Novelis AG

Küsnacht

Report of the statutory auditor to the General Meeting

on the financial statements - 31 March 2018

pwc

Report of the statutory auditor

to the General Meeting of Novelis AG

Küsnacht

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Novelis AG, which comprise the balance sheet, income statement and notes, for the year ended 31 March 2018.

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 2018 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.

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

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.

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

PricewaterhouseCoopers AG

Patrick Balkanyi

Audit expert
Auditor in charge

Mei Ling Ow

Audit Expert

Zürich, 27 April 2018

Enclosures:

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

Novelis AG, Kuesnacht

Balance sheet

	Note	March 31, 2018 EUR	March 31, 2017 EUR	March 31, 2018 CHF	March 31, 2017 CHF
Assets					
Current assets					
Cash and cash equivalents		168 612 695	35 155 242	198 554 751	37 571 062
Trade receivables -					
Third parties		207 062 524	199 556 352	243 832 460	213 269 588
Group companies		68 497 391	68 649 732	80 661 082	73 367 246
Other receivables -					
Third parties	2.4	43 483 272	41 206 270	51 204 984	44 037 907
Group companies	2.4	19 567 092	77 985 104	23 041 795	83 344 131
Cash pooling with group companies	2.1	30 609 215	29 557 496	36 044 765	31 588 646
Cash pooling with shareholder	2.1	2 632 708	3 365 546	3 100 221	3 596 822
Short-term loans -					
Group companies		0	100 000 000	0	106 871 861
Inventories		14 779 690	9 867 473	17 404 251	10 545 552
Prepayments and accrued income -					
Third parties		919 007	927 422	1 082 203	991 153
Group companies		0	116 667	0	124 684
		556 163 594	**566 387 304**	**654 926 512**	**605 308 652**
Fixed assets					
Financial assets -					
Other financial assets, third parties	2.4	301 944	888 341	355 563	949 386
Other financial assets, group companies	2.4	355 338	495 371	418 439	529 412
Investment in subsidiary		159 078 968	159 078 968	240 161 518	240 161 518
Tangible assets		657 082	894 448	773 766	955 914
Intangible assets		14 799 437	18 990 333	17 427 505	20 295 322
		175 192 769	**180 347 461**	**259 136 791**	**262 891 552**
Total assets		**731 356 363**	**746 734 765**	**914 063 303**	**868 200 204**

Novelis AG, Kuesnacht

Balance sheet

	Note	March 31, 2018 EUR	March 31, 2017 EUR	March 31, 2018 CHF	March 31, 2017 CHF
Liabilities and shareholders' equity					
Current liabilities					
Trade payables -					
Third parties		83 909 981	75 299 971	98 810 623	80 474 480
Group companies		21 857 495	24 385 564	25 738 925	26 061 306
Short-term debts (interest-bearing) -					
Third parties		0	505 299	0	540 022
Other current liabilities -					
Third parties	2.4	31 136 475	86 142 930	36 665 656	92 062 552
Group companies	2.4	29 639 781	39 088 726	34 903 181	41 774 849
Cash pooling with group companies	2.1	411 214 512	377 952 352	484 237 531	403 924 711
Accrued liabilities -					
Third parties		36 179 898	9 267 571	41 179 710	13 558 399
Shareholder		117 101	117 101	137 896	125 148
Short-term provisions -					
Third parties		3 107 950	3 889 845	3 659 856	4 157 148
		617 163 193	**616 649 359**	**725 333 378**	**662 678 615**
Non-current liabilities					
Long-term loans (interest-bearing) -					
Shareholder		9 368 076	9 368 075	11 031 648	10 011 837
Other non-current liabilities -					
Third parties	2.4	343 798	610 077	404 849	652 001
Group companies	2.4	71 746	894 813	84 487	956 303
Long-term provisions		2 756 553	1 198 543	3 246 058	1 280 905
		12 540 173	**12 071 508**	**14 767 042**	**12 901 046**
Shareholders' equity					
Share capital		662'383	662 383	1 000 000	1 000 000
Legal reserve		249'387	249 387	376 500	376 500
Retained earnings		117'102'128	121 645 309	191 244 043	196 164 099
Net income/(loss) for the year		(16 360 901)	(4 543 181)	(18 657 660)	(4 920 056)
		101 652 997	**118 013 898**	**173 962 883**	**192 620 543**
Total liabilities and shareholders' equity		**731 356 363**	**746 734 765**	**914 063 303**	**868 200 204**

Novelis AG, Kuesnacht

Statement of income for the financial year

	April 1, 2017 to March 31, 2018	April 1, 2016 March 31, 2017	April 1, 2017 to March 31, 2018	April 1, 2016 March 31, 2017
	EUR	**EUR**	**CHF**	**CHF**
	12 months	**12 months**	**12 months**	**12 months**
Net revenue from sales of goods	672 869 656	574 516 176	767 327 695	622 174 763
Income from services	45 057 579	45 311 813	51 382 801	49 070 622
Changes in inventories (finished goods & work-in-progress)	(605 002)	1 343 656	(689 932)	1 455 118
Costs of material	(587 663 382)	(484 458 390)	(670 160 089)	(524 646 297)
Operating expense	(99 937 635)	(92 297 063)	(113 966 969)	(99 953 502)
Administrative expense	(17 009 185)	(18 002 296)	(19 396 949)	(19 495 664)
Personnel costs	(30 387 565)	(29 198 910)	(34 653 398)	(31 621 084)
Depreciation and amortisation	(3 562 737)	(3 284 440)	(4 062 877)	(3 556 898)
Impairment of intangible assets	(1 128 597)	0	(1 287 031)	0
Operating profit/(loss) before financial items	**(22 366 868)**	**(6 069 454)**	**(25 506 749)**	**(6 572 942)**
Financial income (operating incl. ABL)	9 245 451	51 687 707	10 543 335	55 975 425
Financial income FX	128 665 299	148 015 124	146 727 448	160 293 615
Financial income metal	302 508 929	296 934 399	344 975 401	321 566 384
Financial expense (operating incl. ABL)	(5 016 361)	(39 671 548)	(5 720 562)	(42 962 473)
Financial expense FX	(155 193 508)	(147 567 998)	(176 979 710)	(159 809 398)
Financial expense metal	(280 043 216)	(310 293 761)	(319 355 931)	(336 033 962)
Interest income	7 020 450	4 662 106	8 005 987	5 048 848
Interest expense	(1 043 850)	(2 200 538)	(1 190 387)	(2 383 082)
Income/(loss) before tax	**(16 223 674)**	**(4 503 963)**	**(18 501 168)**	**(4 877 585)**
Tax	(137 227)	(39 218)	(156 492)	(42 471)
Net income/(loss) for the period	**(16 360 901)**	**(4 543 181)**	**(18 657 660)**	**(4 920 056)**

Notes to the financial statements for the year ended March 31, 2018

Principal activities

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

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

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

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

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

Significant financial statement items are accounted as follows:

1.1 Trade receivables and other short-term receivables

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

1.2 Inventories

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

1.3 Recognition of revenue

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

1.4 Non-current assets

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

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

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

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

1.5. Assets with observable market price

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

1.6. Leases

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

1.7 Foreign currencies

The Company's functional currency is Euro (EUR) due to the primary economic environment in which the Company carries out business operations. Balance sheet items in foreign currency are translated into EUR at rates prevailing on March 31. The exchange rates used for transactions conducted during the course of the year and for items in the statement of income are the rates prevailing at the dates of the transactions.

For statutory accounts purposes, the exchange rates applied for translating the values into the financial report currency Swiss Francs (CHF) are:

Rate		Income Statement	Balance Sheet	Balance Sheet (historical rate)
CHF/EUR	2018	1.1404	1.1776	1.5097
CHF/EUR	2017	1.0830	1.0687	1.5097

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

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

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

2. Details, analyses and explanations to the financial statements

2.1 Cash Pooling

In 2007, Novelis AG set up a Cash Pooling System for some European subsidiaries.
Resulting balances are shown as follows:

	March 31, 2018 EUR	**March 31, 2017** EUR	**March 31, 2018** CHF	**March 31, 2017** CHF
Other receivables				
From cash pooling with group companies	30 609 215	29 557 496	36 044 765	31 588 646
From cash pooling with shareholder	2 632 708	3 365 546	3 100 221	3 596 822
Other current liabilities				
From cash pooling with group companies	411 214 512	377 952 352	484 237 531	403 924 711

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

2.2 Guarantees and assets pledged in favour of third parties

Pledged assets

	March 31, 2018 EUR	**March 31, 2017** EUR	**March 31, 2018** CHF	**March 31, 2017** CHF
All assets pledged	731 356 363	746 734 765	914 063 303	868 200 204
	731 356 363	746 734 765	914 063 303	868 200 204

At the balance sheet date Novelis Inc's senior secured facilities consisted of:
(1) a $1.8 billion five-year secured term loan credit facility ("Term Loan Agreement"), and
(2) a $1.0 billion five-year asset based loan facility ("ABL Agreement")

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

As of March 31, 2018, the outstanding borrowing under the ABL facility is $12.3 million (2017: $184 million) for the Novelis Inc. Group.

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

In addition to the Pledge Agreements, there is also non-recourse receivables purchase agreement in place between Novelis Deutschland GmbH and Novelis AG. Pursuant to this agreement, Novelis Deutschland GmbH agreed to sell their receivables in arm's length transactions to Novelis AG.
As at 31 March 2018, the balance outstanding under the non-recourse receivables purchase agreement is approximately EUR 197.9 million/CHF 233.1 million (2017: EUR 188.7 million/CHF 201.7 million).

Total amount given in guarantee

	March 31, 2018 EUR	**March 31, 2017** EUR	**March 31, 2018** CHF	**March 31, 2017** CHF
Guarantees given	6 413 899	12 491 788	7 553 008	13 349 974
	6 413 899	12 491 788	7 553 008	13 349 974

2.3 Inventories

	March 31, 2018 EUR	**March 31, 2017** EUR	**March 31, 2018** CHF	**March 31, 2017** CHF
Raw materials, consumables and supplies	13 829 952	8 312 733	16 285 859	8 883 973
Work in progress	949 738	1 554 740	1 118 392	1 661 580
Finished goods	0	0	0	0
Total inventory	14 779 690	9'867'473	17 404 251	10'545'552

2.4 Assets and Liabilities with observable market price

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

Short Term Derivatives	**March 31, 2018** EUR	**March 31, 2017** EUR	**March 31, 2018** CHF	**March 31, 2017** CHF
Metal/forex derivatives receivables - third parties	43 197 934	40 996 792	50 868 975	43 814 034
Metal/forex derivatives receivables - group companies	18 423 730	69 427 707	21 695 396	74 198 682
Metal/forex derivatives payables - third parties	(29 317 945)	(83 896 635)	(34 524 193)	(89 661 895)
Metal/forex derivatives payables - group companies	(27 010 919)	(37 758 151)	(31 807 488)	(40 352 838)

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

Long term Derivatives	**March 31, 2018** EUR	**March 31, 2017** EUR	**March 31, 2018** CHF	**March 31, 2017** CHF
Metal/forex derivatives receivables - third parties	301 944	888 341	355 563	949 386
Metal/forex derivatives receivables - group companies	355 338	495 371	418 439	529 412
Metal/forex derivatives payables - third parties	(343 798)	(610 077)	(404 849)	(652 001)
Metal/forex derivatives payables - group companies	(71 746)	(894 813)	(84 487)	(956 303)

2.5 Amounts payable to pension funds

	March 31, 2018 EUR	March 31, 2017 EUR	March 31, 2018 CHF	March 31, 2017 CHF
Amounts payable to pension funds	0	0	0	0
	0	0	0	0

2.6 Significant investments

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

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

2.7 Lease obligations

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

	March 31, 2018 EUR	March 31, 2017 EUR	March 31, 2018 CHF	March 31, 2017 CHF
Future lease obligations				
Within one to five years	2 731 100	4 147 375	3 216 143	4 432 300
Total	2 731 100	4 147 375	3 216 143	4 432 300

2.8 Full-time equivalents

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

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

	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
	Proposal of the board of directors EUR	Proposal of the board of directors EUR	Proposal of the board of directors CHF	Proposal of the board of directors CHF
Retained earnings at the beginning of the year	117 102 128	121 645 309	191 244 043	196 164 099
Net income/(loss) for the year	(16 360 901)	(4 543 181)	(18 657 660)	(4 920 056)
Retained earnings at the disposal of the annual general meeting	100 741 227	117 102 128	172 586 383	191 244 043
Retained earnings to be carried forward	100 741 227	117 102 128	172 586 383	191 244 043
	100 741 227	117 102 128	172 586 383	191 244 043