Novelis Switzerland SA

Sierre

Report of the statutory auditor to the General Meeting

on the financial statements 2016/2017

pwc

Report of the statutory auditor
to the General Meeting of Novelis Switzerland SA
Sierre

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Novelis Switzerland SA, which comprise the balance sheet, income statement and notes, for the year ended 31 March 2017.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 March 2017 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

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

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

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

PricewaterhouseCoopers SA

Pierre-Alain Dévaud
Audit expert
Auditor in charge

Patrick Wagner
Audit expert

Lausanne, 28 April 2017

Enclosures:

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

Balance sheet at
(in Swiss Francs)

	March 31, 2017	March 31, 2016
Assets		
Current assets		
Liquid funds	32 653	13 433
Trade accounts receivable -		
Third parties, net	30 462 838	30 786 395
Group companies	62 346 262	50 762 148
Prepaid and accrued expenses -		
Third parties	2 812 092	938 679
Group companies	44 079	0
Other receivables -		
Third parties	15 621 947	14 430 645
Shareholders	281 404 224	221 856 727
Inventories, net	64 391 666	58 613 673
	457 115 761	377 401 700
Fixed assets		
Tangible fixed assets -		
Land and buildings	29 236 157	30 789 009
Machinery and other equipments	36 854 617	35 660 463
Construction in progress	2 588 260	5 555 881
Intangible fixed assets -		
Intellectual property	1 596 150	2 394 225
Softwares	266 911	186 964
	70 542 095	74 586 542
Other long-term assets		
Deposit	0	0
	0	0
Total assets	527 657 856	451 988 242

Novelis Switzerland SA, Sierre

Balance sheet at
(in Swiss Francs)

	March 31, 2017	March 31, 2016
Liabilities and shareholders' equity		
Current liabilities		
Trade accounts payable -		
Third parties	70 506 955	68 775 709
Group companies	45 377 662	25 524 182
Short-term liabilities bearing interest		
Due to third parties	23 057 987	26 799 891
Other current liabilities -		
Third parties	723 192	237 866
Accrued liabilities		
Third parties	29 766 085	22 021 265
Group companies	0	305
Short-term debts	20 862	31 102
	169 452 743	143 390 320
Non-current liabilities		
Long term debt -		
third parties	10 625	31 487
	10 625	31 487
Shareholders' equity		
Share capital	5 000 000	5 000 000
Legal reserve	2 500 000	2 500 000
Statutory retained earnings	301 066 435	228 856 057
Profit/loss for the year/period	49 628 053	72 210 378
	358 194 488	308 566 435
Total liabilities and shareholders' equity	527 657 856	451 988 242

Novelis Switzerland SA, Sierre

Statement of income for the period
(in Swiss Francs)

	April 1, 2016 - March 31, 2017	April 1, 2015 - March 31, 2016
Turnover		
Income from sales	740 425 872	682 132 363
Income from service fees	8 159 331	8 145 812
Sales deductions	(14 141 473)	(19 098 244)
	734 443 730	671 179 931
Materials used	(540 252 677)	(467 832 198)
Energy consumption costs	(11 309 594)	(12 750 793)
Variation in inventories	7 575 179	8 051 901
Gross profit	190 456 638	198 648 841
Personnel costs	(63 411 524)	(64 794 841)
Leasing	(8 950 941)	(8 872 053)
Maintenance	(8 285 350)	(7 583 909)
Other operating costs	(30 237 154)	(26 960 028)
Other income	450 916	383 874
Depreciation	(9 869 705)	(9 784 592)
Operating profit before financial items	70 152 880	81 037 292
Financial income	3 258 574	14 363 652
Financial expense	(11 852 229)	(4 968 199)
Operating profit	61 559 225	90 432 745
Non-operating expense	(663 873)	(4 388 661)
Income before tax	60 895 352	86 044 084
Taxes	(11 267 299)	(13 833 706)
Net income (loss) for the period	49 628 053	72 210 378

Notes to the financial statements 2017

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 since 1 January 2013). Significant balance sheet items are accounted for as follows:

1.1 Trade receivables

Trade receivables and other short-term receivables are carried at their nominal value.
Impairment charges are calculated for these assets on an individual basis; for the remainder, a general allowance of 5%, respectively 10%, has been made for Swiss, respectively non-Swiss receivable

1.2 Recognition of revenue

Revenues comprise all proceeds from the sale of Novelis Switzerland SA's standard products. Revenues from standard products are calculated on the basis of the product or service actually provided to the customer up to the balance sheet date. These revenues are recognised if the amount of revenue can be reliably measured and it is sufficiently probable that the economic benefits will flow to Novelis Switzerland SA.

1.3 Inventories

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

	March 31, 2017 SFr	March 31, 2016 SFr
Raw materials	29 610 415	29 688 415
Work in progress	20 217 457	16 744 834
Finished goods	13 529 187	11 172 135
Consumables and supplies	7 572 486	8 126 492
Valuation adjustments	(6 537 879)	(7 118 202)
	64 391 666	58 613 673

1.4 Non-current assets and leases

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

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

Property, plant and equipment	Useful life	Method
Building	33 to 40 years	100% linear
Machinery (production)	15 to 25 years	100% linear
Machinery (non-production)	3 to 15 years	100% linear
Vehicles	3 to 5 years	100% linear

Lease commitments not recorded in the balance sheet	**March 31, 2017 SFr**	**March 31, 2016 SFr**
Liabilities from capital leases	17 332 983	21 924 664
Future operating lease payments	15 631 029	17 203 411
	32 964 011	39 128 075

1.5 Assets pledged in favour of third parties

Casthouse	60 000 000	60 000 000
Trade accounts receivables	92 809 100	81 548 543
Cash	32 653	13 433
	152 841 753	141 561 976

At the balance sheet date Novelis Inc's senior secured facilities consisted of:
(1) a $1.8 billion five-year secured term loan credit facility ("Term Loan Agreement"), and
(2) a $1.0 billion five-year asset based loan facility (ABL Facility)
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, 2017, the outstanding borrowing under the ABL facility is $184 million (2016: $394 million) for the Novelis Inc. Group.

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

1.6 Guarantee

	March 31, 2017 SFr	March 31, 2016 SFr
Guarantee in favour of Listex Sàrl, Sierre	3 000 000	3 000 000

1.7 Amounts due to pension funds

Amounts due to pension funds	647 926	636 515
	647 926	636 515

1.8 Other contingent liabilities

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

1.9 Commitments

As of 31.03.2017, the company owns 430 (FY16: 476) open forward contracts for an estimated net fair value of +416'046 CHF (FY16: -2'782'768 CHF).

420 (FY16: 473) contracts hedging the FX rates risk for an estimated fair value amounting to +245'065 CHF (FY16: -2'771'946 CHF) and 10 (FY16: 3) contracts hedging the metal price risk for an estimated fair value amounting to '+170'981 CHF (FY16: -10’882 CHF) .

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

1.10 Foreign currencies

Functionnal currency for Novelis Switzerland SA is CHF.
Non CHF transactions are recorded in CHF at public daily currency exchange rates
Non CHF translations for closure are recorded in CHF at monthend currency exchange rates

1.11 Full-time equivalents

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

1.12 Derogation from the principle of continuity in the presentation.

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

1.13 Sierre Leases from Constellium Valais SA

We lease real and personal property at our Sierre, Switzerland rolling facility from a subsidiary of Constellium N.V. (Constellium) as part of long-term, renewable lease agreements.
In January 2017, Constellium submitted to the Company a notice of termination of the lease agreements on the grounds that the Company breached certain terms and failed to remedy the alleged breaches within the cure period under the lease agreements.
The Company believes it has not breached the lease agreements and Constellium does not have a right to terminate the leases.
Novelis has submitted the dispute to arbitration under the rules of the International Chamber of Commerce as required by the lease agreements, has filed formal challenges to the termination notice, and has requested a stay of execution of the notice of termination at least until the arbitration has concluded.

2. Movements on retained earnings

(in Swiss Francs)	March 31, 2017 SFr	March 31, 2016 SFr
Retained earnings at the beginning of the period	301 066 435	228 856 057
Appropriations of retained earnings resolved by general meeting		
Dividends	0	0
Appropriations to general legal reserve	0	0
Net income for the period	49 628 053	72 210 378
Retained earnings at the disposal of the annual general meeting	350 694 488	301 066 435

Proposal of the board of directors for appropriation of retained earnings

	2017 Proposal of the board of directors
Gross dividend	0
Appropriation to general	0
legal reserve	0
To be carried forward	350 694 488
	350 694 488