Novelis AG

Küsnacht

Report of the statutory auditor
to the General Meeting

on the financial statements 31 March 2020

pwc

Report of the statutory auditor

to the General Meeting of Novelis AG

Küsnacht

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Novelis AG, which comprise the balance sheet as at 31 March 2020, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements as at 31 March 2020 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

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.

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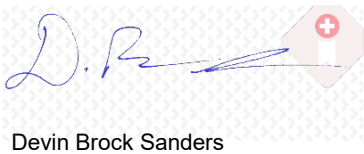

Patrick Balkanyi

Audit expert
Auditor in charge

Devin Brock Sanders

Zürich, 30 April 2020

Enclosures:

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

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Balance sheet

	Note	March 31, 2020 EUR	March 31, 2019 EUR	March 31, 2020 CHF	March 31, 2019 CHF
Assets					
Current assets					
Cash and cash equivalents		177 793 848	29 780 050	188 680 726	33 292 398
Trade receivables -					
Third parties		225 685 667	216 682 840	239 505 112	242 239 063
Group companies		65 818 173	72 458 249	69 848 427	81 004 192
Other receivables -					
Third parties	2.4	35 454 713	20 944 682	37 625 717	23 414 960
Group companies	2.4	21 036 937	9 186 192	22 325 095	10 269 639
Cash pooling with group companies	2.1	69 447 427	39 779 427	73 699 912	44 471 132
Cash pooling with shareholder	2.1	2 177 822	2 479 924	2 311 177	2 772 414
Inventories		11 299 323	15 368 856	11 991 216	17 181 504
Prepayments and accrued income -					
Third parties		1 199 534	606 620	1 272 985	678 167
		609 913 444	**407 286 840**	**647 260 367**	**455 323 469**
Fixed assets					
Financial assets -					
Other financial assets, third parties	2.4	58 168	3 756	61 730	4 199
Other financial assets, group companies	2.4	775 077	388 108	822 537	433 883
Investment in subsidiary		159 078 968	159 078 968	240 161 520	240 161 518
Tangible assets		488 559	592 638	518 476	662 536
Intangible assets		9 748 484	12 465 866	10 345 415	13 936 127
		170 149 256	**172 529 336**	**251 909 678**	**255 198 263**
Total assets		**780 062 700**	**579 816 176**	**899 170 045**	**710 521 732**
Liabilities and shareholders' equity					
Current liabilities					
Trade payables -					
Third parties		90 119 811	62 292 319	95 638 131	69 639 261
Group companies		16 742 789	17 835 455	17 768 003	19 939 022
Other current liabilities -					
Third parties	2.4	29 516 566	17 164 715	31 323 959	19 189 173
Group companies	2.4	16 620 384	13 859 321	17 638 102	15 493 931
Cash pooling with group companies	2.1	454 435 645	312 628 639	482 262 172	349 500 993
Accrued liabilities -					
Third parties		33 199 869	29 963 082	39 552 195	35 349 001
Shareholder		118 402	117 101	125 652	130 912
Short-term provisions -					
Third parties		5 177 738	3 771 187	5 494 787	4 215 972
		645 931 204	**457 631 819**	**689 803 001**	**513 458 265**
Non-current liabilities					
Long-term loans (interest-bearing) -					
Shareholder		9 368 076	9 368 075	9 941 712	10 472 974
Other non-current liabilities -					
Third parties	2.4	1 032 953	534 913	1 096 204	598 002
Group companies	2.4	1 927	1 925	2 045	2 152
Long-term provisions		2 572 851	4 472 602	2 730 394	5 000 114
		12 975 806	**14 377 515**	**13 770 355**	**16 073 242**
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		106 895 072	100 741 227	179 613 724	172 586 382
Net income/(loss) for the year		13 348 847	6 153 845	14 606 465	7 027 343
		121 155 689	**107 806 842**	**195 596 689**	**180 990 225**
Total liabilities and shareholders' equity		**780 062 700**	**579 816 176**	**899 170 045**	**710 521 732**

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Statement of Income for the financial year

	April 1, 2019 to March 31, 2020	April 1, 2018 to March 31, 2019	April 1, 2019 to March 31, 2020	April 1, 2018 to March 31, 2019
	EUR	**EUR**	**CHF**	**CHF**
	12 months	**12 months**	**12 months**	**12 months**
Net revenue from sales of goods	691 397 407	759 754 244	756 535 077	867 596 487
Income from services	49 368 447	47 394 218	54 019 529	54 121 523
Changes in inventories (finished goods & work-in-progress)	(1 429 607)	1 387 507	(1 564 292)	1 584 455
Costs of material	(574 892 252)	(640 687 556)	(629 053 783)	(731 629 046)
Operating expense	(104 638 003)	(107 985 199)	(114 496 118)	(123 313 006)
Administrative expense	(22 858 278)	(23 298 320)	(25 011 793)	(26 605 367)
Personnel costs	(30 891 015)	(29 782 977)	(33 801 307)	(34 010 480)
Depreciation and amortisation	(3 737 051)	(3 518 804)	(4 089 124)	(4 018 276)
Operating profit/(loss) before financial items	**2 319 648**	**3 263 113**	**2 538 189**	**3 726 290**
Financial income (operating incl. ABL)	(7 696 240)	2 216 525	(8 421 315)	2 531 146
Financial income FX	94 440 933	106 277 911	103 338 365	121 363 379
Financial income metal	93 494 338	87 691 013	102 302 591	100 138 190
Financial expense (operating incl. ABL)	(3 155 451)	(3 259 470)	(3 452 731)	(3 722 131)
Financial expense FX	(91 345 281)	(99 465 178)	(99 951 068)	(113 583 623)
Financial expense metal	(76 722 466)	(92 312 717)	(83 950 614)	(105 415 915)
Interest income	3 238 454	3 735 203	3 543 554	4 265 391
Interest expense	(1 147 549)	(1 940 895)	(1 255 662)	(2 216 392)
Income/(loss) before tax	**13 426 386**	**6 205 504**	**14 691 309**	**7 086 335**
Tax	(77 539)	(51 660)	(84 844)	(58 992)
Net income/(loss) for the period	**13 348 847**	**6 153 845**	**14 606 465**	**7 027 343**

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Notes to the financial statements for the year ended March 31, 2020

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.

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Notes to the financial statements for the year ended March 31, 2020

1.7 Foreign currencies

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

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) [1]
CHF/EUR	31.03.20	1.0942	1.0612	1.5097
CHF/EUR	31.03.19	1.1419	1.1179	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, 2020 EUR	March 31, 2019 EUR	March 31, 2020 CHF	March 31, 2019 CHF
Other receivables				
From cash pooling with group companies	69 447 427	39 779 427	73 699 912	44 471 132
From cash pooling with shareholder	2 177 822	2 479 924	2 311 177	2 772 414
Other current liabilities				
From cash pooling with group companies	454 435 645	312 628 639	482 262 172	349 500 993

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, 2020 EUR	March 31, 2019 EUR	March 31, 2020 CHF	March 31, 2019 CHF
All assets pledged	780 062 700	579 816 176	899 170 045	710 521 732
	780 062 700	579 816 176	899 170 045	710 521 732

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 $1.5 billion five-year asset based loan facility ("ABL Agreement")

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

As of March 31, 2020, there are $54.86 Mio outstanding borrowing under the ABL facility (2019: no outstanding) for the Novelis Inc. Group.

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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 2020, the balance outstanding under the non-recourse receivables purchase agreement is approximately EUR 217.7 million/CHF 231.0 million (31.03.2019: EUR 213.3 million/CHF 238.4 million).

Total amount given in guarantee

	March 31, 2020 EUR	March 31, 2019 EUR	March 31, 2020 CHF	March 31, 2019 CHF
Guarantees given	4 556 880	4 798 942	4 835 761	5 364 737
	4 556 880	4 798 942	4 835 761	5 364 737

2.3 Inventories

	March 31, 2020 EUR	March 31, 2019 EUR	March 31, 2020 CHF	March 31, 2019 CHF
Raw materials, consumables and supplies	10 385 360	13 031 611	11 021 288	14 568 597
Work in progress	600 903	1 250 607	637 698	1 398 108
Finished goods	313 060	1 086 638	332 230	1 214 800
Total inventory	11 299 323	15,368,856	11,991,216	17,181,505

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, 2020 EUR	March 31, 2019 EUR	March 31, 2020 CHF	March 31, 2019 CHF
Metal/forex derivatives receivables - third parties	35 198 572	20 695 079	37 353 891	23 135 918
Metal/forex derivatives receivables - group companies	19 063 171	8 734 352	20 230 469	9 764 508
Metal/forex derivatives payables - third parties	(26 745 384)	(14 409 088)	(28 383 088)	(16 108 539)
Metal/forex derivatives payables - group companies	(16 339 745)	(13 277 053)	(17 340 280)	(14 842 989)

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, 2020 EUR	March 31, 2019 EUR	March 31, 2020 CHF	March 31, 2019 CHF
Metal/forex derivatives receivables - third parties	58 168	3 756	61 730	4 199
Metal/forex derivatives receivables - group companies	775 077	388 108	822 537	433 883
Metal/forex derivatives payables - third parties	(883 917)	(402 489)	(938 042)	(449 960)
Metal/forex derivatives payables - group companies	(1 927)	(1 925)	(2 045)	(2 152)

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2.5 Amounts payable to pension funds

	March 31, 2020 EUR	March 31, 2019 EUR	March 31, 2020 CHF	March 31, 2019 CHF
Amounts payable to pension funds	0	205 826	0	235 042
	0	205 826	0	235 042

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, 2020 EUR	March 31, 2019 EUR	March 31, 2020 CHF	March 31, 2019 CHF
Future lease obligations				
Within one to five years	4 768 985	4 734 683	5 061 005	5 292 902
Over five years	437 186	1 245 036	463 956	1 391 826
Total	5 206 171	5 979 719	5 524 961	6 684 728

2.8 Full-time equivalents

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

3. Subsequent events

3.1 Coronavirus disease (Sars-CoV-2)

The current situation in respect of the coronavirus Sars-CoV-2 and its impact on the general economic development are critically observed by Management.
Due to Swiss Government measures taken, an important number of employees of Novelis AG are working from home since March 25th.
Novelis AG metal business experiences a strong demand for Can sheet ingots, offsetting a trend of reduced demand for automotive sheet ingots that is already perceivable.
The Nachterstedt Recycling plant is very well positioned having state-of-the-art technologies and having the capability to produce Can sheet ingots on both casting lines.
Management beliefs, that in the medium to long term, demand of aluminum for the Automotive business will continue to grow considering the continuous focus on CO2 emissions and environmental sustainability which makes aluminum the material of choice for the next generation of vehicles.
Based on the above the Management concluded that there is no material uncertainty that may cast significant doubt upon Novelis AG ability to continue as a going concern.

3.2 Acquisition of Aleris

In April 2020, Novelis group has finalized the acquisition of Aleris, a flat rolled aluminum producer in order to further expand its portfolio to the Aerospace business, where the aluminum utilization is expected to further grow in the next years.

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

	March 31, 2020 Proposal of the board of directors EUR	March 31, 2019 Proposal of the board of directors EUR	March 31, 2020 Proposal of the board of directors CHF	March 31, 2019 Proposal of the board of directors CHF
Retained earnings at the beginning of the year	106 895 072	100 741 227	179 613 726	172 586 383
Net income/(loss) for the year	13 348 847	6 153 845	14 606 465	7 027 343
Retained earnings at the disposal of the annual general meeting	120 243 919	106 895 072	194 220 191	179 613 726
Retained earnings to be carried forward	120 243 919	106 895 072	194 220 191	179 613 726
	120 243 919	106 895 072	194 220 191	179 613 726

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