

## NOVELIS ITALIA SPA

### Financial Statements as at 31 March 2018

Company's data	
Registered office	BRESSO
Tax code no.	04598460964
Rea (Administrative Economic Register) no.	MILANO1760001
VAT no.	04598460964
Share capital (in € units)	96,000,000.00 fully paid-up
Legal status	COMPANY LIMITED BY SHARES
ATECO (Economic Activities' Classification) code	244200
Company in liquidation	no
Company with sole shareholder	no
Company subject to the management and co-ordination activities	yes
Name of the company or body, which carries out the management and co-ordination activities	Hindalco Industries Ltd
Member of a corporate group	yes
Group company's name	Hindalco Industries Ltd
Group company's country	INDIA
Enrolled in the Register of Cooperatives under no.	

All amounts are expressed in euros

## Financial Statements as at 31 March 2018

### BALANCE SHEET

ASSETS	31/03/2018	31/03/2017
<b>A) RECEIVABLES FROM SHAREHOLDERS FOR PAYMENTS STILL OWED</b>		
Total receivables from shareholders for payments still owed (A)	0	0
<b>B) NON-CURRENT ASSETS</b>		
I - Intangible assets		
4) Concessions, licences, trademarks and similar rights	53,518	72,753
7) Other	67,856	74,421
Total intangible assets	121,374	147,174
II - Property, plant and equipment		
1) Land and buildings	23,499,022	24,416,073
2) Plant and machinery	35,762,452	37,778,421
3) Industrial and commercial equipment	781,462	1,123,821
4) Other assets	865,244	912,316
5) Assets under construction and advances paid	1,266,326	125,744
Total property, plant and equipment	62,174,506	64,356,375
III - Financial assets		
1) Equity investments		
d-bis) other companies	2,345	3,644
Total equity investments (1)	2,345	3,644
2) Trade and Other Receivables		
d-bis) due from others		
within 12 months	0	1,636,047
after 12 months	397,344	397,344
Total due from others	397,344	2,033,391
Total trade and other receivables	397,344	2,033,391
Total financial assets (III)	399,689	2,037,035
<b>Total non-current assets (B)</b>	<b>62,695,569</b>	<b>66,540,584</b>
<b>C) CURRENT ASSETS</b>		
I) Inventories		
1) Raw materials, supplies & consumables	9,314,211	7,664,974
2) Work in progress and semi-finished products	18,849,176	17,477,171
4) Finished products and goods for resale	14,616,802	14,770,847
Total inventories	42,780,189	39,912,992
II) Receivables		
1) Trade receivables		
within 12 months	15,587,502	14,630,666
Total trade receivables	15,587,502	14,630,666
4) Due from parent companies		
within 12 months	5,261	110,025
Total due from parent companies	5,261	110,025
5) Due from companies under the control of parent companies		
within 12 months	4,877,632	921,849
Total due from companies under the control of parent companies	4,877,632	921,849
5-bis) Tax receivables		

within 12 months	222,166	399,682
after 12 months	2,691,763	2,733,918
Total tax receivables	2,913,929	3,133,600
5-ter) Deferred tax assets	100,277	100,277
5-quater) Due from others		
within 12 months	2,227,954	1,636,362
Total due from others	2,227,954	1,636,362
Total receivables	25,712,555	20,532,779
III – Current financial assets		
5) Derivative assets	80,924	279,979
Total current financial assets	80,924	279,979
IV - Cash and cash equivalents		
1) Banks and post office accounts	709,663	1,215,400
3) Cash on hand	1,784	6,144
Total cash and cash equivalents	711,447	1,221,544
<b>Total current assets (C)</b>	<b>69,285,115</b>	<b>61,947,294</b>
<b>D) ACCRUED INCOME AND PREPAID EXPENSES</b>	<b>236,638</b>	<b>339,832</b>
<b>TOTAL ASSETS</b>	<b>132,217,322</b>	<b>128,827,710</b>

## BALANCE SHEET

LIABILITIES	31/03/2018	31/03/2017
<b>A) SHAREHOLDERS' EQUITY</b>		
I – Share capital	96,000,000	96,000,000
II – Share premium reserve	0	0
III – Revaluation reserve	0	0
IV – Legal reserve	656,109	656,109
V – Statutory reserves	0	0
VI - Other reserves, shown separately		
Amounts paid-in for future capital increase	10,000,000	10,000,000
Total other reserves	10,000,000	10,000,000
VII – Reserve for expected cash flow hedging	0	0
VIII - Retained earnings (accum. losses) carried forward	-41,129,838	-40,262,532
IX - Net income (loss) for the year	-1,446,861	-867,306
Loss covered in the year	0	0
X – Negative reserve for own shares in portfolio	0	0
<b>Total Shareholders' equity</b>	<b>64,079,410</b>	<b>65,526,271</b>
<b>B) PROVISIONS FOR RISKS AND CHARGES</b>		
1) Retirement benefit obligations	432,720	424,078
3) Derivative liabilities	862,742	157,447
4) Others	415,762	509,879
<b>Total provisions for risks and charges (B)</b>	<b>1,711,224</b>	<b>1,091,404</b>
<b>C) STAFF LEAVING INDEMNITY (TFR)</b>	<b>3,277,153</b>	<b>3,263,294</b>
<b>D) PAYABLES</b>		
4) Bank borrowings		
within 12 months	0	5,738
Total bank borrowings (4)	0	5,738
5) Other financial debt		

within 12 months	697,202	0
<b>Total other financial debt (5)</b>	<b>697,202</b>	<b>0</b>
<b>7) Trade payables</b>		
within 12 months	34,459,658	34,766,476
<b>Total trade payables (7)</b>	<b>34,459,658</b>	<b>34,766,476</b>
<b>11) Due to parent companies</b>		
within 12 months	91,611	189,150
<b>Total due to parent companies (11)</b>	<b>91,611</b>	<b>189,150</b>
<b>11-bis) Due to companies under the control of parent companies</b>		
within 12 months	22,657,070	17,266,130
after 12 months	13,879	2,859
<b>Total due to companies under the control of parent companies (11-bis)</b>	<b>22,670,949</b>	<b>17,268,989</b>
<b>12) Tax payable</b>		
within 12 months	656,839	666,523
<b>Total tax payable (12)</b>	<b>656,839</b>	<b>666,523</b>
<b>13) Due to insurance and pension institutes</b>		
within 12 months	1,494,850	1,529,006
<b>Total due to insurance and pension institutes (13)</b>	<b>1,494,850</b>	<b>1,529,006</b>
<b>14) Other payables</b>		
within 12 months	3,078,426	4,520,859
<b>Total other payables (14)</b>	<b>3,078,426</b>	<b>4,520,859</b>
<b>Total payables (D)</b>	<b>63,149,535</b>	<b>58,946,741</b>
<b>E) ACCRUED LIABILITY AND DEFERRED INCOME</b>	<b>0</b>	<b>0</b>
<b>TOTAL LIABILITIES</b>	<b>132,217,322</b>	<b>128,827,710</b>

**INCOME STATEMENT**

	31/03/2018	31/03/2017
<b>A) VALUE OF PRODUCTION (REVENUE):</b>		
1) Revenues from sales and rendering of services	174,241,039	170,792,089
2) Change in inventories of work in progress, semi-finished and finished products	1,217,961	5,749,412
5) Other revenues and income		
Miscellaneous	7,825,245	7,445,016
Total other revenues and income	7,825,245	7,445,016
<b>Total value of production (revenue)</b>	<b>183,284,245</b>	<b>183,986,517</b>
<b>B) PRODUCTION COSTS:</b>		
6) Raw, ancillary and consumable materials	119,581,653	118,087,834
7) Costs of services	30,611,492	33,682,846
8) Leases and rentals	1,063,526	1,034,829
9) Personnel costs:		
a) Wages and salaries	16,439,365	16,385,625
b) Social security contributions	6,616,108	6,583,452
c) Staff leaving indemnity	1,389,661	1,402,107
e) Other costs	318,977	535,711
Total personnel costs	24,764,111	24,906,895
10) Amortisation, depreciation and write-downs:		
a) Amortisation of intangible assets	46,322	53,552
b) Depreciation of property, plant and equipment	6,590,460	6,641,042
d) Write-downs of receivables included under current assets and cash and cash equivalents	4,487	229,226
Total amortisation, depreciation and write-downs	6,641,269	6,923,820
11) Change in inventories of raw, ancillary, and consumable materials	-1,649,236	-44,730
12) Provisions for risks	0	146,878
14) Other operating expenses	1,406,935	1,188,380
<b>Total production costs</b>	<b>182,419,750</b>	<b>185,926,752</b>
<b>Difference between production value and cost (A-B)</b>	<b>864,495</b>	<b>-1,940,235</b>
<b>C) FINANCIAL INCOME AND CHARGES:</b>		
16) Other financial income:		
d) Income other than the foregoing		
Others	650	823
Total income other than the foregoing	650	823
Total other financial income	650	823
17) Interest and other financial charges		
- companies under the control of parent companies	206,587	125,537
Others	234,649	258,728
Total interest and other financial charges	441,236	384,265
17-bis) Exchange gains and losses	-11,367	-260,411
<b>Total financial income and charges (C) (15+16-17+-17-bis)</b>	<b>-451,953</b>	<b>-643,853</b>
<b>D) VALUATION ADJUSTMENTS TO FINANCIAL ASSETS:</b>		
19) Write-downs:		

d) of financial derivative instruments	1,639,732	-1,323,938
Total write-downs	1,639,732	-1,323,938
<b>Total valuation adjustments to financial assets (18-19)</b>	<b>-1,639,732</b>	<b>1,323,938</b>
<b>PRE-TAX RESULT (A-B+-C+-D)</b>	<b>-1,227,190</b>	<b>-1,260,150</b>
20) Current and deferred income taxes for the year		
Current taxes	93,977	-364,375
Prior years' taxes	125,694	-28,469
Total current and deferred income taxes for the year	219,671	-392,844
<b>21) INCOME (LOSS) FOR THE YEAR</b>	<b>-1,446,861</b>	<b>-867,306</b>

<b>CASH FLOW STATEMENT (INDIRECT METHOD)</b>		
	<b>Current period</b>	<b>Prior period</b>
<b>A. Cash flows from (used in) operating activities (indirect method)</b>		
Income (loss) for the year	(1,446,861)	(867,306)
Income taxes	219,671	(392,844)
Interest expense/(interest income)	440,586	383,442
(Dividends)	0	0
(Capital gains)/capital losses from disposals of assets	72,128	(30,777)
1. Income / (loss) for the year before income taxes, interest, dividends and capital gains and losses from disposals	(714,476)	(907,485)
<i>Adjustments for non-monetary items, which do not have counterpart in net working capital</i>		
Charge to the provisions	1,199,321	1,027,324
Amortisation/depreciation	6,636,782	6,694,594
Impairment of assets	0	0
Valuation adjustments to financial assets and liabilities of financial derivative instruments that do not entail monetary movements	0	0
Increase/(Decrease) in other adjustments for non-monetary items	4,487	229,226
<i>Total adjustments for non-monetary items, which do not have counterpart in net working capital</i>	7,840,590	7,951,144
2. Cash flows before changes in net working capital	7,126,114	7,043,659
<i>Changes in net working capital</i>		
Decrease/(Increase) in inventories	(2,867,197)	(5,794,142)
Decrease/(Increase) in trade receivables	(961,323)	(3,139,534)
Increase/(Decrease) in trade payables	431,093	(1,490,205)
Decrease/(Increase) in accrued income and prepaid expenses	103,194	(100,132)
Increase/(Decrease) in accrued liability and deferred income	0	0
Other decreases / (Other increases) in net working capital	(532,711)	9,772,204
<i>Total changes in net working capital</i>	(3,826,944)	(751,809)
3. Cash flows after changes in net working capital	3,299,170	6,291,850
<i>Other adjustments</i>		
Interest received/(paid)	(440,586)	(383,442)
(Income taxes paid)	0	(57,091)
Dividends cashed	0	0
(Utilisation of provisions)	(565,642)	(1,849,385)
Other collections/(payments)	1,636,047	0
<i>Total other adjustments</i>	629,819	(2,289,918)
Cash flows from (used in) operating activities (A)	3,928,989	4,001,932
<b>B. Cash flows from (used in) investing activities</b>		
<i>Property, plant and equipment</i>		
(Investments)	(5,242,258)	(4,710,881)
Disinvestments	23,628	235,001
<i>Intangible assets</i>		
(Investments)	(20,522)	0

Disinvestments	0	0
<i>Financial assets</i>		
(Investments)	0	(46,683)
Disinvestments	1,299	1,882
<i>Current financial assets</i>		
(Investments)	0	(26,920)
Disinvestments	199,055	0
(Purchase of business concerns, net of cash and cash equivalents)	0	0
Sale of business concerns, net of cash and cash equivalents	0	0
Cash flows from (used in) investing activities (B)	(5,038,798)	(4,547,601)
<b>C. Cash flows from (used in) financing activities</b>		
<i>Borrowed funds</i>		
Increase/(Decrease) in bank borrowings within 12 months	(5,738)	1,741,779
New loans	605,450	0
(Loan repayment)	0	0
<i>Own funds</i>		
Paid-in capital increase	0	0
(Repayment of capital)	0	0
Sale (Purchase) of treasury shares	0	0
(Dividends and on account dividends paid)	0	0
Cash flows from (used in) financing activities (C)	599,712	1,741,779
Increase (decrease) in cash and cash equivalents (A ± B ± C)	(510,097)	1,196,110
Exchange-rate effect on cash and cash equivalents	0	0
Cash and cash equivalents at the beginning of the year		
Banks and post office accounts	1,215,400	9,370
Cheques	0	0
Cash on hand	6,144	16,064
Total cash and cash equivalents at the beginning of the year	1,221,544	25,434
Of which not freely utilizable	0	0
Cash and cash equivalents at the end of the year		
Banks and post office accounts	709,663	1,215,400
Cheques	0	0
Cash on hand	1,784	6,144
Total cash and cash equivalents at the end of the year	711,447	1,221,544
Of which not freely utilizable	697,202	1,207,626

The item "New loans" above is composed by:

- Change in cash pooling position towards Novelis AG of € 91,752;
- Change in payable to factoring companies of € 697,202

## Notes to the Financial Statements as at 31 March 2018

### PREAMBLE

The financial year ending 31 March 2018 closed with a net loss of € 1,446,861 after depreciation/amortisation of € 6,636,782, and taxes for the year for € 219,671.

### Business carried out

Pursuant to Art. 2428 of the Italian Civil Code, the aluminium rolling and recycling activities have been carried out in the Bresso registered office, the Pieve Emanuele plant, as well as the San Martino Buon Albergo (VR) and Campi Bisenzio (FI) Distribution Centres.

### Group structure

The Company is controlled by the Novelis Inc. Group, based in the USA, through the English subsidiary Novelis Europe Holdings Limited. In May 2007, the Aditya Birla Group, which is one of the main industrial groups in India, acquired the majority of the share capital of the Group parent Novelis Inc.. Therefore the Company is subject to the management and co-ordination of Hindalco Industries Ltd, company belonging to the Aditya Birla Group, which deals with the production and marketing of metals.

Below is presented the latest available data relating to the consolidated financial statements of Hindalco Industries Ltd (in \$ millions):

<b>Financial year as at 31/03/2017</b>	
Fixed assets	13,337
Other assets	3,605
Total assets	16,942
Current liabilities	9,839
Deferred taxes	0
Minority interests	1
Shareholders' equity	7,102
Total liabilities and shareholders' equity	16,942

<b>Financial year as at 31/03/2017</b>	
Net revenues	15,306
Costs	-13,450
Operating result before taxes and other items	1,856
Other revenues	166
Other costs	-672
Interest	-856
Other items	3
	497
less: Income taxes	214
Net result	283

For an adequate and complete understanding of the financial position and results of operations of the Hindalco Industries Ltd Group at 31 March 2017, reference should be made to the financial statements of the above mentioned (available on the website: [www.hindalco.com](http://www.hindalco.com)).

## BASIS OF PREPARATION

These Financial Statements as at 31 March 2018 were prepared in accordance with the regulations laid down in the Italian Civil Code, as amended by Legislative Decree no. 139/2015, interpreted and supplemented by the accounting principles promulgated by the Organismo Italiano di Contabilità (the Italian Accounting Standards Committee).

These Financial Statements comprise the Balance Sheet (as prepared in compliance with the outline of presentation required by Articles 2424 and 2424 bis of the Italian Civil Code), the Income Statement (as prepared in compliance with the outline of presentation required by Articles 2425 and 2425 bis of the Italian Civil Code) and the Cash Flow Statement (whose content, pursuant to Art. 2425-ter of the Italian Civil Code, is presented in accordance with OIC accounting principle no. 10, and these Notes to the Financial Statements, drawn up in compliance with Art. 2427 of the Italian Civil Code.

These Notes to the Financial Statements analyse and supplement the financial statements data with the additional information required to give a true and fair view of the data provided, taking into consideration that no departures have been made pursuant to Arts. 2423 and 2423-bis of the Italian Civil Code.

The items not expressly reported in the Balance Sheet and in the Income Statement, as contemplated by Arts. 2424 and 2425 of the Italian Civil Code, have a zero balance.

For information relating to the nature of the business activities and all the relationships with associated companies, parent companies and other companies under the control of the latter, please refer to the Directors' Report.

It is also declared that the financial statements are correct from a formal and substantial point of view and give a true and fair view of the financial position and results of operations of the Company. Please refer to the Directors' Report for information on Art. 2428 of the Italian Civil Code.

## ACCOUNTING PRINCIPLES

The items in the Financial Statements have been valued in accordance with the general criteria of prudence, accrual and on a going concern basis as well as by taking account of the substance of the transaction or of the contract.

The valuations have been undertaken in accordance with the provisions set forth in Art. 2426 of the Italian Civil Code and the accounting standards as contemplated by the Organismo Italiano di Contabilità (the Italian Accounting Standards Committee).

The application of the principle of prudence requires each asset and liability item to be valued on an individual basis so as not to offset losses that should be recognised against profits that should not be recognised, as they have not been realised.

In accordance with the accrual basis, the effect of the operations and other events was accounted for and attributed to the year such operations and events refer to, and not to the year in which the relative movements took place (receipts and payments).

Taking into account the substance of the transaction or of the contract, the valuation expressing the principle of prevalence of substance over form - compulsory where not expressly in contrast with other specific regulations on the Financial Statements – allows the representation of the transactions according to the financial reality behind the formal aspects.

Below are the main accounting principles adopted:

### **Non-current assets**

#### *Intangible assets*

Intangible assets are stated at their historical purchase cost, with the consent of the Board of Statutory Auditors where contemplated by the regulations in force, and shown net of the amortisation made. Amortisation is calculated over the expected useful life of 10 years.

*Property, plant and equipment*

These are stated at purchase cost and adjusted by the corresponding accumulated depreciation.

Any accessory charges and costs incurred for bringing the asset in the present location were capitalized when recording this item to the Balance Sheet and any non-negligible commercial and cash discounts were deducted from said costs and charges.

Depreciation charged to the Income Statement has been calculated taking into account the use, utility and economic-technical life of the assets, over their estimated useful life.

The depreciation rates of the assets received upon transfer with effect 1 January 2005 differ from the rates of the new assets acquired after the transfer in virtue of their different residual possibility of use by adjusting the same to the useful life of the newly-acquired assets.

The assets acquired after the transfer by Alcan Alluminio SpA on 1 January 2005 are depreciated systematically using the economic-technical rates reflecting the remaining possibilities for the use of the assets, as shown in the following table:

	Useful life
Land and buildings	from 10 to 50 years
Plant and machinery	from 2 to 35 years
Industrial and commercial equipment	from 3 to 10 years
Motor vehicles	from 3 to 8 years
Office furniture and machines	from 5 to 10 years

For fixed assets acquired during the year, depreciation is reduced by 50%.

Land is not depreciated since not subject to a limited use in the time.

Ordinary maintenance and repair cost are expensed when incurred. Improvement and expansion costs, where they represent an increase of the asset value or useful life, are shown as an increase in the value of the assets.

*Impairment of assets*

Impairment of property, plant and equipment and intangible assets is recorded as prescribed by OIC no. 9.

In particular, if the recoverable amount of an asset (e.g. intended as the higher of its value in use and its fair value) has declined below its carrying value, the asset is measured at the lower value. The difference is recorded in the Income Statement as impairment loss and is recognised in the Income Statement under item B10c). If requirements for write-down no longer apply in subsequent periods, the original value is restored as adjusted by depreciation/amortisation only.

If it is not possible to estimate the recoverable value of an individual asset, the Company determines the recoverable amount of the Cash Generating Unit to which the asset belongs. This occurs when individual assets do not generate cash flows in an autonomous way with respect to other assets.

The Company verifies at least annually, whether any indication exists that assumes a permanent impairment of assets; in the presence of this indication, the Company estimates the recoverable amount of the related assets.

*Revaluations*

The book value of property, plant and equipment can include revaluations of cost, if these are made under specific laws.

Revaluations do not represent an Income Statement component but are carried to a shareholders' equity reserve.

*Receivables (including those recorded under financial assets)*

Receivables arising from revenues from sales of goods or rendering of services are recognised as current assets on an accrual basis when there are conditions for revenue recognition.

The value of receivables is subsequently reduced in respect of the amounts received - both principal and interest - of any write-downs for readjusting the receivables to their estimated realisable value or of any

losses. Receivables are valued as a general rule at amortized cost taking into account the time factor, but for receivables due within 12 months, it is assumed that the effects deriving from the application of the amortized cost and of discounting are not relevant, given the reduced time frame between the onset of the credit position and the related collection. In this case the book value coincides with the nominal value.

A specific allowance has been set aside to tackle any possible insolvency risks, the adequacy of which in respect of doubtful positions is verified periodically and anyway at the end of each financial year, taking into account both cases of uncollectibility already emerged or deemed to be probable and the general economic conditions and the risks potentially under way.

### *Factoring without recourse*

The Novelis Group entered into an agreement with a German bank in December 2013 relating to the assignment of trade receivables without recourse. As provided for by OIC no. 15, the assigned receivables have been removed from the Balance Sheet up to a quota of 90% equal to the advance received. The difference of 10% is recorded in the Balance Sheet as receivable from factoring companies.

Interest and fees due to the factoring company have been fully charged to the Income Statement.

### *Inventories*

Raw materials, supplies & consumables and finished products are valued at the lower of purchase or production cost and their net realisable value presumed from market trends (replacement cost for raw materials), applying the weighted average cost method.

Work-in-progress is measured on the basis of the costs incurred in the financial year.

A stock depreciation provision has been recorded in order to adjust the value of obsolete and slow-moving items to their market value, and recorded as a direct reduction of the closing inventories value.

### *Cash and cash equivalents*

Bank deposits and cheques (current account cheques, banker's drafts and similar ones) are stated according to the general principle of their estimated realisable value that coincides with the nominal value in the absence of collectibility risk.

Cash and revenue stamps are stated at nominal value.

### *Prepayments/deferred income/accrued income and liabilities*

Prepayments and deferred revenue are recorded on the basis of the matching principle, in compliance with the costs and revenues correlation.

### *Provisions for risks and charges*

Provisions for risks and charges are accrued to cover known or probable losses or liabilities, whose amounts or settlement dates are uncertain at year-end.

In measuring the value of these provisions, the general principles of prudence and accruals basis have been complied with and no provisions for general risks without any economic justification have been set aside.

Potential liabilities have been recognised in the accounts and recorded as provisions since they are considered probable and being their amount reasonably determinable.

In compliance with OIC no. 31 para. 16, given that the classification of expenses by nature should prevail, provisions for risks and charges are recorded under the items of operational activity (classes B, C and E of the Income Statement) to which the operation refers (ordinary, accessory or financial).

### *Staff indemnity leaving (TFR)*

This represents the liability accrued in favour of employees in accordance with current legislation and employment contracts, taking into consideration any type of remuneration having a permanent nature.

The indemnities set aside fully cover the employee retirement and seniority accrued up to the date of their transfer to funds outside the company in compliance with Law no. 296 of 27 December 2006.

### *Payables*

Payables arising from purchases of goods are stated in the Balance Sheet when significant risks, charges and benefits related to the property title have been substantially transferred. Payables refer to services already rendered, i.e. the rendering has been completed. The item "advances" instead includes the advances received from costumers for supplies of goods or services not made yet.

Payables are valued as a general rule at amortized cost taking into account the time factor, but for payables due within 12 months, it is assumed that the effects deriving from the application of the amortized cost and of discounting are not relevant, given the reduced time frame between the onset of the debit position and the related payment. In this case the book value coincides with the nominal value.

### *Current and deferred taxes*

Current taxes are determined on the basis of a realistic estimate of the amounts payable in accordance with the current fiscal regulations. Current income taxes are reflected in the Balance Sheet under item "Tax receivables" in case the advances paid are higher than the actual tax payable for the year, or otherwise under "Tax payable". Deferred tax assets and liabilities result from the temporary differences between the carrying amounts of assets and liabilities reported in the Balance Sheet and their carrying amounts for tax purposes.

Deferred tax assets are booked to the extent their future recoverability is deemed probable on the basis of the future taxable income.

Deferred tax assets and liabilities are calculated on the basis of the rates in force in the financial year in which the temporary differences arise.

Deferred tax assets and liabilities are not discounted back.

### *Revenues recognition*

Revenues from the sale of products and costs for the related purchase are recognised upon the transfer of all the risks and benefits connected with the property title; such transfer normally coincides with the delivery or shipment of the goods.

Financial revenues and revenues from services are recognised on an accrual basis.

### *Translation of foreign currencies*

Receivables and payables originally expressed in foreign currency, entered on the basis of the exchange rates prevailing at the date of transactions, are translated at the rates in force at the closing of the financial statements for the currencies of non-EMU countries. The gains and losses resulting from the translation of receivables and payables are respectively reflected in the Income Statement under item C)17 bis Exchange gains and losses. The exchange gain resulting from the translation is set aside, for the part not absorbed by the loss for the year, as a specific reserve not distributable until realization.

### *Financial derivative instruments and hedging transactions*

Financial derivative instruments are stated at fair value. Changes in the fair value are recognised in the Income Statement, or, if the instrument covers the risk of expected cash flows changes in another financial instrument or in a planned transaction, are booked directly to a positive or negative shareholders' equity reserve; this reserve is recorded in the Income Statement to the extent and at the time the cash flows of the hedged instrument occur or modify or to the extent and at the time the hedging transaction occurs. The fair value, which is positive at the reporting date, is recorded in the item "derivative assets" under financial fixed assets or under current financial assets. The fair value, which is negative at the reporting date, is recorded in the item "derivative liabilities" under provisions for risks and charges.

*Forward metal purchase/sale transactions (offset hedge)*

The Company faced the management of the metal price risk through entering in contracts directly with the suppliers of raw materials or with financial counterparts. The portion of gain or loss realised on the offset hedge is distributed among the Group companies included in the hedging process. The Company is taking part in the global hedging strategy and records the pertaining portion of the result in the Income Statement as operating income or expense.

## BALANCE SHEET

### ASSETS

#### NON-CURRENT ASSETS

##### Intangible assets

Intangible assets amounted to € 121,374 (€ 147,174 in the previous financial year).

The break-down and changes in individual items are shown below:

	Concessions, licences, trademarks and similar rights	Other	Total intangible assets
<b>Opening balance</b>			
<b>Historical cost</b>	292,039	374,477	666,516
<b>Accumulated amortisation</b>	219,286	300,056	519,342
<b>Net book value at 31 March 2017</b>	72,753	74,421	147,174
<b>Changes in the financial year</b>			
<b>Transfers from assets under construction</b>	2,749	17,773	20,522
<b>Amortisation for the period</b>	21,984	24,338	46,322
<b>Total changes</b>	-19,235	-6,565	-25,800
<b>Closing balance</b>			
<b>Historical cost</b>	294,789	392,248	687,037
<b>Accumulated amortisation</b>	241,271	324,392	565,663
<b>Net book value at 31 March 2018</b>	53,518	67,856	121,374

The item "Concessions, licenses, trademarks and similar rights" regarded licenses for the use of software. The item "Other" referred to software packages.

##### Property, plant and equipment

Property, plant and equipment amounted to € 62,174,506 (€ 64,356,375 in the previous financial year).

The break-down and changes in individual items are shown below:

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and advances paid	Total property, plant and equipment
<b>Opening balance</b>						
<b>Historical cost</b>	44,663,619	91,976,225	5,276,764	4,584,380	125,744	146,626,732
<b>Accumulated depreciation</b>	20,247,546	54,197,804	4,152,943	3,672,064	0	82,270,357
<b>Net book value at 31 March 2017</b>	24,416,073	37,778,421	1,123,821	912,316	125,744	64,356,375
<b>Changes in the financial year</b>						
<b>Increases for acquisitions/capitalisation</b>	0	0	0	0	4,524,867	4,524,867
<b>Transfers from assets under construction</b>	140,861	2,940,131	101,706	181,066	-3,363,764	0
<b>Transfers to assets under construction</b>	0	0	0	0	-20,522	-20,522
<b>Decreases for disposals (historical cost)</b>	0	230,303	3,254	0	0	233,557
<b>Depreciation for the year</b>	1,057,913	4,863,110	441,299	228,138	0	6,590,460
<b>Decreases for disposals (accumulated depreciation)</b>	0	137,313	488	0	0	137,801
<b>Total changes</b>	-917,052	-2,015,969	-342,359	-47,072	1,140,581	-2,181,871
<b>Closing balance</b>						
<b>Historical cost</b>	44,804,480	94,686,053	5,375,216	4,765,446	1,266,326	150,897,521
<b>Accumulated depreciation</b>	21,305,458	58,923,601	4,593,754	3,900,202	0	88,723,015
<b>Net book value at 31 March 2018</b>	23,499,022	35,762,452	781,462	865,244	1,266,326	62,174,506

Land was not depreciated in accordance with the accounting principles.

The investments in assets under construction occurred during the financial year have been made in order to maintain productive efficiency, reduce energy consumption and increase the level of safety and environmental protection.

The transfer from assets under construction referred to the above-mentioned investments.

### Impairment of assets

As required by the accounting principles, directors assessed at the reference date of the financial statements whether any indication exists that a tangible asset or a cash generating unit may be impaired.

After considering the economic trend, directors drew-up a five-year financial plan to assess the recoverability of the value of the assets recorded in the financial statements.

On the basis of the estimated future cash flows on a timescale of five years, the recoverability of the recorded values was deemed probable and therefore no write-down was needed.

### Revaluation/write-down of property, plant and equipment

It should be noted that in the 2009 financial year, pursuant to Legislative Decree 185/2008, land had been revalued by € 12,060,895 and buildings had been written-down by € 2,046,662.

## Financial assets

### Equity investments

The equity investments, which have been included under financial assets, amounted to € 2,345 (€ 3,644 in the previous financial year).

In compliance with Art. 2427 bis of the Italian Civil Code, the fair value of equity investments in other companies could not be determined reliably on the basis of the information at disposal. However, it should be specified that these equity investments were not material and could not generate significant impacts on the Company's earnings, capital and financial position.

The outstanding equity investments referred to Consorzio Conai, Consorzio imballaggi Alluminio, Società Gas Intensive.

### Trade and other receivables

The amounts due from others included under financial assets were equal to € 397,344 (€ 2,033,391 in the previous financial year).

The break-down and changes in individual items are shown below:

	Net opening balance	Decreases	Net closing balance
- Guarantee for remediation activities at the Borgofranco plant	1,636,047	1,636,047	0
- Sundry	397,344	0	397,344
<b>Total</b>	<b>2,033,391</b>	<b>1,636,047</b>	<b>397,344</b>

The Company received in the financial year from the Metropolitan City of Turin the Certificate of Remediation relating to the Borgofranco plant; consequently the guarantee was cleared and cashed on February 16, 2018.

## CURRENT ASSETS

### Inventories

The inventories included under current assets amounted to € 42,780,189 (€ 39,912,992 in the previous financial year).

The break-down and changes in individual items are shown below:

	Opening balance	Closing balance	Change
Raw materials, supplies & consumables	7,664,974	9,314,211	1,649,237
Work in progress and semi-finished products	17,477,171	18,849,176	1,372,005
Finished products and goods for resale	14,770,847	14,616,802	-154,045
<b>Total</b>	<b>39,912,992</b>	<b>42,780,189</b>	<b>2,867,197</b>

The increase in inventories was due to the commercial policy of the Company, which in order to strengthen the business relationships with major customers, reduce delivery times and improve customer services, has increased the levels of stocks of raw materials and semi-finished products.

## Receivables

The receivables included under current assets amounted to € 25,712,555 (€ 20,532,779 in the previous financial year).

The break-down is shown below:

	Nominal value	Provision for doubtful accounts	Net closing balance	Net opening balance	Change
Trade receivables within 12 months	16,357,173	769,671	15,587,502	14,630,666	956,836
Due from parent companies within 12 months	5,261	0	5,261	110,025	-104,764
Due from companies under the control of parent companies within 12 months	0	0	4,877,632	921,849	3,955,783
Tax receivables within 12 months	0	0	222,166	399,682	-177,516
Tax receivables after 12 months	0	0	2,691,763	2,733,918	-42,155
Deferred tax assets after 12 months	0	0	100,277	100,277	0
Due from others within 12 months	0	0	2,227,954	1,636,362	591,592
<b>Total</b>	<b>16,362,434</b>	<b>769,671</b>	<b>25,712,555</b>	<b>20,532,779</b>	<b>5,179,776</b>

The item "Trade receivables" consists of the following:

	Opening balance	Closing balance	Change
Receivables from customers / Unaccepted orders to pay	14,432,646	15,572,443	1,139,797
Doubtful receivables	1,253,150	784,730	-468,420
Provision for doubtful accounts - trade	-1,055,130	-769,671	285,459
<b>Total</b>	<b>14,630,666</b>	<b>15,587,502</b>	<b>956,836</b>

It should be noted that trade receivables have been shown net of the assignment of receivables without recourse; the assigned receivables amounted to € 15,084 thousand at 31 March 2018 (€ 13,070 thousand in the previous financial year).

The provision for doubtful accounts showed the following movement in the course of the financial year:

<b>Opening balance</b>	<b>1,055,130</b>
Utilisation	-294,168
Charge	8,709
<b>Closing balance</b>	<b>769,671</b>

The utilisations in the year referred to closed matters, for which credit collection was considered not possible, as expressed by legal advice.

Due from parent companies and due from companies under the control of the latter are detailed in the Directors' Report.

The item "Due from companies under the control of parent companies" referred to recharges of costs related to administrative and management services and to sales of semi-finished products to the companies under the control of parent companies.

"Tax receivables" after 12 months reflected the taxes paid in relation to the dispute with the Revenue Authorities relating to financial years 2005 and 2007 for a total of € 2,511,168 and the ACE receivable to be used (Aiuto alla Crescita Economica i.e. allowance for corporate equity), equal to € 180,595.

Deferred tax assets, equal to € 100,277, referred to tax losses, net of deferred tax liabilities, as shown in the table included in the section "Deferred taxation".

The item "Due from others" consists of the following:

	Opening balance	Closing balance	Change
Receivables from factoring companies	1,495,074	2,165,788	670,714
Receivables from employees	31,076	43,060	11,984
Receivables from social-security institutions	56,133	11,604	-44,529
Other	54,079	7,502	-46,577
<b>Total</b>	<b>1,636,362</b>	<b>2,227,954</b>	<b>591,592</b>

### Receivables – break-down by maturity dates

Below is the break-down of the receivables by maturity dates, pursuant to Art. 2427, para. 1 point 6 of the Italian Civil Code:

	Within 12 months	After 12 months	Total
Trade receivables	15,587,502	0	15,587,502
Due from parent companies	5,261	0	5,261
Due from companies under the control of parent companies	4,877,632	0	4,877,632
Tax receivables	222,166	2,691,763	2,913,929
Deferred tax assets	0	100,277	100,277
Due from others	2,227,954	0	2,227,954
<b>Total</b>	<b>22,920,515</b>	<b>2,792,040</b>	<b>25,712,555</b>

At 31 March 2018, there were no receivables with maturity after 5 years.

## Receivables – break-down by geographical area

Below is the break-down of the receivables included under current assets by geographical area, pursuant to Art. 2427, para. 1 point 6 of the Italian Civil Code:

	Italy	Other EU countries	Rest of Europe	Africa and Middle East	Other	Total
Trade receivables	4,305,277	10,576,363	438,834	267,028	0	15,587,502
Due from parent companies	0	0	0	0	5,261	5,261
Due from companies under the control of parent companies	0	4,564,369	265,737	0	47,526	4,877,632
Tax receivables	2,913,929	0	0	0	0	2,913,929
Deferred tax assets	100,277	0	0	0	0	100,277
Due from others	62,166	2,165,788	0	0	0	2,227,954
<b>Total</b>	<b>7,381,649</b>	<b>17,306,520</b>	<b>704,571</b>	<b>267,028</b>	<b>52,787</b>	<b>25,712,555</b>

## Current financial assets

The item, equal to € 80,924 (€ 279,979 in the previous financial year) reflected the valuation of financial derivative instruments with a positive fair value, entered into with Novelis AG. For further information, please refer to the section “Financial instruments” in Other information.

## Cash and cash equivalents

The cash and cash equivalents included in current assets totalled € 711,447 (€ 1,221,544 in the previous financial year).

The balance included € 636,673, not available as a consequence of the factoring contract.

## ACCRUED INCOME AND PREPAID EXPENSES

Accrued income and prepaid expenses amounted to € 236,638 (€ 339,832 in the previous financial year).

This item includes income and expenses related to prior or subsequent periods without considering the date of payment or collection of the relative income and charges.

At 31 March 2018, there were no accruals and deferrals with a duration of more than five years.

The break-down and changes in individual items are shown below:

	Opening balance	Closing balance	Change
Prepaid expenses – insurance	219,542	108,475	-111,067
Prepaid expenses - EDP costs	8,275	17,115	8,840
Prepaid expenses – commercial information	12,309	12,300	-9
Sundry	99,706	98,748	-958
<b>Total</b>	<b>339,832</b>	<b>236,638</b>	<b>-103,194</b>

The decrease in “prepaid expenses – insurance” was due to the change of the insurance broker entailing a renegotiation of the contractual terms and conditions.

## BALANCE SHEET

### LIABILITIES AND SHAREHOLDERS' EQUITY

#### SHAREHOLDERS' EQUITY

The Shareholders' equity at the end of the financial year was equal to € 64,079,410 (€ 65,526,271 in the previous financial year).

The changes in Shareholders' equity are provided in the following table:

	Share capital	Legal reserve	Other reserves	Retained earnings (accum. losses) carried forward	Net income (loss) for the year	Total
<b>01/04/2015</b>	96,000,000	611,647	10,000,000	-35,827,355	-4,912,271	65,872,021
<b>Allocation of the result</b>				-4,912,271	4,912,271	0
<b>Result for the year 2015/16</b>	0	0	0	0	889,230	889,230
<b>Effect of the Accounting Reform - OIC no. 32</b>				0	-367,674	-367,674
<b>31/03/2016</b>	96,000,000	611,647	10,000,000	-40,739,626	521,556	66,393,577
<b>Allocation of the result</b>		44,462		844,768	-889,230	0
<b>Effect of the Accounting Reform - OIC no. 32</b>				-367,674	367,674	0
<b>Result for the year 2016/17</b>	0	0	0	0	-867,306	-867,306
<b>31/03/2017</b>	96,000,000	656,109	10,000,000	-40,262,532	-867,306	65,526,271
<b>Allocation of the result</b>				-867,306	867,306	0
<b>Result for the year 2017/18</b>	0	0	0	0	-1,446,861	-1,446,861
<b>31/03/2018</b>	96,000,000	656,109	10,000,000	-41,129,838	-1,446,861	64,079,410

The Shareholders' meeting of 28 April 2017 resolved to carry forward the net loss of € 867,306.

#### Availability and utilisation of the Shareholders' equity items

Below is given the information required by Art. 2427 point 7-bis of the Italian Civil Code regarding the Shareholders' equity items, broken-down by origin, possibility of utilisation, possibility of distribution and the uses made in the previous financial years:

Description	Amount	Possible utilisation (*)	Available portion	Distributions made in the 3 previous periods for loss coverage	Distributions made in the 3 previous periods for other reasons
Share capital	96,000,000			0	0
Legal reserve	656,109	B		0	0
Other reserves- Amounts paid-in for loss coverage	10,000,000	A,B	10,000,000	0	0
Retained earnings (accum, losses) carried forward	-41,129,838		0	0	0
<b>Total</b>	<b>65,526,271</b>		<b>10,000,000</b>	<b>0</b>	
<b>Non-distributable portion</b>			<b>10,000,000</b>		
<b>Remaining non-distributable portion</b>			<b>0</b>		

(\*) A = for capital increase; B = for loss coverage; C = for distribution to shareholders

Below is provided the information required by Art. 2427, point 17 of the Italian Civil Code relating to the data on the shares making up the Company's share capital, the number and the nominal value of the shares subscribed in the year:

Description	Nominal value	Number of shares at the beginning of financial year	Value of shares at the end of financial year
Ordinary shares	1,000	60,000	1,000
Preferred shares	1,000	36,000	1,000
<b>Total</b>	<b>1,000</b>	<b>96,000</b>	<b>1,000</b>

With deed of 10 March 2017, the shareholders Novelis Deutschland GmbH and Novelis Europe Holdings Limited gave as pledge the Company's shares in favour of third parties lenders, for a value of € 96,000,000.

## PROVISIONS FOR RISKS AND CHARGES

The provisions for risks and charges were recorded under liabilities for € 1,711,224 (€1,091,404 in the previous financial year).

The break-down and changes in individual items are shown below:

	Opening balance	Charge for the year	Utilisation	Closing balance
<b>Retirement benefit obligations</b>	424,078	6,469	-2,173	432,720
<b>Derivative liabilities</b>	157,447	705,295	0	862,742
<b>Others:</b>				
<b>Provision for sales returns</b>	509,879	342,315	559,810	292,384
<b>Provision for restructuring</b>	0	123,378	0	123,378
<b>Total</b>	<b>1,091,404</b>	<b>1,177,457</b>	<b>557,637</b>	<b>1,711,224</b>

The item "Retirement benefit obligations" was made up by the provisions to cover indemnities in case of termination of agency relationship.

The item "Derivative liabilities", equal to € 862,742 reflected the valuation of derivative contracts with a negative fair value, entered into with Novelis AG. For further information, please refer to the section "Financial instruments" in Other information.

The “Provision for sales returns” reflected the estimate of the liabilities deriving from the credit notes that the Company shall issue against the return goods for sundry complaints.

The charge relating to the “Provision for restructuring” showed an amount of € 123,378 for costs of unemployment benefits deriving from the agreements made in the financial year.

## STAFF LEAVING INDEMNITY (TFR)

The staff leaving indemnity was recognised under liabilities for a total amount of € 3,277,153 (€ 3,263,294 in the previous financial year).

The changes of the item are shown below:

	Opening balance	Charge for the year	Utilisation	Transfers to pension funds	Closing balance
Staff leaving indemnity	3,263,294	1,389,661	8,005	1,367,797	3,277,153

The transfer to the pension funds took place in compliance with the regulations in force (Law no. 296 of 27 December 2007).

## PAYABLES

Payables were recorded under liabilities for a total of € 63,149,535 (€ 58,946,741 in the previous financial year).

The break-down of the individual items is shown as follows:

	Opening balance	Closing balance	Change
Bank borrowings	5,738	0	-5,738
Other financial debt	0	697,202	697,202
Trade payables	34,766,476	34,459,658	-306,818
Due to parent companies	189,150	91,611	-97,539
Due to companies under the control of parent companies	17,268,989	22,670,949	5,401,960
Tax payable	666,523	656,839	-9,684
Due to insurance and pension institutes	1,529,006	1,494,850	-34,156
Other payables	4,520,859	3,078,426	-1,442,433
<b>Total</b>	<b>58,946,741</b>	<b>63,149,535</b>	<b>4,202,794</b>

The item “Other financial debt” reflected the payable for collections to be transferred to the factoring company that had been recorded under “Other payables” in the previous financial year.

“Trade payables” were stated net of trade discounts; cash discounts were instead recorded upon payment. The nominal value of these payables has been adjusted, on the occasion of returns or rebates (invoicing adjustments), to the amount set with the counterpart.

The item “Due to companies under the control of parent companies”, equal to € 22,670,949 is composed by:

	Opening balance	Closing balance	Change
<b>Cash pooling payables to companies under the control of parent companies</b>	11,589,949	11,498,197	-91,752
<b>Due to companies under the control of parent companies</b>	5,679,040	11,172,752	5,493,712
<b>Total</b>	17,268,989	22,670,949	5,401,960

As mentioned in the Directors' Report, since October 2011 the Company has been adhering to the group cash-pooling managed by the related concern Novelis AG.

The related credits and debits are remunerated at market rates and governed by a specific contract.

Due to parent companies and due to companies under the control of the latter are detailed in the Directors' Report.

In the item "Tax payable within 12 months" were recorded payables to Tax authorities for source withheld taxes. The item included € 71,195 to be paid within June, 30, following the settlement of the dispute with the Revenue Authorities concerning the advance withholding taxes for financial years 2012 and 2013.

The item "Other payables" is made up by:

	Opening balance	Closing balance	Change
<b>Payables to employees for vacations accrued, year-end bonus, fourteenth-month pay, bonuses</b>	2,762,164	2,525,298	-236,866
<b>Payables to factoring companies/ collections to be transferred</b>	1,207,626	0	-1,207,626
<b>Others</b>	433,225	455,888	22,663
<b>Payables towards Statutory Auditors for emoluments</b>	117,844	97,240	-20,604
<b>Total</b>	4,520,859	3,078,426	-1,442,433

As previously explained, "Payables to factoring companies" have been reclassified under item "Other financial debt".

### Payables – break-down by maturity dates

Below is the break-down of payables by maturity dates, pursuant to Art. 2427, para. 1 point 6 of the Italian Civil Code:

	Within 12 months	After 12 months	Total
Other financial debt	697,202	0	697,202
Trade payables	34,459,658	0	34,459,658
Due to parent companies	91,611	0	91,611
Due to companies under the control of parent companies	22,657,070	13,879	22,670,949
Tax payable	656,839	0	656,839
Due to insurance and pension institutes	1,494,850	0	1,494,850
Other payables	3,078,426	0	3,078,426
<b>Total</b>	<b>63,135,656</b>	<b>13,879</b>	<b>63,149,535</b>

### Payables – break-down by geographical area

Below is the break-down of payables by geographical area, pursuant to Art. 2427, para. 1 point 6 of the Italian Civil Code:

	Italy	Other EU countries	Rest of Europe	Africa and Middle East	Other	Total
Other financial debt	0	697,202	0	0	0	697,202
Trade payables	23,552,355	1,803,978	3,776,419	5,311,052	15,854	34,459,658
Due to parent companies	0	0	0	0	91,611	91,611
Due to companies under the control of parent companies	0	8,891,961	13,778,988	0	0	22,670,949
Tax payable	656,839	0	0	0	0	656,839
Due to insurance and pension institutes	1,494,850	0	0	0	0	1,494,850
Other payables	3,078,426	0	0	0	0	3,078,426
<b>Total</b>	<b>28,782,470</b>	<b>11,393,141</b>	<b>17,555,407</b>	<b>5,311,052</b>	<b>107,465</b>	<b>63,149,535</b>

### ACCRUED LIABILITY AND DEFERRED INCOME

There were no accrued liability and deferred income at 31 March 2018.

## INCOME STATEMENT

For the comments on the trend of operating income and expenses, please refer to the Directors' Report.

### VALUE OF PRODUCTION

	Prior period	Current period	Change
Revenues from sales and rendering of services	170,792,089	174,241,039	3,448,950
Change in inventories	5,749,412	1,217,961	-4,531,451
Other revenues and income	7,445,016	7,825,245	380,229
<b>Total</b>	<b>183,986,517</b>	<b>183,284,245</b>	<b>-702,272</b>

### Revenues from sales and rendering of services – Break-down by type of activities

The following table contains the break-down of revenues by type of activities in accordance with Art. 2427, para. 1, point 10 of the Italian Civil Code:

	Prior period	Current period	Change
Sale of products	164,928,329	170,551,025	5,622,696
Sale of goods	5,861,880	3,688,989	-2,172,891
Sale of ancillary materials	1,880	1,025	-855
<b>Total</b>	<b>170,792,089</b>	<b>174,241,039</b>	<b>3,448,950</b>

The table shows an increase in the sale of products even if with lower margins, while the sale of goods reflected a decrease due to the sales of painted products.

### Revenues from sales and rendering of services - Break-down by geographical area

The following table contains the break-down of revenues by geographical area in accordance with Art. 2427, para. 1, point 10 of the Italian Civil Code:

	Prior period	Current period	Change
Italy	56,463,112	59,970,212	3,507,100
Other EU countries	103,080,210	106,327,417	3,247,207
Rest of Europe	3,784,086	2,769,635	-1,014,451
Africa and Middle East	6,104,962	4,502,361	-1,602,601
Asia	507,982	194,922	-313,060
America and Canada	851,737	476,492	-375,245
<b>Total</b>	<b>170,792,089</b>	<b>174,241,039</b>	<b>3,448,950</b>

Intra-group sales are outlined in the Directors' Report.

## Other revenues and income

Other revenues and income were recorded under Value of production in the Income Statement for a total of € 7,825,245 (€ 7,445,016 in the previous financial year).

The break-down of the individual items is shown below:

	Prior period	Current period	Change
Services to Group companies	6,767,205	7,628,137	860,932
Reimbursement of expenses	94,151	80,449	-13,702
Capital gains from disposals	30,777	0	-30,777
Prior-year over-accruals	481,860	61,005	-420,855
Sundry revenues and income	71,023	55,654	-15,369
<b>Total</b>	<b>7,445,016</b>	<b>7,825,245</b>	<b>380,229</b>

Services to Group companies included € 6,035,373 for Market assistance fees, this year acknowledged by Novelis Inc.

## PRODUCTION COSTS

	Prior period	Current period	Change
Raw, ancillary and consumable materials	118,087,834	119,581,653	1,493,819
Costs of services	33,682,846	30,611,492	-3,071,354
Leases and rentals	1,034,829	1,063,526	28,697
Wages and salaries	16,385,625	16,439,365	53,740
Social security contributions	6,583,452	6,616,108	32,656
Staff leaving indemnity	1,402,107	1,389,661	-12,446
Other personnel costs	535,711	318,977	-216,734
Amortisation of intangible assets	53,552	46,322	-7,230
Depreciation of property, plant and equipment	6,641,042	6,590,460	-50,582
Write-downs of receivables included under current assets	229,226	4,487	-224,739
Change in inventories of raw materials	-44,730	-1,649,236	-1,604,506
Provisions for risks	146,878	0	-146,878
Other operating expenses	1,188,380	1,406,935	218,555
<b>Total</b>	<b>185,926,752</b>	<b>182,419,750</b>	<b>-3,507,002</b>

### Raw, ancillary and consumable materials

The item "Raw, ancillary and consumable materials" included the purchases with the Group companies (Novelis Deutschland GMBH, Novelis Switzerland SA and Novelis PAE), as reported in the Directors' Report.

## Costs of services

Costs of services were recognised under Production costs in the Income Statement for a total of € 30,611,492 (€ 33,682,846 in the previous financial year).

The break-down of the item is as follows:

	Prior period	Current period	Change
<b>Purchases of services</b>	3,370,639	3,438,949	68,310
<b>Transport</b>	4,589,919	4,301,950	-287,969
<b>External processes</b>	1,127,904	1,073,215	-54,689
<b>Electric power</b>	6,744,700	5,618,306	-1,126,394
<b>Gas</b>	4,211,993	3,506,571	-705,422
<b>Water</b>	130,884	106,973	-23,911
<b>Maintenance and repair costs</b>	3,065,033	3,061,430	-3,603
<b>Technical counselling and services</b>	1,626	4,948	3,322
<b>Emoluments to Statutory Auditors and Independent Auditors</b>	152,333	178,831	26,498
<b>Commission expense</b>	443,127	453,128	10,001
<b>Advertising</b>	27,504	17,648	-9,856
<b>Legal expenses and advice</b>	64,126	105,579	41,453
<b>Tax, administrative and commercial advice</b>	74,766	99,312	24,546
<b>Telephone expenses</b>	8,376	12,807	4,431
<b>Insurance</b>	563,305	496,194	-67,111
<b>Entertainment expenses</b>	924	679	-245
<b>Travelling expenses</b>	320,944	281,604	-39,340
<b>Refresher and training expenses</b>	119,485	82,283	-37,202
<b>Severance indemnity</b>	5,810	6,469	659
<b>Other</b>	8,659,448	7,764,616	-894,832
<b>Total</b>	33,682,846	30,611,492	-3,071,354

The decrease in electric power and gas was due to the new rates resulting from the renewal of the contract. The item "Other" included the services supplied by the Group companies, as outlined in the Directors' Report.

## Leases and rentals

Leases and rentals were recognised under Production costs in the Income Statement for a total of € 1,063,526 (€ 1,034,829 in the previous financial year).

The break-down of the items is shown below:

	Prior period	Current period	Change
<b>Rents and leases</b>	243,468	218,339	-25,129
<b>Leasing</b>	791,361	845,187	53,826
<b>Total</b>	1,034,829	1,063,526	28,697

## Personnel costs

Personnel costs were recognised under Production costs in the Income Statement for a total of € 24,764,111 (€ 24,906,895 in the previous financial year).

This item comprised all subordinate employee costs, including merit payments, promotions, cost-of-living increases, cost of untaken holidays and provisions allocated as required by law and collective agreements.

## Amortisation and depreciation

Amortisation of intangible assets and depreciation of property, plant and equipment were recorded under Production costs in the Income Statement for a total of € 6,636,782 (€ 6,694,594 in the previous financial year).

As to depreciation, take note that it has been calculated based on the asset's useful life and its use in the production phase.

## Other operating expenses

Other operating expenses were recognised under Production costs in the Income Statement for € 1,406,935 (€ 1,188,380 in the previous financial year).

The break-down of the item is shown below:

	Prior period	Current period	Change
Stamp duties	2,802	562	-2,240
IMU (Municipal property tax)	416,991	402,383	-14,608
Registration tax	367	5,928	5,561
Chamber of Commerce dues	3,807	4,424	617
Losses on receivables	2,898	4,222	1,324
Prior-year charges and losses	714,108	498,334	-215,774
Capital losses from disposals	0	72,128	72,128
Miscellaneous	47,407	418,954	371,547
<b>Total</b>	<b>1,188,380</b>	<b>1,406,935</b>	<b>218,555</b>

The item "Miscellaneous" included the cost of € 355,980 for the settlement of the dispute with the Revenue Authorities concerning the advance withholding taxes for financial years 2012 and 2013.

## FINANCIAL INCOME AND CHARGES

The item "Other income" referred to interest on trade receivables for € 650 (€ 823 in the previous financial year).

## Interest and other financial charges

The following table contains the analysis of "Interest and other financial charges" in accordance with Art. 2427, para. 1, point 12 of the Italian Civil Code:

	Prior period	Current period	Change
Related to bank borrowings	5	1	-4
Related to companies under the control of parent companies	125,537	206,587	81,050
Others	258,723	234,648	-24,075

<b>Total</b>	384,265	441,236	56,971
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Interest related to the companies under the control of parent companies reflected the cash-pooling debit position, while other financial charges referred to interest and fees related to factoring for € 233,789.

### Exchange gains and losses

Below is given the information regarding the break-down of exchange gains and losses deriving from valuation at year-end and those actually realised:

	Prior period	Current period	Change
Exchange gains	833,447	459,056	-374,391
Exchange losses	1,093,858	470,423	-623,435
<b>Total</b>	<b>-260,411</b>	<b>-11,367</b>	<b>249,044</b>

The amount of unrealised exchange gains at 31 March 2018 was not significant.

### CURRENT AND DEFERRED INCOME TAXES FOR THE YEAR

Description	Prior period	Current period	Change
<b>Current taxes</b>			
IRES	-	-	-
IRAP	- 364,375	93,977	458,352
Prior years' taxes	-28,469	125,694	154,163
<b>Total</b>	<b>- 392,844</b>	<b>219,671</b>	<b>612,515</b>

### Deferred taxation

The following table summarises the deferred taxes recognised in the previous financial periods in relation to the income temporary differences reversing from the taxable period starting on April 1, 2017 onwards.

Description	Prior period		Current period	
	Temporary differences	Tax effect Ires (24%) + Irap (3.9%)	Temporary differences	Tax effect Ires (24%) + Irap (3.9%)
<b>Net deferred tax assets:</b>				
Deferred tax assets – Tax losses	14,438,612	3,465,267	14,438,612	3,465,267
Deferred tax liabilities – Land revaluation ex Leg. Decree 2008	12,060,894	3,364,989	12,060,894	3,364,989
<b>Total</b>	<b>2,377,717</b>	<b>100,277</b>	<b>2,377,717</b>	<b>100,277</b>

For the sake of providing complete information, below are tabled deferred tax assets and liabilities recognised in the accounts (shown above) and the theoretical deferred tax assets and liabilities (i.e. not recognised in the

financial statements) according to the schedule proposed by OIC.

### Theoretical deferred tax assets and liabilities and related effects

Description	Temporary differences at the beginning of the year	Tax decreases	Tax increases	Temporary differences at the end of the year	Theoretical fiscal effect on final temporary differences	
					IRES 24%	IRAP 3.90%
<b>Deferred tax assets:</b>						
Provisions for risks and charges and other temporary changes	514,848	- 664,592	629,771	565,027	115,207	17,595
Costs fiscally deductible in future financial years	165,806	- 11,797	-	69,009	36,962	2,691
Provision for doubtful accounts	953,750	- 220,019	4,487	738,218	177,172	-
<b>TOTAL DEFERRED TAX ASSETS</b>	<b>1,634,405</b>	<b>- 896,408</b>	<b>634,258</b>	<b>1,372,254</b>	<b>329,341</b>	<b>20,286</b>
<b>Deferred tax liabilities:</b>						
Revaluation	12,060,894	-	-	12,060,894	- 2,894,615	- 470,375
<b>TOTAL DEFERRED TAX LIABILITIES</b>	<b>12,060,894</b>	<b>-</b>	<b>-</b>	<b>12,060,894</b>	<b>- 2,894,615</b>	<b>- 470,375</b>
<b>TOTAL NET</b>				<b>10,688,640</b>	<b>- 2,565,274</b>	<b>- 450,089</b>
<b>Tax losses that can be carried forward:</b>						
Tax losses available to a limited extent	41,926,464	- 2,313,105	-	39,613,359	9,507,206	-
Tax losses available to a full extent	10,765,250	- 384,071	-	10,381,179	2,491,483	-
<b>Total tax losses that can be carried forward</b>	<b>52,691,714</b>	<b>- 2,697,176</b>	<b>-</b>	<b>49,994,538</b>	<b>11,998,689</b>	<b>-</b>
<b>TOTAL DEFERRED TAX ASSETS</b>					<b>8,983,327</b>	<b>-</b>

With regard to the movement of tax losses that can be carried forward, it should be noted that:

the decrease in "tax losses available to a limited extent", equal to € 2,313,105, is composed by:

- losses used in the tax assessment procedure with acceptance pertaining to the taxable period closed 31 March 2013 for € 233,016;
- losses used in the 2018 financial year for € 77,174;
- the adjustment made in the tax-return (Unico 2017) on the prior fiscal year's tax losses, equal to € 2,002,915.

the decrease in "tax losses available to a full extent", equal to € 384,071, is composed by:

- losses used in the 2018 financial year for € 19,294;
- the adjustment made in the tax-return (Unico 2016) on the prior fiscal year's tax losses, equal to € 364,777.

### Deferred tax assets

Deferred tax assets were not recognised in the amount of € 320,927 (made up of € 302,856 and € 18,071) for prudential reasons.

With regard to “total tax losses that can be carried forward” shown in the schedule (€ 49,994,538), it should be noted that:

- deferred tax assets were accounted for on € 14,438,612 (as outlined above);
- deferred tax assets were not recognised on the remaining part (€ 35,555,926) for prudential reasons, though they can be carried forward without timing limitation.

### Deferred tax liabilities

The item included deferred tax liabilities on the revaluation of land pursuant to Legislative Decree 185/2008.

### Tax charge reconciliation

In order to allow a reconciliation between the tax charge from the accounts and the theoretical tax charge, in accordance with the appropriate accounting principles (OIC document no. 25) below are reported the differences relevant to IRES and IRAP purposes.

RECONCILIATION BETWEEN TAX CHARGE FROM THE ACCOUNTS AND THEORETICAL TAX CHARGE (IRES)	
<b>Pre-tax result (loss)</b>	(1,434,484 )
<i>Theoretical tax charge (27.5% tax rate)</i>	-
<b>Temporary differences:</b>	
<u>- Deductible in subsequent years:</u>	
Charge to the provision for risks and charges	629,771
Charge to the provision for doubtful accounts	-
Other costs	-
	629,771
<u>- Taxable in subsequent years:</u>	
<b>Tot.</b>	-
<b>Reversal from previous years:</b>	
Release from provision for risks and charges	(664,592 )
Release from provision for doubtful accounts	(220,019 )
Release of deferred tax assets	(50,197 )
Release of deferred tax liabilities	0
Other costs	

	<b>Tot.</b>		(934,808 )
<b>Permanent differences:</b>			
<u>- For the year :</u>			
non-deductible amortisation/depreciation		0	
Telephone expenses		33,597	
Travelling expenses		42,241	
Non-deductible tax and duties		496,405	
Prior-year operating costs		155,869	
Other non-deductible costs		1,437,649	
Staff indemnity leaving (TFR)		(49,650 )	
Prior years' taxes		0	
10% Irap deduction		(13,238 )	
Deductible Irap related to personnel costs		(19,968 )	
20% recovery related to IMU ( <i>Municipal property tax</i> )		(74,142 )	
expenses and other items not deducted in prior years		(292,774 )	
Income taxes for the year		120,000	
	<b>Tot.</b>		1,835,989
<b>Gross taxable income (tax loss)</b>			
			<b>96,468</b>
Tax losses that can be carried forward from prior years		50,091,006	
<b>Net taxable income (tax losses that can be carried forward)</b>			
			<b>(49,994,538 )</b>
<i>Current IRES income tax for the year</i>			
			-

**RECONCILIATION BETWEEN TAX CHARGE FROM THE ACCOUNTS AND  
THEORETICAL TAX CHARGE (IRAP)**

<b>Difference between production value and cost</b>			<b>864,495</b>
Costs not relevant to Irap purposes		24,768,598	
	<b>Total</b>		<b>25,633,093</b>
<i>Theoretical tax charge (3.9% tax rate)</i>			999,691
<b>Temporary differences:</b>			
<u>- Deductible in subsequent years:</u>			
Charge to the provision for risks and charges		496,114	
Other costs		-	

	<b>Tot.</b>		496,114	
<b>- Taxable in subsequent years:</b>				
	<b>Tot.</b>		-	
<b>Reversal from previous years:</b>				
Release from provision for risks and charges		(849,756 )		
Release from other provisions		(11,797 )		
	<b>Tot.</b>		(861,553 )	
<b>Permanent differences:</b>				
<b>- For the year :</b>				
Losses on receivables		294,168		
IMU (Municipal property tax)		370,711		
Other non-deductible items		319,871.86		
Other non-deductible costs		1,437,648.94		
Other decreases		(6,571 )		
	<b>Tot.</b>		2,415,828.74	
<b>Gross taxable income (tax loss)</b>			<b>27,683,482</b>	
Tax wedge		(24,289,202 )		
<b>Net taxable income</b>			<b>3,394,280</b>	
<i>Current IRAP tax for the period</i>				<b>132,377</b>
<b>ACE receivables</b> (amounts paid-in for future capital increase)	10,000,000	Tax rate 1.6% to 24%	-	38,400
<b>Total IRAP tax for the period</b>				<b>93,977</b>

## OTHER INFORMATION

### Employment data

The average size of the Company's workforce, broken-down by category, recorded the following changes compared to the previous financial year:

Staff	2018 FY	2017 FY
Executives	8	9
Office workers	130	129
Manual workers	234	234
Fixed-term contracts (manual workers)	15	20
<b>Total</b>	<b>387</b>	<b>392</b>

The changes were essentially due to the corporate reorganisation resulting in a reduced number of the units employed on a fixed-term basis for summer rotation.

The relevant national labour contract in force is the contract applicable to the metal and mechanical industry.

### Remuneration to the Corporate bodies

The compensation given to the Board of Statutory Auditors, equal to € 64,750, remained unchanged from the previous financial year.

Directors were not entitled to any compensation being all employed by the Novelis Group.

### Fees to the auditing firm

Below is reported the information concerning the fees due to the auditing firm, pursuant to Art. 2427 para. 1, point 16 bis of the Italian Civil Code:

Description	Prior period	Current period	Change
Legal audit of the accounts	85,000	68,000	-17,000
Services other than the legal audit	20,000	65,000	45,000
<b>Total</b>	<b>105,000</b>	<b>133,000</b>	<b>28,000</b>

### Information on exceptional costs and revenues

The Company, in the course of the financial year, did not record any exceptional costs and revenues as contemplated by Art. 2427, para. 1, point 13 of the Italian Civil Code.

### Financial instruments

Pursuant to Art. 2427-bis, para. 1, point 1) of the Italian Civil Code, below are provided the fair value and the information on the entity and nature of the outstanding transactions related to the exchange rate risk management and to the metal price risk management (Fixed Forward Price):

Type of contract	Currency	Amount in currency	Amount in Euro	Positive FV	Negative FV	Total FV in Euro
Purchase	USD	20,107,329	16,432,371	59,057	-226,528	-167,471
Sale	USD	1,506,351	1,233,912	21,858	-3,759	18,099
Sale	GBP	340,438	383,557	9	-4,194	- 4,185
				<b>80,924</b>	<b>- 234,481</b>	<b>- 153,557</b>

Type of contract	Tons	Nominal value in USD	Nominal value in Euro	Positive FV	Negative FV	Total FV in Euro
Purchase of metal	7.017	14,800,872	12,012,720	-	- 628,260	- 628,260

The counterpart of the above-mentioned transactions is the company Novelis AG, which is subject to the control of the parent companies.

Positive and negative balances related to the forward contracts outstanding at 31 March 2018 and valued as hedging instruments were recorded respectively in the Balance Sheet items "Derivative assets" under Current financial assets and "Derivative liabilities" under Provisions for risks and charges.

## Commitments, guarantees and potential liabilities

**Guarantees in favour of third parties** – securities for € 610 thousand issued by credit institutions in favour of the Customs Authorities for temporary import.

## Contingent liabilities

With regard to the main tax assessments received and the pending litigation relating to direct and indirect taxes, it should be noted the following.

### 2005 taxable income (financial year closed as at 31.12.2005)

As already outlined in the Notes to the Financial Statements of the previous financial year, in the course of 2013 the Company was unsuccessful in the appeal – filed by the Revenue Authorities before the Milan Provincial Tax Commission – in relation to the notice of assessment for VAT pertaining to the 2005 taxable period (€ 263,853 plus interest and penalties).

Against this judgment of second instance, the Company filed:

- an appeal to the Court of Cassation;
- an appeal for partial revocation to the Milan Provincial Tax Commission.

The Milan Provincial Tax Commission upheld the appeal for revocation of the judgment of second instance filed by the Company, thereby cancelling the notice of assessment in the amount € 167,804 for taxes (plus any related interest and penalties). It should be noted that the revocation judgment in favour of the Company became final, given that the Revenue Authorities had not filed an appeal to the Court of Cassation within the deadline provided for by the law.

The judgment of the Commission was declared, on the basis of the opinion expressed by an expert, voidable for vices which may be brought before the Court of Cassation.

Consequently, the Company – which in any case is waiting for a hearing before the Court of Cassation – has not set aside any provisions for risks.

The Company completed the instalment payment plan for the amount not covered by the revocation and for which an appeal was made to the Court of Cassation.

### 2007 taxable income (financial year closed as at 31.12.2007)

A notice of assessment for the 2007 taxable year was served in relation to the IRES tax (€ 841,043), IRAP

tax (€ 108,626), VAT (€ 509,722), withholdings on interest (€ 17,825), as well as penalties and interest for €2,440,370.

With regard to this assessment, the Company filed an appeal to the Milan Provincial Tax Commission, which was upheld in full.

Against this favourable judgement, the Revenue Authorities appealed to the Milan Provincial Tax Commission. The Company thus appeared before the judge by presenting its counter-deductions to the Milan Provincial Tax Commission on 11 April 2014.

The judgement of second instance, unfavourable to the Company, was challenged before the Court of Cassation.

On 22 April 2015, the Company received a notice from Equitalia (Italian State owned tax collection agency) requiring a payment of € 2,227,601.

The Company filed an appeal to suspend the collection, subsequently rejected by the Milan Provincial Tax Commission.

Consequently, the Company paid by instalments the requested amounts, which have been recorded in the item "Tax receivables", while awaiting for the judgment before the Court of Cassation, since it is deemed that the Company has valid defensive arguments.

2013 taxable income (financial year closed as at 31.3.2013)

The Revenue Authorities served:

- on 21 November 2017, a notice of assessment relating to the non-application of withholdings on royalties for an amount of € 149,706.00 as well as penalties (€ 164,676.60) and interest (€ 32,057.59). The Company filed an appeal to the Milan Provincial Tax Commission.
- on 13 December 2017, a notice of assessment relating to a higher IRES taxable income (due to higher taxable amounts in relation to Transfer Pricing) for € 245,849.40. No penalties are applicable. On 9 April 2018, the Company signed the deed of adherence whereby was agreed a higher IRES taxable income, equal to € 233,016.00, that will be deducted from the tax losses carried forward.

## **Related party transactions**

In order to ensure a correct transparency in the accounts, it should be noted that, in the financial year under review, related party transactions were carried out at arm's length. For further information on the related parties, please refer to the Directors' Report.

## **Agreements not resulting from the Balance Sheet**

The Company had no agreements in place not resulting from the Balance Sheet, which may have a significant impact on the financial position and results of operations of the Company pursuant to Art. 2427, para. 1, point 22-Ter of the Italian Civil Code.

## **Significant events subsequent to year-end**

No subsequent events occurred after the year end.

These Financial Statements, comprising the Balance Sheet, the Income Statement, the Cash Flow Statement and these Notes to the Financial Statements, give a true and fair view of the financial position and results of operations for the year ended 31 March 2018, and are in agreement with the accounting records.

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**Allocation of the result for the year**

The following resolution was proposed:

the Shareholders' Meeting, having heard the Board of Directors' remarks and taken due note of the Independent Auditor's Report and the Report of the Board of Auditors, unanimously resolved to approve:

- the Financial Statements as at 31 March 2018 and the Directors' Report.
- the proposal to carry forward the net loss of € 1,446,861.

Steven Kenneth Clarke  
Member of the Board of Directors  
Bresso, 24 April 2018