Novelis AG

Küsnacht (ZH)

Report of the statutory auditor
to the General Meeting

on the financial statements 2021

pwc

Report of the statutory auditor

to the General Meeting of Novelis AG

Küsnacht (ZH)

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Novelis AG, which comprise the balance sheet, statement of income and notes, for the year ended 31 March 2021.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 March 2021 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, CH-8050 Zürich, Switzerland
Telefon: +41 58 792 44 00, Telefax: +41 58 792 44 10, www.pwc.ch

PricewaterhouseCoopers AG is a member of the global PricewaterhouseCoopers network of firms, each of which is a separate and independent legal entity.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Daniel Anliker

Audit expert
Auditor in charge

Fabio Zanon

Audit expert

Zürich, 30 April 2021

Enclosures:

- Financial statements (balance sheet, statement of income and notes)
- Proposal of the Board of Directors for appropriation of retained earnings

Balance sheet

	Note	March 31, 2021 EUR	March 31, 2020 EUR	March 31, 2021 CHF	March 31, 2020 CHF
Assets					
Current assets					
Cash and cash equivalents		140 910 471	177 793 848	155 874 415	188 680 726
Trade receivables -					
Third parties		282 453 264	225 685 667	312 448 301	239 505 112
Group companies		84 148 949	65 818 173	93 085 121	69 848 427
Other receivables -					
Third parties	2.4	30 163 178	35 454 713	33 366 347	37 625 717
Group companies	2.4	18 912 847	21 036 937	20 921 291	22 325 095
Cash pooling with group companies	2.1	74 995 269	69 447 427	82 959 368	73 699 912
Cash pooling with shareholder	2.1	1 557 278	2 177 822	1 722 652	2 311 177
Inventories		15 241 772	11 299 323	16 860 367	11 991 216
Prepayments and accrued income -					
Third parties		918 477	1 199 534	1 016 014	1 272 985
		649 301 505	**609 913 444**	**718 253 876**	**647 260 367**
Fixed assets					
Financial assets -					
Other financial assets, third parties	2.4	63 193	58 168	69 903	61 730
Other financial assets, group companies	2.4	3 553	775 077	3 930	822 537
Investment in subsidiary		159 078 968	159 078 968	240 161 520	240 161 520
Tangible assets		211 977	488 559	234 488	518 476
Intangible assets		6 656 154	9 748 484	7 363 002	10 345 415
		166 013 845	**170 149 256**	**247 832 843**	**251 909 678**
Total assets		**815 315 350**	**780 062 700**	**966 086 719**	**899 170 045**

EUR is the functional currency, CHF is the presentation currency and included for informational purposes only in accordance with Art. 958d para. 3 SCO

Balance sheet

	Note	March 31, 2021 EUR	March 31, 2020 EUR	March 31, 2021 CHF	March 31, 2020 CHF
Liabilities and shareholders' equity					
Current liabilities					
Trade payables -					
Third parties		96 503 662	90 119 811	106 751 838	95 638 131
Group companies		17 890 437	16 742 789	19 790 307	17 768 003
Other current liabilities -					
Third parties	2.4	47 556 597	29 516 566	52 606 856	31 323 959
Group companies	2.4	22 873 701	16 620 384	25 302 767	17 638 102
Cash pooling with group companies	2.1	462 266 294	454 435 645	511 356 520	482 262 172
Accrued liabilities -					
Third parties		23 686 156	33 199 869	29 004 746	39 552 195
Shareholder		117 101	118 402	129 536	125 652
Short-term provisions -					
Third parties		5 185 656	5 177 738	5 736 345	5 494 787
		676 079 604	**645 931 204**	**750 678 915**	**689 803 001**
Non-current liabilities					
Long-term loans (interest-bearing) -					
Shareholder		9 368 075	9 368 076	10 362 915	9 941 712
Other non-current liabilities -					
Third parties	2.4	563 400	1 032 953	623 230	1 096 204
Group companies	2.4	30 968	1 927	34 256	2 045
Long-term provisions		1 291 273	2 572 851	1 428 399	2 730 394
		11 253 716	**12 975 806**	**12 448 800**	**13 770 355**
Shareholders' equity					
Share capital		662 383	662 383	1 000 000	1 000 000
Legal reserve		249 387	249 387	376 500	376 500
Retained earnings		120 243 919	106 895 072	194 220 191	179 613 724
Net income/(loss) for the year		6 826 341	13 348 847	7 362 313	14 606 465
		127 982 030	**121 155 689**	**202 959 004**	**195 596 689**
Total liabilities and shareholders' equity		**815 315 350**	**780 062 700**	**966 086 719**	**899 170 045**

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Novelis AG, Kuesnacht

Statement of Income for the financial year

	April 1, 2020 to March 31, 2021	April 1, 2019 to March 31, 2020	April 1, 2020 to March 31, 2021	April 1, 2019 to March 31, 2020
	EUR	**EUR**	**CHF**	**CHF**
	12 months	**12 months**	**12 months**	**12 months**
Net revenue from sales of goods	678 483 979	691 397 407	731 755 801	756 535 077
Income from services	49 146 429	49 368 447	53 005 208	54 019 529
Changes in inventories (finished goods & work-in-progress)	2 461 159	(1 429 607)	2 654 399	(1 564 292)
Costs of material	(545 992 555)	(574 892 252)	(588 861 686)	(629 053 783)
Operating expense	(110 392 597)	(104 638 003)	(119 060 178)	(114 496 118)
Administrative expense	(22 488 263)	(22 858 278)	(24 253 951)	(25 011 793)
Personnel costs	(31 259 740)	(30 891 015)	(33 714 129)	(33 801 307)
Depreciation and amortisation	(3 961 011)	(3 737 051)	(4 272 013)	(4 089 124)
Operating profit/(loss) before financial items	**15 997 401**	**2 319 648**	**17 253 451**	**2 538 189**
Financial income (operating incl. ABL)	27 671 053	(7 696 240)	29 843 672	(8 421 315)
Financial income FX	64 770 975	94 440 933	69 856 530	103 338 365
Financial income metal	81 224 765	93 494 338	87 602 205	102 302 591
Financial expense (operating incl. ABL)	(2 381 230)	(3 155 451)	(2 568 194)	(3 452 731)
Financial expense FX	(70 520 616)	(91 345 281)	(76 057 610)	(99 951 068)
Financial expense metal	(111 565 319)	(76 722 466)	(120 324 977)	(83 950 614)
Interest income	3 576 478	3 238 454	3 857 289	3 543 554
Interest expense	(1 911 334)	(1 147 549)	(2 061 407)	(1 255 662)
Income/(loss) before tax	**6 862 173**	**13 426 386**	**7 400 959**	**14 691 309**
Tax	(35 832)	(77 539)	(38 646)	(84 844)
Net income/(loss) for the period	**6 826 341**	**13 348 847**	**7 362 313**	**14 606 465**

EUR is the functional currency, CHF is the presentation currency and included for informational purposes only in accordance with Art. 958d para. 3 SCO

Notes to the financial statements for the year ended March 31, 2021

Principal activities

The principle activities of Novelis AG (the “Company”), as a headquarter entity, are to provide management services and undertake forex and metal trading/hedging activities for and on behalf of the Novelis European entities. The Company also operates as cash pool leader in the European cash pool system.

During the financial year ended March 31, 2015, the Company began a tolling arrangement with Novelis Sheet Ingot GmbH ("Novelis SIG") as the principal that owns the metal tolled by Novelis SIG and recognises the revenues from the related product sales to other Novelis entities.

1. Accounting principles applied in the preparation of the financial statements

These financial statements have been prepared in accordance with the provisions of commercial accounting as set out in the Swiss Code of Obligations (Art. 957 to 963b CO effective January 1, 2013).

Novelis AG, as a subsidiary of Novelis Inc., Canada is included in the consolidated financial statement of the group company. Novelis Inc. prepares and publishes consolidated financial statements in accordance with generally accepted accounting procedures in the United States of America, which is a recognised financial reporting standard per Art. 962a CO. As a result, per Art. 961d CO, the Company is exempt from disclosing additional information in the notes to the annual accounts, and from preparing the cash flow statement and the management report.

Significant financial statement items are accounted as follows:

1.1 Trade receivables and other short-term receivables

Trade receivables and other short-term receivables are carried at their nominal value less allowance on an individual basis for specific foreseeable risks.

1.2 Inventories

Inventories are valued at the lower of cost (acquisition and production cost) and net realisable value. Production cost comprises all direct cost as well as appropriate portions of indirect cost and general administrative cost. The cost is determined using the weighted average method. Net realisable value is defined as the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

1.3 Recognition of revenue

Net revenue from sales of goods represents product sales to other Novelis entities in relation with the Novelis SIG tolling arrangement. Income from services comprises charges for service provided to Novelis entities. These revenues are recognized if delivery has occurred or service has been provided and collectability of the fixed or determinable sales price/service charge is reasonably assured.

1.4 Non-current assets

Acquired intangible asset and property plant and equipment are valued at acquisition or development cost less ordinary accumulated amortization or depreciation.

Depreciation is calculated on the basis of the following useful lives and in accordance with the following methods:

Property, plant and equipment	Useful life	Method
Fixtures and fittings	10 years	10%,linear
Enterprise resource planning system	10 years	10%,linear
Software License	5 years	20%, linear

Investments in affiliates and in associated companies are stated at acquisition cost or lower recoverable amounts as of balance sheet date. Loans to associated companies are stated at acquisition cost less redemptions.

1.5. Assets with observable market price

Derivative financial instruments are measured at their observable market price as of the balance sheet date. The Company applies the prudence principle and records a provision for net unrealized gains.

1.6. Leases

Operating lease expenses are recognized in the statement of income on a straight-line basis over the term of the relevant lease agreements.

Notes to the financial statements for the year ended March 31, 2021

1.7 Foreign currencies

The Company's functional currency is Euro (EUR) due to the primary economic environment in which the Company carries out business operations. Balance sheet items in foreign currency are translated into EUR at rates prevailing on period ending date. The exchange rates used for transactions conducted during the course of the year and for items in the statement of income are the rates prevailing at the dates of the transactions.

Swiss Franc (CHF) is the presentation currency and included for informational purposes only in accordance with Art. 958d para. 3 SCO.
The exchange rates applied for translating the values into CHF are:

Rate		Income Statement	Balance Sheet	Balance Sheet (historical rate) [1]
CHF/EUR	31.03.21	1.0785	1.1062	1.5097
CHF/EUR	31.03.20	1.0942	1.0612	1.5097

1) The historical CHF/EUR rate is applied for share capital and general reserve

The Company has chosen the option to translate the investment in a subsidiary at the historical rate (CHF/EUR rate 1.510) into the presentation currency (CHF) to reflect the accurate nominal value.

Translation gains and losses resulting from conversion of functional currency (EUR) to financial reporting currency (CHF) are presented in the statement of income account "Translation from functional currency" for a translation loss or recorded part of accrued liabilities on the balances sheet for a translation gain.

2. Details, analyses and explanations to the financial statements

2.1 Cash Pooling

In 2007, Novelis AG set up a Cash Pooling System for some European subsidiaries.
The Cash Pooling System was expanded to European Aleris subsidiaries during FY21.

Resulting balances are shown as follows:

	March 31, 2021 EUR	**March 31, 2020** EUR	**March 31, 2021** CHF	**March 31, 2020** CHF
Other receivables				
From cash pooling with group companies	74 995 269	69 447 427	82 959 368	73 699 912
From cash pooling with shareholder	1 557 278	2 177 822	1 722 652	2 311 177
Other current liabilities				
From cash pooling with group companies	462 266 294	454 435 645	511 356 520	482 262 172

For the purposes of the balance sheet presentation, the cash pooling balances are presented net by counterparty in line with the right of offset that exists in the cash pooling agreement.

2.2 Guarantees and assets pledged in favour of third parties

Pledged assets

	March 31, 2021 EUR	**March 31, 2020** EUR	**March 31, 2021** CHF	**March 31, 2020** CHF
All assets pledged	815 315 350	780 062 700	966 086 719	899 170 045
	815 315 350	780 062 700	966 086 719	899 170 045

At the balance sheet date Novelis Inc.'s senior secured facilities consisted of:
(1) a $1.7 billion five-year secured term loan credit facility ("Term Loan Agreement"), and
(2) a $1.5 billion five-year asset based loan facility ("ABL Agreement")

All the assets of the Company, along with those of certain other companies in the Novelis Inc. Group, have been pledged as security for these facilities.

As of March 31, 2021, there are $89 Mio outstanding borrowing under the ABL facility (2020: $555 Mio) for the Novelis Inc. Group.

The ABL Agreement and the Term Loan Agreement require Novelis AG and Novelis Switzerland SA, to enter into:
(i) a First Ranking Account Pledge Agreement related to the ABL Agreement, and
(ii) a Second Ranking Account Pledge Agreement related to the Term Loan Agreement (together, the "Pledge Agreements"). The Pledge Agreements provide collateral rights over certain assets of Novelis AG and Novelis Switzerland SA to the lending syndicates of the ABL Agreement and the Term Loan Agreement.

In addition to the Pledge Agreements, there is also non-recourse receivables purchase agreement in place between Novelis Deutschland GmbH and Novelis AG. Pursuant to this agreement, Novelis Deutschland GmbH agreed to sell their receivables in arm's length transactions to Novelis AG.
As at 31 March 2021, the balance outstanding under the non-recourse receivables purchase agreement is approximately EUR 273.8 million/CHF 302.9 million (31.03.2020: EUR 217.7 million/CHF 231.0 million).

Total amount given in guarantee

	March 31, 2021 EUR	**March 31, 2020** EUR	**March 31, 2021** CHF	**March 31, 2020** CHF
Guarantees given	6 854 300	4 556 880	7 581 541	4 835 761
	6 854 300	4 556 880	7 581 541	4 835 761

2.3 Inventories

	March 31, 2021 EUR	**March 31, 2020** EUR	**March 31, 2021** CHF	**March 31, 2020** CHF
Raw materials, consumables and supplies	11 606 043	10 385 360	12 838 544	11 021 288
Work in progress	1 353 979	600 903	1 497 764	637 698
Finished goods	2 281 750	313 060	2 524 060	332 230
Total inventory	15 241 772	11,299,323	16,860,367	11,991,216

2.4 Assets and Liabilities with observable market price

Other receivables and other current liabilities contain short term unrealized forex and metal derivatives which are measured at their observable market price.

Short Term Derivatives	**March 31, 2021** EUR	**March 31, 2020** EUR	**March 31, 2021** CHF	**March 31, 2020** CHF
Metal/forex derivatives receivables - third parties	30 084 363	35 198 572	33 279 162	37 353 891
Metal/forex derivatives receivables - group companies	17 874 945	19 063 171	19 773 170	20 230 469
Metal/forex derivatives payables - third parties	(46 501 419)	(26 745 384)	(51 439 623)	(28 383 088)
Metal/forex derivatives payables - group companies	(20 548 589)	(16 339 745)	(22 730 740)	(17 340 280)

Other financial assets and other non-current liabilities contain long term unrealized forex and metal derivatives which are measured at their observable market price.

Long term Derivatives	**March 31, 2021** EUR	**March 31, 2020** EUR	**March 31, 2021** CHF	**March 31, 2020** CHF
Metal/forex derivatives receivables - third parties	63 193	58 168	69 903	61 730
Metal/forex derivatives receivables - group companies	3 553	775 077	3 930	822 537
Metal/forex derivatives payables - third parties	(412 849)	(883 917)	(456 692)	(938 042)
Metal/forex derivatives payables - group companies	(30 968)	(1 927)	(34 256)	(2 045)

Notes to the financial statements for the year ended March 31, 2021

2.5 Amounts payable to pension funds

	March 31, 2021 EUR	March 31, 2020 EUR	March 31, 2021 CHF	March 31, 2020 CHF
Amounts payable to pension funds	0	0	0	0
	0	0	0	0

2.6 Significant investments

Company	Business	Share capital	Quote
Novelis Switzerland SA, Sierre	B, C, D, E	CHF 5'000'000	100%

Business	
A	Dormant
B	Production
C	Sales
D	IT Applications
E	Research R&D

2.7 Lease obligations

Total amount of operating lease obligations not recorded in the balance sheet are as follows:

	March 31, 2021 EUR	March 31, 2020 EUR	March 31, 2021 CHF	March 31, 2020 CHF
Future lease obligations				
Within one to five years	3 909 560	4 768 985	4 324 734	5 061 005
Over five years	0	437 186	0	463 956
Total	3 909 560	5 206 171	4 324 734	5 524 961

2.8 Full-time equivalents

The number of full-time equivalents did not exceed 250 on an annual average basis.

3. Subsequent events

No events of note have taken place since the end of the financial year.

Retained earnings carried forward and proposal of the Board of Directors for appropriation of retained earnings

	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
	Proposal of the board of directors EUR	Proposal of the board of directors EUR	Proposal of the board of directors CHF	Proposal of the board of directors CHF
Retained earnings at the beginning of the year	120 243 919	106 895 072	194 220 191	179 613 726
Net income/(loss) for the year	6 826 341	13 348 847	7 362 313	14 606 465
Retained earnings at the disposal of the annual general meeting	127 070 260	120 243 919	201 582 504	194 220 191
Retained earnings to be carried forward	127 070 260	120 243 919	201 582 504	194 220 191
	127 070 260	120 243 919	201 582 504	194 220 191

EUR is the functional currency, CHF is the presentation currency and included for informational purposes only in accordance with Art. 958d para. 3 SCO