Novelis Switzerland SA

Sierre

Report of the statutory auditor
to the General Meeting

on the financial statements 2020/2021

pwc

Report of the statutory auditor

to the General Meeting of Novelis Switzerland SA

Sierre

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Novelis Switzerland SA, 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.

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PricewaterhouseCoopers SA 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 SA

Pierre-Alain Dévaud

Audit expert
Auditor in charge

Patrick Wagner

Audit expert

Lausanne, 28 April 2021

Enclosures:

- Financial statements (balance sheet, statement of income and notes)
- Proposed appropriation of the available earnings

Balance sheet at
(in Swiss Francs)

	March 31, 2021	March 31, 2020
Assets		
Current assets		
Liquid funds	12 249	9 557
Trade accounts receivable -		
Third parties, net	23 135 236	18 442 116
Group companies	67 963 144	45 085 409
Prepaid expenses and accrued income -		
Third parties	7 161 203	5 476 762
Group companies	16 893	0
Other receivables -		
Third parties	9 190 397	11 545 885
Shareholders	179 646 016	156 361 221
Loans short term	128 943	64 711
Inventories, net	78 936 751	77 474 808
	366 190 832	314 460 469
Non-current assets		
Prepaid expenses and accrued income -		
Third parties	1 127 815	1 127 841
Financial fixed assets -		
Investments	2 954 775	2 954 775
Loans long term	1 102 549	841 123
Tangible fixed assets -		
Land and buildings	69 360 436	73 244 396
Machinery and other equipments	105 583 708	107 417 393
Construction in progress	13 226 354	14 218 173
Intangible fixed assets -		
Goodwill	51 586 825	73 695 592
Softwares	285 615	302 319
	245 228 077	273 801 612
Total assets	611 418 909	588 262 081
Liabilities and shareholders' equity		
Current liabilities		
Bank overdrafts		
Trade accounts payable -		
Third parties	94 215 977	84 661 333
Group companies	46 304 038	26 036 320
Short-term liabilities bearing interest	1 074 786	9 308 751
Accrued liabilities	19 105 664	23 491 265
Group companies	0	56 498
Short-term debts	2 322 810	2 228 520
	163 023 275	145 782 687
Non-current liabilities		
Long term debts	2 751 873	4 410 604
	2 751 873	4 410 604
Shareholders' equity		
Share capital	5 000 000	5 000 000
Legal reserve	2 500 000	2 500 000
Statutory retained earnings	430 568 790	418 976 765
Profit/loss for the year/period (accumulated deficit)	7 574 971	11 592 025
	445 643 761	438 068 790
Total liabilities and shareholders' equity	611 418 909	588 262 081

Statement of income for the period
(in Swiss Francs)

	April 1, 2020 - March 31, 2021	April 1, 2019 - March 31, 2020
Turnover		
Income from sales	592 923 338	706 661 441
Income from service fees	9 490 307	10 895 015
Sales deductions	(12 602 621)	(14 492 190)
	589 811 024	703 064 266
Materials used	(435 987 437)	(531 055 856)
Energy consumption costs	(11 624 321)	(12 586 229)
Variation in inventories	4 002 203	1 549 152
Gross profit	146 201 469	160 971 333
Personnel costs	(55 505 867)	(64 064 391)
Leasing	(2 296 463)	(2 137 531)
Maintenance	(5 940 663)	(8 971 786)
Other operating costs	(30 580 667)	(35 488 896)
Other income	377 148	474 916
Depreciation & Amorization	(40 357 463)	(39 570 308)
Operating profit before financial items	11 897 494	11 213 337
Financial income	0	4 880 297
Financial expense	(2 723 040)	(720 081)
Operating profit	9 174 454	15 373 553
Non-operating expense	(47 832)	(613 184)
Income before tax	9 126 622	14 760 369
Taxes	(1 551 651)	(3 168 344)
Net income for the period	7 574 971	11 592 025

Notes to the financial statements 2021

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).
Significant balance sheet items are accounted for as follows:

1.1 Trade receivable

Our accounts receivable are geographically dispersed. We do not believe there are any significant concentrations of revenues from any particular customer or group of customers that would subject us to any significant credit risks in the collection of our accounts receivable. We report accounts receivable at the estimated net realizable amount we expect to collect from our customers.

Additions to the allowance for doubtful accounts are made by means of the provision for doubtful accounts. We write-off uncollectible accounts receivable against the allowance for doubtful accounts after exhausting collection efforts. For each of the periods presented, we performed an analysis of our historical cash collection patterns and considered the impact of any known material events in determining the allowance for doubtful accounts.

1.2 Revenue recognition

We recognize sales when the revenue is realized or realizable, and has been earned. We record sales when a firm sales agreement is in place, delivery has occurred and collectability of the fixed or determinable sales price is reasonably assured.

We recognize product revenue, net of trade discounts, allowances, and estimated billing adjustments, in the reporting period in which the products are shipped and the title and risk of ownership pass to the customer. We sell most of our products under contracts based on a “conversion premium,” which is subject to periodic adjustments based on market factors. As a result, the aluminum price risk is largely absorbed by the customer. In situations where we offer customers fixed prices for future delivery of our products, we enter into derivative instruments for all or a portion of the cost of metal inputs to protect our profit on the conversion of the product.

Shipping and handling amounts we bill to our customers are included in “Net sales” and the related shipping and handling costs we incur are included in “Cost of goods sold (exclusive of depreciation and amortization).”

Our customers can receive or earn certain incentives including, but not limited to, contract signing bonuses, cash discounts, volume based incentive programs, and support for infrastructure programs. The incentives are recorded as reductions to "Net sales" and are recognized over the minimum contractual period in which the customer is obligated to make purchases from Novelis.
For incentives that must be earned, management must make estimates related to customer performance and sales volume to determine the total amounts earned and to be recorded as reductions to "Net sales." In making these estimates, management considers historical results. The actual amounts may differ from these estimates.

1.3 Inventories

Inventories are valued at the lower of cost (acquisition or manufacturing cost) and net realisable value. Cost comprises all directly attributable costs of materials and production, and overheads necessary to bring the inventories to their present location and condition.
Cost is determined using the weighted average method. Net realisable value is the estimated selling price less the estimated cost to completion and the estimated selling cost.
Impairment charges are made for unsellable inventory or inventory with a low turnover.
In addition, a general reserve of 33% has been recorded (excluding metal base).

	March 31, 2021 CHF	March 31, 2020 CHF
Raw materials	39 293 880	43 883 490
Work in progress	29 201 258	20 974 116
Finished goods	8 057 449	10 881 632
Consumables and supplies	9 474 664	9 092 119
Valuation adjustments	(7 090 500)	(7 356 550)
	78 936 751	77 474 808

1.4 Fixed assets and leases

Fixed assets are carried at cost or manufacturing cost less depreciation.
Assets held under finance leases are carried at the lower of the fair value of the asset and the present value of the minimum lease payments.
The related outstanding finance lease obligations are presented under liabilities.
The leased asset is initially capitalised at the lower of the present value of the lease payments and fair value. Lease instalments are broken down into interest and repayment amounts.
The leased asset is depreciated over the shorter of the lease term and the estimated life of the asset.

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

Fixed assets	Useful life	Method
Buildings	15 to 40 years	linear
Machinery	15 to 25 years	linear
Machinery, wear parts	2 to 15 years	linear
Industrial vehicules	5 to 10 years	linear
Passenger vehicles	3 to 5 years	linear
Goodwill	5 years fixed	linear

Lease commitments, excluding VAT not recorded in the balance sheet	March 31, 2021 CHF	March 31, 2020 CHF
Future lease payments	12 365 518	14 232 359
	12 365 518	14 232 359

1.5 Assets pledged in favour of third parties

	March 31, 2021 CHF	March 31, 2020 CHF
Casthouse (net book value)	18 556 425	20 294 771
Trade accounts receivables	91 098 380	63 527 525
Cash	12 249	9 557
	109 667 054	83 831 853

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 Facility"), and
(2) a $1.5 billion five-year asset based loan facility ("ABL Revolver")
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.

1.6 Guarantees

	March 31, 2021 CHF	March 31, 2020 CHF
Guarantee in favour of Listex Sàrl, Sierre	3 000 000	3 000 000
Guarantee in favour of Swiss Customs (import)	4 450 000	4 450 000
Guarantee in favour of Ernst&Co, Inh. Geiger	400 000	600 000

1.7 Amounts due to pension funds

Amounts due to pension funds	663 642	699 121
	663 642	699 121

1.8 Other contingent liabilities

The Company is jointly liable for Swiss VAT with respect to the Novelis AG VAT Group.

1.9 Commitments

As of March 31, 2021, the company has 130 (FY20: 137) open forward contracts for an estimated net fair value of -3'003'984 CHF (FY20: +1'649'476 CHF).

129 (FY20: 137) contracts hedging the FX rates risk for an estimated fair value of -3'003'145 CHF (FY20: +1'649'476 CHF) and 1 (FY20: 0) contract hedging the metal price risk for an estimated fair value of -839 CHF (FY20: 0 CHF).

The losses related to these contracts have not been considered in the net profit as they are dedicated to hedge future trade commitments. Therefore, any unrealized losses on the contracts are offset by corresponding gains on future trade commitments.

1.10 Full-time equivalents

The number of full-time equivalents exceeds 250 on an annual average basis.

1.11 Departure from the principle of continuity in the presentation

Presentation of accounts for the past year has been changed for purpose of comparison.

2. Movements on retained earnings

(in Swiss Francs)

	March 31, 2021 CHF	March 31, 2020 CHF
Retained earnings at the beginning of the period	430 568 790	418 976 765
Appropriations of retained earnings resolved by general meeting		
Dividends	0	0
Appropriations to general legal reserve	0	0
Net income for the period	7 574 971	11 592 025
Retained earnings at the disposal of the annual general meeting	438 143 761	430 568 790

Proposal of the board of directors for appropriation of retained earnings

	2021 Proposal of the board of directors
Gross dividend	0
Appropriation to general	0
legal reserve	0
To be carried forward	438 143 761
	438 143 761