# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

# Form 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended December 31, 2020**

**or**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from to**

**Commission File Number: 001-32312**

# Novelis Inc.

**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Canada** | **98-0442987** |
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification Number)** |
| **3560 Lenox Road, Suite 2000 Atlanta, GA** | **30326** |
| **(Address of principal executive offices)** | **(Zip Code)** |

**(404) 760-4000**
**(Registrant's telephone number, including area code)**

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| N/A | N/A | N/A |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ¨ No ☒

The registrant is a voluntary filer and is not subject to the filing requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934. However, the registrant has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months.

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ¨ | Accelerated filer | ¨ |
| Non-accelerated filer | ☒ | Smaller reporting company | ¨ |
| Emerging growth company | ¨ | | |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No ☒

As of February 2, 2021, the registrant had 1,000 shares of common stock, no par value, outstanding. All of the registrant's outstanding shares were held indirectly by Hindalco Industries Ltd., the registrant's parent company.

**Novelis Inc.**

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## PART I. FINANCIAL INFORMATION

**Item 1. Financial Statements (unaudited)**

### Novelis Inc.
### CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

| *in millions* | Three Months Ended December 31, 2020 | Three Months Ended December 31, 2019 | Nine Months Ended December 31, 2020 | Nine Months Ended December 31, 2019 |
|---|---|---|---|---|
| Net sales | $ 3,241 | $ 2,715 | $ 8,645 | $ 8,491 |
| Cost of goods sold (exclusive of depreciation and amortization) | 2,578 | 2,239 | 7,063 | 7,001 |
| Selling, general and administrative expenses | 149 | 131 | 400 | 380 |
| Depreciation and amortization | 137 | 91 | 396 | 267 |
| Interest expense and amortization of debt issuance costs | 66 | 59 | 206 | 185 |
| Research and development expenses | 20 | 21 | 57 | 58 |
| Restructuring and impairment, net | 20 | 3 | 28 | 36 |
| Equity in net loss of non-consolidated affiliates | 3 | 1 | 1 | 1 |
| Business acquisition and other related costs | — | 17 | 11 | 46 |
| Other (income) expenses, net | (7) | (3) | 86 | 3 |
| | 2,966 | 2,559 | 8,248 | 7,977 |
| Income from continuing operations before income tax provision | 275 | 156 | 397 | 514 |
| Income tax provision | 80 | 49 | 119 | 157 |
| Net income from continuing operations | 195 | 107 | 278 | 357 |
| Loss from discontinued operations, net of tax | (18) | — | (47) | — |
| Loss on sale of discontinued operations, net of tax | — | — | (170) | — |
| Net loss from discontinued operations | (18) | — | (217) | — |
| Net income | 177 | 107 | 61 | 357 |
| Net income attributable to noncontrolling interests | 1 | — | 1 | — |
| Net income attributable to our common shareholder | $ 176 | $ 107 | $ 60 | $ 357 |

*See accompanying notes to the condensed consolidated financial statements.*

**Novelis Inc.**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (unaudited)**

| *in millions* | Three Months Ended December 31, 2020 | Three Months Ended December 31, 2019 | Nine Months Ended December 31, 2020 | Nine Months Ended December 31, 2019 |
|---|---|---|---|---|
| Net income | $ 177 | $ 107 | $ 61 | $ 357 |
| Other comprehensive income: | | | | |
| Currency translation adjustment | 170 | 79 | 321 | (2) |
| Net change in fair value of effective portion of cash flow hedges | 35 | (7) | (36) | (23) |
| Net change in pension and other benefits | — | 2 | 87 | 28 |
| Other comprehensive income before income tax effect | 205 | 74 | 372 | 3 |
| Income tax provision (benefit) related to items of other comprehensive income | 12 | (1) | 14 | 2 |
| Other comprehensive income, net of tax | 193 | 75 | 358 | 1 |
| Comprehensive income | 370 | 182 | 419 | 358 |
| Comprehensive income attributable to noncontrolling interest, net of tax | 2 | 1 | 5 | 4 |
| Comprehensive income attributable to our common shareholder | $ 368 | $ 181 | $ 414 | $ 354 |

*See accompanying notes to the condensed consolidated financial statements.*

## Novelis Inc.
## CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

| *in millions, except number of shares* | December 31, 2020 | March 31, 2020 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 1,164 | $ 2,392 |
| Accounts receivable, net | | |
| — third parties (net of allowance for uncollectible accounts of $8 as of December 31, 2020 and March 31, 2020) | 1,556 | 1,067 |
| — related parties | 185 | 164 |
| Inventories | 1,791 | 1,409 |
| Prepaid expenses and other current assets | 185 | 145 |
| Fair value of derivative instruments | 146 | 202 |
| Assets held for sale | 5 | 5 |
| Current assets of discontinued operations | 11 | — |
| Total current assets | 5,043 | 5,384 |
| Property, plant and equipment, net | 4,732 | 3,580 |
| Goodwill | 1,065 | 607 |
| Intangible assets, net | 718 | 299 |
| Investment in and advances to non–consolidated affiliates | 858 | 760 |
| Deferred income tax assets | 185 | 140 |
| Other long–term assets | | |
| — third parties | 358 | 219 |
| — related parties | 1 | — |
| Total assets | $ 12,960 | $ 10,989 |
| **LIABILITIES AND SHAREHOLDER'S EQUITY** | | |
| Current liabilities: | | |
| Current portion of long–term debt | $ 59 | $ 19 |
| Short–term borrowings | 151 | 176 |
| Accounts payable | | |
| — third parties | 2,097 | 1,732 |
| — related parties | 252 | 176 |
| Fair value of derivative instruments | 183 | 214 |
| Accrued expenses and other current liabilities | 625 | 613 |
| Current liabilities of discontinued operations | 14 | — |
| Total current liabilities | 3,381 | 2,930 |
| Long–term debt, net of current portion | 6,295 | 5,345 |
| Deferred income tax liabilities | 152 | 194 |
| Accrued postretirement benefits | 1,056 | 930 |
| Other long–term liabilities | 296 | 229 |
| Total liabilities | 11,180 | 9,628 |
| Commitments and contingencies | | |
| Shareholder's equity: | | |
| Common stock, no par value; Unlimited number of shares authorized; 1,000 shares issued and outstanding as of December 31, 2020 and March 31, 2020 | — | — |
| Additional paid–in capital | 1,404 | 1,404 |
| Retained earnings | 688 | 628 |
| Accumulated other comprehensive loss | (266) | (620) |
| Total equity of our common shareholder | 1,826 | 1,412 |
| Noncontrolling interests | (46) | (51) |
| Total equity | 1,780 | 1,361 |
| Total liabilities and equity | $ 12,960 | $ 10,989 |

*See accompanying notes to the condensed consolidated financial statements. Refer to Note 7 – Consolidation for information on our consolidated variable interest entity (VIE).*

## Novelis Inc.
## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

| *in millions* | Nine Months Ended December 31, 2020 | 2019 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net income | $ 61 | $ 357 |
| Net loss from discontinued operations | (217) | — |
| Net income from continuing operations | $ 278 | $ 357 |
| Adjustments to determine net cash provided by operating activities: | | |
| Depreciation and amortization | 396 | 267 |
| Gain on unrealized derivatives and other realized derivatives in investing activities, net | (8) | (32) |
| Gain on sale of assets | — | (1) |
| Impairment charges | — | 13 |
| Deferred income taxes, net | 1 | 30 |
| Equity in net loss of non-consolidated affiliates | 1 | 1 |
| Gain on foreign exchange remeasurement of debt | (2) | — |
| Amortization of debt issuance costs and carrying value adjustments | 21 | 14 |
| Other, net | — | 2 |
| Changes in assets and liabilities including assets and liabilities held for sale (net of effects from divestitures): | | |
| Accounts receivable | (174) | 143 |
| Inventories | 83 | (42) |
| Accounts payable | 154 | (168) |
| Other assets | 68 | (3) |
| Other liabilities | (170) | (109) |
| Net cash provided by operating activities - continuing operations | 648 | 472 |
| Net cash used in operating activities - discontinued operations | (78) | — |
| **Net cash provided by operating activities** | $ 570 | $ 472 |
| **INVESTING ACTIVITIES** | | |
| Capital expenditures | $ (333) | $ (430) |
| Acquisition of business, net of cash and restricted cash acquired | (2,614) | — |
| Proceeds from sales of assets, third party, net of transaction fees and hedging | 4 | 3 |
| Proceeds from investment in and advances to non-consolidated affiliates, net | 10 | 6 |
| (Outflows) proceeds from the settlement of derivative instruments, net | (3) | 3 |
| Other | 9 | 10 |
| Net cash used in investing activities - continuing operations | (2,927) | (408) |
| Net cash provided by investing activities - discontinued operations | 357 | — |
| **Net cash used in investing activities** | $ (2,570) | $ (408) |
| **FINANCING ACTIVITIES** | | |
| Proceeds from issuance of long-term and short-term borrowings | $ 1,972 | $ 79 |
| Principal payments of long-term and short-term borrowings | (589) | (16) |
| Revolving credit facilities and other, net | (609) | (38) |
| Debt issuance costs | (25) | (3) |
| Contingent consideration paid in acquisition of business | (9) | — |
| Net cash provided by financing activities - continuing operations | 740 | 22 |
| Net cash used in financing activities - discontinued operations | (2) | — |
| **Net cash provided by financing activities** | $ 738 | $ 22 |
| Net (decrease) increase in cash, cash equivalents and restricted cash | (1,262) | 86 |
| Effect of exchange rate changes on cash | 53 | (4) |
| Cash, cash equivalents and restricted cash — beginning of period | 2,402 | 960 |
| **Cash, cash equivalents and restricted cash — end of period** | $ 1,193 | $ 1,042 |
| | | |
| Cash and cash equivalents | $ 1,164 | $ 1,031 |
| Restricted cash (Included in "Other long–term assets") | 15 | 11 |
| Restricted cash (Included in "Prepaid expenses and other current assets") | 14 | — |
| Cash and cash equivalents of discontinued operations | — | — |
| **Cash, cash equivalents and restricted cash — end of period** | $ 1,193 | $ 1,042 |
| | | |
| **Supplemental Disclosures:** | | |
| Accrued capital expenditures as of December 31 | $ 72 | $ 59 |

*See accompanying notes to the condensed consolidated financial statements.*

## Novelis Inc.
## CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDER'S EQUITY (unaudited)

| | Equity of our Common Shareholder | | | | | | |
|---|---|---|---|---|---|---|---|
| | Common Stock | | | | | | |
| *in millions, except number of shares* | Shares | Amount | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Non-controlling Interest | Total Equity |
| **Balance as of March 31, 2019** | 1,000 | $ — | $ 1,404 | $ 208 | $ (506) | $ (35) | $ 1,071 |
| Net income attributable to our common shareholder | — | — | — | 357 | — | — | 357 |
| Currency translation adjustment included in AOCI | — | — | — | — | (2) | — | (2) |
| Change in fair value of effective portion of cash flow hedges, net of tax benefit of $6 included in AOCI | — | — | — | — | (17) | — | (17) |
| Change in pension and other benefits, net of tax provision of $8 included in AOCI | — | — | — | — | 16 | 4 | 20 |
| **Balance as of December 31, 2019** | 1,000 | $ — | $ 1,404 | $ 565 | $ (509) | $ (31) | $ 1,429 |

| | Equity of our Common Shareholder | | | | | | |
|---|---|---|---|---|---|---|---|
| | Common Stock | | | | | | |
| | Shares | Amount | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Non-controlling Interest | Total Equity |
| **Balance as of March 31, 2020** | 1,000 | $ — | $ 1,404 | $ 628 | $ (620) | $ (51) | $ 1,361 |
| Net income attributable to our common shareholder | — | — | — | 60 | — | — | 60 |
| Net income attributable to noncontrolling interests | — | — | — | — | — | 1 | 1 |
| Currency translation adjustment included in AOCI | — | — | — | — | 321 | — | 321 |
| Change in fair value of effective portion of cash flow hedges, net of tax benefit of $7 included in AOCI | — | — | — | — | (29) | — | (29) |
| Change in pension and other benefits, net of tax provision of $21 included in AOCI | — | — | — | — | 62 | 4 | 66 |
| **Balance as of December 31, 2020** | 1,000 | $ — | $ 1,404 | $ 688 | $ (266) | $ (46) | $ 1,780 |

| | Equity of our Common Shareholder | | | | | | |
|---|---|---|---|---|---|---|---|
| | Common Stock | | | | | | |
| | Shares | Amount | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Non-controlling Interest | Total Equity |
| **Balance as of September 30, 2019** | 1,000 | $ — | $ 1,404 | $ 458 | $ (583) | $ (32) | $ 1,247 |
| Net income attributable to our common shareholder | — | — | — | 107 | — | — | 107 |
| Currency translation adjustment included in AOCI | — | — | — | — | 79 | — | 79 |
| Change in fair value of effective portion of cash flow hedges, net of tax benefit of $1 included in AOCI | — | — | — | — | (6) | — | (6) |
| Change in pension and other benefits, net of tax provision of $0 included in AOCI | — | — | — | — | 1 | 1 | 2 |
| **Balance as of December 31, 2019** | 1,000 | $ — | $ 1,404 | $ 565 | $ (509) | $ (31) | $ 1,429 |

| | Equity of our Common Shareholder | | | | | | |
|---|---|---|---|---|---|---|---|
| | Common Stock | | | | | | |
| | Shares | Amount | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Non-controlling Interest | Total Equity |
| **Balance as of September 30, 2020** | 1,000 | $ — | $ 1,404 | $ 512 | $ (458) | $ (48) | $ 1,410 |
| Net income attributable to our common shareholder | — | — | — | 176 | — | — | 176 |
| Net income attributable to noncontrolling interests | — | — | — | — | — | 1 | 1 |
| Currency translation adjustment included in AOCI | — | — | — | — | 170 | — | 170 |
| Change in fair value of effective portion of cash flow hedges, net of tax provision of $12 included in AOCI | — | — | — | — | 23 | — | 23 |
| Change in pension and other benefits, net of tax provision of $0 included in AOCI | — | — | — | — | (1) | 1 | — |
| **Balance as of December 31, 2020** | 1,000 | $ — | $ 1,404 | $ 688 | $ (266) | $ (46) | $ 1,780 |

*See accompanying notes to the condensed consolidated financial statements.*

## 1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

References herein to "Novelis," the "Company," "we," "our," or "us" refer to Novelis Inc. and its subsidiaries unless the context specifically indicates otherwise. References herein to "Hindalco" refer to Hindalco Industries Limited. Hindalco acquired Novelis in May 2007. All of the common shares of Novelis are owned directly by AV Metals Inc. and indirectly by Hindalco.

***Organization and Description of Business***

We produce aluminum sheet and light gauge products for use in the packaging market, which includes beverage and food can and foil products, as well as for use in the automotive, transportation, aerospace, electronics, architectural, and industrial product markets. We have recycling operations in many of our plants to recycle post-consumer aluminum, such as used-beverage cans and post-industrial aluminum, such as class scrap. As of December 31, 2020, we had manufacturing operations in nine countries on four continents: North America, South America, Asia, and Europe, through 33 operating facilities, which may include any combination of hot or cold rolling, finishing, casting, or recycling capabilities. We have recycling operations in 18 of our operating facilities.

The March 31, 2020 condensed consolidated balance sheet data was derived from the March 31, 2020 audited financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America (U.S. GAAP). The accompanying unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and accompanying notes in our Form 10-K for the fiscal year ended March 31, 2020 filed with the United States Securities and Exchange Commission (SEC) on May 7, 2020. Management believes that all adjustments necessary for the fair statement of results, consisting of normally recurring items, have been included in the unaudited condensed consolidated financial statements for the interim periods presented.

***Consolidation Policy***

Our condensed consolidated financial statements include the assets, liabilities, revenues, and expenses of all wholly-owned subsidiaries, majority-owned subsidiaries over which we exercise control, and entities in which we have a controlling financial interest or are deemed to be the primary beneficiary. We eliminate intercompany accounts and transactions from our condensed consolidated financial statements.

We use the equity method to account for our investments in entities that we do not control but have the ability to exercise significant influence over operating and financial policies. Consolidated "Net income attributable to our common shareholder" includes our share of net income (loss) of these entities. The difference between consolidation and the equity method impacts certain of our financial ratios because of the presentation of the detailed line items reported in the condensed consolidated financial statements for consolidated entities, compared to a two-line presentation of "Investment in and advances to non–consolidated affiliates" and "Equity in net loss of non-consolidated affiliates."

***Use of Estimates and Assumptions***

The preparation of our condensed consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. The principal areas of judgment relate to (1) impairment of goodwill; (2) impairment of long lived assets and other intangible assets; (3) impairment of equity investments; (4) actuarial assumptions related to pension and other postretirement benefit plans; (5) tax uncertainties and valuation allowances; (6) assessment of loss contingencies, including environmental and litigation liabilities; (7) the fair value of derivative financial instruments; and (8) the fair value of the contingent consideration resulting from the sale of Duffel. Future events and their effects cannot be predicted with certainty, and accordingly, our accounting estimates require the exercise of judgment. The accounting estimates used in the preparation of our condensed consolidated financial statements may change as new events occur, as more experience is acquired, as additional information is obtained and as our operating environment changes. We evaluate and update our assumptions and estimates on an ongoing basis and may employ outside experts to assist in our evaluations. Actual results could differ from the estimates we have used.

For more information regarding our use of estimates in the determination of fair values of assets acquired and liabilities assumed in the acquisition of Aleris Corporation (Aleris), see Note 2 – Business Combination.

***Risks & Uncertainty resulting from COVID-19***

Beginning late in the fourth quarter of fiscal year ended March 31, 2020 and carrying into the current fiscal year, the COVID-19 pandemic, and its unprecedented negative economic implications, have affected production and sales across a range of industries around the world.

Our global operations, similar to those of many other large, multi-national corporations, were also impacted. Early in fiscal year 2021, we were required to partially shut down or temporarily close certain facilities in the United States and abroad to comply with state orders and governmental decrees and adjust schedules at some of our facilities based on customer demand. The plant shut downs and adjusted schedules resulting from COVID-19 resulted in disruptions to our supply chain, interruptions to our production, and delays of shipments to our customers, mainly during the first quarter of the current fiscal year.

While much of our customer demand and shipments recovered in the majority of our end markets during the second fiscal quarter and remained robust in the third fiscal quarter, the overall extent of the impact of the COVID-19 pandemic on our operating results, cash flows, liquidity, and financial condition will depend on certain developments, including the duration and spread of the outbreak and its impact on our customers, employees, and vendors. We believe this will be primarily driven by the severity and duration of the pandemic, the pandemic's impact on the US and global economies and the timing, scope, and effectiveness of federal, state, and local governmental responses, including the distribution and adoption of vaccines.

Our application of U.S. GAAP requires the pervasive use of estimates and assumptions in preparing the unaudited condensed consolidated financial statements. The global COVID-19 pandemic has required greater use of estimates and assumptions. More specifically, those estimates and assumptions that are utilized in our forecasted cash flows that form the basis in developing the fair values utilized in impairment assessments as well as annual effective tax rate. This has included assumptions as to the duration and severity of the pandemic, timing and amount of demand shifts amongst sales channels (primarily in the automotive industry), workforce availability, and supply chain continuity. We have experienced short-term disruptions and anticipate such disruptions may continue for the foreseeable future, but anticipate an eventual return to normal demand. Although we have made our best estimates based upon current information, the effects of the COVID-19 pandemic on our business may result in future changes to our estimates and assumptions based on its duration. Actual results could materially differ from the estimates and assumptions developed by management. If so, we may be subject to future impairment charges as well as changes to recorded reserves and valuations.

***Business Combinations***

Occasionally, we may enter into business combinations. In accordance with Accounting Standards Codification (ASC) Topic 805, Business Combinations (ASC 805), we generally recognize the identifiable assets acquired, the liabilities assumed, and any noncontrolling interests in an acquiree at their fair values as of the date of acquisition. We measure goodwill as the excess of consideration transferred, which we also measure at fair value, over the net of the acquisition date fair values of the identifiable assets acquired and liabilities assumed. The acquisition method of accounting requires us to make significant estimates and assumptions regarding the fair values of the elements of a business combination as of the date of acquisition, including the fair values of identifiable intangible assets, deferred tax asset valuation allowances, liabilities including those related to debt, pensions and other postretirement plans, uncertain tax positions, contingent consideration, and contingencies. Significant estimates and assumptions include subjective and/or complex judgements regarding items such as discount rates, customer attrition rates, economic lives, and other factors, including estimating future cash flows that we expect to generate from the acquired assets.

The acquisition method of accounting also requires us to refine these estimates over a measurement period not to exceed one year to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date. If we are required to adjust provisional amounts that we have recorded for the fair values of assets and liabilities in connection with acquisitions, these adjustments could have a material impact on our financial condition and results of operations. If the subsequent actual results and updated projections of the underlying business activity change compared with the assumptions and projections used to develop these values, we could record future impairment charges. In addition, we have estimated the economic lives of certain acquired assets and these lives are used to calculate depreciation and amortization expense. If our estimates of the economic lives change, depreciation or amortization expenses could be increased or decreased or the acquired asset could be impaired.

***Reclassifications and Revisions of Previously Issued Financial Statements***

During the preparation of the consolidated financial statements for the fiscal year ended March 31, 2020, we identified a misstatement related to the sale of land within the previously issued Form 10-Ks for the year ended March 31, 2019 and previously issued Form 10-Qs for the quarters ended September 30, 2019 and December 31, 2019. The previously disclosed amounts for "Property, plant and equipment, net" and "Retained earnings" were understated by $5 million in the aforementioned periods.

We assessed the materiality of the misstatement and concluded it was not material to the Company’s previously issued financial statements for the year ended March 31, 2019 and that amendments of previously filed financial statements were therefore not required. However, we elected to revise the previously reported amounts in the condensed consolidated statements of shareholder's equity to correct the misstatement. This revision applies to the previously reported amounts for "Retained earnings" in the condensed consolidated statements of shareholder's equity for the interim periods ended September 30, 2019 and December 31, 2019 included within this filing.

In addition, during the preparation of the condensed consolidated financial statements for the period ended September 30, 2020, we identified a misstatement related to the calculation of accrued capital expenditures within the statement of cash flows in our previously issued Form 10-Ks for the years ended March 31, 2019 and March 31, 2020 and the interim periods within these years. As a result, the previously reported amounts for "Capital expenditures" were understated by $8 million, changes in accounts payable were overstated by $8 million, and "Accrued capital expenditures," presented in supplemental disclosures, were overstated by $41 million for the nine months ending December 31, 2019.

We assessed the materiality of the misstatement and concluded it was not material to the company's previously issued financial statements for the years ended March 31, 2019 and March 31, 2020 and the interim periods within these years. However, we elected to revise the previously reported amounts for "Capital expenditures" and changes in accounts payable within the condensed consolidated statement of cash flows, "Accrued capital expenditures" within the supplemental disclosures to the condensed consolidated statement of cash flows, and "Capital expenditures" within Note 19 – Segment, Geographical Area, Major Customer and Major Supplier Information.

***Recently Adopted Accounting Standards***

| Standard | Adoption | Description | Disclosure Impact |
|---|---|---|---|
| ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting along with additional technical improvements and clarifications since issued* (Issued March 2020) | April 1, 2020 | The standard provides transitional guidance and optional expedients and exceptions for applying U.S. GAAP to contract modifications and hedging relationships which reference LIBOR or another reference rate expected to be discontinued. | The Company has evaluated the impact of this standard, noting that there is no impact to our current contracts or hedging relationships. The Company will monitor the impact on future transactions through December 31, 2022. |
| ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* (Issued December 2019) | April 1, 2020 | The standard simplifies the accounting for income taxes by eliminating certain exceptions in ASC 740 related to the methodology for calculating income taxes in an interim period. It also clarifies and simplifies other aspects of the accounting for income taxes, improving the consistent application and simplification of U.S. GAAP. | The Company elected to early adopt the standard on a prospective basis. The most significant impact to the Company is the removal of a limit on the tax benefit recognized on pre-tax losses in interim periods. The adoption of this standard removed the limit on the tax benefit recognized on pre-tax losses during an interim period, which allowed the Company to recognize a higher tax benefit in the first quarter than previously allowable. |
| ASU 2018-17, *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities* (Issued October 2018) | April 1, 2020 | This standard eliminates the requirement that entities consider indirect interests held through related parties under common control in their entirety when assessing whether a decision-making fee is a variable interest. Instead, the reporting entity must consider such indirect interests on a proportionate basis. | The Company has evaluated the impact of this standard, noting that there is no impact to our current variable interests. We have updated our accounting policies to ensure appropriate treatment if these are entered into in the future. As such, the adoption of this standard did not have an impact on the condensed consolidated financial statements or disclosures. |
| ASU 2018-15, *Intangibles-Goodwill and Other Internal-Use Software (Topic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that Is a Service Contract* (Issued August 2018) | April 1, 2020 | This standard requires capitalization of implementation costs incurred in a hosting arrangement that is a service contract. This change will better align with requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected. | The Company has evaluated the impact of this standard, noting that we do not have these types of arrangements. We have updated our accounting policies to ensure appropriate treatment if these are entered into in the future. As such, the adoption of this standard did not have an impact on the condensed consolidated financial statements or disclosures. |
| ASU 2018-14, *Compensation - Retirement Benefits - Defined Benefit Plans - General (Topic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans* (Issued August 2018) | April 1, 2020 | This standard added requirements for new disclosures such as requiring a narrative description of the reasons for significant gains and losses affecting the benefit obligation for the period and also an explanation of any other significant changes in the benefit obligation or plan assets that are not otherwise apparent in the other disclosures required by ASC 715. Further, the standard removes some currently required disclosures such as (a) the requirement (for public entities) to disclose the effects of a one-percentage-point change on the assumed health care costs and the effect of this change in rates on service cost, interest cost, and the benefit obligation for postretirement health care benefits and (b) the amounts in accumulated other comprehensive income expected to be recognized in net periodic benefit costs over the next fiscal year. | The Company has evaluated the impact of this standard. We have updated our pension and postretirement disclosure accordingly, which did not have a material impact on the condensed consolidated financial statements. |
| ASU 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* (Issued January 2017) | April 1, 2020 | This standard removes Step 2 from the goodwill impairment test. As amended, the goodwill impairment test will consist of one step comparing the fair value of a reporting unit with its carrying amount. Under the simplified model, a goodwill impairment is calculated as the difference between the carrying amount of the reporting unit and its fair value, but not to exceed the carrying amount of goodwill allocated to that reporting unit. This standard will need to be considered each time Novelis performs an assessment of goodwill for impairment under the quantitative test. | The Company has evaluated the impact of this standard. We have updated our goodwill impairment assessment process accordingly, which did not have a material impact on the condensed consolidated financial statements. |

| | | | |
|---|---|---|---|
| ASU 2016-13, *Financial Instrument-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments along with additional technical improvements and clarifications since issued.* (Issued June 2016) | April 1, 2020 | The standard provides financial statement users with more decision-useful information about expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The "current expected credit loss" (CECL) model requires the Company to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable supportable forecasts. | We have updated our policies and processes for reserves against our financial instruments to factor in expected credit losses. This adoption did not have a material impact on the condensed consolidated financial statements. |
| ASU 2018-18, *Collaborative Arrangements (Topic 808): Clarifying the interaction between Topic 808 and Topic 606* (Issued November 2018) | October 1, 2020 | The standard clarifies the interaction between Topic 808, collaborative agreements, and Topic 806, Revenue from Contracts with Customers. Targeted improvements served to clarify when transactions between collaborative arrangement participants should be accounted for as revenue under Topic 606. | The Company has evaluated the impact of this standard, noting that the adoption has no impact on our consolidated financial statements. We will apply this guidance to any collaborative arrangements entered into in the future. |

***Recently Issued Accounting Standards (Not yet adopted)***

| Standard | Adoption | Description | Disclosure Impact |
|---|---|---|---|
| ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments* | Various | The standard provides various codification updates and improvements to address comments received. | The Company is currently evaluating the impact of this standard. |

## 2. BUSINESS COMBINATION

On April 14, 2020, Novelis completed its acquisition of 100% of the issued and outstanding shares of Aleris Corporation, a global supplier of rolled aluminum products, pursuant to an Agreement and Plan of Merger, dated as of July 26, 2018 (the “Merger Agreement”). The closing purchase price of $2.8 billion consists of $775 million less transaction costs for the equity value, as well as approximately $2.0 billion for the extinguishment of Aleris’ current outstanding debt, and a $50 million earn-out payment. The $775 million base equity payment was reduced by $64 million of Aleris transaction costs, resulting in $711 million of estimated cash for equity consideration. As a result, the acquisition increases the Company’s footprint as an aluminum rolled products manufacturer by expanding the portfolio of services provided to its customers. Refer to Note 3 – Discontinued Operations for more details on the Duffel and Lewisport divestitures required as a condition of the acquisition. As a condition to the sale of the Duffel plant, we were required by the European Union (EU) to make a €55 million payment (approximately $60 million at the date of acquisition) to support capital improvements at the Duffel plant upon sale.

The total preliminary calculation of estimated merger consideration paid to Aleris is as follows:

***in millions***

| **Preliminary calculation of estimated Merger consideration** | | **Amount** |
|---|---|---|
| Estimated cash for equity consideration | (i) | $ 711 |
| Estimated repayment of Aleris' debt (including prepayment penalties and accrued interest) | (ii) | 1,954 |
| Earn-out consideration | (iii) | 50 |
| Payment associated with Duffel capital expenditures | (iv) | 60 |
| Preliminary fair value of estimated merger consideration | | $ 2,775 |

(i) Under the terms of the Merger Agreement, this represents the estimated cash consideration, which is the base consideration for the settlement of all shares of common stock outstanding, including shares issued in connection with the conversion of the 6% Senior Subordinated Exchangeable Notes due 2020 issued by Aleris International, Inc. (the “Exchangeable Notes”) into Aleris common shares, and the settlement of stock options and restricted stock units, less transaction costs of $64 million. The transaction costs are removed from the base consideration as these costs were incurred by Aleris prior to the closing date and were not reimbursed by Novelis. Additionally, under the terms of the Merger Agreement, there is a €8 million (approximately $9 million at the date of acquisition) German tax indemnification included in the estimated cash for equity consideration that will be payable to the selling shareholders upon the condition that the existing Aleris German tax receivable is received from the German tax authorities. During the third quarter of fiscal 2021, Novelis settled this payable with the selling shareholders.

(ii) On the closing date, all of the outstanding historical debt of Aleris, except for certain non-recourse multi-currency secured term loan facilities (collectively, the “Zhenjiang Term Loans”), was repaid in connection with the merger. In addition, prepayment penalties and accrued interest of approximately $12 million and $16 million, respectively, associated with the Aleris debt were paid in connection with such repayment.

(iii) Under the terms of the Merger Agreement, this represents the fair value of the earn-out consideration of $50 million which is based upon Aleris meeting specified commercial margin targets. On the closing date, Aleris had met all of the specified targets in the Merger Agreement and selling shareholders received the $50 million cash payment.

(iv) In connection with obtaining the regulatory antitrust approvals, the European Commission required Novelis to pay the buyer of Duffel an additional €55 million (approximately $60 million at the date of acquisition) to fund capital expenditures that would be required so that Duffel can operate as a standalone business. This amount was paid on September 30, 2020 and is included in "Acquisition of business, net of cash and restricted cash acquired" in the condensed consolidated statements of cash flows.

The acquisition was accounted for as a business combination using the acquisition method of accounting in accordance with ASC 805. The purchase price was allocated to the assets acquired and liabilities assumed based on the estimated fair values at the date of acquisition. The excess of the purchase price over the fair value of the net assets acquired was allocated to goodwill, none of which is expected to be deductible for tax purposes. Goodwill is primarily attributed to synergies from future expected economic benefits, including enhanced revenue growth from expanded capabilities and geographic presence as well as cost savings from duplicative overhead, streamlined operations, and enhanced operational efficiency.

The condensed consolidated balance sheet as of December 31, 2020 includes the assets and liabilities of Aleris, which have been measured at fair value as of the acquisition date. The discontinued operations financial statement line items in the table below relate to Duffel and Lewisport. The preliminary allocation of purchase price recorded for Aleris as of June 30, 2020, and subsequently revised for measurement period adjustments, was as follows:

| *in millions* | Assets Acquired as of June 30, 2020(1) | Measurement Period Adjustments | Assets Acquired as of December 31, 2020(1) |
|---|---|---|---|
| Cash and cash equivalents | $ 105 | $ — | $ 105 |
| Accounts receivable(2) | 251 | 17 | 268 |
| Inventories | 379 | — | 379 |
| Prepaid expenses and other current assets(3) | 24 | — | 24 |
| Fair value of derivative instruments | 46 | — | 46 |
| Current assets of discontinued operations(4) | 463 | 1 | 464 |
| Property, plant and equipment(5) | 949 | (5) | 944 |
| Goodwill(6)(7)(8)(9) | 328 | 130 | 458 |
| Intangible assets, net(5)(6) | 149 | 318 | 467 |
| Deferred income tax assets(7) | 114 | (12) | 102 |
| Other long-term assets | 39 | — | 39 |
| Long–term assets of discontinued operations(8) | 944 | (390) | 554 |
| Total assets | $ 3,791 | $ 59 | $ 3,850 |
| | Liabilities Assumed as of June 30, 2020(1) | Measurement Period Adjustments | Liabilities Assumed as of December 31, 2020(1) |
| Current portion of long–term debt | $ 24 | $ — | $ 24 |
| Accounts Payable(2) | 141 | 17 | 158 |
| Fair value of derivative instruments | 25 | — | 25 |
| Accrued expenses and other current liabilities | 143 | 1 | 144 |
| Current liabilities of discontinued operations | 166 | — | 166 |
| Long–term debt, net of current portion | 125 | — | 125 |
| Deferred income tax liabilities | 37 | — | 37 |
| Accrued postretirement benefits | 164 | — | 164 |
| Other long–term liabilities(9) | 41 | 41 | 82 |
| Long–term liabilities of discontinued operations | 150 | — | 150 |
| Total liabilities | $ 1,016 | $ 59 | $ 1,075 |
| Net assets acquired | | | $ 2,775 |
| Total purchase price | | | $ 2,775 |

(1) In connection with the acquisition of Aleris, the Company acquired two businesses which were required to be sold. Therefore, such businesses were classified as held for sale and were included within the "Current assets of discontinued operations," "Long–term assets of discontinued operations," "Current liabilities of discontinued operations," and "Long–term liabilities of discontinued operations" line items in the above preliminary allocation of purchase price (see Note 3 – Discontinued Operations). As of December 31, 2020, both of these businesses have been sold and are no longer included in the condensed consolidated balance sheets of Novelis, Inc.

(2) Measurement period adjustment related to the presentational alignment of pending derivative settlements on a gross basis, in accordance with Novelis' policy.

(3) Included in "Prepaid expenses and other current assets" is $9 million of restricted cash acquired related to cash deposits restricted for the payment of the Zhenjiang Term Loans.

(4) Included in "Current assets of discontinued operations" is $41 million of cash and cash equivalents acquired related to our discontinued operations.

(5) Measurement period adjustment of $5 million related to presentational alignment of certain capitalized software in accordance with Novelis' policy during the third quarter of fiscal 2021.

(6) Measurement period adjustments related to revisions in the valuation of intangible assets based on refinements to key assumptions, such as discount rates and growth rates, of $261 million and $52 million during the second and third quarters of fiscal 2021, respectively.

(7) Measurement period adjustment related to the deferred tax impacts of the measurement period adjustments and other tax adjustments, a decrease of $34 million and an increase of $22 million during the second and third quarters of fiscal 2021, respectively.

(8) Measurement period adjustments related to estimated costs to sell the Duffel and Lewisport businesses, in addition to revisions to key assumptions of the valuation of Lewisport and Duffel's property, plant and equipment, of $284 million and $75 million during the second and third quarters of fiscal 2021, respectively, and revisions to key assumptions related to Lewisport's intangible assets of $31 million during the second quarter of fiscal 2021.

(9) Measurement period adjustment related to certain uncertain tax positions and customs related adjustments identified during the third quarter of fiscal 2021.

The fair values of assets acquired and liabilities assumed are preliminary and are based on the information that was available as of the reporting date. The preliminary fair values of the assets acquired and liabilities assumed were determined using the income and cost approaches. In many cases, the determination of the fair values required estimates about discount rates, future expected cash flows, and other future events that are judgmental and subject to change. The fair value measurements are primarily based on significant inputs that are not observable in the market and thus represent a Level 3 measurement in the fair value hierarchy as defined in ASC 820, Fair Value Measurements (ASC 820). Intangible assets consisting of customer relationships, technology, and trade names are valued using the multi-period excess earnings method (MPEEM), or the relief from royalty (RFR) method, both of which are forms of the income approach. A cost and market approach has been applied, as appropriate, for property and equipment, including land, and inventory.

- Customer relationship intangible assets are valued using the MPEEM method. The significant assumptions used include the estimated annual net cash flows (including appropriate revenue and profit attributable to the asset, retention rate, applicable tax rate, and contributory asset charges, among other factors), the discount rate, reflecting the risks inherent in the future cash flow stream, an assessment of the asset's life cycle, and the tax amortization benefit, among other factors.
- Technology and trade name intangible assets are valued using the RFR method. The significant assumptions used include the estimated annual net cash flows (including appropriate revenue attributable to the asset, applicable tax rate, royalty rate, and other factors such as technology related obsolescence rates), the discount rate, reflecting the risks inherent in the future cash flow stream, and the tax amortization benefit, among other factors.
- Inventory has been valued using the replacement cost or market approach, as appropriate. The replacement cost approach, which estimates value by determining the current cost of replacing an asset with another of equivalent economic utility, has been used to determine the estimated replacement cost of raw materials. The market approach has been used to determine the estimated selling price less costs to sale for work in progress and finished goods.
- Property and equipment, including land, are valued using the cost or market approach, as appropriate. For assets valued using the cost approach, the cost to replace a given asset reflects the estimated reproduction or replacement cost for the property, less an allowance for loss in value due to depreciation. The market approach, which estimates value by leveraging comparable land sale data/listings and qualitatively comparing them to the in-scope properties, has been used to value the land.
- The assumed long-term debt in China has been valued using an income approach. The significant assumptions used include the estimated annual cash flows and interest and credit spreads, among other factors.
- The assumed pension and postretirement liabilities have been valued using an income approach. The significant assumptions used include the estimated annual cash flows, the discount rate, the estimated return on asset rate, among other factors.

The fair value of the assets acquired includes current accounts receivables of $268 million related to continuing operations and $78 million related to discontinued operations. The gross amount due is $346 million, of which less than $1 million is expected to be uncollectible.

The fair value of the assets acquired includes $22 million and $7 million of operating lease right-of-use assets and finance lease assets, respectively. The fair value of liabilities assumed includes $9 million and $7 million of operating lease liabilities and finance lease liabilities, respectively, of which, $4 million and $3 million of operating lease liabilities and finance lease liabilities, respectively, are current liabilities.

The Company believes that the information provides a reasonable basis for estimating the fair values of the acquired assets and assumed liabilities, but the potential for measurement period adjustments exists based on the Company's continued review of matters related to the acquisition. We are in the process of analyzing the estimated values of all assets acquired and liabilities assumed including, among other things, finalizing third-party valuations and the determination of certain tax balances; therefore, the allocation of the purchase price is preliminary and subject to measurement period adjustments. The Company expects to complete the purchase price allocation no later than one year from the acquisition date.

The amounts, based on preliminary valuations and subject to final adjustment, allocated to intangible assets are as follows:

| *in millions* | Gross Carrying Amount(1) | Weighted-Average Useful Life |
|---|---|---|
| Trade name | $ 10 | 2.5 years |
| Technology | 52 | 15.1 years |
| Customer relationships | 403 | 22.5 years |
| Other intangibles | 2 | N/A |
| Total | $ 467 | 21.2 years |

(1) In connection with the acquisition of Aleris, Novelis acquired two businesses which we were obligated to sell. As such, gross carrying amounts exclude amounts held for sale (see Note 3 – Discontinued Operations).

Since the acquisition date, the results of continuing operations for Aleris of $1.1 billion of net sales and $85 million of net loss have been included within the accompanying condensed consolidated statements of operations for the nine months ended December 31, 2020.

The following unaudited supplemental pro forma combined financial information presents the Company's results of operations for the three and nine months ended December 31, 2020 and 2019 as if the acquisition of Aleris had occurred on April 1, 2019. The pro forma financial information is presented for comparative purposes only and is not necessarily indicative of the Company's operating results that may have actually occurred had the acquisition of Aleris been completed on April 1, 2019. In addition, the unaudited pro forma financial information does not give effect to any anticipated cost savings, operating efficiencies or other synergies that may be associated with the acquisition, or any estimated costs that have been or will be incurred by the Company to integrate the assets and operations of Aleris.

| | Three Months Ended December 31, | | Nine Months Ended December 31, | |
|---|---|---|---|---|
| *in millions* | 2020 | 2019 | 2020 | 2019 |
| Net sales | $ 3,241 | $ 3,165 | $ 8,699 | $ 10,003 |
| Net income (loss) | 97 | 95 | 15 | 268 |

The unaudited pro forma financial information reflects pro forma adjustments to present the combined pro forma results of operations as if the acquisition had occurred on April 1, 2019 to give effect to certain events the Company believes to be directly attributable to the acquisition. These pro forma adjustments primarily include:

- the elimination of Aleris historical depreciation and amortization expense and the recognition of new depreciation and amortization expense;
- an adjustment to interest expense to reflect (i) the additional borrowings of the Company in conjunction with the acquisition (ii) the repayment of Aleris' historical debt in conjunction with the acquisition;
- an adjustment to present acquisition-related transaction costs and other one-time costs directly attributable to the acquisition as if they were incurred in the earliest period presented; and
- the related income tax effects of the adjustments noted above.

### 3. DISCONTINUED OPERATIONS

On April 14, 2020, we closed the acquisition of Aleris for $2.8 billion. See Note 2 – Business Combination for more details on the acquisition and related accounting treatment.

As a result of the antitrust review processes in the EU, the US, and China required for approval of the acquisition, we were obligated to divest Aleris' European and North American automotive assets, including plants in Duffel, Belgium (Duffel) and Lewisport, Kentucky (Lewisport).

**Duffel**

On September 30, 2020, we completed the sale of Duffel to Liberty House Group through its subsidiary, ALVANCE, the international aluminum business of the GFG Alliance. Upon closing, we received €210 million ($246 million as of September 30, 2020) in cash and a €100 million ($117 million as of September 30, 2020) receivable that is deemed to be contingent consideration subject to the results of a binding arbitration proceeding under German law that is currently underway. The arbitration will determine the responsibility of ALVANCE to Novelis based on the parties' relative culpability for certain breaches of obligations under the purchase and sale agreement, potentially reduced by certain claims of ALVANCE against Novelis. Arbitration results are inherently uncertain and unpredictable, and there can be no assurance of the result the arbitral tribunal will reach. The arbitrators may award Novelis no more than €100 million and may not award any damages to ALVANCE. In addition, we have recorded a €15 million ($18 million) receivable for net debt and working capital adjustments that is outstanding as of December 31, 2020.

We have elected to account for the contingent consideration at fair value and will mark to fair value on a quarterly basis. At September 30, 2020, the estimated fair value of the purchase price subject to arbitration was €93 million ($109 million). We have recorded the contingent consideration in "Other long–term assets — third parties" and changes to the estimated fair value resulting from quarterly revaluations will be recorded to "Net income (loss) from discontinued operations, net of tax." For the periods ended December 31, 2020, the results of operations of Duffel have been presented within "Loss from discontinued operations, net of tax" in the condensed consolidated statements of operations and cash flows of Duffel have been presented as discontinued operations in the condensed consolidated statements of cash flows. For the period ended December 31, 2020, cash flows from the sale of Duffel totaled $223 million, which represents $246 million in cash proceeds less $23 million in cash sold.

**Lewisport**

On November 8, 2020, we entered into a definitive agreement with American Industrial Partners (AIP) for the sale of Lewisport and closed the sale on November 30, 2020. Upon closing, we received $180 million in cash proceeds. In addition, we have recorded a $17 million receivable for net working capital adjustments. For the periods ended December 31, 2020, the results of operations of Lewisport have been presented within "Loss from discontinued operations, net of tax" in the condensed consolidated statements of operations and cash flows of Lewisport have been presented as discontinued operations in the condensed consolidated statements of cash flows.

**Loss on Sale of Discontinued Operations**

As a result of the transactions above, for the nine months ended December 31, 2020 we recorded a loss on sale of discontinued operations of $170 million, net of taxes, associated with the sales of Duffel and Lewisport. Cash flows from the sales of Duffel and Lewisport are included in the condensed consolidated statements of cash flows as "Net cash provided by investing activities - discontinued operations." An offsetting $46 million in "Net cash provided by investing activities - discontinued operations" relates primarily to capital expenditures and outflows from the sale of derivative instruments for Duffel and Lewisport during the period prior to their divestiture.

### 4. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company's contracts with customers are comprised of purchase orders along with standard terms and conditions. These contracts with customers typically consist of the manufacture of products which represent single performance obligations that are satisfied upon transfer of control of the product to the customer at a point in time. Transfer of control is assessed based on alternative use of the products we produce and our enforceable right to payment for performance to date under the contract terms. Transfer of control and revenue recognition generally occur upon shipment or delivery of the product, which is when title, ownership, and risk of loss pass to the customer and is based on the applicable shipping terms. The shipping terms vary across all businesses and depend on the product, the country of origin, and the type of transportation (truck, train, or vessel). The length of payment terms can vary per contract, but none extend beyond one year. Revenue is recognized net of any volume rebates or other incentives.

We occasionally receive advance payments to secure product to be delivered in future periods. These advance payments are recorded as deferred revenue, and revenue is recognized as our performance obligations are satisfied throughout the term of the applicable contract.

The following table details the deferred revenue for which our performance obligations have not been satisfied.

| | Total Deferred Revenue |
|---|---|
| Deferred revenue at March 31, 2020[1] | $ 1 |
| Additions | 42 |
| Revenue recognized | (28) |
| Amounts assumed through acquisition of Aleris | 1 |
| Deferred revenue at December 31, 2020[1] | $ 16 |

(1) Deferred revenue is included in "Accrued expenses and other current liabilities" and "Other long–term liabilities" in our condensed consolidated balance sheet.

Certain of our contracts contain take-or-pay clauses which allow us to recover an agreed upon penalty if a buyer does not purchase contractual minimums as defined in the underlying contract within a set timeframe, generally within one fiscal year. Additionally, certain of our contracts may contain incentive payments to our customers which are deferred and amortized as a reduction to the amount of revenue recorded on a straight-line basis over the term of these contracts. During the current quarter, we recognized $25 million in net sales associated with these customer contractual obligations.

We disaggregate revenue from contracts with customers on a geographic basis based on our segment view. This disaggregation also achieves the disclosure objective to depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. We manage our activities on the basis of geographical regions and are organized under four operating segments: North America, South America, Asia, and Europe. See Note 19 – Segment, Geographical Area, Major Customer and Major Supplier Information for further information about our segment revenue.

## 5. RESTRUCTURING AND IMPAIRMENT

"Restructuring and impairment, net" includes restructuring costs, impairments, and other related expenses. "Restructuring and impairment, net" for the three and nine months ended December 31, 2020 totaled $20 million and $28 million, respectively. Our restructuring charges are primarily related to the reorganization and right sizing of the acquired Aleris business. Of the $28 million recognized during the nine months ended December 31, 2020, $26 million relates to severance and other employee costs and $2 million relates to other costs.

"Restructuring and impairment, net" for the three and nine months ended December 31, 2019 totaled $3 million and $36 million, respectively, and primarily related to portfolio optimization efforts from closures of certain non-core operations in Europe.

As of December 31, 2020, the restructuring liability totaled $38 million with $30 million included in "Accrued expenses and other current liabilities" and the remaining is within "Other long–term liabilities" on our accompanying condensed consolidated balance sheet. As of December 31, 2020, the restructuring liability totaled $23 million for the Europe segment, $9 million for South America segment, $4 million for corporate, and $2 million for the North America segment.

The following table summarizes our restructuring liability activity.

| *in millions* | Total restructuring liabilities |
|---|---|
| **Balance as of March 31, 2020** | $ 34 |
| Restructuring expenses | 28 |
| Cash payments | (25) |
| Foreign currency | 1 |
| **Balance as of December 31, 2020** | $ 38 |

## 6. INVENTORIES

"Inventories" consists of the following.

| *in millions* | December 31, 2020 | March 31, 2020 |
|---|---|---|
| Finished goods | $ 453 | $ 398 |
| Work in process | 774 | 643 |
| Raw materials | 372 | 192 |
| Supplies | 192 | 176 |
| Inventories | $ 1,791 | $ 1,409 |

## 7. CONSOLIDATION

*Variable Interest Entities (VIE)*

The entity that has a controlling financial interest in a VIE is referred to as the primary beneficiary and consolidates the VIE. An entity is deemed to have a controlling financial interest and is the primary beneficiary of a VIE if it has both the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and an obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE.

Logan Aluminum Inc. (Logan) is a consolidated joint venture in which we hold 40% ownership. Our joint venture partner is Tri-Arrows Aluminum Inc. (Tri-Arrows). Logan processes metal received from Novelis and Tri-Arrows and charges the respective partner a fee to cover expenses. Logan is a thinly capitalized VIE that relies on the regular reimbursement of costs and expenses from its investors, Novelis and Tri-Arrows, to fund its operations. Novelis is considered the primary beneficiary and consolidates Logan since it has the power to direct activities that most significantly impact Logan's economic performance, an obligation to absorb expected losses, and the right to receive benefits that could potentially be significant.

Other than the contractually required reimbursements, we do not provide other material support to Logan. Logan's creditors do not have recourse to our general credit. There are significant other assets used in the operations of Logan that are not part of the joint venture, as they are directly owned and consolidated by Novelis or Tri-Arrows.

The following table summarizes the carrying value and classification of assets and liabilities owned by the Logan joint venture and consolidated in our condensed consolidated balance sheets.

| *in millions* | December 31, 2020 | March 31, 2020 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 4 | $ 8 |
| Accounts receivable, net | 63 | 24 |
| Inventories | 86 | 92 |
| Prepaid expenses and other current assets | 3 | 3 |
| Total current assets | 156 | 127 |
| Property, plant and equipment, net | 13 | 19 |
| Goodwill | 12 | 12 |
| Deferred income tax assets | 74 | 76 |
| Other long–term assets | 6 | 35 |
| Total assets | $ 261 | $ 269 |
| **LIABILITIES** | | |
| Current liabilities: | | |
| Accounts payable | $ 35 | $ 38 |
| Accrued expenses and other current liabilities | 23 | 30 |
| Total current liabilities | 58 | 68 |
| Accrued postretirement benefits | 279 | 287 |
| Other long–term liabilities | 4 | 3 |
| Total liabilities | $ 341 | $ 358 |

## 8. INVESTMENT IN AND ADVANCES TO NON-CONSOLIDATED AFFILIATES AND RELATED PARTY TRANSACTIONS

Included in the accompanying condensed consolidated financial statements are transactions and balances arising from business we conducted with our equity method non-consolidated affiliates. See Note 19 – Segment, Geographical Area, Major Customer and Major Supplier Information for the respective carrying values by segment as reported in our condensed consolidated balance sheets.

*Alunorf*

Aluminium Norf GmbH (Alunorf) is a joint venture investment between Novelis Deutschland GmbH, a subsidiary of Novelis, and Hydro Aluminum Deutschland GmbH (Hydro). Each of the parties to the joint venture holds a 50% interest in the equity, profits and losses, shareholder voting, management control, and rights to use the production capacity of the facility. Alunorf tolls aluminum and charges the respective partner a fee to cover the associated expense.

*UAL*

Ulsan Aluminum, Ltd. (UAL) is a joint venture investment between Novelis Korea Ltd., a subsidiary of Novelis, and Kobe Steel Ltd (Kobe). UAL currently produces flat-rolled aluminum products exclusively for Novelis and Kobe. As of December 31, 2020, Novelis and Kobe both hold 50% interests in UAL. UAL is a thinly capitalized VIE that relies on the regular reimbursement of costs and expenses from its investors, Novelis and Kobe. UAL is controlled by an equally represented Board of Directors in which neither entity has sole decision-making ability regarding production operations or other significant decisions. Furthermore, neither entity has the ability to take the majority share of production or associated costs over the life of the joint venture. Our risk of loss is limited to the carrying value of our investment in and inventory-related receivables from UAL. UAL's creditors do not have recourse to our general credit. Therefore, UAL is accounted for as an equity method investment, and Novelis is not considered the primary beneficiary.

*AluInfra*

AluInfra Services (AluInfra) is a joint venture investment between Novelis Switzerland SA (Novelis Switzerland), a subsidiary of Novelis, and Constellium N.V. (Constellium). Each of the parties to the joint venture holds a 50% interest in the equity, profits and losses, shareholder voting, management control, and rights to use the facility.

The following table summarizes the results of operations of our equity method affiliates in the aggregate and the nature and amounts of significant transactions we have with our non-consolidated affiliates. The amounts in the table below are disclosed at 100% of the operating results of these affiliates.

| | Three Months Ended December 31, | | Nine Months Ended December 31, | |
|---|---|---|---|---|
| ***in millions*** | **2020** | **2019** | **2020** | **2019** |
| Net sales | $ 307 | $ 285 | $ 872 | $ 893 |
| Costs and expenses related to net sales | 311 | 285 | 862 | 880 |
| Income tax provision | (2) | — | 3 | 3 |
| Net income | $ (2) | $ — | $ 7 | $ 10 |
| | | | | |
| Purchases of tolling services from Alunorf | $ 60 | $ 59 | $ 185 | $ 186 |

The following table describes the period-end account balances, shown as related party balances in the accompanying condensed consolidated balance sheets. We had no other material related party balances with non-consolidated affiliates.

| ***in millions*** | **December 31, 2020** | **March 31, 2020** |
|---|---|---|
| Accounts receivable — related parties | $ 185 | $ 164 |
| Other long-term assets — related parties | 1 | — |
| Accounts payable — related parties | 252 | 176 |

*Transactions with Hindalco*

We occasionally have related party transactions with Hindalco. During the three and nine months ended December 31, 2020 and 2019, we recorded "Net sales" of less than $1 million between Novelis and Hindalco related primarily to sales of equipment and other services. As of December 31, 2020 and March 31, 2020, there was $1 million of outstanding "Accounts receivable, net — related parties" net of "Accounts payable — related parties" related to transactions with Hindalco. During each of the three and nine months ended December 31, 2020 and 2019, Novelis purchased less than $1 million in raw materials from Hindalco.

## 9. DEBT

"Debt" consists of the following.

| | December 31, 2020 | | | | March 31, 2020 | | |
|---|---|---|---|---|---|---|---|
| *in millions* | Interest Rates(1) | Principal | Unamortized Carrying Value Adjustments(2) | Carrying Value | Principal | Unamortized Carrying Value Adjustments(2) | Carrying Value |
| Short–term borrowings | 2.90 % | $ 151 | $ — | $ 151 | $ 176 | $ — | $ 176 |
| ABL Revolver | | — | — | — | 555 | — | 555 |
| **Novelis Holdings Inc.** | | | | | | | |
| Short Term Credit Agreement, due April 2022 | 1.17 % | 600 | (7) | 593 | — | — | — |
| **Novelis Inc.** | | | | | | | |
| Floating rate Term Loan Facility, due June 2022 | 2.07 % | 1,728 | (16) | 1,712 | 1,742 | (22) | 1,720 |
| **Aleris Corporation** | | | | | | | |
| Floating rate Incremental Term Loan Facility, due January 2025 | 1.97 % | 769 | (16) | 753 | — | — | — |
| **Aleris Aluminum (Zhenjiang) Co., Ltd.** | | | | | | | |
| Zhenjiang Term Loans, due May 2024 | 5.38 % | 139 | 2 | 141 | — | — | — |
| **Novelis Corporation** | | | | | | | |
| 4.75% Senior Notes, due January 2030 | 4.75 % | 1,600 | (29) | 1,571 | 1,600 | (32) | 1,568 |
| 5.875% Senior Notes, due September 2026 | 5.875 % | 1,500 | (14) | 1,486 | 1,500 | (16) | 1,484 |
| **Novelis China** | | | | | | | |
| Bank loans, due through June 2027 (CNY 489 million) | 4.90 % | 75 | — | 75 | 36 | — | 36 |
| **Other** | | | | | | | |
| Finance lease obligations and other debt, due through June 2028 | 2.44 % | 23 | — | 23 | 1 | — | 1 |
| **Total debt** | | $ 6,585 | $ (80) | $ 6,505 | $ 5,610 | $ (70) | $ 5,540 |
| Less: Short–term borrowings | | (151) | — | (151) | (176) | — | (176) |
| Less: Current portion of long–term debt | | (59) | — | (59) | (19) | — | (19) |
| **Long–term debt, net of current portion** | | $ 6,375 | $ (80) | $ 6,295 | $ 5,415 | $ (70) | $ 5,345 |

(1) Interest rates are the stated rates of interest on the debt instrument (not the effective interest rate) as of December 31, 2020 and therefore exclude the effects of related interest rate swaps and accretion/amortization of fair value adjustments as a result of purchase accounting in connection with Hindalco's purchase of Novelis and accretion/amortization of debt issuance costs related to refinancing transactions and additional borrowings. We present stated rates of interest because they reflect the rate at which cash will be paid for future debt service.
(2) Amounts include unamortized debt issuance costs, fair value adjustments, and debt discounts.

Principal repayment requirements for our total debt over the next five years and thereafter using exchange rates as of December 31, 2020 for our debt denominated in foreign currencies are as follows (in millions).

| As of December 31, 2020 | Amount |
|---|---|
| Short-term borrowings and current portion of long-term debt due within one year | $ 210 |
| 2 years | 2,365 |
| 3 years | 54 |
| 4 years | 62 |
| 5 years | 752 |
| Thereafter | 3,142 |
| Total | $ 6,585 |

### Short-Term Borrowings

As of December 31, 2020, our short-term borrowings totaled $151 million, consisting of $68 million in Brazil loans (BRL 354 million), $42 million in China loans (CNY 274 million), and $41 million in Korea loans (KRW 44 billion).

**Short Term Credit Agreement**

In April 2020, Novelis Holdings Inc. borrowed a $1.1 billion short term loan under our existing short term credit agreement (the "Short Term Credit Agreement") for purposes of funding a portion of the consideration payable in the acquisition of Aleris. The short term loans are not subject to any amortization payments and accrue interest at LIBOR (as defined in the Short Term Credit Agreement) plus 0.95%. The short term loans are guaranteed by the same entities that have provided guarantees under the Company's five-year secured term loan credit facility ("Term Loan Facility") and asset based loan facility ("ABL Revolver"). The Short Term Credit Agreement contains voluntary prepayment provisions, affirmative and negative covenants, and events of default substantially similar to those under the Term Loan Facility, other than changes to reflect the unsecured nature of the short term loans. We will be required to apply the net cash proceeds we receive from any debt and equity raised on or after the borrowing date to repay the short term loans, subject to certain exceptions. We will be required to apply the net cash proceeds we receive on or after the borrowing date from asset sales required by regulatory approvals related to the acquisition of Aleris to repay the short term loans, the incremental term loans, and the existing term loans on a pro rata basis, subject to certain reinvestment rights. We will be required to apply the net cash proceeds we receive from any other asset sales, casualty losses, or condemnations on or after the borrowing date to repay short term loans, subject to certain reinvestment rights and exceptions, but only to the extent any funds remain after making any mandatory prepayments owed under the Term Loan Facility and the agreement governing our ABL Revolver.

In August 2020, we entered into an amendment (the “Short Term Credit Agreement Amendment”) to the Short Term Credit Agreement. This amendment extends the maturity of the $1.1 billion facility from April 13, 2021 (the “Original Short Term Maturity Date”) to April 13, 2022 (the “Extended Short Term Maturity Date”). Under the terms of the Short Term Credit Agreement Amendment, $1,049 million of the outstanding short term loans will cashlessly roll on the Original Short Term Maturity Date into new short term loans maturing on the Extended Short Term Maturity Date, and existing lenders have provided commitments to extend $51 million of new short term loans, with a maturity date of the Extended Short Term Maturity Date, on the Original Short Term Maturity Date to refinance the remaining outstanding short term loans. The Short Term Credit Agreement Amendment provides that the Company and certain of its U.S. and Canadian subsidiaries will grant a third-ranking security interest, subject to the terms of our existing intercreditor agreement, dated as of December 17, 2010, in certain assets to secure the Amended Short Term Credit Agreement if the short term loans remain outstanding on the Original Short Term Maturity Date. The short term loans accrue interest at LIBOR (as defined in the Amended Short Term Credit Agreement) plus (a) through the Original Short Term Maturity Date, 0.95%, (b) from the Original Short Term Maturity Date through October 13, 2021, 1.50%, and (c) from October 14, 2021 through the Extended Short Term Maturity Date, 2.00% per annum. The Short Term Credit Agreement Amendment also modifies certain other credit agreement terms to increase our operating flexibility.

As of December 31, 2020, $600 million was outstanding under the Short Term Credit Agreement, resulting from $500 million in principal payments made during the third quarter of fiscal 2021. We were in compliance with the covenants of our Short Term Credit Agreement as of December 31, 2020.

**Term Loan Facility**

In April 2020, Novelis Acquisitions LLC borrowed $775 million under the Company's existing Term Loan Facility prior to its merger into Aleris Corporation. The proceeds of the incremental term loans were used to pay a portion of the consideration payable in the acquisition of Aleris (including the repayment of Aleris' outstanding indebtedness) as well as fees and expenses related to the acquisition and the incremental term loans. The incremental term loans will mature on January 21, 2025, subject to 0.25% quarterly amortization payments. The incremental term loans accrue interest at LIBOR (as defined in the Term Loan Facility) plus 1.75%. The incremental term loans are subject to the same voluntary and mandatory prepayment provisions, affirmative and negative covenants, and events of default as those applicable to the existing term loans outstanding under our Term Loan Facility. The incremental term loans are guaranteed by the same entities that have provided guarantees under our Term Loan Facility and secured on a pari passu basis with our existing term loans by security interests in substantially all of the assets of the Company and the guarantors, subject to our existing intercreditor agreement.

As of December 31, 2020, we were in compliance with the covenants of our Term Loan Facility.

**Zhenjiang Loans**

Through the acquisition of Aleris on April 14, 2020, the Company assumed $141 million in debt borrowed by Aleris Aluminum (Zhenjiang) Co., Ltd. ("Aleris Zhenjiang") under a loan agreement comprised of non-recourse multi-currency secured term loan facilities and a revolving facility (collectively the "Zhenjiang Loans"), which consisted of a $29 million U.S. dollar term loan facility, a $112 million (RMB 791 million) term loan facility (collectively, the "Zhenjiang Term Loans") and a revolving facility (the "Zhenjiang Revolver"). The Zhenjiang Revolver has certain restrictions that have limited our ability to borrow funds on the Zhenjiang Revolver and will continue to limit our ability to borrow funds in the future. All borrowings under the Zhenjiang Revolver mature May 18, 2021. As of December 31, 2020, we had no amounts outstanding under the Zhenjiang Revolver. The Zhenjiang Loans contain certain customary covenants and events of default. The Zhenjiang Loans require Aleris Zhenjiang to, among other things, maintain a certain ratio of outstanding term loans to invested equity capital. In addition, among other things and subject to certain exceptions, Aleris Zhenjiang is restricted in its ability to (1) repay loans extended by the shareholder of Aleris Zhenjiang prior to repaying loans under the Zhenjiang Loans or make the Zhenjiang Loans junior to any other debts incurred of the same class for the project, (2) distribute any dividend or bonus to the shareholder of Aleris Zhenjiang before fully repaying the loans under the Zhenjiang Loans, (3) dispose of any assets in a manner that will materially impair its ability to repay debts, (4) provide guarantees to third parties above a certain threshold that use assets that are financed by the Zhenjiang Loans, (5) permit any individual investor or key management personnel changes that result in a material adverse effect, (6) use any proceeds from the Zhenjiang Loans for any purpose other than as set forth therein, and (7) enter into additional financing to expand or increase the production capacity of the project to manufacture large scale and high strength aluminum alloy plates. The interest rate on the U.S. dollar term facility is six month U.S. dollar LIBOR plus 5.0% and the interest rate on the RMB term facility and the Zhenjiang Revolver is 110% of the base rate applicable to any loan denominated in RMB of the same tenor, as announced by the People's Bank of China. As of December 31, 2020, $141 million was outstanding on the Zhenjiang Term Loans and the final maturity date for all borrowings is May 16, 2024. The repayment of borrowings under the Zhenjiang Term Loans is due semi-annually.

As of December 31, 2020, we were in compliance with the covenants of our Zhenjiang Loans.

**Senior Notes**

As of December 31, 2020, we were in compliance with the covenants of our Senior Notes.

**ABL Revolver**

As of December 31, 2020, the revolver had no balance, and $44 million was utilized for letters of credit. Additionally, there was $1.0 billion in remaining availability, including $131 million of remaining availability that can be utilized for letters of credit, and we were in compliance with the covenants of our ABL Revolver Facility.

Refer to our Form 10-K for the fiscal year ended March 31, 2020 for details on the issuances and respective covenants of our senior notes, short term credit agreement, and senior secured credit facilities.

## 10. SHARE-BASED COMPENSATION

During the nine months ended December 31, 2020, we granted 4,961,987 Hindalco phantom restricted stock units (RSUs) and 6,849,084 Hindalco Stock Appreciation Rights (Hindalco SARs). Total compensation expense was $13 million and $25 million for the three and nine months ended December 31, 2020, respectively. Total compensation expense was $5 million and $11 million for the three and nine months ended December 31, 2019, respectively. As of December 31, 2020, the outstanding liability related to share-based compensation was $26 million.

The cash payments made to settle all SAR liabilities were $2 million and $3 million in the nine months ended December 31, 2020 and 2019, respectively. Total cash payments made to settle RSUs were $4 million and $9 million in the nine months ended December 31, 2020 and 2019, respectively. Unrecognized compensation expense related to the non-vested Hindalco SARs (assuming all future performance criteria are met) was $8 million, which is expected to be recognized over a weighted average period of 1.4 years. Unrecognized compensation expense related to the RSUs was $11 million, which will be recognized over the remaining weighted average vesting period of 1.5 years.

For a further description of authorized long-term incentive plans (LTIPs), including Hindalco SARs, RSUs, and Novelis Performance Units, please refer to our Form 10-K for the fiscal year ended March 31, 2020.

## 11. POSTRETIREMENT BENEFIT PLANS

In connection with the acquisition of Aleris Corporation, the Company acquired postretirement benefit plans covering certain employees in Europe and the United States. Upon acquisition, the Company recognized the funded status of the defined benefit plans as an asset or a liability within other long-term assets or other long-term liabilities in the consolidated balance sheet. The plan assets are recognized at fair value. The Company recognizes actuarial gains and losses and prior service costs in the consolidated balance sheet and recognizes changes in these amounts during the year in which changes occur through other comprehensive income. The Company uses various assumptions when computing amounts relating to its defined benefit pension plan obligations and their associated expenses (including the discount rate and the expected rate of return on plan assets).

During the second quarter of fiscal 2021, Novelis announced the freeze of future benefit accruals under the Novelis Pension Plan and the Terre Haute Pension Plan in the U.S., effective December 31, 2020. Novelis elected to remeasure both plans' plan assets and obligations as of August 31, 2020, which was the nearest calendar month-end date to the announcements of said freezes. A curtailment loss of $1 million was recorded related to the Terre Haute plan.

Components of net periodic benefit cost for all of our postretirement benefit plans are shown in the table below.

| | Pension Benefit Plans | | Other Benefit Plans | |
|---|---|---|---|---|
| | Three Months Ended December 31, | | Three Months Ended December 31, | |
| *in millions* | 2020 | 2019 | 2020 | 2019 |
| Service cost | $ 11 | $ 10 | $ 3 | $ 2 |
| Interest cost | 15 | 15 | 2 | 2 |
| Expected return on assets | (20) | (18) | — | — |
| Amortization — losses, net | 10 | 9 | — | — |
| Net periodic benefit cost(1) | $ 16 | $ 16 | $ 5 | $ 4 |

| | Pension Benefit Plans | | Other Benefit Plans | |
|---|---|---|---|---|
| | Nine Months Ended December 31, | | Nine Months Ended December 31, | |
| | 2020 | 2019 | 2020 | 2019 |
| Service cost | $ 35 | $ 30 | $ 8 | $ 8 |
| Interest cost | 45 | 45 | 6 | 6 |
| Expected return on assets | (58) | (54) | — | — |
| Amortization — losses, net | 33 | 26 | — | — |
| Termination benefits / curtailments | 1 | — | — | — |
| Net periodic benefit cost(1) | $ 56 | $ 47 | $ 14 | $ 14 |

(1) Service cost is included within "Cost of goods sold (exclusive of depreciation and amortization)" and "Selling, general and administrative expenses" while all other cost components are recorded within "Other (income) expenses, net."

Service costs of $1 million, interest cost of $1 million, and expected return on assets of $2 million included in the table above, for the three months ended December 31, 2020, relate to discontinued operations. The average expected long-term rate of return on all plan assets is 5.3% in fiscal 2021.

**Employer Contributions to Plans**

For pension plans, our policy is to fund an amount required to provide for contractual benefits attributed to service to date, and amortize unfunded actuarial liabilities typically over periods of 15 years or less. We also participate in savings plans in Canada and the U.S., as well as defined contribution pension plans in the U.S., U.K., Canada, Germany, Italy, Switzerland, and Brazil. We contributed the following amounts to all plans.

| | Three Months Ended December 31, | | Nine Months Ended December 31, | |
|---|---|---|---|---|
| *in millions* | 2020 | 2019 | 2020 | 2019 |
| Funded pension plans | $ 5 | $ 8 | $ 54 | $ 46 |
| Unfunded pension plans | 4 | 3 | 11 | 8 |
| Savings and defined contribution pension plans | 11 | 8 | 29 | 25 |
| Total contributions | $ 20 | $ 19 | $ 94 | $ 79 |

Contributions to funded pension plans of $5 million and unfunded pension plans of $1 million are attributable to discontinued operations. During the remainder of fiscal 2021, we expect to contribute an additional $19 million to our funded pension plans, of which $1 million relate to discontinued operations, $5 million to our unfunded pension plans, and $8 million to our savings and defined contribution pension plans.

## 12. CURRENCY LOSSES (GAINS)

The following currency losses are included in "Other (income) expenses, net" in the accompanying condensed consolidated statements of operations.

| | Three Months Ended December 31, | | Nine Months Ended December 31, | |
|---|---|---|---|---|
| *in millions* | 2020 | 2019 | 2020 | 2019 |
| Loss on remeasurement of monetary assets and liabilities, net | $ 13 | $ 12 | $ 5 | $ 6 |
| Gain recognized on balance sheet remeasurement currency exchange contracts, net | (15) | (12) | (4) | (4) |
| Currency (gains) losses, net | $ (2) | $ — | $ 1 | $ 2 |

The following currency gains (losses) are included in "Accumulated other comprehensive loss," net of tax and "Noncontrolling interests" in the accompanying condensed consolidated balance sheets.

| *in millions* | Nine Months Ended December 31, 2020 | Fiscal Year Ended March 31, 2020 |
|---|---|---|
| Cumulative currency translation adjustment — beginning of period | $ (309) | $ (236) |
| Effect of changes in exchange rates | 351 | (73) |
| Amounts reclassified from AOCI, net[(1)] | (30) | — |
| Cumulative currency translation adjustment — end of period | $ 12 | $ (309) |

(1) Amounts reclassified from AOCI are due to the sale of Duffel.

## 13. FINANCIAL INSTRUMENTS AND COMMODITY CONTRACTS

The following tables summarize the gross fair values of our financial instruments and commodity contracts as of the periods presented.

| | December 31, 2020 | | | | |
|---|---|---|---|---|---|
| | Assets | | Liabilities | | Net Fair Value |
| *in millions* | Current | Noncurrent(1) | Current | Noncurrent(1) | Assets / (Liabilities) |
| **Derivatives designated as hedging instruments:** | | | | | |
| *Cash flow hedges* | | | | | |
| Metal contracts | $ 12 | $ — | $ (56) | $ (2) | $ (46) |
| Currency exchange contracts | 26 | 7 | (15) | (1) | 17 |
| Energy contracts | — | 1 | (4) | (1) | (4) |
| **Total derivatives designated as hedging instruments** | $ 38 | $ 8 | $ (75) | $ (4) | $ (33) |
| **Derivatives not designated as hedging instruments:** | | | | | |
| Metal contracts | $ 85 | $ 3 | $ (88) | $ — | $ — |
| Currency exchange contracts | 23 | — | (20) | — | 3 |
| Energy contracts | — | — | — | — | — |
| **Total derivatives not designated as hedging instruments** | $ 108 | $ 3 | $ (108) | $ — | $ 3 |
| **Total derivative fair value** | $ 146 | $ 11 | $ (183) | $ (4) | $ (30) |

| | March 31, 2020 | | | | |
|---|---|---|---|---|---|
| | Assets | | Liabilities | | Net Fair Value |
| | Current | Noncurrent(1) | Current | Noncurrent(1) | Assets / (Liabilities) |
| **Derivatives designated as hedging instruments:** | | | | | |
| *Cash flow hedges* | | | | | |
| Metal contracts | $ 84 | $ — | $ (11) | $ (3) | $ 70 |
| Currency exchange contracts | 2 | — | (68) | (7) | (73) |
| Energy contracts | — | — | (11) | (4) | (15) |
| **Total derivatives designated as hedging instruments** | $ 86 | $ — | $ (90) | $ (14) | $ (18) |
| **Derivatives not designated as hedging instruments:** | | | | | |
| Metal contracts | $ 103 | $ — | $ (92) | $ (1) | $ 10 |
| Currency exchange contracts | 13 | — | (31) | — | (18) |
| Energy contracts | — | — | (1) | — | (1) |
| **Total derivatives not designated as hedging instruments** | $ 116 | $ — | $ (124) | $ (1) | $ (9) |
| **Total derivative fair value** | $ 202 | $ — | $ (214) | $ (15) | $ (27) |

(1) The noncurrent portions of derivative assets and liabilities are included in "Other long–term assets" and in "Other long–term liabilities," respectively, in the accompanying condensed consolidated balance sheets.

**Metal**

We use derivative instruments to preserve our conversion margins and manage the timing differences associated with metal price lag. We use over-the-counter derivatives indexed to the London Metals Exchange (LME) (referred to as our "aluminum derivative forward contracts") to reduce our exposure to fluctuating metal prices associated with the period of time between the pricing of our purchases of inventory and the pricing of the sale of that inventory to our customers, which is known as "metal price lag." We also purchase forward LME aluminum contracts simultaneously with our sales contracts with customers that contain fixed metal prices. These LME aluminum forward contracts directly hedge the economic risk of future metal price fluctuations to better match the selling price of the metal with the purchase price of the metal. The volatility in local market premiums also results in metal price lag.

Price risk exposure arises from commitments to sell aluminum in future periods at fixed prices. We identify and designate certain LME aluminum forward contracts as fair value hedges of the metal price risk associated with fixed price sales commitments that qualify as firm commitments. We did not have any outstanding aluminum forward purchase contracts designated as fair value hedges as of December 31, 2020 and March 31, 2020.

Price risk arises due to fluctuating aluminum prices between the time the sales order is committed and the time the order is shipped. We identify and designate certain LME aluminum forward purchase contracts as cash flow hedges of the metal price risk associated with our future metal purchases that vary based on changes in the price of aluminum. Generally, such exposures do not extend beyond two years in length. The average duration of undesignated contracts is less than one year.

Price risk exposure arises due to the timing lag between the LME based pricing of raw material aluminum purchases and the LME based pricing of finished product sales. We identify and designate certain LME aluminum forward sales contracts as cash flow hedges of the metal price risk associated with our future metal sales that vary based on changes in the price of aluminum. Generally, such exposures do not extend beyond two years in length. The average duration of undesignated contracts is less than one year.

In addition to aluminum, we entered into LME copper and zinc, as well as LMP forward contracts. As of December 31, 2020 and March 31, 2020, the fair value of these contracts represented an asset of $6 million and a liability of less than $1 million, respectively. These contracts are undesignated with an average duration of less than three years.

The following table summarizes our metal notional amounts in kilotonnes (kt). One kt is 1,000 metric tonnes.

| *in kt* | December 31, 2020 | March 31, 2020 |
|---|---|---|
| **Hedge type** | | |
| *Purchase (sale)* | | |
| Cash flow purchases | 16 | 63 |
| Cash flow sales | (522) | (395) |
| Not designated | (28) | (19) |
| Total, net | (534) | (351) |

**Foreign Currency**

We use foreign exchange forward contracts, cross-currency swaps and options to manage our exposure to changes in exchange rates. These exposures arise from recorded assets and liabilities, firm commitments and forecasted cash flows denominated in currencies other than the functional currency of certain operations.

We use foreign currency contracts to hedge expected future foreign currency transactions, which include capital expenditures. These contracts cover the same periods as known or expected exposures. We had total notional amounts of $862 million and $680 million in outstanding foreign currency forwards designated as cash flow hedges as of December 31, 2020 and March 31, 2020, respectively.

We use foreign currency contracts to hedge our foreign currency exposure to our net investment in foreign subsidiaries. We did not have any outstanding foreign currency forwards designated as net investment hedges as of December 31, 2020 and March 31, 2020.

As of December 31, 2020 and March 31, 2020, we had outstanding foreign currency exchange contracts with a total notional amount of $880 million and $620 million, respectively, to primarily hedge balance sheet remeasurement risk, which were not designated as hedges. Contracts representing the majority of this notional amount will mature during the fourth quarter of fiscal year 2021 and offset the remeasurement impact.

**Energy**

We own an interest in an electricity swap contract to hedge our exposure to fluctuating electricity prices, which matures on January 5, 2022. As of December 31, 2020 and March 31, 2020, less than 1 million and 1 million of notional megawatt hours was outstanding, respectively. The fair value of this swap was a liability of $3 million and $6 million, respectively. The electricity swap is designated as a cash flow hedge.

We use natural gas forward purchase contracts to manage our exposure to fluctuating energy prices in North America. We had a notional of 14 million MMBTUs designated as cash flow hedges as of December 31, 2020, and the fair value was a liability of $1 million. There was a notional of 15 million MMBTU forward contracts designated as cash flow hedges as of March 31, 2020 and the fair value was a liability of $5 million. As of December 31, 2020 and March 31, 2020, we had notionals of 1 million and less than 1 million MMBTU forward contracts that were not designated as hedges, respectively. The fair value of forward contracts not designated as hedges as of December 31, 2020 and March 31, 2020 were both a liability of less than $1 million. The average duration of undesignated contracts is three years in length. One MMBTU is the equivalent of one decatherm, or one million British Thermal Units.

We use diesel fuel forward contracts to manage our exposure to fluctuating fuel prices in North America. We had a notional of 4 million gallons designated as cash flow hedges as of December 31, 2020, and the fair value was a liability of $1 million. There was a notional of 7 million gallons designated as cash flow hedges as of March 31, 2020, and the fair value was a liability of $4 million. As of December 31, 2020 and March 31, 2020, all of our diesel forward contracts were designated as hedges.

**Interest Rate**

As of December 31, 2020 and March 31, 2020, we had no outstanding interest rate swaps.

**Gain (Loss) Recognition**

In connection with the acquisition of Aleris, the Company acquired a portfolio of derivative financial instruments executed to hedge metal, foreign currency and energy price risk exposures. Historically, Aleris did not designate derivative financial instruments as hedges and therefore, both realized and unrealized gains and losses on derivatives were recorded immediately in the condensed consolidated statement of operations. As of December 31, 2020, we had certain Aleris LME aluminum forward sales contracts designated as cash flow hedges of the metal price risk associated with our future metal sales and certain foreign currency exchange contracts designated as hedges of expected future foreign currency transactions.

The following table summarizes the gains (losses) associated with the change in fair value of derivative instruments not designated as hedges and the excluded portion of designated derivatives recognized in "Other (income) expenses, net." Gains (losses) recognized in other line items in the condensed consolidated statement of operations are separately disclosed within this footnote.

| | Three Months Ended December 31 | | Nine Months Ended December 31 | |
|---|---|---|---|---|
| *in millions* | 2020 | 2019 | 2020 | 2019 |
| **Derivative instruments not designated as hedges** | | | | |
| Metal contracts | $ 11 | $ 2 | $ (21) | $ (2) |
| Currency exchange contracts | 14 | 14 | 3 | 6 |
| Energy contracts[(1)] | 1 | 1 | 6 | 4 |
| Gain (loss) recognized in "Other (income) expenses, net" | 26 | 17 | (12) | 8 |
| **Derivative instruments designated as hedges** | | | | |
| Gain recognized in "Other (income) expenses, net"[(2)] | — | — | — | 2 |
| Total gain (loss) recognized in "Other (income) expenses, net" | $ 26 | $ 17 | $ (12) | $ 10 |
| | | | | |
| Gain recognized on balance sheet remeasurement currency exchange contracts, net | $ 15 | $ 12 | $ 4 | $ 4 |
| Realized losses, net | (2) | (1) | (2) | (9) |
| Unrealized gains (losses) on other derivative instruments, net | 13 | 6 | (14) | 15 |
| Total gain (loss) recognized in "Other (income) expenses, net" | $ 26 | $ 17 | $ (12) | $ 10 |

(1) Includes amounts related to natural gas and diesel swaps not designated as hedges and electricity swap settlements.

The following table summarizes the impact on AOCI and earnings of derivative instruments designated as cash flow hedges. Within the next twelve months, we expect to reclassify $36 million of losses from AOCI to earnings, before taxes.

| | Amount of Gain (Loss) Recognized in OCI (Effective Portion) | | Amount of Gain (Loss) Recognized in OCI (Effective Portion) | | Amount of Gain (Loss) Recognized in "Other (Income) Expenses, net" (Excluded Portion) | | Amount of Gain (Loss) Recognized in "Other (Income) Expenses, net" (Ineffective and Excluded Portion) | |
|---|---|---|---|---|---|---|---|---|
| | Three Months Ended December 31, | | Nine Months Ended December 31, | | Three Months Ended December 31, | | Nine Months Ended December 31, | |
| *in millions* | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| **Cash flow hedging derivatives** | | | | | | | | |
| Metal contracts | $ (83) | $ (24) | $ (142) | $ 52 | $ — | $ — | $ — | $ — |
| Currency exchange contracts | 51 | 26 | 43 | (16) | — | — | — | 2 |
| Energy contracts | (2) | (1) | 3 | (10) | — | — | — | — |
| **Total** | $ (34) | $ 1 | $ (96) | $ 26 | $ — | $ — | $ — | $ 2 |

**Gain (Loss) Reclassification**

| | Amount of Gain (Loss) Reclassified from AOCI into Income/(Expense) (Effective Portion) Three Months Ended December 31, | | Amount of Gain (Loss) Reclassified from AOCI into Income/(Expense) (Effective Portion) Nine Months Ended December 31, | | Location of Gain (Loss) Reclassified from AOCI into Earnings |
|---|---|---|---|---|---|
| *in millions* | 2020 | 2019 | 2020 | 2019 | |
| **Cash flow hedging derivatives** | | | | | |
| Energy contracts[(1)] | $ (2) | $ (1) | $ (9) | $ (3) | Cost of goods sold (exclusive of depreciation and amortization) |
| Metal contracts | (4) | (2) | (14) | (3) | Cost of goods sold (exclusive of depreciation and amortization) |
| Metal contracts | (54) | 15 | 1 | 68 | Net sales |
| Currency exchange contracts | (11) | (2) | (34) | (3) | Cost of goods sold (exclusive of depreciation and amortization) |
| Currency exchange contracts | (1) | — | (3) | — | Selling, general and administrative expenses |
| Currency exchange contracts | 3 | (3) | — | (10) | Net sales |
| Currency exchange contracts | — | — | (1) | (1) | Depreciation and amortization |
| **Total** | $ (69) | $ 7 | $ (60) | $ 48 | Income from continuing operations before income tax provision |
| | 20 | (1) | 18 | (11) | Income tax provision |
| | $ (49) | $ 6 | $ (42) | $ 37 | Net (loss) gain |

(1) Includes amounts related to electricity, natural gas, and diesel swaps.

The following tables summarize the location and amount of gains (losses) that were reclassified from "Accumulated other comprehensive income (loss)" into earnings and the amount excluded from the assessment of effectiveness for the periods presented.

| | Three Months Ended December 31, 2020 | | | | | Nine Months Ended December 31, 2020 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *in millions* | Net Sales | Cost of Goods Sold | Selling, General & Administrative Expenses | Depreciation and Amortization | Other (Income) Expenses, Net | Net Sales | Cost of Goods Sold | Selling, General & Administrative Expenses | Depreciation and Amortization | Other (Income) Expenses, Net |
| **Gain (loss) on cash flow hedging relationships** | | | | | | | | | | |
| **Metal commodity contracts:** | | | | | | | | | | |
| Amount of gain reclassified from AOCI into income | $ (54) | $ (4) | $ — | $ — | $ — | $ 1 | $ (14) | $ — | $ — | $ — |
| **Energy commodity contracts:** | | | | | | | | | | |
| Amount of loss reclassified from AOCI into income | $ — | $ (2) | $ — | $ — | $ — | $ — | $ (9) | $ — | $ — | $ — |
| **Foreign exchange contracts:** | | | | | | | | | | |
| Amount of loss reclassified from AOCI into income | $ 3 | $ (11) | $ (1) | $ — | $ — | $ — | $ (34) | $ (3) | $ (1) | $ — |
| Amount excluded from effectiveness testing recognized in earnings based on changes in fair value | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — |

| | Three Months Ended December 31, 2019 | | | | | Nine Months Ended December 31, 2019 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *in millions* | Net Sales | Cost of Goods Sold | Selling, General & Administrative Expenses | Depreciation and Amortization | Other (Income) Expenses, Net | Net Sales | Cost of Goods Sold | Selling, General & Administrative Expenses | Depreciation and Amortization | Other (Income) Expenses, Net |
| **Gain (loss) on cash flow hedging relationships** | | | | | | | | | | |
| **Metal commodity contracts:** | | | | | | | | | | |
| Amount of gain reclassified from AOCI into income | $ 15 | $ (2) | $ — | $ — | $ — | $ 68 | $ (3) | $ — | $ — | $ — |
| **Energy commodity contracts:** | | | | | | | | | | |
| Amount of loss reclassified from AOCI into income | $ — | $ (1) | $ — | $ — | $ — | $ — | $ (3) | $ — | $ — | $ — |
| **Foreign exchange contracts:** | | | | | | | | | | |
| Amount of loss reclassified from AOCI into income | $ (3) | $ (2) | $ — | $ — | $ — | $ (10) | $ (3) | $ — | $ (1) | $ — |
| Amount excluded from effectiveness testing recognized in earnings based on changes in fair value | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ 2 |

## 14. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following tables summarize the change in the components of "Accumulated other comprehensive income (loss)," net of tax and excluding "Noncontrolling interest," for the periods presented.

| *in millions* | Currency Translation | Cash Flow Hedges[1] | Postretirement Benefit Plans[2] | Total |
|---|---|---|---|---|
| **Balance as of September 30, 2020** | $ (158) | $ (78) | $ (222) | $ (458) |
| Other comprehensive income (loss) before reclassifications | 170 | (26) | (8) | 136 |
| Amounts reclassified from AOCI, net | — | 49 | 7 | 56 |
| Net current-period other comprehensive income (loss) | 170 | 23 | (1) | 192 |
| **Balance as of December 31, 2020** | $ 12 | $ (55) | $ (223) | $ (266) |

| | Currency Translation | Cash Flow Hedges[1] | Postretirement Benefit Plans[2] | Total |
|---|---|---|---|---|
| **Balance as of September 30, 2019** | $ (317) | $ (33) | $ (233) | $ (583) |
| Other comprehensive income (loss) before reclassifications | 79 | — | (5) | 74 |
| Amounts reclassified from AOCI, net | — | (6) | 6 | — |
| Net current-period other comprehensive income (loss) | 79 | (6) | 1 | 74 |
| **Balance as of December 31, 2019** | $ (238) | $ (39) | $ (232) | $ (509) |

| | Currency Translation | Cash Flow Hedges[1] | Postretirement Benefit Plans[2] | Total |
|---|---|---|---|---|
| **Balance as of March 31, 2020** | $ (309) | $ (26) | $ (285) | $ (620) |
| Other comprehensive income (loss) before reclassifications | 351 | (71) | 37 | 317 |
| Amounts reclassified from AOCI, net[3] | (30) | 42 | 25 | 37 |
| Net current-period other comprehensive income (loss) | 321 | (29) | 62 | 354 |
| **Balance as of December 31, 2020** | $ 12 | $ (55) | $ (223) | $ (266) |

| | Currency Translation | Cash Flow Hedges[1] | Postretirement Benefit Plans[2] | Total |
|---|---|---|---|---|
| **Balance as of March 31, 2019** | $ (236) | $ (22) | $ (248) | $ (506) |
| Other comprehensive (loss) income before reclassifications | (2) | 20 | (2) | 16 |
| Amounts reclassified from AOCI, net | — | (37) | 18 | (19) |
| Net current-period other comprehensive (loss) income | (2) | (17) | 16 | (3) |
| **Balance as of December 31, 2019** | $ (238) | $ (39) | $ (232) | $ (509) |

(1) For additional information on our cash flow hedges, see Note 13 – Financial Instruments and Commodity Contracts.
(2) For additional information on our postretirement benefit plans, see Note 11 – Postretirement Benefit Plans.
(3) Amounts reclassified from AOCI relate to currency translation are due to the sale of Duffel.

## 15. FAIR VALUE MEASUREMENTS

We record certain assets and liabilities, primarily derivative instruments, on our condensed consolidated balance sheets at fair value. We also disclose the fair values of certain financial instruments, including debt and loans receivable, which are not recorded at fair value. Our objective in measuring fair value is to estimate an exit price in an orderly transaction between market participants on the measurement date. We consider factors such as liquidity, bid/offer spreads and nonperformance risk, including our own nonperformance risk, in measuring fair value. We use observable market inputs wherever possible. To the extent observable market inputs are not available, our fair value measurements will reflect the assumptions we used. We grade the level of the inputs and assumptions used according to a three-tier hierarchy:

Level 1 - Unadjusted quoted prices in active markets for identical, unrestricted assets or liabilities we have the ability to access at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for which there is little or no market data, which require us to develop our own assumptions based on the best information available as what market participants would use in pricing the asset or liability.

The following section describes the valuation methodologies we used to measure our various financial instruments at fair value, including an indication of the level in the fair value hierarchy in which each instrument is generally classified.

**Derivative Contracts**

For certain derivative contracts with fair values based upon trades in liquid markets, such as aluminum, zinc, copper, foreign exchange, natural gas and diesel fuel forward contracts and options, valuation model inputs can generally be verified and valuation techniques do not involve significant judgment. The fair values of such financial instruments are generally classified within Level 2 of the fair value hierarchy.

The majority of our derivative contracts are valued using industry-standard models with observable market inputs as their basis, such as time value, forward interest rates, volatility factors, and current (spot) and forward market prices. We generally classify these instruments within Level 2 of the valuation hierarchy. Such derivatives include interest rate swaps, cross-currency swaps, foreign currency contracts, aluminum, copper and zinc forward contracts, natural gas and diesel fuel forward contracts.

We classify derivative contracts that are valued based on models with significant unobservable market inputs as Level 3 of the valuation hierarchy. Our electricity swap, which is our only Level 3 derivative contract, represents an agreement to buy electricity at a fixed price at our Oswego, New York facility. Forward prices are not observable for this market, so we must make certain assumptions based on available information we believe to be relevant to market participants. We use observable forward prices for a geographically nearby market and adjust for 1) historical spreads between the cash prices of the two markets, and 2) historical spreads between retail and wholesale prices.

For the electricity swap, the average forward price at December 31, 2020, estimated using the method described above, was $39 per megawatt hour, which represented an approximately $4 premium over forward prices in the nearby observable market. The actual rate from the most recent swap settlement was approximately $34 per megawatt hour. Each $1 per megawatt hour decline in price decreases the valuation of the electricity swap by less than $1 million.

For Level 2 and 3 of the fair value hierarchy, where appropriate, valuations are adjusted for various factors such as liquidity, bid/offer spreads and credit considerations (nonperformance risk). We regularly monitor these factors along with significant market inputs and assumptions used in our fair value measurements and evaluate the level of the valuation input according to the fair value hierarchy. This may result in a transfer between levels in the hierarchy from period to period. As of December 31, 2020 and March 31, 2020, we did not have any Level 1 derivative contracts. No amounts were transferred between levels in the fair value hierarchy.

All of the Company's derivative instruments are carried at fair value in the statements of financial position prior to considering master netting agreements.

The following table presents our derivative assets and liabilities which were measured and recognized at fair value on a recurring basis and classified under the appropriate level of the fair value hierarchy as of December 31, 2020 and March 31, 2020. The table below also discloses the net fair value of the derivative instruments after considering the impact of master netting agreements.

| | December 31, 2020 | | March 31, 2020 | |
|---|---|---|---|---|
| *in millions* | Assets | Liabilities | Assets | Liabilities |
| **Level 2 instruments:** | | | | |
| Metal contracts | $ 100 | $ (146) | $ 187 | $ (107) |
| Currency exchange contracts | 56 | (36) | 15 | (106) |
| Energy contracts | 1 | (2) | — | (10) |
| **Total level 2 instruments** | $ 157 | $ (184) | $ 202 | $ (223) |
| **Level 3 instruments:** | | | | |
| Energy contracts | — | (3) | — | (6) |
| **Total level 3 instruments** | $ — | $ (3) | $ — | $ (6) |
| **Total gross** | $ 157 | $ (187) | $ 202 | $ (229) |
| **Netting adjustment**[(1)] | $ (68) | $ 68 | $ (72) | $ 72 |
| **Total net** | $ 89 | $ (119) | $ 130 | $ (157) |

(1) Amounts represent the impact of legally enforceable master netting agreements that allow the Company to settle positive and negative positions with the same counterparties.

There were no unrealized gains (losses) recognized in "Other (income) expenses, net" for the three and nine months ended December 31, 2020 related to Level 3 financial instruments.

The following table presents a reconciliation of fair value activity for Level 3 derivative contracts.

| *in millions* | Level 3 – Derivative Instruments[1] |
|---|---|
| **Balance as of March 31, 2020** | $ (6) |
| Unrealized/realized gain (loss) included in earnings[2] | 4 |
| Unrealized/realized gain (loss) included in AOCI[3] | — |
| Settlements[2] | (1) |
| **Balance as of December 31, 2020** | $ (3) |

(1) Represents net derivative liabilities.
(2) Included in "Other (income) expenses, net."
(3) Included in "Net change in fair value of effective portion of cash flow hedges."

In addition to our derivative assets and liabilities held at fair value, we have a Level 3 receivable related to the contingent consideration for the sale of Duffel to ALVANCE. At closing on September 30, 2020, we recorded a receivable at a fair value of €93 million ($109 million) measured based on the anticipated outcome, timeline of arbitration of greater than one year, and a discount rate of 5%. As of December 31, 2020, the fair value has been adjusted for the accretion of imputed interest to €94 million ($114 million). This imputed interest is included "Net income from continuing operations" on our condensed consolidated statements of operations. See Note 3 – Discontinued Operations for more information.

**Financial Instruments Not Recorded at Fair Value**

The table below presents the estimated fair value of certain financial instruments not recorded at fair value on a recurring basis. The table excludes finance leases and short-term financial assets and liabilities for which we believe carrying value approximates fair value. We value long-term receivables and long-term debt using Level 2 inputs. Valuations are based on either market and/or broker ask prices when available or on a standard credit adjusted discounted cash flow model using market observable inputs.

| | December 31, 2020 | | March 31, 2020 | |
|---|---|---|---|---|
| *in millions* | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Long-term receivables from related parties | $ 1 | $ 1 | $ — | $ — |
| Total debt — third parties (excluding finance leases and short-term borrowings) | 6,331 | 6,644 | 5,364 | 5,267 |

## 16. OTHER EXPENSES, NET

"Other (income) expenses, net" consists of the following.

| | Three Months Ended December 31, | | Nine Months Ended December 31, | |
|---|---|---|---|---|
| *in millions* | 2020 | 2019 | 2020 | 2019 |
| Currency (gains) losses, net[(1)] | $ (2) | $ — | $ 1 | $ 2 |
| Unrealized (gains) losses on change in fair value of derivative instruments, net[(2)] | (13) | (6) | 14 | (15) |
| Realized losses on change in fair value of derivative instruments, net[(2)] | 2 | 1 | 2 | 9 |
| Loss (gain) on sale of assets, net | 2 | 1 | — | (1) |
| Gain on Brazilian tax litigation, net[(3)] | — | (8) | — | (7) |
| Interest income | (3) | (2) | (7) | (8) |
| Non-operating net periodic benefit cost[(4)] | 7 | 8 | 27 | 23 |
| Charitable contribution[(5)] | — | — | 50 | — |
| Other, net | — | 3 | (1) | — |
| Other (income) expenses, net | $ (7) | $ (3) | $ 86 | $ 3 |

(1) Includes "Gain recognized on balance sheet remeasurement currency exchange contracts, net." See Note 12 – Currency Losses (Gains) for further details.
(2) See Note 13 – Financial Instruments and Commodity Contracts for further details.
(3) See Note 18 – Commitments and Contingencies for further details.
(4) Represents net periodic benefit cost, exclusive of service cost for the Company's pension and other post-retirement plans.
(5) Represents a charitable contribution for COVID-19 relief.

## 17. INCOME TAXES

For the three and nine months ended December 31, 2020, we had an effective tax rate of 29% and 30%, respectively. For the three and nine months ended December 31, 2019, we had an effective tax rate of 31% and 30%, respectively. These tax rates are primarily due to the results of operations taxed at foreign statutory tax rates that differ from the 25% Canadian tax rate, including withholding taxes, changes to the Brazilian real foreign exchange rate, and certain other non-deductible expenses, offset by tax credits.

As of December 31, 2020, we had a net deferred tax asset of $33 million. This amount included gross deferred tax assets of approximately $1.6 billion and a valuation allowance of $819 million. It is reasonably possible that our estimates of future taxable income may change within the next twelve months resulting in a change to the valuation allowance in one or more jurisdictions.

Tax authorities continue to examine certain of our tax filings for fiscal years 2013 through 2016. As a result of audit settlements, judicial decisions, the filing of amended tax returns, or the expiration of statutes of limitations, our reserves for unrecognized tax benefits, as well as reserves for interest and penalties, are not expected to decrease in the next twelve months. In the current period, reserves of approximately $1.4 million were released due to settlement of a Korea audit. With few exceptions, tax returns for all jurisdictions for all tax years before 2010 are no longer subject to examination by taxing authorities.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was enacted and signed into law in the United States. Certain provisions of the CARES Act impacted the 2020 income tax provision computations by the Company and were reflected in the fourth quarter of fiscal 2020, or the period of enactment. The CARES Act contains modifications on the limitation of business interest for tax years beginning in 2019 (fiscal 2020) and 2020 (fiscal 2021). The modifications to Section 163(j) increase the allowable business interest deduction from 30% to 50% of adjusted taxable income (ATI) as well as allow the election to apply 2019 ATI to compute 163(j) for the current year. This modification significantly increased the allowable interest expense deduction of the Company and resulted in significantly less taxable income for the fiscal year ended March 31, 2020 and increased the tax losses for the quarter ended December 31, 2020.

Prior to being acquired by Novelis, Aleris entities had significant attributes in the U.S., Germany, and China which required evaluation after the acquisition. For U.S. purposes, a corporation’s ability to deduct its U.S. NOL Carryforwards and to utilize certain other available tax attributes can be substantially constrained under the general annual limitation rules of IRC Section 382 if it undergoes an ownership change defined as a cumulative stock ownership change among material stockholders exceeding 50% during a rolling three-year period. Based on our preliminary analysis under Section 382, we believe that approximately $162 million of Aleris US federal NOL carryforwards are limited by Section 382 as of December 31, 2020. For state tax purposes, management believes it is more likely than not that a limitation under Section 382 will impair the realizability of the net deferred tax assets and a $16 million valuation allowance has been recorded on the state attributes.

Additionally, Aleris Germany had interest carryforwards that were not subject to expiration. However, the business combination will result in an ownership change for German income tax purposes. Therefore, the interest carryforwards are limited and consequently were written off as part of the acquisition in the amount of $4 million.

## 18. COMMITMENTS AND CONTINGENCIES

We are party to, and may in the future be involved in, or subject to, disputes, claims, and proceedings arising in the ordinary course of our business, including some we assert against others, such as environmental, health and safety, product liability, employee, tax, personal injury, and other matters. For certain matters in which the Company is involved for which a loss is reasonably possible, we are unable to estimate a loss. For certain other matters for which a loss is reasonably possible and the loss is estimable, we have estimated the aggregated range of loss as $0 to $70 million. This estimated aggregate range of reasonably possible losses is based upon currently available information. The Company's estimates involve significant judgment, and therefore, the estimate will change from time to time and actual losses may differ from the current estimate. We review the status of, and estimated liability related to, pending claims and civil actions on a quarterly basis. The evaluation model includes all asserted and unasserted claims that can be reasonably identified, including claims relating to our responsibility for compliance with environmental, health and safety laws and regulations in the jurisdictions in which we operate or formerly operated. The estimated costs in respect of such reported liabilities are not offset by amounts related to insurance or indemnification arrangements unless otherwise noted.

### *Environmental Matters*

We have established liabilities based on our estimates for currently anticipated costs associated with environmental matters. We estimate that the costs related to our environmental liabilities as of December 31, 2020 and March 31, 2020 were approximately $23 million and $8 million, respectively. Of the total $23 million at December 31, 2020, $5 million was associated with restructuring actions and the remaining $18 million is associated with undiscounted environmental clean-up costs. As of December 31, 2020, $6 million is included in "Accrued expenses and other current liabilities" and the remaining is within "Other long–term liabilities" in our accompanying condensed consolidated balance sheets.

### *Brazilian Tax Litigation*

Under a federal tax dispute settlement program established by the Brazilian government, we have settled several disputes with Brazil's tax authorities regarding various forms of manufacturing taxes and social security contributions. Total settlement liabilities as of December 31, 2020 and March 31, 2020 were $23 million and $27 million, respectively. As of December 31, 2020, $6 million is included in "Accrued expenses and other current liabilities" and the remaining is within "Other long–term liabilities" in our accompanying condensed consolidated balance sheets.

In addition to the disputes we have settled under the federal tax dispute settlement program, we are involved in several other unresolved tax and other legal claims in Brazil. Total liabilities for other disputes and claims were $20 million as of December 31, 2020 and $18 million as of March 31, 2020. As of December 31, 2020, $1 million is included in "Accrued expenses and other current liabilities" and the remaining is within "Other long–term liabilities" in our accompanying condensed consolidated balance sheets. Additionally, we have included in the range of reasonably possible losses disclosed above, any unresolved tax disputes or other contingencies for which a loss is reasonably possible and estimable. The interest cost recorded on these settlement liabilities offset by interest earned on the cash deposits is reported in "Other (income) expenses, net" on the condensed consolidated statement of operations.

For additional information, please refer to our Form 10-K for the fiscal year ended March 31, 2020.

### *Duffel Sale*

On September 30, 2020, we completed the sale of Duffel to Liberty House Group through its subsidiary, ALVANCE, the international aluminum business of the GFG Alliance. Upon closing, we received €210 million ($246 million as of September 30, 2020) in cash and a €100 million ($117 million as of September 30, 2020) receivable that is deemed to be contingent consideration subject to the results of a binding arbitration proceeding under German law that is currently underway. The arbitration will determine the responsibility of ALVANCE to Novelis based on the parties' relative culpability for certain breaches of obligations under the purchase and sale agreement, potentially reduced by certain claims of ALVANCE against Novelis. Arbitration results are inherently uncertain and unpredictable, and there can be no assurance of the result the arbitral tribunal will reach. The arbitrators may award Novelis no more than €100 million and may not award any damages to ALVANCE.

We have elected to account for the contingent consideration at fair value and will mark to fair value on a quarterly basis. At closing on September 30, 2020, the estimated fair value of the purchase price subject to arbitration was €93 million ($109 million). We have recorded the contingent consideration in "Other long–term assets — third parties" and changes to the estimated fair value resulting from quarterly revaluations will be recorded to "Net income (loss) from discontinued operations, net of tax."

See Note 3 – Discontinued Operations for more information.

**19. SEGMENT, GEOGRAPHICAL AREA, MAJOR CUSTOMER AND MAJOR SUPPLIER INFORMATION**

***Segment Information***

Due in part to the regional nature of supply and demand of aluminum rolled products and to best serve our customers, we manage our activities based on geographical areas and are organized under four operating segments: North America, Europe, Asia, and South America. All of our segments manufacture aluminum sheet and light gauge products.

The following is a description of our operating segments.

*North America.* Headquartered in Atlanta, Georgia, this segment operates 16 plants, including seven with recycling operations, in two countries.

*Europe.* Headquartered in Küsnacht, Switzerland, this segment operates 11 plants, including seven with recycling operations, in four countries.

*Asia.* Headquartered in Seoul, South Korea, this segment operates four plants, including three with recycling operations, in two countries.

*South America.* Headquartered in Sao Paulo, Brazil, this segment comprises power generation operations and operates two plants in Brazil, including one with recycling operations.

Net sales and expenses are measured in accordance with the policies and procedures described in Note 1 – Business and Summary of Significant Accounting Policies shown in our Form 10-K for the fiscal year ended March 31, 2020.

We measure the profitability and financial performance of our operating segments based on segment income. Segment income provides a measure of our underlying segment results that is in line with our approach to risk management. We define segment income as earnings before (a) "depreciation and amortization"; (b) "interest expense and amortization of debt issuance costs"; (c) "interest income"; (d) "unrealized gains (losses) on change in fair value of derivative instruments, net," except for foreign currency remeasurement hedging activities, which are included in segment income; (e) impairment of goodwill; (f) "(gain) loss on extinguishment of debt"; (g) noncontrolling interest's share; (h) adjustments to reconcile our proportional share of segment income from non-consolidated affiliates to income as determined on the equity method of accounting; (i) "restructuring and impairment, net"; (j) gains or losses on disposals of property, plant and equipment and businesses, net; (k) other costs, net; (l) litigation settlement, net of insurance recoveries; (m) sale transaction fees; (n) "income tax provision (benefit)"; (o) cumulative effect of accounting change, net of tax; (p) metal price lag; (q) "business acquisition and other integration related costs"; (r) purchase price accounting adjustments; (s) "income (loss) from discontinued operations, net of tax"; and (t) "loss on sale of discontinued operations, net of tax."

The tables below show selected segment financial information (in millions). The "Eliminations and Other" column in the table below includes eliminations and functions that are managed directly from our corporate office that have not been allocated to our operating segments, as well as the adjustments for proportional consolidation and eliminations of intersegment "Net sales." The financial information for our segments includes the results of our affiliates on a proportionately consolidated basis, which is consistent with the way we manage our business segments. In order to reconcile the financial information for the segments shown in the tables below to the relevant U.S. GAAP based measures, we must adjust proportional consolidation of each line item. The "Eliminations and Other" in "Net sales - third party" includes the net sales attributable to our joint venture party, Tri-Arrows, for our Logan affiliate because we consolidate 100% of the Logan joint venture for U.S. GAAP, but we manage our Logan affiliate on a proportionately consolidated basis. See Note 7 – Consolidation and Note 8 – Investment in and Advances to Non-Consolidated Affiliates and Related Party Transactions for further information about these affiliates. Additionally, we eliminate intersegment sales and intersegment income for reporting on a consolidated basis.

**Selected Segment Financial Information**

| December 31, 2020 | North America | Europe | Asia | South America | Eliminations and Other[1] | Total |
|---|---|---|---|---|---|---|
| Investment in and advances to non–consolidated affiliates | $ — | $ 522 | $ 336 | $ — | $ — | $ 858 |
| Total assets | 3,926 | 4,197 | 2,452 | 1,741 | 644 | 12,960 |

| March 31, 2020 | North America | Europe | Asia | South America | Eliminations and Other | Total |
|---|---|---|---|---|---|---|
| Investment in and advances to non–consolidated affiliates | $ — | $ 465 | $ 295 | $ — | $ — | $ 760 |
| Total assets | 4,274 | 3,075 | 1,737 | 1,626 | 277 | 10,989 |

| Selected Operating Results Three Months Ended December 31, 2020 | North America | Europe | Asia | South America | Eliminations and Other | Total |
|---|---|---|---|---|---|---|
| Net sales - third party | $ 1,173 | $ 939 | $ 554 | $ 486 | $ 89 | $ 3,241 |
| Net sales - intersegment | 5 | 37 | 2 | — | (44) | — |
| Net sales | $ 1,178 | $ 976 | $ 556 | $ 486 | $ 45 | $ 3,241 |
| Depreciation and amortization | $ 61 | $ 44 | $ 24 | $ 18 | $ (10) | $ 137 |
| Income tax provision | 17 | 9 | 15 | 33 | 6 | 80 |
| Capital expenditures | 34 | 22 | 33 | 21 | (3) | 107 |

| Selected Operating Results Three Months Ended December 31, 2019 | North America | Europe | Asia | South America | Eliminations and Other | Total |
|---|---|---|---|---|---|---|
| Net sales - third party | $ 981 | $ 717 | $ 478 | $ 466 | $ 73 | $ 2,715 |
| Net sales - intersegment | — | 19 | 7 | 15 | (41) | — |
| Net sales | $ 981 | $ 736 | $ 485 | $ 481 | $ 32 | $ 2,715 |
| Depreciation and amortization | $ 39 | $ 29 | $ 16 | $ 17 | $ (10) | $ 91 |
| Income tax provision (benefit) | 5 | 5 | 9 | 33 | (3) | 49 |
| Capital expenditures | 70 | 21 | 23 | 15 | (4) | 125 |

| Selected Operating Results Nine Months Ended December 31, 2020 | North America | Europe | Asia | South America | Eliminations and Other | Total |
|---|---|---|---|---|---|---|
| Net sales - third party | $ 3,193 | $ 2,400 | $ 1,533 | $ 1,256 | $ 263 | $ 8,645 |
| Net sales - intersegment | 5 | 80 | 12 | 7 | (104) | — |
| Net sales | $ 3,198 | $ 2,480 | $ 1,545 | $ 1,263 | $ 159 | $ 8,645 |
| Depreciation and amortization | $ 175 | $ 125 | $ 66 | $ 53 | $ (23) | $ 396 |
| Income tax (benefit) provision | 1 | 1 | 39 | 87 | (9) | 119 |
| Capital expenditures | 124 | 56 | 85 | 74 | (6) | 333 |

| Selected Operating Results Nine Months Ended December 31, 2019 | North America | Europe | Asia | South America | Eliminations and Other | Total |
|---|---|---|---|---|---|---|
| Net sales - third party | $ 3,167 | $ 2,239 | $ 1,468 | $ 1,390 | $ 227 | $ 8,491 |
| Net sales - intersegment | — | 103 | 12 | 40 | (155) | — |
| Net sales | $ 3,167 | $ 2,342 | $ 1,480 | $ 1,430 | $ 72 | $ 8,491 |
| Depreciation and amortization | $ 115 | $ 86 | $ 47 | $ 50 | $ (31) | $ 267 |
| Income tax provision | 33 | 5 | 22 | 88 | 9 | 157 |
| Capital expenditures | 239 | 44 | 95 | 53 | (1) | 430 |

(1) Includes assets of discontinued operations.

The table below displays the reconciliation from "Net income attributable to our common shareholder" to segment income from reportable segments.

| *in millions* | Three Months Ended December 31, 2020 | Three Months Ended December 31, 2019 | Nine Months Ended December 31, 2020 | Nine Months Ended December 31, 2019 |
|---|---|---|---|---|
| **Net income attributable to our common shareholder** | $ 176 | $ 107 | $ 60 | $ 357 |
| Noncontrolling interest | 1 | — | 1 | — |
| Income tax provision | 80 | 49 | 119 | 157 |
| Depreciation and amortization | 137 | 91 | 396 | 267 |
| Interest expense and amortization of debt issuance costs | 66 | 59 | 206 | 185 |
| Adjustment to reconcile proportional consolidation | 13 | 13 | 42 | 42 |
| Unrealized (gains) losses on change in fair value of derivative instruments, net | (13) | (6) | 14 | (15) |
| Realized (gains) losses on derivative instruments not included in segment income | (2) | (1) | 2 | 2 |
| Restructuring and impairment, net | 20 | 3 | 28 | 36 |
| Loss (gain) on sale of fixed assets | 2 | 1 | — | (1) |
| Purchase price accounting adjustments | — | — | 29 | — |
| Loss from discontinued operations, net of tax | 18 | — | 47 | — |
| Loss on sale of discontinued operations, net of tax | — | — | 170 | — |
| Metal price lag | — | 11 | 32 | 18 |
| Business acquisition and other integration related costs | — | 17 | 11 | 46 |
| Other, net | 3 | (1) | 52 | (5) |
| **Segment income from reportable segments** | $ 501 | $ 343 | $ 1,209 | $ 1,089 |

"Business acquisition and other integration related costs" are primarily legal and professional fees associated with our acquisition of Aleris.

"Adjustment to reconcile proportional consolidation" relates to depreciation, amortization, and income taxes of our equity method investments. Income taxes related to our equity method investments are reflected in the carrying value of the investment and not in our consolidated "Income tax provision."

"Realized (gains) losses on derivative instruments not included in segment income" represents foreign currency derivatives not related to operations.

"Purchase price accounting adjustments" primarily relates to the relief of the inventory step-up related to the acquired Aleris business.

"Other, net" related primarily relates to a charitable contribution as well as interest income.

The table below displays segment income from reportable segments by region.

| *in millions* | Three Months Ended December 31, 2020 | Three Months Ended December 31, 2019 | Nine Months Ended December 31, 2020 | Nine Months Ended December 31, 2019 |
|---|---|---|---|---|
| North America | $ 206 | $ 127 | $ 489 | $ 468 |
| Europe | 98 | 47 | 181 | 160 |
| Asia | 78 | 55 | 227 | 154 |
| South America | 129 | 116 | 317 | 309 |
| Eliminations and other | (10) | (2) | (5) | (2) |
| **Segment income from reportable segments** | $ 501 | $ 343 | $ 1,209 | $ 1,089 |

**Information about Product Sales, Major Customers and Primary Supplier**

***Product Sales***

The following table displays our "Net sales" by value stream.

| | Three Months Ended December 31, | | Nine Months Ended December 31, | |
|---|---|---|---|---|
| *in millions* | 2020 | 2019 | 2020 | 2019 |
| Can | $ 1,596 | $ 1,536 | $ 4,431 | $ 4,714 |
| Automotive | 704 | 679 | 1,671 | 2,060 |
| Aerospace and industrial plate | 85 | — | 280 | — |
| Specialty | 856 | 500 | 2,263 | 1,717 |
| Net sales | $ 3,241 | $ 2,715 | $ 8,645 | $ 8,491 |

***Major Customers***

The following table displays net sales to customers representing 10% or more of our total "Net sales" for any of the periods presented.

| | Three Months Ended December 31, | | Nine Months Ended December 31, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Ball | 15 % | 24 % | 15 % | 23 % |
| Ford | 6 | 10 | 6 | 10 |

***Primary Supplier***

Rio Tinto (RT) is our primary supplier of metal inputs, including prime and sheet ingot. The table below shows our purchases from RT as a percentage of our total combined metal purchases.

| | Three Months Ended December 31, | | Nine Months Ended December 31, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Purchases from RT as a percentage of total combined metal purchases | 8 % | 12 % | 7 % | 11 % |

## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

### FORWARD-LOOKING STATEMENTS

*The following information should be read together with our unaudited condensed consolidated financial statements and accompanying notes included elsewhere in this Quarterly Report for a more complete understanding of our financial condition and results of operations. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below, particularly in "SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND MARKET DATA."*

### OVERVIEW AND REFERENCES

Novelis is the leading producer of flat-rolled aluminum products and the world's largest recycler of aluminum. Driven by our purpose to shape a sustainable world together, we work alongside our customers to provide innovative solutions to the beverage can, automotive, aerospace, and specialty markets (includes foil packaging, certain transportation products, architectural, industrial, and consumer durables). We have recycling operations in many of our plants to recycle both post-consumer aluminum and post-industrial aluminum. As of December 31, 2020, we had manufacturing operations in nine countries on four continents, through 33 operating plants, which may include any combination of hot or cold rolling, finishing, casting, or recycling capabilities. We have recycling operations in 18 of our operating facilities.

In this Quarterly Report on Form 10-Q, unless otherwise specified, the terms "we," "our," "us," "Company," and "Novelis" refer to Novelis Inc., a company incorporated in Canada under the Canadian Business Corporations Act (CBCA) and its subsidiaries. References herein to "Hindalco" refer to Hindalco Industries Limited, our indirect parent company, which acquired Novelis in May 2007, through its indirect wholly-owned subsidiary, AV Metals Inc., our direct parent company.

As used in this Quarterly Report, consolidated "aluminum rolled product shipments" or "flat-rolled product shipments" refers to aluminum rolled products shipments to third parties. Regional "aluminum rolled product shipments" or "flat-rolled product shipments" refers to aluminum rolled products shipments to third parties and intersegment shipments to other Novelis regions. Shipment amounts also include tolling shipments. References to "total shipments" include aluminum rolled products as well as certain other non-rolled product shipments, primarily scrap, used beverage cans (UBC), ingot, billets, and primary remelt. The term "aluminum rolled products" is synonymous with the terms "flat-rolled products" and "FRP" commonly used by manufacturers and third party analysts in our industry. All tonnages are stated in metric tonnes. One metric tonne (mt) is equivalent to 2,204.6 pounds. One kilotonne (kt) is 1,000 metric tonnes.

References to our Form 10-K made throughout this document refer to our Form 10-K for the fiscal year ended March 31, 2020, filed with the United States Securities and Exchange Commission (SEC) on May 7, 2020.

### BUSINESS AND INDUSTRY CLIMATE

On April 14, 2020, Novelis closed its acquisition of Aleris Corporation and is now integrating the two companies. The acquisition provides a number of strategic benefits, including increasing the Company’s footprint as an aluminum rolled products manufacturer and diversifying its product and customer portfolio. In addition, more than $180 million of run-rate synergies have been identified, through traditional integration cost synergies and strategic synergies created by enhancing and integrating operations in Asia. In the months since closing the transaction, $54 million of run-rate cost synergies have already been achieved. The results from continuing operations reported for the period ending December 31, 2020 reflect the acquired businesses.

The early months of the current fiscal year were impacted by a short-term reduction in demand for aluminum rolled products, negatively impacted by the spread of the COVID-19 pandemic. Some industries such as automotive, aerospace, and some specialty markets, including heat exchangers and transportation, experienced a sharper demand decline than the more resilient beverage can segment. However, demand strengthened considerably in the second fiscal quarter across most end markets and remained favorable through the third fiscal quarter. While aerospace demand is expected to remain muted into next fiscal year, some end markets, including automotive and specialties, have returned to at or near pre-COVID demand levels due to relatively strong consumer demand. We believe the long-term trends for flat-rolled aluminum products remain strong. Economic growth, material substitution, and sustainability considerations, including increased environmental awareness around polyethylene terephthalate (PET) plastics, continue to support long-term increasing global demand for aluminum and rolled products. With the exception of China where can sheet overcapacity and strong competition remains, favorable market conditions and increasing customer preference for sustainable packaging options is driving higher demand for infinitely recyclable aluminum beverage cans and bottles. At the end of fiscal 2019, we began expanding rolling, casting and recycling capability in Pindamonhangaba, Brazil to support this demand.

Meanwhile, the long-term demand for aluminum in the automotive industry continues to grow, which drove the investments we made in our automotive sheet finishing capacity in North America, Europe, and Asia in recent years, and is driving our additional investments in Guthrie, Kentucky (U.S.) and Changzhou, China. This demand has been primarily driven by the benefits that result from using lightweight aluminum in vehicle structures and components, as companies respond to stricter government emissions and fuel economy regulations, while maintaining or improving vehicle safety and performance, resulting in increased competition with high-strength steel.

We expect long-term demand for building and construction and other specialty products will grow due to increased customer preference for lightweight, sustainable materials and demand for aluminum plate in Asia to grow driven by the development and expansion of industries serving aerospace, semiconductor, rail, and other technically demanding applications.

We believe significant aircraft industry order backlogs for key original equipment manufacturers (OEMs) including Airbus and Boeing will translate into growth in the future, and we believe our multi-year supply agreements have positioned us to benefit from future expected demand.

**COVID-19 Response**

The COVID-19 pandemic continues to cause travel and business disruption and economic volatility. Government mandates to stay at home or avoid large gatherings of people, as well as infected employees or individuals on-site, have caused some of our customers to temporarily shut down their manufacturing facilities due to lack of demand, government decree, or public health concerns. We are encouraged by the resiliency of the beverage can market and the ongoing recovery in the automotive and specialty markets. We continue working closely with our customers to adjust production based on their sales forecasts.

With our primary focus being the health and well-being of our employees, we are closely monitoring the changing landscape with respect to COVID-19 and taking actions to manage our business and support our customers. We have bolstered our own Environmental Health and Safety protocols and aligned them with guidance from global health authorities and government agencies across our operations to help ensure the safety of our employees, customers, suppliers, communities, and other stakeholders. For example, we have implemented social distancing standards and control measures for common work areas, including desks, workstations, meeting rooms, break rooms, cafeterias, clock-in areas, and smoking areas. We have controlled distancing during shift changes by staggering shift change times and creating one-way flows marked on floors. In addition, we have distributed personal protective equipment (PPE) such as facemasks, face shields, and gloves, as well as cleaning stations, personal hygiene products, and disinfection products to our sites. For our non-production workforce, we have strongly encouraged virtual meetings to reduce employee contact and have switched to paperless work environments where possible. With the recent approval of COVID-19 vaccines, we will also be encouraging employees to get the vaccine as soon as they are able to do so in order to help further ensure the health of our employees, facilities and communities.

***Liquidity Position***

We believe that we have substantial liquidity to navigate the current dynamic environment. Our cash and cash equivalents and long-term committed available borrowings aggregated to $2.4 billion of liquidity at December 31, 2020.

While we remain ready to flex costs as necessary in line with customer demand trends, production has increased to near pre-pandemic levels in response to strong customer demand. We continue to prioritize capital spending on maintenance activities and organic strategic capacity expansions projects. With additional capital expenditures required to maintain the acquired Aleris facilities, we expect total capital spending to be in the range of $450 million to $500 million for the full fiscal year 2021. We remain committed to our previously announced strategic capacity expansions, with the commissioning of our new automotive capacity in the U.S. and China underway.

***Market Trends***

While long-term demand trends for flat-rolled aluminum products remain broadly intact, there are varying degrees of uncertainty in near-term demand resulting from the COVID-19 pandemic across end markets. Beverage can represents the largest share of our shipment product portfolio, and has historically been a relatively recession resistant product. Our beverage can sheet shipments increased versus the prior year and sequentially in the third quarter, as demand for aluminum cans as a package type was very strong, particularly across the Americas.

The automotive industry was severely impacted by the slowdown resulting from COVID-19 in the first quarter of fiscal 2021, as major US and European automotive OEMs temporarily shut down production. However, the resumption of most customer operations beginning in May 2020, combined with strong demand for larger vehicles like pick-up trucks, SUVs, and electric vehicles, as well as very strong demand in China for aluminum automotive sheet, has returned our third quarter automotive shipments to their highest level in over a year. While the strong near-term order book is a positive sign, it is unclear how ongoing global economic concerns may impact overall demand beyond the next quarter.

Demand for specialties products has mostly recovered from the lows in April and May 2020. Demand for aluminum sheet in the electronics market in Asia remains strong as consumers purchase tablets, laptops, mobile phones, and other communication devices to work and attend school remotely. Demand for painted products as well as container foil used in recyclable coffee capsules remains resilient in Europe, while the building and construction markets in Europe, and more notably in North America, have shown a strong recovery beginning in our second fiscal quarter supported by an increase in home renovation projects as people spend more time in their homes due to social distancing and mandates.

In aerospace, sharply lower consumer travel is expected to drive soft demand for aerospace sheet and plate into next year.

## BUSINESS MODEL AND KEY CONCEPTS

### *Conversion Business Model*

A significant amount of our business is conducted under a conversion model, which allows us to pass through increases or decreases in the price of aluminum to our customers. Nearly all of our flat-rolled products have a price structure with three components: (i) a base aluminum price quoted off the LME; (ii) a local market premium; and (iii) a "conversion premium" to produce the rolled product which reflects, among other factors, the competitive market conditions for that product. Base aluminum prices are typically driven by macroeconomic factors and global supply and demand for aluminum. The local market premiums tend to vary based on the supply and demand for metal in a particular region and associated transportation costs.

In North America, Europe, and South America, we pass through local market premiums to our customers which are recorded through "Net sales." In Asia, we purchase our metal inputs based on the LME and incur a local market premium; however, many of our competitors in this region price their metal off the Shanghai Futures Exchange, which does not include a local market premium, making it difficult for us to fully pass through this component of our metal input cost to some of our customers.

### *LME Base Aluminum Prices and Local Market Premiums*

The average (based on the simple average of the monthly averages) and closing prices for aluminum set on the LME are as follows:

| | Three Months Ended December 31, | | | Nine Months Ended December 31, | | |
|---|---|---|---|---|---|---|
| | 2020 | 2019 | Percent Change | 2020 | 2019 | Percent Change |
| **London Metal Exchange Prices** | | | | | | |
| Aluminum (per metric tonne, and presented in U.S. dollars): | | | | | | |
| Closing cash price as of beginning of period | $ 1,737 | $ 1,704 | 2 % | $ 1,489 | $ 1,900 | (22)% |
| Average cash price during the period | 1,918 | 1,754 | 9 | 1,706 | 1,769 | (4) |
| Closing cash price as of end of period | 1,978 | 1,800 | 10 | 1,978 | 1,800 | 10 |

The weighted average local market premium are as follows:

| | Three Months Ended December 31, | | | Nine Months Ended December 31, | | |
|---|---|---|---|---|---|---|
| | 2020 | 2019 | Percent Change | 2020 | 2019 | Percent Change |
| Weighted average Local Market Premium (per metric tonne, and presented in U.S. dollars) | $ 199 | $ 191 | 4 % | $ 166 | $ 224 | (26)% |

***Metal Price Lag and Related Hedging Activities***

Increases or decreases in the price of aluminum based on the average LME base aluminum prices and local market premiums directly impact "Net sales," "Cost of goods sold (exclusive of depreciation and amortization)," and working capital. The timing of these impacts varies based on contractual arrangements with customers and metal suppliers in each region. These timing impacts are referred to as metal price lag. Metal price lag exists due to: (i) the period of time between the pricing of our purchases of metal, holding and processing the metal, and the pricing of the sale of finished inventory to our customers and (ii) certain customer contracts containing fixed forward price commitments which result in exposure to changes in metal prices for the period of time between when our sales price fixes and the sale actually occurs.

We use LME aluminum forward contracts to preserve our conversion margins and manage the timing differences associated with the LME base metal component of "Net sales," and "Cost of goods sold (exclusive of depreciation and amortization)." These derivatives directly hedge the economic risk of future LME base metal price fluctuations to better match the purchase price of metal with the sales price of metal. The majority of our local market premium hedging occurs in North America depending on market conditions; however, exposure here is not fully hedged. In our Europe, Asia, and South America regions, the derivative market for local market premiums is not robust or efficient enough for us to offset the impacts of LMP price movements beyond a small volume. As a consequence, volatility in local market premiums can have a significant impact on our results of operations and cash flows.

We elect to apply hedge accounting to better match the recognition of gains or losses on certain derivative instruments with the recognition of the underlying exposure being hedged in the statement of operations. In connection with the acquisition of Aleris, the Company acquired a portfolio of derivative financial instruments executed to hedge various price risk exposures. Historically, Aleris did not designate derivative financial instruments as hedges and therefore, both realized and unrealized gains and losses on derivatives were recorded immediately in the condensed consolidated statement of operations. In the second quarter of fiscal 2021, the Company designated certain Aleris LME aluminum forward sales contracts as cash flow hedges of the metal price risk associated with our future metal sales. For undesignated metal derivatives, there are timing differences between the recognition of unrealized gains or losses on the derivatives and the recognition of the underlying exposure in the statement of operations. The recognition of unrealized gains and losses on undesignated metal derivative positions typically precedes inventory cost recognition, customer delivery, and revenue recognition. The timing difference between the recognition of unrealized gains and losses on undesignated metal derivatives and cost or revenue recognition impacts "Income from continuing operations before income tax provision" and "Net income." Gains and losses on metal derivative contracts are not recognized in "Segment income" until realized.

***Foreign Currency and Related Hedging Activities***

We operate a global business and conduct business in various currencies around the world. We have exposure to foreign currency risk as fluctuations in foreign exchange rates impact our operating results as we translate the operating results from various functional currencies into our U.S. dollar reporting currency at current average rates. We also record foreign exchange remeasurement gains and losses when business transactions are denominated in currencies other than the functional currency of that operation. Global economic uncertainty is contributing to higher levels of volatility among the currency pairs in which we conduct business. The following table presents the exchange rates as of the end of each period and the average of the month-end exchange rates:

| | Exchange Rate as of | | Average Exchange Rate Three Months Ended December 31, | | Average Exchange Rate Nine Months Ended December 31, | |
|---|---|---|---|---|---|---|
| | December 31, 2020 | March 31, 2020 | 2020 | 2019 | 2020 | 2019 |
| Euro per U.S. dollar | 0.817 | 0.911 | 0.836 | 0.898 | 0.860 | 0.898 |
| Brazilian real per U.S. dollar | 5.197 | 5.199 | 5.433 | 4.086 | 5.438 | 4.005 |
| South Korean won per U.S. dollar | 1,088 | 1,223 | 1,109 | 1,169 | 1,171 | 1,179 |
| Canadian dollar per U.S. dollar | 1.274 | 1.425 | 1.301 | 1.313 | 1.335 | 1.323 |
| Swiss franc per euro | 1.081 | 1.061 | 1.078 | 1.096 | 1.073 | 1.105 |

Exchange rate movements have an impact on our operating results. In Europe, where we have predominantly local currency selling prices and operating costs, we benefit as the euro strengthens but are adversely affected as the euro weakens. For our Swiss operations, where operating costs are incurred primarily in the Swiss franc and a large portion of revenues are denominated in the euro, we benefit as the Swiss franc weakens but are adversely affected as the franc strengthens. In South Korea, where we have local currency operating costs and U.S. dollar denominated selling prices for exports, we benefit as the South Korean won weakens but are adversely affected as the won strengthens. In Brazil, where we have predominately U.S. dollar selling prices and local currency manufacturing costs, we benefit as the Brazilian real weakens but are adversely affected as the real strengthens. We use foreign exchange forward contracts and cross-currency swaps to manage our exposure arising from recorded assets and liabilities, firm commitments, and forecasted cash flows denominated in currencies other than the functional currency of certain operations, which include capital expenditures and net investment in foreign subsidiaries.

See *Segment Review* below for the impact of foreign currency on each of our segments.

## RESULTS OF CONSOLIDATED OPERATIONS

For the three months ended December 31, 2020, we reported "Net income attributable to our common shareholder" a net income of $176 million, an increase of 64% compared to income of $107 million in the prior comparable period. We reported segment income of $501 million, an increase of 46% compared to $343 million in the prior comparable period. The increase in segment income was due to organic growth, favorable metal benefits, and a $50 million positive segment income contribution from the acquired business. In addition, the current year quarter includes higher depreciation and amortization and interest expense, primarily driven by the acquisition of Aleris, and a higher tax provision on the higher earnings.

For the nine months ended December 31, 2020, we reported "Net income attributable to our common shareholder" of $60 million, a decrease of 83% compared to income of $357 million in the prior comparable period. The decline in net income was primarily driven by a $170 million loss on sale of discontinued operations and a $50 million charitable donation to support COVID-19 relief efforts, as well as higher depreciation and amortization and interest expense. In addition, the current year includes $14 million of unrealized derivative losses and a $29 million purchase price accounting adjustment resulting from the relief of an inventory step-up, both primarily related to the acquired Aleris business. These negative items were partially offset by an increase of 11% in segment income to $1.2 billion, compared to $1.1 billion in the prior comparable period, primarily driven by a $140 million positive segment income contribution from the acquired business, favorable metal costs, and cost containment efforts, partially offset by negative impacts resulting from the COVID-19 pandemic early this year. Further, these factors combined with favorable working capital changes caused by lower base aluminum prices drove net cash provided by operating activities to $570 million for the nine months ended December 31, 2020, an increase of $98 million over the comparable prior period.

### Key Sales and Shipment Trends

| *in millions, except percentages and shipments, which are in kt* | Three Months Ended | | | | Fiscal Year Ended | Three Months Ended | | |
|---|---|---|---|---|---|---|---|---|
| | **June 30, 2019** | **September 30, 2019** | **December 31, 2019** | **March 31, 2020** | **March 31, 2020** | **June 30, 2020** | **September 30, 2020** | **December 31, 2020** |
| **Net sales** | $ 2,925 | $ 2,851 | $ 2,715 | $ 2,726 | $ 11,217 | $ 2,426 | 2,978 | 3,241 |
| Percentage (decrease) increase in net sales versus comparable previous year period | (6)% | (9)% | (10)% | (12)% | (9)% | (17)% | 4 % | 19 % |
| **Rolled product shipments:** | | | | | | | | |
| North America | 289 | 286 | 269 | 267 | 1,111 | 272 | 367 | 347 |
| Europe | 234 | 245 | 224 | 220 | 923 | 212 | 240 | 253 |
| Asia | 184 | 177 | 173 | 184 | 718 | 184 | 178 | 184 |
| South America | 139 | 141 | 146 | 148 | 574 | 113 | 148 | 158 |
| Eliminations | (16) | (14) | (15) | (8) | (53) | (7) | (10) | (9) |
| Total | 830 | 835 | 797 | 811 | 3,273 | 774 | 923 | 933 |

The following summarizes the percentage increase (decrease) in rolled product shipments versus the comparable previous year period:

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| North America | 5 % | (3)% | (4)% | (9)% | (3)% | (6)% | 28 % | 29 % |
| Europe | 1 | 7 | 6 | (11) | 1 | (9) | (2)% | 13 % |
| Asia | 5 | 5 | (5) | (7) | (1) | — | 1 % | 6 % |
| South America | 10 | 12 | 3 | 3 | 7 | (19) | 5 % | 8 % |
| Total | 4 % | 3 % | — % | (7)% | — % | (7)% | 11 % | 17 % |

### Three Months Ended December 31, 2020 Compared to the Three Months Ended December 31, 2019

"Net sales" was $3.2 billion, an increase of 19%, primarily driven by an 17% increase in shipments primarily related to the acquired business as well as higher beverage can shipments and higher average aluminum prices.

"Income from continuing operations before income tax provision" was $275 million, compared to $156 million in the prior period. In addition to the factors noted above, the following items affected "Income from continuing operations before income tax provision."

**Cost of Goods Sold (Exclusive of Depreciation and Amortization)**

"Cost of goods sold (exclusive of depreciation and amortization)" was $2.6 billion, an increase of 15%, driven by higher volume and higher average aluminum prices. Total metal input costs included in "Cost of goods sold (exclusive of depreciation and amortization)" increased $181 million over the prior period.

**Selling, General and Administrative**

"Selling, general and administrative expense" (SG&A) was $149 million in the three months ended December 31, 2020 compared to $131 million in the three months ended December 31, 2019. The increase is related to the additional SG&A from the acquired Aleris business, partially offset by cost savings measures realized in the current period.

**Depreciation and Amortization**

"Depreciation and amortization" was $137 million in the three months ended December 31, 2020 quarter compared to $91 million in the three months ended December 31, 2019. The increase is primarily related to the depreciation of acquired Aleris assets.

**Interest Expense**

"Interest expense and amortization of debt issuance costs" was $66 million and $59 million for the three months ended December 31, 2020 and 2019, respectively. The increase is primarily related to a higher average level of debt during the quarter as a result of the Aleris acquisition.

**Other Expenses**

"Other income, net" was $7 million and $3 million for the three months ended December 31, 2020 and 2019, respectively.

**Taxes**

We recognized $80 million of tax expense for the three months ended December 31, 2020, which resulted in an effective tax rate of 29%. This tax rate was primarily driven by the full year forecasted effective tax rate that takes into account income taxed at rates that differ from the 25% Canadian rate, including withholding taxes, changes to the Brazilian real foreign exchange rate, and certain other non-deductible expenses, offset by tax credits. We recognized $49 million of tax expense in the comparable prior period, which resulted in an effective tax rate of 31%.

**Segment Review**

Due in part to the regional nature of supply and demand of aluminum rolled products and in order to best serve our customers, we manage our activities on the basis of geographical regions and are organized under four operating segments: North America, Europe, Asia, and South America.

The tables below illustrate selected segment financial information (in millions, except shipments which are in kt). For additional financial information related to our operating segments including the reconciliation of "Net income attributable to our common shareholder" to segment income, see Note 19 – Segment, Geographical Area, Major Customer and Major Supplier Information. In order to reconcile the financial information for the segments shown in the tables below to the relevant U.S. GAAP-based measures, "Eliminations and other" must adjust for proportional consolidation of each line item for our Logan affiliate because we consolidate 100% of the Logan joint venture for U.S. GAAP. However, we manage our Logan affiliate on a proportionately consolidated basis and eliminate intersegment shipments (in kt).

| Selected Operating Results<br>Three Months Ended December 31, 2020 | North America | Europe | Asia | South America | Eliminations and other | Total |
|---|---|---|---|---|---|---|
| Net sales | $ 1,178 | $ 976 | $ 556 | $ 486 | $ 45 | $ 3,241 |
| Shipments (in kt): | | | | | | |
| Rolled products - third party | 347 | 245 | 183 | 158 | — | 933 |
| Rolled products - intersegment | — | 8 | 1 | — | (9) | — |
| Total rolled products | 347 | 253 | 184 | 158 | (9) | 933 |
| Non-rolled products | 9 | 39 | 1 | 22 | (7) | 64 |
| Total shipments | 356 | 292 | 185 | 180 | (16) | 997 |

| Selected Operating Results<br>Three Months Ended December 31, 2019 | North America | Europe | Asia | South America | Eliminations and other | Total |
|---|---|---|---|---|---|---|
| Net sales | $ 981 | $ 736 | $ 485 | $ 481 | $ 32 | $ 2,715 |
| Shipments (in kt): | | | | | | |
| Rolled products - third party | 269 | 218 | 170 | 140 | — | 797 |
| Rolled products - intersegment | — | 6 | 3 | 6 | (15) | — |
| Total rolled products | 269 | 224 | 173 | 146 | (15) | 797 |
| Non-rolled products | 10 | 2 | 1 | 23 | — | 36 |
| Total shipments | 279 | 226 | 174 | 169 | (15) | 833 |

The following table reconciles changes in "Segment income" for the three months ended December 31, 2019 to the three months ended December 31, 2020 (in millions).

| Changes in segment income | North America | Europe | Asia | South America | Eliminations and other[(1)] | Total |
|---|---|---|---|---|---|---|
| **Segment income - Three Months Ended December 31, 2019** | $ 127 | $ 47 | $ 55 | $ 116 | $ (2) | $ 343 |
| Volume | 66 | 53 | 20 | 13 | 5 | 157 |
| Conversion premium and product mix | (21) | 23 | 4 | (9) | — | (3) |
| Conversion costs | 33 | (22) | (9) | 10 | (5) | 7 |
| Foreign exchange | — | 4 | 7 | — | 3 | 14 |
| Selling, general & administrative and research & development costs[(2)] | (2) | (2) | (1) | 4 | (13) | (14) |
| Other changes | 3 | (5) | 2 | (5) | 2 | (3) |
| **Segment income - Three Months Ended December 31, 2020** | $ 206 | $ 98 | $ 78 | $ 129 | $ (10) | $ 501 |

(1) The recognition of segment income by a region on an intersegment shipment could occur in a period prior to the recognition of segment income on a consolidated basis, depending on the timing of when the inventory is sold to the third party customer. The "Eliminations and other" column adjusts regional segment income for intersegment shipments that occur in a period prior to recognition of segment income on a consolidated basis. The "Eliminations and other" column also reflects adjustments for changes in regional volume, conversion premium and product mix, and conversion costs related to intersegment shipments for consolidation. "Eliminations and other" must adjust for proportional consolidation of each line item for our Logan affiliate because we consolidate 100% of the Logan joint venture for U.S. GAAP, but we manage our Logan affiliate on a proportionately consolidated basis.

(2) "Selling, general & administrative and research & development costs" include costs incurred directly by each segment and all corporate related costs.

***North America***

"Net sales" increased $197 million, or 20%, driven by record shipments mainly associated with acquired business and higher can volumes, partially offset by lower automotive sales. Segment income was $206 million, an increase of 62%, primarily driven by higher volume, favorable metal spreads and mix, and operating and selling, general and administrative cost reduction initiatives, partially offset by higher fixed operating and selling, general and administrative costs associated with the acquired business, lower specialties pricing, and unfavorable product mix.

***Europe***

"Net sales" increased $240 million, or 33%, primarily driven by record shipments mainly associated with the acquired business. Segment income was $98 million, an increase of 109%, primarily driven by higher volume, favorable metal mix, and operating and selling, general and administrative cost reduction initiatives, partially offset by higher fixed operating and selling, general and administrative costs associated with the acquired business. During the current quarter, we recognized $25 million in net sales associated with a customer contractual obligation.

***Asia***

"Net sales" increased $71 million, or 15%, primarily driven by record automotive and acquired aerospace business volumes, partially offset by lower beverage can and specialty shipments impacted by the COVID-19 pandemic. Segment income was $78 million, an increase of 42%, primarily driven by higher volume, favorable product mix, and operating and selling, general and administrative cost reduction initiatives, partially offset by higher fixed operating and selling, general and administrative costs associated with the acquired business.

***South America***

"Net sales" increased $5 million, or 1%, primarily driven by record beverage can volume. Segment income was $129 million, an increase of 11%, primarily due to higher volume, favorable metal costs, and operating and selling, general and administrative cost reduction initiatives, partially offset by lower beverage can pricing and favorable tax recoveries in the prior year not recurring in the current year.

**Nine Months Ended December 31, 2020 Compared to the Nine Months Ended December 31, 2019**

"Net sales" were $8.6 billion, an increase of 2%, primarily due to higher volume driven by sales related to acquired businesses, partially offset by softer demand impacted by the COVID-19 pandemic in the first half of this fiscal year and slightly lower average aluminum prices.

"Income from continuing operations before income tax provision" was $397 million, compared to $514 million in the prior period. In addition to the factors noted above, the following items affected "Income from continuing operations before income tax provision."

**Cost of Goods Sold (Exclusive of Depreciation and Amortization)**

"Cost of goods sold (exclusive of depreciation and amortization)" was $7.1 billion, an increase of 1%, driven by higher volume, partially offset by lower average aluminum prices. Total metal input costs included in "Cost of goods sold (exclusive of depreciation and amortization)" decreased $222 million over the prior period. Cost of goods sold in fiscal 2021 also included $29 million related to the relief of the inventory step-up on the acquired Aleris business.

**Selling, General and Administrative**

"Selling, general and administrative expense" (SG&A) was $400 million in the nine months ended December 31, 2020 compared to $380 million in the nine months ended December 31, 2019. The increase is related to the additional SG&A from the acquired Aleris business, mostly offset by cost savings measures realized in the current period.

**Depreciation and Amortization**

"Depreciation and amortization" was $396 million in the nine months ended December 31, 2020 quarter compared to $267 million in the nine months ended December 31, 2019. The increase is primarily related to the depreciation of acquired Aleris assets.

**Interest Expense**

"Interest expense and amortization of debt issuance costs" was $206 million and $185 million for the nine months ended December 31, 2020 and 2019, respectively. The increase is primarily related a higher average level of debt during the year as a result of the Aleris acquisition.

**Other Expenses**

"Other expenses, net" was $86 million and $3 million for the nine months ended December 31, 2020 and 2019, respectively. The increase is primarily driven by a $50 million charitable donation to support COVID-19 relief efforts and $14 million of unrealized derivative losses, compared to a $15 million gain in the prior year, mainly related to the acquired Aleris business.

**Taxes**

We recognized $119 million of tax expense for the nine months ended December 31, 2020, which resulted in an effective tax rate of 30%. This tax rate was primarily driven by the full year forecasted effective tax rate that takes into account income taxed at rates that differ from the 25% Canadian rate, including withholding taxes, changes to the Brazilian real foreign exchange rate, and certain other non-deductible expenses, offset by tax credits. We recognized $157 million of tax expense in the prior comparable period which resulted in an effective tax rate of 30%.

### Segment Review

| Selected Operating Results<br>Nine Months Ended December 31, 2020 | North America | Europe | Asia | South America | Eliminations and other | Total |
|---|---|---|---|---|---|---|
| Net sales | $ 3,198 | $ 2,480 | $ 1,545 | $ 1,263 | $ 159 | $ 8,645 |
| Shipments | | | | | | |
| Rolled products - third party | 986 | 685 | 541 | 418 | — | 2,630 |
| Rolled products - intersegment | — | 20 | 5 | 1 | (26) | — |
| Total rolled products | 986 | 705 | 546 | 419 | (26) | 2,630 |
| Non-rolled products | 29 | 81 | 3 | 69 | (14) | 168 |
| Total shipments | 1,015 | 786 | 549 | 488 | (40) | 2,798 |

| Selected Operating Results<br>Nine Months Ended December 31, 2019 | North America | Europe | Asia | South America | Eliminations and other | Total |
|---|---|---|---|---|---|---|
| Net sales | $ 3,167 | $ 2,342 | $ 1,480 | $ 1,430 | $ 72 | $ 8,491 |
| Shipments | | | | | | |
| Rolled products - third party | 844 | 678 | 529 | 411 | — | 2,462 |
| Rolled products - intersegment | — | 25 | 5 | 15 | (45) | — |
| Total rolled products | 844 | 703 | 534 | 426 | (45) | 2,462 |
| Non-rolled products | 33 | 16 | 3 | 79 | (12) | 119 |
| Total shipments | 877 | 719 | 537 | 505 | (57) | 2,581 |

The following table reconciles changes in segment income for the nine months ended December 31, 2019 to the nine months ended December 31, 2020 (in millions).

| Changes in segment income | North America | Europe | Asia | South America | Eliminations and other[1] | Total |
|---|---|---|---|---|---|---|
| **Segment income - Nine Months Ended December 31, 2019** | $ 468 | $ 160 | $ 154 | $ 309 | $ (2) | $ 1,089 |
| Volume | 93 | 81 | 49 | (7) | 15 | 231 |
| Conversion premium and product mix | (88) | (8) | 22 | (21) | — | (95) |
| Conversion costs | 23 | (43) | (10) | 24 | (10) | (16) |
| Foreign exchange | 1 | (1) | 12 | 2 | 3 | 17 |
| Selling, general & administrative and research & development costs[2] | (7) | (6) | (2) | 15 | (16) | (16) |
| Other changes | (1) | (2) | 2 | (5) | 5 | (1) |
| **Segment income - Nine Months Ended December 31, 2020** | $ 489 | $ 181 | $ 227 | $ 317 | $ (5) | $ 1,209 |

(1) The recognition of segment income by a region on an intersegment shipment could occur in a period prior to the recognition of segment income on a consolidated basis, depending on the timing of when the inventory is sold to the third party customer. The "Eliminations and other" column adjusts regional segment income for intersegment shipments that occur in a period prior to recognition of segment income on a consolidated basis. The "Eliminations and other" column also reflects adjustments for changes in regional volume, conversion premium and product mix, and conversion costs related to intersegment shipments for consolidation. "Eliminations and other" must adjust for proportional consolidation of each line item for our Logan affiliate because we consolidate 100% of the Logan joint venture for U.S. GAAP, but we manage our Logan affiliate on a proportionately consolidated basis.

(2) "Selling, general & administrative and research & development costs" include costs incurred directly by each segment and all corporate related costs.

***North America***

"Net sales" increased $31 million, or 1%, driven by sales associated with the Aleris acquisition, partially offset by lower automotive and specialty volumes impacted by the COVID-19 pandemic and lower aluminum prices. Segment income was $489 million, an increase of 4%, primarily driven by higher total volume, favorable metal mix and spreads, and operating and selling, general and administrative cost reduction initiatives, partially offset by unfavorable product mix and higher fixed and selling, general and administrative costs associated with the acquired business.

***Europe***

"Net sales" increased $138 million, or 6%, driven by sales associated with the Aleris acquisition, partially offset by lower automotive and specialty volumes impacted by the COVID-19 pandemic and lower aluminum prices. Segment income was $181 million, an increase of 13%, primarily driven by better metal mix, higher total volume, and operating and selling, general and administrative cost reduction initiatives, partially offset by unfavorable product mix and higher fixed and selling, general and administrative costs associated with acquired business.

***Asia***

"Net sales" increased $65 million, or 4%, driven by higher automotive volumes and sales associated with acquired businesses, partially offset by lower aluminum prices and lower can and specialty volumes. Segment income was $227 million, an increase of 47%, primarily due to higher volume, favorable product mix, operating and selling, general and administrative cost reduction initiatives, and favorable metal costs, partially offset by higher fixed and selling, general and administrative costs associated with the acquired business.

***South America***

"Net sales" decreased $167 million, or 12%, driven by lower specialty volume impacted by the COVID-19 pandemic and lower aluminum prices, partially offset by higher can volume. Segment income was $317 million, an increase of 3%, primarily due to lower metal costs and operating and selling, general and administrative cost reduction initiatives, partially offset by lower volume and lower can pricing.

### Liquidity and Capital Resources

Our primary liquidity sources are cash flows from operations, working capital management, cash, and liquidity under our debt agreements. Our recent business investments are being funded through cash flows generated by our operations and a combination of local financing and our senior secured credit facilities. We expect to be able to fund our continued expansions, service our debt obligations, and provide sufficient liquidity to operate our business through one or more of the following: the generation of operating cash flows, working capital management, our existing debt facilities (including refinancing), and new debt issuances, as necessary.

***Non-Guarantor Information***

As of December 31, 2020, the Company’s subsidiaries that are not guarantors represented the following approximate percentages of (a) net sales, (b) Adjusted EBITDA (segment income), and (c) total assets of the Company, on a consolidated basis (including intercompany balances):

| Item Description | Ratio |
|---|---|
| Net sales represented by Net sales to third parties by non-guarantor subsidiaries (for the nine months ended December 31, 2020) | 21 % |
| Adjusted EBITDA represented by non-guarantor subsidiaries (for the nine months ended December 31, 2020) | 18 % |
| Assets owned by non-guarantor subsidiaries (as of December 31, 2020) | 16 % |

In addition, for the nine months ended December 31, 2020 and 2019, the Company’s subsidiaries that are not guarantors had net sales of $2.1 billion, and as of December 31, 2020, those subsidiaries had assets of $3.0 billion and debt and other liabilities of $1.7 billion (including intercompany balances).

***Available Liquidity***

Our available liquidity as of December 31, 2020 and March 31, 2020 is as follows.

| *in millions* | December 31, 2020 | March 31, 2020 |
|---|---|---|
| Cash and cash equivalents | $ 1,164 | $ 2,392 |
| Availability under committed credit facilities[(1)] | 1,226 | 186 |
| Total available liquidity | $ 2,390 | $ 2,578 |

(1) Our availability under committed credit facilities as of March 31, 2020 does not include the financing for Aleris.

The decrease in total available liquidity primarily relates to a decrease in cash and cash equivalents primarily resulting from the payment of $2.6 billion for the acquisition of Aleris, net of cash received, net payments on our revolving credit facilities of $609 million, and payments of $500 million on our Short Term Credit Agreement, partially offset by $2.0 billion of proceeds from the issuance of short-term and long-term debt and free cash flow of $207 million. This decrease is partially offset by an increase in availability under committed credit facilities primarily resulting from payments on our ABL. See Note 9 – Debt for more details about our availability under committed credit facilities.

The "Cash and cash equivalents" balance above includes cash held in foreign countries in which we operate. As of December 31, 2020, we held $6 million of "Cash and cash equivalents" in Canada, in which we are incorporated, with the rest held in other countries in which we operate. As of December 31, 2020, we held $876 million of cash in jurisdictions for which we have asserted that earnings are permanently reinvested and we plan to continue to fund operations and local expansions with cash held in those jurisdictions. Cash held outside of Canada is free from significant restrictions that would prevent the cash from being accessed to meet the Company's liquidity needs including, if necessary, to fund operations and service debt obligations in Canada. Upon the repatriation of any earnings to Canada, in the form of dividends or otherwise, we could be subject to Canadian income taxes (subject to adjustment for foreign taxes paid and the utilization of the large cumulative net operating losses we have in Canada) and withholding taxes payable to the various foreign jurisdictions. As of December 31, 2020, we do not believe adverse tax consequences exist that restrict our use of "Cash and cash equivalents" in a material manner.

***Free Cash Flow***

Refer to Non-GAAP Financial Measures for our definition of free cash flow.

The following table displays the free cash flow, the change between periods, as well as the ending balances of cash and cash equivalents.

| *in millions* | Nine Months Ended December 31, 2020 | Nine Months Ended December 31, 2019 | Change |
|---|---|---|---|
| Net cash provided by operating activities - continuing operations | $ 648 | $ 472 | $ 176 |
| Net cash used in investing activities - continuing operations | (2,927) | (408) | (2,519) |
| Plus: Cash used in the acquisition of assets under a capital lease | — | — | — |
| Plus: Cash used in the acquisition of business, net of cash and restricted cash acquired(1) | 2,614 | — | 2,614 |
| Less: Proceeds from sales of assets and business, net of transaction fees, cash income taxes and hedging | (4) | (3) | (1) |
| Free cash flow from continuing operations | 331 | 61 | 270 |
| Net cash used in operating activities - discontinued operations | (78) | — | (78) |
| Net cash provided by investing activities - discontinued operations | 357 | — | 357 |
| Less: Proceeds from sales of assets and business, net of transaction fees, cash income taxes and hedging - discontinued operations(2) | (403) | — | (403) |
| Free cash flow | $ 207 | $ 61 | $ 146 |
| Ending cash and cash equivalents | $ 1,164 | $ 1,031 | $ 133 |

(1) The total of "Acquisition of business, net of cash and restricted cash acquired" represents $2.8 billion of merger consideration plus $4 million related to the translation adjustment of the €55 million capital improvement investment for Duffel upon payout, net of $105 million of cash and cash equivalents, $9 million of restricted cash, $41 million of discontinued operations cash and cash equivalents acquired, and $9 million in contingent consideration paid in the acquisition of business.

(2) "Proceeds from the sales of assets and business, net of transaction fees, cash income taxes and hedging - discontinued operations" represents the proceeds from the sale of Duffel, net of cash sold of $23 million and the proceeds from the sale of Lewisport.

***Operating Activities***

The increase in "Net cash provided by operating activities" primarily relates to favorable changes in working capital and an increase in "Segment Income." The net change in working capital was primarily driven by lower base aluminum prices.

***Investing Activities***

"Net cash used in investing activities" was primarily attributable to the acquisition cost of Aleris net of cash acquired, amounting to $2.6 billion as well as capital expenditures of $333 million, partially offset by $357 million of "Net cash provided by investing activities - discontinued operations."

***Financing Activities***

During the nine months ended December 31, 2020, there were $1.9 billion issuances of long-term and short-term borrowings, including $1.1 billion in issuances on our Short Term Credit Agreement and $775 million in issuances in incremental term loans on our Term Loan Facility. The proceeds of these issuances were used to pay a portion of the consideration payable in the acquisition of Aleris. Additionally, we issued $63 million of short-term debt in Brazil and $34 million on our China Bank Loans. As a result of our issuances, we paid $25 million in debt issuance costs. We made principal repayments of $500 million on our Short Term Credit Agreement, $55 million on our short-term debt in Brazil, $14 million on our Term Loan Facility, $9 million on our Zhenjiang Term Loans, $6 million on our incremental term loans on our Term Loan Facility, and $5 million on finance leases and other repayments. The net cash outflows from our revolving credit facilities is related to net outflows of $561 million on our ABL Revolver and outflows of $69 million on our Korea credit facilities, net of $21 million of net proceeds from our China credit facilities. Additionally, we paid $9 million for contingent consideration in the acquisition of Aleris.

During the nine months ended December 31, 2019, we borrowed $29 million of long-term debt in China to fund capital expansion projects and $50 million in short term borrowings in Brazil to fund certain short term commitments. We made principal repayments of $14 million on our Term Loan Facility and $2 million in finance leases and other repayments. The net cash repayments from our revolving credit facilities balance are primarily related to $38 million in payments on our China short term credit facility. We incurred $3 million in debt issuance costs.

## OFF-BALANCE SHEET ARRANGEMENTS

In accordance with SEC rules, the following qualify as off-balance sheet arrangements:

- any obligation under certain derivative instruments;
- any obligation under certain guarantees or contracts;
- a retained or contingent interest in assets transferred to an unconsolidated entity or similar entity or similar arrangement that serves as credit, liquidity or market risk support to that entity for such assets; and
- any obligation under a material variable interest held by the registrant in an unconsolidated entity that provides financing, liquidity, market risk, or credit risk support to the registrant, or engages in leasing, hedging or research and development services with the registrant.

The following discussion addresses the applicable off-balance sheet items for our Company.

### Derivative Instruments

See Note 13 – Financial Instruments and Commodity Contracts to our accompanying unaudited condensed consolidated financial statements for a description of derivative instruments.

### Guarantees of Indebtedness

We have issued guarantees on behalf of certain of our subsidiaries. The indebtedness guaranteed is for trade accounts payable to third parties and capital expenditures. Some of the guarantees have annual terms while others have no expiration and have termination notice requirements. Neither we nor any of our subsidiaries holds any assets of any third parties as collateral to offset the potential settlement of these guarantees. Since we consolidate wholly-owned and majority-owned subsidiaries in our condensed consolidated financial statements, all liabilities associated with trade payables and short-term debt facilities for these entities are already included in our condensed consolidated balance sheets.

### Other Arrangements

***Factoring of Trade Receivables***

We factor trade receivables based on local cash needs, as well as attempting to balance the timing of cash flows of trade payables and receivables, fund strategic investments, and fund other business needs. Factored invoices are not included in our condensed consolidated balance sheets when we do not retain a financial or legal interest. If a financial or legal interest is retained, we classify these factorings as secured borrowings. However, no such financial or legal interests are currently retained.

***Other***

As part of our ongoing business, we do not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as special purpose entities (SPEs), which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As of December 31, 2020 and March 31, 2020, we are not involved in any unconsolidated SPE transactions.

## CONTRACTUAL OBLIGATIONS

We have future obligations under various contracts relating to debt and interest payments, finance and operating leases, long-term purchase obligations, postretirement benefit plans, and uncertain tax positions. See Note 9 – Debt to our accompanying condensed consolidated financial statements and "Contractual Obligations" of the Management's Discussion and Analysis of Financial Condition and Results of Operations section of our Form 10-K for the fiscal year ended March 31, 2020 for more details.

## RETURN OF CAPITAL

Payments to our shareholder are at the discretion of the board of directors and will depend on, among other things, our financial resources, cash flows generated by our business, our cash requirements, restrictions under the instruments governing our indebtedness, being in compliance with the appropriate indentures and covenants under the instruments that govern our indebtedness and other relevant factors.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Except as otherwise disclosed in Note 1 – Business and Summary of Significant Accounting Policies related to the adoption of new accounting standards (including ASU 2017-04, Intangibles-Goodwill and Other), there were no significant changes to our critical accounting policies and estimates as reported in our Form 10-K for the fiscal year ended March 31, 2020.

## RECENTLY ISSUED ACCOUNTING STANDARDS

See Note 1 – Business and Summary of Significant Accounting Policies to our accompanying condensed consolidated financial statements for a full description of recent accounting pronouncements including the respective expected dates of adoption and expected effects on results of operations and financial condition.

## NON-GAAP FINANCIAL MEASURES

Total "Segment income" presents the sum of the results of our four operating segments on a consolidated basis. We believe that total "Segment income" is an operating performance measure that measures operating results unaffected by differences in capital structures, capital investment cycles and ages of related assets among otherwise comparable companies. In reviewing our corporate operating results, we also believe it is important to review the aggregate consolidated performance of all of our segments on the same basis we review the performance of each of our regions and to draw comparisons between periods based on the same measure of consolidated performance.

Management believes investors' understanding of our performance is enhanced by including this non-GAAP financial measure as a reasonable basis for comparing our ongoing results of operations. Many investors are interested in understanding the performance of our business by comparing our results from ongoing operations from one period to the next and would ordinarily add back items that are not part of normal day-to-day operations of our business. By providing total "Segment income," together with reconciliations, we believe we are enhancing investors' understanding of our business and our results of operations, as well as assisting investors in evaluating how well we are executing strategic initiatives.

However, total "Segment income" is not a measurement of financial performance under U.S. GAAP, and our total "Segment income" may not be comparable to similarly titled measures of other companies. Total "Segment income" has important limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of our results as reported under U.S. GAAP. For example, total "Segment income":

- does not reflect the Company's cash expenditures or requirements for capital expenditures or capital commitments;
- does not reflect changes in, or cash requirements for, the Company's working capital needs; and
- does not reflect any costs related to the current or future replacement of assets being depreciated and amortized.

We also use total "Segment income":

- as a measure of operating performance to assist us in comparing our operating performance on a consistent basis because it removes the impact of items not directly resulting from our core operations;
- for planning purposes, including the preparation of our internal annual operating budgets and financial projections;
- to evaluate the performance and effectiveness of our operational strategies; and
- as a basis to calculate incentive compensation payments for our key employees.

Total "Segment income" is equivalent to our Adjusted EBITDA, which we refer to in our earnings announcements and other external presentations to analysts and investors. Please see Note 19 – Segment, Geographical Area, Major Customer and Major Supplier Information for our definition of segment income.

"Free cash flow" consists of: (a) "Net cash provided by (used in) operating activities - continuing operations," (b) plus "Net cash provided by (used in) investing activities - continuing operations," (c) plus "Net cash provided by (used in) operating activities - discontinued operations," (d) plus "Net cash provided by (used in) investing activities - discontinued operations," (e) plus cash used in the "Acquisition of assets under a capital lease," (f) plus cash used in the "Acquisition of business, net of cash and restricted cash acquired," (g) plus accrued merger consideration, (h) less "Proceeds from sales of assets and business, net of transaction fees, cash income taxes and hedging," and (g) less "Proceeds from sales of assets and business, net of transaction fees, cash income taxes and hedging - discontinued operations." Management believes "Free cash flow" is relevant to investors as it provides a measure of the cash generated internally that is available for debt service and other value creation opportunities. However, "Free cash flow" does not necessarily represent cash available for discretionary activities, as certain debt service obligations must be funded out of "Free cash flow." Our method of calculating "Free cash flow" may not be consistent with that of other companies.

**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND MARKET DATA**

Statements made in this Quarterly Report on Form 10-Q which describe Novelis' intentions, expectations, beliefs or predictions may be forward-looking within the meaning of securities laws. Forward-looking statements include statements preceded by, followed by, or including the words "believes," "expects," "anticipates," "plans," "estimates," "projects," "forecasts," or similar expressions. Examples of forward-looking statements in this Quarterly Report on Form 10-Q include, but are not limited to, statements about our expectation that we will be able to fund our continued expansions, service our debt obligations and provide sufficient liquidity to operate our business and the expected continuing impacts of the ongoing COVID-19 pandemic. Novelis cautions that, by their nature, forward-looking statements involve risk and uncertainty and Novelis' actual results could differ materially from those expressed or implied in such statements. We do not intend, and we disclaim any obligation, to update any forward-looking statements, whether as a result of new information, future events or otherwise. Factors that could cause actual results or outcomes to differ from the results expressed or implied by forward-looking statements include, among other things: changes in the prices and availability of aluminum (or premiums associated with such prices) or other materials and raw materials we use; the capacity and effectiveness of our hedging activities; relationships with, and financial and operating conditions of, our customers, suppliers and other stakeholders; fluctuations in the supply of, and prices for, energy in the areas in which we maintain production facilities; our ability to access financing including in connection with potential acquisitions and investments; risks arising out of our acquisition of Aleris Corporation, including uncertainties inherent in the acquisition method of accounting; disruption to our global aluminum production and supply chain as a result of COVID-19, changes in the relative values of various currencies and the effectiveness of our currency hedging activities; factors affecting our operations, such as litigation, environmental remediation and clean-up costs, breakdown of equipment and other events; economic, regulatory and political factors within the countries in which we operate or sell our products, including changes in duties or tariffs; competition from other aluminum rolled products producers as well as from substitute materials such as steel, glass, plastic and composite materials; changes in general economic conditions including deterioration in the global economy; changes in government regulations, particularly those affecting taxes, derivative instruments, environmental, health or safety compliance; changes in interest rates that have the effect of increasing the amounts we pay under our credit facilities and other financing agreements; and our ability to generate cash. The above list of factors is not exhaustive.

This document also contains information concerning our markets and products generally, which is forward-looking in nature and is based on a variety of assumptions regarding the ways in which these markets and product categories will develop. These assumptions have been derived from information currently available to us and to the third party industry analysts quoted herein. This information includes, but is not limited to, product shipments and share of production. Actual market results may differ from those predicted. We do not know what impact any of these differences may have on our business, our results of operations, financial condition, and cash flow. For a discussion of some of the specific factors that may cause Novelis' actual results or outcomes to differ materially from those projected in any forward-looking statements, refer to our Form 10-K for the fiscal year ended March 31, 2020 and see the following sections of the report: "Part I. Item 1A. Risk Factors," "Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Part II. Item 7. Critical Accounting Policies and Estimates."

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to certain market risks as part of our ongoing business operations, including risks from changes in metal prices (primarily aluminum, copper, zinc, and local market premiums), energy prices (electricity, natural gas and diesel fuel), foreign currency exchange rates and interest rates that could impact our results of operations and financial condition. We manage our exposure to these and other market risks through regular operating and financing activities and derivative financial instruments. We use derivative financial instruments as risk management tools only, and not for speculative purposes.

### Commodity Price Risks

#### *Metal*

The following table presents the estimated potential negative effect on the fair values of these derivative instruments as of December 31, 2020, given a 10% change in prices. Direction of the change in price corresponds with the direction that would cause the change in fair value to negatively impact the fair value of these derivative instruments.

| *in millions* | Change in Price | Change in Fair Value |
|---|---|---|
| Aluminum | 10 % | $ (107) |
| Copper | (10) | (2) |
| Zinc | (10) | (1) |

#### *Energy*

The following table presents the estimated potential negative effect on the fair values of these derivative instruments as of December 31, 2020, given a 10% decline in prices for energy contracts.

| *in millions* | Change in Price | Change in Fair Value |
|---|---|---|
| Electricity | (10)% | $ (1) |
| Natural gas | (10) | (4) |
| Diesel fuel | (10) | (1) |

### Foreign Currency Exchange Risks

The following table presents the estimated potential negative effect on the fair values of these derivative instruments as of December 31, 2020, given a 10% change in rates. Direction of the change in exchange rate corresponds with the direction that would cause the change in exchange rate to negatively impact the fair value of these derivative instruments.

| *$ in millions* | Change in Exchange Rate | Change in Fair Value |
|---|---|---|
| Currency measured against the U.S. dollar | | |
| Brazilian real | (10)% | $ (25) |
| Euro | (10) | (1) |
| Korean won | (10) | (50) |
| Canadian dollar | (10) | (4) |
| British pound | (10) | (19) |
| Swiss franc | (10) | (34) |
| Chinese yuan | 10 | (3) |

## Item 4. Controls and Procedures

### Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, include controls and procedures designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including the Principal Executive Officer and the Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met.

We have carried out an evaluation, with the participation of our Principal Executive Officer and Principal Financial Officer, of the effectiveness of the Company's disclosure controls and procedures pursuant to Rule 13a-15 of the Exchange Act. Based upon such evaluation, management has concluded that the Company's disclosure controls and procedures were effective as of December 31, 2020.

### Changes in Internal Control over Financial Reporting

As discussed throughout this Quarterly Report on Form 10-Q, we completed the acquisition of Aleris on April 14, 2020. The acquisition was accounted for as a business combination, and the financial results of Aleris have been included in our condensed consolidated financial statements for the quarter ended December 31, 2020. We have implemented business combination controls in connection with this acquisition. Additionally, as a result of the acquisition, management is in the process of analyzing, evaluating and, where necessary, implementing changes in controls and procedures. The internal control over financial reporting of Aleris will be excluded from management's assessment of internal control over financial reporting as of March 31, 2021. There have been no other changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

We are a party to litigation incidental to our business from time to time. For additional information regarding litigation to which we are a party, see Note 18 – Commitments and Contingencies to our accompanying condensed consolidated financial statements.

### Item 1A. Risk Factors

See "Risk Factors" in Part I, Item 1A in our Form 10-K for the fiscal year ended March 31, 2020. There have been no material changes from the risk factors described in our Form 10-K for the fiscal year ended March 31, 2020.

## Item 6. Exhibits

| Exhibit No. | Description |
|---|---|
| 2.1 | Arrangement Agreement by and among Hindalco Industries Limited, AV Aluminum Inc. and Novelis Inc., dated as of February 10, 2007 (incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed on February 13, 2007) (File No. 001-32312)) |
| 3.1 | Restated Certificate and Articles of Amalgamation of Novelis Inc. (incorporated by reference to Exhibit 3.1 to our Quarterly Report on Form 10-Q filed on November 10, 2010 (File No. 001-32312)) |
| 3.2 | Certificate and Articles of Amalgamation of Novelis Inc., dated March 31, 2016 (incorporated by reference to Exhibit 3.2 to our Annual Report on Form 10-K filed on May 10, 2016 (File No. 001-32312)) |
| 3.3 | Novelis Inc. Amended and Restated Bylaws, adopted as of July 24, 2008 (incorporated by reference to Exhibit 3.2 to our Current Report on Form 8-K filed on July 25, 2008 (File No. 001-32312)) |
| 10.1 | Amendment No. 2 to Short Term Credit Agreement, dated as of December 11, 2020, among Novelis Holdings Inc., as Borrower, Novelis Inc., as Parent, AV Metals Inc., as Holdings, the other Guarantors party thereto, the Lenders party thereto and Standard Chartered Bank as Administrative Agent and as Collateral Agent |
| 10.2 | Amendment No. 6 to Second Amended and Restated Credit Agreement, dated as of December 11, 2020, among Novelis Inc., Novelis Corporation, the other U.S. Subsidiaries of Canadian Borrower party thereto, Novelis UK Ltd, Novelis AG, Novelis Deutschland GMBH, the other Guarantors party thereto, the Third Party Security Provider, the Lenders party thereto, Wells Fargo Bank, National Association, as Administrative Agent, and as Collateral Agent |
| 10.3 | Amendment No. 5 to Credit Agreement, dated as of December 11, 2020, between Novelis Inc., AV Metals Inc., the other loan parties thereto, the Third Party Security Provider, the Lenders party thereto, and Standard Chartered Bank, as Administrative Agent and Collateral Agent |
| 31.1 | Section 301 Certification of Principal Executive Officer |
| 31.2 | Section 302 Certification of Principal Financial Officer |
| 32.1 | Section 906 Certification of Principal Executive Officer |
| 32.2 | Section 906 Certification of Principal Financial Officer |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase |

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

| | |
|---|---|
| NOVELIS INC. | |
| By: | /s/ Devinder Ahuja |
| | Devinder Ahuja<br>Chief Financial Officer<br>(Principal Financial Officer and Authorized Officer) |
| By: | /s/ Stephanie Rauls |
| | Stephanie Rauls<br>Vice President Finance and Controller<br>(Principal Accounting Officer) |

Date: February 3, 2021

**AMENDMENT NO. 2 TO SHORT TERM CREDIT AGREEMENT**

**dated as of December 11, 2020,**

**among**

**NOVELIS HOLDINGS INC.,**

**as Borrower,**
**NOVELIS INC.,**
**as Parent,**

**AV METALS INC.,**

**as Holdings,**

**THE OTHER GUARANTORS PARTY HERETO,**

**THE LENDERS PARTY HERETO**

**and**

**STANDARD CHARTERED BANK,**

**as Administrative Agent and as Collateral Agent for the Lenders.**

This **AMENDMENT NO. 2 TO SHORT TERM CREDIT AGREEMENT** (this "**Amendment**"), dated as of December 11, 2020, is entered into among NOVELIS HOLDINGS INC., a Delaware corporation (the "**Borrower**"), NOVELIS INC., a corporation amalgamated under the Canada Business Corporations Act and having its corporate office at Two Alliance Center, 3560 Lenox Road, Suite 2000, Atlanta, GA 30326, USA (the "**Parent**"), AV METALS INC., a corporation formed under the Canada Business Corporations Act ("**Holdings**"), the other **GUARANTORS** (as defined in the Amended Credit Agreement referred to below), and Standard Chartered Bank, being a company incorporated in England by Royal Charter, with reference number ZC18 and whose registered office is 1 Basinghall Avenue, London EC2V 5DD ("**Standard Chartered**"), as administrative agent (in such capacity, and together with its successors in such capacity, "**Administrative Agent**") and as collateral agent (in such capacity, and together with its successors in such capacity, "**Collateral Agent**") under the Amended Credit Agreement referred to below for the Lenders.

## RECITALS

WHEREAS, Borrower, Parent, Holdings, the other Guarantors, the Administrative Agent, Standard Chartered, as escrow agent, and the Lenders from time to time party thereto entered into that certain Short Term Credit Agreement, dated as of February 21, 2020 (as amended by Amendment No. 1 to Short Term Credit Agreement, dated as of August 25, 2020, and as further amended, supplemented, restated or otherwise modified prior to the date hereof, the "**Existing Credit Agreement**"; the Existing Credit Agreement, as amended by this Amendment, the "**Amended Credit Agreement**");

**WHEREAS**, the Guarantors have guaranteed the Obligations under Existing Credit Agreement;

**WHEREAS**, the Designated Company has requested an amendment to the Existing Credit Agreement as herein set forth; and

**WHEREAS**, the Designated Company, the Guarantors, the Administrative Agent, the Collateral Agent and the Lenders party hereto (which constitute the Required Lenders) have agreed to amend the Existing Credit Agreement on the terms and subject to the conditions herein provided.

**NOW, THEREFORE**, in consideration of the foregoing, the mutual covenants and obligations herein set forth and other good and valuable consideration, the adequacy and receipt of which is hereby acknowledged, and in reliance upon the representations, warranties and covenants herein contained, the parties hereto, intending to be legally bound, hereby agree as follows:

Section 1. Definitions. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Amended Credit Agreement.

Section 2. Amendments. Subject to the terms and conditions set forth herein, effective as of the Amendment Effective Date (as defined below), the Existing Credit Agreement is hereby amended as follows:

(a) Section 1.01 of the Existing Credit Agreement is hereby amended by inserting the following definitions in the appropriate alphabetical order:

i. "**Amendment No. 2**" means that certain Amendment No. 2 to Short Term Credit Agreement, dated as of December 11, 2020, among the Borrower, the other Loan Parties party thereto, the Lenders party thereto, the Administrative Agent and the Collateral Agent.

ii. "**Amendment No. 2 Effective Date**" means the "Amendment Effective Date" as defined in Amendment No. 2.

iii. "**Logan Joint Venture Arrangement**" means the production joint venture arrangement with Tri Arrows Aluminum Inc. governed by the terms of the Logan Joint Venture Agreement, dated January 18, 1985, between Novelis Corporation, as successor in interest to Alcan Aluminum Corporation, and Tri Arrows Aluminum Inc. ("**Tri Arrows**"), as successor in interest to Arco Logan Inc., as amended and supplemented from time to time.

iv. "**Logan Joint Venture Licenses**" means the non-exclusive licenses in favor of Novelis Corporation or any other Company from Logan or Tri Arrows of intellectual property owned by Logan or Tri Arrows and subject to restrictions under the Logan Joint Venture Arrangement.

v. "**Novelis Corporation**" shall mean Novelis Corporation, a Texas corporation.

b. The following definition in Section 1.01 of the Existing Credit Agreement is hereby amended and restated in its entirety:

"**U.S. Issuer**" shall mean Novelis Corporation.

c. The last two sentences of the antepenultimate paragraph of Section 3.22 of the Credit Agreement are hereby amended and restated in their entirety as follows:

> ""**Sanctioned Person**" means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by OFAC, the U.S. Department of State or by the United Nations Security Council, the European Union, Her Majesty's Treasury of the United Kingdom, any EU member state, the Commonwealth of Australia, Japan or Malaysia, (b) any Person operating, organized or resident in a Sanctioned Country or (c) any Person owned or controlled by any such Person or Persons. "**Sanctions**" means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by (a) the U.S. government, including those administered by OFAC or the U.S. Department of State, or (b) the United Nations Security Council, the European

Union, Her Majesty's Treasury of the United Kingdom, the Commonwealth of Australia, Singapore, Japan or Malaysia."

d. Clause (s) of Section 6.02 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"(s) (1) any encumbrance or restriction (including put and call agreements) solely in respect of the Equity Interests of any Joint Venture or Joint Venture Subsidiary that is not a Loan Party, contained in such Joint Venture's or Joint Venture Subsidiary's Organizational Documents or the joint venture agreement or stockholders agreement in respect of such Joint Venture or Joint Venture Subsidiary and (2) to the extent constituting Liens, any encumbrance or restriction imposed by the Logan Joint Venture Arrangement on the Logan Joint Venture Licenses or the assets (other than Inventory) of Novelis Corporation that, in the ordinary course of business and consistent with past practice, are located at the Logan Location for use or processing by Logan;"

e. Clause (viii) of Section 6.12 of the Existing Credit Agreement is hereby amended and restated in its entirety as follows:

"(viii) customary provisions in asset sale and stock sale agreements and other similar agreements relating to the sale of any property permitted under Section 6.06 pending the consummation of such sale, in each case that provide for restrictions of the type described in clauses (a), (b) and (c) above, solely with respect to the assets or persons subject to such sale agreements;"

f. Clause (x) of Section 6.12 of the Existing Credit Agreement is hereby amended and restated in its entirety as follows:

"(x) without affecting the Loan Parties' obligations under Section 5.11, customary provisions in partnership agreements, shareholders' agreements, joint venture agreements, limited liability company organizational governance documents and other Organizational Documents, entered into in the ordinary course of business (or in connection with the formation of such partnership, joint venture, limited liability company or similar person) that (A) restrict the transfer of Equity Interests in such partnership, joint venture, limited liability company or similar person, (B) in the case of any Joint Venture or Joint Venture Subsidiary that is not a Loan Party, provide for other restrictions of the type described in clauses (a), (b) and (c) above, solely with respect to the Equity Interests in, or property held by, such Joint Venture or Joint Venture Subsidiary, or (C) in the case of the Logan Joint Venture Arrangement, provide for other restrictions of the type described in clauses (a), (b) and (c) above, solely with respect to the Logan Joint Venture Licenses or the assets (other than Inventory) of Novelis Corporation that, in the ordinary course of business and consistent with past practice, are located at the Logan Location for use or processing by Logan in accordance with the terms of the Logan Joint Venture Arrangement;"

g. Section 6.15(a) of the Credit Agreement is hereby amended by deleting the word "and" immediately prior to clause (vi) and inserting the following provision as clause (vii) thereof:

"and (vii) the merger of Aleris German GP Holdco with Aleris Germany; provided that (x) Aleris Germany is the surviving entity, (y) such merger does not violate any Requirement of Law and (z) such merger is not otherwise prohibited by this Agreement."

h. Clause (6)(f) of Section 6.19 of the Existing Credit Agreement is hereby amended and restated in its entirety as follows:

"(f) is contained in any joint venture, shareholders agreement, limited liability operating agreement or other Organizational Document governing a Joint Venture or Joint Venture Subsidiary which (x) limits the ability of an owner of an interest in a Joint Venture or Joint Venture Subsidiary to encumber its ownership interest therein or (y) in the case of the Logan Joint Venture Arrangement, limits the ability of Novelis Corporation or Logan to encumber the Logan Joint Venture Licenses or the assets (other than Inventory) of Novelis Corporation that, in the ordinary course of business and consistent with past practice, are located at the Logan Location for use or processing by Logan in accordance with the terms of the Logan Joint Venture Arrangement;"

Section 3. Conditions Precedent to Effectiveness of this Amendment. This Amendment shall become effective as of the first date (the "**Amendment Effective Date**") on which each of the following conditions precedent shall have been satisfied, or duly waived by the Required Lenders:

a. Executed Amendment. The Administrative Agent shall have received this Amendment, duly executed by the Loan Parties, the Required Lenders, the Administrative Agent and the Collateral Agent.

b. Payment of Fees and Expenses. The Administrative Agent shall have received all fees required to be paid in connection with this Amendment on or prior to the Amendment Effective Date, and all expenses (including the reasonable fees and expenses of legal counsels) in connection with this Amendment for which invoices have been presented at least one Business Day prior to the Amendment Effective Date.

c. Representations and Warranties. Each of the representations and warranties contained in Section 4 below shall be true and correct in all material respects (or, in the case of any representation or warranty that is qualified as to materiality, "Material Adverse Effect" or similar language, in all respects) on and as of the date hereof.

d. No Default or Event of Default. Before and after giving effect to this Amendment, no Default or Event of Default shall have occurred and be continuing or would result from the effectiveness of this Amendment.

Section 4. Representations and Warranties. Each Loan Party represents and warrants to the Administrative Agent and each Lender as follows:

a. After giving effect to this Amendment, each of the representations and warranties in the Amended Credit Agreement or in any other Loan Document are true and correct in all material respects (or, in the case of any representation or warranty that is qualified as to materiality, "Material Adverse Effect" or similar language, in all respects) on and as of the date hereof as though made on and as of such date, except to the extent that any such representation or warranty expressly relates to an earlier date, in which case such representations and warranties are true and correct in all material respects (or, in the case of any representation or warranty that is qualified as to materiality, "Material Adverse Effect" or similar language, in all respects) as of such earlier date.

b. The execution and delivery by the Loan Parties of this Amendment, and the performance of this Amendment and the Amended Credit Agreement by the Loan Parties, in each case have been duly authorized by all requisite organizational action on its part and will not violate any of its Organizational Documents.

c. This Amendment has been duly executed and delivered by each Loan Party, and each of this Amendment and the Amended Credit Agreement constitutes such Loan Party's legal, valid and binding obligation, enforceable against it in accordance with their terms, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors generally and by general principles of equity.

d. Before and after giving effect to this Amendment, no Default or Event of Default has occurred and is continuing as of the date hereof.

Section 5. Continuing Effect; Guarantees.

a. Each of the Loan Parties hereby consents to this Amendment and the Amended Credit Agreement. Each of the Loan Parties hereby acknowledges and agrees that all of its Obligations, including all Guarantees granted to the Credit Parties under the applicable Loan Documents, are ratified and reaffirmed and that such Guarantees shall continue in full force and effect on and after Amendment Effective Date to secure and support the Obligations. Each of the Loan Parties hereby further ratifies and reaffirms the validity, enforceability and binding nature of the Obligations.

b. Holdings, Parent and each Subsidiary Guarantor hereby (i) acknowledges and agrees to the terms of this Amendment and the Amended Credit Agreement and (ii) confirms and agrees that, each of its Guarantee and any Foreign Guarantee is, and shall continue to be, in full force and effect, and shall apply to all Obligations without defense, counterclaim or offset of any kind and each of its Guarantee and any such Foreign Guarantee is hereby ratified and confirmed in all respects. The Borrower hereby confirms its liability for the Obligations, without defense, counterclaim or offset of any kind.

c. Each Loan Party hereby agrees that notwithstanding the effectiveness of this Amendment, and except as expressly amended by this Amendment, each Loan Document is, and shall continue to be, in full force and effect and each is hereby ratified and confirmed in all respects, except that, on and after the effectiveness of this Amendment, each reference in the Loan Documents to the "Credit Agreement", "thereunder", "thereof" (and each reference in the Existing Credit Agreement to this "Agreement", "hereunder" or "hereof") or words of like import shall mean and be a reference to the Amended Credit Agreement.

d. Without limiting the generality of this Section 5 or Section 6, (i) neither this Amendment, the Amended Credit Agreement, nor any other Loan Document entered into in connection herewith or therewith, shall extinguish the "Obligations" (or any term of like import) as defined or referenced in each Guarantee, or the "Obligations" under and as defined in the Existing Credit Agreement (collectively, the "**Loan Document Obligations**"), (ii) nothing contained herein, in the Amended Credit Agreement or any other Loan Document entered into in connection herewith or therewith shall be construed as a substitution or novation of all or any portion of the Loan Document Obligations, which shall remain in full force and effect and shall continue as obligations under the Amended Credit Agreement, and (iii) nothing implied in this Amendment, the Amended Credit Agreement or any other Loan Document entered into in connection herewith or therewith, or in any other document contemplated hereby or thereby shall be construed as a release or other discharge of any Loan Party from any of its Loan Document Obligations, it being understood that such obligations shall continue as obligations under the Amended Credit Agreement.

Section 6. Reference to and Effect on the Loan Documents.

a. Except as expressly set forth in this Amendment, all of the terms and provisions of the Existing Credit Agreement and the other Loan Documents (including all exhibits and schedules to each of the Existing Credit Agreement and the other Loan Documents) are and shall remain in full force and effect and are hereby ratified and confirmed. The Amendments provided for herein and in the annexes and exhibits hereto are limited to the specific provisions of the Existing Credit Agreement specified herein and therein and shall not constitute an amendment of, or an indication of the Administrative Agent's or any Lender's willingness to amend or waive, any other provisions of the Existing Credit Agreement, any other provisions of the Existing Credit Agreement as amended hereby or thereby, or the same sections or any provision of any other Loan Document for any other date or purpose.

b. The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of the Administrative Agent, the Escrow Agent or any Lender under the Existing Credit Agreement or any Loan Document, or constitute a waiver or amendment of any other provision of the Existing Credit Agreement or any Loan Document except as and to the extent expressly set forth herein.

c. This Amendment shall constitute a Loan Document.

Section 7. Counterparts.

a. This Amendment and any notices delivered pursuant thereto, may be executed by means of (a) an electronic signature that complies with the federal Electronic Signatures in Global and National Commerce Act, state enactments of the Uniform Electronic Transactions Act, or any other relevant and applicable electronic signatures law; (b) an original manual signature; or (c) a faxed, scanned, or photocopied manual signature. Each electronic signature or faxed, scanned, or photocopied manual signature shall for all purposes have the same validity, legal effect, and admissibility in evidence as an original manual signature. The Administrative Agent reserves the right, in its sole discretion, to accept, deny, or condition acceptance of any electronic signature on this Amendment or such notice, as applicable.

b. This Amendment and any notices delivered pursuant thereto may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Receipt by the Administrative Agent of a facsimile copy or electronic image scan transmission (e.g., PDF via electronic email) of an executed signature page and any notices as set forth herein shall constitute receipt by the Administrative Agent and shall be as effective as delivery of a manually executed counterpart of the Amendment or such notice, as applicable.

Section 8. Governing Law. This Amendment and the rights and obligations of the parties hereto shall be governed by, and construed and interpreted in accordance with, the law of the State of New York, without regard to conflicts of law principles that would require the application of the laws of another jurisdiction.

Section 9. Headings. Section headings contained in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purposes.

Section 10. **WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE REQUIREMENTS OF LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AMENDMENT, ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY).**

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers and members thereunto duly authorized, on the date first indicated above.

NOVELIS HOLDINGS INC.,
as Borrower

By: ___/s/ Gregg Murphey_____
Name: Gregg Murphey
Title: Authorized Signatory

NOVELIS INC., as the Parent and as the Designated Company

By: ___/s/ Gregg Murphey_____
Name: Gregg Murphey
Title: Authorized Signatory

AV METALS INC., as Holdings and as a Canadian
Guarantor

By: ___/s/ Gregg Murphey_____
Name: Gregg Murphey
Title: Authorized Signatory

NOVELIS CORPORATION, as a U.S. Guarantor

By: ___/s/ Gregg Murphey_____
Name: Gregg Murphey
Title: Authorized Signatory

NOVELIS GLOBAL EMPLOYMENT ORGANIZATION, INC., as a U.S. Guarantor

By: ___/s/ Gregg Murphey_____
Name: Gregg Murphey
Title: Assistant Treasurer

NOVELIS SOUTH AMERICA HOLDINGS LLC, as a U.S. Guarantor

By: ___/s/ Gregg Murphey_____
Name: Gregg Murphey
Title: Authorized Signatory

NOVELIS UK LTD, as a U.K. Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Attorney

NOVELIS EUROPE HOLDINGS LIMITED,
as a U.K. Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Attorney

NOVELIS SERVICES LIMITED,
as a U.K. Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Attorney

NOVELIS AG, as a Swiss Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Authorized Signatory

NOVELIS SWITZERLAND S.A.,
as a Swiss Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Authorized Signatory

4260848 CANADA INC., as a Canadian Guarantor

By: __/s/ Gregg Murphey__
Name: Gregg Murphey
Title: Authorized Signatory

4260856 CANADA INC., as a Canadian Guarantor

By: __/s/ Gregg Murphey__
Name: Gregg Murphey
Title: Authorized Signatory

8018227 CANADA INC., as a Canadian Guarantor

By: __/s/ Gregg Murphey__
Name: Gregg Murphey
Title: Authorized Signatory

NOVELIS DO BRASIL LTDA.,
as Brazilian Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Attorney-in-Fact

witness:

By: /s/ Jennifer Maxwell
Name: Jennifer Maxwell
Title: Project Manager

witness:

By: /s/ Chirag P. Shah
Name: Chirag P. Shah
Title: Assistant General Counsel

[*Signature Page to Amendment No. 2 to Short Term Credit Agreement 2020*]

NOVELIS DEUTSCHLAND GMBH,
as a German Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Person Authorized

NOVELIS SHEET INGOT GMBH,
as a German Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Person Authorized

SIGNED AND DELIVERED AS A DEED
f or and on behalf of NOVELIS ALUMINIUM
HOLDING UNLIMITED COMPANY
by its lawfully appointed attorney,
as Irish Guarantor
in the presence of:

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Attorney

witness:

By: /s/ Teresa Murphey
Name: Teresa Murphey
Title: Spouse

Address: 3347 Osborne Rd, Brookhaven, GA 30319

Occupation: HR Consultant

NOVELIS PAE S.A.S., as French Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Attorney-in-Fact

[*Signature Page to Amendment No. 2 to Short Term Credit Agreement 2020*]

NOVELIS MEA LTD., a Company Limited by Shares under the Companies Law of the Dubai International Financial Centre,
as Dubai Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Authorized Signatory

[*Signature Page to Amendment No. 2 to Short Term Credit Agreement 2020*]

ALERIS CORPORATION, as a U.S. Guarantor

By: ____/s/ Gregg Murphey____________
Name: Gregg Murphey
Title: Authorized Signatory

[*Signature Page to Amendment No. 2 to Short Term Credit Agreement 2020*]

ALERIS INTERNATIONAL, INC., as a U.S. Guarantor

By: ___/s/ Gregg Murphey_____
Name: Gregg Murphey
Title: Authorized Signatory

ALERIS ROLLED PRODUCTS, INC., as a U.S. Guarantor

By: ___/s/ Gregg Murphey_____
Name: Gregg Murphey
Title: Authorized Signatory

UWA ACQUISITION CO., as a U.S. Guarantor

By: ___/s/ Gregg Murphey_____
Name: Gregg Murphey
Title: Authorized Signatory

NAME ACQUISITION CO., as a U.S. Guarantor

By: ___/s/ Gregg Murphey_____
Name: Gregg Murphey
Title: Authorized Signatory

ALERIS OHIO MANAGEMENT, INC., as a U.S. Guarantor

By: ___/s/ Gregg Murphey_____
Name: Gregg Murphey
Title: Authorized Signatory

INTL ACQUISITION CO., as a U.S. Guarantor

By: ___/s/ Gregg Murphey_____
Name: Gregg Murphey
Title: Authorized Signatory

ALERIS ROLLED PRODUCTS, LLC, as a U.S. Guarantor

By: ___/s/ Gregg Murphey_____
Name: Gregg Murphey
Title: Authorized Signatory

ALERIS ROLLED PRODUCTS SALES CORPORATION, as a U.S. Guarantor

By: ___/s/ Gregg Murphey_____
Name: Gregg Murphey
Title: Authorized Signatory

IMCO RECYCLING OF OHIO, LLC, as a U.S. Guarantor

By: ___/s/ Gregg Murphey_____
Name: Gregg Murphey
Title: Authorized Signatory

NICHOLS ALUMINUM-ALABAMA LLC, as a U.S. Guarantor

By: ___/s/ Gregg Murphey_____
Name: Gregg Murphey
Title: Authorized Signatory

NICHOLS ALUMINUM LLC, as a U.S. Guarantor

By: ___/s/ Gregg Murphey_____
Name: Gregg Murphey
Title: Authorized Signatory

ALERIS WORLDWIDE, INC., as a U.S. Guarantor

By: ___/s/ Gregg Murphey_____
Name: Gregg Murphey
Title: Authorized Signatory

ALERIS RM, INC., as a U.S. Guarantor

By: ___/s/ Gregg Murphey______
Name: Gregg Murphey
Title: Authorized Signatory

ALERIS DEUTSCHLAND HOLDING GMBH, as a German Guarantor

By: ____/s/ Gregg Murphey____
Name: Gregg Murphey
Title: Person Authorized

ALERIS DEUTSCHLAND VIER GMBH & CO. KG, as a German Guarantor

By: ____/s/ Gregg Murphey____
Name: Gregg Murphey
Title: Person Authorized

ALERIS ROLLED PRODUCTS GERMANY GMBH, as a German Guarantor

By: ____/s/ Gregg Murphey____
Name: Gregg Murphey
Title: Person Authorized

ALERIS CASTHOUSE GERMANY GMBH, as a German Guarantor

By: ____/s/ Gregg Murphey____
Name: Gregg Murphey
Title: Person Authorized

DUTCH ALUMINUM C.V., as a Dutch Guarantor

By: ____/s/ Gregg Murphey____
Name: Gregg Murphey
Title: Authorized Signatory

ALERIS ALUMINUM NETHERLANDS B.V., as a Dutch Guarantor

By: ____/s/ Gregg Murphey____
Name: Gregg Murphey
Title: Authorized Signatory

**STANDARD CHARTERED BANK, as Administrative Agent and as Collateral Agent**

By: /s/ Timothy Watts

Name: Timothy Watts
Title: Transaction Manager

[*Signature Page to Amendment No. 2 to Short Term Credit Agreement 2020*]

**ABN AMRO CAPITAL USA LLC, as a Lender**

By: /s/ Amit Wynalda

Name: Amit Wynalda
Title: Executive Director

By: /s/ Jamie Matos

Name: Jamie Matos
Title: Director

[*Signature Page to Amendment No. 2 to Short Term Credit Agreement 2020*]

**Australia and New Zealand Banking Group Limited, Singapore Branch, as a Lender**

By: /s/ Jessie Yim

Name: Jessie Yim

Title: Head of Diversified Corporates & Global Subsidiaries Singapore

[*Signature Page to Amendment No. 2 to Short Term Credit Agreement 2020*]

**Axis Bank Ltd, IBU GIFT City, as a Lender**

By: /s/ K. C. Harichandan

Name: K. C. Harichandan
Title: Head – Operations

**FOR, AXIS BANK LIMITED**
**(IFSC BANKING UNIT**
**GIFT CITY**

/s/ Vivek Srivastava

Vivek Srivastava
Head – Treasury

**Bank of America, N.A., as a Lender**

By: /s/ Albert Wheeler

Name: Albert Wheeler

Title: Vice President

**Citibank, N.A., as a Lender**

By: /s/ Siddharth Bansal

Name: Siddharth Bansal
Title: Vice President

[*Signature Page to Amendment No. 2 to Short Term Credit Agreement 2020*]

**CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK, INCORPORATED IN FRANCE WITH LIMITED LIABILITY, as a Lender**

By: /s/ Jean-Yves Korenian

Name: Jean-Yves Korenian
Title: Managing Director

By: /s/ Sébastien Pietryk

Name: Sébastien Pietryk
Title: Managing Director

**DBS Bank Ltd., as a Lender**

By: /s/ Josephine Lim

Name: Josephine Lim
Title: Senior Vice President

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**DEUTSCHE BANK AG CAYMAN ISLANDS BRANCH, as a Lender**

By: /s/ Michael Strobel

Name: Michael Strobel
Title: Vice President
michael-p.strobel@db.com
212-250-0939

By: /s/ Philip Tancorra

Name: Philip Tancorra
Title: Vice President
philip.tancorra@db.com
212-250-6576

**First Abu Dhabi Bank USA N.V. as a Lender**

By: /s/ Pamela Sigda

Name: Pamela Sigda
Title: CFO

By: /s/ Ora Helmholz

Name: Ora Helmholz
Title: COO

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**HSBC Bank USA, N.A, as a Lender**

By: /s/ Dilip Chaini

Name: Dilip Chaini

Title: Vice President, #22445

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**ICICI BANK LTD NEW YORK BRANCH, as a Lender**

By: /s/ Leslie Mathew
Name: Leslie Mathew
Title: Head-Corporate & Commercial Banking

**ING Bank N.V., Singapore Branch, as a Lender**

By: /s/ Paul Verwijmeren /s/ Milly Tan

Name: Paul Verwijmeren/Milly Tan

Title: Director / Director

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JPMORGAN CHASE BANK, N.A., as a Lender

By: /s/ Oswin Joseph

Name: OSWIN JOSEPH

Title: VICE PRESIDENT

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**Mizuho Bank, Ltd., as a Lender**

By: /s/ Donna DeMagistris

Name: Donna DeMagistris
Title: Authorized Signatory

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**MUFG Bank, Ltd.**
**Labuan Branch**
**Licensed Labuan Bank (960051C), as a Lender**

By: /s/ Ravi Buchia

Name: Ravi Buchia
Title: Managing Director

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**SOCIETE GENERALE, HONG KONG BRANCH, as a Lender**

By: /s/ Tapan Vaishnav

Name: Tapan Vaishnav
Title: Head of Advisory & Financing Group, APAC

By: /s/ Pei Zhi Ling

Name: Pei Zhi Ling
Title: Vice President, Advisory & Financing Group, APAC

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**Standard Chartered Bank, as a Lender**

By: /s/ James Perkins /s/ Richard Coulon

Name: James Perkins/ Richard Coulon

Title: Manager CRC UK, County Head CRC UK

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**[State Bank of India, New York], as a Lender**

By: /s/ Mr. Ramachandra Rao G.

Name: Mr. Ramachandra Rao G.

Title: Vice President & Head (Credit)

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**SUMITOMO MITSUI BANKING CORPORATION SINGAPORE BRANCH**
**(Incorporated in Japan with limited liability)**
**Reg. No. (UEN) T03FC6366F**

**as a Lender**

By: /s/ Sriram Kumondur

Name: Sriram Kumondur
Title: Deputy General Manager & Head Corporate Banking, South Asia

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Exhibit 10.2

**EXECUTION VERSION**

**AMENDMENT NO. 6 TO**
**SECOND AMENDED AND RESTATED CREDIT AGREEMENT**
**dated as of December 11, 2020**
**among**
**NOVELIS INC.,**
**as Canadian Borrower,**
**NOVELIS CORPORATION**
**as a U.S. Borrower,**
**THE OTHER U.S. SUBSIDIARIES OF CANADIAN BORROWER**
**PARTY HERETO AS U.S. BORROWERS,**
**NOVELIS UK LTD,**
**as a U.K. Borrower,**
**NOVELIS AG,**
**as a Swiss Borrower,**
**NOVELIS DEUTSCHLAND GMBH,**
**as a German Borrower,**
**THE OTHER BORROWERS PARTY HERETO,**
**AV METALS INC.,**
**THE OTHER GUARANTORS PARTY HERETO,**
**THE THIRD PARTY SECURITY PROVIDER,**
**THE LENDERS PARTY HERETO,**
**WELLS FARGO BANK, NATIONAL ASSOCIATION,**
**as Administrative Agent, and as Collateral Agent.**

This **AMENDMENT NO. 6 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT** (this "**Amendment**"), dated as of December 11, 2020, is entered into among NOVELIS INC., a corporation amalgamated under the Canada Business Corporations Act and having its corporate office at Two Alliance Center, 3560 Lenox Road, Suite 2000, Atlanta, GA 30326, USA (the "**Canadian Borrower**"), NOVELIS CORPORATION, as a U.S. borrower, the other U.S. borrowers party thereto (collectively, the "**U.S. Borrowers**"), NOVELIS UK LTD, as a U.K. borrower ("**Novelis UK**"), NOVELIS AG, as a Swiss borrower ("**Novelis AG**"), NOVELIS DEUTSCHLAND GMBH, as a German borrower ("**Novelis Deutschland**"), AV METALS INC., a corporation formed under the Canada Business Corporations Act ("**Holdings**"), the other LOAN PARTIES (as defined in the Amended Credit Agreement referred to below), NOVELIS ITALIA S.P.A. (the "**Third Party Security Provider**"), the LENDERS party hereto, and WELLS FARGO BANK, NATIONAL ASSOCIATION, as administrative agent (in such capacity, and together with its successors in such capacity, "**Administrative Agent**"), and as collateral agent (in such capacity, and together with its successors in such capacity, "**Collateral Agent**").

## RECITALS

**WHEREAS**, the Borrowers, Holdings, the other Loan Parties, the Administrative Agent, the Collateral Agent, the lenders party thereto, and the other parties from time to time party thereto, entered into that certain Second Amended and Restated Credit Agreement, dated as of October 6, 2014 (as amended by Amendment No. 1 to Second Amended and Restated Credit Agreement, dated as of September 14, 2017, as further amended by Amendment No. 2 to Second Amended and Restated Credit Agreement and Amendment to U.S. Security Agreement, dated as of April 15, 2019, as further amended by Amendment No. 3 to Second Amended and Restated Credit Agreement, dated as of December 20, 2019, as further amended by Amendment No. 4 to Second Amended and Restated Credit Agreement and Amendment No. 2 to U.S. Security Agreement, dated as of February 21, 2020, as further amended by Amendment No. 5 to Second Amended and Restated Credit Agreement, dated as of August 25, 2020, and as further as amended, supplemented, restated or otherwise modified prior to the date hereof, the "**Credit Agreement**", and the Credit Agreement, and as amended by this Amendment, the "**Amended Credit Agreement**");

**WHEREAS**, the Third Party Security Provider has pledged certain assets to secure the Secured Obligations;

**WHEREAS**, the Borrowers have requested amendments to the Credit Agreement as herein set forth;

**WHEREAS,** the U.S. Borrowers and the other Guarantors party to the U.S. Security Agreement (collectively, the "**Reaffirming Parties**", and each, a "**Reaffirming Party**") have entered into or joined the U.S. Security Agreement in order to induce the Lenders to make Loans, and each Reaffirming Party desires to reaffirm the security interest granted pursuant to the U.S. Security Agreement;

**WHEREAS**, the Reaffirming Parties expect to realize, or have realized, substantial direct and indirect benefits as a result of this Amendment becoming effective and the consumption of the transactions contemplated hereby; and

**WHEREAS**, the Borrowers, Holdings, the other Loan Parties, the Administrative Agent, the Collateral Agent, and each lender party hereto, have agreed to amend the Credit Agreement on the terms and subject to the conditions herein provided.

**NOW, THEREFORE**, in consideration of the foregoing, the mutual covenants and obligations herein set forth and other good and valuable consideration, the adequacy and receipt of which is hereby acknowledged, and in reliance upon the representations, warranties and covenants herein contained, the parties hereto, intending to be legally bound, hereby agree as follows:

Section 1. Definitions. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Amended Credit Agreement.

Section 2. Amendments. Subject to the terms and conditions set forth herein, effective as of the Amendment Effective Date (as defined below), the Credit Agreement is hereby amended as follows:

(i)Section 1.01 of the Credit Agreement is hereby amended by inserting the following definitions in the appropriate alphabetical order:

a. **Amendment No. 6**" means that certain Amendment No. 6 to Second Amended and Restated Credit Agreement, dated as of December 11, 2020, among Holdings, the Borrowers party thereto, the other Loan Parties party thereto, Novelis Italia, S.p.A., as third party security provider, the Administrative Agent, the Collateral Agent, and each Lender party thereto.

i. "**Amendment No. 6 Effective Date**" means the "Amendment Effective Date" as defined in Amendment No. 6.

ii. "**Logan Joint Venture Arrangement**" means the production joint venture arrangement with Tri Arrows Aluminum Inc. governed by the terms of the Logan Joint Venture Agreement, dated January 18, 1985, between Novelis Corporation, as successor in interest to Alcan Aluminum Corporation, and Tri Arrows Aluminum Inc. ("**Tri Arrows**"), as successor in interest to Arco Logan Inc., as amended and supplemented from time to time.

iii. "**Logan Joint Venture Licenses"** means the non-exclusive licenses in favor of Novelis Corporation or any other Company from Logan or Tri-Arrows of intellectual property owned by Logan or Tri-Arrows and subject to restrictions under the Logan Joint Venture Arrangement.

b. [intentionally omitted].

c. Section 2.01(d)(iii) of the Credit Agreement is hereby amended and restated in its entirety as follows:

"(iii) an Unpaid Supplier Reserve and a Reserve against prior claims of Logan against Eligible Inventory included in the Borrowing Base,"

d. Section 5.11(b) of the Credit Agreement is hereby amended by replacing the words ", subject to clause (j) below," with ", subject to clauses (j) and (k) below,".

e. Clause (s) of Section 6.02 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"(s) (1) any encumbrance or restriction (including put and call agreements) solely in respect of the Equity Interests of any Joint Venture or Joint Venture Subsidiary that is not a Loan Party, contained in such Joint Venture's or Joint Venture Subsidiary's Organizational Documents or the joint venture agreement or stockholders agreement in respect of such Joint Venture or Joint Venture Subsidiary and (2) to the extent constituting Liens, any encumbrance or restriction imposed by the Logan Joint Venture Arrangement on the Logan Joint Venture Licenses or the assets (other than Inventory) of Novelis Corporation that, in the ordinary course of business and consistent with past practice, are located at the Logan Location for use or processing by Logan;"

f. Clause (vii) of Section 6.12 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"(vii) customary provisions in asset sale and stock sale agreements and other similar agreements relating to the sale of any property permitted under Section 6.06 pending the consummation of such sale, in each case that provide for restrictions of the type described in clauses (a), (b) and (c) above, solely with respect to the assets or persons subject to such sale agreements;"

g. Clause (ix) of Section 6.12 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"(ix) without affecting the Loan Parties' obligations under Section 5.11, customary provisions in partnership agreements, shareholders' agreements, joint venture agreements, limited liability company organizational governance documents and other Organizational Documents, entered into in the ordinary course of business (or in connection with the formation of such partnership, joint venture, limited liability company or similar person) that (A) restrict the transfer of Equity Interests in such partnership, joint venture, limited liability company or similar person, (B) in the case of any Joint Venture or Joint Venture Subsidiary that is not a Loan Party, provide for other restrictions of the type described in clauses (a), (b) and (c) above, solely with respect to the Equity Interests in, or property held by, such Joint Venture or Joint Venture Subsidiary, or (C) in the case of the Logan Joint Venture Arrangement, provide for other restrictions of the type described in clauses (a), (b) and (c) above, solely with respect to the Logan Joint Venture Licenses or the assets (other than Inventory) of Novelis Corporation that, in the ordinary course of business and consistent with past practice, are located at the Logan Location for use or processing by Logan in accordance with the terms of the Logan Joint Venture Arrangement;"

h. Section 6.15(a) of the Credit Agreement is hereby amended by deleting the word "and" immediately prior to clause (vi) and inserting the following provision as clause (vii) thereof:

"and (vii) the merger of Aleris German GP Holdco with Aleris Germany; provided that (x) Aleris Germany is the surviving entity, (y) such merger does not violate any requirement of Applicable Law and (z) such merger is not otherwise prohibited by this Agreement."

i. Clause (6)(f) of Section 6.19 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"(f) is contained in any joint venture, shareholders agreement, limited liability operating agreement or other Organizational Document governing a Joint Venture or Joint Venture Subsidiary which (x) limits the ability of an owner of an interest in a Joint Venture or Joint Venture Subsidiary to encumber its ownership interest therein or (y) in the case of the Logan Joint Venture Arrangement, limits the ability of Novelis Corporation or Logan to encumber the Logan Joint Venture Licenses or the assets of Novelis Corporation (other than Inventory) that, in the ordinary course of business and consistent with past practice, are located at the Logan Location for use or processing by Logan in accordance with the terms of the Logan Joint Venture Arrangement;"

j. The final sentence of Section 6.19 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"Notwithstanding anything in this Agreement or any other Loan Document to the contrary, enter into or suffer to exist any agreement, instrument, deed or lease that creates or purports to create a Lien upon (i) the Equity Interests owned by Aleris Germany in Aleris German GP Holdco, (ii) the Equity Interests owned by Aleris German GP Holdco in Aleris Deutschland Vier GmbH & Co. KG, except, in the case of clauses (i) and (ii), to the extent not prohibited under the Revolving Credit Loan Documents and the Secured Term Loan Documents or (iii) the assets of Novelis Corporation located at the Logan Plant that constitute Excluded Property (other than any Lien in favor of Logan or Tri-Arrows (or any successor of Tri-Arrows as Joint Venture partner in Logan) pursuant to the Logan Joint Venture Arrangement) unless a Lien (subject to the Intercreditor Agreement) has been granted in favor of the Collateral Agent to secure the Secured Obligations."

k. Section 11.15 is amended and restated in its entirety as follows:

"SECTION 11.15 **<u>Electronic Execution of Amendments</u>**. Any amendment, waiver or other modification to this Agreement or any other Loan Document may, with the consent of the Administrative Agent (which consent may be conclusively evidenced by affixing the signature of the Administrative Agent to any such document), be executed by means of (a) an electronic signature that complies with the federal Electronic Signatures in Global and National Commerce Act, state enactments of the Uniform Electronic Transactions Act, or any other relevant and applicable electronic signatures law; (b) an original manual signature; or (c) a faxed, scanned, or photocopied manual signature. Each electronic signature or faxed, scanned, or photocopied manual signature shall for all purposes have the same validity, legal effect, and admissibility in evidence as an original manual signature. The Administrative Agent reserves the right, in its sole discretion, to accept, deny, or condition acceptance of any electronic signature on any amendment, waiver or other modification to this Agreement or any other Loan Document."

Section 3. Conditions Precedent to Effectiveness of this Amendment. This Amendment shall become effective as of the first date (the "**Amendment Effective Date**") on which each of the following conditions precedent shall have been satisfied, or duly waived by the Required Lenders party hereto:

a. Executed Amendment. The Administrative Agent shall have received this Amendment, duly executed by each of the Loan Parties, the Third Party Security Provider, the Required Lenders, the Administrative Agent, and the Collateral Agent.

b. Payment of and Expenses. The Administrative Agent shall have received expenses (including the reasonable fees and expenses of legal counsels) in connection with this Amendment for which invoices have been presented, at least one Business Day prior to the Amendment Effective Date, in connection with this Amendment.

c. Representations and Warranties. Each of the representations and warranties contained in Section 4 below and in any other Loan document shall be true and correct in all material respects (or, in the case of any representation or warranty that is qualified as to materiality, "Material Adverse Effect" or similar language, in all respects) on and as of the date hereof.

d. No Default or Event of Default. Before and after giving effect to this Amendment, no Default or Event of Default shall have occurred and be continuing or would result from the effectiveness of this Amendment.

Section 4. Representations and Warranties. Each Loan Party represents and warrants to the Administrative Agent and each Lender as follows:

a. After giving effect to this Amendment, each of the representations and warranties in the Amended Credit Agreement or in any other Loan Document are true and correct in all material respects (or, in the case of any representation or warranty that is qualified as to materiality, "Material Adverse Effect" or similar language, in all respects) on and as of the date hereof as though made on and as of such date, except to the extent that any such representation or warranty expressly relates to an earlier date, in which case such representations and warranties are true and correct in all material respects (or, in the case of any representation or warranty that is qualified as to materiality, "Material Adverse Effect" or similar language, in all respects) as of such earlier date.

b. The execution and delivery by the Canadian Borrower, each other Loan Party and the Third Party Security Provider of this Amendment, and the performance of this Amendment and the Amended Credit Agreement by the Canadian Borrower, each other Loan Party and the Third Party Security Provider, in each case have been duly authorized by all requisite organizational action on its part and will not violate any of its Organizational Documents.

c. This Amendment has been duly executed and delivered by the Canadian Borrower, each other Loan Party and the Third Party Security Provider, and each of this Amendment and the Amended Credit Agreement constitutes the Canadian Borrower's, such Loan Party's or such Third Party Security Provider's, as applicable, legal, valid and binding obligation, enforceable against it in accordance with their terms, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors generally and by general principles of equity.

d. Before and after giving effect to this Amendment, no Default or Event of Default has occurred and is continuing as of the date hereof.

Section 5. Continuing Effect; Liens and Guarantees; No Novation.

a. Each of the Loan Parties and the Third Party Security Provider hereby consents to this Amendment and the Amended Credit Agreement. Each of the Loan Parties and the Third Party Security Provider hereby acknowledges and agrees that all of its Secured Obligations, including all Liens and (in the case of the Loan Parties) Guarantees granted to the Secured Parties under the applicable Loan Documents, are ratified and reaffirmed and that such Liens and Guarantees shall continue in full force and effect on and after Amendment Effective Date to secure and support the Secured Obligations. Each of the Loan Parties hereby further ratifies and reaffirms the validity, enforceability and binding nature of the Secured Obligations.

b. Holdings and each Subsidiary Guarantor hereby (i) acknowledges and agrees to the terms of this Amendment and the Amended Credit Agreement and (ii) confirms and agrees that, each of its Guarantee and any Foreign Guarantee is, and shall continue to be, in full force and effect, and shall apply to all Secured Obligations without defense, counterclaim or offset of any kind and each of its Guarantee and any such Foreign Guarantee is hereby ratified and confirmed in all respects. Each Borrower hereby confirms its liability for the Secured Obligations, without defense, counterclaim or offset of any kind.

c. Holdings, the Canadian Borrower, each other Loan Party and the Third Party Security Provider hereby ratifies and reaffirms the validity and enforceability (without defense, counterclaim or offset of any kind) of the Liens and security interests granted by it to the Collateral Agent for the benefit of the Secured Parties to secure any of the Secured Obligations by Holdings, the Canadian Borrower, any other Loan Party and the Third Party Security Provider pursuant to the Loan Documents to which any of Holdings, the Canadian Borrower, any other Loan Party or the Third Party Security Provider is a party and hereby confirms and agrees that notwithstanding the effectiveness of this Amendment, and except as expressly amended by this Amendment, each such Loan Document is, and shall continue to be, in full force and effect and each is hereby ratified and confirmed in all respects, except that, on and after the effectiveness of this Amendment, each reference in the Loan Documents to the "Credit Agreement", "thereunder", "thereof" (and each reference in the Credit Agreement to this "Agreement", "hereunder" or "hereof") or words of like import shall mean and be a reference to the Amended Credit Agreement.

d. Without limiting the generality of this Section 5 or Section 6, (i) neither this Amendment, the Amended Credit Agreement, nor any other Loan Document entered into in connection herewith or therewith, shall extinguish the "Secured Obligations" (or any term of like import) as defined or referenced in each Security Agreement, or the "Secured Obligations" under and as defined in the Credit Agreement (collectively, the "**Loan Document Secured Obligations**"), or discharge or release the priority of any Loan Document, and any security interest previously granted pursuant to each Loan Document is hereby reaffirmed and each such security interest continues in effect and secures the Loan Document Secured Obligations, (ii) nothing contained herein, in the Amended Credit Agreement or any other Loan Document entered into in connection herewith or therewith shall be construed as a substitution or novation of all or any portion of the Loan Document Secured Obligations or instruments securing any of the foregoing, which shall remain in full force and effect and shall continue as obligations under the Amended Credit Agreement, and (iii) nothing implied in this Amendment, the Amended Credit Agreement or any other Loan Document entered into in connection herewith or therewith, or in any other document contemplated hereby or thereby shall be construed as a release or other discharge of any Loan Party or the Third Party Security Provider from any of its Loan Document Secured Obligations, it being understood that such obligations shall continue as obligations under the Amended Credit Agreement.

Section 6. U.S. Reaffirmation.

a. The Reaffirming Parties hereby confirm their respective guarantees, assignments, pledges and grants of security interests, as applicable, under the U.S. Security Agreement, and agree that such guarantees, assignments, pledges and grants of security interests shall continue to be in full force and effect and shall accrue to the benefit of the Collateral Agent for the benefit of the Secured Parties.

b. Each Reaffirming Party hereby confirms and agrees that the “Secured Obligations” (or any term of like import) as defined or referenced in the U.S. Security Agreement will include the “Secured Obligations” as defined in the Credit Agreement.

Section 7. Reference to and Effect on the Loan Documents.

a. Except as expressly set forth in this Amendment, all of the terms and provisions of the Credit Agreement and the other Loan Documents (including all exhibits and schedules to each of the Credit Agreement and the other Loan Documents) are and shall remain in full force and effect and are hereby ratified and confirmed. The Amendments provided for herein and in the annexes and exhibits hereto are limited to the specific provisions of the Credit Agreement specified herein and therein and shall not constitute an amendment of, or an indication of the Administrative Agent’s or any Lender’s willingness to amend or waive, any other provisions of the Credit Agreement as amended hereby or thereby, or the same sections or any provision of any other Loan Document for any other date or purpose.

b. The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of the Administrative Agent, the Collateral Agent, any Issuing Bank or any Lender under the Credit Agreement or any Loan Document, or constitute a waiver or amendment of any other provision of the Credit Agreement or any Loan Document except as and to the extent expressly set forth herein.

c. The execution and delivery of this Amendment by any Loan Party or Third Party Security Provider shall not constitute a joinder by, or agreement to be bound by the terms of, any Loan Document to which such Loan Party or Third Party Security Provider is not a party.

d. This Amendment shall constitute a Loan Document.

Section 8. Further Assurances. The Canadian Borrower, each other Loan Party and the Third Party Security Provider hereby agrees to execute any and all further documents, agreements and instruments and take all further actions that the Administrative Agent deems reasonably necessary or advisable in connection with this Amendment, including to continue and maintain the effectiveness of the Liens and guarantees provided for under the Loan Documents, with the priority contemplated under the Loan Documents. The Administrative Agent and the Collateral Agent are hereby authorized by the Lenders to enter into all such further documents, agreements and instruments, and to file all financing statements deemed by the Administrative Agent to be reasonably necessary or advisable in connection with this Amendment.

Section 9. Counterparts.

a. This Amendment and any notices delivered under this Amendment, may be executed by means of (a) an electronic signature that complies with the federal Electronic Signatures in Global and National Commerce Act, state enactments of the Uniform Electronic Transactions Act, or any other relevant and applicable electronic signatures law; (b) an original manual signature; or (c) a faxed, scanned, or photocopied manual signature. Each electronic signature or faxed, scanned, or photocopied manual signature shall for all purposes have the same validity, legal effect, and admissibility in evidence as an original manual signature. The Administrative Agent reserves the right, in its sole discretion, to accept, deny, or condition acceptance of any electronic signature on this Amendment or on any notice delivered to the Administrative Agent under this Amendment.

b. This Amendment and any notices delivered under this Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Receipt by the Administrative Agent of a facsimile copy or electronic image scan transmission (e.g., PDF via electronic email) of an executed signature page and any notices as set forth herein shall constitute receipt by the Administrative Agent and shall be as effective as delivery of a manually executed counterpart of the Amendment or notice.

Section 10. Governing Law. This Amendment and the rights and obligations of the parties hereto shall be governed by, and construed and interpreted in accordance with, the law of the State of New York, without regard to conflicts of law principles that would require the application of the laws of another jurisdiction.

Section 11. Headings. Section headings contained in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purposes.

Section 12. **WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE REQUIREMENTS OF LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AMENDMENT, ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS**

**CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY).**

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers and members thereunto duly authorized, on the date first indicated above.

NOVELIS INC., as the Canadian Borrower, Administrative Borrower and a Canadian Guarantor

By: __/s/ Gregg Murphey______
Name: Gregg Murphey
Title: Authorized Signatory

AV METALS INC., as Holdings and a Canadian Guarantor

By: __/s/ Gregg Murphey______
Name: Gregg Murphey
Title: Authorized Signatory

NOVELIS CORPORATION, as a U.S. Borrower and a Guarantor

By: __/s/ Gregg Murphey______
Name: Gregg Murphey
Title: Authorized Signatory

NOVELIS GLOBAL EMPLOYMENT ORGANIZATION, INC., as a U.S. Borrower and a Guarantor

By: __/s/ Gregg Murphey______
Name: Gregg Murphey
Title: Assistant Treasurer

NOVELIS SOUTH AMERICA HOLDINGS LLC, as a U.S. Borrower and a Guarantor

By: __/s/ Gregg Murphey______
Name: Gregg Murphey
Title: Authorized Signatory

NOVELIS HOLDINGS INC.,
as a U.S. Borrower and a Guarantor

By: __/s/ Gregg Murphey______
Name: Gregg Murphey
Title: Authorized Signatory

NOVELIS UK LTD, as U.K. Borrower and a U.K. Guarantor

By: __/s/ Gregg Murphey______
Name: Gregg Murphey
Title: Attorney

NOVELIS EUROPE HOLDINGS LIMITED,
as a U.K. Guarantor

By: __/s/ Gregg Murphey______
Name: Gregg Murphey
Title: Attorney

NOVELIS SERVICES LIMITED,
as a U.K. Guarantor

By: __/s/ Gregg Murphey______
Name: Gregg Murphey
Title: Attorney

NOVELIS AG, as Swiss Borrower, a European Administrative Borrower and a Swiss Guarantor

By: __/s/ Gregg Murphey______
Name: Gregg Murphey
Title: Authorized Signatory

NOVELIS SWITZERLAND SA,
as a Swiss Guarantor

By: __/s/ Gregg Murphey______
Name: Gregg Murphey
Title: Authorized Signatory

4260848 CANADA INC., as a Canadian Guarantor

By: __/s/ Gregg Murphey______
Name: Gregg Murphey
Title: Authorized Signatory

4260856 CANADA INC., as a Canadian Guarantor

By: __/s/ Gregg Murphey______
Name: Gregg Murphey
Title: Authorized Signatory

8018227 CANADA INC., as a Canadian Guarantor

By: __/s/ Gregg Murphey______
Name: Gregg Murphey
Title: Authorized Signatory

SIGNED AND DELIVERED AS A DEED
for and on behalf of NOVELIS ALUMINIUM HOLDING UNLIMITED COMPANY
by its lawfully appointed attorney,
as Irish Guarantor
in the presence of:

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Attorney

witness:

By: /s/ Teresa Murphey
Name: Teresa Murphey
Title: Spouse

Address: 3347 Osborne Rd, Brookhaven, GA 30319

Occupation: HR Consultant

NOVELIS DEUTSCHLAND GMBH,
as German Borrower and a German Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Person Authorized

NOVELIS SHEET INGOT GMBH,
as a German Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Person Authorized

NOVELIS DO BRASIL LTDA.,
as Brazilian Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Attorney-in-Fact

witness:

By: /s/ Jennifer Maxwell
Name: Jennifer Maxwell
Title: Project Manager

witness:

By: /s/ Chirag P. Shah
Name: Chirag P. Shah
Title: Assistant General Counsel

NOVELIS PAE S.A.S., as French Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Attorney-in-Fact

NOVELIS MEA LTD, a Company Limited by Shares under the Companies Law of the Dubai International Financial Centre,
as Dubai Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Authorized Signatory

NOVELIS ITALIA S.P.A., as Third Party Security Provider

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Attorney

ALERIS CORPORATION, as a U.S. Borrower and a Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Authorized Signatory

ALERIS INTERNATIONAL, INC., as a U.S. Borrower and a Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Authorized Signatory

ALERIS ROLLED PRODUCTS, INC., as a U.S. Borrower and a Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Authorized Signatory

UWA ACQUISITION CO., as a U.S. Borrower and a Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Authorized Signatory

NAME ACQUISITION CO., as a U.S. Borrower and a Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Authorized Signatory

ALERIS OHIO MANAGEMENT, INC., as a U.S. Borrower and a Guarantor

By: _____/s/ Gregg Murphey_________
Name: Gregg Murphey
Title: Authorized Signatory

INTL ACQUISITION CO., as a U.S. Borrower and a Guarantor

By: _____/s/ Gregg Murphey_________
Name: Gregg Murphey
Title: Authorized Signatory

ALERIS ROLLED PRODUCTS, LLC, as a U.S. Borrower and a Guarantor

By: _____/s/ Gregg Murphey_________
Name: Gregg Murphey
Title: Authorized Signatory

ALERIS ROLLED PRODUCTS SALES CORPORATION, as a U.S. Borrower and a Guarantor

By: _____/s/ Gregg Murphey_________
Name: Gregg Murphey
Title: Authorized Signatory

IMCO RECYCLING OF OHIO, LLC, as a U.S. Borrower and a Guarantor

By: _____/s/ Gregg Murphey_________
Name: Gregg Murphey
Title: Authorized Signatory

NICHOLS ALUMINUM-ALABAMA LLC, as a U.S. Borrower and a Guarantor

By: _____/s/ Gregg Murphey_________
Name: Gregg Murphey
Title: Authorized Signatory

NICHOLS ALUMINUM LLC, as a U.S. Borrower and a Guarantor

By: _____/s/ Gregg Murphey_________
Name: Gregg Murphey
Title: Authorized Signatory

ALERIS WORLDWIDE, INC., as a U.S. Borrower and a Guarantor

By: _____/s/ Gregg Murphey_________
Name: Gregg Murphey
Title: Authorized Signatory

ALERIS RM, INC., as a U.S. Borrower and a Guarantor

By: _____/s/ Gregg Murphey_________
Name: Gregg Murphey
Title: Authorized Signatory

ALERIS DEUTSCHLAND HOLDING GMBH, as a German Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Person Authorized

ALERIS DEUTSCHLAND VIER GMBH & CO. KG, as a German Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Person Authorized

ALERIS ROLLED PRODUCTS GERMANY GMBH, as a German Borrower and a German Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Person Authorized

ALERIS CASTHOUSE GERMANY GMBH, as a German Borrower and a German Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Person Authorized

DUTCH ALUMINUM C.V., as a Dutch Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Authorized Signatory

ALERIS ALUMINUM NETHERLANDS B.V., as a Dutch Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Authorized Signatory

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent, as Collateral Agent and as a Lender

By: _____/s/ Roberto M. Ruiz__________
Name: Roberto M. Ruiz
Title: Director

ABN AMRO Capital USA LLC, as a Lender

By: /s/ Jamie Matos

Name: Jamie Matos
Title: Director

By: /s/ Amit Wynalda

Name: Amit Wynalda
Title: Executive Director

**Bank of America, N.A.,**
**as a Lender**

By: /s/ John Olsen

Name: John Olsen
Title: Senior Vice President

**Bank of Montreal Chicago Branch.,**
**as a Lender**

By: /s/ Dan Duffy

Name: Dan Duffy
Title: Authorized Signer

**BANK OF MONTREAL, London Branch,**
**as a Lender**

By: /s/ Tom Woolgar

Name: Tom Woolgar
Title: Managing Director

By: /s/ Scott Matthews

Name: Scott Matthews
Title: Managing Director

**Barclays Bank PLC,**
**as a Lender**

By: /s/ Komal Ramkirath

Name: Komal Ramkirath
Title: Assistant Vice President

**BNP Paribas,**
**as a Lender**

By: /s/ John McCulloch

Name: John McCulloch
Title: Vice President

By: /s/ Mark Scioscia

Name: Mark Scioscia
Title: Vice President

**CITIBANK, N.A.,**
**as a Lender**

By: /s/ Brendan Mackay

Name: Brendan Mackay
Title: Vice President & Director

**CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH,**
**as a Lender**

By: /s/ Doreen Barr
Name: Doreen Barr
Title: Authorized Signatory

By: /s/ Andrew Griffin
Name: Andrew Griffin
Title: Authorized Signatory

**DEUTSCHE BANK AG NEW YORK BRANCH,**
**as a Lender**

By: /s/ Philip Tancorra

Name: Philip Tancorra
Title: Vice President
philip.tancorra@db.com
212-250-6576

By: /s/ Michael Strobel

Name: Michael Strobel
Title: Vice President
michael-p.strobel@db.com
212-250-0939

**HSBC Bank USA, N.A,**
**as a Lender**

By: /s/ Dilip Chaini

Name: Dilip Chaini
Title: Vice President

[SIGNATURE PAGE TO AMENDMENT NO. 6 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT]

**ING Capital LLC,**
**as a Lender**

By: /s/ Jeff Chu

Name: Jeff Chu
Title: Director

By: /s/ Michael Chen

Name: Michael Chen
Title: Director

**JPMORGAN CHASE BANK, N.A.**
**as a Lender**

By: /s/ Oswin Joseph

Name: OSWIN JOSEPH
Title: VICE PRESIDENT

**MORGAN STANLEY BANK, N.A.,**
**as a Lender**

By: /s/ Tim Kok

Name: Tim Kok
Title: Authorized Signatory

**PNC Bank, N.A.,**
**as a Lender**

By: /s/ Jay Hooper

Name: Jay Hooper
Title: Vice President

**Regions Bank,**
**as a Lender**

By: /s/ Liz Waller

Name: Liz Waller
Title: Managing Director

**SOCIETE GENERALE,**
**as a Lender**

By: /s/ Michiel V.M. Van Der Voort

Name: MICHIEL V.M. VAN DER VOORT
Title: Managing Director

[SIGNATURE PAGE TO AMENDMENT NO. 6 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT]

**Standard Chartered Bank,**
**as a Lender**

By: /s/ Ambrish Mathur

Name: Ambrish Mathur
Title: Executive Director

[SIGNATURE PAGE TO AMENDMENT NO. 6 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT]

**AMENDMENT NO. 5 TO CREDIT AGREEMENT**

**dated as of December 11, 2020,**

**between**

**NOVELIS INC.,**
**as Borrower,**

**AV METALS INC.,**
**as Holdings,**

**THE OTHER LOAN PARTIES PARTY HERETO,**

**THE THIRD PARTY SECURITY PROVIDER,**

**THE LENDERS PARTY HERETO,**

**and**

**STANDARD CHARTERED BANK,**
**as Administrative Agent and as Collateral Agent for the Lenders**

This **AMENDMENT NO. 5 TO CREDIT AGREEMENT** (this "**Amendment**"), dated as of December 11, 2020, is entered into between NOVELIS INC., a corporation amalgamated under the Canada Business Corporations Act and having its corporate office at Two Alliance Center, 3560 Lenox Road, Suite 2000, Atlanta, GA 30326, USA (the "**Borrower**"), AV METALS INC., a corporation formed under the Canada Business Corporations Act ("**Holdings**"), the other **LOAN PARTIES** (as defined in the Amended Credit Agreement referred to below), **NOVELIS ITALIA S.P.A.** (the "**Third Party Security Provider**"), the Lenders party hereto, and Standard Chartered Bank, being a company incorporated in England by Royal Charter 1853, with reference number ZC18 and whose registered office is 1 Basinghall Avenue, London EC2V 5DD, as administrative agent (in such capacity, and together with its successors in such capacity, "**Administrative Agent**") and as collateral agent (in such capacity, and together with its successors in such capacity, "**Collateral Agent**") under the Amended Credit Agreement referred to below for the Lenders.

**RECITALS**

WHEREAS, Borrower, Holdings, the other Loan Parties, the Administrative Agent, the Collateral Agent and the Lenders from time to time party thereto entered into that certain Credit Agreement, dated as of January 10, 2017 (as amended by Amendment No. 1 to Credit Agreement, dated as of September 14, 2017, as further amended by Amendment No. 2 to Credit Agreement and Amendment to U.S. Security Agreement, dated as of November 20, 2018, as further amended by Increase Joinder Amendment to Credit Agreement, dated as of December 18, 2018, as further amended by Amendment No. 3 to Credit Agreement and Amendment No. 2 to U.S. Security Agreement, dated as of February 6, 2020, as further amended by the Increase Joinder Amendment, dated as of February 21, 2020, as further amended by Amendment No. 4 to Credit Agreement, dated as of August 25, 2020, and as further amended, supplemented, restated or otherwise modified prior to the date hereof, the "**Existing Credit Agreement**"; the Existing Credit Agreement, as amended by this Amendment, the "**Amended Credit Agreement**");

**WHEREAS**, the Third Party Security Provider has pledged certain assets to secure the Secured Obligations;

**WHEREAS**, the Designated Company has requested amendments to the Existing Credit Agreement as herein set forth; and

**WHEREAS**, the Designated Company, the Administrative Agent, the Collateral Agent and the Required Lenders party hereto, have agreed to amend the Existing Credit Agreement on the terms and subject to the conditions herein provided.

**NOW, THEREFORE**, in consideration of the foregoing, the mutual covenants and obligations herein set forth and other good and valuable consideration, the adequacy and receipt of which is hereby acknowledged, and in reliance upon the representations, warranties and covenants herein contained, the parties hereto, intending to be legally bound, hereby agree as follows:

Section 1. Definitions. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Amended Credit Agreement.

Section 2. Amendments. Subject to the terms and conditions set forth herein, effective as of the Amendment Effective Date (as defined below), the Existing Credit Agreement is hereby amended as follows:

a. Section 1.01 of the Existing Credit Agreement is hereby amended by inserting the following definitions in the appropriate alphabetical order:

i. "**Amendment No. 5**" means that certain Amendment No. 5 to Credit Agreement, dated as of December 11, 2020, among the Borrower, the other Loan Parties party thereto, the Lenders party thereto, the Administrative Agent and the Collateral Agent.

ii. "**Amendment No. 5 Effective Date**" means the "Amendment Effective Date" as defined in Amendment No. 5.

iii. "**Logan Joint Venture Arrangement**" means the production joint venture arrangement with Tri Arrows Aluminum Inc. governed by the terms of the Logan Joint Venture Agreement, dated January 18, 1985, between Novelis Corporation, as successor in interest to Alcan Aluminum Corporation, and Tri Arrows Aluminum Inc. ("**Tri Arrows**"), as successor in interest to Arco Logan Inc., as amended and supplemented from time to time.

iv. "**Logan Joint Venture Licenses**" means the non-exclusive licenses in favor of Novelis Corporation or any other Company from Logan or Tri-Arrows of intellectual property owned by Logan or Tri-Arrows and subject to restrictions under the Logan Joint Venture Arrangement.

v. "**Novelis Corporation**" shall mean Novelis Corporation, a Texas corporation.

b. The following definition in Section 1.01 of the Existing Credit Agreement is hereby amended and restated in its entirety:

"**U.S. Issuer**" shall mean Novelis Corporation.

c. The last two sentences of the antepenultimate paragraph of Section 3.22 of the Credit Agreement are hereby amended and restated in their entirety as follows:

""**Sanctioned Person**" means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by OFAC, the U.S. Department of State or by the United Nations Security Council, the European Union, Her Majesty's Treasury of the United Kingdom, any EU member state, the Commonwealth of Australia, Japan or Malaysia, (b) any Person operating, organized or resident in a Sanctioned Country or (c) any Person owned or controlled by any such Person or Persons. "**Sanctions**" means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by (a) the U.S. government, including those administered by OFAC or the U.S. Department of State, or (b) the United Nations Security Council, the European Union, Her Majesty's Treasury of the United Kingdom, the Commonwealth of Australia, Singapore, Japan or Malaysia."

d. Clause (s) of Section 6.02 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"(s) (1) any encumbrance or restriction (including put and call agreements) solely in respect of the Equity Interests of any Joint Venture or Joint Venture Subsidiary that is not a Loan Party, contained in such Joint Venture's or Joint Venture Subsidiary's Organizational Documents or the joint venture agreement or stockholders agreement in respect of such Joint Venture or Joint Venture Subsidiary and (2) to the extent constituting Liens, any encumbrance or restriction imposed by the Logan Joint Venture Arrangement on the Logan Joint Venture Licenses or the assets (other than Inventory) of Novelis Corporation that, in the ordinary course of business and consistent with past practice, are located at the Logan Location for use or processing by Logan;"

e. Clause (viii) of Section 6.12 of the Existing Credit Agreement is hereby amended and restated in its entirety as follows:

"(viii) customary provisions in asset sale and stock sale agreements and other similar agreements relating to the sale of any property permitted under Section 6.06 pending the consummation of such sale, in each case that provide for restrictions of the type described in clauses (a), (b) and (c) above, solely with respect to the assets or persons subject to such sale agreements;"

f. Clause (x) of Section 6.12 of the Existing Credit Agreement is hereby amended and restated in its entirety as follows:

"(x) without affecting the Loan Parties' obligations under Section 5.11, customary provisions in partnership agreements, shareholders' agreements, joint venture agreements, limited liability company organizational governance documents and other Organizational Documents, entered into in the ordinary course of business (or in connection with the formation of such partnership, joint venture, limited liability company or similar person) that (A) restrict the transfer of Equity Interests in such partnership, joint venture, limited liability company or similar person, (B) in the case of any Joint Venture or Joint Venture Subsidiary that is not a Loan Party, provide for other restrictions of the type described in clauses (a), (b) and (c) above, solely with respect to the Equity Interests in, or property held by, such Joint Venture or Joint Venture Subsidiary, or (C) in the case of the Logan Joint Venture Arrangement, provide for other restrictions of the type described in clauses (a), (b) and (c) above, solely with respect to the Logan Joint Venture Licenses or the assets (other than Inventory) of Novelis Corporation that, in the ordinary course of business and consistent with past practice, are located at the Logan Location for use or processing by Logan in accordance with the terms of the Logan Joint Venture Arrangement;"

g. Section 6.15(a) of the Credit Agreement is hereby amended by deleting the word "and" immediately prior to clause (vi) and inserting the following provision as clause (vii) thereof:

“and (vii) the merger of Aleris German GP Holdco with Aleris Germany; provided that (x) Aleris Germany is the surviving entity, (y) such merger does not violate any Requirement of Law and (z) such merger is not otherwise prohibited by this Agreement.”

h. Clause (6)(f) of Section 6.19 of the Existing Credit Agreement is hereby amended and restated in its entirety as follows:

“(f) is contained in any joint venture, shareholders agreement, limited liability operating agreement or other Organizational Document governing a Joint Venture or Joint Venture Subsidiary which (x) limits the ability of an owner of an interest in a Joint Venture or Joint Venture Subsidiary to encumber its ownership interest therein or (y) in the case of the Logan Joint Venture Arrangement, limits the ability of Novelis Corporation or Logan to encumber the Logan Joint Venture Licenses or the assets (other than Inventory) of Novelis Corporation that, in the ordinary course of business and consistent with past practice, are located at the Logan Location for use or processing by Logan in accordance with the terms of the Logan Joint Venture Arrangement;”

i. The final sentence of Section 6.19 of the Credit Agreement is hereby amended and restated in its entirety as follows:

“Notwithstanding anything in this Agreement or any other Loan Document to the contrary, enter into or suffer to exist any agreement, instrument, deed or lease that creates or purports to create a Lien upon (i) the Equity Interests owned by Aleris Germany in Aleris German GP Holdco, (ii) the Equity Interests owned by Aleris German GP Holdco in Aleris Deutschland Vier GmbH & Co. KG, except, in the case of clauses (i) and (ii), to the extent not prohibited under the Revolving Credit Loan Documents and the Secured Term Loan Documents or (iii) the assets of Novelis Corporation located at the Logan Plant that constitute Excluded Property (other than any Lien in favor of Logan or Tri-Arrows (or any successor of Tri-Arrows as Joint Venture partner in Logan) pursuant to the Logan Joint Venture Arrangement) unless a Lien (subject to the Intercreditor Agreement) has been granted in favor of the Collateral Agent to secure the Secured Obligations.”

Section 3. Conditions Precedent to Effectiveness of this Amendment. This Amendment shall become effective as of the first date (the “**Amendment Effective Date**”) on which each of the following conditions precedent shall have been satisfied, or duly waived by the Required Lenders:

a. Executed Amendment. The Administrative Agent shall have received this Amendment, duly executed by each of the Loan Parties, the Third Party Security Provider, the Required Lenders, the Administrative Agent and the Collateral Agent;

b. Payment of Expenses. The Administrative Agent shall have received all expenses (including the reasonable fees and expenses of legal counsels) in connection with this Amendment for which invoices have been presented at least one Business Day prior to the Amendment Effective Date.

c. Representations and Warranties. Each of the representations and warranties contained in Section 4 below shall be true and correct in all material respects (or, in the case of any representation or warranty that is qualified as to materiality, "Material Adverse Effect" or similar language, in all respects) on and as of the date hereof.

d. No Default or Event of Default. Before and after giving effect to this Amendment, no Default or Event of Default shall have occurred and be continuing or would result from the effectiveness of this Amendment.

Section 4. Representations and Warranties. Each Loan Party represents and warrants to the Administrative Agent and each Lender as follows:

a. After giving effect to this Amendment, each of the representations and warranties in the Amended Credit Agreement or in any other Loan Document are true and correct in all material respects (or, in the case of any representation or warranty that is qualified as to materiality, "Material Adverse Effect" or similar language, in all respects) on and as of the date hereof as though made on and as of such date, except to the extent that any such representation or warranty expressly relates to an earlier date, in which case such representations and warranties are true and correct in all material respects (or, in the case of any representation or warranty that is qualified as to materiality, "Material Adverse Effect" or similar language, in all respects) as of such earlier date.

b. The execution and delivery by the Designated Company, each other Loan Party and the Third Party Security Provider of this Amendment, and the performance of this Amendment and the Amended Credit Agreement by the Designated Company, each other Loan Party and the Third Party Security Provider, in each case have been duly authorized by all requisite organizational action on its part and will not violate any of its Organizational Documents.

c. This Amendment has been duly executed and delivered by the Designated Company, each other Loan Party and the Third Party Security Provider, and each of this Amendment and the Amended Credit Agreement constitutes the Designated Company's, such Loan Party's or such Third Party Security Provider's, as applicable, legal, valid and binding obligation, enforceable against it in accordance with their terms, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors generally and by general principles of equity.

d. Before and after giving effect to this Amendment, no Default or Event of Default has occurred and is continuing as of the date hereof.

Section 5. Continuing Effect; Liens and Guarantees.

a. Each of the Loan Parties and the Third Party Security Provider hereby consents to this Amendment and the Amended Credit Agreement. Each of the Loan Parties and the Third Party Security Provider hereby acknowledges and agrees that all of its Secured Obligations, including all Liens and (in the case of the Loan Parties) Guarantees granted to the Secured Parties under the applicable Loan Documents, are ratified and reaffirmed and that such Liens and Guarantees shall continue in full force and effect on and after Amendment Effective Date to secure and support the Secured Obligations. Each of the Loan Parties hereby further ratifies and reaffirms the validity, enforceability and binding nature of the Secured Obligations.

b. Holdings and each Subsidiary Guarantor hereby (i) acknowledges and agrees to the terms of this Amendment and the Amended Credit Agreement and (ii) confirms and agrees that, each of its Guarantee and any Foreign Guarantee is, and shall continue to be, in full force and effect, and shall apply to all Secured Obligations without defense, counterclaim or offset of any kind and each of its Guarantee and any such Foreign Guarantee is hereby ratified and confirmed in all respects. The Designated Company hereby confirms its liability for the Secured Obligations, without defense, counterclaim or offset of any kind.

c. Holdings, the Designated Company, each other Loan Party and the Third Party Security Provider hereby ratifies and reaffirms the validity and enforceability (without defense, counterclaim or offset of any kind) of the Liens and security interests granted by it to the Collateral Agent for the benefit of the Secured Parties to secure any of the Secured Obligations by Holdings, the Designated Company, any other Loan Party and the Third Party Security Provider pursuant to the Loan Documents to which any of Holdings, the Designated Company, any other Loan Party or the Third Party Security Provider is a party and hereby confirms and agrees that notwithstanding the effectiveness of this Amendment, and except as expressly amended by this Amendment, each such Loan Document is, and shall continue to be, in full force and effect and each is hereby ratified and confirmed in all respects, except that, on and after the effectiveness of this Amendment, each reference in the Loan Documents to the "Credit Agreement", "thereunder", "thereof" (and each reference in the Existing Credit Agreement to this "Agreement", "hereunder" or "hereof") or words of like import shall mean and be a reference to the Amended Credit Agreement.

d. Without limiting the generality of this Section 5 or Section 6, (i) neither this Amendment, the Amended Credit Agreement, nor any other Loan Document entered into in connection herewith or therewith, shall extinguish the "Secured Obligations" (or any term of like import) as defined or referenced in each Security Agreement, or the "Secured Obligations" under and as defined in the Existing Credit Agreement (collectively, the "**Loan Document Secured Obligations**"), or discharge or release the priority of any Loan Document, and any security interest previously granted pursuant to each Loan Document is hereby reaffirmed and each such security interest continues in effect and secures the Loan Document Secured Obligations, (ii) nothing contained herein, in the Amended Credit Agreement or any other Loan Document entered into in connection herewith or therewith shall be construed as a substitution or novation of all or any portion of the Loan Document Secured Obligations or instruments securing any of the foregoing, which shall remain in full force and effect and shall continue as obligations under the Amended Credit Agreement, and (iii) nothing implied in this Amendment, the Amended Credit Agreement or any other Loan Document entered into in connection herewith or therewith, or in any other document contemplated hereby or thereby shall be construed as a release or other discharge of any Loan Party or the Third Party Security Provider from any of its Loan Document Secured Obligations, it being understood that such obligations shall continue as obligations under the Amended Credit Agreement.

Section 6. Reference to and Effect on the Loan Documents.

a. Except as expressly set forth in this Amendment, all of the terms and provisions of the Existing Credit Agreement and the other Loan Documents (including all exhibits and schedules to each of the Existing Credit Agreement and the other Loan Documents) are and shall remain in full force and effect and are hereby ratified and confirmed. The Amendments provided for herein and in the annexes and exhibits hereto are limited to the specific provisions of the Existing Credit Agreement specified herein and therein and shall not constitute an amendment of, or an indication of the Administrative Agent's or any Lender's willingness to amend or waive, any other provisions of the Existing Credit Agreement, any other provisions of the Existing Credit Agreement as amended hereby or thereby, or the same sections or any provision of any other Loan Document for any other date or purpose.

b. The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of the Administrative Agent, the Collateral Agent, or any Lender under the Existing Credit Agreement or any Loan Document, or constitute a waiver or amendment of any other provision of the Existing Credit Agreement or any Loan Document except as and to the extent expressly set forth herein.

c. The execution and delivery of this Amendment by any Loan Party or Third Party Security Provider shall not constitute a joinder by, or agreement to be bound by the terms of, any Loan Document to which such Loan Party or Third Party Security Provider is not a party.

d. This Amendment shall constitute a Loan Document.

Section 7. Counterparts.

a. This Amendment and any notices delivered pursuant thereto, may be executed by means of (a) an electronic signature that complies with the federal Electronic Signatures in Global and National Commerce Act, state enactments of the Uniform Electronic Transactions Act, or any other relevant and applicable electronic signatures law; (b) an original manual signature; or (c) a faxed, scanned, or photocopied manual signature. Each electronic signature or faxed, scanned, or photocopied manual signature shall for all purposes have the same validity, legal effect, and admissibility in evidence as an original manual signature. The Administrative Agent reserves the right, in its sole discretion, to accept, deny, or condition acceptance of any electronic signature on this Amendment or such notice, as applicable.

b. This Amendment and any notices delivered pursuant thereto may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Receipt by the Administrative Agent of a facsimile copy or electronic image scan transmission (e.g., PDF via electronic email) of an executed signature page and any notices as set forth herein shall constitute receipt by the Administrative Agent and shall be as effective as delivery of a manually executed counterpart of the Amendment or such notice, as applicable.

Section 8. Governing Law. This Amendment and the rights and obligations of the parties hereto shall be governed by, and construed and interpreted in accordance with, the law of the

State of New York, without regard to conflicts of law principles that would require the application of the laws of another jurisdiction.

Section 9. Headings. Section headings contained in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purposes.

Section 10. **WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE REQUIREMENTS OF LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AMENDMENT, ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY).**

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers and members thereunto duly authorized, on the date first indicated above.

NOVELIS INC., as the Designated Company

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Authorized Signatory

AV METALS INC., as Holdings and as a Canadian Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Authorized Signatory

NOVELIS CORPORATION, as a U.S. Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Authorized Signatory

NOVELIS GLOBAL EMPLOYMENT ORGANIZATION, INC., as a U.S. Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Assistant Treasurer

NOVELIS SOUTH AMERICA HOLDINGS LLC, as a U.S. Guarantor

By: __/s/ Gregg Murphey______
Name: Gregg Murphey
Title: Authorized Signatory

NOVELIS HOLDINGS INC., as a U.S. Guarantor

By: __/s/ Gregg Murphey______
Name: Gregg Murphey
Title: Authorized Signatory

NOVELIS UK LTD, as a U.K. Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Attorney

NOVELIS EUROPE HOLDINGS LIMITED,
as a U.K. Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Attorney

NOVELIS SERVICES LIMITED,
as a U.K. Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Attorney

NOVELIS AG, as a Swiss Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Authorized Signatory

NOVELIS SWITZERLAND S.A.,
as a Swiss Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Authorized Signatory

4260848 CANADA INC., as a Canadian Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Authorized Signatory

4260856 CANADA INC., as a Canadian Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Authorized Signatory

8018227 CANADA INC., as a Canadian Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Authorized Signatory

SIGNED AND DELIVERED AS A DEED
for and on behalf of NOVELIS ALUMINIUM HOLDING UNLIMITED COMPANY
by its lawfully appointed attorney,
as Irish Guarantor
in the presence of:

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Attorney

witness:

By: /s/ Teresa Murphey
Name: Teresa Murphey
Title: Spouse

Address: 3347 Osborne Rd, Brookhaven, GA 30319

Occupation: HR Consultant

NOVELIS DO BRASIL LTDA.,
as Brazilian Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Attorney-in-Fact

witness:

By: /s/ Jennifer Maxwell
Name: Jennifer Maxwell
Title: Project Manager

witness:

By: /s/ Chirag P. Shah
Name: Chirag P. Shah
Title: Assistant General Counsel

NOVELIS DEUTSCHLAND GMBH,
as a German Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Person Authorized

NOVELIS SHEET INGOT GMBH,
as a German Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Person Authorized

NOVELIS PAE S.A.S., as French Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Attorney-in-Fact

NOVELIS MEA LTD, a Company Limited by Shares under the Companies Law of the Dubai International Financial Centre,
as Dubai Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Authorized Signatory

NOVELIS ITALIA S.P.A., as Third Party Security Provider

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Attorney

ALERIS CORPORATION, as a Borrower and a U.S. Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Authorized Signatory

ALERIS INTERNATIONAL, INC., as a U.S. Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Authorized Signatory

ALERIS ROLLED PRODUCTS, INC., as a U.S. Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Authorized Signatory

UWA ACQUISITION CO., as a U.S. Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Authorized Signatory

NAME ACQUISITION CO., as a U.S. Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Authorized Signatory

ALERIS OHIO MANAGEMENT, INC., as a U.S. Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Authorized Signatory

INTL ACQUISITION CO., as a U.S. Guarantor

By: ____/s/ Gregg Murphey______
Name: Gregg Murphey
Title: Authorized Signatory

ALERIS ROLLED PRODUCTS, LLC, as a U.S. Guarantor

By: ____/s/ Gregg Murphey______
Name: Gregg Murphey
Title: Authorized Signatory

ALERIS ROLLED PRODUCTS SALES CORPORATION, as a U.S. Guarantor

By: ____/s/ Gregg Murphey______
Name: Gregg Murphey
Title: Authorized Signatory

IMCO RECYCLING OF OHIO, LLC, as a U.S. Guarantor

By: ____/s/ Gregg Murphey______
Name: Gregg Murphey
Title: Authorized Signatory

NICHOLS ALUMINUM-ALABAMA LLC, as a U.S. Guarantor

By: ____/s/ Gregg Murphey______
Name: Gregg Murphey
Title: Authorized Signatory

NICHOLS ALUMINUM LLC, as a U.S. Guarantor

By: ____/s/ Gregg Murphey______
Name: Gregg Murphey
Title: Authorized Signatory

ALERIS WORLDWIDE, INC., as a U.S. Guarantor

By: ____/s/ Gregg Murphey______
Name: Gregg Murphey
Title: Authorized Signatory

ALERIS RM, INC., as a U.S. Guarantor

By: ____/s/ Gregg Murphey______
Name: Gregg Murphey
Title: Authorized Signatory

ALERIS DEUTSCHLAND HOLDING GMBH, as a German Guarantor

By: ____/s/ Gregg Murphey______
Name: Gregg Murphey
Title: Person Authorized

ALERIS DEUTSCHLAND VIER GMBH & CO. KG, as a German Guarantor

By: ____/s/ Gregg Murphey______
Name: Gregg Murphey
Title: Person Authorized

ALERIS ROLLED PRODUCTS GERMANY GMBH, as a German Guarantor

By: ____/s/ Gregg Murphey______
Name: Gregg Murphey
Title: Person Authorized

ALERIS CASTHOUSE GERMANY GMBH, as a German Guarantor

By: ___/s/ Gregg Murphey_______
Name: Gregg Murphey
Title: Person Authorized

DUTCH ALUMINUM C.V., as a Dutch Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Authorized Signatory

ALERIS ALUMINUM NETHERLANDS B.V., as a Dutch Guarantor

By: /s/ Gregg Murphey
Name: Gregg Murphey
Title: Authorized Signatory

**STANDARD CHARTERED BANK, as Administrative Agent and as Collateral Agent**

By: /s/ Timothy Watts

Name: Timothy Watts

Title: Transaction Manager

**ABN AMRO CAPITAL USA LLC, as a Lender**

By: /s/ Amit Wynalda

Name: Amit Wynalda
Title: Executive Director

By: /s/ Jamie Matos

Name: Jamie Matos
Title: Director

**Australia and New Zealand Banking Group Limited, Singapore Branch, as a Lender**

By: /s/ Jessie Yim

Name: Jessie Yim

Title: Head of Diversified Corporates & Global Subsidiaries Singapore

**Axis Bank Ltd, IBU GIFT City, as a Lender**

By: /s/ K. C. Harichandan

Name: K. C. Harichandan
Title: Head – Operations

**FOR, AXIS BANK LTD.**

**(IFSC BANKING UNIT)**
**GIFT CITY**

/s/ Vivek Srivastava

Vivek Srivastava
Head – Treasury

**Bank of America, N.A., as a Lender**

By: /s/ Albert Wheeler

Name: Albert Wheeler

Title: Vice President

**Citibank, N.A., as a Lender**

By: /s/ Siddharth Bansal
Name: Siddharth Bansal
Title: Vice President

**CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK, INCORPORATED IN FRANCE WITH LIMITED LIABILITY, as a Lender**

By: /s/ Jean-Yves Korenian

Name: Jean-Yves Korenian
Title: Managing Director

By: /s/ Sébastien Pietryk

Name: Sébastien Pietryk
Title: Managing Director

**DBS Bank Ltd., as a Lender**

By: /s/ Josephine Lim

Name: Josephine Lim

Title: Senior Vice President

**DEUTSCHE BANK AG NEW YORK BRANCH, as a Lender**

By: /s/ Michael Strobel
Name: Michael Strobel
Title: Vice President
michael-p.strobel@db.com
212-250-0939

By: /s/ Philip Tancorra
Name: Philip Tancorra
Title: Vice President
philip.tancorra@db.com
212-250-6576

**First Abu Dhabi Bank PJSC, Singapore Branch, as a Lender**

By: /s/ Clarence Singam-Zhou

Name: Clarence Singam-Zhou

Title: A-1867

By: /s/ Shona Ho Ting Li

Name: Shona Ho Ting Li

Title: B-1931

**First Abu Dhabi Bank USA N.V. as a Lender**

By: /s/ Pamela Sigda

Name: Pamela Sigda

Title: CFO

By: /s/ Ora Helmholz

Name: Ora Helmholz

Title: COO

**HSBC Bank USA, N.A, as a Lender**

By: /s/ Dilip Chaini

Name: Dilip Chaini

Title: Vice President, #22445

[SIGNATURE PAGE TO AMENDMENT NO. 5 TO CREDIT AGREEMENT]

ICICI Bank Limited, IFSC Banking Unit, as a Lender

By: /s/ Mr. Sanjay Jha

Name: Mr. Sanjay Jha

Title: Chief Executive

**ICICI BANK LTD NEW YORK BRANCH, as a Lender**

By: /s/ Leslie Matthew

Name: Leslie Matthew

Title: Head- Corporate & Commercial Banking

**ICICI Bank UK Plc, as a Lender**

By: /s/ Vikash Mehta

Name: Vikash Mehta

Title: Head of Business

**ING Bank N.V., Singapore Branch, as a Lender**

By: /s/ Paul Verwijmeren /s/ Milly Tan

Name: Paul Verwijmeren/Milly Tan

Title: Director / Director

JPMORGAN CHASE BANK, N.A., as a Lender

By: /s/ Oswin Joseph

Name: OSWIN JOSEPH

Title: VICE PRESIDENT

**Mizuho Bank, Ltd., as a Lender**

By: /s/ Donna DeMagistris

Name: Donna DeMagistris

Title: Authorized Signatory

**MUFG Bank, Ltd.**
**Labuan Branch**
**Licensed Labuan Bank (960051C), as a Lender**

By: /s/ Ravi Buchia

Name: Ravi Buchia
Title: Managing Director

**[_MUFG Bank Ltd. London Branch],**

**as a Lender**

By: /s/ David Philbin

Name: David Philbin

Title: Managing Director

**Standard Chartered Bank, as a Lender**

By: /s/ James Perkins /s/ Richard Coulon

Name: James Perkins/ Richard Coulon

Title: Manager CRC UK, County Head CRC UK

**[State Bank of India, New York], as a Lender**

By: /s/ Mr. Ramachandra Rao G.

Name: Mr. Ramachandra Rao G.

Title: Vice President & Head (Credit)

***For* STATE BANK OF INDIA, as a Lender**

By: /s/ Rama Chandra Mishra

Name: Rama Chandra Mishra

Title: Senior Vice President (Credit Administration)
Singapore Branch

**SUMITOMO MITSUI BANKING CORPORATION SINGAPORE BRANCH**
**(Incorporated in Japan with limited liability)**
**Reg. No. (UEN) T03FC6366F**

as a Lender

By: /s/ Sriram Kumondur

Name: Sriram Kumondur
Title: Deputy General Manager & Head Corporate Banking, South Asia

**Exhibit 31.1**

**Certification**

I, Steven Fisher, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Novelis Inc. (Novelis);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ Steven Fisher

Steven Fisher
President and Chief Executive Officer
(Principal Executive Officer)

Date: February 3, 2021

**Exhibit 31.2**

**Certification**

I, Devinder Ahuja, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Novelis Inc. (Novelis);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ Devinder Ahuja

Devinder Ahuja
Chief Financial Officer
(Principal Financial Officer)

Date: February 3, 2021

**Exhibit 32.1**

**Certification Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Novelis Inc. (Novelis), hereby certifies that Novelis' Quarterly Report on Form 10-Q for the period ended December 31, 2020 (Report) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Novelis.

/s/ Steven Fisher

Steven Fisher
President and Chief Executive Officer
(Principal Executive Officer)

Date: February 3, 2021

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of this Report.

**Exhibit 32.2**

**Certification Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Novelis Inc. (Novelis), hereby certifies that Novelis' Quarterly Report on Form 10-Q for the period ended December 31, 2020 (Report) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Novelis.

/s/ Devinder Ahuja

Devinder Ahuja
Chief Financial Officer
(Principal Financial Officer)

Date: February 3, 2021

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of this Report.