 |
| Deferred income tax liabilities | 146 | 164 |
| Accrued postretirement benefits | 803 | 825 |
| Other long-term liabilities | 243 | 244 |
| Total liabilities | 8,727 | 8,692 |
| Commitments and contingencies | | |
| Shareholder's equity | | |
| Common stock, no par value; unlimited number of shares authorized; 1,000 shares issued and outstanding as of September 30, 2018 and March 31, 2018 | — | — |
| Additional paid-in capital | 1,404 | 1,404 |
| Accumulated equity (deficit) | 22 | (283) |
| Accumulated other comprehensive loss | (416) | (261) |
| Total equity of our common shareholder | 1,010 | 860 |
| Noncontrolling interests | (36) | (37) |
| Total equity | 974 | 823 |
| Total liabilities and equity | \$ 9,701 | \$ 9,515 |

See accompanying notes to the condensed consolidated financial statements.

Novelis Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
(in millions)

| | Six Months Ended September 30, | |
|--|--------------------------------|---------------|
| | 2018 | 2017 |
| OPERATING ACTIVITIES | | |
| Net income | \$ 253 | \$ 408 |
| Adjustments to determine net cash used in operating activities: | | |
| Depreciation and amortization | 172 | 181 |
| (Gain) loss on unrealized derivatives and other realized derivatives in investing activities, net | (8) | 12 |
| Gain on sale of business | — | (318) |
| Loss on sale of assets | 2 | 2 |
| Impairment charges | — | 6 |
| Deferred income taxes | 21 | 47 |
| Equity in net (gain) loss of non-consolidated affiliates | (1) | 1 |
| Gain on foreign exchange remeasurement of debt | — | (2) |
| Amortization of debt issuance costs and carrying value adjustments | 9 | 10 |
| Other, net | — | 4 |
| Changes in assets and liabilities including assets and liabilities held for sale (net of effects from divestitures): | | |
| Accounts receivable | (70) | (316) |
| Inventories | (237) | (107) |
| Accounts payable | 141 | 163 |
| Other current assets | (49) | 26 |
| Other current liabilities | (20) | (31) |
| Other noncurrent assets | (10) | (2) |
| Other noncurrent liabilities | 7 | 4 |
| Net cash provided by operating activities | 210 | 88 |
| INVESTING ACTIVITIES | | |
| Capital expenditures | (114) | (82) |
| Acquisition of assets under a capital lease | (239) | — |
| Proceeds from sales of assets, third party, net of transaction fees and hedging | 2 | 1 |
| Proceeds from the sale of a business | — | 314 |
| Proceeds from investment in and advances to non-consolidated affiliates, net | 6 | 8 |
| (Outflows) proceeds from the settlement of derivative instruments, net | (5) | 1 |
| Other | 7 | 6 |
| Net cash (used in) provided by investing activities | (343) | 248 |
| FINANCING ACTIVITIES | | |
| Principal payments of long-term and short-term borrowings | (40) | (64) |
| Revolving credit facilities and other, net | 103 | 88 |
| Debt issuance costs | (2) | (4) |
| Net cash provided by financing activities | 61 | 20 |
| Net (decrease) increase in cash, cash equivalents and restricted cash | (72) | 356 |
| Effect of exchange rate changes on cash | (19) | (1) |
| Cash, cash equivalents and restricted cash — beginning of period | 932 | 604 |
| Cash, cash equivalents and restricted cash — end of period | \$ 841 | \$ 959 |

See accompanying notes to the condensed consolidated financial statements.

Novelis Inc.
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDER'S (DEFICIT) EQUITY (unaudited)
(in millions, except number of shares)

| | (Deficit) Equity of our Common Shareholder | | | | | | | Total (Deficit)/ Equity |
|---|--|-------------|-------------------------------|-----------------------|--|----------------------------------|---------------|----------------------------|
| | Common Stock | | Additional Paid-in Capital | (Accumulated Deficit) | Accumulated Other Comprehensive Loss (AOCI) | Non- controlling Interests | | |
| | Shares | Amount | | | | | | |
| Balance as of March 31, 2017 | 1,000 | \$ — | \$ 1,404 | \$ (918) | \$ (545) | \$ (18) | \$ (77) | |
| Net income attributable to our common shareholder | — | — | — | 408 | — | — | 408 | |
| Currency translation adjustment included in AOCI | — | — | — | — | 91 | — | 91 | |
| Change in fair value of effective portion of cash flow hedges, net of tax provision of \$1 million included in AOCI | — | — | — | — | 2 | — | 2 | |
| Change in pension and other benefits, net of tax provision of \$3 million included in AOCI | — | — | — | — | 2 | — | 2 | |
| Balance as of September 30, 2017 | <u>1,000</u> | <u>\$ —</u> | <u>\$ 1,404</u> | <u>\$ (510)</u> | <u>\$ (450)</u> | <u>\$ (18)</u> | <u>\$ 426</u> | |

| | Equity of our Common Shareholder | | | | | | | Total Equity |
|--|----------------------------------|-------------|-------------------------------|---|--|----------------------------------|---------------|--------------|
| | Common Stock | | Additional Paid-in Capital | (Accumulated Deficit)/Retained Earnings | Accumulated Other Comprehensive Loss (AOCI) | Non- controlling Interests | | |
| | Shares | Amount | | | | | | |
| Balance as of March 31, 2018 | 1,000 | \$ — | \$ 1,404 | \$ (283) | \$ (261) | \$ (37) | \$ 823 | |
| Adoption of accounting standards updates | — | — | — | 52 | (16) | — | 36 | |
| Balance as of April 1, 2018 | 1,000 | — | 1,404 | (231) | (277) | (37) | 859 | |
| Net income attributable to our common shareholder | — | — | — | 253 | — | — | 253 | |
| Currency translation adjustment included in AOCI | — | — | — | — | (118) | — | (118) | |
| Change in fair value of effective portion of cash flow hedges, net of tax benefit of \$17 million included in AOCI | — | — | — | — | (40) | — | (40) | |
| Change in pension and other benefits, net of tax provision of \$8 million included in AOCI | — | — | — | — | 19 | 1 | 20 | |
| Balance as of September 30, 2018 | <u>1,000</u> | <u>\$ —</u> | <u>\$ 1,404</u> | <u>\$ 22</u> | <u>\$ (416)</u> | <u>\$ (36)</u> | <u>\$ 974</u> | |

See accompanying notes to the condensed consolidated financial statements.

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

References herein to "Novelis," the "Company," "we," "our," or "us" refer to Novelis Inc. and its subsidiaries unless the context specifically indicates otherwise. References herein to "Hindalco" refer to Hindalco Industries Limited. Hindalco acquired Novelis in May 2007. All of the common shares of Novelis are owned directly by AV Metals Inc. and indirectly by Hindalco.

Organization and Description of Business

Novelis is the leading producer of flat-rolled aluminum products and the world's largest recycler of aluminum. We work alongside our customers to provide innovative solutions to the beverage can, automotive and high-end specialty markets. Operating an integrated network of technically advanced rolling and recycling facilities across North America, South America, Europe and Asia, Novelis leverages its global manufacturing and recycling footprint to deliver consistent, high-quality products around the world. As of September 30, 2018, we had manufacturing operations in ten countries on four continents: North America, South America, Asia and Europe, through 24 operating facilities, including recycling operations in eleven of these plants.

The March 31, 2018 condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America (U.S. GAAP). The accompanying unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and accompanying notes in our Annual Report on Form 10-K for the year-ended March 31, 2018 filed with the United States Securities and Exchange Commission (SEC) on May 8, 2018. Management believes that all adjustments necessary for the fair statement of results, consisting of normally recurring items, have been included in the unaudited condensed consolidated financial statements for the interim periods presented.

Consolidation Policy

Our condensed consolidated financial statements include the assets, liabilities, revenues and expenses of all wholly-owned subsidiaries, majority-owned subsidiaries over which we exercise control and entities in which we have a controlling financial interest or are deemed to be the primary beneficiary. We eliminate all significant intercompany accounts and transactions from our condensed consolidated financial statements.

We use the equity method to account for our investments in entities that we do not control, but where we have the ability to exercise significant influence over operating and financial policies. Consolidated "Net income attributable to our common shareholder" includes our share of net income (loss) of these entities. The difference between consolidation and the equity method impacts certain of our financial ratios because of the presentation of the detailed line items reported in the condensed consolidated financial statements for consolidated entities, compared to a two-line presentation of "Investment in and advances to non-consolidated affiliates" and "Equity in net (income) loss of non-consolidated affiliates."

Use of Estimates and Assumptions

The preparation of our condensed consolidated financial statements 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 (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 condensed 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.

Revision of Previously Issued Financial Statements

As of September 30, 2018, we identified a misclassification in previously reported "Deferred income tax assets" and "Other long-term liabilities" as of March 31, 2018 in the amount of \$12 million, such that each of these balances was

understated by equal and offsetting amounts in our previous filings. The March 31, 2018 consolidated balance sheet amounts and relevant disclosures reported in this 10-Q for the above referenced financial statement line items reflect the revised amounts. This misclassification also impacted previously reported fiscal 2018 financial statement line items contained within "Net cash provided by operating activities", although no cash flow statement subtotal was impacted; current and deferred income tax expense and balances, as disclosed in Note 18 - Income Taxes of our Form 10-K; and relevant amounts disclosed in Note 20 - Segment, Geographical Area, Major Customer and Major Supplier Information of our Form 10-K. Revisions to the fiscal 2018 consolidated statement of cash flows, and Note 18 and 20 disclosures, will be made in connection with the issuance of our Form 10-K as of and for the year ended March 31, 2019.

We assessed the materiality of the misstatement and concluded that it was not material to the Company's previously issued financial statements and that amendments of previously filed reports were therefore not required. However, we elected to revise the previously reported amounts as described above.

Reclassification

Certain prior period amounts have been adjusted as a result of the adoption of new accounting standards.

Recently Adopted Accounting Standards

Effective for the second quarter of fiscal 2019, we early adopted ASU 2018-13, *Fair Value Measurement (Topic 820) Disclosure Framework - Change to the Disclosure Requirements for Fair Value Measurement*, which modified the disclosure requirements on fair value measurements in Topic 820 including the consideration of costs and benefits. The amendments relate to changes in disclosures on unrealized gains and losses, the disclosure of the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty were applied prospectively, where applicable. Due to the immateriality of the electricity swap which is our only Level 3 derivative contract, the adoption of this standard did not have a material impact on the condensed consolidated financial statements.

Effective for the first quarter of fiscal 2019, we adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* and all the related amendments which supersedes the standard in former ASC 605, *Revenue Recognition*. The new standard requires entities to recognize revenue based on the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods or services. We adopted Topic 606 using the modified retrospective transition approach. We determined that our existing revenue recognition practices were in compliance with Topic 606. Accordingly, there was no cumulative effect adjustment to the opening balance of retained earnings in the condensed consolidated balance sheet in the first quarter of 2018, as the adoption did not result in a change to our timing of revenue recognition. See Note 2 — Revenue from Contracts with Customers for additional disclosures related to the adoption of this standard. The adoption of this standard does not have a material impact on the condensed consolidated financial statements.

Effective for the first quarter of fiscal 2019, we adopted ASU 2018-02, *Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. This standard provides an option to reclassify stranded tax effects within accumulated other comprehensive income/(loss) to retained earnings due to the U.S. federal corporate income tax rate change in the U.S. Tax Cuts and Jobs Act of 2017 (the "Act"). This standard is effective for interim and annual reporting periods beginning after December 15, 2018, and early adoption is permitted. Additionally, the ASU requires new disclosures by all companies. Other than those effects related to the Act, the Company releases the income tax effect from accumulated other comprehensive income (loss) ("AOCI") in the period when the underlying transaction impacts earnings. We early adopted this accounting standard in the first quarter of fiscal 2019 and reclassified \$16 million into retained earnings of our common shareholder from AOCI. This reclassification consists of deferred taxes originally recorded in AOCI at rates that exceed the newly enacted U.S. federal corporate tax rate. There was no impact to net income.

Novelis Inc.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - (Continued)

Effective for the first quarter of fiscal 2019, we adopted ASU 2017-07, *Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. This update was issued primarily to improve the presentation of net periodic pension cost and net periodic postretirement benefit cost. The new standard requires entities to (1) disaggregate the current service cost component from the other components of net benefit cost (the "other components") and present the other components within non-operating income and (2) present the other components elsewhere in the results of operations and outside of income from operations if that subtotal is presented. In addition, the new standard requires entities to disclose the results of operations line items that contain the other components if they are not presented on appropriately described separate lines. We adopted this standard on a retrospective basis and utilized the practical expedient. As a result, we reclassified the net periodic benefit cost, exclusive of service cost, to "Other (income) expenses, net" for the comparative periods. We reclassified, with no impact to net income, net periodic benefit cost totaling \$13 million (\$7 million from "Cost of goods sold (exclusive of depreciation and amortization)" and \$6 million from "Selling, general and administrative expenses") for the three months ended September 30, 2017 and \$23 million (\$12 million from "Cost of goods sold (exclusive of depreciation and amortization)" and \$11 million from "Selling, general and administrative expenses") for the six months ended September 30, 2017 into "Other (income) expenses, net".

Effective for the first quarter of fiscal 2019, we adopted ASU 2016-18, *Statement of Cash Flows (Topic 230) - Restricted Cash*. The new standard requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning of period and end of period total amounts shown on the condensed consolidated statement of cash flows. Transfers between restricted cash and cash and cash equivalents will no longer be presented in the operating section of the condensed consolidated statement of cash flows. We adopted this standard on a retrospective basis and disclose the nature of the restrictions for material balances of restricted cash.

Amounts included in restricted cash largely represent those required to be set aside for employee benefits. The following table reconciles cash and cash equivalents as reported on the condensed consolidated balance sheet to cash, cash equivalents and restricted cash as reported on the condensed consolidated statement of cash flows. Prior period amounts have been adjusted to conform to the current period presentation.

| | September 30, 2018 | March 31, 2018 |
|--|--------------------|----------------|
| Cash and cash equivalents | \$ 829 | \$ 920 |
| Restricted cash (included in "Other long-term assets") | 12 | 12 |
| Total cash, cash equivalents, and restricted cash | <u>\$ 841</u> | <u>\$ 932</u> |

Effective for the first quarter of fiscal 2019, we adopted ASU 2016-16, *Income Taxes (Topic 740) - Intra-Entity Asset Transfers of Assets Other than Inventory*. The new standard eliminates the exception for all intra-entity sales of assets other than inventory. It requires the tax effect of intra-entity sales of assets other than inventory to be recognized currently which will impact Novelis' effective tax rate. The changes require the current and deferred income tax consequences of the intra-entity transfer to be recorded when the transaction occurs. We have adopted this standard on a modified retrospective basis and the cumulative effect of the change on retained earnings is \$36 million with a corresponding impact to deferred tax balances.

Effective for the first quarter of fiscal 2019, we adopted ASU 2016-15, *Statement of Cash Flows (Topic 230) - Classification of Certain Cash Receipts and Cash Payments*. The new standard applies to all entities that are required to present a statement of cash flows under Topic 230 and addresses eight specific cash flow items to provide clarification and reduce the diversity in presentation of these items. We adopted this standard on a retrospective basis and we reclassified the cash received related to beneficial interest in certain factored accounts receivables from operating activities to investing activities. For the six months ended September 30, 2017, we reclassified \$6 million from accounts receivable within operating activities into the line item "Other" within investing activities on the condensed consolidated statement of cash flows.

Recently Issued Accounting Standards

In August 2018, the FASB issued ASU 2018-15, *Intangibles-Goodwill and Other Internal-Use Software (Topic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that Is a Service Contract*, which requires capitalization of implementation costs incurred in a hosting arrangement that is a service contract. This change will better align with requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected. These changes become effective for Novelis on April 1, 2020. Early adoption is permitted. The Company is currently evaluating the impact of the new standard.

In August 2018, the FASB issued ASU 2018-14, *Compensation - Retirement Benefits - Defined Benefit Plans - General (Topic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans*, which amends ASC 715 to add, remove and clarify requirements related to defined benefit pension and other postretirement plans. The ASU added requirements for new disclosures such as now requiring a narrative description of the reasons for significant gains and losses affecting the benefit obligation for the period and also an explanation of any other significant changes in the benefit obligation or plan assets that are not otherwise apparent in the other disclosures required by ASC 715. Further, the ASU removes some currently required disclosures such as (a) the requirement (for public entities) to disclose the effects of a one-percentage-point change on the assumed health care costs and the effect of this change in rates on service cost, interest cost, and the benefit obligation for postretirement health care benefits and (b) the amounts in accumulated other comprehensive income "OCI" expected to be recognized in net periodic benefit costs over the next fiscal year. These changes become effective for Novelis for fiscal year ending after December 15, 2020. Early adoption is permitted. The Company is currently evaluating the impact of this standard.

In January 2017, the FASB issued ASU 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, which removes Step 2 from the goodwill impairment test. As amended, the goodwill impairment test will consist of one step comparing the fair value of a reporting unit with its carrying amount. Under the simplified model, a goodwill impairment is calculated as the difference between the carrying amount of the reporting unit and its fair value, but not to exceed the carrying amount of goodwill allocated to that reporting unit. Early adoption is permitted. These changes become effective for Novelis on April 1, 2020. This standard will need to be considered each time Novelis performs an assessment of goodwill for impairment under the quantitative test. The Company is currently evaluating the impact of this standard and does not expect that adoption of this standard will have a material impact on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which when effective, will require organizations that lease assets to recognize assets and liabilities for the rights and obligations created by the leases on balance sheet. A lessee will be required to recognize assets and liabilities for leases with terms that exceed twelve months. The standard will also require disclosures to help investors and financial statement users better understand the amount, timing and uncertainty of cash flows arising from leases. The disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. Novelis has established a cross-functional project team to lead the implementation effort including the implementation of an enterprise-wide lease management system and evaluation of additional changes to our processes and internal controls. In addition, Novelis is evaluating certain practical expedients. These changes become effective for Novelis on April 1, 2019 for the annual reporting period (including interim periods therein). The Company is currently evaluating the impact of the new standard.

2. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company's contracts with customers are comprised of purchase orders along with standard terms and conditions. These contracts with customers typically consist of the manufacture of products which represent single performance obligations that are satisfied upon transfer of control of the product to the customer at a point in time. Transfer of control is assessed based on alternative use of the products we produce and our enforceable right to payment for performance to date under the contract terms. Transfer of control and revenue recognition generally occur upon shipment or delivery of the product, which is when title, ownership and risk of loss pass to the customer and is based on the applicable shipping terms. The shipping terms vary across all businesses and depend on the product, the country of origin, and the type of transportation (truck, train, or vessel). The length of payment terms can vary per contract but none extend beyond one year. Revenue is recognized net of any volume rebates or other incentives.

We disaggregate revenue from contracts with customers on a geographic basis based on our segment view. This disaggregation also achieves the disclosure objective to depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. We manage our activities on the basis of geographical regions and are organized under four operating segments: North America, South America, Asia and Europe. See Note 16 — Segment, Major Customer and Major Supplier Information for further information about our segment revenue.

3. INVENTORIES

"Inventories" consist of the following (in millions).

| | September 30, 2018 | March 31, 2018 |
|-----------------|-----------------------|-------------------|
| Finished goods | \$ 411 | \$ 416 |
| Work in process | 823 | 730 |
| Raw materials | 346 | 248 |
| Supplies | 168 | 166 |
| Inventories | <u>\$ 1,748</u> | <u>\$ 1,560</u> |

4. CONSOLIDATION

Variable Interest Entities (VIE)

We have a joint interest in Logan Aluminum Inc. (Logan) with Tri-Arrows Aluminum Inc. (Tri-Arrows). Logan processes metal received from Novelis and Tri-Arrows and charges the respective partner a fee to cover expenses. Logan is a thinly capitalized variable interest entity ("VIE") that relies on the regular reimbursement of costs and expenses from its investors, Novelis and Tri-Arrows, to fund its operations. Novelis is considered the primary beneficiary and consolidates Logan since it has the power to direct the production operations and other activities that most significantly impact Logan's economic performance, an obligation to absorb expected losses and the right to receive benefits that could potentially be significant.

Other than the contractually required reimbursements, we do not provide other material support to Logan. Logan's creditors do not have recourse to our general credit. There are significant other assets used in the operations of Logan that are not part of the joint venture, as they are directly owned and consolidated by Novelis or Tri-Arrows.

The following table summarizes the carrying value and classification of assets and liabilities owned by the Logan joint venture and consolidated in our condensed consolidated balance sheets (in millions).

| | September 30, 2018 | March 31, 2018 |
|--|-----------------------|-------------------|
| Assets | | |
| Current assets | | |
| Accounts receivable | \$ 16 | \$ 39 |
| Inventories | 73 | 67 |
| Prepaid expenses and other current assets | 1 | 1 |
| Total current assets | 90 | 107 |
| Property, plant and equipment, net | 25 | 27 |
| Goodwill | 12 | 12 |
| Deferred income taxes | 67 | 67 |
| Other long-term assets | 34 | 26 |
| Total assets | \$ 228 | \$ 239 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable | \$ 36 | \$ 43 |
| Accrued expenses and other current liabilities | 19 | 22 |
| Total current liabilities | 55 | 65 |
| Accrued postretirement benefits | 241 | 245 |
| Other long-term liabilities | 1 | 1 |
| Total liabilities | \$ 297 | \$ 311 |

5. INVESTMENT IN AND ADVANCES TO NON-CONSOLIDATED AFFILIATES AND RELATED PARTY TRANSACTIONS

Included in the accompanying condensed consolidated financial statements are transactions and balances arising from business we conducted with our equity method non-consolidated affiliates, which we classify as related party transactions and balances. We account for these affiliates using the equity method as the risk of loss is limited to the carrying value of each investment.

Alunorf

Aluminum Norf GmbH (Alunorf) is a joint venture investment between Novelis Deutschland GmbH, a subsidiary of Novelis, and Hydro Aluminum Deutschland GmbH (Hydro). Each of the parties to the joint venture hold a 50% interest in the equity, profits and losses, shareholder voting, management control and rights to use the production capacity of the facility. Alunorf purchases aluminum from Novelis and Hydro, tolls the aluminum, and charges the respective partner a fee to cover the associated expenses.

UAL

Ulsan Aluminum, Ltd. (UAL) is a joint venture investment between Novelis Korea Ltd., a subsidiary of Novelis, and Kobe Steel Ltd. (Kobe). UAL is a thinly capitalized VIE that relies on the regular reimbursement of costs and expenses from its investors, Novelis and Kobe. UAL is ultimately controlled by the Board of Directors and neither entity has the ability to take the majority share of production and associated costs, therefore, it is accounted for as an equity method investment and Novelis is not considered the primary beneficiary. UAL produces flat rolled aluminum products exclusively for Novelis and Kobe. As of September 30, 2018, Novelis and Kobe both hold 50% interests in UAL.

AluInfra

In July 2018, Novelis Switzerland SA (Novelis Switzerland), a subsidiary of Novelis, entered into definitive agreements with Constellium Valais SA (Constellium), an unrelated party, under which Novelis Switzerland and Constellium will jointly own and operate AluInfra Services SA (AluInfra), the joint venture investment. Each of the parties to the joint venture hold a 50% interest in the equity, profits and losses, shareholder voting, management control and rights to use the production capacity of the facility.

The following table summarizes the results of operations of our equity method affiliates, and the nature and amounts of significant transactions we have with our non-consolidated affiliates (in millions). The amounts in the table below are disclosed at 100% of the operating results of these affiliates.

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|----------------------------------|--------|--------------------------------|--------|
| | 2018 | 2017 | 2018 | 2017 |
| Net sales | \$ 332 | \$ 124 | \$ 650 | \$ 241 |
| Costs, expenses | 327 | 126 | 642 | 242 |
| Provision for taxes on income | 2 | — | 3 | — |
| Net income (loss) | \$ 3 | \$ (2) | \$ 5 | \$ (1) |
| Purchases of tolling services from Alunorf (Novelis' share) | \$ 65 | \$ 63 | \$ 129 | \$ 121 |

The following table describes the period-end account balances that we had with these non-consolidated affiliates, shown as related party balances in the accompanying condensed consolidated balance sheets (in millions). We had no other material related party balances with these affiliates.

| | September 30, 2018 | March 31, 2018 |
|--|-----------------------|-------------------|
| Accounts receivable-related parties | \$ 194 | \$ 242 |
| Other long-term assets-related parties | \$ — | \$ 3 |
| Accounts payable-related parties | \$ 184 | \$ 205 |

Novelis Inc.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - (Continued)

As of March 31, 2018, we earned less than \$1 million of interest income on this loan receivable. We believed collection of the full receivable from Alunorf was probable; thus no allowance for loan loss was recorded as of March 31, 2018.

We have guaranteed the indebtedness for a credit facility on behalf of Alunorf. The guarantee is limited to 50% of the outstanding debt, not to exceed 6 million euros (EUR). As of September 30, 2018, there were no amounts outstanding under our guarantee with Alunorf as there were no outstanding borrowings. We have also guaranteed the payment of early retirement benefits on behalf of Alunorf. As of September 30, 2018, this guarantee totaled \$2 million.

Transactions with Hindalco

We occasionally have related party transactions with our indirect parent company, Hindalco. During the six months ended September 30, 2018 and 2017, "Net sales" were less than \$1 million, respectively, between Novelis and Hindalco. As of September 30, 2018 and March 31, 2018, there were less than \$1 million in "Accounts receivable, net - related parties", respectively, outstanding related to transactions with Hindalco. During the six months ended September 30, 2018 and 2017, Novelis purchased less than \$1 million of raw materials from Hindalco.

Novelis Inc.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - (Continued)

6. DEBT

Debt consisted of the following (in millions).

| | September 30, 2018 | | | | March 31, 2018 | | |
|---|--------------------|-----------------|--|-----------------|-----------------|--|-----------------|
| | Interest Rates (A) | Principal | Unamortized Carrying Value Adjustments (B) | Carrying Value | Principal | Unamortized Carrying Value Adjustments (B) | Carrying Value |
| Third party debt: | | | | | | | |
| Short-term borrowings | 2.12% | \$ 147 | \$ — | \$ 147 | \$ 49 | \$ — | \$ 49 |
| Novelis Inc. | | | | | | | |
| Floating rate Term Loan Facility, due June 2022 | 4.24% | 1,769 | (39) | 1,730 | 1,778 | (43) | 1,735 |
| Novelis Corporation | | | | | | | |
| 5.875% Senior Notes, due September 2026 | 5.875% | 1,500 | (20) | 1,480 | 1,500 | (21) | 1,479 |
| 6.25% Senior Notes, due August 2024 | 6.25% | 1,150 | (15) | 1,135 | 1,150 | (17) | 1,133 |
| Novelis Korea Limited | | | | | | | |
| Bank loans, due through September 2020 (KRW 71 billion) | 2.74% | 65 | — | 65 | 95 | — | 95 |
| Other | | | | | | | |
| Capital lease obligations and other debt, due through December 2026 | 6.09% | 3 | — | 3 | 15 | — | 15 |
| Total debt | | <u>4,634</u> | <u>(74)</u> | <u>4,560</u> | <u>4,587</u> | <u>(81)</u> | <u>4,506</u> |
| Less: Short term borrowings | | (147) | — | (147) | (49) | — | (49) |
| Less: Current portion of long term debt | | (83) | — | (83) | (121) | — | (121) |
| Long-term debt, net of current portion | | <u>\$ 4,404</u> | <u>\$ (74)</u> | <u>\$ 4,330</u> | <u>\$ 4,417</u> | <u>\$ (81)</u> | <u>\$ 4,336</u> |

(A) Interest rates are the stated rates of interest on the debt instrument (not the effective interest rate) as of September 30, 2018, and therefore, exclude the effects of related interest rate swaps and accretion/amortization of fair value adjustments as a result of purchase accounting in connection with Hindalco's purchase of Novelis and accretion/amortization of debt issuance costs related to refinancing transactions and additional borrowings. We present stated rates of interest because they reflect the rate at which cash will be paid for future debt service.

(B) Amounts include unamortized debt issuance costs, fair value adjustments and debt discounts.

Novelis Inc.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - (Continued)

Principal repayment requirements for our total debt over the next five years and thereafter using exchange rates as of September 30, 2018 (for our debt denominated in foreign currencies) are as follows (in millions).

| As of September 30, 2018 | Amount |
|---|-----------------|
| Short-term borrowings and current portion of long-term debt due within one year | \$ 230 |
| 2 years | 20 |
| 3 years | 19 |
| 4 years | 1,715 |
| 5 years | — |
| Thereafter | 2,650 |
| Total | \$ 4,634 |

Refer to our Annual Report on Form 10-K for the year-ended March 31, 2018 for details on the issuances and respective covenants of our senior notes and senior secured credit facilities, which includes the Term Loan Facility and ABL Revolver facility.

Senior Notes

As of September 30, 2018, we were in compliance with the covenants for our Senior Notes.

Term Loan Facility

In September 2017, we amended our Term Loan Credit Agreement (the "Term Loan Amendment"). The facility (Term Loan Facility) consists of a \$1.8 billion five-year secured term loan. As of September 30, 2018, \$18 million of the Term Loan Facility is due within one year. As of September 30, 2018, we were in compliance with the covenants for our term loan.

Short-Term Borrowings

In September 2017, we amended and extended the ABL Revolver. The facility (ABL Revolver) consists of a \$1 billion asset based loan. As of September 30, 2018, there were \$105 million in Novelis AG ABL borrowings (EUR 90 million). Additionally, as of September 30, 2018, \$8 million of the ABL Revolver was utilized for letters of credit, and we had \$793 million in remaining availability under the ABL Revolver. As of September 30, 2018, we were in compliance with the covenants for our ABL Revolver.

As of September 30, 2018, our short-term borrowings were \$147 million consisting of \$105 million in ABL borrowings (EUR 90 million), \$41 million in Novelis China loans (CNY 284 million) and \$1 million in other short-term borrowings.

As of September 30, 2018, we had availability under our Novelis Korea and Novelis China revolving credit facilities and credit lines of \$107 million (KRW 120 billion) and \$6 million (CNY 41 million), respectively.

Korean Bank Loans

All of the Korean Bank Loans have variable interest rates with base rates generally tied to Korea's 91-day CD rate plus an applicable spread ranging from 0.99% to 1.21%.

Interest Rate Swaps

We use interest rate swaps to manage our exposure to changes in benchmark interest rates which impact our variable-rate debt. See Note 10 — Financial Instruments and Commodity Contracts for further information about these interest rate swaps.

7. SHARE-BASED COMPENSATION

During the six months ended September 30, 2018, we granted 2,249,762 RSUs and 2,359,601 Hindalco stock appreciation rights (Hindalco SARs). Total compensation expense related to all plans for the respective periods was \$12 million and \$14 million for the six months ended September 30, 2018 and 2017, respectively. As of September 30, 2018, the outstanding liability related to share-based compensation was \$18 million.

The cash payments made to settle all SAR liabilities were \$4 million and \$7 million in the six months ended September 30, 2018 and 2017 periods, respectively. Total cash payments made to settle Hindalco phantom restricted stock units (RSUs) were \$14 million and \$8 million in the six months ended September 30, 2018 and 2017, respectively. Unrecognized compensation expense related to the non-vested Hindalco SARs (assuming all future performance criteria are met) was \$7 million, which is expected to be recognized over a weighted average period of 1.1 years. Unrecognized compensation expense related to the RSUs was \$9 million, which will be recognized over the remaining weighted average vesting period of 1.2 years.

For a further description of authorized long term incentive plans (LTIPs), including Hindalco SARs, RSUs, and Novelis Performance Units, please refer to our Annual Report on Form 10-K for the year ended March 31, 2018.

8. POSTRETIREMENT BENEFIT PLANS

Components of net periodic benefit cost for all of our postretirement benefit plans are shown in the table below (in millions).

| | Pension Benefit Plans | | Other Benefit Plans | |
|-------------------------------------|----------------------------------|-------|----------------------------------|------|
| | Three Months Ended September 30, | | Three Months Ended September 30, | |
| | 2018 | 2017 | 2018 | 2017 |
| Service cost | \$ 10 | \$ 11 | \$ 2 | \$ 1 |
| Interest cost | 15 | 15 | 2 | 3 |
| Expected return on assets | (16) | (16) | — | — |
| Amortization — losses, net | 8 | 9 | 1 | — |
| Termination benefits / curtailments | — | 2 | — | — |
| Net periodic benefit cost (A) | \$ 17 | \$ 21 | \$ 5 | \$ 4 |

| | Pension Benefit Plans | | Other Benefit Plans | |
|-------------------------------------|--------------------------------|-------|--------------------------------|------|
| | Six Months Ended September 30, | | Six Months Ended September 30, | |
| | 2018 | 2017 | 2018 | 2017 |
| Service cost | \$ 20 | \$ 22 | \$ 4 | \$ 3 |
| Interest cost | 30 | 30 | 4 | 4 |
| Expected return on assets | (32) | (32) | — | — |
| Amortization — losses, net | 16 | 18 | 2 | 1 |
| Termination benefits / curtailments | — | 2 | — | — |
| Net periodic benefit cost (A) | \$ 34 | \$ 40 | \$ 10 | \$ 8 |

(A) Service cost is included within "Cost of goods sold (exclusive of depreciation and amortization)" and "Selling, general and administrative expenses" and all other cost components are recorded within "Other (income) expenses, net".

The average expected long-term rate of return on plan assets is 5.2% in fiscal 2019.

Employer Contributions to Plans

For pension plans, our policy is to fund an amount required to provide for contractual benefits attributed to service to date, and amortize unfunded actuarial liabilities typically over periods of 15 years or less. We also participate in savings plans in Canada and the U.S., as well as defined contribution pension plans in the U.S., U.K., Canada, Germany, Italy, Switzerland and Brazil. We contributed the following amounts (in millions) to all plans.

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|--|----------------------------------|-------|--------------------------------|-------|
| | 2018 | | 2017 | |
| | 2018 | 2017 | 2018 | 2017 |
| Funded pension plans | \$ 14 | \$ 31 | \$ 16 | \$ 34 |
| Unfunded pension plans | 3 | 4 | 6 | 7 |
| Savings and defined contribution pension plans | 7 | 6 | 16 | 14 |
| Total contributions | \$ 24 | \$ 41 | \$ 38 | \$ 55 |

During the remainder of fiscal 2019, we expect to contribute an additional \$10 million to our funded pension plans, \$8 million to our unfunded pension plans and \$12 million to our savings and defined contribution pension plans.

9. CURRENCY GAINS

The following currency (gains) losses are included in “Other (income) expenses, net” in the accompanying condensed consolidated statements of operations (in millions).

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|----------------------------------|---------|--------------------------------|---------|
| | 2018 | 2017 | 2018 | 2017 |
| Gain on remeasurement of monetary assets and liabilities, net | \$ — | \$ (10) | \$ (6) | \$ (39) |
| Loss recognized on balance sheet remeasurement currency exchange contracts, net | — | 9 | 6 | 39 |
| Currency gains, net | \$ — | \$ (1) | \$ — | \$ — |

The following currency gains (losses) are included in “Accumulated other comprehensive loss,” net of tax and “Noncontrolling interests” in the accompanying condensed consolidated balance sheets (in millions).

| | Six Months Ended September 30, 2018 | Year Ended March 31, 2018 |
|--|--|---------------------------|
| Cumulative currency translation adjustment — beginning of period | \$ (65) | \$ (256) |
| Effect of changes in exchange rates | (118) | 191 |
| Cumulative currency translation adjustment — end of period | \$ (183) | \$ (65) |

10. FINANCIAL INSTRUMENTS AND COMMODITY CONTRACTS

The following tables summarize the gross fair values of our financial instruments and commodity contracts as of September 30, 2018 and March 31, 2018 (in millions).

| | September 30, 2018 | | | | | |
|--|--------------------|----------------|----------------|----------------|------------------------|--|
| | Assets | | Liabilities | | Net Fair Value | |
| | Current | Noncurrent (A) | Current | Noncurrent (A) | Assets / (Liabilities) | |
| Derivatives designated as hedging instruments: | | | | | | |
| <i>Cash flow hedges</i> | | | | | | |
| Metal contracts | \$ 22 | \$ — | \$ (7) | \$ — | \$ 15 | |
| Currency exchange contracts | 3 | 1 | (23) | (4) | (23) | |
| Energy contracts | — | — | (1) | (5) | (6) | |
| Total derivatives designated as hedging instruments | 25 | 1 | (31) | (9) | (14) | |
| Derivatives not designated as hedging instruments: | | | | | | |
| Metal contracts | 42 | — | (26) | — | 16 | |
| Currency exchange contracts | 18 | 2 | (20) | — | — | |
| Energy contracts | 2 | — | — | — | 2 | |
| Total derivatives not designated as hedging instruments | 62 | 2 | (46) | — | 18 | |
| Total derivative fair value | \$ 87 | \$ 3 | \$ (77) | \$ (9) | \$ 4 | |

| | March 31, 2018 | | | | | |
|--|----------------|----------------|-----------------|---------------|------------------------|--|
| | Assets | | Liabilities | | Net Fair Value | |
| | Current | Noncurrent (A) | Current | Noncurrent(A) | Assets / (Liabilities) | |
| Derivatives designated as hedging instruments: | | | | | | |
| <i>Cash flow hedges</i> | | | | | | |
| Metal contracts | \$ 63 | \$ 1 | \$ (1) | \$ — | \$ 63 | |
| Currency exchange contracts | 5 | — | (7) | — | (2) | |
| Energy contracts | — | 1 | (2) | (7) | (8) | |
| Total derivatives designated as hedging instruments | 68 | 2 | (10) | (7) | 53 | |
| Derivatives not designated as hedging instruments: | | | | | | |
| Metal contracts | 75 | — | (64) | — | 11 | |
| Currency exchange contracts | 15 | — | (32) | (1) | (18) | |
| Energy contracts | 1 | — | — | — | 1 | |
| Total derivatives not designated as hedging instruments | 91 | — | (96) | (1) | (6) | |
| Total derivative fair value | \$ 159 | \$ 2 | \$ (106) | \$ (8) | \$ 47 | |

(A) The noncurrent portions of derivative assets and liabilities are included in “Other long-term assets-third parties” and in “Other long-term liabilities”, respectively, in the accompanying condensed consolidated balance sheets.

Metal

We use derivative instruments to preserve our conversion margins and manage the timing differences associated with metal price lag. We use over-the-counter derivatives indexed to the London Metals Exchange ("LME") (referred to as our "aluminum derivative forward contracts") to reduce our exposure to fluctuating metal prices associated with the period of time between the pricing of our purchases of inventory and the pricing of the sale of that inventory to our customers, which is known as metal price lag. We also purchase forward LME aluminum contracts simultaneously with our sales contracts with customers that contain fixed metal prices. These LME aluminum forward contracts directly hedge the economic risk of future metal price fluctuations to better match the selling price of the metal with the purchase price of the metal. The volatility in local market premiums also results in metal price lag.

Price risk exposure arises from commitments to sell aluminum in future periods at fixed prices. We identify and designate certain LME aluminum forward contracts as fair value hedges of the metal price risk associated with fixed price sales commitments that qualify as firm commitments. We did not have any outstanding aluminum forward purchase contracts designated as fair value hedges as of September 30, 2018 and March 31, 2018.

Price risk arises due to fluctuating aluminum prices between the time the sales order is committed and the time the order is shipped. We identify and designate certain LME aluminum forward purchase contracts as cash flow hedges of the metal price risk associated with our future metal purchases that vary based on changes in the price of aluminum. We did not have any outstanding aluminum forward purchase contracts designated as cash flow hedges as of September 30, 2018 and March 31, 2018.

Price risk exposure arises due to the timing lag between the LME based pricing of raw material aluminum purchases and the LME based pricing of finished product sales. We identify and designate certain LME aluminum forward sales contracts as cash flow hedges of the metal price risk associated with our future metal sales that vary based on changes in the price of aluminum. Generally, such exposures do not extend beyond two years in length. The average duration of undesignated contracts is less than one year.

In the first quarter of fiscal year 2019, we entered into LME copper forward contracts. As of September 30, 2018, the fair value of these contracts was an asset of less than \$1 million. These contracts are undesignated with an average duration of less than one year.

The following table summarizes our metal notional amounts (in kt).

| | September 30, 2018 | March 31, 2018 |
|------------------------|-----------------------|-------------------|
| Hedge type | | |
| <i>Purchase (sale)</i> | | |
| Cash flow sales | (421) | (423) |
| Not designated | (48) | (74) |
| Total, net | (469) | (497) |

Foreign Currency

We use foreign exchange forward contracts, cross-currency swaps and options to manage our exposure to changes in exchange rates. These exposures arise from recorded assets and liabilities, firm commitments and forecasted cash flows denominated in currencies other than the functional currency of certain operations.

We use foreign currency contracts to hedge expected future foreign currency transactions, which include capital expenditures. These contracts cover the same periods as known or expected exposures. We had total notional amounts of \$691 million and \$499 million in outstanding foreign currency forwards designated as cash flow hedges as of September 30, 2018 and March 31, 2018, respectively.

We use foreign currency contracts to hedge our foreign currency exposure to our net investment in foreign subsidiaries. We did not have any outstanding foreign currency forwards designated as net investment hedges as of September 30, 2018 and March 31, 2018.

As of September 30, 2018 and March 31, 2018, we had outstanding foreign currency exchange contracts with a total notional amount of \$733 million and \$1,024 million, respectively, to primarily hedge balance sheet remeasurement risk, which were not designated as hedges. Contracts representing the majority of this notional amount will mature during the third quarter of fiscal 2019 and offset the remeasurement impact.

Energy

We own an interest in an electricity swap contract to hedge our exposure to fluctuating electricity prices. As of September 30, 2018 and March 31, 2018, there was 1 million of notional megawatt hours outstanding, and the fair value of the swap was a liability of \$3 million and \$7 million, respectively. The electricity swap is designated as a cash flow hedge.

We use natural gas forward purchase contracts ("forward contracts") to manage our exposure to fluctuating natural gas prices in North America. We had a notional of 18 million MMBTUs designated as cash flow hedges as of September 30, 2018, and the fair value was a liability of \$3 million. There was a notional of 20 million MMBTU forward contracts designated as cash flow hedges as of March 31, 2018 and the fair value was a liability of \$1 million. The average duration of designated contracts is three years. As of September 30, 2018 and March 31, 2018, we had notionals of less than 1 million MMBTU forward contracts that were not designated as hedges. The fair value for the forward contracts not designated as hedges as of September 30, 2018 was an asset of less than \$1 million, and as of March 31, 2018 was a liability of less than \$1 million. The average duration of undesignated contracts is less than 2 years in length. One MMBTU is the equivalent of one decatherm, or one million British Thermal Units.

We use diesel fuel forward contracts to manage our exposure to fluctuating fuel prices in North America, which were not designated as hedges as of September 30, 2018. As of September 30, 2018 and March 31, 2018, we had 5 million gallons of diesel fuel forward purchase contracts outstanding. The fair value as of September 30, 2018 and March 31, 2018 was an asset of \$2 million. The average duration of undesignated contracts is less than 2 years in length.

Interest Rate

As of September 30, 2018, we had no outstanding interest rate swaps, as all swaps expired concurrent with the maturity of the related loans. As of March 31, 2018, \$28 million (KRW 30 billion) of interest rate swaps were designated as cash flow hedges.

Gain (Loss) Recognition

The following table summarizes the gains (losses) associated with the change in fair value of derivative instruments not designated as hedges and the ineffectiveness of designated derivatives recognized in "Other (income) expenses, net" (in millions). Gains (losses) recognized in other line items in the condensed consolidated statement of operations are separately disclosed within this footnote.

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|----------------------------------|----------------|--------------------------------|----------------|
| | 2018 | 2017 | 2018 | 2017 |
| Derivative instruments not designated as hedges | | | | |
| Metal contracts | \$ 10 | \$ (12) | \$ (6) | \$ 2 |
| Currency exchange contracts | 1 | (11) | (9) | (49) |
| Energy contracts (A) | 3 | 2 | 5 | 3 |
| Gain (loss) recognized in "Other (income) expenses, net" | 14 | (21) | (10) | (44) |
| Derivative instruments designated as hedges | | | | |
| Loss recognized in "Other (income) expenses, net" (B) | — | (12) | — | (7) |
| Total gain (loss) recognized in "Other (income) expenses, net" | \$ 14 | \$ (33) | \$ (10) | \$ (51) |
| Balance sheet remeasurement currency exchange contract losses | \$ — | \$ (9) | \$ (6) | \$ (39) |
| Realized gains (losses), net | 13 | (6) | (1) | (10) |
| Unrealized gains (losses) on other derivative instruments, net | 1 | (18) | (3) | (2) |
| Total gain (loss) recognized in "Other (income) expenses, net" | \$ 14 | \$ (33) | \$ (10) | \$ (51) |

(A) Includes amounts related to diesel and natural gas swaps not designated as hedges.

(B) Amount includes: forward market premium/discount excluded from hedging relationship and ineffectiveness on designated aluminum and foreign currency capital expenditure contracts; releases to income from AOCI on balance sheet remeasurement contracts.

The following table summarizes the impact on AOCI and earnings of derivative instruments designated as cash flow and net investment hedges (in millions). Within the next twelve months, we expect to reclassify \$12 million of gains from AOCI to earnings, before taxes.

| | Amount of Gain (Loss) Recognized in OCI (Effective Portion) | | Amount of Gain (Loss) Recognized in OCI (Effective Portion) | | Amount of Gain (Loss) Recognized in "Other (Income) Expenses, net" (Ineffective and Excluded Portion) | | Amount of Gain (Loss) Recognized in "Other (Income) Expenses, net" (Ineffective and Excluded Portion) | |
|--|---|----------------|---|----------------|---|----------------|---|---------------|
| | Three Months Ended September 30, | | Six Months Ended September 30, | | Three Months Ended September 30, | | Six Months Ended September 30, | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Cash flow hedging derivatives | | | | | | | | |
| Metal contracts | \$ 29 | \$ (52) | \$ (36) | \$ (23) | \$ — | \$ (14) | \$ — | \$ (9) |
| Currency exchange contracts | — | 4 | (35) | (7) | — | 1 | — | 1 |
| Energy contracts | 1 | — | 1 | (2) | — | 1 | — | 1 |
| Total cash flow hedging derivatives | \$ 30 | \$ (48) | \$ (70) | \$ (32) | \$ — | \$ (12) | \$ — | \$ (7) |

Novelis Inc.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - (Continued)

Gain (Loss) Reclassification

| Cash flow hedging derivatives | Amount of Gain (Loss) Reclassified from AOCI into Income/(Expense) (Effective Portion) Three Months Ended September 30, | | Amount of Gain (Loss) Reclassified from AOCI into Income/(Expense) (Effective Portion) Six Months Ended September 30, | | Location of Gain (Loss) Reclassified from AOCI into Earnings |
|-------------------------------|---|---------------|---|----------------|--|
| | 2018 | 2017 | 2018 | 2017 | |
| Energy contracts (A) | \$ — | \$ — | \$ (1) | \$ (1) | Cost of goods sold (B) |
| Metal contracts | — | (11) | — | (43) | Cost of goods sold (B) |
| Metal contracts | 27 | — | — | — | Net sales |
| Currency exchange contracts | (5) | 4 | (7) | 7 | Cost of goods sold (B) |
| Currency exchange contracts | (1) | 1 | (1) | 1 | Selling, general and administrative expenses |
| Currency exchange contracts | (2) | — | (3) | 2 | Net sales |
| Currency exchange contracts | (1) | (1) | (1) | (1) | Depreciation and amortization |
| Total | 18 | (7) | (13) | (35) | Income (loss) before taxes |
| | (6) | 2 | 2 | 12 | Income tax (provision) benefit |
| | <u>\$ 12</u> | <u>\$ (5)</u> | <u>\$ (11)</u> | <u>\$ (23)</u> | Net gain (loss) |

(A) Includes amounts related to electricity and natural gas swaps.

(B) "Cost of goods sold" is exclusive of depreciation and amortization.

The following tables summarize the location and amount of gains (losses) that were reclassified from Accumulated other comprehensive loss into earnings (in millions). The amounts excluded from the assessment of effectiveness for the three and six months ended September 30, 2018 were less than \$1 million.

| Gain (loss) on cash flow hedging relationships | Three Months Ended September 30, 2018 | | | |
|---|---------------------------------------|--------------------|--|-------------------------------|
| | Net Sales | Cost of Goods Sold | Selling, General and Administrative Expenses | Depreciation and Amortization |
| Metal commodity contracts: | | | | |
| Amount of gain reclassified from AOCI into income | \$ 27 | \$ — | \$ — | \$ — |
| Energy commodity contracts: | | | | |
| Amount of loss reclassified from AOCI into income | \$ — | \$ — | \$ — | \$ — |
| Foreign exchange contracts: | | | | |
| Amount of loss reclassified from AOCI into income | \$ (2) | \$ (5) | \$ (1) | \$ (1) |

| Gain (loss) on cash flow hedging relationships | Six Months Ended September 30, 2018 | | | |
|---|-------------------------------------|--------------------|--|-------------------------------|
| | Net Sales | Cost of Goods Sold | Selling, General and Administrative Expenses | Depreciation and Amortization |
| Metal commodity contracts: | | | | |
| Amount of gain reclassified from AOCI into income | \$ — | \$ — | \$ — | \$ — |
| Energy commodity contracts: | | | | |
| Amount of loss reclassified from AOCI into income | \$ — | \$ (1) | \$ — | \$ — |
| Foreign exchange contracts: | | | | |
| Amount of loss reclassified from AOCI into income | \$ (3) | \$ (7) | \$ (1) | \$ (1) |

11. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following tables summarize the change in the components of Accumulated other comprehensive loss, net of tax and excluding "Noncontrolling interests", for the periods presented (in millions).

| | Currency Translation | (A) Cash Flow Hedges | (B) Postretirement Benefit Plans | Total |
|--|----------------------|----------------------|----------------------------------|-----------------|
| Balance as of June 30, 2018 | \$ (182) | \$ (21) | \$ (227) | \$ (430) |
| Other comprehensive (loss) income before reclassifications | (1) | 21 | (1) | 19 |
| Amounts reclassified from AOCI, net | — | (12) | 7 | (5) |
| Net current-period other comprehensive (loss) income | (1) | 9 | 6 | 14 |
| Balance as of September 30, 2018 | <u>\$ (183)</u> | <u>\$ (12)</u> | <u>\$ (221)</u> | <u>\$ (416)</u> |

| | Currency Translation | (A) Cash Flow Hedges | (B) Postretirement Benefit Plans | Total |
|--|----------------------|----------------------|----------------------------------|-----------------|
| Balance as of June 30, 2017 | \$ (193) | \$ (18) | \$ (246) | \$ (457) |
| Other comprehensive income (loss) before reclassifications | 28 | (31) | 6 | 3 |
| Amounts reclassified from AOCI, net | — | 5 | (1) | 4 |
| Net current-period other comprehensive income (loss) | 28 | (26) | 5 | 7 |
| Balance as of September 30, 2017 | <u>\$ (165)</u> | <u>\$ (44)</u> | <u>\$ (241)</u> | <u>\$ (450)</u> |

| | Currency Translation | (A) Cash Flow Hedges | (B) Postretirement Benefit Plans | Total |
|--|----------------------|----------------------|----------------------------------|-----------------|
| Balance as of March 31, 2018 | \$ (65) | \$ 31 | \$ (227) | \$ (261) |
| Amounts reclassified from AOCI, net - due to adoption of accounting standard updates | — | (3) | (13) | (16) |
| Balance as of April 1, 2018 | (65) | 28 | (240) | (277) |
| Other comprehensive (loss) income before reclassifications | (118) | (51) | 5 | (164) |
| Amounts reclassified from AOCI, net | — | 11 | 14 | 25 |
| Net current-period other comprehensive (loss) income | (118) | (40) | 19 | (139) |
| Balance as of September 30, 2018 | <u>\$ (183)</u> | <u>\$ (12)</u> | <u>\$ (221)</u> | <u>\$ (416)</u> |

| | Currency Translation | (A) Cash Flow Hedges | (B) Postretirement Benefit Plans | Total |
|--|----------------------|----------------------|----------------------------------|-----------------|
| Balance as of March 31, 2017 | \$ (256) | \$ (46) | \$ (243) | \$ (545) |
| Other comprehensive income (loss) before reclassifications | 91 | (21) | (4) | 66 |
| Amounts reclassified from AOCI, net | — | 23 | 6 | 29 |
| Net current-period other comprehensive income | 91 | 2 | 2 | 95 |
| Balance as of September 30, 2017 | <u>\$ (165)</u> | <u>\$ (44)</u> | <u>\$ (241)</u> | <u>\$ (450)</u> |

(A) For additional information on our cash flow hedges, see Note 10 — Financial Instruments and Commodity Contracts.

(B) For additional information on our postretirement benefit plans, see Note 8 — Postretirement Benefit Plans.

12. FAIR VALUE MEASUREMENTS

We record certain assets and liabilities, primarily derivative instruments, on our condensed consolidated balance sheets at fair value. We also disclose the fair value of certain financial instruments, including debt and loans receivable, which are not recorded at fair value. Our objective in measuring fair value is to estimate an exit price in an orderly transaction between market participants on the measurement date. We consider factors such as liquidity, bid/offer spreads and nonperformance risk, including our own nonperformance risk, in measuring fair value. We use observable market inputs wherever possible. To the extent observable market inputs are not available, our fair value measurements will reflect the assumptions we used. We grade the level of the inputs and assumptions used according to a three-tier hierarchy:

Level 1 — Unadjusted quoted prices in active markets for identical, unrestricted assets or liabilities we have the ability to access at the measurement date.

Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 — Unobservable inputs for which there is little or no market data, which require us to develop our own assumptions based on the best information available as what market participants would use in pricing the asset or liability.

The following section describes the valuation methodologies we used to measure our various financial instruments at fair value, including an indication of the level in the fair value hierarchy in which each instrument is generally classified.

Derivative Contracts

For certain derivative contracts with fair values based upon trades in liquid markets, such as aluminum, foreign exchange, natural gas and diesel fuel forward contracts and options, valuation model inputs can generally be verified and valuation techniques do not involve significant judgment. The fair values of such financial instruments are generally classified within Level 2 of the fair value hierarchy.

The majority of our derivative contracts are valued using industry-standard models with observable market inputs as their basis, such as time value, forward interest rates, volatility factors, and current (spot) and forward market prices. We generally classify these instruments within Level 2 of the valuation hierarchy. Such derivatives include interest rate swaps, cross-currency swaps, foreign currency contracts, aluminum and copper forward contracts, natural gas and diesel fuel forward contracts.

We classify derivative contracts that are valued based on models with significant unobservable market inputs as Level 3 of the valuation hierarchy. Our electricity swap, which is our only Level 3 derivative contract, represents an agreement to buy electricity at a fixed price at our Oswego, New York facility. Forward prices are not observable for this market, so we must make certain assumptions based on available information we believe to be relevant to market participants. We use observable forward prices for a geographically nearby market and adjust for 1) historical spreads between the cash prices of the two markets, and 2) historical spreads between retail and wholesale prices.

For the electricity swap, the average forward price at September 30, 2018, estimated using the method described above, was \$43 per megawatt hour, which represented a \$3 premium over forward prices in the nearby observable market. The actual rate from the most recent swap settlement was approximately \$42 per megawatt hour. Each \$1 per megawatt hour decline in price decreases the valuation of the electricity swap by \$1 million.

For Level 2 and 3 of the fair value hierarchy, where appropriate, valuations are adjusted for various factors such as liquidity, bid/offer spreads and credit considerations (nonperformance risk). We regularly monitor these factors along with significant market inputs and assumptions used in our fair value measurements and evaluate the level of the valuation input according to the fair value hierarchy. This may result in a transfer between levels in the hierarchy from period to period. As of September 30, 2018 and March 31, 2018, we did not have any Level 1 derivative contracts. No amounts were transferred between levels in the fair value hierarchy.

All of the Company's derivative instruments are carried at fair value in the statements of financial position prior to considering master netting agreements.

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The following table presents our derivative assets and liabilities which were measured and recognized at fair value on a recurring basis and classified under the appropriate level of the fair value hierarchy as of September 30, 2018 and March 31, 2018 (in millions). The table below also discloses the net fair value of the derivative instruments after considering the impact of master netting agreements.

| | September 30, 2018 | | March 31, 2018 | |
|----------------------------------|--------------------|----------------|----------------|-----------------|
| | Assets | Liabilities | Assets | Liabilities |
| Level 2 instruments | | | | |
| Metal contracts | \$ 64 | \$ (33) | \$ 139 | \$ (65) |
| Currency exchange contracts | 24 | (47) | 20 | (40) |
| Energy contracts | 2 | (3) | 2 | (2) |
| Total level 2 instruments | \$ 90 | \$ (83) | \$ 161 | \$ (107) |
| Level 3 instruments | | | | |
| Energy contracts | — | (3) | — | (7) |
| Total level 3 instruments | — | (3) | — | (7) |
| Total gross | \$ 90 | \$ (86) | \$ 161 | \$ (114) |
| Netting adjustment (A) | \$ (33) | \$ 33 | \$ (57) | \$ 57 |
| Total net | \$ 57 | \$ (53) | \$ 104 | \$ (57) |

(A) Amounts represent the impact of legally enforceable master netting agreements that allow the Company to settle positive and negative positions with the same counterparties.

We recognized unrealized gains of \$1 million for the six months ended September 30, 2018 related to Level 3 financial instruments that were still held as of September 30, 2018. These unrealized gains were included in "Other (income) expenses, net."

The following table presents a reconciliation of fair value activity for Level 3 derivative contracts (in millions).

| | Level 3 – Derivative Instruments (A) |
|---|--|
| Balance as of March 31, 2018 | \$ (7) |
| Unrealized/realized gain included in earnings (B) | 4 |
| Unrealized gain included in AOCI (C) | 3 |
| Settlements (B) | (3) |
| Balance as of September 30, 2018 | \$ (3) |

(A) Represents net derivative liabilities.

(B) Included in "Other (income) expenses, net."

(C) Included in "Net change in fair value of effective portion of cash flow hedges."

Financial Instruments Not Recorded at Fair Value

The table below presents the estimated fair value of certain financial instruments not recorded at fair value on a recurring basis (in millions). The table excludes short-term financial assets and liabilities for which we believe carrying value approximates fair value. We value long-term receivables and long-term debt using Level 2 inputs. Valuations are based on either market and/or broker ask prices when available or on a standard credit adjusted discounted cash flow model using market observable inputs.

| | September 30, 2018 | | March 31, 2018 | |
|--|--------------------|------------|----------------|------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Assets | | | | |
| Long-term receivables from related parties | \$ — | \$ — | \$ 3 | \$ 3 |
| Liabilities | | | | |
| Total debt — third parties (excluding short-term borrowings) | \$ 4,413 | \$ 4,509 | \$ 4,457 | \$ 4,569 |

13. OTHER (INCOME) EXPENSES, NET

“Other (income) expenses, net” is comprised of the following (in millions).

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|--|----------------------------------|--------------|--------------------------------|--------------|
| | 2018 | 2017 | 2018 | 2017 |
| Currency gains, net (A) | \$ — | \$ (1) | \$ — | \$ — |
| Unrealized (gains) losses on change in fair value of derivative instruments, net (B) | (1) | 18 | 3 | 2 |
| Realized (gains) losses on change in fair value of derivative instruments, net (B) | (13) | 6 | 1 | 10 |
| (Gain) loss on sale of assets, net | (1) | 1 | 2 | 2 |
| Loss on Brazilian tax litigation, net | 1 | 1 | 1 | 2 |
| Interest income | (2) | (2) | (5) | (4) |
| Non-operating net periodic benefit cost (C) | 8 | 13 | 16 | 23 |
| Other, net | 2 | 2 | 5 | 1 |
| Other (income) expenses, net | \$ (6) | \$ 38 | \$ 23 | \$ 36 |

(A) See Note 9 — Currency Gains for further details.

(B) See Note 10 — Financial Instruments and Commodity Contracts for further details.

(C) Represents net periodic benefit cost, exclusive of service cost for the Company's pension and other post-retirement plans. For further details, refer to Note 1 — Business and Summary of Significant Accounting Policies.

14. INCOME TAXES

A reconciliation of the Canadian statutory tax rate to our effective tax rate was as follows (in millions, except percentages).

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|--|----------------------------------|--------|--------------------------------|--------|
| | 2018 | 2017 | 2018 | 2017 |
| Pre-tax income before equity in net loss of non-consolidated affiliates and noncontrolling interests | \$ 180 | \$ 424 | \$ 369 | \$ 568 |
| Canadian statutory tax rate | 25% | 25% | 25% | 25% |
| Provision at the Canadian statutory rate | \$ 45 | \$ 106 | \$ 92 | \$ 142 |
| Increase (decrease) for taxes on income (loss) resulting from: | | | | |
| Exchange translation items | 7 | 3 | 10 | 6 |
| Exchange remeasurement of deferred income taxes | (3) | 3 | (10) | — |
| Change in valuation allowances | 8 | 1 | 12 | 3 |
| Tax credits | (2) | (3) | (6) | (7) |
| (Income) expense items not subject to tax | (1) | 1 | — | — |
| Tax rate differences on foreign earnings | 5 | 7 | 13 | 13 |
| State expense, net | 3 | 1 | 5 | 2 |
| Non-deductible expenses and other - net | 2 | (3) | 1 | — |
| Income tax provision | \$ 64 | \$ 116 | \$ 117 | \$ 159 |
| Effective tax rate | 36% | 27% | 32% | 28% |

Our effective tax rate differs from the Canadian statutory rate due primarily to the following factors: (1) pre-tax foreign currency gains or losses with no tax effect and the tax effect of U.S. dollar denominated currency gains or losses with no pre-tax effect, which are shown above as exchange translation items; (2) the remeasurement of deferred income taxes due to foreign currency changes, which is shown above as exchange remeasurement of deferred income taxes; (3) changes in valuation allowances; (4) differences between Canadian and foreign statutory tax rates applied to earnings in foreign jurisdictions and foreign withholding tax expense shown above as tax rate differences on foreign earnings.

As of September 30, 2018, we had a net deferred tax liability of \$62 million. This amount included gross deferred tax assets of approximately \$1.1 billion and a valuation allowance of \$738 million. It is reasonably possible that our estimates of future taxable income may change within the next twelve months resulting in a change to the valuation allowance in one or more jurisdictions.

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, 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. The Company recorded a \$19 million discrete benefit for the remeasurement of deferred tax assets and liabilities to reflect the anticipated rate at which the deferred items was realized during the fiscal year ended March 31, 2018. The amount is provisional and is subject to change as the Company obtains information necessary to complete the calculations. The Company continues 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. No additional impact was recorded in the period ended September 30, 2018. 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 the most significant impact on the Company's consolidated financial statements is the remeasurement of deferred tax assets and liabilities. Other provisions of the Act are not expected to have a material impact on the fiscal year 2019 consolidated financial statements.

Tax authorities continue to examine certain of our tax filings for fiscal years 2005 through 2018. As a result of audit settlements, judicial decisions, the filing of amended tax returns or the expiration of statutes of limitations, our reserves for unrecognized tax benefits, as well as reserves for interest and penalties, may decrease in the next twelve months by an amount up to approximately \$25 million.

15. COMMITMENTS AND CONTINGENCIES

We are party to, and may in the future be involved in, or subject to, disputes, claims and proceedings arising in the ordinary course of our business, including some we assert against others, such as environmental, health and safety, product liability, employee, tax, personal injury and other matters. For certain matters in which the Company is involved for which a loss is reasonably possible, we are unable to estimate a loss. For certain other matters for which a loss is reasonably possible and the loss is estimable, we have estimated the aggregated range of loss as \$0 to \$75 million. This estimated aggregate range of reasonably possible losses is based upon currently available information. The Company's estimates involve significant judgment, and therefore, the estimate will change from time to time and actual losses may differ from the current estimate. We review the status of, and estimated liability related to, pending claims and civil actions on a quarterly basis. The evaluation model includes all asserted and unasserted claims that can be reasonably identified, including claims relating to our responsibility for compliance with environmental, health and safety laws and regulations in the jurisdictions in which we operate or formerly operated. The estimated costs in respect of such reported liabilities are not offset by amounts related to insurance or indemnification arrangements unless otherwise noted.

Environmental Matters

We have established liabilities based on our estimates for currently anticipated costs associated with environmental matters. We estimate that the costs related to our environmental liabilities as of September 30, 2018 and March 31, 2018 were approximately \$11 million and \$14 million, respectively. Of the total \$11 million, \$8 million was associated with restructuring actions and the remaining \$3 million is associated with undiscounted environmental clean-up costs. The short-term and long-term settlement liabilities are included in "Accrued expenses and other current liabilities" and "Other long-term liabilities", respectively, in our accompanying condensed consolidated balance sheets.

Brazilian Tax Litigation

Under a federal tax dispute settlement program established by the Brazilian government, we have settled several disputes with Brazil's tax authorities regarding various forms of manufacturing taxes and social security contributions. The short-term and long-term settlement liabilities are included in "Accrued expenses and other current liabilities" and "Other long-term liabilities", respectively, in our accompanying condensed consolidated balance sheets. Total settlement liabilities were \$45 million and \$58 million for the periods ended September 30, 2018 and March 31, 2018, respectively.

In addition to the disputes we have settled under the federal tax dispute settlement program, we are involved in several other unresolved tax and other legal claims in Brazil. Total liabilities for other disputes and claims were \$22 million and \$29 million for the periods ended September 30, 2018 and March 31, 2018, respectively. The related liabilities are included in "Other long-term liabilities" in our accompanying condensed consolidated balance sheets. Additionally, we have included in the range of reasonably possible losses disclosed above, any unresolved tax disputes or other contingencies for which a loss is reasonably possible and estimable.

For additional information, please refer to our Annual Report on Form 10-K for the year ended March 31, 2018.

16. SEGMENT, MAJOR CUSTOMER AND MAJOR SUPPLIER INFORMATION

Segment Information

Due in part to the regional nature of supply and demand of aluminum rolled products and to best serve our customers, we manage our activities based on geographical areas and are organized under four operating segments: North America, Europe, Asia and South America. All of our segments manufacture aluminum sheet and light gauge products.

The following is a description of our operating segments:

North America. Headquartered in Atlanta, Georgia, this segment operates eight plants, including two fully dedicated recycling facilities and one facility with recycling operations, in two countries.

Europe. Headquartered in Künsnacht, Switzerland, this segment operates ten plants, including two fully dedicated recycling facilities and two facilities with recycling operations, in four countries.

Asia. Headquartered in Seoul, South Korea, this segment operates four plants, including three facilities with recycling operations, in three countries.

South America. Headquartered in Sao Paulo, Brazil, this segment comprises power generation operations, and operates two plants, including a facility with recycling operations, in Brazil.

Net sales and expenses are measured in accordance with the policies and procedures described in Note 1 — Business and Summary of Significant Accounting Policies shown in our Annual Report on Form 10-K for the year ended March 31, 2018.

We measure the profitability and financial performance of our operating segments based on “Segment income.” “Segment income” provides a measure of our underlying segment results that is in line with our approach to risk management. We define “Segment income” as earnings before (a) “Depreciation and amortization”; (b) “Interest expense and amortization of debt issuance costs”; (c) interest income; (d) “Unrealized gains (losses) on change in fair value of derivative instruments, net”, except for foreign currency remeasurement hedging activities, which are included in segment income; (e) impairment of goodwill; (f) gain or loss on extinguishment of debt; (g) noncontrolling interests' share; (h) adjustments to reconcile our proportional share of “Segment income” from non-consolidated affiliates to income as determined on the equity method of accounting; (i) “Restructuring and impairment, net”; (j) gains or losses on disposals of property, plant and equipment and businesses, net; (k) other costs, net; (l) litigation settlement, net of insurance recoveries; (m) sale transaction fees; (n) provision or benefit for taxes on income (loss); (o) cumulative effect of accounting change, net of tax; (p) metal price lag; and (q) business acquisition and other integration costs.

The tables below show selected segment financial information (in millions). The “Eliminations and Other” column in the table below includes eliminations and functions that are managed directly from our corporate office that have not been allocated to our operating segments, as well as the adjustments for proportional consolidation, and eliminations of intersegment “Net sales.” The financial information for our segments includes the results of our affiliates on a proportionately consolidated basis, which is consistent with the way we manage our business segments. In order to reconcile the financial information for the segments shown in the tables below to the relevant U.S. GAAP-based measures, we must adjust proportional consolidation of each line item. The “Eliminations and Other” in “Net sales – third party” includes the net sales attributable to our joint venture partner, Tri-Arrows, for our Logan affiliate because we consolidate 100% of the Logan joint venture for U.S. GAAP, but we manage our Logan affiliate on a proportionately consolidated basis. See Note 4 — Consolidation for further information about this affiliate. Additionally, we eliminate intersegment sales and intersegment income for reporting on a consolidated basis.

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Selected Segment Financial Information

| September 30, 2018 | North America | Europe | Asia | South America | Eliminations and Other | Total |
|---|---------------|----------|----------|---------------|------------------------|----------|
| Investment in and advances to non-consolidated affiliates | \$ — | \$ 499 | \$ 318 | \$ — | \$ — | \$ 817 |
| Total assets | \$ 2,748 | \$ 3,107 | \$ 1,844 | \$ 1,802 | \$ 200 | \$ 9,701 |

| March 31, 2018 | North America | Europe | Asia | South America | Eliminations and Other | Total |
|---|---------------|----------|----------|---------------|------------------------|----------|
| Investment in and advances to non-consolidated affiliates | \$ — | \$ 522 | \$ 327 | \$ — | \$ — | \$ 849 |
| Total assets | \$ 2,569 | \$ 3,163 | \$ 1,796 | \$ 1,781 | \$ 206 | \$ 9,515 |

| Selected Operating Results Three Months Ended September 30, 2018 | North America | Europe | Asia | South America | Eliminations and Other | Total |
|--|---------------|--------|--------|---------------|------------------------|----------|
| Net sales-third party | \$ 1,211 | \$ 832 | \$ 517 | \$ 512 | \$ 64 | \$ 3,136 |
| Net sales-intersegment | 1 | 31 | 8 | 6 | (46) | — |
| Net sales | \$ 1,212 | \$ 863 | \$ 525 | \$ 518 | \$ 18 | \$ 3,136 |

| | | | | | | |
|-------------------------------|-------|-------|-------|-------|---------|-------|
| Depreciation and amortization | \$ 37 | \$ 29 | \$ 16 | \$ 16 | \$ (12) | \$ 86 |
| Income tax provision | \$ 18 | \$ 4 | \$ 6 | \$ 33 | \$ 3 | \$ 64 |
| Capital expenditures | \$ 28 | \$ 14 | \$ 9 | \$ 11 | \$ (2) | \$ 60 |

| Selected Operating Results Three Months Ended September 30, 2017 | North America | Europe | Asia | South America | Eliminations and Other | Total |
|--|---------------|--------|--------|---------------|------------------------|----------|
| Net sales-third party | \$ 949 | \$ 850 | \$ 506 | \$ 435 | \$ 54 | \$ 2,794 |
| Net sales-intersegment | 10 | 11 | 8 | 28 | (57) | — |
| Net sales | \$ 959 | \$ 861 | \$ 514 | \$ 463 | \$ (3) | \$ 2,794 |

| | | | | | | |
|-------------------------------|-------|-------|-------|-------|--------|--------|
| Depreciation and amortization | \$ 37 | \$ 27 | \$ 14 | \$ 16 | \$ (3) | \$ 91 |
| Income tax provision | \$ 10 | \$ 4 | \$ 82 | \$ 24 | \$ (4) | \$ 116 |
| Capital expenditures | \$ 18 | \$ 12 | \$ 8 | \$ 5 | \$ — | \$ 43 |

| Selected Operating Results Six Months Ended September 30, 2018 | North America | Europe | Asia | South America | Eliminations and Other | Total |
|--|---------------|----------|----------|---------------|------------------------|----------|
| Net sales-third party | \$ 2,332 | \$ 1,685 | \$ 1,059 | \$ 1,030 | \$ 127 | \$ 6,233 |
| Net sales-intersegment | 1 | 46 | 16 | 16 | (79) | — |
| Net sales | \$ 2,333 | \$ 1,731 | \$ 1,075 | \$ 1,046 | \$ 48 | \$ 6,233 |

| | | | | | | |
|-------------------------------|-------|-------|-------|-------|---------|--------|
| Depreciation and amortization | \$ 74 | \$ 56 | \$ 33 | \$ 33 | \$ (24) | \$ 172 |
| Income tax provision | \$ 32 | \$ 8 | \$ 12 | \$ 57 | \$ 8 | \$ 117 |
| Capital expenditures | \$ 50 | \$ 30 | \$ 11 | \$ 21 | \$ 2 | \$ 114 |

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| Selected Operating Results Six Months Ended September 30, 2017 | North America | Europe | Asia | South America | Eliminations and Other | Total |
|--|-----------------|-----------------|-----------------|---------------|------------------------|-----------------|
| Net sales-third party | \$ 1,893 | \$ 1,660 | \$ 1,000 | \$ 806 | \$ 104 | \$ 5,463 |
| Net sales-intersegment | 16 | 22 | 18 | 37 | (93) | — |
| Net sales | <u>\$ 1,909</u> | <u>\$ 1,682</u> | <u>\$ 1,018</u> | <u>\$ 843</u> | <u>\$ 11</u> | <u>\$ 5,463</u> |
| Depreciation and amortization | \$ 75 | \$ 54 | \$ 29 | \$ 32 | \$ (9) | \$ 181 |
| Income tax provision | \$ 21 | \$ 11 | \$ 89 | \$ 36 | \$ 2 | \$ 159 |
| Capital expenditures | \$ 33 | \$ 21 | \$ 12 | \$ 12 | \$ 4 | \$ 82 |

The table below reconciles “Net income attributable to our common shareholder” to Segment income from reportable segments for the three and six months ended September 30, 2018 and 2017 (in millions).

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|--|----------------------------------|---------------|--------------------------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net income attributable to our common shareholder | \$ 116 | \$ 307 | \$ 253 | \$ 408 |
| Noncontrolling interests | — | — | — | — |
| Income tax provision | 64 | 116 | 117 | 159 |
| Depreciation and amortization | 86 | 91 | 172 | 181 |
| Interest expense and amortization of debt issuance costs | 68 | 64 | 134 | 128 |
| Adjustment to reconcile proportional consolidation | 15 | 8 | 31 | 16 |
| Unrealized (gains) losses on change in fair value of derivative instruments, net | (1) | 18 | 3 | 2 |
| Realized gains on derivative instruments not included in segment income | (1) | — | (1) | (1) |
| Restructuring and impairment, net | — | 7 | 1 | 8 |
| (Gain) loss on sale of fixed assets | (1) | 1 | 2 | 2 |
| Gain on sale of a business (A) | — | (318) | — | (318) |
| Metal price lag | (1) | 5 | (34) | 6 |
| Business acquisition and other integration costs (B) | 8 | — | 10 | — |
| Other, net | 2 | 3 | 1 | — |
| Total of reportable segments | <u>\$ 355</u> | <u>\$ 302</u> | <u>\$ 689</u> | <u>\$ 591</u> |

(A) In September 2017, Novelis Korea, Ltd, a subsidiary of Novelis, sold a portion of its shares in Ulsan Aluminum, Ltd., which resulted in a gain.

(B) Effective in the second quarter of fiscal 2019, management removed the impact of business acquisition and other integration costs from Segment income in order to enhance the visibility of the underlying operating performance of the Company. The impact of "Business acquisition and other integration costs", which are costs in the periods presented above associated with our pending acquisition of Aleris Corporation (Aleris), is now reported as a separate line item in this reconciliation and on our condensed consolidated statement of operations. This change in presentation does not impact our condensed consolidated financial statements.

“Adjustment to reconcile proportional consolidation” relates to depreciation, amortization and income taxes of our equity method investments. Income taxes related to our equity method investments are reflected in the carrying value of the investment and not in our consolidated “Income tax provision.”

“Realized gains on derivative instruments not included in segment income” represents realized gains (losses) on foreign currency derivatives related to capital expenditures.

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"Other, net" is related primarily to losses on certain indirect tax expenses in Brazil and interest income.

The table below displays income from reportable segments for the three and six months ended September 30, 2018 and 2017, respectively (in millions).

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|-------------------------------------|----------------------------------|---------------|--------------------------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| North America | \$ 151 | \$ 124 | \$ 270 | \$ 240 |
| Europe | 59 | 51 | 122 | 108 |
| Asia | 47 | 37 | 102 | 81 |
| South America | 98 | 90 | 195 | 162 |
| Total of reportable segments | \$ 355 | \$ 302 | \$ 689 | \$ 591 |

Information about Product Sales, Major Customers and Primary Supplier

Product Sales

The following table displays our net sales by value stream (in millions).

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|-----------------------|----------------------------------|-----------------|--------------------------------|-----------------|
| | 2018 | 2017 | 2018 | 2017 |
| Can | \$ 1,651 | \$ 1,456 | \$ 3,340 | \$ 2,821 |
| Automotive | 771 | 655 | 1,497 | 1,301 |
| Specialty (and other) | 714 | 683 | 1,396 | 1,341 |
| Net sales | \$ 3,136 | \$ 2,794 | \$ 6,233 | \$ 5,463 |

Major Customers

The following table displays our Net sales to the Affiliates of Ball Corporation (Ball) and Ford Motor Company (Ford), our two largest customers, as a percentage of "Net sales".

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|------|----------------------------------|------|--------------------------------|------|
| | 2018 | 2017 | 2018 | 2017 |
| Ball | 22% | 21% | 23% | 21% |
| Ford | 11% | 10% | 10% | 10% |

Primary Supplier

Rio Tinto (RT) is our primary supplier of metal inputs, including prime and sheet ingot. The table below shows our purchases from RT as a percentage of our total combined metal purchases.

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|----------------------------------|------|--------------------------------|------|
| | 2018 | 2017 | 2018 | 2017 |
| Purchases from RT as a percentage of total combined metal purchases | 10% | 10% | 10% | 10% |

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD-LOOKING STATEMENTS

The following information should be read together with our unaudited condensed consolidated financial statements and accompanying notes included elsewhere in this Quarterly Report for a more complete understanding of our financial condition and results of operations. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below, particularly in "SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND MARKET DATA."

OVERVIEW AND REFERENCES

Novelis is the leading producer of flat-rolled aluminum products and the world's largest recycler of aluminum. We work alongside our customers to provide innovative solutions to the beverage can, automotive and high-end specialty markets. Operating an integrated network of technically advanced rolling and recycling facilities across North America, South America, Europe and Asia, Novelis leverages its global manufacturing and recycling footprint to deliver consistent, high-quality product around the world. As of September 30, 2018, we had manufacturing operations in ten countries on four continents, which include 24 operating plants, and recycling operations in eleven of these plants.

In this Quarterly Report on Form 10-Q, unless otherwise specified, the terms "we," "our," "us," "Company," and "Novelis" refer to Novelis Inc., a company incorporated in Canada under the Canadian Business Corporations Act (CBCA) and its subsidiaries. References herein to "Hindalco" refer to Hindalco Industries Limited, our indirect parent company, which acquired Novelis in May 2007, through its indirect wholly-owned subsidiary, AV Metals Inc., our direct parent company.

As used in this Quarterly Report, consolidated "aluminum rolled product shipments" or "flat rolled product shipments" refers to aluminum rolled products shipments to third parties. Regional "aluminum rolled product shipments" or "flat rolled product shipments" refers to aluminum rolled products shipments to third parties and intersegment shipments to other Novelis regions. Shipment amounts also include tolling shipments. References to "total shipments" include aluminum rolled products as well as certain other non-rolled product shipments, primarily scrap, used beverage cans (UBC), ingot, billets and primary remelt. The term "aluminum rolled products" is synonymous with the terms "flat rolled products" and "FRP" commonly used by manufacturers and third party analysts in our industry. All tonnages are stated in metric tonnes. One metric tonne (mt) is equivalent to 2,204.6 pounds. One kilotonne (kt) is 1,000 metric tonnes.

References to our Form 10-K made throughout this document refer to our Annual Report on Form 10-K for the year ended March 31, 2018, filed with the United States Securities and Exchange Commission (SEC) on May 8, 2018.

HIGHLIGHTS

We reported "Net income attributable to our common shareholder" of \$116 million in the three months ended September 30, 2018, compared to \$307 million in the three months ended September 30, 2017. The decrease of \$191 million is primarily due to a \$318 million prior year pre-tax gain, which was offset by a tax expense of \$77 million, recorded in "Gain on sale of a business, net". Partially offsetting this impact was stronger year over year operating results, which are discussed below.

"Segment income" was \$355 million, an increase of 18%, for the second quarter of fiscal 2019 compared to \$302 million for the second quarter of fiscal 2018. The increase is primarily attributable to improved operational performance, portfolio optimization, investments in our global recycling capabilities and benefits resulting from rising metal prices. Further, these factors drove net cash provided by operating activities to \$210 million for the six months ended September 30, 2018, an improvement of \$122 million over the prior comparable period.

RECENT DEVELOPMENTS

On November 1, 2018, Novelis secured financing for the pending Aleris acquisition by entering into a commitment letter with certain financial institutions to provide \$775 million of incremental term loans with five year maturities, and up to \$1.5 billion of short-term bridge loans with one year maturities. We expect to replace the bridge loans with permanent financing soon after closing, depending on market conditions.

BUSINESS AND INDUSTRY CLIMATE

Economic growth and material substitution continue to drive increasing global demand for aluminum and rolled products. In the beverage can industry, increasing customer preference for sustainable packaging options is driving higher demand for infinitely recyclable aluminum beverage cans and bottles.

Meanwhile, the demand for aluminum in the automotive industry also continues to grow, which drove the investments we made in our automotive sheet finishing capacity in North America, Europe and Asia. We have continued our automotive expansion efforts with recent investments in North America and Asia. This demand has been primarily driven by the benefits that result from using lighter weight materials in vehicles, as companies respond to government regulations, which are driving improved emissions and better fuel economy; while also maintaining or improving vehicle safety and performance.

Key Sales and Shipment Trends

(in millions, except shipments which are in kt)

| | Three Months Ended | | | | Year Ended | Three Months Ended | |
|---|--------------------|---------------|--------------|----------------|----------------|--------------------|---------------|
| | June 30, 2017 | Sept 30, 2017 | Dec 31, 2017 | March 31, 2018 | March 31, 2018 | June 30, 2018 | Sept 30, 2018 |
| Net sales | \$ 2,669 | \$ 2,794 | \$ 2,933 | \$ 3,066 | \$ 11,462 | \$ 3,097 | \$ 3,136 |
| Percentage increase in net sales versus comparable previous year period | 16 % | 18% | 27 % | 17% | 20 % | 16 % | 12 % |
| Rolled product shipments: | | | | | | | |
| North America | 273 | 274 | 269 | 273 | 1,089 | 274 | 295 |
| Europe | 235 | 237 | 222 | 236 | 930 | 232 | 229 |
| Asia | 180 | 180 | 177 | 174 | 711 | 175 | 168 |
| South America | 110 | 131 | 146 | 136 | 523 | 126 | 126 |
| Eliminations | (13) | (20) | (18) | (14) | (65) | (10) | (11) |
| Total | 785 | 802 | 796 | 805 | 3,188 | 797 | 807 |

The following summarizes the percentage increase (decrease) in rolled product shipments versus the comparable previous year period:

| | | | | | | | |
|---------------|------------|-----------|------------|-----------|------------|------------|------------|
| North America | 13 % | 9% | 9 % | 1% | 8 % | — % | 8 % |
| Europe | (4)% | —% | (2)% | —% | (1)% | (1)% | (3)% |
| Asia | 1 % | 2% | 9 % | —% | 3 % | (3)% | (7)% |
| South America | 7 % | 8% | 17 % | 9% | 10 % | 15 % | (4)% |
| Total | 4 % | 4% | 6 % | 2% | 4 % | 2 % | 1 % |

Business Model and Key Concepts

Conversion Business Model

A significant amount of our business is conducted under a conversion model, which allows us to pass through increases or decreases in the price of aluminum to our customers. Nearly all of our flat-rolled products have a price structure with three components: (i) a base aluminum price quoted off the LME; (ii) a local market premium; and (iii) a "conversion premium" to produce the rolled product, which reflects, among other factors, the competitive market conditions for that product. Base aluminum prices are typically driven by macroeconomic factors and global supply and demand of aluminum. The local market premiums tend to vary based on the supply and demand for metal in a particular region and associated transportation costs.

In North America, Europe and South America, we pass through local market premiums to our customers, which are recorded through "Net sales." In Asia, we purchase our metal inputs based on the LME and incur a local market premium; however, many of our competitors in this region price their metal using the Shanghai Futures Exchange, which does not include a local market premium, making it difficult for us to fully pass through this component of our metal input cost to some of our customers.

LME Base Aluminum Prices and Local Market Premiums

The average (based on the simple average of the monthly averages) and closing prices for aluminum set on the LME for the three and six months ended September 30, 2018 and 2017 are as follows:

| | <u>Three Months Ended September 30,</u> | | <u>Percent</u> | <u>Six Months Ended September 30,</u> | | <u>Percent</u> |
|---|---|-------------|----------------|---------------------------------------|-------------|----------------|
| | <u>2018</u> | <u>2017</u> | <u>Change</u> | <u>2018</u> | <u>2017</u> | <u>Change</u> |
| London Metal Exchange Prices | | | | | | |
| Aluminum (per metric tonne, and presented in U.S. dollars): | | | | | | |
| Closing cash price as of beginning of period | \$ 2,183 | \$ 1,909 | 14 % | \$ 1,997 | \$ 1,947 | 3 % |
| Average cash price during the period | \$ 2,056 | \$ 2,011 | 2 % | \$ 2,157 | \$ 1,961 | 10 % |
| Closing cash price as of end of period | \$ 2,012 | \$ 2,111 | (5)% | \$ 2,012 | \$ 2,111 | (5)% |

The weighted average local market premium for the three and six months ended September 30, 2018 and 2017 are as follows:

| | <u>Three Months Ended September 30,</u> | | <u>Percent</u> | <u>Six Months Ended September 30,</u> | | <u>Percent</u> |
|---|---|-------------|----------------|---------------------------------------|-------------|----------------|
| | <u>2018</u> | <u>2017</u> | <u>Change</u> | <u>2018</u> | <u>2017</u> | <u>Change</u> |
| Weighted average Local Market Premium (per metric tonne, and presented in U.S. dollars) | \$ 280 | \$ 168 | 67% | \$ 293 | \$ 162 | 81% |

Metal Price Lag and Related Hedging Activities

Increases or decreases in the price of aluminum based on the average LME base aluminum prices and local market premiums directly impact "Net sales," "Cost of goods sold (exclusive of depreciation and amortization)" and working capital. The timing of these impacts varies based on contractual arrangements with customers and metal suppliers in each region. These timing impacts are referred to as metal price lag. Metal price lag exists due to: (i) the period of time between the pricing of our purchases of metal, holding and processing the metal, and the pricing of the sale of finished inventory to our customers, and (ii) certain customer contracts containing fixed forward price commitments which result in exposure to changes in metal prices for the period of time between when our sales price fixes and the sale actually occurs.

We use LME aluminum forward contracts to preserve our conversion margins and manage the timing differences associated with the LME base metal component of "Net sales," and "Cost of goods sold (exclusive of depreciation and amortization)." These derivatives directly hedge the economic risk of future LME base metal price fluctuations to better match the purchase price of metal with the sales price of metal. The majority of our local market premium hedging occurs in North America; however, the exposure is not fully hedged. In our Europe and Asia regions, the derivative market for local market premiums is not robust or efficient enough for us to offset the impacts of LMP price movements beyond a small volume. As a consequence, volatility in local market premiums can have a significant impact on our results of operations and cash flows.

We elect to apply hedge accounting to better match the recognition of gains or losses on certain derivative instruments with the recognition of the underlying exposure being hedged in the condensed consolidated statement of operations. For undesignated metal derivatives, there are timing differences between the recognition of unrealized gains or losses on the derivatives and the recognition of the underlying exposure in the condensed consolidated statement of operations. The recognition of unrealized gains and losses on undesignated metal derivative positions typically precedes inventory cost recognition, customer delivery and revenue recognition. The timing difference between the recognition of unrealized gains and losses on undesignated metal derivatives and cost or revenue recognition impacts "Income tax provision" and "Net income." Gains and losses on metal derivative contracts are not recognized in "Segment income" until realized.

See *Segment Review* below for the impact of metal price lag on each of our segments.

Foreign Currency and Related Hedging Activities

We operate a global business and conduct business in various currencies around the world. We have exposure to foreign currency risk as fluctuations in foreign exchange rates impact our operating results as we translate the operating results from various functional currencies into our U.S. dollar reporting currency at the current average rates. We also record foreign exchange remeasurement gains and losses when business transactions are denominated in currencies other than the functional currency of that operation. The following table presents the exchange rates as of the end of each period and the average of the month-end exchange rates for the six months ended September 30, 2018 and 2017:

| | Exchange Rate as of | | Average Exchange Rate | | Average Exchange Rate | |
|----------------------------------|---------------------|----------------|----------------------------------|-------|--------------------------------|-------|
| | September 30, 2018 | March 31, 2018 | Three Months Ended September 30, | | Six Months Ended September 30, | |
| | | | 2018 | 2017 | 2018 | 2017 |
| U.S. dollar per Euro | 1.161 | 1.230 | 1.165 | 1.185 | 1.173 | 1.152 |
| Brazilian real per U.S. dollar | 4.004 | 3.324 | 3.965 | 3.149 | 3.828 | 3.199 |
| South Korean won per U.S. dollar | 1,113 | 1,067 | 1,113 | 1,130 | 1,103 | 1,130 |
| Canadian dollar per U.S. dollar | 1.293 | 1.289 | 1.300 | 1.247 | 1.299 | 1.293 |
| Swiss franc per Euro | 1.135 | 1.178 | 1.139 | 1.143 | 1.154 | 1.116 |

Exchange rate movements have an impact on our operating results. In Europe, where we have predominantly local currency selling prices and operating costs, we benefit as the Euro strengthens, but are adversely affected as the Euro weakens. In South Korea, where we have local currency operating costs and U.S. dollar denominated selling prices for exports, we benefit as the won weakens but are adversely affected as the won strengthens. In Brazil, where we have predominately U.S. dollar selling prices and local currency manufacturing costs, we benefit as the real weakens, but are adversely affected as the real strengthens. We use foreign exchange forward contracts and cross-currency swaps to manage our exposure arising from recorded assets and liabilities, firm commitments, and forecasted cash flows denominated in currencies other than the functional currency of certain operations, which include capital expenditures and net investment in foreign subsidiaries.

See *Segment Review* below for the impact of foreign currency on each of our segments.

RESULTS OF OPERATIONS

Three Months Ended September 30, 2018 compared to the Three Months Ended September 30, 2017

“Net sales” were \$3,136 million, an increase of 12%, and “Cost of goods sold (exclusive of depreciation and amortization)” increased 13% to \$2,657 million. Both increases were driven by a 2% increase in average base aluminum prices, a 1% increase in flat rolled shipments, and a 67% increase in average local market premiums. Total metal input costs included in “Cost of goods sold (exclusive of depreciation and amortization)” increased \$232 million for the comparable periods.

“Income before income taxes” for the three months ended September 30, 2018 was \$180 million, compared to \$423 million for the three months ended September 30, 2017. In addition to the factors noted above, the following items affected “Income before income taxes:”

- “Gain on sale of a business, net” in the prior year relates to a pre-tax gain on sale of a business of \$318 million related to the purchase of shares of UAL by Kobe and the deconsolidation of the remaining assets to form the equity method investment in September 2017;
- An increase in “Selling, general and administrative expenses” of \$9 million, primarily related to an increase in employment costs and factoring expenses; and
- Net gains related to change in the fair value of unrealized instruments was \$1 million compared to \$18 million of losses in the same period in the prior year, which is reported as “Unrealized losses (gains) on change in fair value of derivative instruments, net” within “Other (income) expenses, net”.

We recognized \$64 million of tax expense for the three months ended September 30, 2018, which resulted in an effective tax rate of 36%. This tax rate is primarily due to the results of operations, including recording a valuation allowance for tax losses in jurisdictions where the company has determined it is more likely than not that the loss will not be utilized and the foreign exchange impact of the weakening Brazil real. We recognized \$116 million of tax expense for the three months ended September 30, 2017, which resulted in an effective tax rate of 27%. This tax rate is due to the results of operations, a \$77 million expense on the sale of a business and the foreign exchange impact of the strengthening Brazil real.

We reported “Net income attributable to our common shareholder” of \$116 million and \$307 million for the three months ended September 30, 2018 and 2017, respectively, primarily as a result of the factors discussed above.

Segment Review

Due in part to the regional nature of supply and demand of aluminum rolled products and in order to best serve our customers, we manage our activities on the basis of geographical regions and are organized under four operating segments: North America, Europe, Asia and South America.

In order to reconcile the financial information for the segments shown in the tables below to the relevant U.S. GAAP-based measures, "Eliminations and other" adjusts for proportional consolidation of each line item, and eliminates intersegment shipments (in kt) and intersegment "Net sales." The tables below show selected segment financial information (in millions, except shipments which are in kt).

| Selected Operating Results Three Months Ended September 30, 2018 | North America | Europe | Asia | South America | Eliminations and Other | Total |
|--|---------------|--------|--------|---------------|------------------------|----------|
| Net sales | \$ 1,212 | \$ 863 | \$ 525 | \$ 518 | \$ 18 | \$ 3,136 |
| Shipments: | | | | | | |
| Rolled products - third party | 295 | 222 | 165 | 125 | — | 807 |
| Rolled products - intersegment | — | 7 | 3 | 1 | (11) | — |
| Total rolled products | 295 | 229 | 168 | 126 | (11) | 807 |
| Non-rolled products | 1 | 5 | 1 | 33 | — | 40 |
| Total shipments | 296 | 234 | 169 | 159 | (11) | 847 |

| Selected Operating Results Three Months Ended September 30, 2017 | North America | Europe | Asia | South America | Eliminations and Other | Total |
|--|---------------|--------|--------|---------------|------------------------|----------|
| Net sales | \$ 959 | \$ 861 | \$ 514 | \$ 463 | \$ (3) | \$ 2,794 |
| Shipments: | | | | | | |
| Rolled products - third party | 270 | 234 | 178 | 120 | — | 802 |
| Rolled products - intersegment | 4 | 3 | 2 | 11 | (20) | — |
| Total rolled products | 274 | 237 | 180 | 131 | (20) | 802 |
| Non-rolled products | — | 2 | 2 | 32 | — | 36 |
| Total shipments | 274 | 239 | 182 | 163 | (20) | 838 |

The following table reconciles changes in "Segment income" for the three months ended September 30, 2017 to the three months ended September 30, 2018 (in millions).

| Changes in Segment income | North America | Europe | Asia | South America | Eliminations (A) | Total |
|--|---------------|--------|-------|---------------|------------------|--------|
| Segment income - Three Months Ended September 30, 2017 | \$ 124 | \$ 51 | \$ 37 | \$ 90 | \$ — | \$ 302 |
| Volume | 23 | (12) | (8) | (5) | 10 | 8 |
| Conversion premium and product mix | 22 | (8) | 4 | (3) | (7) | 8 |
| Conversion costs | (12) | 25 | 18 | 18 | (2) | 47 |
| Foreign exchange | — | 2 | (5) | 2 | — | (1) |
| Selling, general & administrative and research & development costs (B) | (3) | 2 | 1 | (6) | (1) | (7) |
| Other changes | (3) | (1) | — | 2 | — | (2) |
| Segment income - Three Months Ended September 30, 2018 | \$ 151 | \$ 59 | \$ 47 | \$ 98 | \$ — | \$ 355 |

(A) The recognition of "Segment income" by a region on an intersegment shipment could occur in a period prior to the recognition of "Segment income" on a consolidated basis, depending on the timing of when the inventory is sold to the third party customer. The "Eliminations" column adjusts regional "Segment income" for intersegment shipments that occur in a period prior to recognition of "Segment income" on a consolidated basis. The "Eliminations" column also reflects adjustments for changes in regional volume, conversion premium and product mix, and conversion costs related to intersegment shipments for consolidation.

(B) Selling, general & administrative costs and research & development costs include costs incurred directly by each segment and all corporate related costs.

North America

"Net sales" increased \$253 million, or 26%, due to higher average aluminum prices and higher can and automotive shipments due to customer demand. "Segment income" was \$151 million, an increase of 22%, primarily due to higher automotive and can volumes and favorable product mix partially offset by unfavorable cost absorption.

Europe

"Net sales" increased \$2 million, due to higher average aluminum prices, partially offset by lower specialty shipments resulting from our decision to cease production of lithographic materials in the prior year in order to optimize our product portfolio. "Segment income" was \$59 million, an increase of 16%, primarily due to favorable metal mix and scrap spreads, partially offset by lower can pricing and lower specialty shipments.

Asia

"Net sales" increased \$11 million, due to higher average aluminum prices partially offset by lower can and specialty shipments. "Segment income" was \$47 million, an increase of 27%, primarily due to favorable metal mix and scrap spreads, increased cost efficiency and favorable product mix.

South America

"Net sales" increased \$55 million, or 12%, due to higher can shipments, partially offset by unfavorable can pricing due to new contracts. "Segment income" was \$98 million, an increase of 9%, primarily due to favorable metal mix and scrap spreads partially offset by higher selling, general and administrative costs and unfavorable can pricing.

RESULTS OF OPERATIONS

Six Months Ended September 30, 2018 compared to the Six Months Ended September 30, 2017

“Net sales” were \$6,233 million, an increase of 14%, and “Cost of goods sold (exclusive of depreciation and amortization)” increased 14% to \$5,248 million. Both increases were driven by a 10% increase in average base aluminum prices, a 1% increase in flat rolled shipments, and an 81% increase in average local market premiums. Total metal input costs included in “Cost of goods sold (exclusive of depreciation and amortization)” increased \$492 million for the comparable period.

“Income before income taxes” for the six months ended September 30, 2018 was \$370 million, compared to \$567 million for the six months ended September 30, 2017. In addition to the factors noted above, the following items affected “Income before income taxes:”

- “Gain on sale of a business, net” in the prior year relates to a pre-tax gain on sale of a business of \$318 million related to the purchase of shares of UAL by Kobe and the deconsolidation of the remaining assets to form the equity method investment in September 2017;
- An increase in “Selling, general and administrative expenses” of \$25 million, primarily related to an increase in the fair value of Long Term Incentive Plan (LTIP) awards, employment costs and factoring expenses; and
- Increases in local market premiums resulted in \$34 million of favorable metal price lag compared to \$6 million of losses in the prior year.

We recognized \$117 million of tax expense for the six months ended September 30, 2018, which resulted in an effective tax rate of 32%. This tax rate is primarily due to results of operations, including recording a valuation allowance for tax losses in jurisdictions where the company has determined it is more likely than not that the loss will not be utilized. We recognized \$159 million of tax expense for the six months ended September 30, 2017, which resulted in an effective tax rate of 28%. This tax rate is primarily due to the results of operations and a \$77 million expense on the sale of a business and the foreign exchange impact of the strengthening Brazilian real.

We reported “Net income attributable to our common shareholder” of \$253 million and \$408 million for the six months ended September 30, 2018 and 2017, respectively, primarily as a result of the factors discussed above.

Segment Review

| Selected Operating Results Six Months Ended September 30, 2018 | North America | Europe | Asia | South America | Eliminations and Other | Total |
|--|---------------|----------|----------|---------------|------------------------|----------|
| Net sales | \$ 2,333 | \$ 1,731 | \$ 1,075 | \$ 1,046 | \$ 48 | \$ 6,233 |
| Shipments: | | | | | | |
| Rolled products - third party | 569 | 450 | 338 | 247 | — | 1,604 |
| Rolled products - intersegment | — | 11 | 5 | 5 | (21) | — |
| Total rolled products | 569 | 461 | 343 | 252 | (21) | 1,604 |
| Non-rolled products | 2 | 7 | 3 | 67 | — | 79 |
| Total shipments | 571 | 468 | 346 | 319 | (21) | 1,683 |

| Selected Operating Results Six Months Ended September 30, 2017 | North America | Europe | Asia | South America | Eliminations and Other | Total |
|--|---------------|----------|----------|---------------|------------------------|----------|
| Net sales | \$ 1,909 | \$ 1,682 | \$ 1,018 | \$ 843 | \$ 11 | \$ 5,463 |
| Shipments: | | | | | | |
| Rolled products - third party | 541 | 465 | 354 | 227 | — | 1,587 |
| Rolled products - intersegment | 6 | 7 | 6 | 14 | (33) | — |
| Total rolled products | 547 | 472 | 360 | 241 | (33) | 1,587 |
| Non-rolled products | — | 4 | 4 | 59 | — | 67 |
| Total shipments | 547 | 476 | 364 | 300 | (33) | 1,654 |

The following table reconciles changes in “Segment income” for the six months ended September 30, 2017 to the six months ended September 30, 2018 (in millions).

| Changes in Segment income | North America | Europe | Asia | South America | Eliminations (A) | Total |
|--|---------------|--------|--------|---------------|------------------|--------|
| Segment income - Six Months Ended September 30, 2017 | \$ 240 | \$ 108 | \$ 81 | \$ 162 | \$ — | \$ 591 |
| Volume | 25 | (15) | (11) | 12 | 12 | 23 |
| Conversion premium and product mix | 18 | (16) | 9 | (10) | (8) | (7) |
| Conversion costs | 1 | 43 | 27 | 33 | (4) | 100 |
| Foreign exchange | 1 | 5 | (4) | 4 | (1) | 5 |
| Selling, general & administrative and research & development costs (B) | (9) | 1 | (1) | (11) | 1 | (19) |
| Other changes | (6) | (4) | 1 | 5 | — | (4) |
| Segment income - Six Months Ended September 30, 2018 | \$ 270 | \$ 122 | \$ 102 | \$ 195 | \$ — | \$ 689 |

(A) The recognition of "Segment income" by a region on an intersegment shipment could occur in a period prior to the recognition of "Segment income" on a consolidated basis, depending on the timing of when the inventory is sold to the third party customer. The "Eliminations" column adjusts regional "Segment income" for intersegment shipments that occur in a period prior to recognition of "Segment income" on a consolidated basis. The "Eliminations" column also reflects adjustments for changes in regional volume, conversion premium and product mix, and conversion costs related to intersegment shipments for consolidation.

(B) Selling, general & administrative costs and research & development costs include costs incurred directly by each segment and all corporate related costs.

North America

“Net sales” increased \$424 million, or 22%, due to higher average aluminum prices and higher can, and automotive shipments attributable to customer demand. “Segment income” was \$270 million, an increase of 13%, primarily due to a higher volume of can and automotive shipments and favorable product mix as a result of portfolio optimization efforts. These factors were partially offset by increased selling, general and administrative costs.

Europe

“Net sales” increased \$49 million, or 3%, due to higher average aluminum prices, partially offset by lower specialty shipments resulting from our decision to cease production of lithographic materials in the prior year in order to optimize our product portfolio. “Segment income” was \$122 million, an increase of 13%, primarily due to increased cost efficiencies, favorable metal mix and foreign currency translation benefits. These factors were partially offset by lower can pricing and lower shipments.

Asia

“Net sales” increased \$57 million, or 6%, due to higher average aluminum prices and higher automotive shipments, partially offset by lower can and specialty shipments. “Segment income” was \$102 million, an increase of 26%, primarily due to favorable metal costs and scrap spreads, increased cost efficiency and favorable product mix, partially offset by lower shipments.

South America

“Net sales” increased \$203 million, or 24%, due to higher can shipments, partially offset by unfavorable pricing due to new contracts. “Segment income” was \$195 million, an increase of 20%, primarily due to favorable metal mix and scrap spreads, higher can volumes and favorable product mix, partially offset by increased forfeiting costs and lower can pricing.

Liquidity and Capital Resources

Our investments in the business were funded through cash flows generated by our operations and a combination of local financing and our senior secured credit facilities. Most of our recent strategic expansion projects are operating close to full capacity and are generating additional operating cash flow. We expect to be able to fund our continued expansions, service our debt obligations, and provide sufficient liquidity to operate our business through one or more of the following: the generation of operating cash flows; our existing debt facilities, including refinancing; and new debt issuances, as necessary.

During the fourth quarter of fiscal 2018, we announced plans to expand our production footprint in the U.S. with an investment in automotive finishing capacity in Guthrie, Kentucky. Additionally, on July 26th of fiscal 2019, we announced that we signed a definitive agreement to acquire Aleris, a global supplier of rolled aluminum products, for approximately \$2.6 billion including the assumption of debt, subject to customary closing conditions and regulatory approvals.

In connection with our pending acquisition of Aleris, we entered into a commitment letter with certain financial institutions under which such financial institutions committed to provide up to \$775 million of incremental term loans and up to \$1.5 billion of short term loans. See Part II — Item 5 — Other Information for further details and a description of the commitment letter.

Non-Guarantor Information

As of September 30, 2018, the Company's subsidiaries that are not guarantors represented the following approximate percentages of (a) Net sales, (b) Adjusted EBITDA (segment income), and (c) total assets of the Company, on a consolidated basis (including intercompany balances):

| Item Description | Ratio |
|---|-------|
| Net sales represented by Net sales to third parties by non-guarantor subsidiaries (for the six months ended September 30, 2018) | 20% |
| Adjusted EBITDA represented by non-guarantor subsidiaries (for the six months ended September 30, 2018) | 13% |
| Assets owned by non-guarantor subsidiaries (as of September 30, 2018) | 18% |

In addition, for the six months ended September 30, 2018 and 2017, the Company's subsidiaries that are not guarantors had net sales of \$1.4 billion and \$1.3 billion, respectively, and, as of September 30, 2018, those subsidiaries had assets of \$2.3 billion and debt and other liabilities of \$1.5 billion (including inter-company balances).

Available Liquidity

Our available liquidity as of September 30, 2018 and March 31, 2018 is as follows (in millions).

| | September 30, 2018 | March 31, 2018 |
|--|--------------------|----------------|
| Cash and cash equivalents | \$ 829 | \$ 920 |
| Availability under committed credit facilities | 907 | 998 |
| Total available liquidity | \$ 1,736 | \$ 1,918 |

The decrease in total available liquidity is primarily attributable to acquisition related costs of \$239 million, a reduction in credit facility lines of \$85 million, net payments on short-term and long-term borrowings of \$25 million and other changes of \$31 million, consisting primarily of foreign exchange impacts on cash. These decreases were partially offset by positive free cash flow of \$104 million, an increase in the ABL borrowing base of \$92 million, and sale of assets of \$2 million. See Note 6 — Debt for more details about our availability under committed credit facilities.

The "Cash and cash equivalents" balance above includes cash held in foreign countries in which we operate. As of September 30, 2018, we held \$372 million of "Cash and cash equivalents" in Canada, in which we are incorporated, with the rest held in other countries in which we operate. As of September 30, 2018, we held \$3 million of cash in jurisdictions for which we have asserted that earnings are permanently reinvested and we plan to continue to fund operations and local expansions with cash held in those jurisdictions. Our significant future uses of cash include funding our expansion projects globally, which we plan to fund with cash flows from operating activities and local financing, and servicing our debt obligations domestically, which we plan to fund with cash flows from operating activities and, if necessary, by repatriating cash from jurisdictions for which we have not asserted that earnings are indefinitely reinvested. Cash held outside of Canada is free from

significant restrictions that would prevent the cash from being accessed to meet the Company's liquidity needs including, if necessary, to fund operations and service debt obligations in Canada. Upon the repatriation of any earnings to Canada, in the form of dividends or otherwise, we could be subject to Canadian income taxes (subject to adjustment for foreign taxes paid and the utilization of the large cumulative net operating losses we have in Canada) and withholding taxes payable to the various foreign jurisdictions. As of September 30, 2018, we do not believe adverse tax consequences exist that restrict our use of "Cash or cash equivalents" in a material manner.

Free Cash Flow

Refer to "Non-GAAP Financial Measures" for our definition of "Free cash flow".

The following table displays the "Free cash flow" for the six months ended September 30, 2018 and 2017, the change between periods, as well as the ending balances of cash and cash equivalents (in millions).

| | Six Months Ended September 30, | | Change |
|--|--------------------------------|--------------|--------------|
| | 2018 | 2017 | |
| Net cash provided by operating activities | \$ 210 | \$ 88 | \$ 122 |
| Net cash (used in) provided by investing activities | (343) | 248 | (591) |
| Plus: Cash used in the acquisition of assets under a capital lease | 239 | — | 239 |
| Less: Proceeds from sales of assets and business, net of transaction fees, cash income taxes and hedging | (2) | (312) | 310 |
| Free cash flow (A) | \$ 104 | \$ 24 | \$ 80 |
| Ending cash and cash equivalents | \$ 829 | \$ 949 | \$ (120) |

(A) Effective in the second quarter of fiscal 2019, management clarified the definition of "Free cash flow" (a non-GAAP measure) to exclude the impact of cash outflows related to the "Acquisition of assets under a capital lease". This change further enables users of the financial statements to understand cash generated internally by the Company. This change does not impact the condensed consolidated financial statements or prior periods reported.

Operating Activities

Net cash provided by operating activities was \$210 million for the six months ended September 30, 2018, which was favorable compared to net cash provided by operating activities of \$88 million for the six months ended September 30, 2017. The favorable variance primarily relates to higher "Segment income" partially offset by unfavorable working capital impacts due to rising metal prices which we manage through working capital initiatives. For the six months ended September 30, 2018, net change in working capital was primarily driven by higher quantities of inventory, our factoring of receivables, and higher metal costs.

Hedging Activities

We use derivative contracts to manage risk as well as liquidity. Under our terms of credit with counterparties to our derivative contracts, we do not have any material margin call exposure. No material amounts have been posted by Novelis nor do we hold any material amounts of margin posted by our counterparties. We settle derivative contracts in advance of billing on the underlying physical inventory and collecting payment from our customers, which temporarily impacts our liquidity position. The lag between derivative settlement and customer collection typically ranges from 30 to 90 days.

More details on our operating activities can be found above in "Results of operations for the six months ended September 30, 2018 compared to the six months ended September 30, 2017."

Investing Activities

"Net cash used in investing activities" was \$343 million for the six months ended September 30, 2018, as compared to "Net cash provided by investing activities" of \$248 million for the six months ended September 30, 2017. This decrease is primarily due to the acquisition of real and personal property that we historically leased at our Sierre, Switzerland rolling facility from Constellium for \$239 million. The decrease is also partially attributable to an increase in capital spending due to new investments.

Financing Activities

During the six months ended September 30, 2018 and 2017, there were no issuances of long or short-term borrowings. We made principal repayments of \$27 million on Korean long-term debt, \$9 million on our Term Loan Facility, \$3 million on capital leases and \$1 million of other repayments. The net cash proceeds from our credit facilities' balance is related to proceeds of \$94 million on our ABL Revolver and of \$9 million on our China credit facilities. We incurred \$2 million in debt issuance costs.

During the six months ended September 30, 2017, we made principal repayments of \$50 million on short-term loans in Brazil, \$9 million on our Term Loan Facility, \$4 million on capital leases, and less than \$1 million in other principal repayments. The change in our revolving credit facilities balance is related to proceeds of \$96 million on our ABL Revolver partially offset by repayments of \$5 million in our China credit facilities.

OFF-BALANCE SHEET ARRANGEMENTS

In accordance with SEC rules, the following qualify as off-balance sheet arrangements:

- any obligation under certain derivative instruments;
- any obligation under certain guarantees or contracts;
- a retained or contingent interest in assets transferred to an unconsolidated entity or similar entity or similar arrangement that serves as credit, liquidity or market risk support to that entity for such assets; and
- any obligation under a material variable interest held by the registrant in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the registrant, or engages in leasing, hedging or research and development services with the registrant.

The following discussion addresses the applicable off-balance sheet items for our Company.

Derivative Instruments

See Note 10 — Financial Instruments and Commodity Contracts to our accompanying unaudited condensed consolidated financial statements for a description of derivative instruments.

Guarantees of Indebtedness

We have issued guarantees on behalf of certain of our subsidiaries. The indebtedness guaranteed is for trade accounts payable to third parties and capital expenditures. Some of the guarantees have annual terms while others have no expiration and have termination notice requirements. Neither we nor any of our subsidiaries holds any assets of any third parties as collateral to offset the potential settlement of these guarantees. Since we consolidate wholly-owned and majority-owned subsidiaries in our condensed consolidated financial statements, all liabilities associated with trade payables and short-term debt facilities for these entities are already included in our condensed consolidated balance sheets.

See Note 5 — Investment in and Advances to Non-Consolidated Affiliates and Related Party Transactions for details on our guarantee of indebtedness to Alunorf, our non-consolidated affiliate.

Other Arrangements

Factoring of Trade Receivables

We factor and forfeit trade receivables (collectively, we refer to these as "factoring" programs) based on local cash needs, as well as attempting to balance the timing of cash flows of trade payables and receivables, fund strategic investments, and fund other business needs. Factored invoices are not included in our condensed consolidated balance sheets when we do not retain a financial or legal interest. If a financial or legal interest is retained, we classify these factorings as secured borrowings. However, no such financial or legal interests are currently retained.

Other

As part of our ongoing business, we do not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as special purpose entities (SPEs), which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As of September 30, 2018 and March 31, 2018, we are not involved in any unconsolidated SPE transactions.

CONTRACTUAL OBLIGATIONS

We have future obligations under various contracts relating to debt and interest payments, capital and operating leases, long-term purchase obligations, postretirement benefit plans and uncertain tax positions. See Note 6 — Debt to our accompanying condensed consolidated financial statements and "Contractual Obligations" of the Management's Discussion and Analysis of Financial Condition and Results of Operations section of our Annual Report on Form 10-K for the year ended March 31, 2018 for more details. In addition, see Part II — Item 5 — Other Information for a description of a commitment letter we entered in connection with our proposed acquisition of Aleris.

RETURN OF CAPITAL

Payments to our shareholder are at the discretion of the board of directors and will depend on, among other things, our financial resources, cash flows generated by our business, our cash requirements, restrictions under the instruments governing our indebtedness, being in compliance with the appropriate indentures and covenants under the instruments that govern our indebtedness and other relevant factors.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Except as otherwise disclosed in Note 1 — Business and Summary of Significant Accounting Policies related to the adoption of new accounting standards, there were no significant changes to our critical accounting policies and estimates as reported in our Annual Report on Form 10-K for the year ended March 31, 2018.

RECENTLY ISSUED ACCOUNTING STANDARDS

See Note 1 — Business and Summary of Significant Accounting Policies to our accompanying condensed consolidated financial statements for a full description of recent accounting pronouncements including the respective expected dates of adoption and expected effects on results of operations and financial condition.

NON-GAAP FINANCIAL MEASURES

Total “Segment income” presents the sum of the results of our four operating segments on a consolidated basis. We believe that total “Segment income” is an operating performance measure that measures operating results unaffected by differences in capital structures, capital investment cycles and ages of related assets among otherwise comparable companies. In reviewing our corporate operating results, we also believe it is important to review the aggregate consolidated performance of all of our segments on the same basis we review the performance of each of our regions and to draw comparisons between periods based on the same measure of consolidated performance.

Management believes investors’ understanding of our performance is enhanced by including this non-GAAP financial measure as a reasonable basis for comparing our ongoing results of operations. Many investors are interested in understanding the performance of our business by comparing our results from ongoing operations from one period to the next and would ordinarily add back items that are not part of normal day-to-day operations of our business. By providing total “Segment income,” together with reconciliations, we believe we are enhancing investors’ understanding of our business and our results of operations, as well as assisting investors in evaluating how well we are executing strategic initiatives.

However, total “Segment income” is not a measurement of financial performance under U.S. GAAP, and our total “Segment income” may not be comparable to similarly titled measures of other companies. Total “Segment income” has important limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of our results as reported under U.S. GAAP. For example, total “Segment income”:

- does not reflect the Company’s cash expenditures or requirements for capital expenditures or capital commitments;
- does not reflect changes in, or cash requirements for, the Company’s working capital needs; and
- does not reflect any costs related to the current or future replacement of assets being depreciated and amortized.

We also use total “Segment income”:

- as a measure of operating performance to assist us in comparing our operating performance on a consistent basis because it removes the impact of items not directly resulting from our core operations;
- for planning purposes, including the preparation of our internal annual operating budgets and financial projections;
- to evaluate the performance and effectiveness of our operational strategies; and
- as a basis to calculate incentive compensation payments for our key employees.

Total “Segment income” is equivalent to our Adjusted EBITDA, which we refer to in our earnings announcements and other external presentations to analysts and investors.

“Free cash flow” consists of: (a) “net cash provided by (used in) operating activities,” (b) plus “net cash provided by (used in) investing activities” (c) plus cash used in the “Acquisition of assets under a capital lease”, and (d) less “proceeds from sales of assets and business, net of transaction fees, cash income taxes and hedging”. Management believes “Free cash flow” is relevant to investors as it provides a measure of the cash generated internally that is available for debt service and other value creation opportunities. Management also uses free cash flow to measure the profitability and financial performance of our business. However, “Free cash flow” does not necessarily represent cash available for discretionary activities, as certain debt service obligations must be funded out of “Free cash flow.” Our method of calculating “Free cash flow” may not be consistent with that of other companies.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND MARKET DATA

This document contains forward-looking statements that are based on current expectations, estimates, forecasts and projections about the industry in which we operate, and beliefs and assumptions made by our management. Such statements include, in particular, statements about our plans, strategies and prospects. Words such as “expect,” “anticipate,” “intend,” “plan,” “believe,” “seek,” “estimate” and variations of such words and similar expressions are intended to identify such forward-looking statements. Examples of forward-looking statements in this Quarterly Report on Form 10-Q include, but are not limited to, our expectations with respect to the impact of metal price movements on our financial performance, the effectiveness of our hedging programs and controls, and our future borrowing availability. These statements are based on beliefs and assumptions of Novelis’ management, which in turn are based on currently available information. These statements are not guarantees of future performance and involve assumptions and risks and uncertainties that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed, implied or forecasted in such forward-looking 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.

This document also contains information concerning our markets and products generally, which is forward-looking in nature and is based on a variety of assumptions regarding the ways in which these markets and product categories will develop. These assumptions have been derived from information currently available to us and to the third party industry analysts quoted herein. This information includes, but is not limited to, product shipments and share of production. Actual market results may differ from those predicted. We do not know what impact any of these differences may have on our business, our results of operations, financial condition, and cash flow. Factors that could cause actual results or outcomes to differ from the results expressed or implied by forward-looking statements include, among other things:

- relationships with, and financial and operating conditions of, our customers, suppliers and other stakeholders;
- changes in the prices and availability of aluminum (or premiums associated with aluminum prices) or other materials and raw materials we use;
- fluctuations in the supply of, and prices for, energy in the areas in which we maintain production facilities;
- our ability to access financing, repay existing debt or refinance existing debt to fund current operations and for future capital requirements, including our ability to obtain the funds committed in connection with the Aleris acquisition;
- the level of our indebtedness and our ability to generate cash to service our indebtedness;
- lowering of our ratings by a credit rating agency;
- changes in the relative values of various currencies and the effectiveness of our currency hedging activities;
- union disputes and other employee relations issues;
- factors affecting our operations, such as litigation (including product liability claims), environmental remediation and clean-up costs, breakdown of equipment and other events;
- changes in general economic conditions, including deterioration in the global economy;
- the capacity and effectiveness of our hedging activities;
- impairment of our goodwill, other intangible assets, and long-lived assets;
- loss of key management and other personnel, or an inability to attract such management and other personnel;
- risks relating to, and our ability to consummate, pending and future acquisitions or divestitures, including the pending acquisition of Aleris;
- our inability to successfully implement our growth initiatives;
- changes in interest rates that have the effect of increasing the amounts we pay under our senior secured credit facilities, other financing agreements and our defined benefit pension plans;
- risks relating to certain joint ventures and subsidiaries that we do not entirely control;
- the effect of derivatives legislation on our ability to hedge risks associated with our business;
- competition from other aluminum rolled products producers as well as from substitute materials such as steel, glass, plastic and composite materials;
- demand and pricing within the principal markets for our products as well as seasonality in certain of our customers’ industries;
- economic, regulatory and political factors within the countries in which we operate or sell our products, including changes in duties or tariffs; and
- changes in government regulations, particularly those affecting taxes and tax rates, health care reform, climate change, environmental, health or safety compliance.

The above list of factors is not exhaustive. These and other factors are discussed in more detail under “Item 1A. Risk Factors” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended March 31, 2018.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to certain market risks as part of our ongoing business operations, including risks from changes in metal prices (primarily aluminum, copper and local market premiums), energy prices (electricity, natural gas and diesel fuel), foreign currency exchange rates and interest rates that could impact our results of operations and financial condition. We manage our exposure to these and other market risks through regular operating and financing activities and derivative financial instruments. We use derivative financial instruments as risk management tools only, and not for speculative purposes.

Commodity Price Risks

Metal

The following table presents the estimated potential effect on the fair values of these derivative instruments as of September 30, 2018, given a 10% change in prices (\$ in millions).

| | Change in Price | Change in Fair Value |
|----------|-----------------|----------------------|
| Aluminum | 10 % | \$ (95) |
| Copper | (10)% | (1) |

Energy

The following table presents the estimated potential effect on the fair values of these derivative instruments as of September 30, 2018, given a 10% decline in spot prices for energy contracts (\$ in millions).

| | Change in Price | Change in Fair Value |
|-------------|-----------------|----------------------|
| Electricity | (10)% | \$ (3) |
| Natural Gas | (10)% | \$ (4) |
| Diesel Fuel | (10)% | \$ (2) |

Foreign Currency Exchange Risks

The following table presents the estimated potential effect on the fair values of these derivative instruments as of September 30, 2018, given a 10% change in rates (\$ in millions).

| | Change in Exchange Rate | Change in Fair Value |
|--|-------------------------|----------------------|
| Currency measured against the U.S. dollar | | |
| Brazilian real | (10)% | \$ (17) |
| Euro | 10 % | \$ (12) |
| Korean won | (10)% | \$ (49) |
| Canadian dollar | (10)% | \$ (4) |
| British pound | (10)% | \$ (17) |
| Swiss franc | (10)% | \$ (26) |
| Chinese yuan | 10 % | \$ (6) |

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, include controls and procedures designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including the Principal Executive Officer and the Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met.

We have carried out an evaluation, with the participation of our Principal Executive Officer and Principal Financial Officer, of the effectiveness of the Company's disclosure controls and procedures pursuant to Rule 13a-15 of the Exchange Act. Based upon such evaluation, management has concluded that the Company's disclosure controls and procedures were effective as of September 30, 2018.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. *Legal Proceedings*

We are a party to litigation incidental to our business from time to time. For additional information regarding litigation to which we are a party, see Note 15 — Commitments and Contingencies to our accompanying condensed consolidated financial statements.

Item 1A. *Risk Factors*

See "Risk Factors" in Part I, Item 1A in our Annual Report on Form 10-K for the year ended March 31, 2018.

Item 5. *Other Information*

Commitment Letter

In connection with our pending acquisition of Aleris, on November 1, 2018, we entered into a commitment letter with certain financial institutions under which such financial institutions committed to provide up to \$775 million of incremental term loans and up to \$1.5 billion of short term loans, in each case, to Novelis Acquisitions LLC, a wholly-owned indirect subsidiary of Novelis that will merge, upon closing into Aleris. The lenders' commitments to advance the loans are subject to customary closing conditions, including the concurrent closing of our acquisition of Aleris and the prior amendment of the agreement governing our existing Term Loan Facility (the Amended Term Loan Facility Agreement) and ABL Revolver to, among other things, permit the borrowing of the new loans. The proceeds of the incremental term loan and short term loans may be used to pay a portion of the consideration payable in connection with proposed acquisition of Aleris, fees and expenses related to the proposed acquisition, the incremental term loan and short term loans and, in the case of the short term loans, to repay certain indebtedness of Aleris and its subsidiaries on closing of the proposed acquisition.

We expect the incremental term loans to mature on the fifth anniversary of the date on which they are borrowed, subject to 0.25% quarterly amortization payments. The incremental term loans will, once borrowed, accrue interest at LIBOR (to be defined in the applicable agreement) plus 1.75%.

We expect that the incremental term loans will be issued under the Amended Term Loan Credit Agreement and the voluntary and mandatory prepayment provisions, affirmative and negative covenants and events of default applicable to the incremental term loans will be the same as those applicable to the existing term loans outstanding under our Term Loan Facility. We expect that the incremental term loans will be guaranteed by our direct parent, AV Metals Inc., the Company and certain of our subsidiaries (including subsidiaries of Aleris following closing of the proposed acquisition) and secured on a pari passu basis with our existing term loans by security interests in substantially all of the assets of the Company and the subsidiary guarantors, subject to our existing intercreditor agreement.

We expect that the short term loans will mature on the first anniversary of the date on which they are borrowed (Borrowing Date), will not be subject to any amortization payments, and once borrowed, will accrue interest at LIBOR (to be defined in the applicable agreement) plus 0.95%.

We expect that we will be required to apply the net cash proceeds we receive from any debt and equity raised on or after the Borrowing Date to repay the short term loans, subject to certain exceptions. We expect that we will be required to apply the net cash proceeds we receive on or after the Borrowing Date from asset sales required by regulatory approvals related to the proposed acquisition of Aleris to repay the short term loans, the incremental term loans and the existing term loans on a pro rata basis and the net cash proceeds we receive from any other asset sales, casualty losses, or condemnations on or after the Borrowing Date to repay short term loans, subject to certain exceptions, but only to the extent any funds remain after making any mandatory prepayments owed under the Amended Term Loan Credit Agreement and the agreement governing our ABL Revolver.

We expect the short term loans to be unsecured and guaranteed by our direct parent, AV Metals Inc., Novelis and the same subsidiaries of Novelis that have provided guarantees under the Amended Term Loan Credit Agreement and the amended agreement governing our ABL Revolver.

We expect the short term loans to be issued under a credit agreement containing voluntary prepayment provisions, affirmative and negative covenants and events of default substantially similar to those under the Amended Term Loan Credit Agreement, other than changes to reflect the unsecured nature of the short term loans.

Item 6. Exhibits

| Exhibit No. | Description |
|--------------------|---|
| 2.1 | <u>Arrangement Agreement by and among Hindalco Industries Limited, AV Aluminum Inc. and Novelis Inc., dated as of February 10, 2007 (incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed on February 13, 2007) (File No. 001-32312)</u> |
| 2.2 | <u>Agreement and Plan of Merger, dated as of July 26, 2018, among Novelis Inc., Novelis Acquisitions LLC, Aleris Corporation and OCM Opportunities ALS Holdings L.P. (incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed on July 26, 2018) (File No. 001-32312)</u> |
| 3.1 | <u>Restated Certificate and Articles of Amalgamation of Novelis Inc. (incorporated by reference to Exhibit 3.1 to our Quarterly Report on Form 10-Q filed on November 10, 2010 (File No. 001-32312))</u> |
| 3.2 | <u>Certificate and Articles of Amalgamation of Novelis Inc., dated March 31, 2016 (incorporated by reference to Exhibit 3.2 to our Annual Report on Form 10-K filed on May 10, 2016 (File No. 001-32312))</u> |
| 3.3 | <u>Novelis Inc. Amended and Restated Bylaws, adopted as of July 24, 2008 (incorporated by reference to Exhibit 3.2 to our Current Report on Form 8-K filed on July 25, 2008 (File No. 001-32312))</u> |
| 10.1 | <u>Commitment Letter dated November 1, 2018, among Novelis Inc. and certain financial institutions for Senior Unsecured Short Term Loan Facility and Senior Secured Incremental Term Loan Facility</u> |
| 31.1 | <u>Section 302 Certification of Principal Executive Officer</u> |
| 31.2 | <u>Section 302 Certification of Principal Financial Officer</u> |
| 32.1 | <u>Section 906 Certification of Principal Executive Officer</u> |
| 32.2 | <u>Section 906 Certification of Principal Financial Officer</u> |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NOVELIS INC.

By:

/s/ Devinder Ahuja

Devinder Ahuja

Chief Financial Officer

(Principal Financial Officer and Authorized Officer)

By:

/s/ Stephanie Rauls

Stephanie Rauls

Vice President Finance and Controller

(Principal Accounting Officer)

Date: November 2, 2018

EXHIBIT INDEX

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| 101.LAB | XBRL Taxonomy Extension Label Linkbase |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase |



CONFIDENTIAL

November 1, 2018

Novelis Inc.
 3560 Lenox Road, Suite 2000
 Atlanta, GA 30326
 Attention: Randy Miller, Vice President & Treasurer

\$1,500,000,000 Senior Unsecured Short Term Loan Facility
\$775,000,000 Senior Secured Incremental Term Loan Facility
Commitment Letter

Ladies and Gentlemen:

Novelis Inc., a corporation amalgamated under the Canada Business Corporations Act (the "Company" or "you"), has advised each of ABN AMRO Capital USA LLC ("ABN"), Australia and New Zealand Banking Group Limited ("ANZ"), Axis Bank Limited ("Axis"), Bank of America, N.A. ("BofA"), Barclays Bank PLC ("Barclays"), Citi (as defined below), Cr dit Agricole Corporate and Investment Bank ("CACIB"), DBS Bank Ltd. ("DBS"), Deutsche Bank Securities Inc. ("DBSI"), Deutsche Bank AG New York Branch ("DBNY"), Deutsche Bank AG Cayman Islands Branch ("DBCI"), First Abu Dhabi Bank USA N.V. ("FAB"), HSBC (as defined below), ICICI Bank Limited, New York Branch ("ICICI"), ING Bank N.V., Singapore Branch ("ING"), JPMorgan Chase Bank, N.A. ("JPM"), Mizuho Bank, Ltd. ("Mizuho"), MUFG Bank, Ltd. ("MUFG"), Societe Generale, Hong Kong Branch ("SocGen"), SCB (as defined below), State Bank of India ("SBI"), and Sumitomo Mitsui Banking Corporation Singapore Branch ("SMBC"; SMBC, together with ABN, ANZ, Axis, BofA, Barclays, Citi, CACIB, DBSI, DBNY, DBCI, DBS, FAB, HSBC, ICICI, ING, JPM, Mizuho, MUFG, SocGen, SCB and SBI collectively, the "Commitment Parties," "we" or "us" and each, a "Commitment Party"), that you desire to cause your wholly owned subsidiary, the Borrower (as defined below), to acquire (the "Acquisition") Aleris

Corporation, a Delaware corporation (the “Target”), pursuant to the terms of that certain Agreement and Plan of Merger, dated as of July 26, 2018 (as amended, restated, supplemented or otherwise modified from time to time, the “Merger Agreement”), among the Company, the Borrower, the Target, and OCM Opportunities ALS Holdings, L.P., a Delaware limited partnership, repay certain indebtedness of the Target and its subsidiaries in connection with the Acquisition (the “Target Indebtedness”), and to pay all fees, costs and expenses in connection with the foregoing (collectively, the “Transactions”). “Borrower” means, (x) Novelis Acquisitions LLC, a Delaware limited liability company or (y) immediately after giving effect to the merger of Novelis Acquisitions LLC with and into the Target in connection with the Acquisition, the Target. Capitalized terms used but not defined herein shall have the meanings given to them in the Fee Letter (as defined below), the applicable Term Sheet (as defined below) or the Existing Term Loan Agreement (as defined below), as applicable. “Citi” means Citigroup Global Markets Asia Limited (“CGMAL”), Citibank, N.A. (“CBNA”), Citicorp North America, Inc. and/or any of their affiliates as may be appropriate to consummate the transactions contemplated hereby. “HSBC” means HSBC Securities (USA) Inc. (“HSBCS”), HSBC Bank USA, N.A. (“HSBCNA”) and/or any of their affiliates as may be appropriate to consummate the transactions contemplated hereby. “SCB” means Standard Chartered Bank and/or any of its affiliates as may be appropriate to consummate the transactions contemplated hereby.

You have advised us that, in connection with the foregoing, the Borrower intends to (a) establish a senior unsecured short term loan facility in an aggregate principal amount of \$1,500,000,000 (the “Short Term Loan Facility”), on the terms set forth in the Summary of Principal Terms and Conditions of the Short Term Loan Facility attached hereto as Exhibit B (the “Short Term Loan Term Sheet”), (b) obtain senior secured term loans in an aggregate principal amount of \$775,000,000, which will be documented as Incremental Term Loan Commitments and Incremental Term Loans under and as defined in the Existing Term Loan Agreement (as defined below) (the “Incremental Facility”; the Incremental Facility, together with the Short Term Loan Facility, the “Credit Facilities”), on the terms set forth in the Summary of Principal Terms and Conditions of the Incremental Facility attached hereto as Exhibit C (the “Incremental Term Sheet”; the Incremental Term Sheet, together with the Short Term Loan Term Sheet, the “Term Sheets”; the Term Sheets, together with this commitment letter and the form of Solvency Certificate attached hereto as Exhibit E, the “Commitment Letter”), and (c) consummate the Transactions. The “Existing Term Loan Agreement” means that certain Credit Agreement, dated as of January 10, 2017 (as amended, modified, supplemented or restated prior to the date hereof), among the Company, AV Metals Inc., a corporation formed under the Canada Business Corporations Act (“Holdings”), the subsidiary guarantors from time to time party thereto, the lenders from time to time party thereto and Standard Chartered Bank, as administrative agent and as collateral agent.

Subject to the terms and conditions set forth in this Commitment Letter:

(a) (i) each of ABN, ANZ, Axis, BofA, Barclays, CBNA, on behalf of Citi, CACIB, DBS, FAB, HSBCNA, on behalf of HSBC, ICICI, ING, JPM, Mizuho, MUFG, SocGen, Standard Chartered Bank, on behalf of SCB, and SMBC is pleased to inform you of its respective commitment to provide \$70,000,000 of the aggregate principal amount of the Short Term Loan Facility and \$37,000,000 of the aggregate principal amount of the Incremental Facility, (ii) DBCI is pleased to inform you of its commitment to provide \$70,000,000 of the aggregate principal amount of the Short Term Loan Facility, (iii) DBNY is pleased to inform you of its commitment to provide \$37,000,000 of the aggregate principal amount of the Incremental Facility and (iv) SBI is pleased to inform you of its commitment to provide \$170,000,000 of the aggregate principal amount of the Short Term Loan Facility and \$72,000,000 of the aggregate principal amount of the Incremental Facility. The commitments of the Commitment Parties shall be several and not joint, and no Commitment Party shall be liable for the failure of any other Commitment Party to fund its commitment; and

(b) each of each of ABN, ANZ, Axis, BofA, Barclays, CGMAL, on behalf of Citi, CACIB, DBS, DBSI, FAB, HSBCS, on behalf of HSBC, ICICI, ING, JPM, Mizuho, MUFG, SocGen, Standard Chartered Bank, on behalf of SCB, and SMBC is pleased to advise you of its willingness in connection with the

foregoing commitments to act as a mandated lead arranger and bookrunner (each, in such capacity, the “Mandated Lead Arranger” and collectively, the “Mandated Lead Arrangers”) for the Credit Facilities.

Notwithstanding the foregoing, the aggregate principal amount of loans under the Short Term Loan Facility and the Incremental Facility and the aggregate commitment of each Commitment Party in respect of the Short Term Loan Facility and the Incremental Facility and under the terms of the definitive documentation therefor shall be automatically reduced at any time on or after the date hereof as set forth opposite the headings “Voluntary Prepayments and Commitment Reductions” and “Mandatory Prepayments” in the Short Term Loan Term Sheet and the Incremental Term Sheet.

The Mandated Lead Arrangers are also pleased to agree to use commercially reasonable efforts to arrange a syndicate of Lenders (as defined below) that will participate in the Incremental Facility on the terms set forth in this Commitment Letter. The Mandated Lead Arrangers shall not syndicate the Short Term Loan Facility, regardless of whether the Closing Date occurs.

The Company hereby appoints ABN and Citi as documentation agents for the Credit Facilities. Each of ABN and Citi hereby accepts such appointment. The Company hereby appoints SCB as administrative agent for the Short Term Loan Facility. SCB hereby accepts such appointment. The Company hereby appoints SCB as administrative agent for the Incremental Facility. SCB hereby accepts such appointment. You agree that, except as provided above, no other agents, co-agents or arrangers will be appointed and no other titles will be awarded in connection with the Credit Facilities unless you and the Mandated Lead Arrangers shall agree in writing.

I. Conditions Precedent

The commitments and agreements of the Commitment Parties hereunder and the agreement of the Mandated Lead Arrangers to provide the services described herein are subject to the satisfaction (or waiver in writing by the Mandated Lead Arrangers and the Commitment Parties) of each of the following conditions precedent by the applicable date set forth below in a manner reasonably acceptable to the Mandated Lead Arrangers and the Commitment Parties:

- (a) prior to the date of the initial funding of either or both of the Credit Facilities and the consummation of the Acquisition (the “Closing Date”), the execution and delivery of an amendment to, or amendment and restatement of, the Revolving Credit Agreement that, among other things, permits the Acquisition and the Credit Facilities (and, if necessary in connection with the foregoing, the Permitted Reorganization) (the “Revolver Amendment”);
- (b) on or prior to the Signing Date, the execution and delivery of an amendment to, or amendment and restatement of, the Existing Term Loan Credit Agreement that, among other things, permits the Acquisition and the Credit Facilities (and, if necessary in connection with the foregoing, the Permitted Reorganization) (the “Term Loan Amendment”), on terms in all material respects consistent with the terms set forth in the Summary of Proposed Amendments to the Existing Term Loan Agreement attached hereto as Exhibit D (the “Amendment Term Sheet”);
- (c) any amendments to the Existing Term Loan Agreement from the date this Commitment Letter is signed through and including the Closing Date shall be satisfactory to each of the Mandated Lead Arrangers;
- (d) with respect to the Short Term Loan Facility, the satisfaction of the conditions precedent under the section titled “Conditions Precedent to Signing Date” on or prior to the Signing Date (as defined in the Short Term Loan Term Sheet), and the satisfaction of the conditions precedent under the section titled “Conditions Precedent to Drawdown” on or prior to the Closing Date;

(e) with respect to the Incremental Facility, the satisfaction of the conditions precedent under the section titled "Conditions Precedent to Signing Date" on or prior to the Signing Date (as defined in the Incremental Term Sheet), and the satisfaction of the conditions precedent under the section titled "Conditions Precedent to Drawdown" on or prior to the Closing Date (as defined in the Incremental Term Sheet);

(f) on or prior to February 28, 2019, the negotiation, execution and delivery by the Company, Holdings, Borrower, the Guarantors, the Commitment Parties, the Mandated Lead Arrangers and, to the extent applicable, the other lenders party thereto, of (i) the definitive documentation in respect of the Short Term Loan Facility (the "Short Term Loan Credit Documentation") on terms and subject to conditions consistent with this Commitment Letter and the Short Term Loan Term Sheet or otherwise reasonably satisfactory to the Mandated Lead Arrangers, and (ii) the definitive documentation in respect of the Incremental Facility (the "Incremental Credit Documentation"; the Incremental Credit Documentation, together with the Short Term Loan Credit Documentation, the "Credit Documentation") on terms and conditions consistent with this Commitment Letter and the Incremental Term Sheet or otherwise reasonably satisfactory to the Mandated Lead Arrangers;

(g) since March 31, 2018 through and as of (i) the Signing Date and (ii) the Closing Date, there has been no event, change, circumstance or occurrence that, individually or in the aggregate, has had or could reasonably be expected to result in a Material Adverse Effect on Holdings and its subsidiaries (in the case of the Closing Date, after giving effect to the Acquisition); and

(h) the payment in full of all fees, expenses and other amounts required to be paid under this Commitment Letter, the Fee Letter and the Credit Documentation on the date such fees, expenses or other amounts are due and payable hereunder or thereunder (it being understood that such payment may be made by netting such payments in respect of each Credit Facility against amounts borrowed under such Credit Facility on the Closing Date).

There are no conditions (implied or otherwise) to the commitments hereunder, other than those that are expressly referred to in the immediately preceding sentence, which (for the avoidance of doubt) shall include the conditions precedent referenced in the Short Term Loan Term Sheet under the sections titled "Conditions Precedent to Signing Date" and "Conditions Precedent to Drawdown", and the conditions precedent referenced in the Incremental Term Sheet under the sections titled "Conditions Precedent to Signing Date" and "Conditions Precedent to Drawdown".

2. Syndication of the Incremental Facility

The Mandated Lead Arrangers reserve the right to syndicate all or a portion of the commitments or loans under the Incremental Facility to one or more other banks, financial institutions and institutional lenders in consultation with you that will become parties to the applicable Credit Documentation (the banks, financial institutions and institutional lenders becoming parties to the applicable Credit Documentation being collectively referred to herein as the "Lenders"); provided that the Mandated Lead Arrangers agree not to syndicate the commitments or loans under the Incremental Facility to certain banks, financial institutions and other institutional lenders and any competitors (or Known Affiliates (as defined below) of competitors) of the Loan Parties, in each case, that have been designated by you and approved by us in writing (which approval shall not be unreasonably withheld), prior to the Closing Date (collectively, "Disqualified Lenders"); provided, further, upon reasonable notice to the Mandated Lead Arrangers after the ninetieth day following the Closing Date, you shall be permitted to supplement in writing the list of persons that are Disqualified Lenders to the extent such supplemented person is or becomes a competitor or a Known Affiliate of a competitor of Holdings or its subsidiaries, which supplement shall be in the form of a list provided to the Mandated Lead Arrangers and become effective upon delivery to the Mandated Lead Arrangers, but which supplement shall not apply retroactively to

disqualify any parties that have previously acquired an assignment in the commitments or loans under the Incremental Facility. As used herein, "Known Affiliates" of any person means, as to such person, known affiliates readily identifiable by name, but excluding any affiliate (i) that is a bona fide debt fund or investment vehicle that is primarily engaged in, or that advises funds or other investment vehicles that are engaged in, making, purchasing, holding or otherwise investing in commercial loans, bonds or similar extensions of credit or securities in the ordinary course and with respect to which the Disqualified Lender does not, directly or indirectly, possess the power to direct or cause the direction of the investment policies of such entity or (ii) that is a banking or lending institution engaged in the business of making loans. Without limiting your obligations to assist with syndication efforts as set forth herein, it is understood that each Commitment Party's commitment hereunder is not conditioned upon the syndication of, or receipt of commitments or participations in respect of, the Credit Facilities and in no event shall the commencement or successful completion of syndication of the Credit Facilities constitute a condition to the availability of the Credit Facilities on the Closing Date; provided that the effectiveness of the Term Loan Amendment and the Revolver Amendment is a condition to the availability of the Credit Facilities on the Closing Date.

If (and only if) any loans are advanced on the Closing Date under the Incremental Facility, the Mandated Lead Arrangers intend to commence the syndication of the Incremental Facility promptly following the Closing Date.

You hereby authorize the Mandated Lead Arrangers to download copies of the Company's and the Target's (provided that, prior to the Closing Date, you shall only be required to, and hereby agree to, use commercially reasonable efforts to cause the Target to authorize such Persons to download copies of the Target's) trademark logos from its website and post copies thereof on IntraLinks, SyndTrak, DebtDomain or another similar electronic system established by the Mandated Lead Arrangers to syndicate the Incremental Facility (the "Platform") and use such logos on any confidential information memoranda, presentations and other marketing materials and correspondence prepared in connection with the syndication of the Incremental Facility, or in any advertisements that we may place after the Closing Date in financial and other newspapers, journals, the World Wide Web, home pages or otherwise, at our own expense describing our services to the Company hereunder. You also understand and acknowledge that, subject to Section 5 hereof, we may provide to market data collectors, such as league table, or other service providers to the lending industry, information regarding the closing date, size, type, purpose of, and parties to, the Credit Facilities.

It is understood and agreed that the Mandated Lead Arrangers will manage, subject to the terms of this Commitment Letter, all aspects of the syndication of the Incremental Facility in consultation with the Company, including the timing of all offers to potential Lenders, the determination of all amounts offered to potential Lenders, the selection of Lenders, the allocation of commitments or loans among the Lenders, and the assignment of any titles and the compensation to be provided to the Lenders.

Until the Syndication Termination Date (as defined in the Incremental Term Sheet), the Company shall, shall cause its subsidiaries (including for all purposes under this Commitment Letter, on and after the Closing Date, the Target and its subsidiaries) to, and shall use commercially reasonable efforts to cause its affiliates to, cooperate in the syndication process, and use commercially reasonable efforts to take all actions to assist the Mandated Lead Arrangers in forming a syndicate acceptable to the Mandated Lead Arrangers and completing the syndication of the Incremental Facility. Such assistance shall include, but not be limited to, the following: (i) making senior management, representatives and advisors of the Company and its subsidiaries (and using commercially reasonable efforts to make senior management, representatives and advisors of the Company's affiliates) available to participate in meetings with Lenders at such times and places mutually agreed upon and otherwise providing direct contact with, and information to, existing and prospective Lenders; (ii) using commercially reasonable efforts to ensure that the syndication benefits from your and your affiliates', and the Target and its subsidiaries', existing lending and investment banking relationships; (iii) assisting (including using your commercially reasonable efforts to cause your affiliates and advisors to assist) in the preparation of a customary confidential information memorandum for the Incremental Facility and other customary marketing

materials to be used in connection with the syndication, it being agreed that the Company shall approve such confidential information memorandum before the Mandated Lead Arrangers distribute it to potential Lenders on the Company's behalf; (iv) providing the Mandated Lead Arrangers with customary Projections (as defined in Section 6), including updated Projections, from time to time reasonably requested by the Mandated Lead Arrangers; and (v) promptly providing the Mandated Lead Arrangers with other customary and reasonably available information (including financial information and Projections) with respect to Holdings and its subsidiaries, and the transactions contemplated hereby to the extent reasonably requested by the Mandated Lead Arrangers and reasonably deemed necessary or advisable by them to successfully complete the syndication of the Incremental Facility.

During the period from the Closing Date until the Syndication Termination Date, the Company shall not, and shall ensure that none of its subsidiaries shall, raise or attempt to raise financing from commercial banks in the U.S. or international loan markets without the prior written consent of the Mandated Lead Arrangers (it being agreed that (v) (1) indebtedness of any subsidiary of the Company or the Target organized in China in an aggregate amount not to exceed \$100,000,000, so long as such indebtedness is raised solely in the Chinese loan market, and (2) any amendment, restatement, replacement or refinancing of indebtedness incurred by (A) any subsidiary of the Target organized in China under the "China Loan Facility" described in the Target's Form 10-Q filed with the U.S. Securities and Exchange Commission on August 6, 2018, so long as such indebtedness is raised solely in the Chinese loan market (the indebtedness under this clause (2)(A), the "Surviving Target Indebtedness") and (B) any subsidiary of the Parent organized in China under the "China credit facilities" described in the Company's Form 10-Q filed with the U.S. Securities and Exchange Commission on August 7, 2018, so long as such indebtedness is raised solely in the Chinese loan market; provided that the aggregate principal amount of such indebtedness under clauses (A) and (B) (including all undrawn commitments in respect thereof) shall not exceed \$300,000,000 at any time, (w) any financing in any international or domestic loan market to refinance all or any portion of the Short Term Loan Facility, (x) the Term Loan Amendment, (y) any restatement, replacement or refinancing of the Revolving Credit Agreement with an asset-based revolving credit agreement (provided that, to the extent required by, or in order for the secured parties subject to such agreement to become subject to, the terms of the Intercreditor Agreement, each of the administrative agent and the collateral agent under such credit agreement shall execute a joinder to the Intercreditor Agreement on or prior to the date that such credit agreement becomes effective), the Revolver Amendment, borrowings under the Revolving Credit Agreement (including as amended by the Revolver Amendment) and borrowing under any revolving credit facilities of Target or any of its subsidiaries, and (z) any receivables, equipment, inventory or other secured or unsecured working capital financings, shall not be prohibited).

The Company acknowledges that (i) the Mandated Lead Arrangers may make available any Information (as defined in Section 6) and Projections (collectively, the "Company Materials") to potential Lenders by posting the Company Materials on the Platform and (ii) certain of the potential Lenders may be public side Lenders (i.e., Lenders that do not wish to receive material non-public information within the meaning of the United States federal or foreign securities laws with respect to you, your subsidiaries, the Target, its subsidiaries, or your or their respective securities (collectively, "MNPI")) (each, a "Public Lender"). Each Lender that is not a Public Lender is referred to herein as a "Private Lender"). The Company agrees that (A) it will prepare a version of the information package and presentation to be provided to potential Lenders that does not contain MNPI (such version, the "Public-Side Version"); (B) all Company Materials that are to be made available to Public Lenders will be clearly and conspicuously marked "PUBLIC" which, at a minimum, will mean that the word "PUBLIC" will appear prominently on the first page thereof; (C) by marking Company Materials "PUBLIC," the Company will be deemed to have authorized the Mandated Lead Arrangers, the Commitment Parties and the proposed Lenders to treat such Company Materials as not containing any MNPI (although they may be confidential or proprietary); (D) all Company Materials marked "PUBLIC" are permitted to be made available through a portion of the Platform designated for "Public Lenders," and (E) the Mandated Lead Arrangers will be entitled to treat any Company Materials that are not marked "PUBLIC" as being suitable only for posting on a portion of the Platform not designated for "Public Lenders." Notwithstanding the foregoing, prior to

distribution of any Company Materials, you agree to execute and deliver to us (x) a letter in which you authorize distribution of the Company Materials to Private Lenders and (y) a separate letter in which you authorize distribution of the Public-Side Version to Public Lenders and represent that no MNPI is contained therein.

The Company agrees that the following documents may be distributed to both Private Lenders and Public Lenders, unless the Company advises the Mandated Lead Arrangers in writing within a reasonable time prior to their intended distribution (and provided the Company has a reasonable opportunity to review such materials before such distribution) that such materials should only be distributed to Private Lenders: (a) the Term Sheets and any "marketing term sheets," (b) drafts and final Credit Documentation, (c) administrative materials prepared by the Mandated Lead Arrangers for prospective Lenders (such as a lender meeting invitation, bank allocations, if any, and funding and closing memoranda), (d) notification of changes in the terms of the Credit Facilities, and (e) other materials intended for prospective Lenders after the initial distribution of Information Materials. If you advise us in advance that any of the foregoing should be distributed only to Private Lenders, then we will not distribute such materials to Public Lenders without your prior consent.

Except as set forth herein and in the Fee Letter, each of the Mandated Lead Arrangers and the Commitment Parties agrees and acknowledges, with respect to the Incremental Facility, that (a) it shall not, and shall procure that none of its affiliates shall, engage in any Front Running; (b) if it or any of its affiliates engages in any Front Running, the other Mandated Lead Arrangers may suffer loss or damage and its position in future financings with the other Mandated Lead Arrangers and the Company may be prejudiced; (c) if it or any of its affiliates engages in any Front Running the other Mandated Lead Arrangers retain the right not to allocate to it a commitment under the Incremental Facility; provided that, the aggregate principal amount of the Incremental Facility shall not be reduced as a result of the exercise of such right; and (d) it confirms that neither it nor any of its affiliates has engaged in any Front Running. When each of the Commitment Parties signs the applicable Credit Documentation and any assignment under the applicable Credit Documentation (in the case of any assignment agreement, only if signed within six months after the Closing Date), it shall, if the Mandated Lead Arrangers and the other Commitment Parties so request, confirm to them in writing that neither it nor any of its affiliates has breached the terms of this paragraph. Any arrangement, upfront fee or similar fee which may be payable to a Mandated Lead Arranger or Commitment Party in connection with the Incremental Facility is only payable on the condition that neither it nor any of its affiliates has breached the terms of this Commitment Letter. This condition is in addition to any other conditions agreed between the Mandated Lead Arrangers and the Commitment Parties in relation to the entitlement of each Mandated Lead Arranger and each Commitment Party to any such fee.

For the purposes of the immediately preceding paragraph: a "Facility Interest" means a legal, beneficial or economic interest acquired or to be acquired expressly and specifically in or in relation to the Incremental Facility, whether as initial Lender or by way of assignment, transfer, novation, sub-participation (whether disclosed, undisclosed, risk or funded) or any other similar method; "Front Running" means undertaking any of the following activities after the date hereof and prior to the date that is six months after the Closing Date unless the Mandated Lead Arrangers otherwise agree in writing, which is intended to or is reasonably likely to encourage any person to take a Facility Interest except as a Lender pursuant to the syndication described in this Section 2, and pursuant to and in accordance with the Sell Down (as defined below) principles set forth in the three immediately succeeding paragraphs (the terms of the three immediately succeeding paragraphs, the "Principles"): (a) communication with any person or the disclosure of any information to any person in relation to a Facility Interest; (b) making a price (whether firm or indicative) with a view to buying or selling a Facility Interest; or (c) entering into (or agreeing to enter into) any agreement, option or other arrangement, whether legally binding or not, giving rise to the assumption of any risk or participation in any exposure in relation to a Facility Interest, excluding where any of the foregoing is: (i) made to or entered into with an affiliate, (ii) an act of a Mandated Lead Arranger or a Commitment Party (or any of their respective affiliates) who is operating as a Public Lender, unless such person is acting on the instructions of a person who has received Confidential

Information and is aware of the proposed Incremental Facility, (iii) any communication, discussion, arrangement of agreement made or entered into by a Mandated Lead Arranger or a Commitment Party (or any of their respective affiliates) with an insurance or reinsurance company for the purpose of obtaining insurance in respect of an interest in the Incremental Facility, or (iv) made to or entered into with another Mandated Lead Arranger (or its affiliate), in connection with the facilitation of either syndication or initial drawdown under the Incremental Facility.

Notwithstanding anything to the contrary herein or in the applicable Credit Documentation, (a) any transfer of commitments or loans under the Incremental Facility by a Commitment Party to its affiliates (each, an "Affiliate Transferee"), shall not constitute a Sell Down or be subject to the Principles, unless such Affiliate Transferee is an investment fund, proprietary trading group or desk organized for the purpose of investing in, trading or managing debt obligations similar to those of the Company (except for any such investment fund, proprietary trading group or desk that agrees, in writing in a form acceptable to the Mandated Lead Arrangers to be bound by the Principles as if such transferee was the transferring Commitment Party) (an "Investment Affiliate Transferee"), and (b) (i) overnight sale-and-repurchase agreements entered into for financing purposes and (ii) overnight pledges or assignments of a security interest in a Commitment Party's rights under the commitments or loans in respect of the Incremental Facility to secure such Commitment Party's obligations incurred for financing purposes, including any pledge or assignment to a Federal Reserve Bank, shall not constitute a Sell Down or be subject to the Principles. Each Affiliate Transferee (other than an Investment Affiliate Transferee) shall be bound by the Principles in connection with each Sell Down by it with respect to the Incremental Facility prior to the Syndication Termination Date. Any transferee participant in a Sell Down and each Affiliate Transferee participating in such Sell Down shall enter into an assignment agreement or a participation agreement or any other relevant agreement.

Notwithstanding anything herein or in the Credit Documentation to the contrary, but subject to the terms of the immediately preceding paragraph, prior to the earlier of the Syndication Termination Date and the date that each Sell Down Commitment Party's (as defined below) commitments and loans under the Incremental Facility have been reduced to its Hold Level (as defined below), all Sell Downs under the Incremental Facility shall be applied to the commitments and loans under the Incremental Facility held by all Sell Down Commitment Parties on a pro rata basis (for each Sell Down Commitment Party, in accordance with such Sell Down Commitment Party's percentage of the aggregate commitments for the Incremental Facility as of the date hereof) when received to reduce the amount of commitments and loans held by the Sell Down Commitment Parties under the Incremental Facility; provided that no Sell Down shall reduce the amount of any Sell Down Commitment Party's commitments or loans under the Incremental Facility below the Hold Level of such Sell Down Commitment Party until each Sell Down Commitment Party's commitments and loans have been reduced to its Hold Level, and any amounts that would breach such Sell Down Party's Hold Level prior to such time shall be applied to the commitments and loans under the Incremental Facility of the remaining Sell Down Commitment Parties under the Incremental Facility on a ratable basis among the remaining Sell Down Commitment Parties; provided, further, that each Sell Down Commitment Party retains the right to decline to participate in each Sell Down in its sole discretion. If one or more Sell Down Commitment Parties does not participate in a Sell Down, then the remaining Sell Down Commitment Parties may elect to have their commitments and loans under the Incremental Facility reduced further on a ratable basis among such electing Sell Down Commitment Parties, subject to the first proviso above.

"Sell Down Commitment Parties" means each Commitment Party. "Sell Down" (and correlative terms) refers to any sale, assignment, participation, syndication or other transfer of any kind whatsoever, including, without limitation, by means of credit default, total return or other swaps or other synthetic transfers of risk, or agreement to do any of the foregoing, with respect to any commitment or loan under the Incremental Facility, by any Sell Down Commitment Party. The "Hold Level" of each Sell Down Commitment Party means the amount set forth opposite such Sell Down Commitment Party's name on Exhibit A under the heading "Incremental Facility Hold Level." The four immediately preceding paragraphs and this paragraph are for the benefit of the Mandated Lead Arrangers and the Commitment

Parties only, and may be amended by such parties without the consent of the Company to the extent that such amendments are limited to the scope of such paragraphs, and do not otherwise adversely impact the Company, and may not be enforced by the Company.

3. Indemnification

You agree to indemnify and hold harmless each of the Mandated Lead Arrangers, each of the Commitment Parties, each Lender, and each of their respective affiliates and each of the respective officers, directors, partners, employees, attorneys, agents, advisors, controlling persons and other representatives of the foregoing (each, an "Indemnified Person") from and against (and will reimburse each Indemnified Person as the same are incurred for) any and all claims, damages, losses, liabilities, costs and expenses (including, without limitation, the reasonable and documented out-of-pocket fees, disbursements and other charges of one firm of counsel for all such Indemnified Persons, taken as a whole and, if necessary or advisable, by local counsel in each appropriate jurisdiction (which may include a single firm of special counsel acting in multiple jurisdictions) for all such Indemnified Persons, taken as a whole (and, in the case of a conflict of interest or potential conflict of interest where the Indemnified Person affected by such conflict or potential conflict notifies you of the existence of such conflict and thereafter retains its own counsel, by another firm of counsel for all such affected Indemnified Persons)) that may be incurred by or asserted or awarded against any Indemnified Person or to which any such Indemnified Person may become subject (including, without limitation, in connection with, any claim, inquiry, investigation, litigation or proceeding (a "Proceeding") or the preparation of any defense in connection therewith) in each case arising out of or in connection with or by reason of or relating to this Commitment Letter, the Transactions, the Credit Facilities or the transactions contemplated hereby or thereby, or any use made or proposed to be made with the proceeds of the Credit Facilities (including any arising out of the comparative, contributory or sole negligence of any Indemnified Person), except to the extent such claim, damage, loss, liability, cost or expense (a) is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of such Indemnified Person, (b) results from a claim brought by you against an Indemnified Person for a material breach of such Indemnified Person's obligations hereunder if you have obtained a final and non-appealable judgment in your favor on such claim as determined by a court of competent jurisdiction, or (c) arises from a proceeding by an Indemnified Person against an Indemnified Person (or any of their respective affiliates or related parties) (other than an action involving (i) conduct by you or any of your affiliates or (ii) against an arranger or administrative agent or collateral agent or other agent in its capacity as such). In the case of a Proceeding to which the indemnity in this paragraph applies, such indemnity shall be effective, whether or not such Proceeding is brought by the Company or any of your securityholders, affiliates or creditors, an Indemnified Person or any other person, or an Indemnified Person is otherwise a party thereto and whether or not the transactions contemplated hereby are consummated, and the Company shall reimburse each Indemnified Person upon demand (with reasonable back-up) for any such legal or other expenses incurred in connection with investigating or defending any of the foregoing. The reimbursement and indemnity obligations of the Company under this paragraph will be in addition to any liability which the Company may otherwise have, will extend upon the same terms and conditions to any affiliate of the Indemnified Persons and controlling persons (if any), as the case may be, of the Indemnified Persons and any such affiliate, and will be binding upon and inure to the benefit of any successors, assigns, heirs and personal representatives of the Company, the Indemnified Persons, any such affiliate and any such person.

You also agree that no Indemnified Person shall have any liability (whether direct or indirect, in contract, tort or otherwise) to the Company, your subsidiaries or affiliates or to any of their respective securityholders, affiliates or creditors arising out of, related to or in connection with the transactions contemplated hereby, except solely to you, and then solely to the extent of direct (as opposed to special, indirect, consequential or punitive) damages determined in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Person's gross negligence, willful misconduct or material breach of such Indemnified Person's obligations hereunder.

It is further agreed that the Mandated Lead Arrangers and the Commitment Parties shall have liability only to you and shall have no liability to any other person. Notwithstanding any other provision of this Commitment Letter, no Indemnified Person shall be liable for any damages arising from the use by others of Information (as defined below) or other materials obtained through electronic telecommunications or other information transmission systems.

You shall not, without the prior written consent of an Indemnified Person (which consent shall not be unreasonably withheld), effect any settlement of any pending or threatened Proceedings in respect of which indemnity has been or may be sought hereunder by such Indemnified Person unless (a) such settlement includes an unconditional release of such Indemnified Person in form and substance reasonably satisfactory to such Indemnified Person from all liability on claims that are the subject matter of such Proceedings and (b) does not include any statement as to or any admission of fault, culpability or a failure to act by or on behalf of any Indemnified Person. In case any Proceeding is instituted involving any Indemnified Person for which indemnification is to be sought hereunder by such Indemnified Person, then such Indemnified Person shall promptly notify you of the commencement of any Proceedings; provided that any failure to provide such notification shall not impact your obligations except to the extent you have been materially prejudiced as a result of such failure to receive such notice.

4. Costs and Expenses; Fees

You agree to pay the fees set forth in that certain Fee Letter, dated the date hereof (as amended, restated, supplemented or otherwise modified from time to time, the "Fee Letter"), between you and us.

You shall pay or reimburse the Mandated Lead Arrangers and the Commitment Parties from time to time on demand whether or not any of the Credit Facilities is consummated for all reasonable and documented out-of-pocket costs and expenses incurred by the Mandated Lead Arrangers and the Commitment Parties (whether incurred before or after the date hereof) in connection with the Credit Facilities, the preparation, negotiation, execution and delivery of this Commitment Letter, the Fee Letter, and any other fee letters in respect hereof or thereof, the Credit Documentation, and the administration, amendment, modification or waiver of any terms or provisions thereof, including, without limitation, due diligence expenses, syndication expenses, travel expenses and the reasonable and documented out-of-pocket fees, disbursements and charges of one firm of counsel in each applicable jurisdiction to the Mandated Lead Arrangers and the Commitment Parties. The Company further agrees to pay all documented out-of-pocket costs and expenses of the Mandated Lead Arrangers and the Commitment Parties (including, without limitation, out-of-pocket fees, disbursements and charges of each counsel to the Mandated Lead Arrangers and the Commitment Parties) incurred in connection with the enforcement of any of its rights or remedies hereunder.

5. Confidentiality

By accepting delivery of this Commitment Letter, the Company agrees that this Commitment Letter is for its confidential use only and that neither its existence nor the terms hereof will be disclosed by it to any person other than the officers, directors, employees, accountants, attorneys and other legal advisors of the Company and/or its direct or indirect shareholders, who are directly involved in the consideration of this matter and then only on a confidential basis in connection with the transactions contemplated hereby, provided, that, each of such persons shall be informed of the confidential nature of the terms of this Commitment Letter. Notwithstanding the foregoing, (i) following the Company's acceptance of the provisions hereof and its return of an executed counterpart of this Commitment Letter to the Commitment Parties, as the Mandated Lead Arrangers as provided below, the Company may file a copy of any portion of this Commitment Letter in any public record in which it is required by law to be filed, (ii) the Company may make such other public disclosures of any of the terms and conditions hereof as the Company is required by law or judicial order, in the opinion of its counsel, to make and (iii) the Company may share a copy of this Commitment Letter with rating agencies in connection with obtaining ratings for the Company or the Credit Facilities; provided that nothing herein shall prevent you from

disclosing any such Confidential Information (x) as may be required by law, or compelled in a judicial or administrative proceeding or as otherwise required by law or requested by a governmental or regulatory authority and (y) with the consent of each Commitment Party and each Mandated Lead Arranger.

Each Commitment Party and each Mandated Lead Arranger shall maintain the confidentiality of all Confidential Information (as defined below) provided to us by or on behalf of you hereunder, provided that nothing herein shall prevent us from disclosing any such Confidential Information (i) as may be required by law or stock exchange requirement, or compelled in a judicial or administrative proceeding or as otherwise required by law or requested by a governmental or regulatory authority (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (ii) to the extent that such information becomes publicly available other than by reason of disclosure by us in violation of this paragraph or becomes available to a Commitment Party or any Mandated Lead Arranger on a non-confidential basis from a source other than the Company or any of its affiliates, (iii) to our and our affiliates' (including head office, branch or representative offices) officers, directors, employees, affiliates, independent auditors, legal counsel and other advisors (collectively, the "Representatives") (it being understood that the persons to whom such disclosure is made will be informed of the confidential nature of such Confidential Information and instructed to keep such Confidential Information confidential), (iv) to actual or potential Lenders, assignees or participants or sub-participants in the Credit Facilities, in each case who agree to be bound by the terms of this paragraph or substantially similar confidentiality provisions; provided that such disclosure shall be made subject to the acknowledgment and acceptance by such prospective Lender, assignee, participant or sub-participant on behalf of itself and its advisors, that such information is being disseminated on a confidential basis (on substantially the terms set forth in this paragraph or as is otherwise reasonably acceptable to you and the Commitment Parties and the Mandated Lead Arrangers, including, without limitation, as set forth in any confidential information memorandum or other marketing materials) in accordance with the standard syndication processes of the Mandated Lead Arrangers or market standards for dissemination of such type of information, which may require "click through" or other affirmative action on the part of the recipient to access such confidential information, (v) for purposes of establishing a "due diligence" defense, (vi) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Commitment Letter, the Fee Letter, the applicable Credit Documentation, or the enforcement of rights hereunder or thereunder, (vii) with the consent of the Company, (viii) to any rating agency for the purpose of obtaining a credit rating applicable to the Company, any Loan Party, any Commitment Party or any Mandated Lead Arranger, or (ix) insurers, insurance brokers and other credit protection and service providers of any Commitment Party, any Mandated Lead Arranger, or any of their respective affiliates who are under a duty of confidentiality to such Commitment Party, Mandated Lead Arranger or affiliate. For purposes of this Section, "Confidential Information" means all confidential and non-public information received from or on behalf of the Company or any of its subsidiaries and relating to the Company, any of its subsidiaries, the Target or any of its subsidiaries, or any of their respective businesses, or to the Transactions, other than any such information that is available to the Commitment Parties or the Mandated Lead Arrangers on a non-confidential basis prior to disclosure by the Company from a source which is not, to the knowledge of the recipient, prohibited from disclosing such information by a confidentiality agreement or other legal or fiduciary obligation to the Company. The confidentiality obligations of the Commitment Parties and the Mandated Lead Arrangers under this paragraph shall automatically terminate and be superseded by the confidentiality provisions in the applicable Credit Documentation upon execution and effectiveness thereof and in any event shall terminate on the second anniversary of the date hereof.

6. Representations and Warranties

You represent and warrant (prior to the Closing Date, with respect to information related to the Target and its subsidiaries, to the best of your knowledge) that (i) all written factual information, other than (x) Projections (as defined below), (y) information of a general economic or industry nature and (z) budgets, estimates and other forward-looking information, that has been or will hereafter be made available to the Commitment Parties and the Mandated Lead Arrangers by or on behalf of you or any of your subsidiaries, the Target or any of its subsidiaries, or any of their respective representatives in

connection with any aspect of the transactions contemplated hereby (the "Information"), taken as a whole, is or will be, when furnished, complete and correct in all material respects and does not or will not, when furnished, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein not misleading in light of the circumstances under which such statements were or are made and (ii) all financial estimates, forecasts and other forward-looking information, if any, that have been or will be prepared by or on behalf of you or any of your subsidiaries, the Target and its subsidiaries, or any of their respective representatives (or on their behalf) and made available to the Commitment Parties and the Mandated Lead Arrangers (the "Projections") have been or will be prepared in good faith based upon assumptions that are reasonable at the time made, it being understood and agreed that Projections are as to future events and are not to be viewed as facts or a guarantee of financial performance and are subject to significant uncertainties and contingencies, many of which are beyond the Company's and its subsidiaries' control, that no assurance can be given that such Projections will be realized, that actual results may differ significantly from the Projections and that such differences may be material. If, at any time prior to the later of the Syndication Termination Date and the Closing Date, you become aware that any of the representations and warranties in the preceding sentence would not be accurate and complete in any material respect if the Information or Projections were being furnished, and such representations and warranties were being made, at such time, then the Company will promptly supplement (and, prior to the Closing Date, in the case of Information and Projections provided by or on behalf of the Target or any of its subsidiaries, you agree to use commercially reasonable efforts to cause the Target to supplement) the Information and/or Projections so that such representations and warranties contained in this paragraph remain accurate and complete in all material respects under those circumstances.

In issuing this Commitment Letter and in arranging the Credit Facilities, including the syndication of the Incremental Facility, the Commitment Parties and the Mandated Lead Arrangers will be entitled to use, and to rely on the accuracy of, the Information furnished to it by or on behalf of you or any of your representatives without responsibility for independent verification thereof.

7. No Third Party Reliance; Not a Fiduciary, Etc.

The commitments and agreements of the Commitment Parties hereunder and the agreements of the Mandated Lead Arrangers hereunder, in each case are made solely for your benefit and the benefit of the Commitment Parties, the Mandated Lead Arrangers, and the other Indemnified Persons, as applicable, and may not be relied upon or enforced by any other person. Each Commitment Party and Mandated Lead Arranger may, subject to Section 8, employ the services of its respective affiliates in providing certain services hereunder and, in connection with the provision of such services, but subject to Section 5 above, may exchange with such affiliates information concerning you and the other companies that may be the subject of the transactions contemplated by this Commitment Letter and the Fee Letter, and, to the extent so employed, such affiliates shall be entitled to the benefits, and be subject to the obligations, of the applicable Commitment Party or Mandated Lead Arranger hereunder. Each Commitment Party and Mandated Lead Arranger shall be responsible for such affiliate's failure to comply with such obligations under this Commitment Letter.

You hereby acknowledge and acknowledge your affiliates' understanding that (a) the Commitment Parties and the Mandated Lead Arrangers are acting pursuant to a contractual relationship on an arm's-length basis between you and your affiliates, on the one hand, and the Commitment Parties and the Mandated Lead Arrangers, on the other hand, and the parties hereto do not intend that the Commitment Parties or the Mandated Lead Arrangers act or be responsible as a financial advisor or a fiduciary to or agent of you or your management, stockholders, creditors or any other person. You, the Commitment Parties and the Mandated Lead Arrangers hereby expressly disclaim and waive any fiduciary relationship and agree they are each responsible for making their own independent judgments with respect to any transactions entered into between them and you agree that you will not assert any claim against any Commitment Party or any Mandated Lead Arranger based on any breach or alleged breach of agency or fiduciary duty by such Commitment Party or such Mandated Lead Arranger in connection with this

Commitment Letter, the Fee Letter, or the transactions contemplated hereby or thereby. You also hereby acknowledge that (a) pursuant to the services provided herein, the Commitment Parties and the Mandated Lead Arrangers have not advised and are not advising you as to any legal, accounting, regulatory or tax matters or any other matters in any jurisdiction, and that you are consulting your own advisors concerning such matters to the extent you deem it appropriate and (b) you are capable of evaluating, and understand and accept, the terms, risks and conditions of the transactions contemplated hereby.

You understand that the Commitment Parties, the Mandated Lead Arrangers, and their respective affiliates (collectively, the “Group”) are full service securities or banking firms and are engaged in securities trading and brokerage activities as well as providing a wide range of investment banking and other financial services and businesses (including investment management, financing, securities trading, corporate and investment banking and research). Members of the Group and businesses within the Group generally act independently of each other, both for their own account and for the account of clients. Accordingly, there may be situations where parts of the Group and/or their clients either now have or may in the future have interests, or take actions, that may conflict with your interests. For example, the Group may, in the ordinary course of business, engage in trading in financial products or undertake other investment businesses for their own account or on behalf of other clients, including without limitation, trading in or holding long, short or derivative positions in securities, loans or other financial products of you or your affiliates or other entities connected with the Credit Facilities or the transactions contemplated hereby. With respect to any securities and/or financial instruments so held by any Commitment Party, any Mandated Lead Arranger, or any of its or their respective customers, all rights in respect of such securities and financial instruments, including any voting rights, will be exercised by the holder of the rights, in its sole discretion.

In recognition of the foregoing, you agree that the Group is not required to restrict its activities as a result of this Commitment Letter or the Fee Letter and that the Group may undertake any business activity without further consultation with or notification to you. Neither this Commitment Letter, the Fee Letter, nor the receipt by the Commitment Parties or the Mandated Lead Arrangers of confidential information nor any other matter will give rise to any fiduciary, equitable or contractual duties (including without limitation, any duty of trust or confidence) that would prevent or restrict the Group from acting on behalf of other customers or for its own account. Furthermore, you agree that neither the Group nor any member or business of the Group is under a duty to disclose to you or use on your behalf any information whatsoever about or derived from those activities or to account for any revenue or profits obtained in connection with such activities. However, consistent with the Group’s long-standing policy to hold in confidence the affairs of its customers, the Group will not use confidential information obtained from you except in connection with its services to, and its relationship with, you, provided, however, that the Group will be free to disclose information upon reasonable advance notice to you (to the extent practicable and permissible) in any manner as required by law, regulation, regulatory authority or other applicable judicial or government order.

In furtherance of the foregoing, each party hereto hereby acknowledges that the Commitment Parties, the Mandated Lead Arrangers, or their respective affiliates, (i) may provide debt financing, equity capital or other services to other persons with whom the Company or its affiliates may have conflicting interests in respect of the Credit Facilities in this or other transactions, and (ii) may act in more than one capacity in relation to the transactions contemplated by this Commitment Letter and the Fee Letter and may have conflicting interests in respect of such different capacities. The Company acknowledges (on behalf of itself and its affiliates) that the Commitment Parties and the Mandated Lead Arrangers have no obligation to use any information obtained from another source for purposes of the Credit Facilities or otherwise in connection with its obligations under this Commitment Letter and the Fee Letter, or to furnish such information to the Company or its affiliates.

8. Assignments

The Company may not assign or delegate any of its rights or obligations under this Commitment Letter without the prior written consent of each Mandated Lead Arranger and each Commitment Party, and any attempted assignment without such consent shall be void *ab initio*. The Commitment Parties and the Mandated Lead Arrangers may not assign or delegate any of their rights, commitments with respect to the Credit Facilities or other obligations under this Commitment Letter, as applicable, without the Company's prior written consent or except (i) to its affiliates, (ii) as provided in Section 2 hereof or (iii) on or after the Closing Date, as provided in the section titled "Transfers and Assignments" in each Term Sheet, and any attempted assignment without such consent (to the extent required in accordance with this Commitment Letter) shall be void *ab initio*. Notwithstanding the foregoing, any and all obligations and services to be provided by each Mandated Lead Arranger and each Commitment Party hereunder (including, without limitation, each Commitment Party's commitments), may be performed, and any and all rights of such Mandated Lead Arranger and such Commitment Party hereunder may be exercised, by or through one or more of its affiliates or branches; provided that, other than with respect to an assignment to which you otherwise consent in writing (which consent shall not be unreasonably withheld by you), such Commitment Party shall not be released from the portion of its commitment hereunder so assigned to the extent such assignee fails to fund the portion of the commitment assigned to it on the Closing Date notwithstanding the satisfaction of the conditions to funding set forth herein.

9. Amendments

This Commitment Letter may not be amended or any provision hereof waived or modified except by an instrument in writing signed by each party hereto; provided that only the consent of the Commitment Parties and the Mandated Lead Arrangers shall be required to amend the last five paragraphs of Section 2.

10. Governing Law, Survival, Etc.

THIS COMMITMENT LETTER, AND ALL CLAIMS OR CAUSES OF ACTION (WHETHER IN CONTRACT, TORT OR OTHERWISE) THAT MAY BE BASED UPON, ARISE OUT OF OR RELATE IN ANY WAY TO THIS COMMITMENT LETTER, OR THE NEGOTIATION, EXECUTION OR PERFORMANCE OF THIS COMMITMENT LETTER OR THE TRANSACTIONS CONTEMPLATED HEREBY, SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

Each of the parties hereto agrees that this Commitment Letter is a binding and enforceable agreement with respect to the subject matter contained herein, including an agreement by the parties hereto to negotiate in good faith and as promptly as reasonably practicable the Credit Documentation in a manner consistent with this Commitment Letter, the Fee Letter and the Term Sheets, it being acknowledged and agreed that the commitment provided hereunder is subject to conditions precedent set forth herein and in the Term Sheets. Each of the parties hereto agrees that the Fee Letter is a binding and enforceable agreement with respect to the subject matter contained therein.

This Commitment Letter sets forth the entire agreement among the parties with respect to the matters addressed herein and supersedes all prior communications, written or oral, with respect hereto. This Commitment Letter may be executed in any number of counterparts, each of which, when so executed, shall be deemed to be an original and all of which, taken together, shall constitute one and the same Commitment Letter. Delivery of an executed counterpart of a signature page to this Commitment Letter by facsimile, email or other electronic transmission (including pdf or other similar format) shall be as effective as delivery of a manually executed counterpart of this Commitment Letter. The Fee Letter and Sections 2 through 7, 10, 11 and 12 hereof shall survive the termination of the Commitment Parties' commitments hereunder and the termination of the agreements of the Mandated Lead Arrangers hereunder, and shall remain in full force and effect regardless of whether the Credit Documentation is executed and delivered; provided that your obligations under Section 3 and the second paragraph of Section 4 shall

automatically terminate on the Closing Date and be superseded by the corresponding provisions of the applicable Credit Documentation upon execution thereof, solely to the extent such provisions in the Credit Documentation cover the same scope and subject matter as set forth in Section 3 and the second paragraph of Section 4; provided, further, that your obligations under Section 2 shall automatically terminate on the Termination Date if the Closing Date has not occurred. You acknowledge that information and documents relating to the Credit Facilities may be transmitted through the Platform.

11. Taxes; Payments.

All payments under this Commitment Letter and the Fee Letter will, except as otherwise provided herein or therein, be made in U.S. Dollars and will be made free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, except as required by applicable law. If any applicable law (as determined in the good faith discretion of the Company) requires the deduction or withholding of any tax from any such payment, then the Company shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant governmental authority in accordance with applicable law and shall indemnify each Indemnified Person for and hold it harmless against any such taxes and any liability arising therefrom or with respect thereto; provided that (i) the Company shall not be liable for (a) any Excluded Taxes (as defined in the Existing Term Loan Agreement) or (b) any U.S. federal withholding taxes imposed on amounts payable to or for the account of such Indemnified Person under this Commitment Letter or the Fee Letter pursuant to a law in effect on the date of this Commitment Letter and (ii) the relevant Indemnified Party shall deliver any documentation prescribed by the applicable requirement of law as will permit payment to which such payee is entitled to be made without any, or at a reduced rate of, deduction or withholding for, or on account of, taxes; provided, however, that no Indemnified Person shall be required to provide any documentation that it is not legally entitled to provide, or that, in the relevant Indemnified Person's reasonable judgment, would subject such Indemnified Person to any material unreimbursed costs or otherwise be disadvantageous to it in any material respect.

12. WAIVER OF JURY TRIAL, ETC.

EACH PARTY HERETO IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS COMMITMENT LETTER OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THE ACTIONS OF THE PARTIES HERETO IN THE NEGOTIATION, PERFORMANCE OR ENFORCEMENT HEREOF.

With respect to all matters relating to this Commitment Letter, you and we each hereby irrevocably and unconditionally (i) submit to the jurisdiction of the U.S. District Court for the Southern District of New York State or, if that court does not have subject matter jurisdiction, in any State court located in the City and County of New York; (ii) agree that all claims related to this Commitment Letter shall be brought, heard and determined exclusively in such courts, (iii) waive, to the fullest extent you and we may effectively do so, any objection to the laying of venue of any suit, action or proceeding brought in any court referred to in clause (i) above or any claim that any such suit, action or proceeding has been brought in an inconvenient forum, (iv) agree that a final judgment of such courts shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law and (v) waive any immunity (sovereign or otherwise) from jurisdiction of any court or from any legal process or setoff to which you or we or your or our properties or assets may be entitled. Nothing herein will affect the right of the Commitment Parties and the Mandated Lead Arrangers to serve legal process in any other manner permitted by law. To the extent that the Company has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, the Company irrevocably waives such immunity in respect of its obligations under this Commitment Letter.

13. Patriot Act, Etc.

Each Commitment Party and each Mandated Lead Arranger hereby notifies you that pursuant to the requirements of the USA Patriot Act, Title III of Pub. L. 107-56 (signed into law October 26, 2001) (as amended, the "Patriot Act") and 31 C.F.R. §1010.230 (the "Beneficial Ownership Regulation"), the Commitment Parties, the Mandated Lead Arrangers and the Lenders and each of their respective affiliates are required to obtain, verify and record information that identifies the Company and each Guarantor, which information includes the name, address, tax identification number and other information regarding the Company and each Guarantor that will allow the Commitment Parties, the Mandated Lead Arrangers, or such Lender to identify the Company and each Guarantor in accordance with the Patriot Act and to obtain certifications regarding beneficial ownership under the Beneficial Ownership Regulation. This notice is given in accordance with the requirements of the Patriot Act and the Beneficial Ownership Regulation and is effective as to the Commitment Parties, the Mandated Lead Arrangers and the Lenders and each of their respective affiliates.

14. [Reserved].

15. Termination

If the foregoing correctly sets forth our agreement, please indicate your acceptance of the terms of this Commitment Letter and the Fee Letter by returning to the Mandated Lead Arrangers and the Commitment Parties executed counterparts hereof and thereof not later than 5:00 p.m., New York City time, on November 9, 2018. The Commitment Parties' commitments and agreements hereunder and agreements of the Mandated Lead Arrangers contained herein will expire at such time in the event that the Mandated Lead Arrangers and the Commitment Parties have not received such executed counterparts in accordance with the immediately preceding sentence. This Commitment Letter and the commitments and agreements of the Commitment Parties, the Mandated Lead Arrangers, and the Company hereunder, if timely accepted and agreed to by the Company, shall automatically terminate upon the first to occur of (a) with respect to the Short Term Loan Facility, the execution and delivery of the definitive credit agreement in respect of the Short Term Loan Facility, (b) with respect to the Incremental Facility, the amendment or other documentation implementing the Incremental Facility, in each case by the Company, Borrower, each Guarantor, the initial lenders party thereto, and the agents party thereto, (c) 5:00 p.m., New York City time, on February 28, 2020, (d) April 26, 2019, as such date may be extended pursuant to Section 9.2(a) of the Merger Agreement, as in effect on the date hereof, (e) with respect to either or both of the Short Term Loan Facility and/or the Incremental Facility (as specified in such notice), delivery of written notice of termination by the Company to each Commitment Party and each Mandated Lead Arranger, (f) the date that the Merger Agreement is terminated in accordance with its terms prior to the consummation of the Acquisition, and (g) as to any Credit Facility, the consummation of the Acquisition without the use of such Credit Facility (the earliest date set forth in clauses (a) through (g), the "Termination Date").

[Signature pages follow.]

Very truly yours,

ABN AMRO CAPITAL USA LLC

By: /s/ John Sullivan
Name: John Sullivan
Title: Managing Director

ABN AMRO CAPITAL USA LLC

By: /s/ Floris Jongma
Name: Floris Jongma
Title: Director

[Signature page to 2018 Syndicate Commitment Letter]

AUSTRALIA AND NEW ZEALAND BANKING
GROUP LIMITED

By: /s/ Carl Roberts
Name: Carl Roberts
Title: Head of Loan Syndications, South &
South East Asia

[Signature page to 2018 Syndicate Commitment Letter]

AXIS BANK LIMITED

By: /s/ Raj Kumar Khosa
Name: Raj Kumar Khosa
Title: C.E.O.

AXIS BANK LIMITED

By: /s/ Niladhri Nandi
Name: Niladhri Nandi
Title: Head – Credit

[Signature page to 2018 Syndicate Commitment Letter]

BANK OF AMERICA, N.A.

By: /s/ Frances Fabello
Name: Frances Fabello
Title: Assistant Vice President

[Signature page to 2018 Syndicate Commitment Letter]

BARCLAYS BANK PLC

By: /s/ Mark Pope
Name: Mark Pope
Title: Assistant Vice President

[Signature page to 2018 Syndicate Commitment Letter]

CITIGROUP GLOBAL MARKETS ASIA
LIMITED

By: /s/ Chiranjeev Kumar
Name: Chiranjeev Kumar
Title: Director

CITIBANK, N.A.

By: /s/ Siddarth Bansal
Name: Siddarth Bansal
Title: Director

[Signature page to 2018 Syndicate Commitment Letter]

CRÉDIT AGRICOLE CORPORATE AND
INVESTMENT BANK

By: /s/ Akash Sen
Name: Akash Sen
Title: Managing Director

By: /s/ Sameer Bejalwar
Name: Sameer Bejalwar
Title: Vice President

[Signature page to 2018 Syndicate Commitment Letter]

DEUTSCHE BANK SECURITIES INC.

By: /s/ Mason Parker
Name: Mason Parker
Title: Managing Director

By: /s/ Alvin Varughese
Name: Alvin Varughese
Title: Director

DEUTSCHE BANK AG CAYMAN ISLANDS
BRANCH

By: /s/ Mason Parker
Name: Mason Parker
Title: Managing Director

By: /s/ Alvin Varughese
Name: Alvin Varughese
Title: Director

DEUTSCHE BANK AG NEW YORK BRANCH

By: /s/ Mason Parker
Name: Mason Parker
Title: Managing Director

By: /s/ Alvin Varughese
Name: Alvin Varughese
Title: Director

[Signature page to 2018 Syndicate Commitment Letter]

DBS BANK LTD.

By: /s/ Mildred Seow Slok Eng
Name: Mildred Seow Slok Eng
Title: Managing Director & Head

[Signature page to 2018 Syndicate Commitment Letter]

FIRST ABU DHABI BANK USA N.V.

By: /s/ Husam Arabiat
Name: Husam Arabiat
Title: Country CEO

By: /s/ Pamela Sigda
Name: Pamela Sigda
Title: Chief Financial Officer

[Signature page to 2018 Syndicate Commitment Letter]

HSBC SECURITIES (USA) INC.

By: /s/ Frederic Fournier
Name: Frederic Fournier
Title: Director

HSBC BANK USA, N.A.

By: /s/ Frederic Fournier
Name: Frederic Fournier
Title: Senior Vice President

[Signature page to 2018 Syndicate Commitment Letter]

ICICI BANK LIMITED, NEW YORK BRANCH

By: /s/ Akashdeep Sarpal
Name: Akashdeep Sarpal
Title: Country Head – USA

[Signature page to 2018 Syndicate Commitment Letter]

ING BANK N.V., SINGAPORE BRANCH

By: /s/ Paul Verwijmeren
Name: Paul Verwijmeren
Title: Head of Corporate Lending, South-East
Asia and Taiwan

By: /s/ Milly Tan
Name: Milly Tan
Title: Director, Corporate Lending

[Signature page to 2018 Syndicate Commitment Letter]

JPMORGAN CHASE BANK, N.A.

By: /s/ Tasvir Hasan
Name: Tasvir Hasan
Title: Executive Director

[Signature page to 2018 Syndicate Commitment Letter]

MIZUHO BANK, LTD.

By: /s/ Dr. Durgesh Tinaikar
Name: Dr. Durgesh Tinaikar
Title: Joint General Manager & Head –
Corporate Banking & Financial Institutions,
India

[Signature page to 2018 Syndicate Commitment Letter]

MUFG BANK, LTD.

By: /s/ Masashi Sakai
Name: Masashi Sakai
Title: Managing Director, Corporate Banking
Division for EMEA MUFG Bank, Ltd.

[Signature page to 2018 Syndicate Commitment Letter]

SOCIETE GENERALE, HONG KONG BRANCH

By: /s/ Tapan Vaishnav
Name: Tapan Vaishnav
Title: Head of Advisory & Financing Group,
Asia-Pacific

By: /s/ Roland Riedel
Name: Roland Riedel
Title: Director of Loan Syndicate & Sales, Asia-
Pacific

[Signature page to 2018 Syndicate Commitment Letter]

STANDARD CHARTERED BANK

By: /s/ Virendra Dhir
Name: Virendra Dhir
Title: Executive Director, Loan Syndicate &
Distribution

[Signature page to 2018 Syndicate Commitment Letter]

STATE BANK OF INDIA

By: /s/ Prem Anup Sinha
Name: Prem Anup Sinha
Title: Deputy General Manager, ECBs &
Syndications Department, International Banking
Group, State Bank of India

[Signature page to 2018 Syndicate Commitment Letter]

SUMITOMO MITSUI BANKING CORPORATION
SINGAPORE BRANCH, Incorporated in Japan
with limited liability, Company Registration No.
T03FC6366F

By: /s/ Velarie Lee
Name: Velarie Lee
Title: Deputy General Manager

[Signature page to 2018 Syndicate Commitment Letter]

Accepted and agreed to as of
the date first written above:

NOVELIS INC.

By /s/ Randal P. Miller
Name: Randal P. Miller
Title: Vice President & Treasurer

[Signature page to 2018 Syndicate Commitment Letter]

Exhibit A

| Sell Down Commitment Party | Short Term Loan Facility Commitment | Incremental Facility Commitment | Incremental Facility Hold Level |
|--|--|--|--|
| ABN AMRO Capital USA LLC | \$70,000,000 | \$37,000,000 | \$30,000,000 |
| Australia and New Zealand Banking Group Limited | \$70,000,000 | \$37,000,000 | \$30,000,000 |
| Axis Bank Limited | \$70,000,000 | \$37,000,000 | \$30,000,000 |
| Bank of America, N.A. | \$70,000,000 | \$37,000,000 | \$30,000,000 |
| Barclays Bank PLC | \$70,000,000 | \$37,000,000 | \$30,000,000 |
| Citibank, N.A. | \$70,000,000 | \$37,000,000 | \$30,000,000 |
| Crédit Agricole Corporate and Investment Bank | \$70,000,000 | \$37,000,000 | \$30,000,000 |
| DBS Bank Ltd. | \$70,000,000 | \$37,000,000 | \$30,000,000 |
| Deutsche Bank AG New York Branch | – | \$37,000,000 | \$30,000,000 |
| Deutsche Bank AG Cayman Islands Branch | \$70,000,000 | – | – |
| First Abu Dhabi Bank USA N.V. | \$70,000,000 | \$37,000,000 | \$30,000,000 |
| HSBC Bank USA, N.A. | \$70,000,000 | \$37,000,000 | \$30,000,000 |
| ICICI Bank Limited, New York Branch | \$70,000,000 | \$37,000,000 | \$30,000,000 |
| ING Bank N.V., Singapore Branch | \$70,000,000 | \$37,000,000 | \$30,000,000 |
| JPMorgan Chase Bank, N.A. | \$70,000,000 | \$37,000,000 | \$30,000,000 |
| Mizuho Bank, Ltd. | \$70,000,000 | \$37,000,000 | \$30,000,000 |
| MUFG Bank, Ltd. | \$70,000,000 | \$37,000,000 | \$30,000,000 |
| Societe Generale, Hong Kong Branch | \$70,000,000 | \$37,000,000 | \$30,000,000 |
| Standard Chartered Bank | \$70,000,000 | \$37,000,000 | \$30,000,000 |
| State Bank of India | \$170,000,000 | \$72,000,000 | \$60,000,000 |
| Sumitomo Mitsui Banking Corporation Singapore Branch | \$70,000,000 | \$37,000,000 | \$30,000,000 |
| Total | \$1,500,000,000 | \$775,000,000 | \$630,000,000 |

EXHIBIT B – Short Term Loan

SUMMARY OF PRINCIPAL TERMS AND CONDITIONS

Capitalized terms used but not defined herein shall have the meanings given to them in the Commitment Letter to which this term sheet ("**Term Sheet**") is attached, or the Fee Letter (as defined therein), as applicable.

| A. TRANSACTION OVERVIEW | |
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| Borrower (the "Borrower"): | <p>Before the consummation of the Acquisition (as defined below): Novelis Acquisitions LLC, a Delaware limited liability company, which is wholly owned and controlled, directly or indirectly, by the Parent (as defined below).</p> <p>Immediately after giving effect to the merger of Novelis Acquisitions LLC with and into the Target (as defined below) in connection with the Acquisition: the Target, which shall be wholly owned and controlled, directly or indirectly, by the Parent.</p> |
| Parent (the "Parent"): | <p>Before the Designated Holdco Effective Date (as defined in the Closing Date Existing Term Loan Facility): Novelis Inc., a corporation amalgamated under the Canada Business Corporations Act, which is wholly owned and controlled, directly or indirectly, by the Sponsor.</p> <p>After the Designated Holdco Effective Date: UK Holdco (as defined in the Amendment Term Sheet).</p> <p>"Existing Term Loan Facility" means that certain Credit Agreement, dated as of January 10, 2017, among Novelis Inc., as borrower, the guarantors party thereto, the lenders party thereto, Standard Chartered Bank as administrative agent for the term loan lenders and as collateral agent for the secured parties (as amended, modified, supplemented or restated prior to the date of the Commitment Letter); "Closing Date Existing Term Loan Facility" means the Existing Term Loan Facility, as amended by an amendment that, among other things, would include the terms set forth in the Amendment Term Sheet (the "Term Loan Amendment"); "Term Loan Facility" means the Closing Date Existing Term Loan Facility as modified in connection with the Incremental Facility (as defined below).</p> |
| Existing Term Loan Borrower (the "Company"): | Novelis Inc., a corporation amalgamated under the Canada Business Corporations Act. |
| Novelis Group: | Holdings (as defined below) and its restricted subsidiaries. |
| Sponsor: | Hindalco Industries Limited, an entity incorporated in India which is controlled by the Promoters. |
| Promoters: | A V Birla Group. |
| Guarantors: | AV Metals Inc., a corporation amalgamated under the Canada Business Corporations Act (or, if required to become a guarantor under the terms of the Closing Date Existing Term Loan Facility, AV Minerals (Netherlands) N.V., a company organized under the laws of the Netherlands (" AV Minerals ")) (" Holdings "), Parent and each of the Parent's direct and indirect subsidiaries (including the Target and its subsidiaries upon consummation of the Acquisition), subject to customary exceptions consistent with the Closing Date Existing Term |

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| | Loan Facility, including immaterial subsidiaries, unrestricted subsidiaries and subsidiaries prohibited from providing such a guaranty under applicable legal restrictions. |
| Letter of Comfort Provider: | Sponsor. |
| Loan Parties: | The Borrower and the Guarantors (the " Loan Parties "). |
| Target: | Aleris Corporation, a Delaware corporation (the " Target "). |
| Target Group: | Target and all its subsidiaries. |
| Transactions: | The Borrower intends to acquire (the " Acquisition ") the Target pursuant to the terms of that certain Agreement and Plan of Merger, dated as of July 26, 2018 (as amended, restated, supplemented or otherwise modified from time to time, the " Merger Agreement "), among the Company, the Borrower, the Target, and OCM Opportunities ALS Holdings, L.P., a Delaware limited partnership (the " Stockholders Representative "), repay certain indebtedness of the Target and its subsidiaries in connection with the Acquisition (the " Target Indebtedness "), and to pay all fees, costs and expenses in connection with the foregoing (collectively, the " Transactions "). |
| Mandated Lead Arrangers, Bookrunners and Underwriters: | The Mandated Lead Arrangers named in the Commitment Letter (collectively, the " MLAs "). |
| Administrative Agent: | Standard Chartered Bank. |
| Documentation Agents: | ABN AMRO Capital USA LLC and Citi. |
| Lenders: | As selected by the MLAs in consultation with the Borrower. The Lenders, the MLAs and the Administrative Agent are together the " Finance Parties ". |
| Incremental Facility: | Up to US\$775,000,000 incremental term loan facility to be drawn under the Term Loan Facility by the Borrower for the purpose of funding part of the purchase price payable in connection with the Acquisition and payment of fees and expenses (the " Incremental Facility "). |

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| B. | FACILITY |
| Facility: | Bullet repayment short term loan (" Short Term Loan "). |
| Amount: | Up to US\$1,500,000,000. |
| Availability Period: | On and after the Signing Date until the Termination Date. <p>"Termination Date" means upon the first to occur of (a) 5:00 p.m., New York City time, on February 28, 2020, (b) April 26, 2019, as such date may be extended pursuant to Section 9.2(a) of the Merger Agreement (without giving effect to any amendments thereto), (c) delivery of written notice of termination by the Parent of all of the commitments for the Short Term Loan, (d) the date that the Merger Agreement is terminated in accordance with its terms prior to the consummation of the Acquisition, (e) the consummation of the Acquisition without the use of the Short Term Loan, and (f) the Closing Date (after giving effect to the funding of the</p> |

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| | loans under the Short Term Loan on such date). The Borrower may elect whether or not to borrow under the Short Term Loan on the Closing Date, and any such borrowing may be for all or any portion of the commitments then available under the Short Term Loan. After giving effect to the funding of any loans under the Short Term Loan on the Closing Date, all undrawn commitments under the Short Term Loan shall immediately terminate. |
| Maturity Date: | 12 months from the date of first utilization under the Short Term Loan Agreement (as defined below). |
| Purpose: | a) Financing a portion of the consideration paid to acquire the Target pursuant to the Merger Agreement; b) Repayment of existing debt at the Target Group; and c) The payment of fees, costs and expenses incurred in connection with the Acquisition, the Short Term Loan and the Incremental Facility. |
| Repayment: | Bullet repayment on the Maturity Date. |

| C. PRICING | |
|--------------------------|---|
| Upfront Fee: | 0.25% of the aggregate principal amount of Short Term Loans funded by each Lender, which fee shall be earned, due and payable in U.S. dollars on the date the Short Term Loans are funded. No Upfront Fee will be payable on any unfunded portion of the commitments. |
| Commitment Fee: | 0.24% per year (calculated based on a year of 360 days) calculated on the undrawn and uncanceled amount of the commitments for the Short Term Loan. Such fees shall accrue commencing with the Signing Date, and are payable monthly (on the last business day of each calendar month) in arrears prior to the Closing Date, on the Closing Date, and on the terminated commitments for the Short Term Loan at the time a termination is effective, in each case to the Lenders providing commitments for the Short Term Loan at the end of, or immediately prior to the end of, the applicable period. Such fee shall be apportioned among the Lenders providing commitments for the Short Term Loan during the applicable period. |
| Margin: | 0.95% per annum. |
| Interest Periods: | 3 months (or any shorter period with the prior written consent of the Lenders holding more than 50% of the Short Term Loans). Interest is payable on the last day of each Interest Period on the basis of actual days elapsed and a year of 360 days. |
| Interest: | The aggregate of: (a) Margin; and (b) LIBOR There will be a LIBOR floor of 0.00%. The Credit Documentation will contain customary provisions relating to LIBOR market disruption consistent with those in the Closing Date Existing Term Loan |

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| | Facility. |
| Default Interest: | During the continuance of any payment default under the Credit Documentation (as defined below), such overdue amount shall accrue interest at 2% per annum in addition to the interest rate otherwise applicable thereto. |
| Cost and Yield Protection: | Customary for transactions and facilities of this type, including, without limitation, in respect of breakage or redeployment costs incurred in connection with prepayments, changes in capital adequacy and capital requirements or their interpretation, illegality, unavailability, and reserves without proration or offset subject to exceptions and limitations customary for transactions and facilities of this type. |
| Taxes: | <p>Novelis expects the initial Lenders to book the loans in jurisdictions with, or in a manner giving rise to, zero U.S. federal withholding tax, unless, as a result of a change in law after the date the applicable Lender provided a binding commitment to fund the Short Term Loan, booking the loans in jurisdictions with, or in a manner giving rise to, zero U.S. federal withholding tax would, in the Lender's reasonable judgment, subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.</p> <p>The terms of the Short Term Loan will contain gross-up provisions for withholding taxes solely to the extent such withholding taxes are applicable to changes in law following the earlier of (1) the date applicable Lender provided a binding commitment to a member of the Novelis Group to fund the Short Term Loans and (2) the date the applicable Lender acquired its interest in the Short Term Loan (including an acquisition of an interest in the Short Term Loan pursuant to an assignment). In addition to the gross-up set forth in the preceding sentence for changes in law after the date of an assignment, in the case of an assignment of the Short Term Loan, an assignee Lender shall also be entitled to a gross-up for withholding taxes to the extent such Lender's assignor was entitled to a gross-up for withholding taxes immediately prior to the assignment; <u>provided</u> that, for the avoidance of doubt, no assignee shall be entitled to any such gross-up for withholding taxes in excess of the withholding taxes to which such assignee is subject.</p> <p>Novelis's obligation to provide any gross-up for U.S. federal withholding taxes shall be subject to the applicable lender providing U.S. federal tax forms customarily required to be delivered by lenders pursuant to U.S. loan agreements, including applicable Forms W-8 or W-9, which would reduce or eliminate U.S. federal withholding tax, to the extent the applicable lender is legally entitled to provide such forms. Novelis's obligation to provide any gross-up for non-U.S. withholding taxes shall be subject to the applicable lender providing non-U.S. tax forms reasonably requested by Novelis which would reduce or eliminate non-U.S. withholding tax, <u>provided, however</u>, that the submission of such non-U.S. tax forms shall not be required if in the lender's reasonable judgment the completion, execution or submission of any such forms would subject such lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such lender.</p> <p>In the event Novelis is required to pay any withholding taxes with respect to interest and fees with respect to Short Term Loans held by any Lender and such Lender is not grossed-up for such taxes pursuant to the provisions described herein, Novelis will provide such Lender with a certificate confirming the amount of such withholding taxes paid.</p> |

The borrower under the Short Term Loan shall be a United States person as defined in Section 7701(a)(30) of the Internal Revenue Code of 1986, and shall represent to the Lenders that interest and other payments under the Short Term Loan documents are not subject to any non-U.S. withholding taxes.

| D. OTHER TERMS | |
|---------------------------|---|
| Documentation: | The Short Term Loan will be made available under a loan agreement (the " Short Term Loan Agreement ") based on the documentation for the Closing Date Existing Term Loan Facility except (i) as expressly set forth herein, (ii) other changes to remove provisions related to security to reflect the unsecured nature of the facility as mutually agreed between the Borrower and the MLAs and (iii) deletion of Section 6.11(a) of the Closing Date Existing Term Loan Facility. Additional documentation will include guarantees and other related documents usual for transactions of this type and (where applicable) consistent with the equivalent documentation delivered in connection with the Closing Date Existing Term Loan Facility (together with the Short Term Loan Agreement, the " Credit Documentation "). |
| Letter of Comfort: | A Letter of Comfort in the form attached as Annex A to this term sheet (" LoC ") shall be delivered to the Administrative Agent and the Lenders from the Sponsor on or prior to the Closing Date, which letter shall have been approved by the Sponsor's board of directors prior to the date that it is delivered. |
| Signing Date: | The date of execution, delivery and effectiveness of the credit agreement in respect of the Short Term Loan (the " Signing Date "). |
| Closing Date: | The date of borrowing of the term loans under the Short Term Loan (the " Closing Date "), which date shall be at least two business days after the Signing Date. |

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| Conditions Precedent to Signing Date: | <p>The conditions precedent to the effectiveness of the Short Term Loan shall be consistent with the conditions precedent to the effective date set forth in the Existing Term Loan Facility, as modified as set forth below and opposite the heading "Documentation" above, and shall be limited to:</p> <ul style="list-style-type: none"> (a) on or prior to February 28, 2019, the negotiation, execution and delivery of the Short Term Loan Agreement on terms and subject to conditions consistent with the Commitment Letter and this term sheet or otherwise reasonably satisfactory to the MLAs; (b) all "know your customer" requirements shall be completed; (c) the Administrative Agent shall have received executed copies of (i) the Term Loan Amendment and all documents and certificates executed and delivered in connection therewith, which shall be in full force and effect and all conditions precedent to the effectiveness of the amendments set forth therein shall have been satisfied, and (ii) the loan documents in respect of the Incremental Facility that are required to be delivered on the effective date of the Incremental Facility pursuant to the terms thereof, which shall be in full force and effect and all conditions precedent to the signing date set forth therein shall have been satisfied; |
|--|---|

- (d) all fees required to be paid by the Loan Parties on the effective date of the Short Term Loan Agreement and, to the extent invoiced at least one business day prior to such date, all reasonable and documented out-of-pocket expenses required to be reimbursed by the Company to the Finance Parties and their representatives and counsel in connection with the Transactions shall have been paid;
- (e) satisfactory solvency certification;
- (f) all of the representations and warranties in the Credit Documentation shall be true and correct as of the Signing Date;
- (g) no default or event of default under the Short Term Loan shall have occurred and be continuing or would result from the effectiveness of the Short Term Loan Agreement;
- (h) legal opinions from counsel to the Loan Parties in each applicable jurisdiction (or, in the case of loan documents governed by, or entities organized under, the laws of the United Arab Emirates or the Dubai International Financial Centre, counsel to the Administrative Agent), documents and other instruments and certificates as are customary for transactions of this type or as the MLAs may reasonably request, including, without limitation, (i) customary evidence of authority from each Loan Party, (ii) customary officer's certificates from each Loan Party, (iii) certified copies of organizational or constitutional documents for each Loan Party together with a certified incumbency and specimen signature of each officer or authorized signatory for each Loan Party and (iv) good standing certificates (to the extent applicable) in the respective jurisdictions of organization of each Loan Party, each in form and substance reasonably satisfactory to the MLAs;
- (i) compliance with all material requirements of law, including Regulations T, U and X of the Board of Governors of the Federal Reserve System of the United States;
- (j) evidence that all approvals of governmental authorities and third parties necessary to execute and deliver the documentation required to be delivered hereunder on the Signing Date and to perform all obligations thereunder, in each case shall have been obtained and shall be in full force and effect;
- (k) absence of any governmental or judicial action, actual or threatened, that has or would have, singly or in the aggregate, a reasonable likelihood of restraining, preventing or imposing burdensome conditions on the transactions contemplated by the Short Term Loan;
- (l) receipt of a process agent appointment letter in respect of the Loan Parties; and
- (m) since March 31, 2018 through the Signing Date, there has been no event, change, circumstance or occurrence that, individually or in the aggregate, has had or could reasonably be expected to result in a Material Adverse Effect (to be defined in a manner consistent with the definition in the Closing Date Existing Term Loan Facility) on Holdings and its subsidiaries.

**Conditions
Precedent to
Drawdown:**

The conditions precedent to the obligation of each Lender to advance loans under the Short Term Loan shall be consistent with the conditions precedent (other than the conditions precedent to the effective date) and post-closing covenants (without regard to the post-closing time periods described therein unless otherwise agreed by the Lenders) set forth in the Existing Term Loan Facility, as modified as set forth below and opposite the heading "Documentation" above, and shall be limited to:

- (a) the Termination Date shall not have occurred;
- (b) the Signing Date shall have occurred;
- (c) the Administrative Agent shall have received a borrowing request in respect of the Short Term Loan;
- (d) if the Incremental Facility is funded on the Closing Date, the Administrative Agent shall have received certified copies of each definitive agreement in respect of the Incremental Facility required to be delivered on the date that the loans are funded under the Incremental Facility pursuant to the terms thereof, each of which shall be in full force and effect and all conditions precedent to the funding of the Incremental Facility shall have been satisfied (or will be satisfied concurrently with the funding of the Incremental Facility);
- (e) all "know your customer" requirements shall be completed;
- (f) all guarantees, including foreign guarantees, reaffirmation agreements and other Credit Documentation shall be executed and delivered to the Administrative Agent to the extent not provided on the Signing Date, each in form and substance satisfactory to the MLAs;
- (g) an amendment to, or amendment and restatement of, the Borrower's senior revolving credit facility (the "**ABL Facility**") shall have been executed and delivered, the terms of which shall, among other things, permit the Acquisition, the Short Term Loan, and the Permitted Reorganization (as defined in the Closing Date Existing Term Loan Facility) (to the extent that the ABL Facility has not been restated, refinanced or otherwise replaced prior to such time) (the "**ABL Amendment**") and the Term Loan Amendment shall be in full force and effect and all conditions precedent to the effectiveness of the amendments set forth in each of the foregoing shall have been satisfied; provided that, to the extent that the ABL Facility has been restated, refinanced or otherwise replaced to the extent not prohibited by the Credit Documentation, such documents shall be in full force and effect and all conditions precedent to the effectiveness of the terms thereof shall have been satisfied, and such documents shall, among other things, permit the Acquisition, the Short Term Loan, and the Permitted Reorganization;
- (h) the Administrative Agent shall have received executed copies of the ABL Amendment and all documents and certificates executed and delivered in connection therewith (and, to the extent applicable, copies of all documents that restate, refinance or otherwise replace the ABL Facility);
- (i) the Administrative Agent shall have received the following financial

statements and forecasts:

- (i) the consolidated balance sheets and related statements of income, stockholders' equity and cash flows of the Novelis Group (x) as of and for the three most recent fiscal years ended at least 90 days prior to the funding of the Short Term Loan, audited by and accompanied by the unqualified opinion of PricewaterhouseCoopers, and (y) as of and for each fiscal quarter ended after the end of the most recently ended fiscal year for which financial statements have been provided and at least 45 days prior to the funding date of the Short Term Loan (which requirement may be satisfied by providing links to such information on the website of the U.S. Securities and Exchange Commission, so long as such information complies with the requirements of this clause (i));
- (ii) the consolidated balance sheets and related statements of income, stockholders' equity and cash flows of the Target and its subsidiaries (x) as of and for the three most recent fiscal years ended at least 90 days prior to the funding of the Short Term Loan, audited by and accompanied by the unqualified opinion of an independent certified public accounting firm of nationally recognized standing, and (y) as of and for each fiscal quarter ended after the end of the most recently ended fiscal year for which financial statements have been provided and at least 45 days prior to the funding date of the Short Term Loan (which requirement may be satisfied by providing links to such information on the website of the U.S. Securities and Exchange Commission, so long as such information complies with the requirements of this clause (ii));
- (iii) the forecasts of financial performance of the Novelis Group and the Target covering the period commencing with the most recent fiscal quarter ended at least 45 days prior to the funding date of the Short Term Loan and ending on the date that is five years after such date, which forecasts shall have been prepared in good faith by the Novelis Group and based on assumptions believed by the Novelis Group to be reasonable, it being understood that any such forecasts may vary from actual results and such variations could be material; and
- (iv) pro forma financial statements after giving effect to the Acquisition as of and for the most recent fiscal year ended at least 90 days prior to the funding date of the Short Term Loan, and as of and for each fiscal quarter ended after the end of such fiscal year and at least 45 days prior to the funding date of the Short Term Loan;
- (j) all fees required to be paid by the Loan Parties on the date that the Short Term Loan is funded and, to the extent invoiced at least one business day prior to such date, all reasonable and documented out-of-pocket expenses required to be reimbursed by the Company to the Finance Parties and their representatives and counsel in connection with the Transactions shall have been paid;
- (k) the Administrative Agent shall have received evidence reasonably satisfactory to it that all loans and other accrued and outstanding obligations under the documents in respect of the Target Indebtedness (other than indebtedness permitted under the Closing Date Existing

Term Loan Facility) have been repaid in full, all commitments thereunder have been terminated, and all security interests in connection therewith have been released, or, in the case of each of the foregoing, will be repaid in full, terminated and released, as applicable, substantially concurrently with the funding of the loans under the Incremental Facility on the Closing Date after giving effect to the application of proceeds thereof;

- (l) on the date that the Short Term Loan is funded, the Acquisition shall be consummated substantially concurrently with the funding of the Short Term Loans in all material respects in accordance with the terms described in the Merger Agreement as in effect on July 26, 2018 without giving effect to any amendments thereto or any consents or waivers that, in any such case, are materially adverse to the Lenders in their capacities as such, without the consent of the MLAs (it being understood that (i) any modification, amendment, consent or waiver to the definition of "Material Adverse Effect" in the Merger Agreement, or which has the effect of modifying, amending or waiving the representation or condition as to the absence of a Material Adverse Effect (as defined in the Merger Agreement) shall be deemed to be materially adverse to the Lenders and the Administrative Agent, (ii) any decrease in the purchase price payable under the Merger Agreement shall not be deemed to be materially adverse to the Lenders, so long as such decrease does not exceed 10% of the consideration contemplated to be paid under the Merger Agreement as of July 26, 2018 and (iii) any increase in the purchase price contemplated to be paid under the Merger Agreement shall not be deemed to be materially adverse to the Lenders, so long as such increase is funded by additional common equity contributions to the Novelis Group). For the avoidance of doubt, adjustments to working capital in accordance with the terms of the Merger Agreement shall not constitute an increase or decrease in purchase price for purposes of this paragraph;
- (m) the LoC shall have been executed and delivered by the Sponsor to the Administrative Agent;
- (n) immediately after giving effect to the consummation of the Acquisition, the Target and its subsidiaries (other than subsidiaries that would not be required to become guarantors pursuant to the terms of the Closing Date Existing Term Loan Facility) will join the credit agreement in respect of the Short Term Loan as guarantors (or in the case of the Target, as Borrower) and shall execute and deliver (or cause to be executed and delivered) all other Credit Documentation, certificates and opinions consistent with the Credit Documentation, certificates and opinions delivered by the Loan Parties (other than the Target and its subsidiaries) on or prior to such date or as otherwise was required in connection with the original closing of the Existing Term Loan Facility (other than Credit Documentation related to the creation or perfection of security in any collateral);
- (o) satisfactory solvency certification;

- (p) subject to the proviso below, all of the representations and warranties in the Credit Documentation shall be true and correct as of the Closing Date;
- (q) subject to the proviso below, no default or event of default under the Short Term Loan shall have occurred and be continuing or would result from the funding of the Short Term Loan;
- (r) legal opinions from counsel to the Loan Parties in each applicable jurisdiction (or, in the case of loan documents governed by, or entities organized under, the laws of the United Arab Emirates or the Dubai International Financial Centre, counsel to the Administrative Agent), documents and other instruments and certificates as are customary for transactions of this type or as the MLAs may reasonably request (including, without limitation, (i) customary evidence of authority from each Loan Party, (ii) customary officer's certificates from each Loan Party, (iii) certified copies of organizational or constitutional documents for each Loan Party together with a certified incumbency and specimen signature of each officer or authorized signatory for each Loan Party and (iv) good standing certificates (to the extent applicable) in the respective jurisdictions of organization of each Loan Party), each in form and substance reasonably satisfactory to the MLAs;
- (s) after giving effect to the Transactions and the other transactions contemplated hereby, the Novelis Group shall not have outstanding any indebtedness or preferred stock other than Indebtedness permitted by the Credit Documentation;
- (t) compliance with all material requirements of law, including Regulations T, U and X of the Board of Governors of the Federal Reserve System of the United States;
- (u) evidence that all approvals of governmental authorities and third parties necessary to consummate the transactions contemplated by the Short Term Loan have been obtained and are in full force and effect;
- (v) absence of any governmental or judicial action, actual or threatened, that has or would have, singly or in the aggregate, a reasonable likelihood of restraining, preventing or imposing burdensome conditions on the transactions contemplated by the Short Term Loan;
- (w) receipt of tax withholding certificates confirming FATCA compliance from the Lenders;
- (x) receipt of a process agent appointment letter in respect of the Target and its subsidiaries that are required to become Loan Parties;
- (y) no order, judgment or decree of any governmental authority shall purport to restrain any Lender from funding the Short Term Loan, and no injunction or restraining order shall have been issued, shall be pending or noticed with respect to any action, suit or proceeding seeking to enjoin or otherwise prevent the consummation of, or to recover any damages or obtain relief as a result of, the transactions contemplated by the Short Term Loan or the making of loans thereunder; and

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| | <p>(z) since March 31, 2018 through the Closing Date, there has been no event, change, circumstance or occurrence that, individually or in the aggregate, has had or could reasonably be expected to result in a Material Adverse Effect on Holdings and its subsidiaries, after giving effect to the Acquisition.</p> <p><u>provided</u> that, notwithstanding anything to the contrary herein or in the Closing Date Existing Term Loan Facility, solely with respect to the Target and its subsidiaries, the only representations the accuracy of which shall be a condition precedent to the funding of the Short Term Loan shall be (i) such of the representations made by the Target in the Merger Agreement as are material to the interests of the MLAs and the Lenders, but only to the extent that the Company or its affiliates have the right (taking into account any applicable cure periods) to terminate its or its affiliates' obligations (or refuse to consummate the Acquisition) under the Merger Agreement as a result of the failure of such representations to be true and correct or to otherwise satisfy the standard set forth in the Merger Agreement (the "Acquisition Agreement Representations") and (ii) the representations and warranties contained in the Credit Documentation relating to organizational power and authority (solely as to execution, delivery and performance of the applicable Credit Documentation); the due authorization, execution, delivery and enforceability of the Credit Documentation; the incurrence of the loans by the Borrower, the provision of the guarantees by the Guarantors not conflicting with the organizational documents of the applicable person; solvency; and no violation of the Federal Reserve margin regulations, anti-terrorism laws (including the Patriot Act), sanctions (including OFAC), anti-money laundering laws, and anti-corruption laws (including the Foreign Corrupt Practices Act); the Investment Company Act; and beneficial ownership.</p> |
| <p>Voluntary Prepayments and Commitment Reductions:</p> | <p>The Short Term Loan may be repaid, and the commitments under the Short Term Loan may be reduced, in whole, or in part, at any time and from time to time, in the Borrower's sole discretion.</p> <p>Any Voluntary Prepayment shall be made with accrued interest on the amount prepaid and without premium or penalty, except breakage costs if not made on the last day of an Interest Period.</p> |
| <p>Mandatory Prepayments:</p> | <p>Mandatory prepayments shall be made in an amount equal to the net cash proceeds of debt and equity raised by the Novelis Group on or after the Closing Date (subject to agreed exceptions). Net cash proceeds in respect of asset sales, casualty losses, or condemnations on or after the Closing Date (subject to agreed exceptions) shall be applied to repay Short Term Loans, but only to the extent any funds remain after making any mandatory prepayments owed under the Term Loan Facility and ABL Facility, and subject to any sharing of any application of such proceeds that may be required under notes issued by the</p> |

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| | <p>Novelis Group.</p> <p>The Credit Documentation shall permit mandatory prepayments with the proceeds of Specified Divestitures to be applied pro rata to loans under the Term Loan Facility and loans under the Short Term Loan.¹</p> <p>"Specified Divestitures" means the sale, transfer or other disposition of assets of the Target, any of its subsidiaries, Holdings, or any of its subsidiaries required in connection with obtaining regulatory (including antitrust) approval for the Acquisition, whether or not such sale, transfer or other disposition occurs prior to or after the consummation of the Acquisition.</p> <p>Any Mandatory Prepayment shall be made with accrued interest on the amount prepaid and without premium or penalty, except breakage costs if not made on the last day of an Interest Period.</p> |
| <p>Representations and Warranties:</p> | <p>Consistent with those under the Closing Date Existing Term Loan Facility, as modified as set forth opposite the heading "Documentation" above (and where relevant, applicable to the Short Term Loans), limited to the following: organizational existence and good standing; powers; authorization; enforceability; no conflict with organizational documents, law or material contractual obligations; applicable governmental approvals and consents; accuracy and completeness of historical financial statements; pro forma financial statements and forecasts; absence of a material adverse effect; ownership of properties; intellectual property; equity interests and subsidiaries; litigation; compliance with laws and agreements; federal reserve regulations; Investment Company Act; use of proceeds; taxes; no material misstatements; labor matters; solvency; employee benefit plans; environmental matters; insurance; material indebtedness documents; anti-terrorism law, sanctions, anti-money laundering law and anti-corruption law; location of material inventory and equipment; senior notes; material indebtedness; centre of main interests and establishments; holding and dormant companies; status as non-EEA financial institutions; Federal Power Act and Interstate Commerce Act; beneficial ownership.</p> |
| <p>Affirmative Covenants:</p> | <p>Consistent with those under the Closing Date Existing Term Loan Facility, as modified as set forth opposite the heading "Documentation" above (and where relevant, applicable to the Short Term Loans), limited to the following: delivery of financial statements, reports, compliance certificates, etc.; notices of defaults, litigation, other adverse events, etc.; maintenance of existence; continuation of businesses and maintenance of properties; compliance with law and procedures designed to ensure compliance with anti-corruption laws; maintenance of insurance; payment of taxes; employee benefits; maintaining records; access to properties and inspections; annual meetings; use of proceeds; compliance with environmental laws; environmental reports; additional guarantors; further assurances; information regarding assets; affirmative covenants with respect to leases; post-closing covenants; and designation of subsidiaries.</p> |

¹ The description of the this mandatory prepayment provision gives effect to proposed amendments to the Existing Term Loan Facility that are currently under consideration by the lenders under the Existing Term Loan Facility.

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| Negative Covenants: | Consistent with those under the Closing Date Existing Term Loan Facility, as modified as set forth opposite the heading "Documentation" above, limited to the following: limitations on indebtedness; limitations on liens; limitations on sale and leaseback transactions; limitations on investments, loans and advances; limitations on mergers, amalgamations and consolidations; limitations on asset sales; limitations on cash pooling arrangements; limitations on dividends; limitations on transactions with affiliates; most favored nation in respect of third lien credit agreements ; limitations on prepayments of other indebtedness; limitations on modifications of organizational documents and other documents; limitations on certain restrictions on restricted subsidiaries; limitations on issuance of disqualified capital stock; limitations on changes to the business; limitations on accounting changes; limitations on changes in fiscal year; limitations on using the proceeds of loans to purchase margin stock; no further negative pledge; limitations on actions in violation of anti-terrorism laws anti-money laundering laws; and limitations on transactions with embargoed persons and sanctions. |
| Financial Covenant: | <p>Consistent with the financial covenant under the Closing Date Existing Term Loan Facility, limited to a maximum consolidated Senior Secured Net Leverage Ratio as of the last day of the four consecutive fiscal quarter period of the Parent then last ended (in each case taken as one accounting period), of no greater than 3.50 to 1.00.</p> <p>For purposes of determining compliance with the Senior Secured Net Leverage Ratio for any such period, the net cash proceeds of any capital contribution by Sponsor or its affiliates to Holdings or the issuance of Qualified Capital Stock (to be defined in a manner consistent with the Closing Date Existing Term Loan Facility) by Holdings to Sponsor or its affiliates (which proceeds are immediately contributed to the Parent) after the end of the last quarter in such period and on or prior to the day that is 10 days after the day on which financial statements are required to be delivered for such quarter will, at the request of the Borrower, be added to the amount of Consolidated EBITDA (to be defined in a manner consistent with the Closing Date Existing Term Loan Facility) for the purpose of determining compliance with financial covenants at the end of such fiscal quarter and applicable subsequent periods (any such equity contribution so included in the calculation of Consolidated EBITDA, a "Specified Equity Contribution"); <u>provided</u> that (a) in each four fiscal quarter period there shall be a period of at least two quarters in which no Specified Equity Contribution is made, (b) there shall be no more than an aggregate of four Specified Equity Contributions, (c) the amount of any Specified Equity Contribution shall be no greater than the amount required to cause the Borrower to be in compliance with the financial covenant and (d) all Specified Equity Contributions shall be disregarded for purposes of determining any available baskets or thresholds and shall not result in any adjustment to any amounts or calculations other than the amount of Consolidated EBITDA described above.</p> |
| Unrestricted Subsidiaries: | Subject to limitations on loans, advances, guarantees and other investments in or transactions with, unrestricted subsidiaries, the Parent will be permitted to designate any existing or subsequently acquired or organized subsidiary as an " Unrestricted Subsidiary " (so long as (i) immediately before and after such designation, no default or event of default has occurred and is continuing, (ii) the |

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| | <p>Parent is in pro forma compliance with the Financial Covenant, and (iii) the consolidated interest coverage ratio for the most recently ended four fiscal quarters for which financial statements have been delivered would have been at least 2.00 to 1.00, determined on a pro forma basis) and subsequently re-designate any such unrestricted subsidiary as a restricted subsidiary. Unrestricted Subsidiaries will not be subject to the representation and warranty, affirmative or negative covenant or event of default provisions of the Short Term Loan and the assets, results of operations and indebtedness of Unrestricted Subsidiaries will not be taken into account for purposes of determining compliance with the financial covenants contained in the Short Term Loan. Once an unrestricted subsidiary is re-designated as a restricted subsidiary, it may not be re-designated as an unrestricted subsidiary. The fair market value of an unrestricted subsidiary on the date of its designation will constitute an investment as of such date that will be required to be permitted under the Short Term Loan facility; <u>provided</u> that the aggregate fair market value of all subsidiaries so designated may not exceed US\$500,000,000.</p> |
| IFRS Reporting: | <p>The Parent shall be permitted to convert to IFRS financial reporting; <u>provided</u> that if and to the extent the Parent converts to IFRS (i) such conversion shall be treated as a change in GAAP, (ii) at the time of such conversion, the Parent shall deliver to the Administrative Agent a schedule reconciling the differences between GAAP and IFRS with respect to such financial statements covering the four fiscal quarter period prior to such conversion, (iii) promptly following the Parent's notice to the Administrative Agent to the effect that it is converting to IFRS reporting, the Parent, the Administrative Agent and the Lenders shall negotiate in good faith to amend the Short Term Loan facility credit agreement to reset the financial definitions to reflect the same economic terms as are in effect prior to such conversion and (iv) until the amendment referred to in clause (iii) above is effective, compliance with financial covenants shall continue to be determined in accordance with GAAP and, upon request of the Administrative Agent, the Parent shall provide reasonably detailed backup for the financial covenant calculations.</p> |
| Events of Default: | <p>Consistent with those in the Closing Date Existing Term Loan Facility, as modified as set forth below and opposite the heading "Documentation" above (and where relevant, applicable to the Short Term Loans), limited to the following: nonpayment of principal when due; nonpayment of interest, fees and other amounts when due; incorrectness of representations and warranties in any material respect when made or deemed made; violation of covenants; cross default and cross acceleration to material indebtedness (<u>provided</u>, in the case of the ABL Facility, breach of the financial maintenance covenant contained therein shall be subject to cross acceleration, and not cross default); bankruptcy, insolvency proceedings, etc.; inability to pay debts, etc.; material unsatisfied judgments; ERISA events; actual or asserted invalidity of loan documents; change of control (including if Parent ceases to be the beneficial owner and the direct or indirect owner of 100% of the equity interests of the Borrower); and prohibition or restraint on the conduct of the business that could reasonably be expected to result in a material adverse effect; <u>provided</u> that the cross-acceleration Event of Default shall be expanded to also apply to the Sponsor in respect of indebtedness the aggregate dollar equivalent amount of which</p> |

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| | exceeds \$100,000,000. |
| Assignments: | <p>Assignments of commitments under the Short Term Loan facility and Short Term Loans may be made to banks or financial institutions or to a trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets, in a minimum amount equal to US\$1,000,000 or such lesser amount held by the assigning lender, with the consent of the Borrower, not to be unreasonably withheld; <u>provided</u> that no such consent will be required if (i) an event of default has occurred and is continuing or (ii) the assignment is to a Lender, an affiliate of a Lender or an Approved Fund (defined in a manner consistent with the Closing Date Existing Term Loan Facility); <u>provided further</u> that the Borrower shall be deemed to have consented to any such assignment unless it shall object by written notice to the Administrative Agent within five business days after receiving notice thereof.</p> <p>An assignment fee in the amount of US\$3,500 will be charged with respect to each assignment unless waived by the Administrative Agent in its sole discretion. Each Lender will also have the right, without consent of the Borrower or the Administrative Agent, to assign as security all or part of its rights under the Short Term Loan to any Federal Reserve Bank; <u>provided</u> that no such pledge or assignment shall release such Lender from any of its obligations under the Credit Documentation or substitute any such pledgee or assignee for such Lender as a party to the Credit Documentation.</p> <p>Assignments to Disqualified Institutions (as defined below) shall not be permitted.</p> <p>"Disqualified Institution" shall mean, on any date, (a) any Sanctioned Person (to be defined in a manner consistent with the Closing Date Existing Term Loan Facility) and (b) any other person that is a direct competitor of the Parent (other than a person described in clause (a) or (b) of the definition of Known Affiliate (as defined below) or a Known Affiliate of a competitor, which person has been designated by the Parent as a "Disqualified Institution" by written notice to the Administrative Agent from time to time after the 90th day following the original closing date under the Existing Term Loan Facility; <u>provided</u> that "Disqualified Institutions" shall exclude any person that the Parent has designated as no longer being a "Disqualified Institution" by written notice delivered to the Administrative Agent from time to time.</p> <p>"Known Affiliate" of any person shall mean, as to such person, known affiliates readily identifiable by name, but excluding any affiliate (a) that is a bona fide debt fund or investment vehicle that is primarily engaged in, or that advises funds or other investment vehicles that are engaged in, making, purchasing, holding or otherwise investing in commercial loans, bonds or similar extensions of credit or securities in the ordinary course and with respect to which the Disqualified Institution does not, directly or indirectly, possess the power to direct or cause the direction of the investment policies of such entity or (b) that is a banking or lending institution engaged in the business of making loans.</p> |
| Waivers and Amendments: | Substantially similar to the waivers and amendments section of the Closing Date Existing Term Loan Facility, including requirements for the approval of Lenders |

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| | holding more than 50% of the aggregate amount of the loans and commitments under the Short Term Loans (" Required Lenders ") (with certain amendments and waivers also requiring class votes), except that the consent of each directly affected Lender shall also be required with respect to items consistent with the Closing Date Existing Term Loan Facility, including, among other things, (a) increases in the commitment of such Lender, (b) reductions of principal, interest or fees payable to such Lender and (c) extensions of final maturity of the loans or commitments of such Lender, and the consent of all Lenders shall be required with respect to any waiver or amendment of any provision of the LoC and otherwise with respect to items consistent with the Closing Date Existing Term Loan Facility, including, among other things, releases of all or substantially all of the subsidiary guarantors from their Guarantees. Voting rights of defaulting lenders will be limited in a customary manner. |
| Replacement of Lenders: | Same as under the Closing Date Existing Term Loan Facility, including the ability of the Borrower to replace "non-consenting Lenders" and "defaulting lenders". |
| Indemnification: | <p>The Borrower will indemnify and hold harmless the Administrative Agent, the MLAs, each Lender and their respective affiliates and their partners, directors, officers, employees, agents and advisors from and against all losses, claims, damages, liabilities and expenses arising out of or relating to the Short Term Loan, any other aspect of the transactions contemplated hereby, and the Borrower's use of the proceeds of any loans made under the Short Term Loan, including, but not limited to, reasonable attorneys' fees and settlement costs.</p> <p>This indemnification shall survive and continue for the benefit of all such persons or entities.</p> |
| Expenses: | The Borrower will pay all reasonable costs and expenses associated with the preparation, due diligence, administration, syndication and closing of all Credit Documentation, including, without limitation, the legal fees of one primary counsel (plus local counsel in each applicable jurisdiction) to the Administrative Agent and the MLAs. The Borrower will also pay the expenses of the Administrative Agent and each Lender in connection with the enforcement of any of the Credit Documentation (<u>provided</u> that such expenses shall include the costs of one primary counsel to the Administrative Agent and one primary counsel to all other Lenders, collectively, plus, in each case, applicable local counsel). |

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| E. ADDITIONAL TERMS | |
| Governing Law: | The laws of the State of New York; <u>provided</u> that certain guaranty documents will be governed by the laws of the jurisdiction applicable to the relevant guarantor. |
| Counsel to the Administrative Agent and mandated Lead Arrangers: | Skadden, Arps, Slate, Meagher & Flom LLP. |

Annex A : Form of Letter of Comfort

[HINDALCO INDUSTRIES LIMITED LETTERHEAD]

To: [***insert Banks' names***]
[***insert address***]

[***] 20 [***]

Dear Sirs,

Hindalco Industries Limited ("we" or "Hindalco") confirms that:

- (a) we are aware that you and/or your various branches, affiliates, subsidiaries and associate banks (together the "**Banks**", which expression shall include its novatees, transferees, successors and assignees), pursuant to that certain Credit Agreement, dated as of [date] (the "**Short Term Loan Agreement**"), among the Borrower (as defined below), Novelis Inc., as a Guarantor, the other Guarantors from time to time party thereto, the Lenders from time to time party thereto, and Standard Chartered Bank, as administrative agent, have agreed to provide a senior unsecured short term loan facility in the amount of up to \$1,500,000,000 (the "**Short Term Credit Facility**") to our indirect subsidiary, the Borrower, a wholly-owned subsidiary of Novelis Inc., in connection with the acquisition of Aleris Corporation by Novelis Inc. As used herein: (i) "**Borrower**" means, (x) Novelis Acquisitions LLC or (y) immediately after giving effect to the merger of Novelis Acquisitions LLC with and into Aleris Corporation in connection with the Acquisition, Aleris Corporation; and (ii) "**Novelis Group**" means AV Metals Inc. (or, following the Permitted Reorganization (as defined in the Short Term Loan Agreement), AV Minerals (Netherlands) N.V.) and its subsidiaries.
- (b) we will not directly or indirectly dispose of any shares in, or permit any modification in the share capital of, AV Minerals (Netherlands) N.V. (the holding company for the Novelis Group) in a manner that results in Hindalco ceasing to own and control a majority of the equity interests (determined by voting control and economics) in AV Minerals (Netherlands) N.V. without first having received your written consent or having ensured that the Borrower's liability to the Banks pursuant to the Short Term Loan Agreement is unconditionally and irrevocably paid and discharged in full;
- (c) we will do whatever is necessary in order to ensure that the Novelis Group continues to conduct its business, thus enabling the Borrower (and any of its successors or assigns) to meet its obligations arising under the Short Term Loan Agreement; and
- (d) if we violate our obligations under this letter agreement in any way, we will promptly initiate discussions with the Banks regarding the immediate repayment of the obligations of the Borrower and the Guarantors under the Short Term Credit Facility.

We further confirm that this letter applies to you and to any of your associate banks, assignees, novatees and transferees in respect of your and their respective obligations under the Short Term Loan Agreement. This letter is intended to be a letter of comfort and not a guarantee of the Short Term Loan Agreement. A copy of the resolutions of the board of directors of Hindalco Industries Limited dated [] authorizing the execution, delivery and performance by Hindalco of this letter agreement and its obligations under this letter agreement is attached hereto.

Yours faithfully,

HINDALCO INDUSTRIES LIMITED

By _____
Name:
Title:

EXHIBIT C – Senior Secured Incremental Facility

SUMMARY OF PRINCIPAL TERMS AND CONDITIONS

Capitalized terms used but not defined herein shall have the meanings given to them in the Commitment Letter to which this term sheet ("**Term Sheet**") is attached, or the Fee Letter (as defined therein), as applicable.

| A. | TRANSACTION OVERVIEW |
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| Incremental Borrower (the "Borrower"): | <p>Before the consummation of the Acquisition (as defined below): Novelis Acquisitions LLC, a Delaware limited liability company, which is wholly owned and controlled, directly or indirectly, by the Parent (as defined below).</p> <p>Immediately after giving effect to the merger of Novelis Acquisitions LLC with and into the Target (as defined below) in connection with the Acquisition: the Target, which shall be wholly owned and controlled, directly or indirectly, by the Parent.</p> |
| Parent (the "Parent"): | <p>Before the Designated Holdco Effective Date (as defined in the Closing Date Existing Term Loan Facility): Novelis Inc., a corporation amalgamated under the Canada Business Corporations Act, which is wholly owned and controlled, directly or indirectly, by the Sponsor.</p> <p>After the Designated Holdco Effective Date: UK Holdco (as defined in the Amendment Term Sheet).</p> <p>"Existing Term Loan Facility" means that certain Credit Agreement, dated as of January 10, 2017, among Novelis Inc., as borrower, the guarantors party thereto, the lenders party thereto, Standard Chartered Bank as administrative agent for the term loan lenders and as collateral agent for the secured parties (as amended, modified, supplemented or restated prior to the date of the Commitment Letter); "Closing Date Existing Term Loan Facility" means the Existing Term Loan Facility, as amended by an amendment that, among other things, would include the terms set forth in the Amendment Term Sheet (the "Term Loan Amendment"); "Term Loan Facility" means the Closing Date Existing Term Loan Facility as modified in connection with the Incremental Facility.</p> |
| Existing Term Loan Borrower (the "Company"): | Novelis Inc., a corporation amalgamated under the Canada Business Corporations Act. |
| Novelis Group: | Holdings (as defined below) and its restricted subsidiaries. |
| Sponsor: | Hindalco Industries Limited, an entity incorporated in India which is controlled by the Promoters. |
| Promoters: | A V Birla Group. |
| Guarantors: | AV Metals Inc., a corporation amalgamated under the Canada Business Corporations Act (or, if required to become a guarantor under the terms of the Closing Date Existing Term Loan Facility), AV Minerals (Netherlands) N.V., a company organized under the laws of the Netherlands (" AV Minerals ") (" Holdings "), Parent and each of the Parent's direct and indirect subsidiaries (including the Target and its subsidiaries upon consummation of the Acquisition), subject to customary exceptions consistent with the Closing Date Existing Term Loan Facility, including immaterial subsidiaries, unrestricted subsidiaries and |

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| | subsidiaries prohibited from providing such a guaranty under applicable legal restrictions. |
| Loan Parties: | The Borrower and the Guarantors (the " Loan Parties "). |
| Target: | Aleris Corporation, a Delaware corporation (the " Target "). |
| Target Group: | Target and all of its subsidiaries. |
| Transactions: | The Borrower intends to acquire (the " Acquisition ") the Target pursuant to the terms of that certain Agreement and Plan of Merger, dated as of July 26, 2018 (as amended, restated, supplemented or otherwise modified from time to time, the " Merger Agreement "), among the Company, the Borrower, the Target, and OCM Opportunities ALS Holdings, L.P., a Delaware limited partnership (the " Stockholders Representative "), repay certain indebtedness of the Target and its subsidiaries in connection with the Acquisition (the " Target Indebtedness "), and to pay all fees, costs and expenses in connection with the foregoing (collectively, the " Transactions "). |
| Mandated Lead Arrangers, Bookrunners and Underwriters: | The Mandated Lead Arrangers named in the Commitment Letter (collectively, the " MLAs "). |
| Administrative Agent: | Standard Chartered Bank. |
| Collateral Agent (the "Collateral Agent") | Standard Chartered Bank. |
| Documentation Agents: | ABN AMRO Capital USA LLC and Citi. |
| Lenders: | As selected by the MLAs in consultation with the Borrower. The Lenders, the MLAs, the Administrative Agent and the Collateral Agent are together the " Finance Parties ". |
| Short Term Loan: | Up to US\$1,500,000,000 short term loan to be drawn by the Borrower for funding part of the purchase consideration for the Acquisition, the refinancing of existing debt of the Target Group and payment of fees and expenses (the " Short Term Loan "). |

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| B. | FACILITY |
| Facility: | Senior secured term loan facility (" Incremental Facility "). |
| Amount: | Up to US\$775,000,000. |
| Availability Period: | On and after the Signing Date until the Termination Date. " Termination Date " means upon the first to occur of (a) 5:00 p.m., New York City time, on February 28, 2020, (b) April 26, 2019, as such date may be extended pursuant to Section 9.2(a) of the Merger Agreement (without giving effect to any amendments thereto), (c) delivery of written notice of termination of all of the commitments with respect to the Incremental Facility by the Parent, (d) the date that the Merger Agreement is terminated in accordance with its terms prior to the consummation of the Acquisition, (e) the consummation of the Acquisition without the use of the Incremental Facility, and (f) the Closing Date (after giving effect to |

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| | <p>the funding of the loans under the Incremental Facility on such date).</p> <p>The Borrower may elect whether or not to borrow under the Incremental Facility on the Closing Date, and any such borrowing may be for all or any portion of the commitments then available under the Incremental Facility. After giving effect to the funding of any loans under the Incremental Facility on the Closing Date, all undrawn commitments under the Incremental Facility shall immediately terminate.</p> |
| Maturity Date: | 5 years from date of the borrowing under the Incremental Facility. |
| Scheduled Amortization: | The Incremental Facility will be repayable prior to final maturity in equal quarterly installments in an aggregate annual amount equal to 1% of the original principal amount of the Incremental Facility, with the balance payable at final maturity (collectively, the " Scheduled Amortization "). |
| Purpose: | <p>a) Funding a portion of the consideration paid to acquire the Target pursuant to the Merger Agreement; and</p> <p>b) The payment of fees, costs and expenses incurred in connection with the Incremental Facility, the Short Term Loan and the Acquisition.</p> |
| Credit Documentation: | The documentation governing the Term Loan Facility (the " Credit Documentation ") shall be the same as the documentation governing the Closing Date Existing Term Loan Facility except as expressly set forth herein. |
| Signing Date: | The date of execution, delivery and effectiveness of the amendment to the Closing Date Existing Term Loan Facility (or equivalent documentation), implementing the Incremental Facility (the " Signing Date "). |
| Closing Date: | The date of borrowing of the term loans under the Incremental Facility (the " Closing Date "), which date shall be at least two business days after the Signing Date. |
| Additional Incremental Facilities: | <p>Each of Novelis Inc. and the Borrower may, at its option, from time to time and on one or more occasions, incur additional term loans in minimum amounts of US\$25,000,000 (or the equivalent thereof in the lawful currency of Canada, Euros, and the lawful currency of the United Kingdom (the "Available Currencies")) (any such term loans, an "Additional Incremental Term Facility"); <u>provided</u> that the aggregate amount of Additional Incremental Term Facilities shall not exceed the sum of (A) US\$300,000,000 (or equivalent in other Available Currencies) <u>plus</u> (B) an unlimited amount if, after giving effect to such incurrence on a pro forma basis, the Senior Secured Net Leverage Ratio (to be defined in a manner consistent with the definition in the Closing Date Existing Term Loan Facility) shall not exceed 3.00 to 1.00 (<u>provided</u> that (x) such net leverage ratio calculation will not give effect to any increase in cash from the proceeds of the Additional Incremental Term Facility and (y) the Borrower may elect to utilize either clause (A) or (B) (and may use clause (B) to the extent compliant therewith) prior to clause (A) in the case of a concurrent use), at any time the applicable conditions are satisfied).</p> <p>Additional Incremental Term Facilities (i) will rank pari passu in right of payment and security with the Closing Date Existing Term Loan Facility and the Incremental Facility, (ii) any Additional Incremental Term Facility will have a final maturity no earlier than the latest maturity date of the term loan facilities in effect under the Credit Documentation at such time, (iii) the weighted average life to maturity of any Additional Incremental Term Facility shall be no shorter than that of the term loan facilities in effect under the Credit Documentation at such time,</p> |

(iv) Additional Incremental Term Facilities shall share ratably in any prepayments under the credit agreement, (v) no default or event of default shall have occurred and be continuing or would result therefrom, (vi) the representations and warranties shall be true and correct in all material respects immediately prior to, and after giving effect to, the incurrence of such Additional Incremental Term Facility, (vii) will bear interest with an interest rate margin over LIBOR to be agreed between the applicable borrower and the lenders under such Additional Incremental Facility, (viii) except as set forth above with respect to maturity, weighted average life and interest rate margin, any Additional Incremental Term Facility shall have the same terms and conditions as the term loan facilities in effect under the Credit Documentation at such time, and (ix) immediately after giving effect to the incremental loans permitted to be made pursuant to such Additional Incremental Term Facility, the Borrower shall be in compliance, on a pro forma basis, with the financial covenant described below (provided that such net leverage ratio calculation will not give effect to any increase in cash from the proceeds of the Additional Incremental Term Facility), and the Borrower shall have delivered to the Administrative Agent a certificate of a responsible officer setting forth in reasonable detail the calculations demonstrating such compliance.

The Borrower may seek commitments in respect of an Additional Incremental Term Facility, in its sole discretion from either existing Lenders (each of which shall be entitled to agree or decline to participate in its sole discretion) or from additional banks, financial institutions and other institutional lenders or investors who will become Lenders in connection therewith ("**Additional Term Lenders**") or from both existing Lenders and Additional Term Lenders.

Notwithstanding anything to the contrary contained herein, with respect to any Additional Incremental Term Facility used in whole or in part to finance a permitted acquisition, any conditions precedent related to the making and accuracy of representations and warranties (other than customary "specified representations") or the absence of a default or event of default (other than with respect to a payment or bankruptcy event of default) may be waived or limited as agreed between the Borrower and the lenders providing such Additional Incremental Term Facility without the consent of the Administrative Agent or any existing Lender.

| C. PRICING | |
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| Upfront Fee: | 1.75% of the aggregate principal amount of the loans funded under the Incremental Facility, which fee shall be earned, due and payable in U.S. dollars on the date the Incremental Facility is funded. No Upfront Fee will be payable on any unfunded portion of the commitments. |
| Commitment Fee: | 0.36% per year (calculated based on a year of 360 days) calculated on the undrawn and uncanceled amount of the commitments for the Incremental Facility. Such fees shall accrue commencing with the Signing Date, and are payable monthly (on the last business day of each calendar month) in arrears prior to the Closing Date, on the Closing Date, and on the terminated commitments for the Incremental Facility at the time a termination is effective, in each case to the Lenders providing commitments for the Incremental Loan Facility at the end of, or immediately prior to the end of, the applicable period. Such fee shall be apportioned among the Lenders providing commitments for the Incremental Facility during the applicable period. |

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| Interest Rates: | <p>The interest rates per annum applicable to the Incremental Facility will be LIBOR plus the Applicable Margin (as defined below). There will be a LIBOR floor of 0.00%.</p> <p>“Applicable Margin” means 1.75% per annum.</p> <p>Interest periods applicable to the Incremental Facility shall be 3 months or any other period agreed between the Borrower and the Lenders (in relation to the relevant loan); provided that, prior to the Syndication Termination Date, the Interest Period shall be 1 month or such other period as agreed between the Borrower and the Lenders.</p> <p>During the continuance of any payment default under the Credit Documentation, such overdue amount shall accrue interest at 2% per annum in addition to the interest rate otherwise applicable thereto.</p> <p>The Credit Documentation will contain customary provisions relating to LIBOR market disruption consistent with those in the Closing Date Existing Term Loan Facility.</p> |
| Calculation of Interest and Fees: | <p>Other than calculations in respect of interest at the Administrative Agent’s prime rate (which shall be made on the basis of the actual number of days elapsed in a 365/366 day year), all calculations of interest and fees shall be made on the basis of the actual number of days elapsed in a 360 day year.</p> |
| Cost and Yield Protection: | <p>Customary for transactions and facilities of this type, including, without limitation, in respect of breakage or redeployment costs incurred in connection with prepayments, changes in capital adequacy and capital requirements or their interpretation, illegality, unavailability, reserves without proration or offset subject to exceptions and limitations customary for transactions and facilities of this type.</p> |
| Taxes:¹ | <p>Novelis expects the initial Lenders to book the loans in jurisdictions with, or in a manner giving rise to, zero U.S. federal withholding tax, unless, as a result of a change in law after the date the applicable Lender provided a binding commitment to fund the Incremental Facility, booking the loans in jurisdictions with, or in a manner giving rise to, zero U.S. federal withholding tax would, in the Lender’s reasonable judgment, subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.</p> <p>The terms of the Incremental Facility will contain gross-up provisions for withholding taxes solely to the extent such withholding taxes are applicable to changes in law following the earlier of (1) the date the applicable Lender provided a binding commitment to a member of the Novelis Group to fund the Incremental Facility and (2) the date the applicable Lender acquired its interest in the Incremental Facility (including an acquisition of an interest in the Incremental Facility pursuant to an assignment). In addition to the gross-up set forth in the preceding sentence for changes in law after the date of an assignment, in the case of an assignment of the Incremental Facility, an assignee Lender shall also be entitled to a gross-up for withholding taxes to the extent such Lender’s assignor was entitled to a gross-up for withholding taxes pursuant to the provisions described above immediately prior to the assignment; <u>provided that</u>,</p> |

¹ NTD: For the avoidance of doubt, the tax provisions set forth in this Term Sheet shall apply solely to the Incremental Facility and shall not modify the terms of the Existing Term Loan Facility.

for the avoidance of doubt, no assignee shall be entitled to any such gross-up for withholding taxes in excess of the withholding taxes to which such assignee is subject.

In addition, for any Lenders that join the Incremental Facility in connection with the general syndication of the Incremental Facility between the Closing Date and the Syndication Termination Date (other than any assignee that is an affiliate of an initial Lender as of the date of such assignment) based on allocations to be agreed among the Borrower and the MLAs at the time loans are assigned to such Lender in connection with the general syndication, a mechanism shall be included in the Credit Documentation to permit such Lenders (and any assignee of such Lender's commitments or loans under the Incremental Facility) to be grossed up for U.S. federal withholding taxes that are not related to a change in law; provided that the aggregate amount of such additional gross-up under this paragraph shall not exceed 2% of the aggregate amount of interest and any other non-principal amounts payable under the Incremental Facility; provided, further, that, in the case of an assignment of an interest in the Incremental Facility from a Lender that joined the Incremental Facility in connection with the general syndication of the Incremental Facility between the Closing Date and the Syndication Termination Date (and any subsequent assignment of such interest), no such assignee shall be entitled to any such additional gross-up under this paragraph for U.S. federal withholding taxes in excess of the U.S. federal withholding taxes to which such Lender's assignor was subject in respect of payments under the Incremental Facility as of the Syndication Termination Date; provided, further, that, for the avoidance of doubt, no assignee shall be entitled to any such additional gross-up for U.S. federal withholding taxes in excess of the U.S. federal withholding taxes to which such assignee is subject; provided, further, that, for the avoidance of doubt, this paragraph shall not limit the amount of any gross-up that such assignee Lender is entitled to for any withholding taxes that are applicable to changes in law. The Borrower shall be entitled to withhold any withholding tax imposed on any payment to any Lender holding a loan under the Incremental Facility, and such Lender shall not be entitled to any gross-up for withholding taxes other than as provided in this paragraph and the immediately preceding paragraph.

Novelis's obligation to provide any gross-up for U.S. federal withholding taxes shall be subject to the applicable lender providing U.S. federal tax forms customarily required to be delivered by lenders pursuant to U.S. loan agreements, including applicable Forms W-8 or W-9, which would reduce or eliminate U.S. federal withholding tax, to the extent the applicable lender is legally entitled to provide such forms. Novelis's obligation to provide any gross-up for non-U.S. withholding taxes shall be subject to the applicable lender providing non-U.S. tax forms reasonably requested by Novelis which would reduce or eliminate non-U.S. withholding tax, provided, however, that the submission of such non-U.S. tax forms shall not be required if in the lender's reasonable judgment the completion, execution or submission of any such forms would subject such lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such lender.

In the event Novelis is required to pay any withholding taxes with respect to interest and fees with respect to term loans held by any Lender and such Lender does not receive a gross up pursuant to the provisions described herein, Novelis will provide such Lender with a certificate confirming the amount of such withholding taxes paid.

The borrower under the Incremental Facility shall be a United States person as defined in Section 7701(a)(30) of the Internal Revenue Code of 1986, and shall

represent to the Lenders that interest and other payments under the Incremental Facility documents are not subject to any non-U.S. withholding taxes.

| D. | OTHER TERMS |
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| Security: | <p>The same as the collateral under the Closing Date Existing Term Loan Facility, with lien priorities the same as in the Intercreditor Agreement (as defined below):</p> <p>(a) The Borrower and each of the Guarantors shall grant (or reaffirm the Collateral Agent for the benefit of the Finance Parties and Hedging Providers (as defined below) (collectively, the "Secured Parties"), valid and perfected first priority (subject to customary exceptions consistent with the Closing Date Existing Term Loan Facility and the Intercreditor Agreement) liens and security interests in all of the following (the "First Priority Term Collateral"): equipment and documents of title related thereto, owned real estate and fixtures, intellectual property, general intangibles related to the foregoing, records, supporting obligations, commercial tort claims or other claims related primarily to the foregoing, equity interests in subsidiaries of Holdings, indebtedness owed by any subsidiary of Holdings to the Borrower or any Guarantor, the term loan net cash proceeds account, and all substitutions, replacements, accessions, products and proceeds of any or all of the foregoing.</p> <p>(b) The Borrower and each of the Guarantors shall grant the Collateral Agent for the benefit of the Secured Parties, valid and perfected second priority (subject to the ABL Facility and certain other customary exceptions substantially consistent with the Closing Date Existing Term Loan Facility and the Intercreditor Agreement) liens and security interests on all of the following: cash, cash equivalents, bank accounts, accounts receivable, other receivables, chattel paper, inventory, and rights, documents, general intangibles related to the foregoing, insurance and instruments related to the foregoing and all proceeds of the foregoing (the "Second Priority Term Collateral" and, together with the First Priority Term Collateral, the "Collateral").</p> <p>In addition to other exceptions consistent with the Closing Date Existing Term Loan Facility, Excluded Property (as defined in the Term Loan Amendment) will be excluded from the Collateral. The Borrower may, from time to time, designate one or more hedging agreements otherwise permitted to be incurred under the Term Loan Facility as "Secured Obligations" thereunder and the hedging counterparties that enter into such hedging agreements as "Secured Parties" for purposes of the Term Loan Facility, notwithstanding that any such Hedging Provider is not a Lender or an Affiliate of a Lender.</p> |
| Intercreditor Agreement: | <p>The arrangements between the Loan Parties, the Administrative Agent and the Collateral Agent under the Incremental Facility and Closing Date Existing Term Loan Facility, on behalf of the Secured Parties, the administrative agent and the collateral agent under the ABL Facility and, in the event any junior lien facility is entered into, the administrative agent and collateral agent under any such junior lien facility, will be subject to the Intercreditor Agreement, which will address the rights of the Secured Parties under the Incremental Facility, the secured parties under the Closing Date Existing Term Loan Facility, the secured parties under the ABL Facility, and the secured parties under any such junior lien facility with respect to the Collateral and related matters.</p> <p>The "Intercreditor Agreement" shall mean that certain Intercreditor Agreement dated as of December 17, 2010 and as subsequently amended, by and among</p> |

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| | <p>(i) the Loan Parties party thereto, (ii) the Administrative Agent and the Collateral Agent, (iii) the Revolving Credit Administrative Agent and the Revolving Credit Collateral Agent (as defined therein, each pursuant to an intercreditor joinder agreement dated as of May 13, 2013), and (iv) such other persons as may become party thereto from time to time pursuant to the terms thereof, as the same may be amended, restated, supplemented or otherwise modified from time to time.</p> |
| <p>Conditions Precedent to Signing Date:</p> | <p>The conditions precedent to the effectiveness of the Incremental Facility shall be consistent with the conditions precedent to the effective date set forth in the Existing Term Loan Facility, as modified as set forth below, and shall be limited to:</p> <ul style="list-style-type: none"> (a) on or prior to February 28, 2019, the negotiation, execution and delivery of the Term Loan Amendment and the modifications to the Existing Term Loan Facility required in connection with the Incremental Facility in a form reasonably satisfactory to the MLAs; (b) an Additional Secured Debt (as defined in the Intercreditor Agreement) designation certificate in respect of the Incremental Facility shall have been executed and delivered to the Administrative Agent and the other parties to the Intercreditor Agreement; (c) all "know your customer" requirements shall be completed; (d) the Administrative Agent shall have received executed copies of (i) the Term Loan Amendment and all documents and certificates executed and delivered in connection therewith, which shall be in full force and effect and all conditions precedent to the effectiveness of the amendments set forth therein shall have been satisfied, and (ii) the loan documents in respect of the Short Term Loan (or any permitted replacement financing therefor) that are required to be delivered on the effective date of the Short Term Loan (or under the terms of the definitive documentation for such permitted replacement financing) pursuant to the terms thereof, which shall be in full force and effect and all conditions precedent to the signing date set forth therein shall have been satisfied; (e) all fees required to be paid by the Loan Parties on the effective date of the Incremental Facility and, to the extent invoiced at least one business day prior to such date, all reasonable and documented out-of-pocket expenses required to be reimbursed by the Company to the Finance Parties and their representatives and counsel in connection with the Transactions shall have been paid; (f) satisfactory solvency certification; (g) all of the representations and warranties in the Credit Documentation shall be true and correct as of the Signing Date; (h) no default or event of default under the Term Loan Facility shall have occurred and be continuing or would result from the effectiveness of the Incremental Facility; (i) legal opinions from counsel to the Loan Parties in each applicable jurisdiction (or, in the case of loan documents governed by, or entities |

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| | <p>organized under, the laws of the United Arab Emirates or the Dubai International Financial Centre, counsel to the Administrative Agent and the Collateral Agent), documents and other instruments and certificates as are customary for transactions of this type or as the MLAs may reasonably request, including, without limitation, (i) customary evidence of authority from each Loan Party, (ii) customary officer's certificates from each Loan Party, (iii) certified copies of organizational or constitutional documents for each Loan Party together with a certified incumbency and specimen signature of each officer or authorized signatory for each Loan Party and (iv) good standing certificates (to the extent applicable) in the respective jurisdictions of organization of each Loan Party, each in form and substance reasonably satisfactory to the MLAs;</p> <p>(j) compliance with all material requirements of law, including Regulations T, U and X of the Board of Governors of the Federal Reserve System of the United States;</p> <p>(k) evidence that all approvals of governmental authorities and third parties necessary to execute and deliver the documentation required to be delivered hereunder on the Signing Date and to perform all obligations thereunder, in each case shall have been obtained and shall be in full force and effect;</p> <p>(l) absence of any governmental or judicial action, actual or threatened, that has or would have, singly or in the aggregate, a reasonable likelihood of restraining, preventing or imposing burdensome conditions on the transactions contemplated by the Term Loan Facility;</p> <p>(m) receipt of a process agent appointment letter in respect of the Loan Parties; and</p> <p>(n) since March 31, 2018 through the Signing Date, there has been no event, change, circumstance or occurrence that, individually or in the aggregate, has had or could reasonably be expected to result in a Material Adverse Effect (to be defined in a manner consistent with the definition in the Closing Date Existing Term Loan Facility) on Holdings and its subsidiaries.</p> |
| <p>Conditions Precedent to Drawdown:</p> | <p>The conditions precedent to the obligation of each Lender to advance loans under the Incremental Facility shall be consistent with the conditions precedent (other than the conditions precedent to the effective date) and post-closing covenants (without regard to the post-closing time periods described therein unless otherwise agreed by the Lenders) set forth in the Closing Date Existing Term Loan Facility, as modified as set forth below, and shall be limited to:</p> <p>(a) the Termination Date shall not have occurred;</p> <p>(b) the Signing Date shall have occurred;</p> <p>(c) the Administrative Agent shall have received a borrowing request in respect of the Incremental Facility;</p> <p>(d) if the Short Term Loan is funded on the Closing Date, the Administrative Agent shall have received certified copies of each definitive agreement in respect of the Short Term Loan (or any permitted replacement financing therefor) required to be delivered on the date that the loans are funded</p> |

under the Short Term Loan (or under the terms of the definitive documentation for such permitted replacement financing) pursuant to the terms thereof, each of which shall be in full force and effect and all conditions precedent to the funding of the Short Term Loan shall have been satisfied (or will be satisfied concurrently with the funding of the Incremental Facility);

- (e) all "know your customer" requirements shall be completed;
- (f) all guarantees, including foreign guarantees, security documents (and any amendments thereto), reaffirmation agreements and other Credit Documentation shall be executed and delivered to the Administrative Agent to the extent not provided on the Signing Date, each in form and substance satisfactory to the MLAs;
- (g) an amendment to, or amendment and restatement of, the ABL Facility shall have been executed and delivered, the term of which shall, among other things, permit the Acquisition, the Short Term Loan, and the Permitted Reorganization (as defined in the Closing Date Existing Term Loan Facility) (to the extent that the ABL Facility has not been restated, refinanced or otherwise replaced prior to such time) (the "**ABL Amendment**") and the Term Loan Amendment shall be in full force and effect and all conditions precedent to the effectiveness of the amendments set forth in each of the foregoing shall have been satisfied; provided that, to the extent that the ABL Facility has been restated, refinanced or otherwise replaced to the extent not prohibited by the Credit Documentation, such documents shall be in full force and effect and all conditions precedent to the effectiveness of the terms thereof shall have been satisfied, and such documents shall, among other things, permit the Acquisition, the Short Term Loan, and the Permitted Reorganization;
- (h) the Administrative Agent shall have received executed copies of the ABL Amendment and all documents and certificates executed and delivered in connection therewith (and, to the extent applicable, copies of all documents that restate, refinance or otherwise replace the ABL Facility);
- (i) the Administrative Agent shall have received the following financial statements and forecasts:
 - (i) the consolidated balance sheets and related statements of income, stockholders' equity and cash flows of the Novelis Group (x) as of and for the three most recent fiscal years ended at least 90 days prior to the funding of the Incremental Facility, audited by and accompanied by the unqualified opinion of PricewaterhouseCoopers, and (y) as of and for each fiscal quarter ended after the end of the most recently ended fiscal year for which financial statements have been provided and at least 45 days prior to the funding date of the Incremental Facility (which requirement may be satisfied by providing links to such information on the website of the U.S. Securities and Exchange Commission, so long as such information complies with the requirements of this clause (i));
 - (ii) the consolidated balance sheets and related statements of income,

stockholders' equity and cash flows of the Target and its subsidiaries (x) as of and for the three most recent fiscal years ended at least 90 days prior to the funding of the Incremental Facility, audited by and accompanied by the unqualified opinion of an independent certified public accounting firm of nationally recognized standing, and (y) as of and for each fiscal quarter ended after the end of the most recently ended fiscal year for which financial statements have been provided and at least 45 days prior to the funding date of the Incremental Facility (which requirement may be satisfied by providing links to such information on the website of the U.S. Securities and Exchange Commission, so long as such information complies with the requirements of this clause (ii));

(iii) the forecasts of financial performance of the Novelis Group and the Target covering the period commencing with the most recent fiscal quarter ended at least 45 days prior to the funding date of the Incremental Facility and ending on the date that is five years after such date, which forecasts shall have been prepared in good faith by the Novelis Group and based on assumptions believed by the Novelis Group to be reasonable, it being understood that any such forecasts may vary from actual results and such variations could be material; and

(iv) pro forma financial statements after giving effect to the Acquisition as of and for the most recent fiscal year ended at least 90 days prior to the funding date of the Incremental Facility, and as of and for each fiscal quarter ended after the end of such fiscal year and at least 45 days prior to the funding date of the Incremental Facility;

- (j) all fees required to be paid by the Loan Parties on the date that the Incremental Facility is funded and, to the extent invoiced at least one business day prior to such date, all reasonable and documented out-of-pocket expenses required to be reimbursed by the Company to the Finance Parties and their representatives and counsel in connection with the Transactions shall have been paid;
- (k) the Administrative Agent shall have received evidence reasonably satisfactory to it that all loans and other accrued and outstanding obligations under the documents in respect of the Target Indebtedness (other than indebtedness permitted under the Closing Date Existing Term Loan Facility) have been repaid in full, all commitments thereunder have been terminated, and all security interests in connection therewith have been released, or, in the case of each of the foregoing, will be repaid in full, terminated and released, as applicable, substantially concurrently with the funding of the loans under the Incremental Facility on the Closing Date after giving effect to the application of proceeds thereof;
- (l) on the date that the Incremental Facility is funded, the Acquisition shall be consummated substantially concurrently with the funding of the Incremental Facility in all material respects in accordance with the terms described in the Merger Agreement as in effect on July 26, 2018, without giving effect to any amendments thereto or any consents or waivers that, in any such case, are materially adverse to the Lenders in their

capacities as such, without the consent of the MLAs (it being understood that (i) any modification, amendment, consent or waiver to the definition of "Material Adverse Effect" in the Merger Agreement, or which has the effect of modifying, amending or waiving the representation or condition as to the absence of a Material Adverse Effect (as defined in the Merger Agreement) shall be deemed to be materially adverse to the Lenders and the Administrative Agent, (ii) any decrease in the purchase price payable under the Merger Agreement shall not be deemed to be materially adverse to the Lenders, so long as such decrease does not exceed 10% of the consideration contemplated to be paid under the Merger Agreement as of July 26, 2018 and (iii) any increase in the purchase price contemplated to be paid under the Merger Agreement shall not be deemed to be materially adverse to the Lenders, so long as such increase is funded by additional common equity contributions to the Novelis Group). For the avoidance of doubt, adjustments to working capital in accordance with the terms of the Merger Agreement shall not constitute an increase or decrease in purchase price for purposes of this paragraph;

- (m) immediately after giving effect to the consummation of the Acquisition, the Target and its subsidiaries (other than subsidiaries that would not be required to become guarantors pursuant to the terms of the Closing Date Existing Term Loan Facility) will join the credit agreement in respect of the Incremental Facility as guarantors (and in the case of the Target, as Borrower) and shall execute and deliver (or cause to be executed and delivered) all other Credit Documentation, certificates and opinions consistent with the Credit Documentation, certificates and opinions delivered by the Loan Parties (other than the Target and its subsidiaries) on or prior to such date or as otherwise was required in connection with the original closing of the Existing Term Loan Facility;
- (n) satisfactory solvency certification;
- (o) subject to the proviso below, all of the representations and warranties in the Credit Documentation shall be true and correct as of the Closing Date;
- (p) subject to the proviso below, no default or event of default under the Term Loan Facility shall have occurred and be continuing or would result from the funding of the Incremental Facility;
- (q) legal opinions from counsel to the Loan Parties in each applicable jurisdiction (or, in the case of loan documents governed by, or entities organized under, the laws of the United Arab Emirates or the Dubai International Financial Centre, counsel to the Administrative Agent and the Collateral Agent), documents and other instruments and certificates, including perfection certificates, as are customary for transactions of this type or as the MLAs may reasonably request (including, without limitation, (i) customary evidence of authority from each Loan Party, (ii) customary officer's certificates from each Loan Party, (iii) certified copies of organizational or constitutional documents for each Loan Party together with a certified incumbency and specimen signature of each

officer or authorized signatory for each Loan Party and (iv) good standing certificates (to the extent applicable) in the respective jurisdictions of organization of each Loan Party), each in form and substance reasonably satisfactory to the MLAs;

- (r) after giving effect to the Transactions and the other transactions contemplated hereby, the Novelis Group shall not have outstanding any indebtedness or preferred stock other than Indebtedness permitted by the Credit Documentation;
- (s) compliance with all material requirements of law, including Regulations T, U and X of the Board of Governors of the Federal Reserve System of the United States;
- (t) evidence that all approvals of governmental authorities and third parties necessary to consummate the transactions contemplated by the Incremental Facility have been obtained and are in full force and effect;
- (u) absence of any governmental or judicial action, actual or threatened, that has or would have, singly or in the aggregate, a reasonable likelihood of restraining, preventing or imposing burdensome conditions on the transactions contemplated by the Term Loan Facility;
- (v) the Loan Parties shall have complied with the security and filing requirements consistent with conditions precedent to funding and the post-closing covenants (without regard to the post-closing time periods described therein unless otherwise agreed by the Lenders) under the Closing Date Existing Term Loan Facility;
- (w) receipt of tax withholding certificates confirming FATCA compliance from the Lenders;
- (x) receipt of a process agent appointment letter in respect of the Target and its subsidiaries that are required to become Loan Parties;
- (y) no order, judgment or decree of any governmental authority shall purport to restrain any Lender from funding the Incremental Facility, and no injunction or restraining order shall have been issued, shall be pending or noticed with respect to any action, suit or proceeding seeking to enjoin or otherwise prevent the consummation of, or to recover any damages or obtain relief as a result of, the transactions contemplated by the Incremental Facility and the Closing Date Existing Term Loan Facility or the making of loans thereunder; and
- (z) since March 31, 2018 through the Closing Date, there has been no event, change, circumstance or occurrence that, individually or in the aggregate, has had or could reasonably be expected to result in a Material Adverse Effect on Holdings and its subsidiaries, after giving effect to the Acquisition.

provided that, notwithstanding anything to the contrary herein or in the Closing Date Existing Term Loan Facility, solely with respect to the Target and its subsidiaries, the only representations the accuracy of which shall be a condition precedent to the funding of the Incremental Facility shall be (i) such of the representations made by the Target in the Merger Agreement as are material to

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| | <p>the interests of the MLAs and the Lenders, but only to the extent that the Company or its affiliates have the right (taking into account any applicable cure periods) to terminate its or its affiliates' obligations (or refuse to consummate the Acquisition) under the Merger Agreement as a result of the failure of such representations to be true and correct or to otherwise satisfy the standard set forth in the Merger Agreement (the "Acquisition Agreement Representations") and (ii) the representations and warranties contained in the Credit Documentation relating to organizational power and authority (solely as to execution, delivery and performance of the applicable Credit Documentation); the due authorization, execution, delivery and enforceability of the Credit Documentation; the incurrence of the loans by the Borrower, the provision of the guarantees by the Guarantors, and the granting of the security interests in the Collateral not conflicting with the organizational documents of the applicable person; solvency; and no violation of the Federal Reserve margin regulations, anti-terrorism laws (including the Patriot Act), sanctions (including OFAC), anti-money laundering laws and anti-corruption laws (including the Foreign Corrupt Practices Act); the Investment Company Act; validity and perfection of security interests; beneficial ownership.</p> |
| <p>Voluntary Prepayments and Commitment Reductions:</p> | <p>The Incremental Facility may be repaid, and the commitments under the Incremental Facility may be reduced, in whole, or in part, at any time and from time to time, in the Borrower's sole discretion.</p> <p>Any Voluntary Prepayment shall be made with accrued interest on the amount prepaid and without premium or penalty, except breakage costs if not made on the last day of an Interest Period.</p> <p>The Credit Documentation will provide that the Borrower may offer from time to time to purchase any loans outstanding under the Incremental Facility at a discounted purchase price to be determined by the Borrower; <u>provided</u> that such purchase shall be subject to conditions consistent with the Closing Date Existing Term Loan Facility, including the following: (i) each such offer must be made to all Lenders on a pro rata basis with respect to any class of loans under the Incremental Facility on an individual tranche basis, (ii) each Lender may elect to accept or reject such offer in its sole discretion, (iii) each Lender must be provided a period of no less than ten Business Days to consider such offer, and (iv) upon the purchase of such loans by the Borrower, such loans shall be immediately cancelled.</p> |
| <p>Mandatory Prepayments:</p> | <p>In addition to the Scheduled Amortization, mandatory prepayments consistent with those under the Closing Date Existing Term Loan Facility, limited to:</p> <p>(a) 50% of Excess Cash Flow (to be defined in a manner consistent with the definition in the Closing Date Existing Term Loan Facility) in each fiscal year ; <u>provided</u> that if the Senior Secured Net Leverage Ratio is equal to or less than 3.00 to 1.00, such mandatory prepayment shall be reduced to 0% of Excess Cash Flow, and</p> <p>(b) other mandatory prepayments in respect of (x) asset sales and casualty and condemnation proceeds ((i) subject to baskets, exceptions and reinvestment rights over a 365 day period, which reinvestment period may be extended by an additional 365 days if a binding commitment for reinvestment has been entered</p> |

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| | <p>into during such initial 365 day period, (ii) with certain exceptions to be determined for non-wholly owned subsidiaries, and (iii) other than proceeds of asset sales/casualty events/condemnations of (1) Unrestricted Subsidiaries, and (2) non-Canadian or non-U.S. subsidiaries to the extent that a repatriation of proceeds (A) is restricted or prohibited by applicable law or (B) would result in a materially adverse tax consequence for the Loan Parties or such subsidiary; <u>provided</u> that at such time that such restriction, prohibition or consequence no longer applies, such proceeds will be applied as otherwise required, and the other Loan Parties will use their commercially reasonable efforts to overcome such restriction, prohibition or consequence) and (y) proceeds of additional debt (other than debt (i) permitted under the Term Loan Facility and (ii) incurred by Unrestricted Subsidiaries). Mandatory prepayments shall be applied ratably to each class of loans under the Closing Date Existing Term Loan Facility and the Incremental Facility to the next eight quarterly amortization payments of the loans in direct order of maturity, with the balance applied pro rata to the remaining amortization payments.</p> <p>The Credit Documentation shall permit mandatory prepayments with the proceeds of Specified Divestitures to be applied pro rata to loans under the Term Loan Facility and loans under the Short Term Loan.</p> <p>"Specified Divestitures" means the sale, transfer or other disposition of assets of the Target, any of its subsidiaries, Holdings, or any of its subsidiaries required in connection with obtaining regulatory (including antitrust) approval for the Acquisition, whether or not such sale, transfer or other disposition occurs prior to or after the consummation of the Acquisition.</p> <p>The Credit Documentation will provide that each Lender may decline all or any portion of any mandatory prepayment allocable to it. Any such declined amounts may be retained by the Borrower and used for any purpose not prohibited by the Credit Documentation.</p> |
| <p>Representations and Warranties:</p> | <p>Consistent with those under the Closing Date Existing Term Loan Facility, limited to the following: organizational existence and good standing; powers; authorization; enforceability; no conflict with organizational documents, law or material contractual obligations; applicable governmental approvals and consents; accuracy and completeness of historical financial statements; pro forma financial statements and forecasts; absence of a material adverse effect; ownership of properties; intellectual property; equity interests and subsidiaries; litigation; compliance with laws and agreements; federal reserve regulations; Investment Company Act; use of proceeds; taxes; no material misstatements; labor matters; solvency; employee benefit plans; environmental matters; insurance; security documents; material indebtedness documents; anti-terrorism law, sanctions, anti-money laundering law and anti-corruption law; location of material inventory and equipment; senior notes; material indebtedness; centre of main interests and establishments; holding and dormant companies; excluded collateral subsidiaries; status as non-EEA financial institutions; Federal Power Act and Interstate Commerce Act; beneficial ownership.</p> |
| <p>Affirmative Covenants:</p> | <p>Consistent with those under the Closing Date Existing Term Loan Facility, limited to the following: delivery of financial statements, reports, compliance certificates, etc.; notices of defaults, litigation, other adverse events, etc.; maintenance of existence; continuation of businesses and maintenance of properties; compliance</p> |

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| | with law and procedures designed to ensure compliance with anti-corruption laws; maintenance of insurance; payment of taxes; employee benefits; maintaining records; access to properties and inspections; annual meetings; use of proceeds; compliance with environmental laws; environmental reports; additional collateral; additional guarantors; security interests; further assurances; information regarding collateral; affirmative covenants with respect to leases; post-closing covenants; and designation of subsidiaries. |
| Negative Covenants: | Consistent with those under the Closing Date Existing Term Loan Facility, limited to the following: limitations on indebtedness; limitations on liens; limitations on sale and leaseback transactions; limitations on investments, loans and advances; limitations on mergers, amalgamations and consolidations; limitations on asset sales; limitations on cash pooling arrangements; limitations on dividends; limitations on transactions with affiliates; most favored nation in respect of third lien credit agreements; limitations on prepayments of other indebtedness; limitations on modifications of organizational documents and other documents; limitations on certain restrictions on restricted subsidiaries; limitations on issuance of disqualified capital stock; limitations on changes to the business; limitations on accounting changes; limitations on changes in fiscal year; limitations on using the proceeds of loans to purchase margin stock; no further negative pledge; limitations on actions in violation of anti-terrorism laws, anti-money laundering laws; and limitations on transactions with embargoed persons and sanctions. |

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| Financial Covenant: | <p>Consistent with the financial covenant under the Closing Date Existing Term Loan Facility, limited to a maximum consolidated Senior Secured Net Leverage Ratio as of the last day of the four consecutive fiscal quarter period of the Parent then last ended (in each case taken as one accounting period), of no greater than 3.50 to 1.00.</p> <p>For purposes of determining compliance with the Senior Secured Net Leverage Ratio for any such period, the net cash proceeds of any capital contribution by Sponsor or its affiliates to Holdings or the issuance of Qualified Capital Stock (to be defined in a manner consistent with the Closing Date Existing Term Loan Facility) by Holdings to Sponsor or its affiliates (which proceeds are immediately contributed to the Parent) after the end of the last quarter in such period and on or prior to the day that is 10 days after the day on which financial statements are required to be delivered for such quarter will, at the request of the Borrower, be added to the amount of Consolidated EBITDA (to be defined in a manner consistent with the Closing Date Existing Term Loan Facility) for the purpose of determining compliance with financial covenants at the end of such fiscal quarter and applicable subsequent periods (any such equity contribution so included in the calculation of Consolidated EBITDA, a "Specified Equity Contribution"); <u>provided</u> that (a) in each four fiscal quarter period there shall be a period of at least two quarters in which no Specified Equity Contribution is made, (b) there shall be no more than an aggregate of four Specified Equity Contributions, (c) the amount of any Specified Equity Contribution shall be no greater than the amount required to cause the Borrower to be in compliance with the financial covenant and (d) all Specified Equity Contributions shall be disregarded for purposes of determining any available baskets or thresholds and shall not result in any adjustment to any amounts or calculations other than the amount of Consolidated EBITDA described above.</p> |
| Unrestricted Subsidiaries: | <p>Subject to limitations on loans, advances, guarantees and other investments in or transactions with, unrestricted subsidiaries, the Parent will be permitted to designate any existing or subsequently acquired or organized subsidiary as an "Unrestricted Subsidiary" (so long as (i) immediately before and after such designation, no default or event of default has occurred and is continuing, (ii) the Parent is in pro forma compliance with the Financial Covenant, and (iii) the consolidated interest coverage ratio for the most recently ended four fiscal quarters for which financial statements have been delivered would have been at least 2.00 to 1.00, determined on a pro forma basis) and subsequently re-designate any such unrestricted subsidiary as a restricted subsidiary. Unrestricted Subsidiaries will not be subject to the representation and warranty, affirmative or negative covenant or event of default provisions of the Term Loan Facility and the assets, results of operations and indebtedness of Unrestricted Subsidiaries will not be taken into account for purposes of determining compliance with the financial covenants contained in the Term Loan Facility. Once an unrestricted subsidiary is re-designated as a restricted subsidiary, it may not be re-designated as an unrestricted subsidiary. The fair market value of an unrestricted subsidiary on the date of its designation will constitute an investment as of such date that will be required to be permitted under the Term Loan Facility; <u>provided</u> that the aggregate fair market value of all subsidiaries so designated may not exceed US\$500,000,000.</p> |

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| IFRS Reporting: | The Parent shall be permitted to convert to IFRS financial reporting; <u>provided</u> that if and to the extent the Parent converts to IFRS (i) such conversion shall be treated as a change in GAAP, (ii) at the time of such conversion, the Parent shall deliver to the Administrative Agent a schedule reconciling the differences between GAAP and IFRS with respect to such financial statements covering the four fiscal quarter period prior to such conversion, (iii) promptly following the Parent's notice to the Administrative Agent to the effect that it is converting to IFRS reporting, the Parent, the Administrative Agent and the Lenders shall negotiate in good faith to amend the credit agreement to reset the financial definitions to reflect the same economic terms as are in effect prior to such conversion and (iv) until the amendment referred to in clause (iii) above is effective, compliance with financial covenants shall continue to be determined in accordance with GAAP and, upon request of the Administrative Agent, the Parent shall provide reasonably detailed backup for the financial covenant calculations. |
| Events of Default: | Consistent with those in the Closing Date Existing Term Loan Facility, as modified as set forth below, limited to the following: nonpayment of principal when due; nonpayment of interest, fees and other amounts when due; incorrectness of representations and warranties in any material respect when made or deemed made; violation of covenants; cross default and cross acceleration to material indebtedness (<u>provided</u> , in the case of the ABL Facility, breach of the financial maintenance covenant contained therein shall be subject to cross acceleration, and not cross default); bankruptcy, insolvency proceedings, etc.; inability to pay debts, etc.; material unsatisfied judgments; ERISA events; actual or asserted invalidity of security interests or loan documents; change of control (including if Parent ceases to be the beneficial owner and the direct or indirect owner of 100% of the equity interests of the Borrower); invalidity of the Intercreditor Agreement; and prohibition or restraint on the conduct of the business that could reasonably be expected to result in a material adverse effect. |
| Assignments: | During the period following the Closing Date until the earlier to occur of (i) a date to be mutually agreed, and (ii) the date that is 90 days after the Closing Date (such earlier date, the " Syndication Termination Date "), loans under the Incremental Facility may be assigned to another bank or financial institution or to a trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets, in a minimum amount equal to US\$1,000,000 or such lesser amount held by the assigning lender. During other periods, assignments of Loans may be made to banks or financial institutions or to a trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets, in a minimum amount equal to US\$1,000,000 or such lesser amount held by the assigning lender, with the consent of the Borrower, not to be unreasonably withheld; <u>provided</u> that no such consent will be required if (i) an event of default has occurred and is continuing or (ii) the assignment is to a Lender, an affiliate of a Lender or an Approved Fund (as defined in the Closing Date Existing Term Loan Facility); <u>provided further</u> that the Borrower shall be deemed to have consented to any such assignment unless it shall object by written notice to the Administrative |

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| | <p>Agent within five business days after receiving notice thereof.</p> <p>Following the occurrence of the Syndication Termination Date, an assignment fee in the amount of US\$3,500 will be charged with respect to each assignment unless waived by the Administrative Agent in its sole discretion. Each Lender will also have the right, without consent of the Borrower or the Administrative Agent, to assign as security all or part of its rights under the Incremental Facility to any Federal Reserve Bank; <u>provided</u> that no such pledge or assignment shall release such Lender from any of its obligations under the Credit Documentation or substitute any such pledgee or assignee for such Lender as a party to the Credit Documentation.</p> <p>Assignments to Disqualified Institutions (as defined below) shall not be permitted.</p> <p>"Disqualified Institution" shall mean, on any date, (a) any Sanctioned Person (to be defined in a manner consistent with the Closing Date Existing Term Loan Facility) and (b) any other person that is a direct competitor of the Parent (other than a person described in clause (a) or (b) of the definition of Known Affiliate (as defined below) or a Known Affiliate of a competitor, which person has been designated by the Parent as a "Disqualified Institution" by written notice to the Administrative Agent from time to time after the 90th day following the original closing date under the Closing Date Existing Term Loan Facility; <u>provided</u> that "Disqualified Institutions" shall exclude any person that the Parent has designated as no longer being a "Disqualified Institution" by written notice delivered to the Administrative Agent from time to time.</p> <p>"Known Affiliate" of any person shall mean, as to such person, known affiliates readily identifiable by name, but excluding any affiliate (a) that is a bona fide debt fund or investment vehicle that is primarily engaged in, or that advises funds or other investment vehicles that are engaged in, making, purchasing, holding or otherwise investing in commercial loans, bonds or similar extensions of credit or securities in the ordinary course and with respect to which the Disqualified Institution does not, directly or indirectly, possess the power to direct or cause the direction of the investment policies of such entity or (b) that is a banking or lending institution engaged in the business of making loans.</p> |
| <p>Waivers and Amendments:</p> | <p>Substantially similar to the waivers and amendments section of the Closing Date Existing Term Loan Facility, including requirements for the approval of Lenders holding more than 50% of the aggregate amount of the loans and commitments under the Closing Date Existing Term Loan Facility ("Required Lenders") (with certain amendments and waivers also requiring class votes), except that the consent of each directly affected Lender shall also be required with respect to items consistent with the Closing Date Existing Term Loan Facility, including, among other things, (a) increases in the commitment of such Lender, (b) reductions of principal, interest or fees payable to such Lender and (c) extensions of final maturity or scheduled amortization of the loans or commitments of such Lender, and the consent of all Lenders shall be required with respect to items consistent with the Closing Date Existing Term Loan Facility, including, among other things, releases of all or substantially all of the subsidiary guarantors from their Guarantees, or all or a substantial portion of the</p> |

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| | Collateral. Voting rights of defaulting lenders will be limited in a customary manner. |
| Replacement of Lenders: | Same as under the Closing Date Existing Term Loan Facility, including the ability of the Borrower to replace "non-consenting Lenders" and "defaulting lenders". |
| Indemnification: | <p>The Borrower will indemnify and hold harmless the Administrative Agent, the MLAs, each Lender and their respective affiliates and their partners, directors, officers, employees, agents and advisors from and against all losses, claims, damages, liabilities and expenses arising out of or relating to the Incremental Facility, any other aspect of the transactions contemplated hereby, and the Borrower's use of the proceeds of any loans made under the Incremental Facility, including, but not limited to, reasonable attorneys' fees and settlement costs.</p> <p>This indemnification shall survive and continue for the benefit of all such persons or entities.</p> |
| Expenses: | The Borrower will pay all reasonable costs and expenses associated with the preparation, due diligence, administration, syndication and closing of all Credit Documentation, including, without limitation, the legal fees of one primary counsel (plus local counsel in each applicable jurisdiction) to the Administrative Agent and the MLAs. The Borrower will also pay the expenses of the Administrative Agent and each Lender in connection with the enforcement of any of the Credit Documentation (<u>provided</u> that such expenses shall include the costs of one primary counsel to the Administrative Agent and one primary counsel to all other Lenders, collectively, plus, in each case, applicable local counsel). |
| E. ADDITIONAL TERMS | |
| Governing law: | The laws of the State of New York; <u>provided</u> that certain guaranty and security documents will be governed by the laws of the jurisdiction applicable to the relevant guarantor, pledgor of collateral or collateral. |
| COUNSEL TO THE ADMINISTRATIVE AGENT AND MANDATED LEAD ARRANGERS: | Skadden, Arps, Slate, Meagher & Flom LLP. |

Amendment Term Sheet

| Amendment | Agreement Section(s) | Description | Company Explanation |
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| <p>1. Permit Steps Required to Effect Global Reorganization</p> | <p>Various</p> | <p>The definition of Permitted Reorganization will be amended to permit any Reorganization Actions (as defined below) subject to the conditions set forth below. The Borrowers under the Term Loan Facility will not be changed (except as currently contemplated where Novelis Acquisitions LLC will merge with and into the Target in connection with the Acquisition).</p> <p>“Reorganization Actions” shall mean any or all of the following:</p> <p>(i) the creation by AV Minerals of a direct wholly-owned Subsidiary organized under the laws of England and Wales (“UK Holdco”);</p> <p>(ii) the sale, distribution, contribution or other transfer of a minority equity interest (not to exceed 12.5% of the total equity interests plus one additional share) in Novelis Aluminum Holdings Unlimited to AV Minerals which may be in exchange for an intercompany note (which would be in the form required of all intercompany notes and subject to a subordination agreement in favor of the collateral agent, and would be pledged by a loan party);</p> <p>(iii) the contribution, sale or other transfer of the equity interests in AV Metals from AV Minerals to UK Holdco;</p> <p>(iv) the amalgamation of AV Metals with Novelis Inc.;</p> <p>(v) the merger of Novelis AG and Novelis Switzerland</p> | <p>Novelis is contemplating a global reorganization to increase efficiencies.</p> <p>The reorganization may include making the corporate head of the Novelis global group an English company rather than a Canadian company, as is the case today. If an English holding company is inserted, each Novelis operating company will be held directly or indirectly by the new English holding company. Regardless of whether an English holding company is inserted, certain subsidiaries may be moved below a Swiss entity. To address concerns regarding defenses against upstream guarantees and pledges of security by Swiss entities, any operating subsidiaries held below a Swiss company must have a shell company organized outside of Switzerland between the Swiss company and the operating subsidiary.</p> <p>Unlike the definition of Permitted Reorganization in the existing term loan credit agreement, the term loan credit agreement will no longer permit term loan obligations to be transferred from Novelis Inc. to any other Novelis entities. Note that any incremental term loans for the Aleris acquisition will be borrowed by Novelis Acquisitions LLC (which will merge with and into the Target in connection with the</p> |

| Amendment | Agreement Section(s) | Description | Company Explanation |
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| | | <p>SA;</p> <p>(vi) the sale, distribution or other transfer of a portion (currently expected to be 50%, but this percentage is subject to change and could be any percentage between 0 and 100%) of the equity interests in Novelis Holdings Inc. to UK Holdco which may be in exchange for an intercompany note (which would be in the form required of all intercompany notes and subject to a subordination agreement in favor of the collateral agent, and would be pledged by a loan party);</p> <p>(vii) the sale, contribution or other transfer of 100% of the equity interests in Novelis Holdings Inc. to Novelis AG, Novelis Switzerland or the survivor of the Novelis AG/Novelis Switzerland merger; and</p> <p>(viii) the sale, distribution, contribution or other transfer of 100% of the equity interests owned by any Loan Party in any direct or indirect subsidiary of the Designated Company (such subsidiary, the "Transferred Loan Party") to Novelis AG, Novelis Switzerland or the survivor of the Novelis AG/Novelis Switzerland merger which may be in exchange for an intercompany note (which would be in the form required of all intercompany notes and subject to a subordination agreement in favor of the collateral agent, and would be pledged by a loan party);</p> <p><u>provided</u> that (A) each of the actions described in clauses (ii), (iii), (vi), (vii) and (viii)(in the case of clauses (vii) and (viii), solely to the extent UK Holdco is the Designated Company) shall be conditioned on each of AV Minerals and UK Holdco becoming</p> | <p>Acquisition).</p> <p>As Novelis performs more analysis and consider the reorganization actions further, it may decide not to do one or more of these actions.</p> |

| Amendment | Agreement Section(s) | Description | Company Explanation |
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| | | <p>Guarantors and pledging their assets on terms consistent with the terms of the Loan Documents, including, but not limited to, the requirements set forth in clause (l) of the definition of Permitted Reorganization (collectively, the "Joinder Requirements"); (B) the actions described in clause (vii) shall be conditioned on either (x) Novelis Holdings Inc. not owning, on and after the date of such action, any assets other than the equity interests in its direct subsidiaries and other limited assets (such as bank accounts and intangible assets (other than intellectual property; provided that customary inbound licenses of intellectual property necessary to operate the business shall be permitted)) to be agreed or (y) the formation of a new subsidiary ("New U.S. Holdings") organized under the laws of any state of the United States or the District of Columbia that is directly wholly owned by Novelis AG (or the survivor of the merger of Novelis AG and Novelis Switzerland SA) (the "Surviving Swiss Subsidiary"), and that directly and wholly owns Novelis Holdings Inc.; <u>provided</u> that this clause (y) shall be further conditioned on New U.S. Holdings complying with the Joinder Requirements; <u>provided, further</u>, that New U.S. Holdings shall not be permitted to own, on and after the date of such action, any assets other than the equity interests in Novelis Holdings Inc. and other limited assets (such as bank accounts and intangible assets (other than intellectual property; provided that customary inbound licenses of intellectual property necessary to operate the business shall be permitted)) to be agreed; (C) each sale, distribution or other transfer described in clause (viii) shall be conditioned on either the creation of a newly formed Unrestricted Grantor</p> | |

| Amendment | Agreement Section(s) | Description | Company Explanation |
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| | | <p>or the existence of an existing Unrestricted Grantor, in each case that has complied with the Joinder Requirements, which Person shall be directly wholly owned by the Surviving Swiss Subsidiary, and that shall directly wholly own the Transferred Loan Party so sold, distributed or transferred pursuant to such transaction; <u>provided</u> that such Unrestricted Grantor shall not be permitted to own, on and after the date of such action, any assets other than the equity interests in such Transferred Loan Party and other limited assets (such as bank accounts and intangible assets (other than intellectual property; provided that customary inbound licenses of intellectual property necessary to operate the business shall be permitted)) to be agreed; (D) each of the actions described in clauses (ii)-(viii) shall be conditioned on such action not reducing or impairing the value or benefit of any guarantee, any foreign guarantee, or the Collateral; <u>provided</u> that (1) the re-starting of any fraudulent conveyance, fraudulent transfer, preference or hardening period with respect to any guarantee, foreign guarantee or lien under applicable requirements of law shall not, in itself, constitute a reduction or impairment for purposes of this clause (D) and (2) any limitations under Swiss law with respect to the enforcement of any share pledge with respect to the equity interests directly held by the Surviving Swiss Subsidiary following any sale, distribution or other transfer described under clause (vii) or (viii) shall not, in itself, constitute a reduction or impairment for purposes of this clause (D) and (E) receipt of favorable legal opinions from counsel to the Novelis Group covering, among other things, creation or continued validity and perfection of the guarantees,</p> | |

| Amendment | Agreement Section(s) | Description | Company Explanation |
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| | | <p>the foreign guarantees, and the Collateral after giving effect to such actions.</p> <p>For the avoidance of doubt, except as provided above, the actions described in clauses (iv), (v), (vii) and (viii) are not conditioned on the occurrence of any of the actions described in clauses (i), (ii), (iii) or (vi).</p> <p>The order of the actions described above may be changed as long as the specific condition for any action set forth herein are satisfied.</p> | |
| 2. Approve Proposed Global Reorganization as the Permitted Reorganization without timing/notice steps required in current definition | Definition of Permitted Reorganization | <p>Clause (b) of the definition of Permitted Reorganization shall be deleted.</p> <p>Clause (d) of the definition of Permitted Reorganization shall be amended to permit the reorganization steps to occur over a period of one year from the date on which UK Holdco becomes the direct holder of the equity interests in AV Metals; <u>provided</u> that all guaranty, pledge, perfection, and other documentation and filing requirements that would otherwise be required to be completed by the end of the Permitted Reorganization (as defined on the date hereof) shall be required to be completed upon the consummation of each step described in item 1 above.</p> | <p>Given the simplification of the proposed reorganization due to removal of the ability to change borrowers, Novelis believes 60 days' advance notice of the start of the reorganization is no longer necessary.</p> <p>The existing credit agreement requires all reorganization steps to be completed in five days or such longer period consented by the administrative agent. However, Novelis expects that the reorganization may be completed in stages and therefore will likely take longer to complete.</p> |
| 3. Brazil Equipment Pledges | Definition of Excluded Property | Exclude the pledge of equipment at any single location in Brazil where the aggregate value of equipment is equal to or less than \$5 million (which is consistent with what is excluded under the Revolving Credit | Recording of Brazilian equipment pledges is expensive, with separate recordings required for each location where equipment is held in connection with any acquisition of |

| Amendment | Agreement Section(s) | Description | Company Explanation |
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| | | <p>Agreement).</p> <p>Novelis is in the process of expanding its plant located in Pinda Brazil, which is expected to be completed in two to three years. If the aggregate value of equipment located at such plant that is not pledged to secure the term loan obligations is less than \$100 million, then Novelis shall not be required to pledge such equipment until the earlier of completion of such expansion project and the date two years from the amendment effective date.</p> | <p>equipment or amendment to the credit agreement. Accordingly, Novelis would like to reduce recording costs by excluding equipment at any location valued at \$5 million or less, which is an exclusion the ABL lenders have already granted. The value of equipment excluded under this provision on closing of the amendment is approximately US\$2.4 million.</p> <p>In addition, Novelis is undergoing an expansion of its Pinda plant and proposes to delay the pledge of equipment located at Pinda as described in the column to the left in order to avoid the substantial costs of multiple recordings as equipment is purchased.</p> |
| <p>4. Treatment of Ulsan JV Subsidiary EBITDA when not Consolidated</p> | <p>Definition of Non-consolidated Affiliate</p> <p>Various definitions and Section 1.04</p> | <p>Include the following as Non-consolidated Affiliates:</p> <ol style="list-style-type: none"> 1. The Ulsan JV Subsidiary, to the extent it is not consolidated; and 2. any other non-consolidated Affiliates created or acquired by the Novelis Group in the future, where Novelis owns at least 50% of the Equity Interests of such Affiliate. <p>In addition, certain definitions and provisions in the credit agreement will clarify that, if under GAAP Novelis is required to consolidate the Ulsan JV with the Novelis Group, then the proportionate interest that the JV counterparty owns in the Ulsan JV and liabilities of the Ulsan JV to the JV counterparty will be backed out for purposes of Novelis's financial definitions and financial statements.</p> | <p>Novelis has a number of joint ventures, including the Ulsan JV formed in 2017. The credit agreements permit Novelis to include its proportionate share of earnings from all existing JVs other than Ulsan in the calculation of Consolidated EBITDA prior to the distribution of such earnings to Novelis to the extent such earnings are not restricted from being distributed by legal or contractual restrictions. In addition to treating Ulsan the same as the existing JVs, Novelis is proposing to apply the same treatment to any non-consolidated JV created in the future as long as Novelis owns at least 50% of the equity interests in such JV.</p> |

| Amendment | Agreement Section(s) | Description | Company Explanation |
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| 5. Permitted Customer Account Financing | Definition of Permitted Customer Account Financing | <p>Amend the definition of Permitted Customer Account Financing as follows:</p> <p>1. Increase the number of Account Debtors whose Accounts are at any time subject to a Permitted Customer Account Financing from five to seven and to provide that all Affiliates of an Account Debtor shall be deemed to be a single Account Debtor for purposes of such definition. This change would match the definition in the Revolving Credit Agreement.</p> <p>2. Permit amendments to such definition under the Revolving Credit Agreement to automatically apply to Term Loan Facility without further consent from the Term Loan Facility lenders so long as the Parent or the Borrower delivers a certificate to the Administrative Agent within 2 Business Days after the date any such amendment to the Revolving Credit Agreement becomes effective, certifying that such amendment (which shall be included as an attachment to such certificate) complies with the terms of this item 2, and such amendments (a) do not expand the scope of the Collateral permitted to be released beyond Accounts and related assets that customarily secure Account factoring arrangements (it being understood that factoring additional Accounts of additional Account Debtors shall not constitute an expansion of the scope), (b) shall relate solely to the factoring of Accounts of customers of the Loan Parties and the creation of liens on related assets that customarily secure Account factoring arrangements, and (c) shall not otherwise adversely affect the Secured Parties or</p> | <p>Novelis's ABL credit agreement currently permits Novelis Loan Parties in the ABL borrowing base jurisdictions to factor receivables owing from up to 7 customers (while treating affiliated customers as a single customer). The existing term loan includes a more restrictive formulation from a prior version of the ABL credit agreement. In addition, Novelis proposes that any further changes to this definition in the ABL credit agreement also apply to the term loan credit agreement subject to the conditions described under "Description" as Novelis believes term loan lenders should be indifferent as to whether Novelis factors a customer's receivables or finances them under the ABL by including them in the ABL borrowing base.</p> |

| Amendment | Agreement Section(s) | Description | Company Explanation |
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| | | contravene the terms of the Intercreditor Agreement. | |
| 6. Clarify Treatment of Bank Accounts used for Factoring | Various | Revise the credit agreement and security agreements to clarify that segregated bank accounts used to accept payments with respect to factored accounts receivable will not be pledged to the collateral agent or subject to control agreements in favor of the Collateral Agent. | The credit agreement already permits Novelis to create segregated bank accounts to accept payments for factored accounts receivable and to pledge those bank accounts to the purchasers of the factored receivables, but does not contain corresponding carve-outs from the provisions requiring Novelis to pledge those bank accounts to the collateral agent. This is a conforming change to other existing provisions intended to permit Novelis to pledge bank accounts into which factored receivables are paid to the factoring banks. |
| 7. Exclude up to \$50 million in net cash proceeds of Casualty Events in any fiscal year from the mandatory prepayment requirement | 2.10(e) | | Novelis is required to use unreinvested casualty proceeds to prepay the term loans. Novelis is proposing a de minimis \$50 million per year carve-out to minimize administrative burden to match the equivalent carve-out for asset sale proceeds. |
| 8. LIBOR Successor | Various | The Existing Term Loan Agreement will be amended to prohibit the Administrative Agent and the Lenders from requiring the payment of an additional fee or to increase the Applicable Margin under the Term Loan Facility as a condition precedent to the effectiveness of any amendment to the Term Loan Facility that | LIBOR is expected to be phased out in the next few years, and a replacement rate has not yet been commonly accepted in US and international loan markets. When a replacement rate has become commonly accepted in such market, Novelis will |

| Amendment | Agreement Section(s) | Description | Company Explanation |
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| | | <p>solely permits the applicable Borrower to elect an interest rate (the "Successor Rate") other than the Eurodollar Rate or the Fallback Rate in anticipation or as a result of the Eurodollar Rate ceasing to be quoted or published by any source, if the Successor Rate is substantially the same as the successor rate generally charged by banks and other financial institutions in the international and U.S. loan markets in replacement of LIBOR; <u>provided</u> that if, in connection with the implementation of any such successor rate, banks and other financial institutions in the international and U.S. loan markets require the payment of an additional fee or fees, or that the interest rate margin applicable to such successor rate be increased to account for a difference between the previously available Eurodollar Rate and such successor rate, then any such increase in the Applicable Margin or additional fee under the Term Loan Facility attributable to such difference shall not be prohibited by this provision.</p> | <p>approach the term loan lenders to approve replacing LIBOR with such rate. The lenders will have the right to approve any such commonly accepted replacement rate in accordance with the credit agreement's normal amendment consent provisions but will not have the right to condition such consent on payment of a fee or re-pricing of the term loans.</p> |
| <p>9. Permit the Surviving Target Indebtedness (as defined in the Commitment Letter)</p> | <p>6.01</p> | | <p>The Aleris China subsidiary currently has certain debt that will be retained post-closing of the acquisition. Novelis proposes to specifically permit such debt under the credit agreement. The aggregate outstanding principal amount of the Surviving Target Indebtedness is approximately US\$226 million (which includes revolving commitments so the actual balance of outstanding loans may be less). Certain lenders have asked about the impact of the Surviving Target Indebtedness on Novelis's Senior Secured Net Leverage Ratio (SSNLR). SSNLR was 0.74x as of</p> |

| Amendment | Agreement Section(s) | Description | Company Explanation |
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| | | | 6/30/2018. Pro forma for the proposed \$775M incremental term loan and \$226M of Surviving Target Indebtedness, SSNLR would be 1.53x. Note that this pro forma estimate does not include any adjustment for Aleris EBITDA and is a conservative number provided for illustration purpose- SSNLR would be lower once adjusted for Aleris EBITDA. |
| 10. Modify the permitted lien basket for liens on assets acquired in a permitted acquisition to permit liens on assets securing the Surviving Target Indebtedness, and to modify the \$200 million basket to be the greater of (x) \$200 million and (y) 4% of Consolidated Net Tangible Assets | 6.02(r) | | Most baskets in the credit agreement are grower baskets, meaning they are formulated as the greater of a fixed amount and a percentage of Novelis's Consolidated Net Tangible Assets, which makes the baskets grow automatically as Novelis grows. Novelis believes this basket should also be a grower basket, consistent with the others. |

| Amendment | Agreement Section(s) | Description | Company Explanation |
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| 11. Permit Permitted Short Term Indebtedness | Various, including 6.01, but excluding 6.02 | <p>“Permitted Short Term Indebtedness” to be defined as the Indebtedness incurred by Novelis Acquisitions (and, immediately after giving effect to the merger of Novelis Acquisitions with and into Aleris in connection with the Aleris Acquisition, Aleris) in connection with the Aleris Acquisition, and all Contingent Obligations of the other Loan Parties in respect thereof; provided that (i) the net cash proceeds of such Indebtedness shall be used solely to finance a portion of the Aleris Acquisition, to repay existing Indebtedness of Aleris and its Subsidiaries, and to pay fees, costs and expenses incurred in connection with the Aleris Acquisition, such Indebtedness, and incremental term loans incurred under the Term Loan Credit Agreement, (ii) such Indebtedness is not guaranteed by any Persons other than the Loan Parties, (iii) no Default shall exist immediately prior to or after giving effect to such incurrence, (iv) such Indebtedness (including related guarantees) is not secured, (v) the aggregate principal amount of such Indebtedness does not exceed \$1,500,000,000, (vi) the terms of such Indebtedness do not provide for any scheduled amortization payments, and (vii) the other terms and conditions of such Indebtedness (excluding pricing, premiums, maturity, and mandatory prepayments related to payments with the proceeds of Indebtedness, capital contributions or from sale of Equity Interests) are no more favorable to the lenders providing such Indebtedness than the terms and conditions under the Term Loan Credit Agreement and the other Loan Documents (without regard to the collateral-related provisions of such agreements); provided, further, that the terms of such Indebtedness shall not prohibit Holdings or any of its Restricted</p> | The existing credit agreement does not permit the proposed Short Term Loan Facility so Novelis is proposing a permission to allow the facility. |

| Amendment | Agreement Section(s) | Description | Company Explanation |
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| | | Subsidiaries from (x) granting any Liens to secure the Secured Obligations, (y) making any loans, payments, distributions or contributions, or any Asset Sales to the Borrower to the extent that such transactions would be permitted under the Term Loan Credit Agreement, or (z) paying all or any portion of the Secured Obligations at any time and from time to time. | |
| 12. Permit Repayment of indebtedness under the Short Term Loan Facility so long as no default or event of default exists immediately before and immediately after giving effect to such payment. | 6.11 | | The Short Term Loan Facility will mature prior to the term loans and is expected to be repaid well in advance of the Short Term Loan Facility's stated maturity. Novelis proposes to include an express permission in the term loan credit agreement to ensure that the repayment or prepayment of the Short Term Loan Facility is permitted. |
| 13. Increase ABL Debt Cap | Definition of Maximum Revolving Credit Facility Amount | The fixed dollar amount in the definition of Maximum Revolving Credit Facility Amount will be increased from \$1,750,000,000 to \$2,250,000,000. | Novelis proposes to raise the cap on the size of its ABL credit agreement to facilitate a larger revolving credit agreement for the larger, post-acquisition company. |
| 14. Permit existing Target hedge counterparties to be secured under the | Definition of Secured Hedge Provider; various (including | The definition of Secured Hedge Provider will be amended to allow existing Target hedge counterparties that are party to an Aleris ISDA (as defined below) to be secured pursuant to the terms of the Term Loan Facility; <u>provided</u> that (i) the Target and | Novelis is permitted to terminate existing Aleris ISDAs and replace them with new ISDAs that would be secured on a silent, pari passu basis with the term loans in the same manner as existing Novelis hedges. Novelis |

| Amendment | Agreement Section(s) | Description | Company Explanation |
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| Term Loan Facility | potentially changes to German security agreements). | such hedge counterparty shall deliver a joinder agreement and otherwise comply with the requirements of the credit agreement applicable to Secured Hedge Providers within 90 days after the Closing Date, and in any case prior to obtaining the benefit of such security, and (ii) any cash collateral posted to such hedge counterparty to secure obligations in respect of such Aleris ISDA shall have been released on or prior to the effective date of such joinder agreement. | proposes a technical amendment to permit the designation of existing Aleris ISDAs to avoid the burden of terminating and replacing them with new agreements. |
| 15. Permit Cash Collateral for existing Target hedge counterparties as provided herein | 6.02 | <p>1) Novelis will use reasonable efforts to novate trades under ISDAs with the Target and its subsidiaries that are secured (each, an "Aleris ISDA") to ISDAs with members of the Novelis Group (which don't have a margin requirement) promptly after the Closing Date; <u>provided</u> that no trades may be outstanding under any Aleris ISDA on or after the date that is 180 days after the Closing Date.</p> <p>2) Within 30 days after the Closing Date, the Novelis Group (including the Target and its subsidiaries) will stop placing any new trades on Aleris ISDAs that require cash margin to be posted.</p> <p>3) Target and its subsidiaries that are a party to any Aleris ISDA will be allowed to post cash collateral under such Aleris ISDA (subject to compliance with the agreements in 1 and 2 above).</p> <p>4) Promptly upon the termination, novation or cancellation of each trade under an Aleris ISDA for which cash collateral has been posted, such cash collateral shall be returned to the applicable member</p> | Aleris currently has some hedges under master agreements which require Aleris to post cash collateral in certain circumstances. The credit agreements will permit such cash collateral for 180 days after closing of the acquisition subject to the specified conditions. |

| Amendment | Agreement Section(s) | Description | Company Explanation |
|---|---------------------------------|---|---|
| | | of the Novelis Group, and such cash collateral shall be subject to the pledge requirements under the Loan Documents (except to the extent that such cash is otherwise applied to settle or net out amounts owing under such Aleris ISDA at the time of such termination, novation or cancellation). | |
| 16. Permit mandatory prepayments with the proceeds of Specified Divestitures to be applied pro rata to loans under the Term Loan Facility and the Short Term Loan Facility. | 2.10(c) | “Specified Divestitures” shall mean the sale, transfer or other disposition of assets of the Target, any of its subsidiaries, Holdings, or any of its subsidiaries required in connection with obtaining regulatory (including antitrust) approval for the Acquisition, whether or not such sale, transfer or other disposition occurs prior to or after the consummation of the Acquisition. | Novelis's acquisition of Aleris requires various regulatory approvals, including anti-trust approvals. Such approvals may be conditioned on the sale of a portion of either party's business, either before or after the acquisition closing. To the extent any such sale occurs and the proceeds are applied to prepay debt, Novelis would like the prepayment to apply pro rata to the term loans and the Short Term Loan Facility. |
| 17. Add new \$290 million basket for investment in Chinese subsidiaries (Novelis or Aleris entities). | 6.04 | | After closing of the Aleris acquisition, Novelis expects to make investments in its Chinese plants to optimize their production capabilities and realize stated synergies. Because these investments can be foreseen at this time, we are seeking a specific permission for these investments in non-Loan Parties. |
| 18. Increase the amount of two investment | 6.04(r)(i) and (v), and 6.08(g) | Increase the following baskets from \$75 million to \$125 million if the Aleris acquisition closes: | Novelis proposes raising certain investment and dividend baskets to reflect the growing size of the company. |

| Amendment | Agreement Section(s) | Description | Company Explanation |
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| baskets and one dividend basket from \$75 million to \$125 million. | | <p>1. \$75 million yearly investment basket available as long as the pro forma Senior Secured Net Leverage Ratio does not exceed 3.50 to 1.00 (Section 6.04(i)).</p> <p>2. shared \$75 million investment basket available as long as the pro forma Senior Secured Net Leverage Ratio does not exceed 3.50 to 1.00 (Section 6.04(v), shared with the basket in item 3 below). The difference between this basket and the basket in item 1 above is that this basket is available for the term of the credit agreement, while the basket in item 1 above refreshes yearly.</p> <p>3. shared \$75 million dividend basket available as long as no default is continuing and the pro forma Senior Secured Net Leverage Ratio does not exceed 3.50 to 1.00 (Section 6.08(g), shared with the basket in item 2 above).</p> | |
| 19. Authorize changes to the security documents to permit the delay of perfection steps other than filing of financing statements and delivery of share certificates (such as control | 5.11, various | The credit documents will be amended to provide that (i) to the extent creation of a security interest in a specific asset requires that such asset be described with specificity in the applicable security document or filing (including, for example, a list of specific items of inventory with identification numbers, or descriptions of commercial tort claims), the creation of the agent's security interest in such assets, to the extent acquired in a Permitted Acquisition, and (ii) the perfection of the agent's security interest in assets acquired in a Permitted Acquisition, in the case of clauses (i) and (ii) will be required within 60 days of the closing of such Permitted Acquisition (or such later date agreed by the Administrative Agent); provided that (a) the perfection of a security interest in Collateral with respect to which a lien may be perfected by (x) the | Novelis would like the flexibility to have the acquired entities become Loan Parties upon closing of the acquisition with a short period of time post-closing to sort out perfection details that involve third parties, such as control agreements, or additional cooperation from the target, such as commercial tort claims. |

| Amendment | Agreement Section(s) | Description | Company Explanation |
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| agreements) until 60 days after the closing of an acquisition, including the Aleris acquisition. | | filing of financing statements under the Uniform Commercial Code (“UCC”) or equivalent filing system in a non-US jurisdiction, or (y) filing short form security agreements or other filings with the applicable intellectual property filing office in the applicable jurisdiction, in the case of clauses (x) and (y), shall be required to occur substantially concurrently with any acquired entity becoming a Loan Party and (b) each Loan Party shall use its commercially reasonable efforts to deliver stock certificates (together with stock powers or equivalent instruments of transfer) representing certificated equity interests required to be pledged under the security documents as soon as practicable upon closing of such permitted acquisition, and in any case within such 60 day period (or such later date agreed by the Administrative Agent). | |
| 20. Permit Administrative Agent extension of 60 day period to sign a mortgage over newly acquired real property | 5.11(c) | Novelis Loan parties are required to provide a mortgage with respect owned real property with a fair market value of at least US\$10 million within 60 days of the acquisition of such property. Novelis proposes to give the Administrative Agent authorization to extend such deadline. | The Administrative Agent has the ability to extend the deadline for other collateral and guaranty requirements, and Novelis would like to make the mortgage provisions conform to the provisions regarding other assets. Mortgages sometimes can take longer than 60 days to put in place due to local legal requirements. |
| 21. Permit transfers of Aleris’s foreign subsidiaries to the appropriate place in Novelis’s corporate | 6.04, 6.06, 6,15, various | Permissions will be added to allow Permitted Aleris Foreign Subsidiary Transfers (as defined below). “Permitted Aleris Foreign Subsidiary Transfer” shall mean: (a) the sale, Distribution, contribution or other transfer of the Equity Interests in any Subsidiary of Aleris organized in a jurisdiction outside of the United States of America (each, a “Transferred Aleris Foreign | After the Aleris acquisition is closed, Novelis would like the ability to transfer the equity interests in Aleris Corporation’s direct and indirect subsidiaries organized outside of the United States to more efficient places in Novelis’s corporate structure. |

| Amendment | Agreement Section(s) | Description | Company Explanation |
|-----------|----------------------|--|---------------------|
| structure | | <p>Subsidiary”) (x) to any Loan Party (and any substantially concurrent interim sale, Distribution, contribution or other transfer to a Loan Party to effect such sale, Distribution, contribution or transfer) or (y) in the case of Equity Interests in an entity that would not be required to become a Loan Party pursuant to the terms hereof after giving effect to such transfer, to any Restricted Subsidiary of Holdings organized in the same jurisdiction of the issuer of such Equity Interests (it being agreed, for this purpose, that Hong Kong and the Peoples Republic of China are the same jurisdiction so long as an entity organized under the laws of Hong Kong would not be a Subsidiary of an entity organized under the laws of the Peoples Republic of China after giving effect to such transfer) (and any substantially concurrent interim sale, Distribution, contribution or other transfer to a Company to effect such sale, Distribution, contribution or transfer); and</p> <p>(b) if applicable in connection with any of the transactions described in clause (a) above, as consideration for such sale, Distribution, contribution or other transfer, the issuance of one or more Intercompany Notes to the Company that sold, Distributed, contributed or otherwise transferred such Equity Interests;</p> <p>provided that:</p> <p>(i) any such sale, Distribution, contribution or other transfer occurs within one year of the Aleris Acquisition Closing Date (or such later date agreed by the Administrative Agent); provided that any Intercompany Note issued in connection therewith shall be issued substantially concurrently with the consummation of such sale, Distribution, contribution</p> | |

| Amendment | Agreement Section(s) | Description | Company Explanation |
|-----------|----------------------|---|---------------------|
| | | <p>or other transfer;</p> <p>(ii) any such Equity Interests transferred to a Loan Party are, subject to the terms of the Intercreditor Agreement, pledged in favor of the Collateral Agent to secure the Secured Obligations and, to the extent certificated, the certificates representing such Equity Interests are delivered to the Collateral Agent, together with undated stock powers or other appropriate instruments of transfer executed and delivered in blank by a duly authorized officer of such Loan Party, no later than the date that is 10 Business Days after the date of such sale, Distribution, contribution or other transfer (or such later date agreed by the Administrative Agent);</p> <p>(iii) any such Intercompany Notes:</p> <p>(1) received by a Loan Party are, subject to the terms of the Intercreditor Agreement, pledged in favor of the Collateral Agent to secure the Secured Obligations and such Intercompany Notes are delivered to the Collateral Agent, together with an allonge or other instrument of transfer executed and delivered in blank by a duly authorized officer of such Loan Party, no later than the date that is 10 Business Days after the date after the transaction to which such Intercompany Note relates is consummated (or such later date agreed by the Administrative Agent; and</p> <p>(2) received by a Company that is not a Loan Party are subordinated to the Secured Obligations on terms reasonably satisfactory to the Administrative Agent and (other than in the case of an Intercompany Note issued by another Company that is not a Loan Party), on a Pro Forma Basis after giving effect to and at the time of the issuance of such Intercompany Note, the Consolidated Interest Coverage Ratio shall be greater</p> | |

| Amendment | Agreement Section(s) | Description | Company Explanation |
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| | | <p>than 2.0 to 1.0; and</p> <p>(iv) any sale, Distribution, contribution or other transfer of a Transferred Aleris Foreign Subsidiary to a Restricted Grantor (other than a Transferred Aleris Foreign Subsidiary transferred to a Restricted Grantor organized in the same jurisdiction as the Transferred Aleris Foreign Subsidiary) shall be conditioned on either the creation of a newly formed Unrestricted Grantor or the existence of an existing Unrestricted Grantor, in each case that (A) is directly 100% owned by such Restricted Grantor and that directly owns 100% of such Transferred Aleris Foreign Subsidiary after giving effect to such transaction, (B) has complied with the Joinder Requirements and (C) shall not be permitted to own, on and after the date of such action, any assets other than the Permitted Holding Company Assets.</p> | |
| <p>22. Legal Opinions Conditions Precedent to the Effectiveness of the Amendment</p> | <p>Section 3(d) of Amendment</p> | <p>The conditions precedent to the effectiveness of the amendment include the delivery of the following legal opinions.</p> <p>Opinions of Counsel. The Administrative Agent shall have received, on behalf of itself, the other Agents, and the Lenders, (i) a favorable written opinion of Torys LLP, special counsel for the Loan Parties and (ii) a favorable written opinion of local and foreign counsel of the Loan Parties in jurisdictions to be specified by the Administrative Agent (or, in the case of Loan Documents governed by the laws of the United Arab Emirates or the Dubai International Financial Centre, foreign counsel of the Agents), in each case (A) dated the Amendment Effective Date, (B) addressed to the Agents and the Lenders and (C) covering such matters relating to the Amendment and the other Loan</p> | <p>Legal opinions in each jurisdiction will include a no impairment opinion customary in the applicable jurisdiction (generally formulated either as an opinion that (x) the existing security continues to secure the credit agreement as amended by the amendment or (y) that the amendment does not impair the existing security).</p> |

| Amendment | Agreement Section(s) | Description | Company Explanation |
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| | | Documents as the Administrative Agent or the Lenders shall reasonably request. | |

EXHIBIT E- FORM OF SOLVENCY CERTIFICATE¹

[Date]

The undersigned, the **[Insert title]**² of **[the Designated Company][Parent]**, hereby certifies on behalf of the Loan Parties and for the benefit of the Lenders and the Administrative Agent that:

1. This Certificate is provided pursuant to Section [] of, and in connection with the consummation of the transactions contemplated by, the **[Insert description of the applicable credit agreement]**.

2. At the time of and immediately after the consummation of the Transactions to occur on the **[Signing Date][Closing Date]**, (a) the fair value of the assets of the Designated Company and of the Loan Parties (on a consolidated basis with their Subsidiaries) will exceed their debts and liabilities, subordinated, contingent, prospective or otherwise; (b) the present fair saleable value of the property of the Designated Company and the Loan Parties (on a consolidated basis with their Subsidiaries) will be greater than the amount that will be required to pay the probable liability of their debts and other liabilities, subordinated, contingent, prospective or otherwise, as such debts and other liabilities become absolute and matured; (c) the Designated Company and the Loan Parties (on a consolidated basis with their Subsidiaries) will be able to pay their debts and liabilities, subordinated, contingent, prospective or otherwise, as such debts and liabilities become absolute and matured; (d) the Designated Company and the Loan Parties (on a consolidated basis with their Subsidiaries) will not have unreasonably small assets with which to conduct their business in which they are engaged as such business is now conducted and is proposed to be conducted following the **[Effective Date][Closing Date]**; and (e) the Designated Company and the Loan Parties (on a consolidated basis with their Subsidiaries) are not "insolvent" as such term is defined under any bankruptcy, insolvency or similar laws of any jurisdiction in which any Loan Party is organized or incorporated (as applicable), or otherwise unable to pay their debts as they fall due.

[Signature Page Follows]

¹ To be delivered on the Signing Date and on the Closing Date of each Credit Facility.

² To be provided by the Chief Financial Officer or the Treasurer.

IN WITNESS WHEREOF, the undersigned has executed this certificate on the date first written above.

[The Company/Holdings]

By: _____
Name:
Title:

Certification

I, Steven Fisher, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Novelis Inc. (Novelis);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Steven Fisher

Steven Fisher

President and Chief Executive Officer
(Principal Executive Officer)

Date: November 2, 2018

Certification

I, Devinder Ahuja, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Novelis Inc. (Novelis);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Devinder Ahuja

Devinder Ahuja

Chief Financial Officer

(Principal Financial Officer)

Date: November 2, 2018

**Certification Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Novelis Inc. (Novelis), hereby certifies that Novelis' Quarterly Report on Form 10-Q for the period ended September 30, 2018 (Report) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Novelis.

/s/ Steven Fisher

Steven Fisher

President and Chief Executive Officer

(Principal Executive Officer)

Date: November 2, 2018

of this Report.

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part

**Certification Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Novelis Inc. (Novelis), hereby certifies that Novelis' Quarterly Report on Form 10-Q for the period ended September 30, 2018 (Report) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Novelis.

/s/ Devinder Ahuja

Devinder Ahuja

Chief Financial Officer

(Principal Financial Officer)

Date: November 2, 2018

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of this Report.