Novelis Korea Limited

Financial Statements
March 31, 2021 and 2020

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Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
Novelis Korea Limited

Opinion

We have audited the accompanying financial statements of Novelis Korea Limited (the "Company"), which comprise the statements of financial position as at March 31, 2021 and 2020, and the statements of profit or loss, statements of changes in equity and statements of cash flows for the year ended March 31, 2021 and for the three-month period ended March 31, 2020, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Novelis Korea Limited as at March 31, 2021 and 2020, and its financial performance and its cash flows for the year ended March 31, 2021 and for the three-month period ended March 31, 2020 and the in accordance with Accounting Standards for Non-Public Entities in the Republic of Korea.

Basis for Opinion

We conducted our audits in accordance with Korean Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, financial performance and cash flows in conformity with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea. In addition, the procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Standards for Non-Public Entities in the Republic of Korea, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Korean Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Korean Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists

related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Samil PricewaterhouseCoopers

April 29, 2021

Seoul, Korea

This report is effective as of April 29, 2021, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Novelis Korea Limited
Statements of Financial Position
March 31, 2021 and 2020

(in millions of Korean won)		2021		2020
Assets				
Current assets				
Cash and cash equivalents (Notes 12 and 14)	₩	242,404	₩	398,510
Trade accounts and notes receivable, net (Notes 5, 14 and 30)		540,091		389,250
Other accounts receivable (Notes 14 and 30)		56,672		61,236
Prepaid expenses		2,452		2,134
Prepaid value added taxes		24,480		11,674
Short-term loans to employees		58		55
Derivative instrument assets (Note 27)		19,724		30,764
Current deferred income tax assets (Note 17)		9,006		12,151
Advance payments		3		21
Other current assets		2,717		3,196
Inventories, net (Notes 6 and 9)		146,206		124,712
		1,043,813		1,033,702
Non-current assets				
Long-term investment assets (Notes 3 and 4)		4		4
Investment accounted for using the equity method (Note 7)		211,499		199,494
Derivative instrument assets (Note 27)		480		-
Long-term loans to employees		628		231
Severance benefit assets (Note 13)		4,231		4,133
Property, plant and equipment, net (Notes 8 and 9)		311,497		319,198
Intangible assets, net (Note 10)		1,784		1,682
Deposits provided		3,863		3,864
		533,986		528,606
Total assets	₩	1,577,799	₩	1,562,308

Novelis Korea Limited
Statements of Financial Position
March 31, 2021 and 2020

(in millions of Korean won)		2021		2020
Liabilities and Equity				
Current liabilities				
Trade accounts and notes payable (Notes 12, 14 and 30)	₩	790,873	₩	731,618
Other accounts payable (Notes 12, 14 and 30)		32,549		25,621
Advance receipts		80		1,886
Withholdings		880		603
Accrued expenses (Note 16)		24,304		29,693
Short-term borrowings (Note 12)		20,000		120,000
Current portion of long-term liabilities (Note 12)		1,271		2,209
Derivative instrument liabilities (Notes 12 and 27)		33,788		59,955
Income taxes payable		19,131		14,548
Dividends payable		34		34
Carbon emission liabilities (Note 28)		743		1,084
Asset retirement obligation liabilities (Note 8)		5,151		9,523
Unearned revenues		221		423
		929,025		997,197
Non-current liabilities				
Long-term borrowings (Note 12)		9,804		10,871
Asset retirement obligation liabilities (Note 8)		46		45
Derivative instrument liabilities (Notes 12 and 27)		1,933		3,719
Long-term accrued expenses (Note 16)		3,024		3,378
Long-term unearned revenues		2,668		2,912
Deferred tax liabilities		5,786		1,303
		23,261		22,228
Total liabilities		952,286		1,019,425
Equity				
Share capital (Notes 1 and 18)				
Common stock		17,536		17,536
Capital surplus				
Share premium		399,241		399,241
Accumulated other comprehensive income				
Loss on valuation of cash flow hedge (Notes 24 and 27)		(1,373)		(10,402)
Retained earnings				
Legal reserve		29,834		29,834
Unappropriated retained earnings (Note 19)		180,275		106,675
Total equity		625,513		542,884
Total liabilities and equity	₩	1,577,799	₩	1,562,309

The above statements of financial position should be read in conjunction with the accompanying notes.

Novelis Korea Limited
Statements of Profit or Loss
Year Ended March 31, 2021 and Three-Month Period Ended March 31, 2020

(in millions of Korean won, except per share amounts)		2021		2020
Sales (Notes 20 and 30)	₩	2,170,891	₩	559,603
Cost of sales (Notes 21 and 23)		1,865,221		502,438
Gross profit		305,670		57,165
Selling and administrative expenses (Notes 22 and 23)		130,381		32,484
Operating profit		175,289		24,681
Non-operating income				
Interest income		3,213		3,596
Gain on foreign currency transactions		19,206		20,723
Gain on foreign currency translation		5,983		4,639
Gain on disposal of property, plant and equipment		848		8
Share of profit of investments accounted for using the equity method		12,005		-
Gain on derivative transactions		128,306		45,880
Gain on valuation of derivatives (Note 27)		18,224		32,198
Reversal of asset retirement obligation liabilities		185		-
Others		4,962		561
		192,932		107,605
Non-operating expenses				
Interest expense		3,831		556
Loss on foreign currency transactions		31,015		5,100
Loss on foreign currency translation		2,256		6,459
Loss on disposal of trade accounts and notes receivable		1,715		754
Loss on disposal of property, plant and equipment		1,168		-
Provision for asset retirement obligation liabilities		192		63
Loss on derivative transactions		130,460		50,653
Loss on valuation of derivatives (Note 27)		28,162		49,066
Share of loss of investments accounted for using the equity method		-		458
Others		5,954		423
		204,753		113,532
Profit before income tax expense		163,468		18,754
Income tax expense (Note 17)		42,638		5,178
Profit for the period (Note 24)	₩	120,830	₩	13,576
Basic and diluted earnings per share (Note 25)	₩	2,584	₩	290

The above statements of profit or loss should be read in conjunction with the accompanying notes.

Novelis Korea Limited
Statements of Changes in Equity
Year Ended March 31, 2021 and Three-Month Period Ended March 31, 2020

(in millions of Korean won)	Share capital	Capital surplus	Accumulated other comprehensive income	Retained earnings	Total
Balances at January 1, 2020	₩ 17,536	₩ 399,241	₩ 564	₩ 122,935	₩ 540,276
Loss on valuation of cash flow hedge	-	-	(10,966)	-	(10,966)
Profit for the period	-	-	-	13,574	13,574
Balances at March 31, 2020	₩ 17,536	₩ 399,241	₩ (10,402)	₩ 136,509	₩ 542,884
Balances at April 1, 2020	₩ 17,536	₩ 399,241	₩ (10,402)	₩ 136,509	₩ 542,884
Interim dividends (Notes 19 and 26)	-	-	-	(47,230)	(47,230)
Gain on valuation of cash flow hedge	-	-	9,029	-	9,029
Profit for the year	-	-	-	120,830	120,830
Balances at March 31, 2021	₩ 17,536	₩ 399,241	₩ (1,373)	₩ 210,109	₩ 625,513

The above statements of changes in equity should be read in conjunction with the accompanying notes.

Novelis Korea Limited
Statements of Cash Flows
Year Ended March 31, 2021 and Three-Month Period Ended March 31, 2020

(in millions of Korean won)	2021	2020
Cash flows from operating activities		
Profit for the period	₩ 120,830	₩ 13,574
Adjustments to reconcile profit for the period to net cash provided by operating activities		
Severance benefits expenses	5,521	1,334
Impairment loss on property, plant and equipment	-	-
Depreciation and amortization	45,985	11,258
Loss on foreign currency translation	2,256	6,459
Loss on disposal of property, plant and equipment	1,168	-
Loss on disposal of trade and notes receivable	1,715	754
Loss on valuation of derivatives	28,162	49,066
Provision for asset retirement obligation liabilities	192	63
Share of loss of investments accounted for using the equity method	-	458
Gain on foreign currency translation	(5,983)	(4,639)
Gain on disposal of property, plant and equipment	(848)	(8)
Gain on valuation of derivatives	(18,224)	(32,198)
Share of profit of investments accounted for using the equity method	(12,005)	-
Reversal of asset retirement obligation liabilities	(185)	-
	47,754	32,547
Changes in operating assets and liabilities		
Decrease (increase) in trade receivables	(147,162)	75,641
Decrease (increase) in other accounts receivable	4,527	(12,489)
Decrease (increase) in prepaid expenses	(318)	300
Decrease (increase) in prepaid value added taxes	(12,806)	12,530
Decrease in derivative instrument assets	34,237	11,932
Decrease (increase) in current deferred tax assets	4,746	(3,862)
Decrease in other current assets	496	1,839
Decrease (increase) in inventories	(21,494)	22,048
Increase (decrease) in trade payables	57,652	(3,867)
Increase in other accounts payable	4,848	4,255
Increase (decrease) in advance receipts	(1,807)	1,800
Increase (decrease) in withholdings	278	(627)
Increase (decrease) in accrued expenses	(4,529)	6,873
Decrease in derivative instrument liabilities	(49,712)	(12,187)
Increase in income taxes payable	4,583	5,052
Increase (decrease) in long-term accrued expenses	(354)	665
Payments of severance benefits	(2,409)	(1,894)
Decrease (increase) in pension plan assets	(3,214)	771
Decrease in contributions to the National Pension Fund	4	3
Increase (decrease) in carbon emission liabilities	(175)	370
Increase in carbon emission rights	(447)	-
Decrease in long-term unearned revenues	(446)	(126)
Decrease in asset retirement obligation liabilities	(4,378)	(572)
	(137,880)	108,455

Novelis Korea Limited
Statements of Cash Flows
Year Ended March 31, 2021 and Three-Month Period Ended March 31, 2020

(in millions of Korean won)	2021	2020
Net cash inflow from operating activities	30,704	154,576
Cash flows from investing activities		
Proceeds from short-term loans to employees	₩ 55	₩ 13
Proceeds from guarantee deposits	49	9
Proceeds from disposal of property, plant and equipment	135	8
Long-term loans provided to employees	(455)	-
Acquisition of property, plant and equipment	(38,568)	(15,305)
Acquisition of intangible assets	(466)	(471)
Payment of guarantee deposits	(50)	-
Net cash outflow from investing activities	(39,300)	(15,746)
Cash flows from financing activities		
Proceeds from short-term borrowings	-	120,000
Payment of short-term borrowings	(100,000)	-
Repayments of current portion of long-term borrowings	(280)	(190)
Dividends paid	(47,230)	-
Net cash inflow (outflow) from financing activities	(147,510)	119,810
Net increase (decrease) in cash and cash equivalents	(156,106)	258,640
Cash and cash equivalents		
Beginning of the period	398,511	139,871
End of the period	₩ 242,405	₩ 398,511

The above statements of cash flows should be read in conjunction with the accompanying notes.

1. General Information

Novelis Korea Limited (the "Company"), a spin-off from Taihan Electric Wire Co., Ltd., was incorporated in 1999 under the Commercial Code of the Republic of Korea to manufacture and market aluminum and related products. The Company's headquarter is located in Yeongju City, North Gyeongsang Province.

The share capital of the Company upon its establishment was ₩ 16,500 million, and after several capital increases and reduction, the share capital as at March 31, 2021, is ₩ 17,536 million.

The Company's shareholders and their respective ownership as at March 31, 2021, are as follows:

	Number of shares owned	Percentage of ownership (%)
4260848 Canada Inc.[1]	12,770,000	27.309
4260856 Canada Inc.[1]	19,052,400	40.743
8018227 Canada Inc.[1]	14,939,200	31.947
Other shareholders	400	0.001
	46,762,000	100.000

[1] Owned by Novelis Inc. which was acquired by Hindalco Industries Limited on May 15, 2007.

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of Preparation

The Company maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul). The financial statements of the Company for the annual period beginning on January 1, 2011, have been prepared in accordance with Korean Accounting Standards for Non-Public Entities (KAS-NPEs), which apply to those companies which are subject to the Act on External Audit of Stock Companies, etc. but do not prepare their financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS). Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. The accompanying financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Company's financial position, financial performance or cash flows, is not presented in the accompanying financial statements.

2.2 Changes in Accounting Policies and Disclosures

(a) Amended standards adopted by the Company

The Company has applied the following amendments for the first time for their annual reporting period commencing April 1, 2020.

- Amendments to KAS-NPEs No.4 *Consolidated Financial Statements*, and 'Effective Date and Transitional Provisions'

The 'Effective Date and Transitional Provisions' was amended to suspend the application of the amendments to consolidate investees that the Company has excluded from the consolidation in accordance with the previous standard, because the size is below a certain threshold although the Company has control until December 31, 2021. And, during the suspension period, the entities that are not subject to external audit in accordance with 'the Act on External Audit of Stock Companies' are not considered as subsidiaries. The Company elected to suspend the application of the amendments to the scope of consolidation in KAS-NPEs No.4. The amendments do not have an impact on the financial statements of the Company.

(b) New and amended standards not yet adopted by the Company

Annual improvements of KAS-NPEs should be applied for annual periods beginning on or after April 1, 2021, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

- KAS-NPEs No. 25 *Related Party Disclosure* (Clarification of disclosure requirements for key management compensation)

- KAS-NPEs No. 29 *Interim Financial Statements* (Clarification of presentation exemption of comparative interim financial statements)

- KAS-NPEs No. 31 *Special Accounting for Small and Medium-sized Companies* (Clarification of special accounting treatments for associates, joint controlled entities and marketable equity securities)

2.3 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Korean won, which is the Company's functional and presentation currency.

(b) Foreign currency transactions and translations

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at period end exchange rates are generally recognized in profit or loss. They are recognized as other comprehensive income equity if they relate to qualifying cash flow hedges.

2.4 Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash without significant transaction costs which are subject to an insignificant risk of changes in value.

2.5 Entity under Joint Control

In case the Company holds interests in a joint venture that involves the establishment of a corporation, partnership or other entity in which each participant has interest and joint control over the economic activity of the entity by a contractual arrangement between the participants, such interests are accounted for under the equity method as investments in jointly controlled entities.

The Company has a 50.0% interest in a joint venture, Ulsan Aluminum Limited, which supplies aluminum products. The Company applies the equity method of accounting that reflects substance of the joint venture contract for this investment.

2.6 Derivatives

All derivative instruments are accounted for at their fair value according to the rights and obligations associated with the related derivative contracts. Changes in fair value of derivative instruments are recognized either under the statement of profit or loss or equity, depending on whether the derivative instruments qualify as a cash flow hedge. For hedging purpose, changes in the fair value of derivatives that hedge a particular risk associated with the fair value of recognized assets or liabilities or a firm commitment are recognized in profit or loss, and changes in the fair value of derivatives that hedge cash flow risk on forecast transaction are recognized in other comprehensive income.

2.7 Allowance for Doubtful Accounts

The Company recognizes allowance for doubtful accounts for uncollectible trade receivables based on a reasonable and objective standard. When an allowance for uncollectible trade receivables is established or increased based on revised estimates, bad debt expense is charged (debited). Bad debts expense for trade receivables from commercial transactions is accounted for as selling and administrative expenses, while bad debts expense from other receivables is accounted for as non-operating expense. Uncollectible receivables are offset against allowance for doubtful accounts and in case of insufficient amount of allowance, bad debts expense is recognized.

2.8 Inventories

The quantities of inventories are determined using the perpetual method and periodic inventory count, while the costs of inventories are determined using the monthly-average method, except for inventories in-transit which is determined using the specific identification method. Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expense. Replacement cost is used for the estimate of net realizable value of raw materials. If, however, the circumstances which caused the valuation loss cease to exist, the valuation loss is reversed, but not exceeding the original carrying amount before valuation. The said reversal is deducted from cost of sales.

2.9 Property, Plant and Equipment

Property, plant and equipment are stated at cost, which includes acquisition cost, production cost and other costs required to prepare the asset for its intended use. The cost of an item of property, plant and equipment should include the present value of estimated cost of dismantling and removing the asset and restoring the site, to the extent that it is recognized as a provision.

Property, plant and equipment are stated at acquisition cost, less accumulated depreciation. Depreciation is calculated over estimated useful lives and depreciation method as follows:

Description	Estimated useful lives	Depreciation Method
Buildings	9 - 47 years	Straight-line method
Structures	8 - 40 years	Straight-line method
Machinery and equipment	8 - 22 years	Straight-line method
Vehicles	5 - 8 years	Straight-line method
Tools and furniture	4 - 10 years	Straight-line method

Expenditures incurred after the acquisition or completion of assets are capitalized only when it is probable that future economic benefits associated with the item will flow to the Company, which includes any increase in productivity, extension of the useful life of the related assets, significant reduction of cost or enhancement of the value of the related assets over their recently appraised value and the fair value for the related cost can be reliably measured. All other routine maintenance and repairs are charged to expense as incurred.

2.10 Borrowing Costs

The Company capitalizes the interest it incurs on borrowings used to finance the cost of manufacturing, acquisition, and construction of property, plant and equipment, intangible assets, investment property and inventories that require more than one year to complete from the initial date of manufacture, acquisition, and construction (qualifying assets).

2.11 Intangible Assets

Intangible assets are stated at cost, which includes acquisition cost, production cost and other costs required to prepare the asset for its intended use. Intangible assets are stated at cost less accumulated amortization. Amortization is calculated over estimated useful lives and depreciation method as follows:

Description	Estimated useful lives	Depreciation Method
Software	4 - 8 years	Straight-line method

2.12 Finance Leases

Leases, where the Company has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the commencement of the lease term at the lower of the fair value of the leased property and the present value of the minimum lease payments and recognized as finance lease assets and finance lease liabilities. The annual minimum lease payments, minus the guaranteed residual value, are charged to interest expense and repayments for lease liabilities, while interest expense is calculated using the effective interest rate.

2.13 Impairment of Non-financial Assets

Intangible assets not yet available for use are tested annually for impairment. Goodwill acquired in a business combination is tested for impairment at the end of each reporting period by assessing its recoverable amount. Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Property, plant and equipment are reviewed for impairment under the above circumstances and when gross estimated future cash flows expected from the use and disposal of property, plant and equipment (individual assets or cash-generating units) are less than the carrying amount. Impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell, and its value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels (cash-generating units) for which there are separate and identifiable cash flows.

Non-financial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Reversal of impairment of goodwill is not allowed.

2.14 Provisions and Contingent Liabilities

Provisions are recognized when it is probable that an outflow of resources will occur due to a present obligation resulting from a past event or transaction, and the amount can be reliably estimated. However, when such outflow is dependent upon a future event, is not certain to occur, or cannot be reliably estimated, a disclosure regarding the contingent liability is made in the notes to the financial statements.

Provisions are measured at the present value of the expenditures expected to be settled using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. The discount rate used in the present value measurement is the discount rate adjusted to reflect the current best estimate at the end of each reporting period.

2.15 Income Tax and Deferred Income Tax

Income tax expense includes the current income tax under the relevant income tax law and the changes in deferred tax assets or liabilities. Deferred tax assets and liabilities represent temporary differences between financial reporting and the tax bases of assets and liabilities. Deferred tax assets are recognized for temporary differences which will decrease future taxable income or operating loss to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized. Deferred tax effects applicable to items in the equity are directly reflected in the equity.

2.16 Employee Benefits

(a) Provision for severance benefits

Employees and directors are entitled to receive a lump-sum payment upon termination of their employment with the Company based on their length of service and rate of pay at the time of termination. Provision for severance benefits represent the amount which would be payable assuming all eligible employees and directors were to terminate their employment as at the date of the statement of financial position.

The Company contributes a certain portion of the severance benefits to the National Pension Service according to the National Pension Law. The contribution amount is recorded as a deduction from the provision for severance benefits.

The Company has a defined benefit pension plan and recognizes accrued pension benefits for current employees as provision for severance benefits and liabilities arising from retired employees who elected to receive pensions as pension payables.

Pension plan assets are presented as a deduction from the total of provision for severance benefits and pension payables. The excess portion of pension plan assets over provision for severance benefits and pension plan liabilities is recorded as investment assets.

(b) Annual paid leave obligations

The Company recognizes expenses and liabilities related to annual paid leave during an accounting period when an employee has rendered service that gives rise to employee's entitlement to future annual paid leave.

The Company recognizes expenses and liabilities for the entire annual paid leave resulting from the rendered service as the Company compensates for unused annual leave.

2.17 Revenue Recognition

Revenue is measured as the fair value of the consideration received or receivable, and represents amounts receivable for the sale of goods and rendering of services, stated net of value-added tax, sales discounts and sales returns. The Company recognizes revenue when the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow into the Company.

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of goods are transferred to the customer. Interest income is recognized using the effective interest method.

2.18 Share-based Payments

For equity-settled share-based payment, the fair value of the goods or employee services received in exchange for the grant of the options is recognized as an expense and a capital adjustment. If the fair value of goods or employee services cannot be reliably estimated, the fair value is estimated based on the fair value of the equity granted.

For cash-settled share-based payment, the fair value of the obligation the Company will assume is determined by the fair value of the goods or employee services received in exchange for the grant of the options. Until the liability is settled, the Company remeasures the fair value of the liability at each reporting date and at the date of settlement, with any changes in fair value recognized as an expense in statement of profit or loss.

Share-based payment transactions with an option for the parties to choose between cash and equity settlement are accounted for based on the substance of the transaction.

2.19 Carbon Emission Rights (Allowances) and Liabilities

With Enforcement of Allocation and Trading of Carbon Emissions Allowances, allowances that are received free of charge from the government are measured at zero while allowances purchased are measured at acquisition cost and stated net of accumulated impairment loss. Emissions liabilities are measured as the sum of the carrying amount of the allocated allowances that will be submitted to the government and the best estimate of expenditure required to settle the obligation at the end of reporting period for any excess emission. The allowances and emission liabilities are classified as intangible assets and provisions, respectively, in the statement of financial position.

2.20 Measurement of Financial Assets and Financial Liabilities

(a) Initial measurement

Financial assets and financial liabilities are measured at the fair value at the initial recognition. Generally, the transaction price (that is, the fair value of the consideration paid for financial assets and received for financial liabilities) is treated as fair value. In addition, if there is any significant difference between the fair value and the nominal amount of receivable and payable from long-term lending and borrowing transactions or sales transactions with long-term deferred payment conditions, total amount of receivable and payable is carried at fair value.

If the consideration paid (or received) includes any amount other than the fair value, the fair value of the financial instrument is carried at the market price. When market price is not available, the fair value is estimated using valuation techniques (including present value based techniques). However, although the consideration consists of the amount other than the fair value, the whole amount is initially recognized if a benefit in return from using the funds is imposed or there is a certain relationship between raising and using the funds. Also, for lease deposits, the whole transaction price is recognized at the initial recognition. Trading securities and derivatives (except for derivatives designated as hedging instruments in cash flow hedges) are subsequently measured at fair value after initial recognition, and changes in fair value are recognized in profit and loss. In case of other financial assets and liabilities, any transaction costs related to acquisition of financial assets or issuance of financial liabilities are added to or deducted from initially recognized fair value.

When measuring the present value of financial instruments, the Company uses the internal interest rate of transactions that occurred in the current period. If the internal interest rate is not available or the difference from the market interest rate is significant, the market interest rate is applied. If the market interest rate cannot be calculated, then the weighted average interest rate which is calculated by reasonable and objective standards is used. If reasonable and objective standards are unavailable, the Company applies the financing costs which are reasonably estimated using the distribution rate of corporate bonds, reflecting the Company’s credit rating.

(b) Subsequent measurement

Financial assets and financial liabilities other than derivatives (Note 2.6) are measured at amortized cost using the effective interest method.

3. Restricted Financial Instruments

As at March 31, 2021 and 2020, restricted financial instruments related to bank overdraft agreements each amounts to ₩ 4 million.

4. Short-term and Long-term Investment Assets

Long-term investment assets as at March 31, 2021 and 2020, are as follows:

(in millions of Korean won)	2021	2020
Long-term investment assets		
Bank deposits	₩ 4	₩ 4

5. Trade Receivables

Trade receivables as at March 31, 2021 and 2020, are as follows:

(in millions of Korean won)	2021	2020
Trade receivables	₩ 540,682	₩ 389,841
Less: Allowance for doubtful accounts	(591)	(591)
	₩ 540,091	₩ 389,250

As at March 31, 2021 and 2020, trade receivables transferred through financial institutions that have not yet matured are as follows:

(in millions of Korea won and in thousands of US dollar)	2021	2020	Condition
Forfaiting of export receivables of USD 47,063 (2020: USD 75,840)	₩ 53,346	₩ 92,722	Without recourse
Financing of domestic receivables	40,830	24,858	Without recourse
	₩ 94,176	₩ 117,580	

6. Inventories

Details of inventories as at March 31, 2021 and 2020, are as follows:

(in millions of Korean won)		**2021**		**2020**
Finished goods	₩	50,771	₩	30,765
Merchandise		16,946		22,171
Work-in-process		37,519		37,731
Raw materials		25,013		19,144
Supplies		13,776		13,825
Materials in transit		4,103		3,122
Merchandise in transit		1,415		41
		149,543		126,799
Less: Valuation allowance[1]		(3,337)		(2,087)
	₩	146,206	₩	124,712

[1] As at March 31, 2021, valuation allowance of inventory and work-in-process amounted to ₩ - million (2020: ₩ - million) and ₩ - million (2020: ₩ - million), respectively. In addition, valuation allowance of supplies amounted to ₩ 3,337 million (2020: ₩ 2,087 million).

7. Entity under Joint Control

Details of an entity under joint control as at March 31, 2021, are as follows:

				Ordinary share		
	Location	**Main business**	**Closing month**	**Number of shares held by the Company**	**Number of shares outstanding**	**Percentage of ownership**
Ulsan Aluminum Limited	Korea	Rolling of Aluminum	March 31	5,000 shares	10,000 shares	50.00%

Movements in investments accounted for using the equity method for the year ended March 31, 2021, are as follows:

(in millions of Korean won)	**Beginning balance**	**Share of income of investment accounted for using the equity method**	**Ending balance**
Investments accounted for using the equity method			
Ulsan Aluminum Limited	₩ 199,494	₩ 8,550	₩ 211,499

Summary of financial information of investments accounted for using the equity method as at and for the year ended March 31, 2021, is as follows:

(in millions of Korean won)	**Ulsan Aluminum Limited**
Current assets	₩ 251,581
Non-current assets	622,571
Total assets	₩ 874,152
Current liabilities	₩ 259,124
Non-current liabilities	5,191
Total liabilities	₩ 264,315
Sales[1]	₩ 821,578
Profit for the year[1]	9,628

[1] The sales for the year and profit for the year is from April 1, 2020 to March 31, 2021.

The Company entered into an agreement with Kobe Steel Ltd. to establish a joint venture.

Under the joint venture agreement, the Company established Ulsan Aluminum Limited, wholly owned subsidiary of the Company, in April 2017. In September 2017, the Company completed in-kind contribution of the assets of the manufacturing plant in Ulsan, which was owned by the Company, into Ulsan Aluminum Limited.

In September 2017, the Company sold its 49.9% of interests in Ulsan Aluminum Limited. to Kobe Steel Ltd for ₩ 360,488 million. The sales resulted in gain on sale of equity method investment of ₩ 162,217 million. Furthermore, in September 2018, the Company sold additional 0.1% of interests in Ulsan Aluminum Limited to Kobe Steel Ltd.

Upon the completion of the transaction, the Company and Kobe Steel Ltd. supply aluminum metal to Ulsan Aluminum Limited under the joint venture agreement, and Ulsan Aluminum Limited manufactures and supplies products for the Company and Kobe Steel Ltd. The Company and Kobe Steel Ltd. provide technology such as intellectual property rights necessary for the production of each exclusive product.

Furthermore, the production capacity of each machine center in Ulsan Aluminum Limited is allocated between the Company and Kobe Steel Ltd. in accordance with the joint venture agreement, and such ratio would be mutually negotiated in the future.

In accordance with the joint venture agreement, the Company may make new investments in Ulsan Aluminum Limited, if needed, by the way such as increasing preferred stock with mutual agreement in the future. Investors participating in the capital increase may preferentially participate in the increased capacity due to the new investment.

Under the non-compete covenant in the agreement, the Company and Kobe Steel Ltd. cannot sell the products produced from Ulsan Aluminum Limited to certain regions for mutual business protection.

8. Property, Plant and Equipment

Changes in property, plant and equipment for the year ended March 31, 2021 and for the three-month period ended March 31, 2020, are as follows:

(in millions of Korean won)	2021							
	Land	Buildings	Structures	Machinery & Equipment	Vehicles	Tools	Construction-in-progress	Total
Balance as at April 1, 2020	₩ 14,052	₩ 54,890	₩ 9,328	₩ 223,995	₩ 729	₩ 4,528	₩ 11,677	₩ 319,199
Acquisition	-	299	165	10,402	-	1,144	26,083	38,093
Disposal	(58)	(97)	-	(299)	-	(1)	-	(455)
Transfer	-	473	209	24,940	-	385	(26,007)	-
Depreciation	-	(2,146)	(636)	(40,458)	(246)	(1,854)	-	(45,340)
Balance as at March 31, 2021	₩ 13,995	₩ 53,420	₩ 9,065	₩ 218,580	₩ 483	₩ 4,201	₩ 11,753	₩ 311,497
Acquisition cost	₩ 13,995	₩ 85,287	₩ 18,810	₩ 692,184	₩ 5,016	₩ 34,302	₩ 11,753	₩ 861,347
Accumulated depreciation	-	(31,867)	(9,745)	(473,604)	(4,533)	(30,101)	-	(549,850)
Accumulated impairment	-	-	-	-	-	-	-	-

(in millions of Korean won)	2020							
	Land	Buildings	Structures	Machinery & Equipment	Vehicles	Tools	Construction-in-progress	Total
Balance as at January 1, 2020	₩ 14,052	₩ 55,338	₩ 9,481	₩ 228,139	₩ 812	₩ 4,766	₩ 6,703	₩ 319,292
Acquisition	-	16	4	2,554	-	263	8,179	11,016
Disposal	-	-	-	-	-	-	-	-
Transfer	-	70	-	3,135	-	-	(3,205)	-
Depreciation	-	(533)	(158)	(9,834)	(83)	(501)	-	(11,109)
Balance as at March 31, 2020	₩ 14,052	₩ 54,890	₩ 9,328	₩ 223,995	₩ 729	₩ 4,528	₩ 11,677	₩ 319,198
Acquisition cost	₩ 14,052	₩ 84,716	₩ 18,436	₩ 696,383	₩ 5,027	₩ 35,747	₩ 11,677	₩ 866,039
Accumulated depreciation	-	(29,826)	(9,109)	(472,020)	(4,298)	(31,219)	-	(546,473)
Accumulated impairment	-	-	-	(367)	-	-	-	(367)

As at March 31, 2021, the book amount of the Company's land is recorded at ₩ 13,995 million (2020: ₩ 14,052 million). In addition, the value of the Company's land, as determined by the local government for property tax assessment purposes, amounts to approximately ₩ 39,461 million (2020: ₩ 34,236 million).

During the prior year, due to the requirements such as development of new technology, the recoverable value of some machinery was below its net book value and was not expected to be recovered in the near future. The amount of its net book value exceeding the recoverable value, ₩ 367 million, was therefore recognized as an impairment loss on the machinery as at March 31 2020.

Investigation of the land contamination was conducted in the course of establishing a joint venture with Kobe Steel Ltd., and land contamination was confirmed during investigation. Therefore, the present value of estimated expense, ₩ 5,151 million (2020: ₩ 9,523 million) for restoring the land was recognized as restoration liability as at March 31, 2021.

Meanwhile, in accordance with the applicable law, the Company has to dismantle and remove the assets and restore the site relating to the wastewater facilities after the end of the assets' useful lives. The present value of estimated expenses for restoration, ₩ 46 million (2020: ₩ 45 million), was therefore recognized applied in the carrying amount of property, plant and equipment.

Finance lease

Details of machinery classified as finance lease assets as at March 31, 2021 and 2020, are as follows:

(in millions of Korean won)	**2021**	**2020**
Beginning balance	₩ 12,800	₩ 13,278
Increase	34	-
Depreciation	(1,758)	(478)
Ending balance	₩ 11,076	₩ 12,800
Acquisition cost	₩ 17,663	₩ 17,629
Less: Accumulated depreciation	(6,587)	(4,829)

Details of future minimum lease payments as at March 31, 2021 and 2020, are as follows:

(in millions of Korean won)	**Minimum lease payment**	
	2021	**2020**
No later than 1 year	₩ 1,271	₩ 1,756
Later than 1 year and no later than 5 years	4,825	4,885
Later than 5 years	4,980	6,159
	₩ 11,076	₩ 12,800

9. Insured Assets

The details of the insurance policies held by the Company as at March 31, 2021 and 2020, are as follows:

(in thousands of Korean won and in thousands of US dollar)

Type of Insurance	Asset Insured	Amount Insured		Insurance Company	Beneficiary
		2021	2020		
General property insurance	Inventories and property, plant and equipment, excluding land and certain construction-in-progress	USD 1,457,799	USD 1,011,281	Hyundai Marine & Fire Insurance Co., Ltd.	The Company
General insurance for losses from product liability	-	USD 10,000	USD 10,000	Hyundai Marine & Fire Insurance Co., Ltd.	The Company
General insurance for losses from gas accidents	-	₩ 6,840,000	₩ 6,840,000	Hyundai Marine & Fire Insurance Co., Ltd.	The Company
Short-term Export Insurance	Trade receivables	USD 506,447	USD 610,000	Korea Trade Insurance Corporation	The Company and others
Environmental contamination liability insurance	-	₩ 30,000,000	₩ 30,000,000	DB Insurance Co., Ltd.	The Company

Besides the above insurance policies, the Company has marine insurance policies for the export transactions. In addition, the Company has car liability insurance and comprehensive insurance for its vehicles, accident insurance for the benefits of its employees and directors and officers' liability insurance.

10. Intangible Assets

Changes in intangible assets for the year ended March 31, 2021 and for the three-month period ended March 31, 2020, are as follows:

(in millions of Korean won)	2021			
	Software	**Carbon emission rights**	**Construction-in-progress intangible assets**	**Total**
Beginning balance	₩ 1,369	₩ -	₩ 322	₩ 1,681
Acquisition	60	281	407	748
Transfer	567	-	(567)	-
Amortization	(645)	-	-	(645)
Ending balance	₩ 1,341	₩ 281	₩ 162	₩ 1,784
Acquisition cost	₩ 12,572	₩ 281	₩ 162	₩ 13,015
Accumulated amortization	(11,231)	-	-	(11,231)

(in millions of Korean won)	2020			
	Software	**Carbon emission rights**	**Construction-in-progress intangible assets**	**Total**
Beginning balance	₩ 1,198	₩ -	₩ 378	₩ 1,576
Acquisition	43	-	211	254
Transfer	267	-	(267)	-
Amortization	(149)	-	-	(149)
Ending balance	₩ 1,359	₩ -	₩ 322	₩ 1,681
Acquisition cost	₩ 11,945	₩ -	₩ 322	₩ 12,267
Accumulated amortization	(10,586)	-	-	(10,586)

For the year ended March 31, 2021, the Company classified the amortization amounting to ₩ 72 million (for the three-month period ended March 31, 2020: ₩ 9 million) as cost of sales, and ₩ 573 million (for the three-month period ended March 31, 2020: ₩ 140 million) as selling and administrative expenses.

11. Capitalization of Borrowing Costs

For the year ended March 31, 2021, the Company has no borrowings (for the three-month period ended March 31, 2020: ₩ - million) used to finance the cost of acquiring the Company's property, plant and equipment.

Effects on the statements of financial position and the statements of profit or loss as at and for the year ended March 31, 2021 and for the three-month period ended March 31, 2020, are as follows:

(in millions of Korean won)	2021		2020	
	Capitalized	**Expensed**	**Capitalized**	**Expensed**
Acquisition cost	₩ 861,347	₩ 857,357	₩ 866,039	₩ 862,027
Accumulated depreciation	(549,851)	(547,561)	(546,840)	(544,842)
Net book amounts	₩ 311,496	₩ 309,796	₩ 319,198	₩ 317,184
Equity	₩ 625,513	₩ 623,813	₩ 542,126	₩ 540,112

(in millions of Korean won)	2021		2020	
	Capitalized	**Expensed**	**Capitalized**	**Expensed**
Depreciation	₩ 45,340	₩ 45,026	₩ 11,109	₩ 11,035
Interest expense	3,831	3,831	556	556
Profit for the period	120,830	121,144	13,574	13,648

12. Borrowings

Borrowings as at March 31, 2021 and 2020, are as follows:

(a) Short-term borrowings

(in millions of Korean won)

	Lender	Interest rate (%) as at March 31, 2021	2021	2020
Working capital	Woori Bank	-	₩ -	₩ 30,000
Working capital	Shinhan Bank	-	-	60,000
Working capital	Korea Development Bank	-	-	30,000
Working capital	NongHyup Bank	1.91	20,000	-
			₩ 20,000	₩ 120,000

(b) Long-term borrowings

(in millions of Korean won)

	Lender	Interest rate (%) as at March 31, 2021	2021	2020
Facility loans	KEB Hana Bank	-	₩ -	₩ 100
Facility loans	KEB Hana Bank	-	-	180
Finance lease liabilities	-	-	11,075	12,800
			11,075	13,080
Less: Current portion of long-term liabilities			(1,271)	(2,209)
			₩ 9,804	₩ 10,871

Liquidity risk is defined as the risk that the Company is unable to meet its short-term payment obligations on time due to deterioration of its business performance or inability to access financing. The Company forecasts its cash flow and liquidity status such as sufficient cash level to meet operational needs and sets action plans on a monthly basis to manage liquidity risk proactively.

In addition, the Company copes with potential financial distress by maintaining adequate amount of cash and committed credit facilities. The balance of cash and cash equivalents, and current-financial deposits at March 31, 2021, is ₩ 242,404 million (2020: ₩ 398,510 million). The Company maintains total committed credit lines of ₩ 915,500 million and US$ 114,900 thousand in Citibank in Korea, Shinhan Bank and other financial institutions at March 31, 2021 (2020: ₩ 741,540 million and US$ 102,300 thousand) (Note 15).

The Company forfaits its trade receivables to financial institutions to meet short-term liquidity needs. Thus, it secures financing and manages credit risk of the receivables.

Details of the Company's maturity analysis as at March 31, 2021, are as follows:

(in millions of Korean won)	March 31, 2021					
	Less than 6 months	**Between 6 months and 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
Trade payables	₩ 790,873	₩ -	₩ -	₩ -	₩ -	₩ 790,873
Other payable	32,549	-	-	-	-	32,549
Derivative liabilities	27,187	6,600	1,934	-	-	35,721
Borrowings	20,640	630	1,230	3,596	4,980	31,076
	₩ 871,249	₩ 7,230	₩ 3,164	₩ 3,596	₩ 4,980	₩ 890,219

The table above analyses the Company's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity based on the remaining period at the date of the statement of financial position to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

13. Provision for Severance Benefits (Severance Benefit Assets)

Changes in provision for severance benefits (severance benefit assets) for the year ended March 31, 2021 and for the three-month period ended December 31, 2020, are as follows:

(in millions of Korean won)		**2021**		**2020**
Beginning balance	₩	52,225	₩	52,785
Increase		5,521		1,334
Payment		(2,409)		(1,894)
Ending balance		55,337		52,225
Less: Cumulative contribution to the National Pension Fund		(48)		(52)
Less: Pension Plan assets		(59,520)		(56,306)
Severance benefit assets	₩	(4,231)	₩	(4,133)

As at March 31, 2021, the Company estimates severance payable to all employees to be ₩ 55,337 million (2020: ₩ 52,225 million) and records the corresponding amount as provision for severance benefits. Also, the Company funded 108% of severance payable through severance insurance deposits with Korea Investment & Securities and other financial institutions. For the year ended March 31, 2021, the Company recognized the amount of ₩ 325 million (for the three-month period ended March 31, 2020: ₩ 1,184 million) as severance benefits expenses under the defined contribution plan.

Changes in the fair value of plan assets for the year ended March 31, 2021 and for the three-month period ended December 31, 2020, are as follows:

(in millions of Korean won)		**2021**		**2020**
Beginning balance	₩	56,306	₩	57,077
Employer contributions		6,766		169
Benefits paid		(3,552)		(940)
Ending balance	₩	59,520	₩	56,306

Plan assets as at March 31, 2021 and 2020, are as follows:

(in millions of Korean won)		**2021**		**2020**
Cash	₩	1	₩	2
Time deposits		3,544		270
Securities combined with derivatives (guaranteed)		55,975		56,034
	₩	59,520	₩	56,306

14. Foreign Currency Denominated Assets and Liabilities

Significant monetary assets and liabilities denominated in foreign currencies as at March 31, 2021 and 2020, are as follows:

(in millions of Korean won and in thousands of foreign currencies)

	2021				2020			
	Foreign currencies		Won equivalents		Foreign currencies		Won equivalents	
Foreign currency deposits	USD	138	₩	157	USD	218	₩	267
	HKD	-		-	HKD	111		17
	AUD	23		20	AUD	1		1
Trade receivables	USD	300,264	₩	340,349	USD	186,046	₩	227,459
	JPY	64,951		667	JPY	56,023		634
Other receivables	USD	4,398	₩	4,985	USD	5,821	₩	7,117
	EUR	-		-	EUR	75		101
Trade payables	USD	105,475	₩	119,556	USD	103,239	₩	126,220
	EUR	1,190		1,581	EUR	29		39
	JPY	7,452		77	JPY	11,178		126
Other payables	USD	21,580	₩	24,461	USD	12,322	₩	15,064
	EUR	28		37	EUR	54		73
	AUD	1		1	AUD	24		18

15. Contingencies and Commitments

The Company has bank overdraft agreements with Citibank Korea amounting to ₩ 5.5 billion as at March 31, 2021. The Company also has entered into agreements with Kookmin Bank and Shinhan Bank in relation to the opening of letters of credit of up to ₩ 22 billion and US$ 6,000 thousand as at March 31, 2021.

The Company has bank loan agreements with Shinhan Bank, Korea Development Bank, Woori Bank, KEB Hana Bank, NongHyup Bank and others amounting to ₩ 240,000 million (2020: ₩ 120,280 million) as at March 31, 2021. The exercised amounts are ₩ 20,000 million.

The Company has agreements with Shinhan Bank and other financial institutions regarding a purchase card program of up to ₩ 648 billion and US$ 108,900 thousand (2020: ₩ 593.7 billion and US$ 96,300 thousand) as at March 31, 2021. The exercised amounts are ₩ 340 billion and US$ 54,011 thousand (2020: ₩ 338.2 billion and US$ 53,324 thousand), and the amounts are presented as trade payables and and other payables as the nature of the purchases occurred during the normal course of business.

The Company has provided a payment guarantee to Korean National Tax Service amounting up to ₩ 22 billion as at March 31, 2021 in relation to the mutual agreed procedure between Korean Tax Authority and Canadian Tax Authority.

As at March 31, 2021, the Company has accounts receivable factoring and foreign receivable forfaiting agreements with the Export-Import Bank of Korea and seven other financial institutions amounting to ₩ 179 billion (2020: ₩ 143.6 billion) as at March 31, 2021. The details of the discounted amounts of unmatured accounts receivable are described in Note 5.

As at March 31, 2021 , the Company has a technical assistance agreement with Novelis Inc. for the manufacture of aluminum products and accordingly, the Company recognized royalty fee amounting to ₩ 15,092 million (for the three-month period ended March 31, 2020: ₩ 2,351 million) which was included in research expenses and royalties (Notes 22 and 30).

As at March 31, 2021, the Company has a “Novelis” brand license agreement with Novelis Limited UK and accordingly, royalty expense amounting to ₩ 4,263 million (for the three-month period ended March 31, 2020: ₩ 1,037 million) was recognized (Notes 22 and 30).

A management fee refers to a type of commission received in return for the services Novelis Inc. provides to its subsidiaries, which include managerial and strategic consulting services, sales and marketing support, IT and public relations services, and others. Novelis Inc. annually imposes such management fee to its subsidiaries pursuant to the Strategic Management Services Agreement that specifically stipulates the above-mentioned services (Notes 22 and 30).

The Company has entered into the Shared Service Agreement with Ulsan Aluminum Limited and provides HR, logistics, communication, non-metal purchasing, internal audit, customs and trade, solution center and IT related services to Ulsan Aluminum Limited. The commission income recognized during the year is ₩ 3,451 million (for the three-month period ended March 31, 2020:

₩ 849 million).

The Company has signed long-term sales contract with several customers and supplies aluminum coil products. In response, the Company also entered into long-term contracts for the purchase of aluminum raw materials with several suppliers in order to supply stable raw materials for aluminum.

16. Share-Based Payments

As at March 31, 2021, the Company's parent company, Novelis Inc., has granted cash-settled share-based payments based on the share of the ultimate parent company, Hindalco Industries Limited and the parent company, Novelis Inc., and restricted stock units ("RSU") based on the share of the ultimate parent company, Hindalco Industries Limited, to the employees and directors of the Company. The Company introduced a new performance-based compensation unit ("Performance Unit") to give an option for employees to choose between Performance Unit and RSU. The Company is responsible for the compensation cost of said grants.

As at March 31, 2021, details of cash-settled share-based payments and restricted stock unit for employees and directors are as follows:

- Hindalco Industries Limited

		Cash-settled share-based payment						
Grant years		**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Remaining number of grants		26,301	38,820	30,213	79,720	153,145	240,730	522,808
Maturity years		2021	2022	2023	2024	2025	2026	2027
Exercise price		INR 145.50	INR 134.58	INR 91.05	INR 187.70	INR 230.98	INR 198.88	INR 118.10
Vesting conditions	Service period	1 ~ 4 yrs	1 ~ 4 yrs	1 ~ 3 yrs	1 ~ 3 yrs	1 ~ 3 yrs	1 ~ 3 yrs	1 ~ 3 yrs
	Non-market conditions	Achievement of target EBITDA for one year of individual service period						
Cap (maximum share price at the exercise gain calculation)		INR 341.19	INR 308.38	INR 223.23	INR 453.94	INR 524.08	INR 440.83	INR 255.57

		Restricted Stock Unit		
Grant years		**2018**	**2019**	**2020**
Remaining number of grants		58,637	144,143	418,045
Maturity years		2021	2022	2023
Exercise price		-	-	-
Vesting conditions	Service period	3 yrs	3 yrs	3 yrs
	Non-market conditions		-	
Cap (maximum share price at the exercise gain calculation)		INR 524.08	INR 440.83	INR 255.57

- Novelis Inc.

		Cash-settled share-based payment	
Grant years		**2014**	**2015**
Remaining number of grants[1]		1,262	1,021
Maturity years		2021	2022
Exercise price		USD 94.40	USD 65.35
Vesting conditions	Service period	1 ~ 4 yrs	1 ~ 4 yrs
	Non-market conditions	Achievement of target EBITDA for one year of individual service period	
Cap (maximum share price at the exercise gain calculation)		USD 164.93	USD 112.40

[1] The number of grant is subject to change as transfer of executives and employees to and from affiliated companies.

In May 2013, upon approval of the Company's executives and employees, Novelis Inc. decided to cancel and pay certain cash-settled share-based payments that were based on shares of Hindalco Industries Limited and then exchange the remaining share-based payments to the share-based payment based on shares of Novelis Inc. In May 2016, upon approval of Novelis Inc., the Company provided an option for the executives and employees of the Company to cancel Novelis Inc.'s share-based payments for selecting the new Performance Units. These changes are reflected in the information described above.

Changes in the number of grants and weighted average exercised price of grants for the year ended March 31, 2021, are as follows:

(*in Indian rupee and US dollar*)	Hindalco Industries Limited			Novelis Inc.		
	Number of grants	**Weighted average exercised price of grants**		**Number of grants**	**Weighted average exercised price of grants**	
Beginning balance	1,171,824	INR	168.09	12,311	$	90.56
Vested	522,808		118.10	-		-
Cancelled	-		-	-		-
Transferred	-		-	-		-
Exercised	(602,895)		144.24	(10,028)		92.65
Ending balance	1,091,737	INR	157.32	2,283	$	81.41
Exercisable balance as at March 31, 2021	336,893	INR	183.74	2,283	$	81.41

The Company calculated the fair value of the grant, whose service period requirement has not been met using the Monte Carlo method, as follows:

(*in Indian rupee*)	**2018**	**2019**		**2020**		
	Tranche3	**Tranche2**	**Tranche3**	**Tranche1**	**Tranche2**	**Tranche3**
Hindalco	INR 105.96	INR 122.38	INR 122.96	INR 135.56	INR 111.44	INR 97.43

The assumptions used for determination of fair value are as follows:

- Hindalco Industries Limited

(*in Indian rupee)*	**2018 Grant**	**2019 Grant**	**2020 Grant**
Stock price [1]	INR 314.00	INR 314.00	INR 314.00
Expected share price volatility [2]	40.40%	41.12%	41.13%
Risk-free interest rate	5.58%	5.70%	6.18%
Expected dividend rate	0.42%	0.42%	0.42%

[1] The stock price of Hindalco Industries Limited as at March 31, 2021.
[2] The expected exercise period and historical share price as at March 31, 2021, were considered in the calculation of volatility.

The difference between the stock price of underlying shares at the reporting period end date and the exercise price is used for the fair value for the 2014 Tranche 1, Tranche 2, Tranche 3 and Tranche 4; 2015 Tranche 1 and Tranche 2, Tranche 3 and Tranche 4; 2016 Tranche 1, Tranche 2 and Tranche 3; 2017 Tranche 1, Tranche 2 and Tranche 3; 2018 Tranche 1 and Tranche 2; 2019 Tranche 1.

The restricted stock unit vested to the employees and directors is calculated based on the fair value of the underlying shares as at March 31, 2021.

For the year ended March 31, 2021, the Company recognized the reimbursement of compensation cost on cash-settled share-based payments and restricted stock unit amounting to ₩ 4,373 million as selling and administrative expense, and related liabilities amounting to ₩ 3,306 million as accrued expense.

17. Deferred Income Taxes

Income tax expense for the year ended March 31, 2021 and for the three-month period ended March 31, 2020, consists of:

(in millions of Korean won)	2021	2020
Current income taxes	₩ 37,893	₩ 9,040
Deferred income tax due to temporary differences	7,628	(7,363)
Total tax effect	45,521	1,677
Deferred income tax charged to equity	(2,883)	3,501
Income tax expense	₩ 42,638	₩ 5,178

Deferred income taxes charged directly to the equity as at March 31, 2021 and 2020, are as follows:

(in millions of Korean won)	2021	2020
Gain (loss) on valuation of derivative instruments	₩ (2,883)	₩ 3,501

Reconciliation between profit before tax and income tax expense for the year ended March 31, 2021 and for the three-month period ended March 31, 2020, is as follows:

(in millions of Korean won)	2021	2020
Profit before tax	₩ 163,467	₩ 18,752
Income tax based on statutory rate	₩ 39,559	₩ 4,538
Add (deduct):		
Non-deductible expense	528	131
Income tax on unappropriated earnings	822	1,231
Income tax penalty	3,345	-
Dividend received deduction	(1,035)	-
Others	(581)	(722)
Income tax expense	₩ 42,638	₩ 5,178
Effective tax rate [1]	26.08%	27.61%

[1] Income tax expense/profit before tax.

Changes in the temporary differences and related deferred tax assets and liabilities for the year ended March 31, 2021 and for the three-month period ended March 31, 2020, are as follows:

(in millions of Korean won)	2021					
	Temporary differences			Deferred tax assets (liabilities)		
	Beginning balance	Increase (Decrease)	Ending balance	Beginning balance	Increase (Decrease)	Ending balance
Derivatives	₩ (24,940)	₩ 14,041	₩ (10,899)	₩ 6,035	₩ (3,397)	₩ 2,638
Allowance for carbon emission rights	(1,084)	341	(743)	262	(82)	180
Accrued expenses	(28,468)	3,519	(24,949)	6,889	(851)	6,038
Property, plant and equipment	(10,656)	(1,114)	(11,770)	2,579	269	2,848
Loss on valuation of inventories	(2,087)	(1,250)	(3,337)	505	302	807
Gain or loss on foreign currency translation	(24)	24	-	6	(6)	-
Accrued revenue	3,142	(434)	2,708	(760)	105	(655)
Interest receivables	3,251	(3,241)	10	(787)	785	(2)
Accrued contribution	-	(5)	(5)	-	1	1
Asset retirement obligation liabilities	(699)	-	(699)	169	-	169
Provision for severance benefits	(93)	7,287	7,194	23	(1,764)	(1,741)
Investment in kind	2,858	4,624	7,482	(692)	(1,119)	(1,811)
Gain or loss on equity method	18,471	12,005	30,476	(3,381)	(1,871)	(5,252)
	₩ (40,329)	₩ 35,797	₩ (4,532)	₩ 10,848	₩ (7,628)	₩ 3,220

(in millions of Korean won)	2020					
	Temporary differences			Deferred tax assets (liabilities)		
	Beginning balance	Increase (Decrease)	Ending balance	Beginning balance	Increase (Decrease)	Ending balance
Derivatives	₩ (2,684)	₩ (22,256)	₩ (24,940)	₩ 649	₩ 5,386	₩ 6,035
Allowance for carbon emission rights	(714)	(370)	(1,084)	173	89	262
Accrued expenses	(21,714)	(6,754)	(28,468)	5,255	1,634	6,889
Property, plant and equipment	(10,546)	(110)	(10,656)	2,552	27	2,579
Loss on valuation of inventories	(1,989)	(98)	(2,087)	481	24	505
Gain or loss on foreign currency translation	(24)	-	(24)	6	-	6
Accrued revenue	4,664	(1,522)	3,142	(1,129)	369	(760)
Interest receivables	18	3,233	3,251	(4)	(783)	(787)
Asset retirement obligation liabilities	(699)	-	(699)	169	-	169
Provision for severance benefits	(119)	26	(93)	29	(6)	23
Investment in kind	2,301	557	2,858	(557)	(135)	(692)
Gain or loss on equity method	18,929	(458)	18,471	(4,139)	758	(3,381)
	₩ (12,577)	₩ (27,752)	₩ (40,329)	₩ 3,485	₩ 7,363	₩ 10,848

Realization of the future tax benefits related to the deferred tax assets is dependent on many factors, including the Company's ability to generate taxable income within the period during which the temporary differences reverse, the outlook of the Korean economic environment, and the overall future industry outlook. Management periodically considers these factors in reaching its conclusion and recognized the deferred income tax asset since all the future deductible tax benefits are determined to be realizable as at March 31, 2021.

The gross balances of deferred tax assets and liabilities as at March 31, 2021 and 2020, are as follows:

(in millions of Korean won)	2021		2020	
	Deferred tax Assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Current	₩ 9,664	₩ (658)	₩ 13,698	₩ (1,547)
Non-current	1,277	(7,063)	2,770	(4,073)
	₩ 10,941	₩ (7,721)	₩ 16,468	₩ (5,620)

18. Share Capital

The Company is authorized to issue 80,000,000 shares with the par value per share of ₩ 375. The Company has issued and outstanding 46,762,000 shares of common stock.

Changes in share capital, share premium and capital adjustments for the year ended March 31, 2021 and for the three-month period ended March 31, 2020, are as follows:

(in millions of Korean won)	Number of shares	Share capital	Capital surplus Share premium
March 31, 2020	46,762,000	₩ 17,536	₩ 399,241
March 31, 2021	46,762,000	17,536	399,241

19. Retained Earnings

Appropriation of Retained Earnings

Date of Appropriation: June 4, 2021 and June 23, 2020 for the year ended March 31, 2021 and for the three-month period ended March 31, 2020, respectively.

(in millions of Korean won)	2021	2020
Retained earnings before appropriation		
Unappropriated retained earnings carried over from prior year	₩ 106,675	₩ 93,101
Interim dividends	(47,230)	-
Dividends (ratio) per share common stock:		
46,762,000 shares, ₩ 1,010 (269%) in 2021		
46,762,000 shares, ₩ - (-%) in 2020		
Profit for the period	120,830	13,574
	180,275	106,675
Appropriation of retained earnings		
Final dividends (Note 26)	(116,905)	-
Dividends (ratio) per share common stock:		
46,762,000 shares, ₩ 12,500 (667%) in 2021		
46,762,000 shares, ₩ - (-%) in 2020		
	(116,905)	-
Unappropriated retained earnings carried forward to subsequent year	₩ 63,370	₩ 106,675

20. Sales

Sales for the year ended March 31, 2021 and for the three-month period ended March 31, 2020, consist of:

(in millions of Korean won)		**2021**		**2020**
Domestic sales of finished goods	₩	286,144	₩	58,126
Export sales of finished goods		1,082,601		300,262
Domestic sales of merchandise		312,136		68,980
Export sales of merchandise		476,603		128,785
Other sales		13,407		3,450
	₩	2,170,891	₩	559,603

21. Cost of Sales

Cost of sales for the year ended March 31, 2021 and for the three-month period ended March 31, 2020, consist of:

(in millions of Korean won)		**2021**		**2020**
Cost of finished goods sold				
Finished goods, beginning	₩	30,765	₩	45,135
Manufacturing cost		1,155,401		303,215
Finished goods, ending		(50,771)		(30,765)
Transfer to other accounts		(22,794)		(6,415)
Refunded customs duties		(3,350)		(1,112)
		1,109,251		310,058
Cost of merchandise sold				
Merchandise, beginning		22,171		20,206
Purchases		746,036		186,058
Merchandise, ending		(16,946)		(22,171)
Transfer from other accounts		(4,622)		6,152
		746,639		190,245
Other cost of sales		9,331		2,135
	₩	1,865,221	₩	502,438

22. Selling and Administrative Expenses

Selling and administrative expenses for the year ended March 31, 2021 and for the three-month period ended March 31, 2020, are as follows:

(in millions of Korean won)		**2021**		**2020**
Personnel expenses	₩	20,549	₩	4,002
Severance benefits		1,033		225
Welfare expenses		4,665		1,349
Travel expenses		74		232
Communication expenses		251		66
Fees		5,042		1,244
Rental charges		1,395		353
Freight costs		4,352		1,058
Depreciation and amortization		879		267
Export expenses		48,442		10,217
Overseas offices expenses		3		107
Research expenses and royalties		16,769		2,612
Claim expenses		2,127		3,359
Brand fees		4,263		1,037
Management service fees		13,432		4,165
Computer expenses		4,128		1,541
Others		2,977		650
	₩	130,381	₩	32,484

23. Value Added Information

Value added information for the year ended March 31, 2021 and for the three-month period ended March 31, 2020, follows:

(in millions of Korean won)	2021			2020		
	Manufacturing costs	Selling and administrative expenses	Total	Manufacturing costs	Selling and administrative expenses	Total
Personnel expenses	₩ 58,770	₩ 20,549	₩ 79,319	₩ 15,004	₩ 4,002	₩ 19,006
Severance benefits	5,054	1,033	6,087	1,321	225	1,546
Welfare expenses	8,365	4,665	13,030	2,238	1,349	3,587
Depreciation and amortization[1]	45,107	879	45,986	10,991	267	11,258
Tax and dues	716	211	927	224	88	312
Rental charges	327	1,395	1,722	57	353	410
	₩ 118,339	₩ 28,732	₩ 147,071	₩ 29,835	₩ 6,284	₩ 36,119

[1] Including amortization expense.

24. Comprehensive Income

Comprehensive income for the year ended March 31, 2021 and for the three-month period ended March 31, 2020, consists of:

(in millions of Korean won)	2021	2020
Profit for the period	₩ 120,830	₩ 13,574
Other comprehensive income		
Cash flow hedge, net of tax of ₩ (2,883) million (2020: ₩ 3,501 million)	9,028	(10,966)
Comprehensive income	₩ 129,858	₩ 2,608

25. Earnings per Share

Basic ordinary income per share and earnings per share for the year ended March 31, 2021 and for the three-month period ended March 31, 2020, are calculated as follows:

(in Korean won)		**2021**		**2020**
Profit for the period	₩	120,829,577,207	₩	13,574,025,867
Profit for the period allocated to common stock (A)		120,829,577,207		13,574,025,867
Weighted-average number of common shares outstanding during the year[1] (B)		46,762,000		46,762,000
Basic earnings per share ((A)/(B))	₩	2,584	₩	290

[1] Since the Company has not issued any convertible securities such as convertible bonds, diluted ordinary income per share and diluted earnings per share are identical to basic ordinary income per share and basic earnings per share, respectively.

26. Dividends

(a) Interim dividend

(in Korean won)		**2021**		**2020**
Shares to be paid (par value ₩ 375) (A)		46,762,000 shares		46,762,000 shares
Dividend per share (rate) (B)	₩	1,010 (269%)	₩	-
Amount of dividend ((A)x(B))		47,229,620,000		-

(b) Final dividend

(in Korean won)		**2021**		**2020**
Shares to be paid (par value ₩ 375) (A)		46,762,000 shares		46,762,000 shares
Dividend per share (rate) (B)	₩	2,500 (667%)	₩	-
Amount of dividend ((A)x(B))		116,905,000,000		-

(c) Dividend payout ratio

The dividend payout ratio of the Company is as follows:

(in Korean won)		**2021**		**2020**
Amount of dividend (A)	₩	164,134,620,000	₩	-
Profit for the period (B)		120,829,577,207		13,574,025,867
Dividend payout ratio ((A)÷(B))		136%		-

27. Derivatives

In order to hedge against price fluctuation in sales contracts with fixed-prices, the Company enters into futures contracts. Also, to hedge against price fluctuation in inventories, the Company has futures contracts. The Company entered into derivative instrument contracts including currency forward to hedge the exposure to changes in foreign exchange rates for assets and liabilities and future cash flows denominated in foreign currencies.

Derivative instrument assets and liabilities for the year ended March 31, 2021 and for the three-month period ended March 31, 2020, are as follows:

(in millions of Korean won)	2021		2020	
	Derivative Instrument Assets	Derivative Instrument Liabilities	Derivative Instrument Assets	Derivative Instrument Liabilities
Commodity futures	₩ 11,957	₩ 21,018	₩ 25,196	₩ 36,988
Currency forward	₩ 8,246	₩ 14,702	₩ 5,568	₩ 26,686
	₩ 20,203	₩ 35,720	₩ 30,764	₩ 63,674

The Company accounts for derivative instruments at their fair value. For commodity futures, fair value is determined by calculating the difference between futures price of each contract's aluminim price from the London Metal Exchange at the date of valuation and the contract price. For currency forward, fair value is determined by calculating the difference between furutre exchange rate at the date of the valuation and the contracted exchange rate.

The gains and losses on valuation of derivatives mentioned above for the year ended March 31, 2021 and for the three-month period ended March 31, 2020, are as follows:

(in millions of Korean won)	2021		
	Statement of profit or loss		Other comprehensive income[1]
	Valuation Gain	Valuation Loss	
Commodity futures	₩ 15,660	₩ 21,005	₩ -
Currency forward	2,564	7,157	11,911
	₩ 18,224	₩ 28,162	₩ 11,911

[1] ₩ 9,028 million, net of tax, was recorded in other comprehensive income.

(in millions of Korean won)	2020		
	Statement of profit or loss		Other comprehensive income[1]
	Valuation Gain	Valuation Loss	
Commodity futures	₩ 25,956	₩ 35,481	₩ -
Currency forward	6,242	13,585	(13,723)

₩	32,198	₩	49,066	₩	(13,723)

[1] ₩ (10,966) million, net of tax, was recorded in other comprehensive income.

The Company recognized loss on valuation of derivatives amounting ₩ 21 million, which is the ineffective portion of derivatives as hedging instrument but meet the hedge effectiveness criteria for the application of cash-flow hedge accounting as at March 31, 2021. The Company applies cash flow hedge accounting and is exposed to fluctuations in cash flows up to March 31, 2022. Total accumulated other comprehensive income and loss before tax recognized amount to ₩ 5,682 million and ₩ 7,493 million, respectively, of which ₩ 5,578 million and ₩ 5,628 million are expected to be recognized as gain and loss, respectively, within 12 months from March 31, 2021. Also, the realized gain and loss on derivative transactions recognized upon the expiration of contracts for the year ended March 31, 2021, which were reflected in sales, amounted to ₩ 18,702 million and ₩ 9,415 million, respectively.

28. Carbon Emission Rights (Allowances) and Liabilities

Details of emission rights in 2020 and 2021, are as follows:

(in millions of Korean won, except quantities for ton)	2019		2020		2021		2022		2023		2024		2025		Total	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
At beginning period	261,971	₩ -	261,971	₩ -	-	₩ -	-	₩ -	-	₩ -	-	₩ -	-	₩ -	523,942	₩ -
Emission rights granted	4,113	-	-	-	283,114	-	283,114	-	283,114	-	280,462	-	280,462	-	1,414,379	-
Purchases	7,624	166	15,000	281	-	-	-	-	-	-	-	-	-	-	22,624	447
Borrowings from the following year	7,506	-	(7,506)	-	-	-	-	-	-	-	-	-	-	-	-	-
Submitted to the government	(281,214)	(166)	-	-	-	-	-	-	-	-	-	-	-	-	(281,214)	(166)
At end period	-	₩ -	269,465	₩ 281	283,114	₩ -	283,114	₩ -	283,114	₩ -	280,462	₩ -	280,462	₩ -	1,679,731	₩ 281

Details of emission liabilities for the year ended March 31, 2021 and for the three-month period ended March 31, 2020, are as follows:

(in millions of Korean won)	2021	2020
Beginning balance	₩ 1,084	₩ 714
Addition (excess emissions)	(175)	370
Used (submitted to the government)	(166)	-
Ending balance	₩ 743	₩ 1,084

29. Significant Transactions Not Affecting Cash Flows

Significant transactions not affecting cash flows for the year ended March 31, 2021 and for the three-month period ended March 31, 2020, are as follows:

(in millions of Korean won)	2021	2020
Reclassification of construction-in-progress to property, plant and equipment	₩ 26,007	₩ 3,205
Decrease in other accounts payable related to acquisition of property, plant and equipment and intangible assets	(474)	(4,506)
Reclassification of long-term borrowings to current portion of long-term borrowings	1,091	478
Increase in finance lease assets	34	-
Increase in finance lease liabilities	34	-

30. Related Party Transactions

The Company's parent company, Novelis Inc., is a foreign registrant and there is no intermediate domestic company which prepares financial statements for external users.

Details of related parties that have sales and other transactions with the Company or have receivables and payables balances as at March 31, 2021 and 2020, are as follows:

	2021	2020
Ultimate parent company	Hindalco Industries Limited	Hindalco Industries Limited
Parent company	Novelis Inc.	Novelis Inc.
Other related parties	Novelis Switzerland-SA, Novelis AG, Novelis Deutschland GMBH, Novelis Corporation (Texas), Novelis MEA Ltd., Novelis Services Limited, Novelis Shanghai Aluminum Trading Company, Novelis do Brazil Ltda., Novelis PAE SAS, Aleris Aluminum (Zhenjiang) CoLTD, Novelis (China) Aluminum Products Co Ltd, Novelis Vietnam Company Limited	Novelis Switzerland-SA, Novelis AG, Novelis Deutschland GMBH, Novelis Corporation, Novelis MEA Ltd., Novelis Services Limited, Novelis Vietnam Company Limited, Novelis Shanghai Aluminum Trading Company, Novelis (China) Aluminum Products Co., Ltd., Novelis Italia SpA, Novelis do Brazil Ltda., Novelis PAE SAS
Entity under joint control	Ulsan Aluminum Limited	Ulsan Aluminum Limited

Sales and purchases with related parties for the year ended March 31, 2021 and for the three-month period ended March 31, 2020, are as follows:

(in millions of Korean won)		2021			
	Counter party	**Sales**[1]	**Purchase**[2]	**Acquisition of property, plant and equipment**	**Other income (expense)**
Ultimate parent company	Hindalco Industries Limited	₩ -	₩ 1,572	₩ -	₩ -
Parent company	Novelis Inc.	-	33,763	-	(1,895)
Other related parties	Novelis Switzerland SA	-	12,024	-	-
	Novelis AG	-	-	-	(413)
	Novelis Deutschland GMBH	86	-	-	-
	Novelis Corporation (Texas)	16,332	52	260	(1,493)
	Novelis MEA Ltd.	483,804	13,432	-	(916)
	Novelis Services Limited	-	4,263	-	-
	Novelis Shanghai Aluminum Trading Company	-	-	-	(245)
	Novelis (China) Aluminum Products Co., Ltd.	219,276	20,238	-	(590)
	Aleris Aluminum (Zhenjiang) Co LTD	1,300	-	-	-
	Novelis do Brazil Ltda.	990	2,886	-	(58)
	Novelis PAE SAS	-	6	16	-
Entity under joint control	Ulsan Aluminum Limited	551,334	702,518	-	2,626
		₩ 1,273,122	₩ 790,754	₩ 276	₩ (2,984)

[1] Sales of goods and rendering of services are included in sales.
[2] Purchases of goods and services (royalty for technical assistance) are included in purchases (Note 15).
[3] Sales of raw materials to Ulsan Aluminum Limited due to the Company's purchasing as an agent are reported on a gross basis.

(in millions of Korean won)	2020				
	Counter party	**Sales**[1]	**Purchase**[2]	**Acquisition of property, plant and equipment**	**Other income (expense)**
Ultimate parent company	Hindalco Industries Limited	₩ -	₩ 257	₩ -	₩ -
Parent company	Novelis Inc.	-	8,237	-	(181)
Other related parties	Novelis Switzerland SA		-	-	-
	Novelis AG	-	-	-	(117)
	Novelis Deutschland GMBH	852	132	-	-
	Novelis Corporation (Texas)	5,549	13	-	(214)
	Novelis MEA Ltd.	127,904	2,695	-	(261)
	Novelis Services Limited	-	1,037	-	-
	Novelis Shanghai Aluminum Trading Company	-	-	-	(49)
	Novelis (China) Aluminum Products Co., Ltd.	42,955	4,832	-	-
	Aleris Aluminum (Zhenjiang) Co LTD	-	-	-	-
	Novelis do Brazil Ltda.	-	-	-	-
	Novelis PAE SAS	-	-	67	-
Entity under joint control	Ulsan Aluminum Limited	118,688	152,855	-	3,750
		₩ 295,948	₩ 170,058	₩ 67	₩ 2,928

[1] Sales of goods and rendering of services are included in sales.
[2] Purchases of goods and services (royalty for technical assistance) are included in purchases (Note 15).
[3] Sales of raw materials to Ulsan Aluminum Limited due to the Company's purchasing as an agent are reported on a gross basis.

Outstanding balances arising from sales and purchases of goods and services as at March 31, 2021 and 2020, are as follows:

(in millions of Korean won)		2021			
		Receivables		Payables	
	Counter party	Trade receivables	Other receivables	Trade payables	Other payables
Ultimate parent company	Hindalco Industries Limited	₩ -	₩ -	₩ -	₩ -
Parent company	Novelis Inc.	-	47	-	2,210
Other related parties	Novelis Deutschland GMBH	-	-	-	-
	Novelis Corporation (Texas)	3,422	111	-	447
	Novelis MEA Ltd.	180,378	-	4,569	3
	Novelis Vietnam Company Limited	1,205	111	1,203	-
	Novelis AG	-	-	-	37
	Novelis Shanghai Aluminum Trading Company	-	-	-	73
	Novelis (China) Aluminum Products Co., Ltd.	63,517	160	5,460	1,156
	Novelis PAE SAS	-	-	4	-
	Novelis do Brazil Ltda.	-	1	-	2
	Novelis Switzerland SA	-	-	1,560	-
Entity under joint control	Ulsan Aluminum Limited	105,120	46,294	197,338	1,481
		₩ 353,642	₩ 46,724	₩ 210,134	₩ 5,409

(in millions of Korean won)		2020			
		Receivables		Payables	
	Counter party	Trade receivables	Other receivables	Trade payables	Other payables
Ultimate parent company	Hindalco Industries Limited	₩ -	₩ -	₩ -	₩ -
Parent company	Novelis Inc.	-	115	-	1,273
Other related parties	Novelis Deutschland GMBH	-	-	132	-
	Novelis Corporation (Texas)	5,694	289	4	461
	Novelis MEA Ltd.	92,540	-	2,707	19
	Novelis Vietnam Company Limited	1,300	119	1,449	-
	Novelis AG	-	101	-	73
	Novelis Shanghai Aluminum Trading Company	-	-	-	-
	Novelis (China) Aluminum Products Co., Ltd.	44,743	173	5,397	2,314
	Novelis PAE SAS	-	-	1	-
	Novelis do Brazil Ltda.	-	1	-	3
Entity under joint control	Ulsan Aluminum Limited	99,421	49,278	158,606	1,611
		₩ 243,698	₩ 50,076	₩ 168,296	₩ 5,754

Details of payment guarantees provided by the Company for the related parties as at March 31, 2021, are stated in Note 15.

There are no loan transactions and contribution between the Company and the related parties for the year ended March 31, 2021 and for the three-month period ended March 31, 2020.

31. Events after the Reporting Year

(a) Approval of financial statements

The financial statements for the 2021 reporting period of the Company were approved by a board of directors meeting on April 28, 2021 and may be modified and approved by a general shareholders' meeting

(b) Impact of Coronavirus disease 2019 ("COVID-19")

During 2021, the spread of Coronavirus disease 2019 ("COVID-19") has a material impact on domestic and foreign economy. It may have a negative impact; such as, decrease in productivity, decrease or delay in sales, collection of existing receivables and others. Accordingly, it may have a negative impact on the financial position and financial performance of the Company, and the impact is expected to be continued to the annual financial statements in 2022.

Significant accounting estimates and assumptions applied in the preparation of the financial statements can be adjusted depending on changes in the uncertainty from COVID-19. Also, the ultimate effect of COVID-19 to the Company's business, financial position and financial performance cannot presently determined.

Report on Independent Auditor's
Review of Internal Control over Financial Reporting

(English Translation of a Report Originally Issued in Korean)

To the President of
Novelis Korea Limited

We have reviewed the accompanying management's report on the effectiveness of the Internal Control over Financial Reporting ("ICFR") of Novelis Korea Limited (the "Company") as at March 31, 2021. The Company's management is responsible for designing and operating ICFR and for its assessment of the effectiveness of ICFR. Our responsibility is to review the management's report on the effectiveness of the ICFR and issue a report based on our review. The management's report on the effectiveness of the ICFR of the Company states that "Based on the assessment results, Chief Executive Officer and ICFR Officer believe that no material weakness has been identified as at March 31, 2021, in all material respects, in conformity with the Best Practice Guideline."

Our review was conducted in accordance with the ICFR review standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform, in all material respects, the review of management's report on the effectiveness of the ICFR to obtain a lower level of assurance than an audit. A review is to obtain an understanding of a company's ICFR and consists principally of inquiries of management and, when deemed necessary, a limited inspection of underlying documents, which is substantially less in scope than an audit. However, in accordance with Chapter 5, 'Application to small & medium sized companies' of the Best Practice Guideline, the design, operation and assessment of its ICFR are limited compared with those of public large sized companies as the Company is a non-public large sized company. As such, we performed our review in accordance with Chapter 14, 'Review standards for small & medium sized companies'.

A company's ICFR is a system to monitor and operate those policies and procedures designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Accounting Standards for Non-Public Entities in the Republic of Korea. Because of its inherent limitations, ICFR may not prevent or detect a material misstatement of the financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that causes us to believe that management's report on the effectiveness of the ICFR, referred to above, is not presented fairly, in all material respects, in accordance with Chapter 5, 'Application to small & medium sized companies', of the Best Practice Guideline.

Our review is based on the Company's ICFR as at March 31, 2021, and we did not review management's assessment of its ICFR subsequent to March 31, 2021. This report has been prepared pursuant to the Acts on External Audit for Stock Companies, etc. in Korea and may not be appropriate for other purposes or for other users.

Samil PricewaterhouseCoopers

Samil PricewaterhouseCoopers

April 29, 2021

Report on the Effectiveness of Internal Control over Financial Reporting

(English Translation of a Report Originally Issued in Korean)

To the Shareholders, Board of Directors and Auditor of
Novelis Korea Limited

We, as the Chief Executive Officer ("CEO") and the Internal Control over Financial Reporting("ICFR") Officer of Novelis Korea Limited ("the Company"), assessed the effectiveness of the design and operation of the Company's Internal Control over Financial Reporting for the year ended March 31, 2021.

The Company's management, including ourselves, is responsible for designing and operating ICFR. We assessed the design and operating effectiveness of ICFR in the prevention and detection of an error or fraud which may cause material misstatements in the preparation and disclosure of reliable financial statements. We followed the Chapter 5 'Application to small & medium sized companies' of the 'Best Practice Guideline' which is established by the Operating Committee of Internal Control over Financial Reporting in Korea (the "ICFR Committee") to evaluate the effectiveness of ICFR design and operation.

Based on the assessment results, we believe that no material weakness has been identified as at March 31, 2021, in all material respects, in conformity with the Best Practice Guideline.

We certify that this report does not contain any untrue statement of a fact, or omit to state a fact necessary to be presented herein. We also certify that this report does not contain or present any statement which cause material misunderstandings, and we have reviewed and verified this report with sufficient due care.

April 20, 2021

Andrea Lissoni

Internal Control over Financial Reporting Officer

Sachin Satpute

Chief Executive Officer