Novelis AG

Küsnacht

Report of the statutory auditor to the General Meeting on the financial statements 2017

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Report of the statutory auditor

to the General Meeting of Novelis AG

Küsnacht

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Novelis AG, which comprise the balance sheet, income statement and notes, for the year ended 31 March 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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In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

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

PricewaterhouseCoopers AG

Patrick Balkanyi

Mei Ling Ow

Audit expert
Auditor in charge

Zürich, 28 April 2017

Enclosures:

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

Novelis AG, Kuesnacht

Balance sheet

	Note	March 31, 2017 EUR	March 31, 2016 EUR	March 31, 2017 CHF	March 31, 2016 CHF
Assets					
Current assets					
Cash and cash equivalents		35 155 242	10 940 150	37 571 062	11 964 294
Trade receivables -					
Third parties		199 556 352	183 232 643	213 269 588	200 385 655
Group companies		68 649 732	41 431 871	73 367 246	45 310 446
Other receivables -					
Third parties	2.4	41 206 270	22 813 106	44 037 907	24 948 716
Group companies	2.4	77 985 104	25 276 886	83 344 131	27 643 138
Cash pooling with group companies	2.1	29 557 496	114 104 357	31 588 646	124 786 042
Cash pooling with shareholder	2.1	3 365 546	3 542 295	3 596 822	3 873 901
Short-term loans -					
Group companies		100 000 000	0	106 871 861	0
Inventories		9 867 473	7 257 674	10 545 552	7 937 089
Prepayments and accrued income -					
Third parties		927 422	849 826	991 153	929 381
Group companies		116 667	0	124 684	0
		566 387 304	**409 448 808**	**605 308 652**	**447 778 662**
Fixed assets					
Financial assets -					
Other financial assets, third parties	2.4	888 341	53 365	949 386	58 361
Other financial assets, group companies	2.4	495 371	110 484	529 412	120 827
Investment in subsidiary		159 078 968	159 078 968	240 161 518	240 161 518
Tangible assets		894 448	1 133 031	955 914	1 239 097
Intangible assets		18 990 333	20 723 133	20 295 322	22 663 094
		180 347 461	**181 098 981**	**262 891 552**	**264 242 897**
Total assets		**746 734 765**	**590 547 789**	**868 200 204**	**712 021 559**

Novelis AG, Kuesnacht

Balance sheet

	Note	March 31, 2017 EUR	March 31, 2016 EUR	March 31, 2017 CHF	March 31, 2016 CHF
Liabilities and shareholders' equity					
Current liabilities					
Trade payables -					
Third parties		75 299 971	77 708 273	80 474 480	84 982 801
Group companies		24 385 564	12 780 837	26 061 306	13 977 293
Other current liabilities -					
Third parties	2.4	86 142 930	33 649 178	92 062 552	36 799 188
Group companies	2.4	39 088 726	15 631 626	41 774 849	17 094 954
Cash pooling with group companies	2.1	377 952 352	292 036 913	403 924 711	319 375 451
Accrued liabilities -					
Third parties		9 267 571	13 179 398	13 558 399	17 093 265
Group companies		0	7 808 918	0	8 539 936
Shareholder		117 101	118 402	125 148	129 486
Short-term debts (interest-bearing) -					
Third parties		505 299	0	540 022	0
Short-term provisions -					
Third parties		3 889 845	5 129 790	4 157 148	5 610 005
		616 649 359	**458 043 335**	**662 678 615**	**503 602 379**
Non-current liabilities					
Long-term loans (interest-bearing) -					
Shareholder		9 368 075	9 368 075	10 011 837	10 245 052
Long-term provisions		1 198 543	452 373	1 280 905	494 721
Other non-current liabilities -					
Third parties	2.4	610 077	119 829	652 001	131 046
Group companies	2.4	894 813	7 098	956 303	7 762
		12 071 508	**9 947 375**	**12 901 046**	**10 878 581**
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		121 645 309	136 860 257	196 164 099	212 524 734
Net income/(loss) for the year		(4 543 181)	(15 214 948)	(4 920 056)	(16 360 635)
		118 013 898	**122 557 079**	**192 620 543**	**197 540 599**
Total liabilities and shareholders' equity		**746 734 765**	**590 547 789**	**868 200 204**	**712 021 559**

Novelis AG, Kuesnacht

Statement of income for the financial year

	April 1, 2016 to March 31, 2017	April 1, 2015 March 31, 2016	April 1, 2016 to March 31, 2017	April 1, 2015 March 31, 2016
	EUR	**EUR**	**CHF**	**CHF**
	12 months	**12 months**	**12 months**	**12 months**
Net revenue from sales of goods	574 516 176	529 620 429	622 174 763	569 500 847
Income from services	45 311 813	45 756 939	49 070 622	49 202 437
Changes in inventories (finished goods & work-in-progress)	1 343 656	(159 037)	1 455 118	(171 013)
Costs of material	(484 458 390)	(478 160 840)	(524 646 297)	(514 166 351)
Operating expense	(92 297 063)	(69 525 730)	(99 953 502)	(74 761 018)
Administrative expense	(18 002 296)	(19 732 949)	(19 495 664)	(21 218 840)
Personnel costs	(29 198 910)	(25 416 569)	(31 621 084)	(27 330 436)
Depreciation and amortisation	(3 284 440)	(2 975 658)	(3 556 898)	(3 199 725)
Impairment of intangible assets	0	(3 465 829)	0	(3 726 806)
Operating profit/(loss) before financial items	**(6 069 454)**	**(24 059 244)**	**(6 572 942)**	**(25 870 905)**
Financial income (operating incl. ABL)	51 687 707	42 041 014	55 975 425	45 206 702
Financial income FX	148 015 124	179 041 050	160 293 615	192 522 841
Financial income metal	296 934 399	345 228 883	321 566 384	371 224 618
Financial expense (operating incl. ABL)	(39 671 548)	(42 719 156)	(42 962 473)	(45 935 909)
Financial expense FX	(147 567 998)	(186 747 194)	(159 809 398)	(200 809 258)
Financial expense metal	(310 293 761)	(329 357 514)	(336 033 962)	(354 158 135)
Interest income	4 662 106	6 150 125	5 048 848	6 613 229
Interest expense	(2 200 538)	(4 521 658)	(2 383 082)	(4 862 139)
Income/(loss) before tax	**(4 503 963)**	**(14 943 694)**	**(4 877 585)**	**(16 068 956)**
Tax	(39 218)	(271 254)	(42 471)	(291 679)
Net income/(loss) for the period	**(4 543 181)**	**(15 214 948)**	**(4 920 056)**	**(16 360 635)**

Notes to the financial statements for the year ended March 31, 2017

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

Significant financial statement items are accounted as follows:

1.1 Trade receivables and other short-term receivables

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

1.2 Inventories

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

1.3 Recognition of revenue

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

1.4 Non-current assets

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

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

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

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

1.5. Assets with observable market price

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

1.6. Leases

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

1.7 Foreign currencies

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

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

Rate	Income Statement	Balance Sheet	Balance Sheet (historical rate) [1]
CHF/EUR	1.083	1.069	1.510

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, 2017 EUR	**March 31, 2016** EUR	**March 31, 2017** CHF	**March 31, 2016** CHF
Other receivables				
From cash pooling with group companies	29 557 496	114 104 357	31 588 646	124 786 042
From cash pooling with shareholder	3 365 546	3 542 295	3 596 822	3 873 901
Other current liabilities				
From cash pooling with group companies	377 952 352	292 036 913	403 924 711	319 375 451

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, 2017 EUR	**March 31, 2016** EUR	**March 31, 2017** CHF	**March 31, 2016** CHF
All assets pledged	746 734 765	590 547 789	868 200 204	712 021 559
	746 734 765	590 547 789	868 200 204	712 021 559

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

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

As of March 31, 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.

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 2017, the balance outstanding under the non-recourse receivables purchase agreement is approximately EUR 188.7 million/CHF 201.7 million (2016: EUR 172.0 million/CHF 188.2 million).

Total amount given in guarantee

	March 31, 2017 EUR	**March 31, 2016** EUR	**March 31, 2017** CHF	**March 31, 2016** CHF
Guarantees given	12 491 788	3 982 056	13 349 974	4 354 830
	12 491 788	3 982 056	13 349 974	4 354 830

2.3 Inventories

	March 31, 2017 EUR	**March 31, 2016** EUR	**March 31, 2017** CHF	**March 31, 2016** CHF
Raw materials, consumables and supplies	8 312 733	7 046 590	8 883 972	7 706 245
Work in progress	1 554 740	159 037	1 661 580	173 925
Finished goods	0	52 047	0	56 919
Total inventory	9 867 473	7'257'674	10 545 552	7'937'089

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, 2017** EUR	**March 31, 2016** EUR	**March 31, 2017** CHF	**March 31, 2016** CHF
Metal/forex derivatives receivables - third parties	40 996 792	22 536 231	43 814 034	24 645 922
Metal/forex derivatives receivables - group companies	69 427 707	24 862 373	74 198 682	27 189 821
Metal/forex derivatives payables - third parties	(83 896 635)	(31 189 177)	(89 661 895)	(34 108 898)
Metal/forex derivatives payables - group companies	(37 758 151)	(14 771 193)	(40 352 838)	(16 153 973)

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, 2017** EUR	**March 31, 2016** EUR	**March 31, 2017** CHF	**March 31, 2016** CHF
Metal/forex derivatives receivables - third parties	888 341	53 365	949 386	58 361
Metal/forex derivatives receivables - group companies	495 371	110 484	529 412	120 827
Metal/forex derivatives payables - third parties	(610 077)	(119 829)	(652 001)	(131 046)
Metal/forex derivatives payables - group companies	(894 813)	(7 098)	(956 303)	(7 762)

Notes to the financial statements for the year ended March 31, 2017

2.5 Amounts payable to pension funds

	March 31, 2017 EUR	March 31, 2016 EUR	March 31, 2017 CHF	March 31, 2016 CHF
Amounts payable to pension funds	0	222 072	0	243 243
	0	222 072	0	243 243

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, 2017 EUR	March 31, 2016 EUR	March 31, 2017 CHF	March 31, 2016 CHF
Future lease obligations				
Within one to five years	4 147 375	5 099 720	4 432 300	5 577 054
Total	4 147 375	5 099 720	4 432 300	5 577 054

2.8 Full-time equivalents

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

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

	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	Proposal of the board of directors EUR	Proposal of the board of directors EUR	Proposal of the board of directors CHF	Proposal of the board of directors CHF
Retained earnings at the beginning of the year	121 645 309	136 860 257	196 164 099	212 524 734
Net income/(loss) for the year	(4 543 181)	(15 214 948)	(4 920 056)	(16 360 635)
Retained earnings at the disposal of the annual general meeting	117 102 128	121 645 309	191 244 043	196 164 099
Retained earnings to be carried forward	117 102 128	121 645 309	191 244 043	196 164 099
	117 102 128	121 645 309	191 244 043	196 164 099