(A free translation of the original in Portuguese)

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Novelis do Brasil Ltda.

Financial statements at March 31, 2018 and independent auditor's report

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Independent auditor's report

To the Board of Directors and Quotaholders
Novelis do Brasil Ltda.

Opinion

We have audited the accompanying financial statements of Novelis do Brasil Ltda. (the "Company"), which comprise the balance sheet as at March 31, 2018 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Novelis do Brasil Ltda. as at March 31, 2018, and its financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee

that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

São Paulo, May 2, 2018

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Marcelo Orlando
Contador CRC 1SP217518/O-7

Novelis do Brasil Ltda.

Balance sheet at March 31

All amounts in thousands of Reais (A free translation of the original in Portuguese)

Assets	2018	2017
Current assets		
Cash and cash equivalents (Note 6)	822,674	755,905
Trade receivables (Note 8)	1,139,387	679,101
Receivables from related parties (Note 22)	63,237	54,864
Inventory (Note 9)	544,688	413,506
Taxes recoverable	12,796	21,183
Financial instruments (Note 7)	97,896	162,600
Other receivables	73,274	28,543
	2,753,952	2,115,702
Non-current assets held for sale	16,494	10,283
Total current assets	2,770,446	2,125,985
Non-current assets		
Long term receivables		
Taxes recoverable	27,008	25,570
Judicial deposits (Note 13)	22,449	22,167
Other receivables	42,271	25,584
	91,728	73,321
Investments	1	1
Intangible assets	5,694	5,304
Property, plant and equipment (Note 10)	2,607,749	2,567,691
Total non-current assets	2,705,172	2,646,317
Total assets	5,475,618	4,772,302

Liabilities and equity	2018	2017
Current liabilities		
Trade payables (Note 11)	451,541	283,603
Trade payables – reverse factoring (Note 11 (a))	372,350	393,481
Other payables (Note 11 (b))	358,968	257,942
Borrowing (Note 12)	5,050	168,466
Loans with related parties (Note 12)	17,597	
Salaries, provision and social charges	49,439	49,661
Current income tax and social contribution payable	31,114	38,933
Other taxes and contributions payable	48,337	47,171
Tax refinancing (Note 14)	29,200	27,879
Financial instruments (Note 7)	70,276	74,193
Payables to related parties (Note 22)	111,507	94,501
Advances from customers	9,808	8,263
Other liabilities (Note 23)	121,422	87,853
Total current liabilities	1,676,609	1,531,946
Non-current liabilities		
Loans with related parties (Note 12)	489,044	
Borrowing (Note 12)	14,897	19,240
Deferred income tax and social contribution (Note 15)	507,590	518,171
Tax refinancing (Note 14)	163,035	183,537
Financial instruments (Note 7)	1,524	9,395
Provision for contingencies (Note 13)	95,678	70,087
Other liabilities (Note 23)	49,760	47,008
Total non-current liabilities	1,321,528	847,438
Total liabilities	2,998,137	2,379,384
Equity		
Share capital (Note 16)	958,528	958,528
Carrying value adjustments	1,015,841	902,433
Retained earnings	503,112	531,957
Total equity	2,477,481	2,392,918
Total liabilities and equity	5,475,618	4,772,302

The accompanying notes are an integral part of these financial statements.

Novelis do Brasil Ltda.

Statement of income
Years ended March 31
All amounts in thousands of Reais (A free translation of the original in Portuguese)

	2018	2017
Net revenue (Note 17)	**6,178,605**	**4,960,845**
Cost of sales (Note 19)	(4,893,698)	(3,772,863)
Gross profit	**1,284,907**	**1,187,982**
Selling expenses (Note 19)	(22,916)	(25,756)
Administrative expenses (Note 19)	(94,564)	(88,883)
Other expenses, net (Note 18)	(293,949)	(269,174)
Operating profit before finance results	**873,478**	**804,169**
Finance results, net (Note 20)	(107,121)	28,905
Net foreign exchange and monetary gains (losses) (Note 21)	12,592	(73,095)
Net finance income	**(94,529)**	**(44,190)**
Profit before taxation	**778,949**	**759,979**
Income tax and social contribution		
Current (Note 15)	(295,397)	(249,811)
Deferred (Note 15)	34,778	55,175
Profit for the year	**518,330**	**565,343**

The accompanying notes are an integral part of these financial statements.

Novelis do Brasil Ltda.

Statement of comprehensive income
Years ended March 31
All amounts in thousands of Reais (A free translation of the original in Portuguese)

	2018	2017
Profit for the year	518,330	565,343
Other comprehensive income (loss)		
Items that will be reclassified to profit or loss		
Derivatives	(10,345)	1,021
Exclusive health plan	194	1,050
Items that will not be reclassified to profit or loss		
Currency translation adjustments (Note 16(c))	116,810	(265,835)
Total other comprehensive income	106,659	(263,764)
Total comprehensive income for the year	624,990	301,579

The accompanying notes are an integral part of these financial statements.

Novelis do Brasil Ltda.

Statement of changes in equity

All amounts in thousands of Reais (A free translation of the original in Portuguese)

	Share capital	Carrying value adjustments	Retained earnings	Total
At March 31, 2016	958,528	1,178,235	709,170	2,845,933
Profit for the year			565,343	565,343
Other comprehensive income (Note 17(c))		(263,764)		(263,764)
Total comprehensive income for the year		(263,764)	565,343	301,579
Reclassifications				
Realization - deemed cost		(12,038)	12,038	
Allocation of profit for the year				
Interest on capital (Note 16 (b))			(75,898)	(75,898)
Dividend distribution (Note 16(b))			(678,696)	(678,696)
Total distribution to quotaholders			(754,594)	(754,593)
At March 31, 2017	958,528	902,433	531,957	2,392,918
Profit for the year			518,330	518,330
Other comprehensive income		106,659		106,659
Total comprehensive income for the year		106,659	518,330	624,989
Reclassifications				
Realization - deemed cost		(14,503)	14,503	-
Tax incentive reserve		21,252	(21,252)	-
Allocation of profit for the year				
Dividend distribution (Note 16 (b))			(466,522)	(466,522)
Interest on capital (Note 16 (b))			(73,904)	(73,904)
Total distribution to quotaholders			(540,426)	(540,426)
At March 31, 2018	958,528	1,015,841	503,112	2,477,481

The accompanying notes are an integral part of these financial statements.

Novelis do Brasil Ltda.

Statement of cash flow
Years ended March 31

All amounts in thousands of Reais (A free translation of the original in Portuguese)

	2018	2017
Cash flow from operating activities		
Profit for the year	518,330	565,343
Adjustments to reconcile profit for the year with cash provided by operating activities		
Depreciation and amortization	197,407	198,519
Profit on disposal of property, plant and equipment	9,612	21,754
Deferred income tax and social contribution	(34,778)	(55,175)
Transactions involving unsettled financial instruments	32,147	(70,975)
Provision for contingencies	14,414	(371)
Updated fair value of borrowing	26	106
Proceeds from borrowing		(2,979)
Interest on borrowing	44,060	10,393
	781,218	666,615
Changes in equity accounts		
Other comprehensive income	(10,151)	2,072
Changes in assets and liabilities		
Trade receivables	(433,835)	(138,463)
Inventory	(107,371)	(40,812)
Taxes recoverable	8,946	(17,273)
Other receivables	(41,950)	18,047
Judicial deposits	779	(6,026)
Non-current assets held for sale		4,886
Trade payables	195,544	174,890
Salaries, provision and social charges	(2,574)	7,653
Taxes and contributions payable	(10,093)	32,287
Tax refinancing	(28,610)	8,422
Financial instruments	22,839	(6,886)
Payables to related parties	11,978	56,134
Advances from customers	1,104	(1,749)
Contingencies	7,036	23,605
Other liabilities	28,759	(32,335)
Net cash provided by operating activities	423,619	751,067
Cash flow from investment activities		
Receipt of loans from related parties		99,018
Interest received on loans		4,956
Purchases of property, plant and equipment and intangible assets	(129,522)	(165,429)
Net cash used in investment activities	(129,522)	(61,455)

The accompanying notes are an integral part of these financial statements.

Novelis do Brasil Ltda.

Statement of cash flow
Years ended March 31
All amounts in thousands of Reais **(continued)**

	2018	2017
Cash flow from financing activities		
Payment of interest on borrowing from related parties	(25,345)	
New borrowing	482,704	265,907
Payment of interest on borrowing from third parties	(5,968)	(9,390)
Payment of dividends	(466,522)	(678,696)
Repayment of borrowing from third parties	(166,159)	(360,277)
Interest on capital paid	(73,904)	(75,898)
Net cash used in financing activities	(255,194)	(858,354)
Effects of exchange rate changes on cash and cash equivalents	27,866	(59,358)
Increase/(Decrease) in cash and cash equivalents	66,769	(228,100)
Cash and cash equivalents at the beginning of the year	755,905	984,005
Cash and cash equivalents at the end of the year	822,674	755,905
Additional information on cash flow		
Income tax		
Payments	(214,928)	(177,983)
Social contribution on net income		
Payments	(79,159)	(63,993)

The accompanying notes are an integral part of these financial statements.
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1 General information

Novelis do Brasil Ltda. (the "Company" or "Novelis") is a wholly-owned subsidiary of Novelis Inc., headquartered in Atlanta, Georgia, USA. All of the common shares of Novelis Inc. are owned directly by AV Metalis Inc. and indirectly by Hindalco Industries Limited, a leader of the sector of aluminum, coper and metals of the Aditya Birla Group, a reference company headquartered in Mumbai, India.

The Novelis Group is the world leader of aluminum rolled products and a global leader of aluminum recycling. Based on its production capacity, commitment to innovation and technology leadership, Novelis offers sustainable solutions for the most demanding applications, which include automobiles, beverage cans, architecture materials and electronic goods. The Novelis Group has approximately 11,140 employees, and is present in ten countries in four continents (North America, South America, Asia and Europe) and has 24 plants, including the recycling activities in 11 of these.

Novelis is headquartered in the city of São Paulo, has two plants located in Pindamonhangaba and Santo André, both in the State of São Paulo, which together carry out aluminum sheet and foil rolling and recycling operations. Novelis also has eight collection centers distributed across the states of São Paulo, Minas Gerais, Bahia, Pernambuco and Pará and one distribution center in the State of Espirito Santo. It has a total of around 1,570 employees and covers mainly the market of aluminum sheet for cans, transportation and specialties.

The issue of these financial statements was authorized by the Company's Board of Directors on April 24, 2018.

2 Summary of significant accounting policies

The main accounting policies applied to the preparation of these financial statements are set out below. These policies have been consistently applied to the years presented, and those considered immaterial were not included in the financial statements.

2.1 Basis of preparation

The financial statements have been prepared and are being presented in accordance with the accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee ("CPC"), as well as according to the International Financial Reporting Standards ("IFRS") and corresponding interpretations ("IFRIC") issued by the International Accounting Standards Board ("IASB").

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Those areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

2.1.1 New standards not yet effective

The following new standards were issued by the IASB but are not effective for the year ended March 31, 2018. The early adoption of standards, even though encouraged by the IASB, has not been implemented in Brazil by the Brazilian Federal Accounting Committee ("CFC").

Standard	IFRS 9/CPC 48 - Financial Instruments
Description/ Effectiveness	This standard addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014 and is effective from January 10, 2018. It supersedes the guidance included in IAS 39/CPC 38 related to the classification and measurement of financial instruments. The main amendments introduced by IFRS 9 are: (i) new criteria for the classification of financial assets; (ii) a

	new impairment model for financial assets, which is a hybrid of expected and incurred losses, replacing the current model of incurred losses; and (iii) the relaxation of the requirements for the adoption of hedge accounting.
Impacts on adoption	Management assessed the changes introduced by the standard and concluded that its adoption will not bring significant impacts to the Company, mainly in relation to the measurement of financial instruments when compared to the principles of IAS 39. The main impacts are related to the classification of financial assets. Since IFRS 9 changes the classification categories of financial assets, eliminating the categories of held-to-maturity, loans and receivables and available-for-sale, the financial assets will be classified into one of the following categories: at amortized cost (cash and cash equivalents, trade receivables, other receivables, other payables and borrowings with third parties), at fair value through other comprehensive income (derivatives - hedge accounting) or at fair value through profit or loss (derivatives). Moreover, certain aspects regarding the presentation and disclosure of financial instruments in the financial statements will change in order to reflect the new concepts introduced by IFRS 9.

Standard	IFRS 15/CPC 47 - Revenue from Contracts with Customers
Description/ Effectiveness	The standard introduces the principles to be applied by an entity to determine the measurement and recognition of revenue. This standard is based on the principle that revenue is recognized when the control of a good or service is transferred to a customer, so the control principle will replace the principle of risks and rewards. The effective date is January 1, 2018 and it replaces IAS 11/CPC 17 - "Construction Contracts", IAS 18/CPC 30 - "Revenue" and the related interpretations.
Impacts on adoption	Management assessed the principles and changes introduced by the standard and concluded that its adoption will not bring significant impacts to the Company, regarding the timing for the recognition of revenue from contracts with customers, as well as its measurement, presentation and disclosure in the financial statements. The impacts observed are related to the review of internal documents and the implementation and/or change of controls, aiming to ensure that the new contracts with customers are appropriately measured and recognized in compliance with the concepts of the IFRS 15.

Standard	IFRS 16 - Leases
Description/ Effectiveness	The new standard requires lessees to recognize the liability for future payments and the right of use of the leased asset for virtually all lease contracts, including operating leases. Certain short term and low-value contracts may be outside of the scope of this new standard. The criteria for recognition and measurement of leases in the lessors' financial statements are substantially maintained. IFRS 16 is effective for years beginning on or after January 1, 2019 and it replaces IAS 17/CPC 06 - "Leases" and corresponding interpretations.
Impacts on adoption	The Company's assessment of the impacts of the new standard is in progress, involving several areas of the Company aiming at consolidating the information related to the existing lease agreements, as well as the implementation of a systemic solution to allow the adoption of the new standard and implement the necessary internal controls.

Standard	IAS 12 / IFRIC 23 - Income Taxes
Description/ Effectiveness	IFRIC 23 Uncertainty over Income Tax Treatments seeks to clarify the recognition of tax positions that have not yet been accepted by the tax authorities. This standard is effective for years beginning on or after January 1, 2019. Early adoption is permitted by the international standard.
Impacts on	The Company's assessment of the impacts of the new standard is the

adoption	completion phase, and it believes to this date that no significant impacts are expected, compared to the procedures currently adopted.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company's financial statements

2.2 Foreign currency translation

(a) Functional currency

The functional currency of a Company is the currency of the primary economic environment in which it operates, and should be the currency that best represents the Company's business and operations. Based on this analysis, Management concluded that the US Dollar ("US$" or "Dollar") is its functional currency.

(b) Presentation currency

In compliance with Brazilian legislation, these financial statements are being presented in Brazilian Reais (R$), by translating the financial statements prepared in the Company's functional currency into R$, using the following criteria:

. Assets and liabilities at the foreign exchange rate at the end of the year.
. Statement of income accounts and statement of cash flow, at the monthly average rate.
. Equity, at historical cost.

The foreign exchange variations resulting from the translation mentioned above are recognized in a specific equity account "Currency translation adjustments".

(c) Transactions and balances

Transactions in other currencies are translated into the functional currency using the exchange rates prevailing at the dates of the transactions, or the dates of valuation when items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income as monetary and foreign exchange variations.

2.3 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with banks and other short-term highly liquid investments with original maturities of three months or less, and with an immaterial risk of changes in value and with the purpose of meeting short-term commitments.

2.4 Financial assets

2.4.1 Classification

The Company classifies its financial assets, upon initial recognition, in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. In the years presented there were no financial assets classified as available-for-sale.

Derivatives are also categorized as measured at fair value through profit or loss unless they are designated as hedges.

Financial assets are included in current assets, except for those with maturities greater than 12

months after the balance sheet date.

2.4.2 Recognition and measurement

Financial assets at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the statement of income. Financial assets are derecognized when the rights to receive cash flow have expired or have been transferred, and the Company has transferred substantially all of the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest rate method.

Gains or losses arising from changes in the fair values of financial assets at fair value through profit or loss are presented in the statement of income within "Finance results, net" in the period in which they arise.

2.4.3 Impairment of financial assets

Assets carried at amortized cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired, and impairment losses are incurred, only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flow of the financial asset or group of financial assets that can be reliably estimated.

The amount of any impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced, and the amount of the loss is recognized in the statement of income. The Company measures impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recorded loss is recognized in the statement of income.

2.5 Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into, and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, in the case of adoption of hedge accounting, and if so, the nature of the item being hedged. If so, the method depends on the nature of the item being hedged. The Company adopts hedge accounting procedures, and designates certain derivatives as either:

- Hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge);
- Hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow and metal hedge).

The Company documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and its strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives used for hedging transactions

are highly effective in offsetting changes in the fair values of hedged items, and therefore, the hedging transactions performed by the Company are not for speculative purposes.
The fair values of derivative instruments used for hedging purposes are disclosed in Note 7. Changes in the hedging amounts classified in "Carrying value adjustments" within equity are shown in the table of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Derivatives are classified as current assets or liabilities.

(a) Fair value hedges

Changes in the fair values of derivatives that are designated and qualify as fair value hedges are recorded in the statement of income, including the fair value of the hedged asset or liability that are attributable to the hedged risk. The Company only applies fair value hedge accounting to hedge the risk of fluctuations in metal prices (commodities), interest on borrowing and foreign exchange exposure.

(b) Cash flow hedges and metal hedges (commodities)

The effective portion of changes in the fair values of derivatives that are designated and qualify as cash flow hedges is recognized in equity within "Carrying value adjustments". The gain or loss relating to the ineffective portion is recognized immediately in the statement of income within "Finance results, net".

Amounts accumulated in equity are reclassified to profit or loss in the periods during which the hedged item affects profit or loss. The gain or loss relating to the effective portion of derivatives used as hedges by the Company is recognized as follows:

(i) Cash flow hedge
The gain or loss relating to the effective portion of derivatives that hedge the Company's foreign exchange exposure, interest on borrowing and depreciation (of property, plant and equipment) is recognized in the statement of income within "Finance results, net" and, in the case of property, plant and equipment, within "Depreciation".

(ii) Metal hedge (commodity)
The gain or loss relating to the effective portion of derivatives that hedge the Company's exposure to fluctuations in the metal price (commodity) is recognized in equity. The gain or loss relating to the ineffective portion is recognized in the statement of income within "Finance results, net". The deferred amounts in equity are ultimately transferred to profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized in profit or loss when the transaction is recognized in the statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recorded in equity is immediately recognized in the statement of income within "Finance results, net".

(c) *Derivatives at fair value through profit or loss*

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair values of any of these derivative instruments are recognized immediately in the statement of income within "Finance results, net".

2.6 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of the Company's business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less a provision for the impairment of trade receivables, which is recognized whenever a risk of default is identified by the Company's credit and legal areas. In practice, these receivables are usually recognized at the amount billed, adjusted for any provision for impairment, if necessary.

Novelis discounts receivables without rights of subrogation, as long as there are no contractual restrictions.

2.7 Inventory

Inventory is stated at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity), but excludes borrowing costs. The net realizable value is the estimated selling price in the ordinary course of business.

2.8 Non-current assets held for sale

Non-current assets held for sale are classified as held for sale based on the following criteria: (a) Management, embodied with authority to do so, is committed to a plan to sell; (b) the asset is available-for-sale in its current condition, subject only to the terms usual to the sale of such assets; (c) an active program to locate a buyer and other necessary actions are initiated; (c) the sale is highly probable, and its transfer is expected within 12 months, unless events or circumstances beyond the Company’s control may exceed such period; (e) the asset is being actively marketed for sale at a sales price reasonable in relation to its fair value; (f) actions required to complete the plan indicate that it is unlikely that the plan will be significantly changed.

They are stated at the lower of the carrying amount and fair value less costs to sell.

2.9 Property, plant and equipment

Property, plant and equipment are stated at the cost of acquisition or construction, less depreciation and, when applicable, written down to their recoverable value. The main components of certain property, plant and equipment items, at the time of their replacement, are accounted for as individual, separate assets, and the specific useful lives of these components are used. The component replaced is written off. Maintenance costs to recover or maintain the original level of performance are recognized in the statement of income during the period in which they are incurred. Depreciation of property, plant and equipment is calculated using the straight-line method to reduce their costs to their residual values over their estimated useful lives.

The carrying amount of an asset is immediately adjusted if it is higher than the estimated recoverable value.

The Company has spare parts for use in the maintenance of its property, plant and equipment items, which have estimated useful lives longer than 12 months. Therefore, the inventory balance of these spare parts is classified under property, plant and equipment.

Depreciation of other assets is calculated using the straight-line method to reduce their costs to their residual values over their estimated useful lives, as follows:

	Years	Years (weighted average)
Buildings and improvements	10 to 40	30.3
Machinery and equipment	2 to 40	18.1
Vehicles	3 to 10	3.6
Furniture and fixtures	5 to 10	9
Automation	10	10
Data processing equipment	3	3
Software and licenses	3	3

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amounts, and are recognized within "Other expenses, net" in the statement of income.

2.10 *Impairment of non-financial assets*

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flow (Cash-generating unit ("CGU") level). Non-financial assets that are impaired are subsequently reviewed for possible reversal of the impairment at the end of the reporting period.

2.11 Trade payables and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business, separated only by nature of the transaction and classified as current liabilities if payment is due within one year or less of the reporting date. If not, they are presented as non-current liabilities.

These are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method. In practice, they are usually recognized at the amount of the related invoice.

2.12 Borrowing

Borrowing is recognized initially at fair value, net of transaction costs incurred, and is subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the total amount payable is recognized in the statement of income over the period of the borrowing, using the effective interest rate method.

Borrowing items are classified within current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.13 Provision for contingencies and other liabilities

Provision for environmental restoration, restructuring costs and legal claims (labor, civil and tax) is recognized when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Restructuring provision comprises termination penalties and employee termination payments. Provision does not include future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provision is measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expenses.

2.14 Current and deferred income tax and social contribution

The income tax and social contribution benefit or expense for the period includes current and deferred taxes. Taxes on profit are recognized in the statement of income, except to the extent that they relate to items recognized in comprehensive income or directly in equity. In such cases, the taxes are also recognized in comprehensive income or directly in equity.

The current income tax and social contribution are calculated on the basis of the tax laws enacted or substantively enacted up to the balance sheet date. Management periodically evaluates positions taken by the Company in its income tax returns with respect to situations in which the applicable tax regulations are subject to interpretation. It establishes provisions, where appropriate, on the basis of the amounts expected to be paid to the tax authorities.

Deferred income tax and social contribution are recognized, using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax and social contribution are determined using tax rates (and laws) that have been enacted or substantially enacted up to the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences and/or tax losses can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when deferred income tax assets and liabilities are related to the income tax levied by the same tax authority on either the same taxable entity, or on different taxable entities where there is an intention to settle the balances on a net basis.

2.15 Revenue recognition

Revenue represents the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity, and the risks and rewards have been transferred to the buyer. The Company's policy of revenue recognition, therefore, is the date on which the product is delivered to the buyer. The Company's policy in relation to metal processing services is therefore to recognize revenue on the date on which the product is delivered to the buyer; that is, when the services have been completed.

2.16 Distribution of dividends and interest on capital

The distribution of dividends and interest on capital to the Company's quotaholders is recognized as a liability in the Company's financial statements when approved and proposed by management based on the Company’s by laws.

3 Critical accounting estimates and judgments

Accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and establishes assumptions regarding the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that carry a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year relate to the impairment of non-financial assets, as detailed in Note 2.10.

4 Financial risk management

4.1 Financial or market risks

Financial risk, also known as market risk, arises from the possibility of losses caused by fluctuations in interest rates, exchange rates, share prices and commodity prices.
Risk management is carried out by the Company based on policies approved by its parent company, for the purpose of identifying, evaluating and hedging the Company's assets and liabilities against financial risks through the use of derivative financial instruments.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from the Company's exposure on its assets and liabilities in a currency different from its functional currency.

Similarly to the fluctuations in the exchange rates, the amounts of assets and liabilities also fluctuate, impacting the Company's overall value.

Considering that the Company's functional currency is the US$, and approximately 20% of its billing and 30% of its costs are in local currency (R$), the Company's risk management strategy is to hedge the appreciation of the Brazilian Real in relation to the US Dollar. Therefore, the Company's strategy to mitigate foreign exchange risk includes future contracts for hedging certain costs and projected revenue and investments in property, plant and equipment. Presented below are the total assets and liabilities that are exposed to foreign exchange risk:

	2018	2017
Assets		
Cash and cash equivalents	549,884	503,125
Trade receivables	380,891	223,719
Judicial deposits	11,150	9,842
Taxes recoverable	27,483	26,084
Income tax and social contribution - prepayments	41,761	41,553
	1,011,169	804,323
Liabilities		
Trade payables	(516,036)	(508,594)
Labor charges	(30,834)	(39,961)
Other taxes and contributions payable	(94,430)	(130,948)
Tax refinancing	(202,524)	(208,470)
Borrowing - National Bank for Economic and Social Development ("BNDES")	(5,984)	(11,668)
Provision for contingencies	(91,637)	(21,368)
Other liabilities	(53,255)	(59,200)

	2018	2017
Payables to related parties	(68,068)	(54,453)
	(1,062,768)	(1,034,662)
Net exposure	(51,599)	(230,339)

As mentioned in Note 2.2(a), the Company's functional currency is the US Dollar. However, the financial statements present assets and liabilities originating and recorded in Brazilian Reais that affect the results of operations because of variations in the Brazilian Real - US Dollar exchange rate. The Company's policy is to minimize foreign exchange exposure against the functional currency, which is aimed at hedging 100% of the short-term and long-term exposure, and the contracting of derivatives by the head office. The Company's current net exposure is negative, due to a higher volume of short-term and long-term liabilities exposure to Reais.

(ii) Commodity price risk

Commodity price risk is the risk of changes in the prices of the raw materials used by the Company, which have an impact on the results. The factors that may affect the commodity prices include policies, regulatory changes, supply and demand and other general market conditions.

The Company's strategy for managing this risk is based on hedging the price of aluminum during the production cycle of the commodity or of the final product derived from it. The parent company has a specialized team that consolidates the projections for the Company's operating areas, identifies the exposure and hedges the Company by means of financial products (derivatives) available in the financial market, such as swap and future contracts.

The Company's business is conducted through a model for the conversion of metal that permits the passing on of increases and reductions in aluminum price to customers. The products have a price structure with two components:

Transfer of the aluminum price variations based on the quotations of the Base Metal Cost ("BMC"), consisting of the London Metal Exchange ("LME") price and a local market premium.

Conversion premium based on the conversion costs necessary to transform the metal into flat-rolled products requested by customers.

A key component of the conversion model is the use of financial instruments to preserve the conversion margin, hedging the metal purchase volumes and the metal volumes related to sales contracts. There is a timing difference between the recognition of gains and losses and the aluminum purchase and sale transactions, which is called the metal price lag. These future purchases, through derivative financial instruments, directly cover the future risks of aluminum price fluctuations associated with purchase and sale contracts. Gains or losses on the financial instrument positions are recognized on an accruals basis.

The Company expects the gains or losses on the settlement of financial instruments to be offset by the effects of variations in the prices of sales to customers, as well as the impact caused by the different quotations of the LME on the cost of goods sold. However, there are some factors (such as market premiums and *contango*) for which there is no liquidity in the derivatives market to contract such financial instruments.

(iii) Interest rate risk

Interest rate risk is the risk related to changes in investment values or in borrowing costs due to changes in interest rates, and the Company continuously monitors its exposure to market interest rates.

(b) Credit risk

The credit risk refers to the possibility of not receiving the principal amount negotiated due to defaults, which cannot be avoided, but can be prevented or controlled through a credit analysis. However, as it is not possible to foresee whether the customers will be able to honor their financial commitments, the Company takes certain measures before granting credit to its customers.

The sales policy is closely associated with the level of credit risk to which the Company is willing to be subjected during the course of its business. The diversification of the portfolio of receivables from customers and the monitoring of sales financing terms and individual position limits are among the procedures adopted to minimize defaults or losses on the realization of receivables. This risk is analyzed in more detail in Note 5 (b).

(c) Liquidity risk

The liquidity risk can be classified into two forms: market liquidity risk and cash flow liquidity risk. The first is the possibility of loss due to the inability to carry out a transaction within a reasonable timeframe and without a significant loss of value. The second relates to the possibility of a shortfall of funds required to honor commitments due to mismatches between assets and liabilities.

The Company's cash is centralized and managed by the treasury department under the supervision and monitoring of the parent company, which actively manages cash in order to ensure the necessary liquidity to meet operating needs. This cash management is based on periodic projections made by the Company's operating areas.

The Company invests the excess cash in investments with liquidity of less than 90 days and in deposits with prime financial institutions, choosing instruments with appropriate maturities or sufficient liquidity that have satisfactory margins.

The table below presents the main Company's non-derivative financial liabilities according to their expiry:

	Less than one year	Between one and two years	Between two and five years	More than five years	Total
At March 31, 2018					
Trade and other payables	1,182,859				1,182,859
Borrowing*	22,647	14,616	280	489,045	526,588
At March 31, 2017					
Trade and other payables	935,026				935,026
Borrowing*	168,466	18,276	964		187,706

(*) The table above represents the balance sheet accounts as at March 31, 2018. However, the Company amortizes the interest on its main borrowing on a quarterly basis.
The future value of the borrowing up to the respective contractual maturity dates totals R$ 837,794 (2017 - R$ 190,018).

4.2 Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for quotaholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

Capital management is based on guidelines established by its parent company, taking into consideration the Company's information. In order to maintain or adjust the capital structure, the Company can make adjustments to the amounts of dividends paid to quotaholders, return capital to quotaholders, issue new quotas or sell assets to reduce, for example, debt.

4.3 Fair value estimation

(a) Fair value of financial instruments

The fair values of the Company's assets and liabilities are determined based on information available in the market, and through the application of methodologies the Company considers to be appropriate, in order better to evaluate each type of instrument.

The carrying amounts of cash and cash equivalents, receivables and current and non-current liabilities approximate their fair values given their nature and term. The fair value of long-term debts is based on the discounted amount of its contractual cash flow. The discount rate is based on the future market curve for the flow of each liability.

(b) Classification

Financial instruments measured at fair value should be classified into the categories below:

(i) Level 1 -Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date;
(ii) Level 2 - Observable inputs for the asset or liability, directly or indirectly, except for quoted prices included in Level 1;
(iii) Level 3 - Unobservable inputs for the asset or liability.

The table below classifies the Company's financial assets and liabilities by level using the fair value hierarchy, which did not have financial instruments classified at Levels 1 and 3 at March 31, 2018 or 2017:

Derivatives used for hedging (Level 2)	**2018**	**2017**
Assets	97.896	162.600
Liabilities	71.800	83.587

5 Financial instruments

(a) Classification by category

	March 31, 2018		
	Loans and receivables	**Assets at fair value through profit or loss**	**Total**
Cash and cash equivalents	822,674		822,674
Trade and other receivables, net	1,318,169		1,318,169
Derivative financial instruments		97,896	97,896
	2,140,843	97,896	2,238,739

	Other liabilities	**Liabilities at fair value through profit or loss**	**Total**
Borrowing	526,588		526,588
Trade and other payables	1,304,174		1,304,174
Derivative financial instruments		71,800	71,800
	1,830,762	71,800	1,902,562

	March 31, 2017		
	Loans and receivables	**Assets at fair value through profit or loss**	**Total**
Cash and cash equivalents	755,905	-	755,905
Trade and other receivables, net	788,092	-	788,092
Derivative financial instruments	-	162,600	162,600
	1,543,997	162,600	1,706,597

	Other liabilities	**Liabilities carried at fair value profit or loss**	**Total**
Borrowing	187,706	-	187,706
Trade and other payables	1,037,790	-	1,037,790
Derivative financial instruments	-	83,588	83,588
	1,225,496	83,588	1,309,084

(b) Credit risk of the financial instruments

All financial institutions with which the Company contracts are classified at least as "BBB", in accordance with the risk rating of Standard & Poor's Rating Services ("S&P").

The Company operates with financial institutions classified mostly (82%) as “A-1” and “A-2”, according to risk ratings from Standard & Poor’s Rating Services (“S&P”), and therefore classified as “AAA” – the group with the highest quality and lowest risk of investment.

6 Cash and cash equivalents

	2018	2017
Cash on hand and in banks	284,984	198,899
Financial investments	537,690	557,006
	822,674	755,905

"Financial investments" refer mainly to fixed income transactions indexed to variations in the Interbank Deposit Certificate ("CDI") rate, with immediate liquidity. Income from financial investments recognized during the year, in the amount of R$ 12,494 (March 31, 2017 - R$ 26,218), was recorded as income from financial investments in the statement of income. At March 31, 2018 and 2017, the Company did not make use of any bank overdrafts.

7 Derivative financial instruments

The table below summarizes the gross fair value of the Company's derivatives at March 31, 2018 and 2017:

	March 31, 2018				
Type	**Assets**		**Liabilities**		**Total Assets (-) Liabilities**
	Current	**Non-Current**	**Current**	**Non-Current**	
Currency swap contracts			4,027		(4,027)
Aluminum contracts	67,238		42,888	195	24,155
Currency contracts	30,658		23,361	1,329	5,968
Total	**97,896**		**70,276**	**1,524**	**26,096**

	March 31, 2017				
Type	**Assets**		**Liabilities**		**Total Assets (-) Liabilities**
	Current	**Non-Current**	**Current**	**Non-Current**	
Currency swap contracts	-	-	-	(9,382)	(9,382)
Aluminum contracts	28,160	-	(67,623)	(13)	(39,476)
Currency contracts	134,440	-	(6,570)	-	127,870
Total	**162,600**	**-**	**(74,193)**	**(9,395)**	**79,012**

The derivative financial instruments are contracted with banks or brokers and registered, if applicable, with the Commodities, Future and Stock Exchange - B3 ("BM&F/BOVESPA") and the Central System for the Custody and Financial Settlement of Securities ("CETIP"). The derivative contracts have as their sole purpose the management of risks, which are used to mitigate

uncertainties and volatilities caused by certain exposures. Therefore, the hedge transactions made by the Company are not for speculative purposes.

Aluminum contracts

The Company uses derivative instruments to hedge the conversion margin and manage the timing differences related to the fluctuation of the metal price. Over-the-counter derivatives indexed to the LME are used to reduce the exposure to fluctuations in the metal prices associated with the period between the inventory purchase pricing and the inventory sales pricing to the customers.

The Company also purchases LME forward contracts concurrently with contracts for customers that have fixed metal prices. These LME forward contracts directly hedge the economic risk of future pricing, meaning that the sales price is aligned with the metal purchase price.

The table below summarizes the Company's notional derivatives, described in kilotons:

Notional (KT)

Purchase/(Sale)	**2018**	**2017**
Cash flow	(49.7)	(44.4)

Foreign exchange contracts

The foreign exchange contracts and cross currency swaps are used to manage the exposure to exchange rate fluctuations. These exposures arise through assets and liabilities, commitments made and cash flow forecasts denominated in currencies other than the functional currency for certain transactions.

Notional (R$)	**2018**	**2017**
Currency swap contracts (Sale)	11,714	21,071

8 Trade receivables

	2018	**2017**
Trade receivables, domestic	1,086,164	593,565
Trade receivables, foreign market	62,861	91,844
	1,149,025	685,409
Less - provision for impairment of trade receivables	(9,638)	(6,308)
	1,139,387	679,101

The aging analysis of these trade receivables is as follows:

	2018			2017		
	Past due	Not yet due	Total	Past due	Not yet due	Total
Up to 30 days	9,776	268,400	278,176	5,099	217,197	222,296
From 31 to 60 days	1,275	288,044	289,319	1,808	295,938	297,746
From 61 to 90 days	573	114,542	115,115	1,671	98,903	100,574
More than 90 days	16,951	439,826	456,777	8,333	50,152	58,485
	28,575	1,110,812	1,139,387	16,911	662,190	679,101

The maximum exposure to credit risk at the reporting date is equivalent to the carrying value of each class of receivables mentioned above. The Company does not hold any collateral security.

Changes in the Company's provision for impairment of trade receivables are as follows:

	2018	2017
Opening balance	6,308	
Provision	3,346	6,308
Currency translation adjustments	(16)	
Closing balance	9,638	6,308

The provision for impaired receivables was recognized in the statement of income as "Finance results, net".

The maximum exposure to credit risk at the reporting date is equivalent to the carrying value of each class of receivables mentioned above.

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired is assessed by means of historical references, classified into two major groups according to the associated risk:

. Group 1 - Global customers
. Group 2 - Other customers (specialty products and foil)

The composition of receivables by customer classification is presented below:

	2018	2017
Group 1	935,393	436,899
Group 2	203,994	242,202
	1,139,387	679,101

9 Inventory

	2018	2017
Finished goods	84,616	149,353
Work in progress	239,337	162,569
Raw materials	128,216	13,413
Storeroom supplies	111,912	105,977
	564,081	431,312
Provision for inventory losses	(19,393)	(17,806)
	544,688	413,506

The changes in the Company's provision for inventory losses are as follows:

	2018	2017
Opening balance	(17.806)	(15.939)
Provision	(4,828)	(765)
Currency translation adjustments	3,241	(1,102)
Closing balance	(19,393)	(17,806)

10 Property, plant and equipment

	Land, buildings and improvements	Machinery equipment and vehicles (i)	Property, plant and equipment in progress	Total
Closing balance at March 31, 2016	658,494	2,196,089	90,603	2,945,186
Purchases			163,667	163,667
Write-offs	(11,889)	(10,275)	663	(21,501)
Transfers	10,747	138,768	(149,515)	-
Depreciation	(21,893)	(176,626)		(198,519)
Translation adjustments	(71,329)	(239,035)	(10,778)	(321,142)
Net book value, at March 31, 2017	564,130	1,908,921	94,640	2,567,691
Cost	738,297	3,149,232	94,640	3,982,169
Accumulated depreciation	(174,167)	(1,240,311)		(1,414,478)
Net book value at March 31, 2017	564,130	1,908,921	94,640	2,567,691

Closing balance at March 31, 2017	564,130	1,908,921	94,640	2,567,691
Purchases		(4,179)	133,577	129,398
Write-offs	(1,417)	(8,195)		(9,612)
Transfers	11,299	104,340	(115,639)	-
Depreciation	(22,028)	(175,379)		(197,407)
Assets held for sale	(5,525)			(5,525)
Translation adjustments	27,088	90,884	5,232	123,204
Net book value, at March 31, 2018	573,547	1,916,392	117,810	2,607,749
Cost	778,145	3,373,722	117,810	4,269,677
Accumulated depreciation	(204,598)	(1,457,330)		(1,661,628)
Net book value at March 31, 2018	573,547	1,916,392	117,810	2,607,749

(i) The respective items of machinery and equipment, considered as assets pledged as guarantee, linked to borrowing from a third party BNDES, amounted to R$ 21,962 in March 2018 (2017 - R$ 29,718).

(a) Deemed cost

At January 1, 2008, the Company applied the deemed cost method, as permitted by CPC 37 and IFRS 1 – First time adoption. The Company recorded the deemed cost and reviewed the remaining useful lives of the land, buildings and machinery and equipment groups in conformity with the technical appraisal report issued by the internal appraisers at the transition date. As a consequence, assets increased by R$ 781,076 and the depreciation rates of property, plant and equipment were altered based on a review of the estimated economic useful lives of these items.

Annually, or when indications of impairment are identified, the remaining useful lives of property, plant and equipment are reviewed.

(b) Non-current assets held for sale

Proceeding with the global strategy of focusing its business on the rolling and recycling segments, the Company decided to sell its operations related to hydroelectric energy generation, the net amount of which at March 31, 2018 was R$ 10,594 (2017 - R$ 10,283) and in addition, in the year ended March 31, 2018, classified certain properties in Ouro Preto amounting to R$ 5,900 as “non-current assets held for sale”.

(c) Other information

The depreciation of property, plant and equipment and amortization of intangible assets during the year ended March 31, 2018, allocated to cost of goods sold and administrative expenses, totaled R$ 197,407 (2017 – R$ 198,519).

11 Trade payables

The balance at March 31, 2018 of R$ 451,541 (2017 –R$ 283,603) reflects the reclassification between the account balances of trade payables – reverse factoring and other payables described below.

(a) Trade payables – reverse factoring

The Company has agreements entered into arrangements with certain financial institutions for reverse factoring with its main suppliers, allowing the Company to grant payment terms ranging

from 30 to 100 days. As part of these transactions, the suppliers transfer the right to receive billed amounts from the Company's sales of metals (raw materials) to the financial institutions, which in turn will become the creditors of the transaction. The balance at March 31, 2018 was R$ 372,350 (2017 - R$ 393,481).

(b) Other payables

The Company entered into contracts with intermediary metal suppliers, for import-to-order operations, with an average payment term of 230 days. The balance at March 31, 2018 was R$ 358,968 (2017 - R$ 257,942).

The present value calculation was performed, but was not recorded at March 31, 2018 due to the immaterial results when compared to the total amount of invoices involved in this transaction.

12 Borrowing

	Currency	Index and weighted average annual rate of interest and commission	Final maturity	2018	2017
Current					
Foreign currency					
From third parties		ACC			
Interest	US$	Interest of 3.30%	April 2017		2,039
Interest	US$	Interest of 3.45%	June 2017		2,678
				-	4,717
Local currency					
BNDES	R$	Interest of 5.50%	April 2017	29	82
				29	82
From related parties					
Interest	R$	Interest of 10.2%	April to May 2019	17,598	
From third parties		Import financing			
Principal	US$	Interest of 3.30%	April 2017		63,368
Principal	US$	Interest of 3.45%	June 2017		95,052
				-	158,420
BNDES (i)	R$	Interest of 5.5% to 8.7%	April to May 2019	5,020	5,247
				5,020	5,247
Total current				22,647	168,466

Non-current					
Local currency					
BNDES (i)	R$	Interest of 5.50% to 8.70%	December 2018 to April 2021	14,897	19,240
				14,897	19,240
From related parties					
Principal		Interest of 10.2%	April 2019 to May 2024	489,044	
				489,044	-
Total non-current				503,941	19,240
Total current and non-current				526,588	187,706

At March 31, 2018, the Company had credit limits with seven financial institutions amounting to approximately R$ 853.2017 (R$ 1,078,826 at March 31, 2017). These lines were available to support the Company's operations, either in the form of derivatives, working capital or guarantees.

(i) The financing obtained from the BNDES is guaranteed by the Company's equipment amounting to R$ 21,962 at March 31, 2018 (2017 - R$ 29,718).

(ii) Changes in borrowings for the year ended March 31, 2018 are presented in the table below:

Opening balance at March 31, 2017	187,706
New borrowing	482,704
Interest accrued	44,060
Payment of interest	(31,313)
Repayment of borrowing	(166,159)
Translation adjustments	28,136
Closing balance at March 31, 2018	545,134
Total current	22,647
Total non-current	526,588

13 Provision for contingencies and judicial deposits

The Company is a party to labor, civil, tax, and other lawsuits in progress, and is discussing these matters at the administrative and judicial levels.

The provision for probable losses arising from contingent liabilities is estimated and adjusted by management, supported by the opinion of external or internal attorneys. The contingent liabilities for which losses are classified as possible are not recognized in the accounting records, and are disclosed in the notes to the financial statements, and those classified as remote losses are not accrued or disclosed.

The balances of judicial deposits and provision for contingent liabilities recognized in the accounting records are as follows:

	Judicial deposits		Provision for contingencies	
	2018	**2017**	**2018**	**2017**
Tax contingencies	11,116	9,401	17,759	1,622
Labor and civil contingencies	11,333	12,766	78,099	68,465
	22,449	22,167	95,678	70,087

The movements in the provision during the year ended March 31, 2017 were as follows:

	Labor	Civil	Tax	Total
At March 31, 2016	29,248	22,766	1,660	53,674
Additions/(reversals)	(372)	19,358		18,986
Interest/monetary adjustments			38	38
Write-offs	(2,105)	(8)	(102)	(2,215)
Translation adjustments	(297)	(125)	26	(396)
At March 31, 2017	26,474	41,991	1,622	70,087
Additions/(reversals)	3,432	10,982		14,414
Interest/monetary adjustments			11,199	11,199
Write-offs	(4,439)			(4,439)
Translation adjustments	(60)	(281)	4,758	4,417
At March 31, 2018	25,407	52,692	17,579	95,678

(a) Labor claims

Labor contingencies mainly represent lawsuits related to challenges by former employees and labor unions. Most of the labor lawsuits filed by these former employees are from those who worked at the Aratu/BA and Ouro Preto/MG plants, which had their activities discontinued in 2010 and 2014, respectively.

We point out a labor claim filed by the Metalworkers Union of Candeias - BA, requiring that the court recognize a mass dismissal, and award indemnification to the dismissed employees, as a result of the closure of the plant located in Aratu - BA in 2010, mentioned above. The Company had a provision amounting to R$ 23,104 at March 31, 2018.

(b) Civil claims

Civil contingencies relate mostly to injunctions in progress obtained by the Company during 2016 and 2017, related to charges and contributions on the consumption and sale of electrical energy and demands involving the expropriation of land for the installation of hydroelectric plants and/or small hydroelectric plants in Minas Gerais, in which the Company has an equity interest.

(c) Tax claims

Tax claims refer mostly to lawsuits and administrative proceedings related to the collection of any taxes and fines that are considered by the Company not to be due.

(d) Possible losses

At March 31, 2018, the Company had lawsuits in which losses are considered possible by external and internal legal advisors amounting to R$ 270,719 (2017 – R$ 169,839). These lawsuits were not accrued and are related to tax, labor, civil and environmental matters.

Possible losses by nature

	2018	2017
Civil	10,063	8,275
Environmental	276	386
Labor	25,763	27,353
Tax	234,617	133,825
	270,719	169,839

14 Tax refinancing - Current

	IPI	Other	Total
At March 31, 2016	25,336	470	25,806
Additions			
Interest/monetary adjustments			
Transfers	(828)	2,200	1,372
Amortization			
Translation adjustments	829	(128)	701
At March 31, 2017	25,337	2,542	27,879
Additions			
Interest/monetary adjustments			
Transfers	1,335	(16)	1,319
Amortization			
Translation adjustments	20	(18)	2
At March 31, 2018	26,692	2,508	29,200

Tax refinancing – Non-current

	IPI	Other	Total
At March 31, 2016	192,137	10,448	202,585
Additions			
Interest/monetary adjustments	16,722	(8,383)	8,339
Transfers	828	(2,200)	(1,372)
Amortization	(26,791)	(2,474)	(29,265)
Translation adjustments	(670)	3,922	3,252
At March 31, 2017	182,226	1,313	183,539
Additions			
Interest/monetary adjustments	9,599	175	9,774
Transfers	(8,012)	(264)	(8,276)
Amortization	(28,077)	(507)	(28,584)
Translation adjustments	6,569	13	6,582
At March 31, 2018	162,305	730	163,035

The Company filed a lawsuit asserting its right to receive IPI credits arising from purchases of products that are subject to a zero rate and to offset them in the respective year through the installment payment program, dividing the payment into 180 fixed installments. The movements of such liabilities between March 2016 and March 2018 are shown above.

15 Deferred income tax and social contribution

Deferred taxes are calculated based on income tax and social contribution losses and the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In Brazil, the currently enacted tax rates of 25% for income tax and 9% for social contribution are used to calculate deferred taxes.

The changes in the deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances, were as follow:

	2016	Additions/ exclusions	Functional currency effect	Translation adjustments	2017	Additions/ exclusions	Functional currency effect	Translation adjustments	2018
Assets									
Temporarily non-deductible Provision	50,205	(12,420)	5,720	(5,240)	38,265	33,960	(1,810)	2,933	73,348
	50,205	(12,420)	5,720	(5,240)	38,265	33,960	(1,810)	2,933	73,348
Liabilities									
Foreign exchange variations taxed on a cash basis	(57,899)	9,018	(6,599)	6,526	(49,224)	2,986	2,330	(2,240)	(46,148)
PP&E/intangible assets/ inventory/hedge accounting	(632,237)	(10,643)	68,619	67,049	(507,212)	(5,640)	3,025	(24,963)	(534,790)
	(690,136)	(1,625)	62,020	73,305	(556,436)	(2,654)	5,355	(27,203)	(580,938)
	(639,931)	(14,045)	67,740	68,065	(518,171)	31,306	3,545	(24,270)	(507,590)

(a) Reconciliation of income tax and social contribution

The Company also recognizes liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts initially recorded, such differences will have an impact on the current and deferred tax assets and liabilities in the period in which such determination is made.

The amounts in the financial statements are recorded in the Company's functional currency (US Dollars), whereas the calculation basis of income tax on assets and liabilities is denominated in Brazilian Reais. Therefore, fluctuations in foreign exchange rates may significantly affect the amounts of income tax expenses recognized in each period, particularly as a result of the impact on non-monetary assets. The reconciliation between the income tax and social contribution expenses at the nominal and effective rates is shown below:

	2018	2017
Profit before income tax and social contribution	778,949	759,979
Tax calculated based on local tax rates, applicable over income (34%)	264,843	258,393
Interest on capital	(73,729)	(75,040)
Non-taxable income	38,887	47,768
Tax incentives	(5,393)	(4,145)
Effect of the translation on the result	26,882	25,680
Provision for tax relating to legal and administrative disputes	6,933	6,530
Functional currency effect on deferred tax	2,196	(64,551)
Income tax and social contribution for the year	260,619	194,635
Current	295,397	249,811
Deferred	(34,778)	(55,175)
	260,619	194,635
Effective rate	33%	26%

16 Equity

(a) Share capital

The share capital, subscribed and paid up at March 31, 2018, amounted to R$ 958,528,827, made up of quotas of R$ 1.00 each, as shown below:

	Quotas	Amount
Novelis Inc.	958,527,826	958,527,826
Novelis South America Holdings LLC	1	1
Total	958,527,827	958,527,827

(b) Interest on capital and dividends

Under the Company's bylaws and in conformity with Law 9,249/95, on May 19, 2017, management approved the distribution to the quotaholders of interest on capital, calculated based on the variations of the long-term interest rate ("TJLP"), amounting to R$ 490,000.
The amount of interest on capital approved on May 18, 2017 was R$ 23,834 (net of taxes -

R$ 20,259) and on December 15, 2017 was R$ 49,895 (net of taxes - R$ 42,410). The tax benefits generated by the payment of dividends in the form of interest on capital were recorded in the year's result.

(c) Carrying value adjustments

Composition of the carrying value adjustments

	Deemed cost)	Derivatives	Cumulative translation adjustments, net	Pension reserve	Total
At March 31, 2016	136,049	17,388	1,027,701	(2,903)	1,178,235
Deemed cost realization	(12,038)				(12,038)
Derivatives (“OCI”)*		1,021			1,021
Pension reserve				1,050	1,050
Cumulative translation adjustment			(265,835)		(265,835)
At March 31, 2017	124,011	18,409	761,866	(1,853)	902,433
Deemed cost realization	(14,503)				(14,503)
Tax incentive reserve	21,252				21,252
Derivatives (“OCI”)*		(10,345)			(10,345)
Pension reserve				194	194
Cumulative translation adjustment			116,810		116,810
At March 31, 2018	130,760	8,064	878,676	(1,659)	1,015,841

17 Net revenue

The reconciliation of gross sales and net revenue is as follows:

	2018	2017
Gross revenue		
Sales of goods		
Domestic market	6,044,093	4,871,498
Foreign market	779,194	567,761
Provision of services	536,627	502,702
	7,359,914	5,941,961
Deductions		
Taxes on invoicing	(1,053,173)	(915,333)
Cancellations and abatements	(128,136)	(65,783)
	(1,181,309)	(981,116)
Net revenue	6,178,605	4,960,845

18 Other expenses, net

	2018	2017
Development of businesses and projects	(1,162)	(627)
Restructuring costs	(9,555)	(11,143)
Transfer of technology	(246,060)	(207,805)
Donations	(4,915)	(3,815)
Other taxes and duties	(18,430)	(10,432)
Taxes on remittances abroad	(29,953)	(30,993)
Other income and expenses, net	16,126	(4,359)
	(293,949)	(269,174)

19 Expenses by nature

	2018	2017
Personnel	(194,798)	(189,868)
Depreciation and amortization	(197,407)	(198,519)
Materials, energy and services of third parties	(338,098)	(329,849)
Maintenance and occupancy	(140,397)	(129,758)
Freight	(145,065)	(99,286)
Raw materials and others	(3,995,413)	(2,940,222)
Total cost of sales, selling and administrative expenses	(5,011,178)	(3,887,502)
Classified as follows:		
Cost of sales	(4,893,698)	(3,772,863)
Selling expenses	(22,916)	(25,756)
Administrative expenses	(94,564)	(88,883)
	(5,011,178)	(3,887,502)

20 Finance results, net

	2018	2017
Financial discounts received	1,102	(39)
Financial charges on discounting of trade notes	(76,399)	(23,170)
Financial charges on borrowing	(44,651)	(11,358)
Interest received from third parties	1,210	266
Transactions involving financial instruments - unsettled	(32,147)	70,975
Transactions involving financial instruments - settled	43,006	(25,447)
Income from financial investments	12,494	26,219
Monetary adjustment of taxes and contingencies	(21,092)	(12,127)
Other	9,356	3,586
Net financial results	(107,121)	28,905

21 Net foreign exchange and monetary gains (losses)

The exchange and monetary differences (debited) credited to the statement of income are as follows:

	2018	2017
Foreign exchange variation	12,653	(30,740)
Monetary adjustment of taxes and contingencies	(61)	(42,355)
	12,592	(73,095)

22 Related party transactions

(a) Transactions and balances with related parties

(i) Transactions

	2018	2017
Purchases of products		
Novelis – Korea		44
Novelis – United States	211	
Novelis – UK	18,164	
	18,375	44
Sales of products		
Novelis – Solatens		108
Novelis – MEA	160,675	205,237
Novelis – United States	96,868	
Novelis – Germany	278	
	257,821	205,345
Technology transfer expenses		
Novelis – United States	246,060	207,805
Interest income		
Financial charges on borrowing		3,103
Finance costs		
Financial charges on borrowing	43,033	-

(ii) Balances

	2018	2017
Current assets		
Trade receivables		
Novelis – MEA	36,970	54,200
Novelis – United States	26,010	655
Novelis – Switzerland	247	
Novelis – Korea	10	9
	63,237	54,864
Current liabilities		
Other payables		
Novelis – United States	111,312	94,307
Novelis – MEA	195	194
	111,507	94,501

Loans		
Current liabilities		
Novelis Inc. -– United States	17,597	
	17,597	-
Non-current liabilities		
Novelis Inc. -– United States	489,044	
	489,044	-

(b) Key management compensation

Key management includes the Company's directors and managers. The compensation paid or payable to key management for their services, consisting of salaries and social charges, profit sharing and reimbursement of expenses, in the year ended March 31, 2018 amounted to R$ 16,066 (2017 - R$ 15,649).

23 Other liabilities

The following table presents the balances of other liabilities for the years ended March 31, 2018 and 2017, respectively:

	2018	2017
Current liabilities		
Provision for restructuring costs	41,111	33,291
Provision for contracts with customers	17,024	12,152
Provision for freight	19,865	8,611
Commitments payable	18,195	11,129
Bonuses	7,608	7,722
Exclusive health plan	458	574
Other provision	17,161	14,374
	121,422	87,853
Non-current liabilities		
Provision for restructuring costs	14,562	25,527
Bonuses	18,238	5,104
Exclusive health plan	5,905	5,388
Provision for disposal of assets	2,101	1,842
Provision for group life insurance	5,401	5,569
Other provision	3,553	3,578
	49,760	47,008

24 Insurance

The Company has a risk management program with the objective of covering the Company's risks, and contracting insurance coverage compatible with its size and operations. The coverage was contracted for the amounts indicated below, which were considered sufficient by management to cover any claims, considering the nature of its activity, the risks involved in its operations and the advice of its insurance brokers.

At March 31, 2018, the Company had the following insurance policies, contracted with third parties:

Lines	Amounts insured (unaudited)
Fire damage to property, plant and equipment	
Property	2,350,463
Small hydroelectric power plants	70,828
Multi-risk	38,769
Civil liability	4,000
	2,464,060

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