Novelis Inc.

Financial Statements and Related Notes As of March 31, 2018

(Unaudited)

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ADITYA BIRLA
NOVELIS

CERTIFICATION

I, Stephanie Rauls, have reviewed the attached unaudited standalone financial statements for Novelis Inc. and certify that the information included therein accurately reflects the financial position of Novelis Inc. as of 31 March 2018 and the results of its operations for the year then ended.

By: _____
Name: Stephanie Rauls
Title: VP, Chief Accounting Officer & Controller
Date:

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Novelis Inc.
STATEMENT OF OPERATIONS (unaudited)
(in millions)

	Year Ended March 31,	
	2018	**2017**
Net sales:		
— third parties	$ 113	$ 106
— related parties	568	512
Total net sales	681	618
Cost of goods sold, including related party (exclusive of depreciation and amortization)	654	599
Selling, general and administrative expenses	6	1
Depreciation and amortization	17	17
Interest expense and amortization of debt issuance costs		
— third parties	79	184
— related parties	2	3
Interest income — related parties	(60)	(82)
Loss on early extinguishment of debt	-	134
(Gain) loss on change in fair value of derivative instruments, net	25	(1)
Dividend income — related parties	(396)	(284)
Restructuring and impairment, net	1	1
Other (income) expense, net	(4)	81
	324	653
Income (loss) before income taxes	357	(35)
Income tax provision	7	5
Net income (loss)	$ 350	$ (40)

See accompanying notes to financial statements.

Novelis Inc.
STATEMENT OF COMPREHENSIVE INCOME (LOSS) (unaudited)
(in millions)

	Year Ended March 31,	
	2018	**2017**
Net income (loss)	$ 350	$ (40)
Other comprehensive income (loss) :		
Change in translation adjustment	6	(14)
Change in pension and other benefits, net	6	3
Other comprehensive income (loss), net of tax	12	(11)
Comprehensive income (loss)	$ 362	$ (51)

See accompanying notes to financial statements.

Novelis Inc.
BALANCE SHEET (unaudited)
(in millions, except number of shares)

	March 31,	
	2018	**2017**
ASSETS		
Current assets		
Cash and cash equivalents	$ 6	$ 2
Accounts receivable, net		
— third parties	27	21
— related parties	85	84
Notes receivable — related parties	52	28
Inventories	39	32
Prepaid expenses and other current assets	7	9
Fair value of derivative instruments	10	4
Total current assets	226	180
Property, plant and equipment, net	68	72
Intangible assets, net	13	15
Investments in subsidiaries	1,293	1,293
Other long–term assets		
— third parties	13	9
— related parties	891	871
Total assets	$ 2,504	$ 2,440
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Current portion of long–term debt	$ 18	$ 20
Short–term borrowings		
— third parties	—	120
— related parties	53	260
Accounts payable		
— third parties	24	21
— related parties	72	65
Fair value of derivative instruments	14	7
Accrued expenses and other current liabilities		
— third parties	48	39
Total current liabilities	229	532
Long–term debt, net of current portion		
— third parties	1,717	1,725
Accrued postretirement benefits	27	28
Other long–term liabilities	38	24
Total liabilities	2,011	2,309
Commitments and contingencies		
Shareholder's equity		
Common stock, no par value; unlimited number of shares authorized; 1,000 shares issued and outstanding as of March 31, 2018 and 2017	—	—
Additional paid–in capital	1,580	1,580
Accumulated deficit	(1,071)	(1,421)
Accumulated other comprehensive loss	(16)	(28)
Total shareholder's equity	493	131
Total liabilities and shareholder's equity	$ 2,504	$ 2,440

See accompanying notes to financial statements.

Novelis Inc.
STATEMENT OF CASH FLOWS (unaudited)
(in millions)

	Year Ended March 31,	
	2018	**2017**
OPERATING ACTIVITIES		
Net loss	$ 350	$ (40)
Adjustments to determine net cash provided by operation activities:		
Depreciation and amortization	17	17
Loss (Gain) on change in fair value of derivative instruments, net	26	(1)
Loss on sale of business	—	27
Loss on extinguishment of debt	—	134
Gain on foreign exchange remeasurement of debt	—	—
Amortization of debt issuance costs and carrying value adjustment	13	2
Other, net	(3)	—
Changes in assets and liabilities including assets and liabilities held for sale (net of effects from divestitures):		
Accounts receivable	(31)	193
Inventories	(7)	14
Accounts payable	12	(26)
Other current assets	2	(3)
Other current liabilities	14	(56)
Other noncurrent assets	(27)	809
Other noncurrent liabilities	17	3
Net cash used in (provided by) operating activities	383	1,073
INVESTING ACTIVITIES		
Capital expenditures	(13)	(4)
Dividends received	—	—
Outflows from the sale of business, net of transaction fees	—	(2)
Inflows from investments in and advances to non-consolidated affiliates, net	—	1,670
Outflows (inflows) from settlement of other undesignated derivative instruments, net	(22)	6
Net cash provided by investing activities	(35)	1,670
FINANCING ACTIVITES		
Proceeds from issuance of debt	—	1,800
Principal payments - third parties	(20)	(4,290)
Principal payments - related parties	—	—
Short–term borrowings, net — third parties	(120)	(217)
Short–term borrowings, net — related parties	(206)	124
Debt issuance costs	(5)	(146)
Net cash used in financing activities	(351)	(2,729)
Net decrease (increase) in cash and cash equivalents	(3)	14
Effect of exchange rate changes on cash	7	(14)
Cash and cash equivalents — beginning of period	2	2
Cash and cash equivalents — end of period	$ 6	$ 2

See accompanying notes to financial statements.

Novelis Inc.
STATEMENT OF SHAREHOLDER'S EQUITY (unaudited)
(in millions, except number of shares)

	Common Shares		Additional Paid-in Capital	Retained Earnings/ (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss) (AOCI)	Total Equity
	Shares	Amount				
Balance as of March 31, 2016	1,000	$ —	$ 1,580	$ (1,343)	$ (17)	$ 220
Net loss	—	—	—	(40)	—	(40)
Currency translation adjustment, net of tax provision	—	—	—	—	(14)	(14)
Change in pension and other benefits, net of tax provision	—	—	—	—	3	3
Related party transaction settlement	—	—	—	(38)	—	(38)
Balance as of March 31, 2017	1,000	—	1,580	(1,421)	(28)	131
Net income	—	—	—	350	—	350
Currency translation adjustment, net of tax provision	—	—	—	—	7	7
Change in pension and other benefits, net of tax provision	—	—	—	—	5	5
Related party transaction settlement	—	—	—	—	—	—
Balance as of March 31, 2018	1,000	$ —	$ 1,580	$ (1,071)	$ (16)	$ 493

See accompanying notes to financial statements.

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

References herein to “Novelis,” the “Company,” “we,” “our,” or “us” refer to Novelis Inc., unless the context specifically indicates otherwise. References herein to “AV Metals” refer to AV Metals Inc. References herein to “Hindalco” refer to Hindalco Industries Limited. All of the common shares of Novelis are owned directly by AV Metals Inc. and indirectly by Hindalco Industries Limited. The Company's functional and reporting currency is the United States Dollar (USD).

Organization and Description of Business

Novelis Inc. was formed in Canada on September 21, 2004. Novelis Inc. operates a cold rolling mill and finishing line in Kingston, Ontario and is a holding company that has investments in entities that operate aluminum production entities throughout the world. These entities 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 transportation, electronics, architectural and industrial product markets. These entities also own recycling operations to recycle post-consumer aluminum, such as used beverage cans (UBCs) and post-industrial aluminum, such as class scrap. As of March 31, 2018, these entities own manufacturing operations in ten countries on four continents: North America, South America, Asia and Europe, through 24 operating facilities, including recycling operations in eleven of these plants.

Third party sales included within Novelis Inc. come from a Canadian manufacturing facility that produces industrial products for marine, transportation and other industrial applications with cold rolling, finishing and annealing equipment uniquely designed to produce automotive sheet and specialty surfaces for third-party customers and for other Novelis owned entities.

Use of Estimates and Assumptions

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States of America (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) the fair value of derivative financial instruments; (2) impairment of goodwill; (3) impairment of long lived assets and other intangible assets; (4) impairment and assessment of consolidation of equity investments; (5) actuarial assumptions related to pension and other postretirement benefit plans; (6) tax uncertainties and valuation allowances; and (7) assessment of loss contingencies, including environmental and litigation liabilities. 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 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.

Basis of Presentation

These financial statements have been prepared to satisfy the reporting requirements of the ultimate parent company, Hindalco Industries Limited, for the sole purpose of complying with the Companies Act, 2013 (“The 2013 Act”). In accordance with Sections 136 and 137 of The 2013 Act, it is required to present separate subsidiary financial statements, and Section 137 further requires entities with foreign subsidiaries to submit individual financial statements of such foreign subsidiaries along with its own standalone and consolidated financial statements. Thus, the results of the Company's separate financial statements are included in the consolidated financial statements of our direct parent, Novelis Inc. and our ultimate parent, Hindalco Industries Limited, and those consolidated financial statements are publicly available.

The books and records of Novelis Inc. are prepared and recorded under U.S. GAAP., which requires that we consolidate wholly-owned subsidiaries, majority-owned subsidiaries over which we exercise control, entities in which we have a controlling financial interest, and entities for which we are deemed to be the primary beneficiary. Accordingly, we have presented these financial statements on a standalone unconsolidated basis, which is a deviation from U.S. GAAP as it is not feasibly possible to present these statements in another basis of accounting other than books and records of the subsidiary. Otherwise, these separate financial statements are prepared in accordance with U.S. GAAP. These statements have not been audited, as there is no local jurisdictional requirement to present audited standalone subsidiary financial statements.

Risks and Uncertainties

We are exposed to a number of risks in the normal course of our operations that could potentially affect our financial position, results of operations, and cash flows.

Laws and regulations

We operate in an industry that is subject to a broad range of environmental, health and safety laws and regulations. These laws and regulations impose increasingly stringent environmental, health and safety protection standards and permitting requirements regarding, among other things, air emissions, wastewater storage, treatment and discharges, the use and handling of hazardous or toxic materials, waste disposal practices, the remediation of environmental contamination, post-mining reclamation and working conditions for our employees.

The costs of complying with these laws and regulations, including participation in assessments and remediation of contaminated sites and installation of pollution control facilities, have been, and in the future could be, significant. In addition, these laws and regulations may also result in substantial environmental liabilities associated with divested assets, third party locations and past activities.

We have established liabilities for environmental remediation where appropriate. However, the cost of addressing environmental matters (including the timing of any charges related thereto) cannot be predicted with certainty, and these liabilities may not ultimately be adequate, especially in light of potential changes in environmental conditions, changing interpretations of laws and regulations by regulators and courts, the discovery of previously unknown environmental conditions, the risk of governmental orders to carry out additional compliance on certain sites not initially included in remediation in progress, our potential liability to remediate sites for which provisions have not been previously established and the adoption of more stringent environmental laws. Such future developments could result in increased environmental costs and liabilities and could require significant capital expenditures, any of which could have a material adverse effect on our financial position or results of operations or cash flows.

Furthermore, the failure to comply with our obligations under the environmental laws and regulations could subject us to administrative, civil or criminal penalties, obligations to pay damages or other costs, and injunctions or other orders, including orders to cease operations. In addition, the presence of environmental contamination at our properties could adversely affect our ability to sell a property, receive full value for a property or use a property as collateral for a loan.

Some of our current and potential operations are located or could be located in or near communities that may regard such operations as having a detrimental effect on their social and economic circumstances. Community objections could have a material adverse impact upon the profitability or, in extreme cases, the viability of an operation.

We use a variety of hazardous materials and chemicals in our rolling processes and in connection with maintenance work on our manufacturing facilities. Because of the nature of these substances or related residues, we may be liable for certain costs, including, among others, costs for health-related claims or removal or re-treatment of such substances. Although we have developed environmental, health and safety programs for our employees, including measures to reduce employee exposure to hazardous substances, and conduct regular assessments at our facilities, we are currently, and in the future may be, involved in claims and litigation filed on behalf of persons alleging injury predominantly as a result of occupational exposure to substances at our current or former facilities. It is not possible to predict the ultimate outcome of claims and lawsuits due to the unpredictable nature of litigation. If any claims or lawsuits, individually or in the aggregate, were finally resolved against us, our financial position, results of operations and cash flows could be adversely affected.

Materials and labor

In the aluminum rolled products industry, our raw materials are subject to continuous price volatility. We may not be able to pass on the entire cost of the increases to our customers or offset fully the effects of higher raw material costs through productivity improvements, which may cause our profitability to decline. In addition, there is a potential time lag between changes in prices under our purchase contracts and the point when we can implement a corresponding change under our sales contracts with our customers. As a result, we could be exposed to fluctuations in raw materials prices, including metal, since, during the time lag period, we may have to temporarily bear the additional cost of the change under our purchase contracts, which could have a material adverse effect on our financial position, results of operations and cash flows. Significant price increases may result in our customers' substituting other materials, such as plastic or glass, for aluminum or switching to another aluminum rolled products producer, which could have a material adverse effect on our financial position, results of operations and cash flows.

We consume substantial amounts of energy in our rolling operations and our cast house operations. The factors that affect our energy costs and supply reliability tend to be specific to each of our facilities. A number of factors could materially adversely affect our energy position including, but not limited to: (a) increases in the cost of natural gas; (b) increases in the cost of supplied electricity or fuel oil related to transportation; (c) interruptions in energy supply due to equipment failure or other causes and (d) the inability to extend energy supply contracts upon expiration on economical terms. A significant increase in energy costs or disruption of energy supplies or supply arrangements could have a material adverse effect on our financial position, results of operations and cash flows.

A substantial portion of our employees are represented by labor unions under a large number of collective bargaining agreements with varying durations and expiration dates. We may not be able to satisfactorily renegotiate our collective bargaining agreements when they expire. In addition, existing collective bargaining agreements may not prevent a strike or work stoppage at our facilities in the future, and any such work stoppage could have a material adverse effect on our financial position, results of operations and cash flows.

Other risk and uncertainties

In addition, refer to Note 15 — Fair Value Measurements for a discussion of financial instruments.

Revenue Recognition

We recognize sales when the revenue is realized or realizable, and has been earned. We record sales when a firm sales agreement is in place, delivery has occurred and collectability of the fixed or determinable sales price is reasonably assured.

We recognize product revenue, net of trade discounts, allowances, and estimated billing adjustments, in the reporting period in which the products are shipped and the title and risk of ownership pass to the customer, which is determined based on the individual customer contract of sale. Our standard terms of delivery are included in our contracts of sale, order confirmation documents and invoices. We sell most of our products under contracts based on a “conversion premium,” which is subject to periodic adjustments based on market factors. As a result, the aluminum price risk is largely absorbed by the customer. In situations where we offer customers fixed prices for future delivery of our products, we enter into derivative instruments for all or a portion of the cost of metal inputs to protect our profit on the conversion of the product.

Shipping and handling amounts we bill to our customers are included in “Net sales” in our statement of operations; and the related shipping and handling costs we incur are included in “Cost of goods sold, including related parties (exclusive of depreciation and amortization)” in our statement of operations.

Our customers can receive or earn certain incentives including, but not limited to, contract signing bonuses, cash discounts, volume based incentive programs, and support for infrastructure programs. The incentives are recorded as reductions to "Net sales," and are recognized over the minimum contractual period in which the customer is obligated to make purchases from Novelis. For incentives that must be earned, management must make estimates related to customer performance and sales volume to determine the total amounts earned and to be recorded in deductions from revenue. In making these estimates, management considers historical results. The actual amounts may differ from these estimates.

On occasion, and in an attempt to better manage inventory levels, we sell inventory to third parties and have agreed to repurchase the same or similar inventory back from the third parties over a future period, based on market prices at the time of repurchase. For transactions in which the Company sells inventory and agrees to repurchase at a later date, we record the initial sale of the inventory on a net basis in our consolidated statement of operations through "Cost of goods sold (exclusive of depreciation and amortization)." Upon repurchase, the Company accounts for the inventory at the reacquisition price which becomes an input to our moving average inventory cost basis.

Cost of Goods Sold, including related parties (Exclusive of Depreciation and Amortization)

“Cost of goods sold (exclusive of depreciation and amortization)” includes all costs associated with inventories, including the procurement of materials, the conversion of such materials into finished products, and the costs of warehousing and distributing finished goods to customers. Material procurement costs include inbound freight charges as well as purchasing, receiving, inspection and storage costs. Conversion costs include the costs of direct production inputs such as labor and energy, as well as allocated overheads from indirect production centers and plant administrative support areas. Warehousing and distribution costs include inside and outside storage costs, outbound freight charges and the costs of internal transfers.

Selling, General and Administrative Expenses

"Selling, general and administrative expenses" include selling, marketing and advertising expenses; salaries, travel and office expenses of administrative employees and contractors; legal and professional fees and software license fees.

Research and Development

We incur costs in connection with research and development programs that are expected to contribute to future earnings, and charge such costs against income as incurred. Research and development costs consist primarily of salaries and administrative costs.

Restructuring Activities

Restructuring charges, which are recorded within "Restructuring and impairment, net" in our statement of operations, include employee severance and benefit costs, impairments of assets, and other costs associated with exit activities. We apply the provisions of ASC 420, Exit or Disposal Cost Obligations (ASC 420). Severance costs accounted for under ASC 420 are recognized when management with the proper level of authority has committed to a restructuring plan and communicated those actions to employees. Impairment losses are based upon the estimated fair value less costs to sell, with fair value estimated based on existing market prices for similar assets. Other exit costs include environmental remediation costs and contract termination costs, primarily related to equipment and facility lease obligations. At each reporting date, we evaluate the accruals for restructuring costs to ensure the accruals are still appropriate. See Note 2 — Restructuring and Impairment for further discussion.

Related Party Transactions

Included in the accompanying financial statements are transactions and balances arising from business we conduct with subsidiaries of Novelis Inc., which we classify as related party transactions and balances. See Note 7 — Investment in and Advances to Non-Consolidated Affiliates and Related Party Transactions for further discussion.

Cash and Cash Equivalents

"Cash and cash equivalents" includes investments that are highly liquid and have maturities of three months or less when purchased. The carrying values of cash and cash equivalents approximate their fair value due to the short-term nature of these instruments.

We maintain amounts on deposit with various financial institutions, which may, at times, exceed federally insured limits. However, management periodically evaluates the credit-worthiness of those institutions, and we have not experienced any losses on such deposits.

Accounts Receivable

Our accounts receivable are geographically dispersed. We do not obtain collateral relating to our accounts receivable. We do not believe there are any significant concentrations of revenues from any particular customer or group of customers that would subject us to any significant credit risks in the collection of our accounts receivable. We report accounts receivable at the estimated net realizable amount we expect to collect from our customers.

Additions to the allowance for doubtful accounts are made by means of the provision for doubtful accounts. We write-off uncollectible accounts receivable against the allowance for doubtful accounts after exhausting collection efforts. For each of the periods presented, we performed an analysis of our historical cash collection patterns and considered the impact of any known material events in determining the allowance for doubtful accounts. See Note 3 - Accounts Receivable for further discussion.

Derivative Instruments

We hold derivatives for risk management purposes and not for trading. We use derivatives to mitigate uncertainty and volatility caused by underlying exposures to aluminum prices and foreign exchange rates. The fair values of all derivative instruments are recognized as assets or liabilities at the balance sheet date and are reported gross.

We may be exposed to losses in the future if the counterparties to our derivative contracts fail to perform. We are satisfied that the risk of such non-performance is remote due to our monitoring of credit exposures. Additionally, we enter into master netting agreements with contractual provisions that allow for netting of counterparty positions in case of default, and we do not face credit contingent provisions that would result in the posting of collateral.

Prior to the adoption of ASU 2017-12 Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities, we were required to separately measure and record ineffectiveness, which is the amount by which the hedging instrument did not offset the changes in the fair value or cash flows of hedged items. We recorded the gain or loss related to the ineffective portion of derivative instruments, if any, in “Other (income) expense, net. Pursuant to our adoption of the provisions of ASU 2017-12 in the fourth quarter of fiscal 2018, we are no longer required to separately measure and recognize hedge ineffectiveness in our current period earnings. Upon adoption of ASU 2017-12, for cash flow hedges we will recognize and defer the entire periodic change in the fair value of the hedging instrument in other comprehensive income (loss). The amounts recorded in other comprehensive income (loss) will subsequently be reclassified to earnings in the same line item impacted by the hedged item when the hedged item affects earnings.

Prior to the adoption of ASU 2017-12, we assessed and measured hedge effectiveness on our aluminum and natural gas programs based on all pricing components of the hedged item. Pursuant to the adoption of ASU 2017-12, we will apply hedge accounting to only a specific component of the hedged item for these programs simplifying the application of hedge accounting and better aligning our risk management objectives, activities and financial reporting.

For derivatives designated as cash flow hedges or net investment hedges, we assess hedge effectiveness by formally evaluating the high correlation of the expected future cash flows of the hedged item and the derivative hedging instrument. The effective portion of gain or loss on the derivative is included in other comprehensive income (OCI) and reclassified to earnings in the period in which earnings are impacted by the hedged items or in the period that the transaction becomes probable of not occurring. Gains or losses representing reclassifications of OCI to earnings are recognized in the line item most reflective of the underlying risk exposure. We exclude the time value component of foreign currency and aluminum price risk hedges when measuring and assessing ineffectiveness to align our accounting policy with risk management objectives when it is necessary. If at any time during the life of a cash flow hedge relationship we determine that the relationship is no longer effective, the derivative will no longer be designated as a cash flow hedge and future gains or losses on the derivative will be recognized in "Other expense (income), net".

For derivatives designated as fair value hedges, we assess hedge effectiveness by formally evaluating the high correlation of changes in the fair value of the hedged item and the derivative hedging instrument. The changes in the fair values of the underlying hedged items are reported in "Prepaid expenses and other current assets," "Other long-term assets", "Accrued expenses and other current liabilities," and "Other long-term liabilities" in the consolidated balance sheets. Changes in the fair values of these derivatives and underlying hedged items generally offset and the effective portion is recorded in "Net sales" consistent with the underlying hedged item and the net ineffectiveness is recorded in "Other (income) expense, net."

If no hedging relationship is designated, gains or losses are recognized in "Other expense (income), net" in our current period earnings.

Consistent with the cash flows from the underlying risk exposure, we classify cash settlement amounts associated with designated derivatives as part of either operating or investing activities in the consolidated statements of cash flows. If no hedging relationship is designated, we classify cash settlement amounts as part of investing activities in the consolidated statement of cash flows.

The majority of our derivative contracts are valued using industry-standard models that use observable market inputs as their basis, such as time value, forward interest rates, volatility factors, and current (spot) and forward market prices for foreign exchange rates. See Note 13 — Financial Instruments and Commodity Contracts and Note 15 — Fair Value Measurements for additional discussion related to derivative instruments.

Inventories

We carry our inventories at the lower of their cost or net realizable value, reduced for obsolete and excess inventory. We use the average cost method to determine cost. Included in inventories are stores inventories, which are carried at average cost. See Note 4 — Inventories for further discussion.

Property, Plant and Equipment

We record land, buildings, leasehold improvements and machinery and equipment at cost. We record assets under capital lease obligations at the lower of their fair value or the present value of the aggregate future minimum lease payments as of the beginning of the lease term. We generally depreciate our assets using the straight-line method over the shorter of the estimated useful life of the assets or the lease term, excluding any lease renewals, unless the lease renewals are reasonably assured. See Note 5 — Property, Plant and Equipment for further discussion.

The ranges of estimated useful lives are as follows:

	Years
Buildings	30 to 40
Leasehold improvements	7 to 20
Machinery and equipment	2 to 25
Furniture, fixtures and equipment	3 to 10
Equipment under capital lease obligations	5 to 15

Most of our large scale machinery, cold mills, furnaces and finishing mills have useful lives of 15 to 25 years. Supporting machinery and equipment, including automation and work rolls, have useful lives of 2 to 15 years.

Maintenance and repairs of property and equipment are expensed as incurred. We capitalize replacements and improvements that increase the estimated useful life of an asset, and when material, we capitalize interest on major construction and development projects while in progress.

We retain fully depreciated assets in property and accumulated depreciation accounts until we remove them from service. In the case of sale, retirement or disposal, the asset cost and related accumulated depreciation balances are removed from the respective accounts, and the resulting net amount, after consideration of any proceeds, is included as a gain or loss in “Other expense (income), net” or "Gain on assets held for sale" in our statements of operations.

We account for operating leases under the provisions of ASC 840, Leases. These pronouncements require us to recognize escalating rents, including any rent holidays, on a straight-line basis over the term of the lease for those lease agreements where we receive the right to control the use of the entire leased property at the beginning of the lease term.

Long-Lived Assets and Other Intangible Assets

We amortize the cost of intangible assets over their respective estimated useful lives to their estimated residual value. Note 6 — Intangible Assets for further discussion.

We assess the recoverability of long-lived assets and finite-lived intangible assets, whenever events or changes in circumstances indicate that we may not be able to recover the asset’s carrying amount. We measure the recoverability of assets to be held and used by a comparison of the carrying amount of the asset (groups) to the expected, undiscounted future net cash flows to be generated by that asset (groups), or, for identifiable intangible assets, by determining whether the amortization of the intangible asset balance over its remaining life can be recovered through undiscounted future cash flows. The amount of impairment of identifiable intangible assets is based on the present value of estimated future cash flows. We measure the amount of impairment of other long-lived assets and intangible assets as the amount by which the carrying value of the asset exceeds the fair value of the asset, which is generally determined as the present value of estimated future cash flows or as the appraised value. Impairments of long-lived assets and intangible assets are included in “Restructuring and impairment, net” in the statement of operations. See Note 2 - Restructuring and Impairment to our accompanying financial statements for discussion on impairments.

Assets and Liabilities Held for Sale

We initially measure a long-lived asset (disposal group) that is classified as held for sale at the lower of its carrying value or fair value less any costs to sell. Any loss resulting from this measurement is recognized in the period in which the held for sale criteria are met. Conversely, gains are not recognized on the sale of a long-lived asset (disposal group) until the date of

sale. We assess the fair value of a long-lived asset (disposal group) less any costs to sell each reporting period it remains classified as held for sale and report any reduction in fair value as an adjustment to the carrying value of the asset (disposal group). Upon being classified as held for sale we cease depreciation. We continue to depreciate long-lived assets to be disposed of other than by sale.

Upon determining that a long-lived asset (disposal group) meets the criteria to be classified as held for sale, we report the assets and liabilities of the disposal group, if material, in the line items "Assets held for sale" and "Liabilities held for sale," respectively, in our balance sheets.

Investments in Subsidiaries

For purposes of these standalone financial statements, we account for our investments in subsidiaries using the cost method.

Financing Costs

We amortize financing costs and premiums, and accrete discounts, over the remaining life of the related debt using the effective interest amortization method unless the impact of utilizing the straight-line method results in an immaterial difference. The expense is included in “Interest expense and amortization of debt issuance costs” in our statement of operations. We record discounts or premiums as a direct deduction from, or addition to, the face amount of the financing.

Fair Value of Financial Instruments

ASC 820, Fair Value Measurements and Disclosures (ASC 820), defines fair value, establishes a framework for measuring fair value under U.S. GAAP, and expands disclosures about fair value measurements. ASC 820 also applies to measurements under other accounting pronouncements, such as ASC 825, Financial Instruments (ASC 825) that require or permit fair value measurements. ASC 825 requires disclosures of the fair value of financial instruments. Financial instruments we commonly encounter include: cash and cash equivalents; certificates of deposit; accounts receivable; accounts payable; foreign currency, energy and interest rate derivative instruments; cross-currency swaps; metal option and forward contracts; related party notes receivable and payable; letters of credit; short-term borrowings and long-term debt.

The carrying amounts of cash and cash equivalents, certificates of deposit, accounts receivable, accounts payable and current related party notes receivable, notes payable and related party debt approximate their fair value because of the short-term maturity and highly liquid nature of these instruments. The fair value of our letters of credit is deemed to be the amount of payment guaranteed on our behalf by third party financial institutions. We determine the fair value of our short-term borrowings and long-term debt based on various factors including maturity schedules, call features and current market rates. We also use quoted market prices, when available, or the present value of estimated future cash flows to determine fair value of short-term borrowings and long-term debt. When quoted market prices are not available for various types of financial instruments (such as currency, energy and interest rate derivative instruments, swaps, options and forward contracts), we use standard pricing models with market-based inputs, which take into account the present value of estimated future cash flows. See Note 15 — Fair Value Measurements for further discussion.

Pensions and Postretirement Benefits

Our pension obligations relate to funded defined benefit pension plans in Canada and unfunded defined benefit pension plans in Canada and the U.S. Our other postretirement obligations include unfunded health care and life insurance benefits provided to retired employees in Canada and the U.S.

We account for our pensions and other postretirement benefits in accordance with Accounting Standards Codification 715, Compensation - Retirement Benefits (ASC 715). We recognize the funded status of our benefit plans as a net asset or liability, with an offsetting adjustment to AOCI in shareholder’s equity. The funded status is calculated as the difference between the fair value of plan assets and the benefit obligation. For the years ended March 31, 2018 and 2017, we used March 31 as the measurement date.

We use standard actuarial methods and assumptions to account for our pension and other postretirement benefit plans. Pension and postretirement benefit obligations are actuarially calculated using management’s best estimates of the rate used to discount the future estimated liability, the long-term rate of return on plan assets, and several assumptions related to the employee workforce (compensation increases, health care cost trend rates, expected service period, retirement age, and mortality). Pension and postretirement benefit expense includes the actuarially computed cost of benefits earned during the

current service period, the interest cost on accrued obligations, the expected return on plan assets based on fair market value and the straight-line amortization of net actuarial gains and losses and adjustments due to plan amendments, curtailments, and settlements. Net actuarial gains and losses are amortized over periods of 15 years or less, which represent the group's average future service life of the employees or the group's average life expectancy. See Note 11 - Postretirement Benefit Plans for further discussion.

Income Taxes

We account for income taxes using the asset and liability method. This approach recognizes the amount of income taxes payable or refundable for the current year, as well as deferred tax assets and liabilities for the future tax consequence of events recognized in the financial statements and income tax returns. Deferred income tax assets and liabilities are adjusted to recognize the effects of changes in tax laws or enacted tax rates. Under ASC 740, Income Taxes (ASC 740), a valuation allowance is required when it is more likely than not that some portion of the deferred tax assets will not be realized. Realization is dependent on generating sufficient taxable income through various sources.

Share-Based Compensation

In accordance with ASC 718, Compensation - Stock Compensation (ASC 718), we recognize compensation expense for a share-based award over an employee's requisite service period based on the award's grant date fair value, subject to adjustment. Our share-based awards are settled in cash and are accounted for as liability based awards. As such, liabilities for awards under these plans are required to be measured at fair value at each reporting date until the date of settlement. See Note 10 - Share-Based Compensation for further discussion.

Operating Guarantees

We have issued guarantees on behalf of certain of Novelis Inc.'s subsidiaries. The indebtedness guaranteed is for trade accounts payable to third parties. Some of the guarantees have annual terms while others have no expiration and have termination notice requirements. Neither we nor any of the other subsidiaries hold any assets of any third parties as collateral to offset the potential settlement of these guarantees.

Recently Adopted Accounting Standards

Effective for the fourth quarter of fiscal 2018, we early adopted ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities.* The amendments in this update better align an entity's risk management objectives, activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The impact of the adoption will now allow us to (1) defer the entire change in fair value of the hedging instrument to OCI, (2) apply hedge accounting to a specific pricing component and no longer to all pricing components, for our aluminum and natural gas programs and (3) eliminate the separate measurement and reporting of hedge ineffectiveness. The updated guidance will simplify the application of hedge accounting and increase the transparency of the results of our hedging programs. We did not record a cumulative effect adjustment as we elected to de-designate and re-designate existing hedge accounting relationships at the adoption date. Please refer to Note 13 — Financial Instruments and Commodity Contracts for additional disclosures related to the adoption of this standard.

Effective for the first quarter of fiscal 2018, we early adopted FASB ASU 2016-05, *Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships,* which addresses a lack of guidance in existing US GAAP related to the impact of derivative contract novations on existing hedge accounting relationships under Accounting Standards Codification Topic 815, *Derivatives and Hedging* (ASC 815). The new guidance clarifies that a change in one of the parties (a novation) to a derivative contract that is part of an existing hedge accounting relationship under ASC 815 does not, in and of itself, require a de-designation of that hedge accounting relationship. The impact of the adoption will prospectively allow hedge accounting treatment to continue on existing hedges when a novation event occurs. There was no impact upon adoption.

Recently Issued Accounting Standards

In February 2018, the FASB issued ASU 2018-02, *Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. This standard provides an option to reclassify stranded tax effects within accumulated other comprehensive income/(loss) to retained earnings due to the U.S. federal corporate income tax rate change in the U.S. Tax Cuts and Jobs Act of 2017 (the "Act"). This standard is effective for interim and annual reporting periods beginning after December 15, 2018, and early adopting is permitted. Additionally, the

ASU requires new disclosures by all companies, whether they opt to do the reclassification or not. Management is currently evaluating the potential impact of this guidance on the consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, *Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting*. This update was issued to provide clarity and reduce both (1) diversity in practice and (2) cost and complexity when applying the guidance in Topic 718, Compensation-Stock Compensation, to a change to the terms or conditions of a share-based payment award. An entity may change the terms or conditions of a share-based payment award for many different reasons, and the nature and effect of the change can vary significantly. Under the new guidance, modification accounting is required only if the fair value, the vesting conditions, or the classification of the award (as equity or liability) changes as a result of the change in terms or conditions. These changes became effective for Novelis on April 1, 2018. Management has determined that the adoption of this standard is not expected to have a material impact on the Consolidated Financial Statements. This guidance will need to be considered if Novelis initiates a modification that is determined to be a substantive change to an outstanding stock-based award.

In March 2017, the FASB issued ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.* This update was issued primarily to improve the presentation of net periodic pension cost and net periodic postretirement benefit cost. The new guidance requires entities to (1) disaggregate the current service cost component from the other components of net benefit cost (the “other components”) and present the other components with other current compensation costs for related employees within non-operating income and (2) present the other components elsewhere in the results of operations and outside of income from operations if that subtotal is presented. In addition, the new guidance requires entities to disclose the results of operations line items that contain the other components if they are not presented on appropriately described separate lines. These changes became effective for Novelis on April 1, 2018 and will be applied retrospectively. Currently, all post retirement costs fall within the line item “Selling, general and administrative expenses” and "Cost of goods sold (exclusive of depreciation and amortization)" within the consolidated results of operations. These changes will result in a change in the presentation of non-service cost components of net periodic benefit cost on the statement of operations and providing additional disclosure. We are currently evaluating the impact of this standard.

In February 2017, the FASB issued ASU 2017-05, *Other Income-Gains and Losses from the Derecognition of Non-financial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Non-financial Assets*. The amendments in this update include (i) clarification that non-financial assets within the scope of ASC 610-20 may include non-financial assets transferred within a legal entity to a counterparty; (ii) clarification that an entity should allocate consideration to each distinct asset by applying the guidance in ASC 606 on allocating the transaction price to performance obligations; and (iii) a requirement for entities to derecognize a distinct non-financial asset or distinct in substance non-financial asset in a partial sale transaction when it does not have (or ceases to have) a controlling financial interest in the legal entity that holds the asset in accordance with ASC 810, and transfers control of the asset in accordance with ASC 606. These changes became effective for Novelis on April 1, 2018, and interim periods within those annual periods. Early adoption is permitted. Management has determined that the adoption of these changes will not have a material impact on the Consolidated Financial Statements.

In January 2017, the FASB issued ASU 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment, accounting guidance,* which 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. Early adoption is permitted. These changes become effective for Novelis on April 1, 2020. This guidance will need to be considered each time Novelis performs an assessment of goodwill for impairment under the quantitative test. We are currently evaluating the impact of this standard and we do not expect the adoption of this standard will have an impact on the Consolidated Financial Statements.

In January 2017, the FASB issued ASU 2017-01, C*larifying the Definition of a Business (Topic 805)*, which provides guidance on evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. The new guidance amends ASC 805 to provide a more robust framework to use in determining when a set of assets and activities is a business. In addition, the amendments provide more consistency in applying the guidance, reduce the costs of application, and make the definition of a business more operable. These changes became effective for Novelis on April 1, 2018. Management has determined that the adoption of this guidance will not have an impact on our Consolidated Financial Statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230) - Statement of Cash Flows (Topic 230): Restricted Cash.* The amendments in this update apply to all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows under Topic 230. The amendments in this Update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Transfers between restricted cash and restricted cash equivalents and cash and cash equivalents will no longer be presented as cash flow activities in the statement of cash flows and for material balances of restricted cash and restricted cash equivalents an entity must disclose information regarding the nature of the restrictions. Restricted Cash be disclosed as a separate line item as a change of cash on the face of the Balance Sheet and Cash Flow Statement. These changes became effective for Novelis on April 1, 2018. Management has determined that the adoption of this guidance will not have a material impact and will result in presentational change to the face of the Consolidated Balance Sheet and Consolidated Statement of Cash Flows.

In October 2016, the FASB issued ASU 2016-16, *Accounting for Income Taxes: Intra-Entity Asset Transfers of Assets Other than Inventory*. The new guidance eliminates the exception for all intra-entity sales of assets other than inventory. The guidance will require the tax effects of intercompany transactions to be recognized currently and will likely impact reporting entities' effective tax rates. The changes require the current and deferred income tax consequences of the intra-entity transfer to be recorded when the transaction occurs. The exception to defer the tax consequences of inventory transactions is maintained. Early adoption is permitted. These changes became effective for Novelis on April 1, 2018. The Company is currently evaluating the impact of the new standard.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230) - Classification of Certain Cash Receipts and Cash Payments.* The new guidance applies to all entities that are required to present a statement of cash flows under Topic 230 and addresses eight specific cash flow items to provide clarification and reduce the diversity in presentation of these items. These changes became effective for Novelis on April 1, 2018. As of result of the adoption, Novelis will reclassify cash received related to beneficial interest in certain factored accounts receivables from operating activities to investing activities in the Statement of Consolidated Cash Flows. This reclassification is not expected to have a material impact on operating and investing cash flows.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842),* which when effective, will require organizations that lease assets to recognize assets and liabilities for the rights and obligations created by the leases on balance sheet. A lessee will be required to recognize assets and liabilities for leases with terms that exceed twelve months. The standard will also require disclosures to help investors and financial statement users better understand the amount, timing and uncertainty of cash flows arising from leases. The disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. These changes become effective for Novelis April 1, 2019 for the annual reporting period (including interim periods therein). Novelis has established a cross-functional project team to lead the implementation effort. The Company is currently evaluating the impact of the new standard.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which, when effective, will supersede the guidance in former ASC 605, Revenue Recognition. Additional technical improvements, practical expedients, and clarifications have since been issued. The new guidance requires entities to recognize revenue based on the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods or services. ASU 2014-09 defines a five-step approach for recognizing revenue, which may require a company to use more judgment and make more estimates than under the current guidance. In August 2015, the FASB deferred the effective date by one year, making these changes effective for Novelis on April 1, 2018.

Novelis will adopt the new guidance using the modified retrospective transition approach, reflecting the cumulative effect of initially applying the new standard to revenue recognition in the first quarter of fiscal year 2019. Through previously established project implementation and adoption teams, Novelis completed a detailed review of the terms and provisions of our customer contracts and concluded that Novelis' current revenue recognition practices are in compliance with this new guidance. Novelis is in the process of preparing the additional required disclosures.

2. RESTRUCTURING AND IMPAIRMENT

"Restructuring and impairment, net" for the year ended March 31, 2018 and 2017 was $1 million. There were no impairment charges in either period.

The following table summarizes the restructuring activity (in millions).

	Total restructuring liabilities	Other restructuring charges (A)	Total restructuring charges	Total Restructuring and impairments, net
Balance as of March 31, 2016	$ 1			
Fiscal 2017 Activity:				
Period Expenses	1	$ —	$ 1	$ 1
Cash payments	(2)			
Balance as of March 31, 2017	—			
Fiscal 2018 Activity:				
Period Expenses	1	$ —	$ 1	$ 1
Cash payments	—			
Balance as of March 31, 2018	$ 1			

(A) Other restructuring charges include period expenses that were not recorded through the restructuring liability and impairments related to a restructuring activity.

The following table summarizes our restructuring activity by plan (in millions).

	Year ended March 31,	
	2018	2017
Restructuring charges		
Saguenay Plant Closure:		
Other exit related costs (A)	$ 1	$ —
Period Expense (A)	—	1
Total restructuring charges	$ 1	$ 1
Restructuring payments		
Severance	$ —	$ (1)
Other	—	(1)
Total restructuring payments	$ —	$ (2)

(A) These charges were not recorded through the restructuring liability.

In fiscal 2012, we closed our Saguenay Works facility in Canada and relocated our North America research and development operations to a new global research and technology facility in Kennesaw, Georgia.

3. ACCOUNTS RECEIVABLE

"Accounts receivable, net" consists of the following (in millions).

	March 31,	
	2018	2017
Trade accounts receivable — third parties	$ 19	$ 15
Other accounts receivable — third parties	8	6
Accounts receivable — third parties	27	21
Allowance for doubtful accounts — third parties	—	—
Accounts receivable, net — third parties	$ 27	$ 21
Trade accounts receivable — related parties	$ 73	$ 72
Dividends receivable — related parties	12	12
	$ 85	$ 84

4. INVENTORIES

"Inventories" consists of the following (in millions).

	March 31,	
	2018	2017
Finished goods	$ 12	$ 9
Work in process (A)	22	18
Raw materials	1	1
Supplies	4	4
Inventories	$ 39	$ 32

(A) Includes semi-finished goods purchased for our subsidiaries.

5. PROPERTY, PLANT AND EQUIPMENT

"Property, plant and equipment, net" consists of the following (in millions).

	March 31,	
	2018	2017
Land and property rights	$ 1	$ 1
Buildings	45	44
Machinery and equipment	166	163
	212	208
Accumulated depreciation and amortization	(151)	(139)
	61	69
Construction in progress	7	3
Property, plant and equipment, net	$ 68	$ 72

For the years ended March 31, 2018, 2017 and 2016, we capitalized $0 million, $1 million and $2 million of interest related to construction of property, plant and equipment and intangibles under development, respectively.

Depreciation expense related to property, plant, and equipment, net is shown in the table below (in millions).

	Year Ended March 31,	
	2018	2017
Depreciation expense related to property, plant and equipment, net	$ 12	$ 12

Leases

We lease certain land, buildings and equipment under non-cancelable operating leases expiring at various dates. Operating leases generally have terms that are less than ten years, with one or more renewal options and terms to be negotiated at the time of renewal. Various facility leases include provisions for rent escalation to recognize increased operating costs or require us to pay certain maintenance and utility costs.

The following table summarizes rent expense included in our statements of operations (in millions).

	Year Ended March 31,	
	2018	2017
Rent expense	$ 3	$ 3

Future minimum lease payments as of March 31, 2018, for our operating and capital leases having an initial or remaining non-cancellable lease term in excess of one year are as follows (in millions).

Year Ending March 31,	Operating Leases
2019	$ 6
2020	6
2021	6
2022	6
2023	6
Thereafter	8
Total minimum lease payments	$ 38

As of March 31, 2018, we had no future minimum lease payments under capital lease.

Assets and related accumulated amortization under capital lease obligations as of March 31, 2018 and 2017 are as follows (in millions).

	March 31,	
	2018	2017
Assets under capital lease obligations:		
Machinery and equipment	$ —	$ 4
Accumulated amortization	(3)	(3)
	$ (3)	$ 1

6. INTANGIBLE ASSETS

The components of "Intangible assets, net" are as follows (in millions).

	March 31, 2018				March 31, 2017		
	Weighted Average Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Technology and software	9.2 years	$ 57	$ (44)	$ 13	$ 54	$ (39)	$ 15

Amortization expense related to intangible assets included in "Depreciation and amortization" is as follows (in millions).

	Year Ended March 31,	
	2018	2017
Total amortization expense	$ 5	$ 5

Estimated total amortization expense related to "Intangible assets, net" for each of the five succeeding fiscal years is as follows (in millions). Actual amounts may differ from these estimates due to such factors as customer turnover, raw material consumption patterns, impairments, additional intangible asset acquisitions and other events.

Fiscal Year Ending March 31,	
2019	$ 2
2020	2
2021	2
2022	2
2023	2

7. INVESTMENTS IN SUBSIDIARIES AND RELATED PARTY TRANSACTIONS

The following table summarizes our ownership percentage of our subsidiaries in which we have an investment as of March 31, 2018 and March 31, 2017 (in millions) using the cost method.

	March 31,			As of
	2018	2017		March 31, 2018
Shareholdings			**Common Stock or Preferred Shares**	**Participation**
Novelis European Holdings Limited	$ 530	$ 530	Common stock	100%
Novelis Aluminium Beteiligungs GmbH	—	—	Common stock	100%
Novelis Laminés France S.A.S.	7	7	Common stock	100%
4260848 Canada Inc.	123	123	Common stock	100%
4260856 Canada Inc.	185	185	Common stock	100%
Novelis Corporation	—	—	Preferred shares	100%
Novelis South America Holdings, LLC	—	—	Common stock	100%
Novelis (India) Infotech Ltd.	2	2	Common stock	99.88%
Novelis do Brasil Ltda.	378	378	Common stock	99.99%
Novelis PAE S.A.S.	5	5	Common stock	100%
Novelis Holdings Inc.	—	—	Common stock	100%
Novelis Vietnam Company Limited	1	1	Common stock	100%
8018227 Canada Inc.	—	—	Common stock	100%
Novelis (Shanghai) Aluminum Trading Co., Ltd.	4	4	Common stock	100%
Novelis (China) Aluminum Products Co., Ltd.	57	57	Common stock	100%
Novelis MEA Ltd.	1	1	Common stock	100%
	$ 1,293	$ 1,293		

Included in the accompanying financial statements are transactions and balances arising from business we conduct with wholly-owned subsidiaries and majority owned subsidiaries over which we exercise control, which we classify as related party transactions and balances. The following table describes the period-end account balances that we had with these related parties, shown as related party balances in the accompanying consolidated balance sheets (in millions).

	March 31,	
	2018	2017
Accounts receivable, net — related parties	$ 85	$ 84
Other long-term assets — related parties (A)	$ 891	$ 871
Short term borrowings — related parties	$ 53	$ 260
Accounts payable — related parties	$ 72	$ 65

	March 31,	
	2018	2017
Notes receivable — related parties:		
Short term loan — related parties	$ 19	$ 10
Interest receivable — related parties	33	18
	$ 52	$ 28

(A) The Other long-term assets - related parties consist of loans due from other Novelis subsidiaries. These loans include:
i. loan to Novelis Corporation, with a maturity date of April 7, 2021 bearing interest at a fixed rate of 6.8% per annum.

ii. loan to Novelis Europe Holdings Ltd. with a maturity date of September 30, 2020 bearing interest at a fixed rate of 6.8% per annum
iii. loans to 8018227 Canada Inc. maturing June 2, 2022 bearing interest at a fixed rate of 6.0% per annum.
iv. loans to Novelis (China) Aluminum Products Co. Ltd maturing March 31, 2023 with a fixed interest rate of 6.84% per annum

Below is the dividend income related to the investment we have in our subsidiaries (in millions).

	March 31,	
	2018	2017
Dividend income — related parties	$ 396	$ 284

Below is the interest income and interest expense related to the short term and long term notes and loans we have with our subsidiaries (in millions). See Note 9 - Debt for additional information on notes and loans due to related parties.

	March 31,	
	2018	2017
Interest income — related parties	$ 60	$ 82
Interest expense — related parties	$ 2	$ 3

We have related party transactions with other Novelis Inc. subsidiaries. During the years ended March 31, 2018 and 2017, "Net sales - related parties" were $568 million and $512 million. As of March 31, 2018 and 2017, there were $85 million and $84 million of "Accounts Receivable, net" outstanding related to transactions with other Novelis subsidiaries.

We occasionally have related party transactions with our indirect parent company, Hindalco. During the years ended March 31, 2018 and 2017, “Net sales” were less than $1 million between Novelis and Hindalco. As of March 31, 2018 and 2017 there were less than $1 million of "Accounts receivable, net" outstanding related to transactions with Hindalco.

8. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

"Accrued expenses and other current liabilities" consists of the following (in millions).

	March 31,	
	2018	2017
Accrued compensation and benefits	$ 33	$ 29
Accrued interest payable	1	2
Accrued income taxes	6	—
Other current liabilities	8	8
Accrued expenses and other current liabilities — third parties	$ 48	$ 39

9. DEBT

Debt consists of the following (in millions).

	March 31, 2018				March 31, 2017		
	Interest Rates (A)	Principal	Unamortized Carrying Value Adjustments	Carrying Value	Principal	Unamortized Carrying Value Adjustments	Carrying Value
Third party debt:							
Short term borrowings		$ —	$ —	$ —	$ 120	$ —	$ 120
Long term debt:							
Floating rate Term Loan Facility, due June 2022	4.15%	1,778	(43) (B)	1,735	1,796	(53) (B)	1,743
Capital lease obligations, through fiscal 2018		—	—	—	2	—	2
Total debt — third parties		1,778	(43)	1,735	1,918	(53)	1,865
Less: Short term borrowings		—	—	—	(120)	—	(120)
Less: Current portion of long term debt		(18)		(18)	(20)	—	(20)
Long-term debt, net of current portion — third parties:		$ 1,760	$ (43)	$ 1,717	$ 1,778	$ (53)	$ 1,725
Related party debt (C):							
Short term borrowings — related parties		$ 53	$ —	$ 53	$ 260	$ —	$ 260

(A) Interest rates are the stated rates of interest on the debt instrument (not the effective interest rate) as of March 31, 2018. We present stated rates of interest because they reflect the rate at which cash will be paid for future debt service.

(B) Debt existing at the time of Hindalco's purchase of Novelis was recorded at fair value. In connection with a series of refinancing transactions, a portion of the historical fair value adjustments were allocated to the Term Loan Facility, resulting in carrying value adjustments on this debt obligation. The unamortized carrying value balances also include an issuance discount.

(C) Related party debt comprises of a short-term demand note due to Novelis Corp.

Principal repayment requirements for our total debt over the next five years and thereafter (excluding unamortized carrying value adjustments) are as follows (in millions). The ability to repay debt is contingent upon the operating income of unconsolidated subsidiaries.

	As of March 31, 2018
Short-term borrowings and Current portion of long term debt due within one year	$ 71
2 years	18
3 years	18
4 years	18
5 years	18
Thereafter	1,688
Total	$ 1,831

Senior Secured Credit Facilities

As of March 31, 2018, the senior secured credit facilities consisted of (i) a $1.8 billion five-year secured term loan credit facility (Term Loan Facility) and (ii) a $1 billion asset based loan facility (ABL Revolver). As of March 31, 2018, $18 million of the Term Loan Facility is due within one year.

The senior secured credit facilities contain various affirmative covenants, including covenants with respect to our financial statements, litigation and other reporting requirements, insurance, payment of taxes, employee benefits and (subject to certain limitations) causing new subsidiaries to pledge collateral and guaranty our obligations. The senior secured credit facilities also include various customary negative covenants and events of default, including limitations on our ability to (1) make certain restricted payments, (2) incur additional indebtedness, (3) sell certain assets, (4) enter into sale and leaseback transactions, (5) make investments, loans and advances, (6) pay dividends or returns of capital and distributions beyond certain amounts, (7) engage in mergers, amalgamations or consolidations, (8) engage in certain transactions with affiliates, and (9) prepay certain indebtedness. The Term Loan Credit Agreement also contains a financial maintenance covenant, prohibiting the Company's senior secured net leverage ratio as of the last day of each fiscal quarter period and measured on a rolling four quarter basis from exceeding 3.50 to 1.00, subject to customary equity cure rights. The senior secured credit facilities include a cross-default provision under which lenders could accelerate repayment of the loans if a payment or non-payment default arises under any other indebtedness with an aggregate principal amount of more than $100 million (or, in the case of the Term Loan Facility, under the ABL Revolver regardless of the amount outstanding). Substantially all of our assets are pledged as collateral under the senior secured credit facilities.

Term Loan Facility

In September 2017, we amended our Term Loan Credit Agreement (the "Term Loan Amendment") to our $1.8 billion Credit Agreement (the "Term Loan Facility") dated as of January 10, 2017.

The Term Loan Facility matures on June 2, 2022, and is subject to 0.25% quarterly amortization payments. The loans under the Term Loan Facility accrue interest at LIBOR plus 1.85%. The Term Loan Facility also requires customary mandatory prepayments with excess cash flow, asset sale and casualty event proceeds and proceeds of prohibited indebtedness, all subject to customary exceptions. The Term Loan may be prepaid, in full or in part, at any time at the Company’s election without penalty or premium. The Term Loan Facility allows for additional term loans to be issued in an amount not to exceed $300 million (or its equivalent in other currencies) plus an unlimited amount if, after giving effect to such incurrences on a pro forma basis, the senior secured net leverage ratio does not exceed 3.00 to 1.00. The lenders under the Term Loan Facility have not committed to provide any such additional term loans.

ABL Revolver

In September 2017, we amended and extended the ABL Revolver. The facility is a senior secured revolver bearing an interest rate of LIBOR plus a spread of 1.25% to 1.75% or a prime rate plus a prime spread of 0.25% to 0.75% based on excess availability. The ABL Revolver has a provision that allows the facility to be increased by an additional $500 million. The ABL Revolver has various customary covenants including maintaining a specified minimum fixed charge coverage ratio of 1.25 to 1 if excess availability is less than the greater of (1) $90 million and (2) 10% of the lesser of (a) the maximum size of the ABL Revolver and (b) the borrowing base. The ABL Revolver matures on September 14, 2022; provided that, in the event that the Term Loan Facility, or certain other indebtedness matures on or prior to March 14, 2023 and is outstanding 90 days prior to its maturity (and not refinanced with a maturity date later than March 14, 2023), then the ABL Revolver will mature 90 days prior to the maturity date for such other indebtedness, as applicable; unless excess availability under the ABL Revolver is at least (i) 20% of the lesser of (x) the total ABL Revolver commitment and (y) the then applicable borrowing base and (ii) 15% of the lesser of (x) the total ABL Revolver commitment and (y) the then applicable borrowing base, and a minimum fixed charge ratio test of at least 1.25 to 1 is met.

Short-Term Borrowings

As of March 31, 2018, we did not have any outstanding borrowings under our ABL Revolver.

Senior Notes

On August 29, 2016, Novelis Corporation, an indirect wholly owned subsidiary of Novelis Inc., issued $1.15 billion in aggregate principal amount of 6.25% Senior Notes Due 2024 (the 2024 Notes). The 2024 Notes are guaranteed, jointly and severally, on a senior unsecured basis, by Novelis Inc. and certain of its subsidiaries. Additionally, on September 14, 2016, Novelis Corporation issued $1.5 billion in aggregate principal amount of 5.875% Senior Notes Due 2026 (the 2026 Notes, and together with the 2024 Notes, the Notes). The 2026 Notes are guaranteed, jointly and severally, on a senior unsecured basis, by Novelis Inc. and certain of its subsidiaries. The proceeds from the issuance of the 2024 Notes and the 2026 Notes were used to extinguish our 8.375% 2017 Senior Notes and our 8.75% 2020 Senior Notes, respectively.

The Notes contain customary covenants and events of default that will limit our ability and, in certain instances, the ability of certain of our subsidiaries to (1) incur additional debt and provide additional guarantees, (2) pay dividends or return capital beyond certain amounts and make other restricted payments, (3) create or permit certain liens, (4) make certain asset sales, (5) use the proceeds from the sales of assets and subsidiary stock, (6) create or permit restrictions on the ability of certain of the Company's subsidiaries to pay dividends or make other distributions to the Company, (7) engage in certain transactions with affiliates, (8) enter into sale and leaseback transactions, (9) designate subsidiaries as unrestricted subsidiaries and (10) consolidate, merge or transfer all or substantially all of our assets and the assets of certain of our subsidiaries. During any future period in which either Standard & Poor's Ratings Group, Inc. or Moody's Investors Service, Inc. have assigned an investment grade credit rating to the Notes and no default or event of default under the indenture has occurred and is continuing, most of the covenants will be suspended. The Notes include a cross-acceleration event of default triggered if (1) any other indebtedness with an aggregate principal amount of more than $100 million is (1) accelerated prior to its maturity or (2) not repaid at its maturity. As of March 31, 2018, we were in compliance with the covenants in the Notes. The Notes also contain customary call protection provisions for our bond holders that extend through August 2022 for the 2024 Notes and through September 2024 for the 2026 Notes.

Other Long-term Debt

During fiscal 2013 and 2014, Novelis Inc., entered into various five-year capital lease arrangements to upgrade and expand out information technology infrastructure. As of March 31, 2018, we did not have any outstanding balances under these capital leases.

10. SHARE-BASED COMPENSATION

The Company's board of directors has authorized long term incentive plans (LTIPs), under which Hindalco stock appreciation rights (Hindalco SARs), Novelis stock appreciation rights (Novelis SARs), phantom restricted stock units (RSUs), and Novelis Performance Units (Novelis PUs) are granted to certain executive officers and key employees.

The Hindalco SARs vest at the rate of 25% or 33% per year, subject to the achievement of an annual performance target. Fiscal 2012 through fiscal 2016 SARs expire in May of the seventh year from the original grant date, while Fiscal 2017 and onwards SARs expire seven years from their original grant date. The performance criterion for vesting of the Hindalco SARs is based on the actual overall Novelis operating EBITDA compared to the target established and approved each fiscal year. The minimum threshold for vesting each year is 75% of each annual target operating EBITDA. Given that the performance criterion is based on an earnings target in a future period for each fiscal year, the grant date of the awards for accounting purposes is generally not established until the performance criterion has been defined.

Each Hindalco SAR is to be settled in cash based on the difference between the market value of one Hindalco share on the date of grant and the market value on the date of exercise. Each Novelis SAR is to be settled in cash based on the difference between the fair value of one Novelis phantom share on the original date of grant and the fair value of a phantom share on the date of the exercise. The amount of cash paid to settle Hindalco SARs and Novelis SARs is limited to two and a half or three times the target payout, depending on the plan year. The Hindalco SARs and Novelis SARs do not transfer any shareholder rights in Hindalco or Novelis to a participant. The Hindalco SARs and Novelis SARs are classified as liability awards and are remeasured at fair value each reporting period until the SARs are settled.

In May 2016, the Company's board of directors approved the issuance of Novelis PUs which have a fixed $100 value per unit and will vest in full three years from the grant date, subject to specific performance criteria compared to the established target. The Company made a voluntary offer to the participants with outstanding Novelis SARs granted for fiscal years 2012 through 2016 to exchange their Novelis SARs for an equivalently valued number of Novelis PUs. The voluntary exchange resulted in 521,168 Novelis SARs being modified into PUs which are not based on Novelis' nor Hindalco's fair values and are accounted for outside the scope of ASC 718, Compensation - Stock Compensation. This exchange was accounted for as a modification. There were 52,880 of Novelis SARs that remain outstanding as of March 31, 2018.

Total compensation expense related to Hindalco SARs, Novelis SARs, and RSUs under the plans for the respective periods is presented in the table below (in millions). These amounts are included in “Selling, general and administrative expenses” in our consolidated statements of operations. As the performance criteria for fiscal years 2019, 2020 and 2021 have not yet been established, measurement periods for Hindalco SARs and Novelis SARs relating to those periods have not yet commenced. As a result, only compensation expense for vested and current year Hindalco SARs and Novelis SARs has been recorded.

	Year Ended March 31,	
	2018	2017
Total compensation expense	$ 11	$ 11

The table below shows the RSUs activity for the year ended March 31, 2018.

	Number of RSUs	Grant Date Fair Value (in Indian Rupees)	Aggregate Intrinsic Value (USD in millions)
RSUs outstanding as of March 31, 2017	3,872,737	103.68	$ 12
Granted	1,321,166	187.70	—
Exercised	(1,286,166)	110.85	4
Forfeited/canceled	(154,178)	130.43	—
RSUs outstanding as of March 31, 2018	3,753,559	129.54	$ 5

The table below shows Hindalco SARs activity for the year ended March 31, 2018.

	Number of Hindalco SARs	Weighted Average Exercise price (in Indian Rupees)	Weighted Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value (USD in millions)
SARs outstanding as of March 31, 2017	7,858,096	116.48	4.7	$ 10
Granted	1,552,364	187.70	6.1	—
Exercised	(2,763,714)	116.09	—	5
Forfeited/canceled	(112,887)	144.94	—	—
SARs outstanding as of March 31, 2018	6,533,859	133.03	4.5	8
SARs exercisable as of March 31, 2018	2,923,178		2.8	$ 2

The table below shows Novelis SARs activity for the year ended March 31, 2018.

	Number of Novelis SARs	Weighted Average Exercise price (in USD)	Weighted Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value (USD in millions)
SARs outstanding as of March 31, 2017	55,809	$ 80.37	3.8	$ —
Granted	—	—	—	—
Exercised	(2,929)	63.23	—	—
Forfeited/canceled	—	—	—	—
SARs outstanding as of March 31, 2018	52,880	81.32	3.0	—
SARs exercisable as of March 31, 2018	44,035	$ 84.53	2.7	$ —

The fair value of each unvested Hindalco SAR was estimated using the following assumptions.

	Year ended March 31,	
	2018	2017
Risk-free interest rate	6.14% - 7.67%	5.82% - 6.99%
Dividend yield	0.53%	0.51%
Volatility	29% - 42%	35% - 44%

The fair value of each unvested Novelis SAR was estimated using the following assumptions.

	Year ended March 31,	
	2018	2017
Risk-free interest rate	1.71% - 2.55%	0.78% -1.95%
Dividend yield	—%	—%
Volatility	22 % - 25%	25% - 28%

The fair value of each unvested Hindalco SAR was based on the difference between the fair value of a long call and a short call option. The fair value of each of these call options was determined using the Monte Carlo Simulation model. We used historical stock price volatility data of Hindalco on the National Stock Exchange of India to determine expected volatility assumptions. The risk-free interest rate is based on Indian treasury yields interpolated for a time period corresponding to the

remaining contractual life. The forfeiture rate is estimated based on actual historical forfeitures. The dividend yield is estimated to be the annual dividend of the Hindalco stock over the remaining contractual lives of the Hindalco SARs. The value of each vested Hindalco SAR is remeasured at fair value each reporting period based on the excess of the current stock price over the exercise price, not to exceed the maximum payout as defined by the plans. The fair value of the Hindalco SARs is being recognized over the requisite performance and service period of each tranche, subject to the achievement of any performance criteria.

The fair value of each unvested Novelis SAR was based on the difference between the fair value of a long call and a short call option. The fair value of each of these call options was determined using the Monte Carlo Simulation model. We used the historical volatility of comparable companies to determine expected volatility assumptions. The risk-free interest rate is based on U.S. treasury yields for a time period corresponding to the remaining contractual life. The forfeiture rate is estimated based on actual historical forfeitures of Hindalco SARs. The value of each vested Novelis SAR is remeasured at fair value each reporting period based on the percentage increase in the current Novelis phantom stock price over the exercise price, not to exceed the maximum payout as defined by the plans. The fair value of the Novelis SARs is being recognized over the requisite performance and service period of each tranche, subject to the achievement of any performance criteria.

The cash payments made to settle SAR liabilities were $5 million, $4 million, and $2 million, in the years ended March 31, 2018, 2017, and 2016, respectively. Total cash payments made to settle Hindalco RSUs were $4 million, $1 million, and $5 million in the years ended March 31, 2018, 2017 and 2016, respectively. Unrecognized compensation expense related to the non-vested Hindalco SARs (assuming all future performance criteria are met) was $4 million which is expected to be recognized over a weighted average period of 1.2 years. Unrecognized compensation expense related to the non-vested Novelis SARs (assuming all future performance criteria are met) was less than $1 million, which is expected to be recognized over a weighted average period of 1 years. Unrecognized compensation expense related to the RSUs was $3 million, which will be recognized over the remaining weighted average vesting period of 1.3 years.

11. POST RETIREMENT BENEFIT PLANS

Our pension obligations relate to a funded defined benefit pension plan in Canada and unfunded defined benefit pension plans in Canada and the U.S. Our other postretirement obligations (Other Benefits, as shown in certain tables below) include unfunded health care and life insurance benefits provided to retired employees in Canada and the U.S.

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 approximately 10 years or less. We also participate in savings and defined contribution plans in Canada and the U.S. We contributed the following amounts (in millions) to all plans.

	Year Ended March 31,	
	2018	2017
Funded pension plans	$ 2	$ 3
Unfunded pension plans	—	—
Savings and defined contribution pension plans	1	1
Total contributions	$ 3	$ 4

During fiscal year 2019, we expect to contribute $4 million to our funded pension plans, less than $1 million to our unfunded pension plans and less than $1 million to our savings and defined contribution pension plans.

	Pension Benefits		Other Benefits	
	Year Ended March 31,		Year Ended March 31,	
	2018	2017	2018	2017
Benefit obligation at beginning of period	$ 116	$ 117	$ 11	$ 11
Service cost	3	3	—	—
Interest cost	4	4	—	—
Benefits paid	(5)	(4)	—	—
Actuarial losses (gains)	—	(2)	(2)	—
Currency losses (gains)	4	(2)	—	—
Benefit obligation at end of period	$ 122	$ 116	$ 9	$ 11
Benefit obligation of funded plans	$ 102	$ 96	$ —	$ —
Benefit obligation of unfunded plans	20	20	9	11
Benefit obligation at end of period	$ 122	$ 116	$ 9	$ 11

Benefit Obligations, Fair Value of Plan Assets, Funded Status and Amounts Recognized in Financial Statements

The following tables present the change in benefit obligation, change in fair value of plan assets and the funded status for pension and other benefits (in millions).

	Pension Benefits	
	Year Ended March 31,	
	2018	2017
Change in fair value of plan assets		
Fair value of plan assets at beginning of period	$ 97	$ 95
Actual return on plan assets	8	5
Benefits paid	(5)	(4)
Company contributions	3	4
Currency losses	3	(3)
Fair value of plan assets at end of period	$ 106	$ 97

	March 31,			
	2018		2017	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Funded status				
Funded Status at end of period				
Assets less the benefit obligation of funded plans	$ 3	$ —	$ 1	$ —
Benefit obligation of unfunded plans	(19)	(9)	19	11
	$ (16)	$ (9)	$ 20	$ 11
As included in our balance sheets within Total assets / (Total liabilities)				
Other non-current assets	$ 3	$ —	$ —	$ —
Accrued expenses and other current liabilities	(1)	—	(3)	—
Accrued postretirement benefits	(18)	(9)	(17)	(11)
	$ (16)	$ (9)	$ (20)	$ (11)

The postretirement amounts recognized in “Accumulated other comprehensive loss,” before tax effects, are presented in the table below (in millions). Amounts are amortized to net periodic benefit cost over the group’s average future service life of the employees or the group's average life expectancy.

	March 31,			
	2018		2017	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Net actuarial gain (loss) recognized in Accumulated other comprehensive income (loss)	$ 3	$ 3	$ 2	$ —

The estimated amounts that will be amortized from “Accumulated other comprehensive income (loss)” into net periodic benefit cost in fiscal 2019 are less than $1 million for pension benefits related to net actuarial losses.

The postretirement changes recognized in “Accumulated other comprehensive loss,” before tax effects, are presented in the table below (in millions).

	March 31,			
	2018		2017	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Beginning balance in Accumulated other comprehensive (loss) income	$ —	$ —	$ (3)	$ —
Curtailments and settlements	—	—	—	—
Net actuarial gain (loss)	3	3	2	—
Amortization of Actuarial loss	—	—	1	—
Total postretirement amounts recognized in Accumulated other comprehensive income (loss)	$ 3	$ 3	$ —	$ —

Pension Plan Obligations

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets are presented in the table below (in millions).

	March 31,	
	2018	2017
The projected benefit obligation and accumulated benefit obligation for all defined benefit pension plans:		
Projected benefit obligation	$ 122	$ 116
Accumulated benefit obligation	$ 116	$ 110
Pension plans with projected benefit obligations in excess of plan assets:		
Projected benefit obligation	$ 20	$ 20
Fair value of plan assets	$ —	$ 19
Pension plans with accumulated benefit obligations in excess of plan assets:		
Accumulated benefit obligation	$ 19	$ 19
Fair value of plan assets	$ —	$ —

Future Benefit Payments

Expected benefit payments to be made during the next ten fiscal years are listed in the table below (in millions).

	Pension Benefits	Other Benefits
2019	$ 6	$ —
2020	6	—
2021	6	—
2022	6	—
2023	6	—
2024 through 2028	32	1
Total	$ 62	$ 1

Components of Net Periodic Benefit Cost

The components of net periodic benefit cost for the respective periods are listed in the table below (in millions).

	Pension Benefits		Other Benefits	
	Year Ended March 31,		Year Ended March 31,	
	2018	2017	2018	2017
Net periodic benefit cost				
Service cost	$ 3	$ 3	$ —	$ —
Interest cost	4	4	—	1
Expected return on assets	(4)	(4)	—	—
Amortization — losses	—	1	—	—
Curtailment/settlement losses	—	—	—	—
Net periodic benefit cost	$ 3	$ 4	$ —	$ 1

Actuarial Assumptions and Sensitivity Analysis

The weighted average assumptions used to determine benefit obligations and net periodic benefit costs for the respective periods are listed in the table below.

	Pension Benefits		Other Benefits	
	Year Ended March 31,		Year Ended March 31,	
	2018	2017	2018	2017
Weighted average assumptions used to determine benefit obligations				
Discount rate	3.4%	3.8%	3.3%	3.6%
Average compensation growth	3.3%	3.7%	3.3%	3.8%
Weighted average assumptions used to determine net periodic benefit cost				
Discount rate	3.9%	3.8%	3.2%	3.5%
Average compensation growth	3.4%	3.7%	3.7%	3.8%
Expected return on plan assets	4.6%	4.6%	—%	—%

In selecting the appropriate discount rate for each plan, for pension and other postretirement plans in Canada, the United States, we used spot rate yield curves and individual bond matching models.

In estimating the expected return on assets of a pension plan, consideration is given primarily to its target allocation, the current yield on long-term bonds in the country where the plan is established, and the historical risk premium of equity or real estate over long-term bond yields in each relevant country. The approach is consistent with the principle that assets with higher risk provide a greater return over the long-term. The expected long-term rate of return on plan assets is 4.4% in fiscal 2019.

We provide unfunded health care and life insurance benefits to our retired employees in Canada, for which we paid less than $1 million in fiscal 2018. The assumed health care cost trend used for measurement purposes is 5.7% for fiscal 2019, decreasing gradually to 5.0% in 2027 and remaining at that level thereafter.

Investment Policy and Asset Allocation

The Company's overall investment strategy is to achieve a mix of investments for long-term growth (equities, real estate) and for near-term benefit payments (debt securities, other) with a wide diversification of asset categories, investment styles, fund strategies and fund managers. Since most of the defined benefit plans are closed to new entrants, we expect this strategy to gradually shift more investments toward near-term benefit payments.

Our funded pension plan is governed by an Investment Fiduciary, who establishes an investment policy appropriate for the pension plan. The Investment Fiduciary is responsible for selecting the asset allocation for the plan, monitoring investment managers, monitoring returns versus benchmarks and monitoring compliance with the investment policy. The targeted allocation ranges by asset class, and the actual allocation percentages for each class are listed in the table below.

Asset Category	Target Allocation Ranges	Allocation in Aggregate as of March 31,	
		2018	2017
Equity	23% - 48%	33%	35%
Fixed income	52% - 78%	66%	65%

Fair Value of Plan Assets

All pension plan assets as of March 31, 2018 are reported as net asset value.

12. CURRENCY (GAINS) LOSSES

The following currency (gains) losses are included in “Other income (expenses), net” in the accompanying consolidated statements of operations (in millions).

	Year Ended March 31,	
	2018	2017
(Gain) loss on remeasurement of monetary assets and liabilities, net	$ (2)	$ (6)
Loss (gain) recognized on balance sheet remeasurement currency exchange contracts, net	5	(6)
Currency losses (gains), net	$ 3	$ (12)

The following currency gains (losses) are included in “Accumulated other comprehensive income (loss), net of tax" (in millions).

	Year Ended March 31,	
	2018	2017
Cumulative currency translation adjustment — beginning of period	$ (29)	$ (15)
Effect of changes in exchange rates	6	(30)
Sale of investment in foreign entities (A)	—	16
Cumulative currency translation adjustment — end of period	$ (23)	$ (29)

(A) We reclassified $16 million of cumulative currency losses from AOCI to "Other expense (income), net" in the twelve months ended March 31, 2017. Refer to Note 16 - Other Income (Expense), net for further details.

13. FINANCIAL INSTRUMENTS AND COMMODITY CONTRACTS

The following table summarize the gross fair values of our financial instruments and commodity contracts as of March 31, 2018 and 2017 are as follows (in millions).

	March 31, 2018				
	Assets		Liabilities		Net Fair Value
	Current	Noncurrent	Current	Noncurrent	Assets/(Liabilities)
Derivative Instruments					
Aluminum contracts	$ 5	$ —	$ (4)	$ —	$ 1
Currency exchange contracts	5	—	(10)	—	(5)
Total derivative fair value	$ 10	$ —	$ (14)	$ —	$ (4)

	March 31, 2017				
	Assets		Liabilities		Net Fair Value
	Current	Noncurrent	Current	Noncurrent	Assets/(Liabilities)
Derivative Instruments					
Aluminum contracts	$ 1	$ —	$ (4)	$ —	$ (3)
Currency exchange contracts	3	—	(3)	—	-
Total derivative fair value	$ 4	—	$ (7)	$ —	$ (3)

Aluminum

We use derivative instruments to preserve our conversion margins and manage the timing differences associated with metal price lag. We sell short-term LME aluminum 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. We also purchase forward LME aluminum contracts simultaneous 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.

As of March 31, 2018 we had 18kt of outstanding aluminum sales forward contracts. As of March 31, 2017, we had 14kt of outstanding aluminum forward contracts.

The maximum and average duration of metal forward contracts is 17 months and 8 months, respectively.

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.

As of March 31, 2018 and March 31, 2017, we had outstanding currency exchange contracts with a total notional amount of $36 million and $40 million, respectively.

Currency contracts have a maximum duration of less than two years. Contracts that represent the majority of notional amounts will mature within the next ten months.

Gain (Loss) Recognition

The following table summarizes the gains (losses) associated with the change in fair value of derivative instruments and recognized in “Gain (loss) on change in fair value of derivative instruments, net” (in millions).

	Year Ended March 31,	
	2018	2017
Derivative Instruments		
Aluminum contracts	$ 1	$ (5)
Currency exchange contracts	25	6
"Gain (Loss) on change in fair value of derivative instruments, net"	$ 26	$ 1

14. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table summarizes the change in the components of accumulated other comprehensive income (loss) net of tax, for the periods presented (in millions).

	Currency Translation	(A) Postretirement Benefit Plans	Total
Balance as of March 31, 2016	$ (15)	$ (2)	$ (17)
Other comprehensive income (loss) before reclassifications	(14)	3	(11)
Amounts reclassified from AOCI	—	—	—
Net change in other comprehensive income (loss)	(14)	3	(11)
Balance as of March 31, 2017	(29)	1	(28)
Other comprehensive (loss) income before reclassifications	7	5	12
Amounts reclassified from AOCI	—	—	—
Net change in other comprehensive (loss) income	7	5	12
Balance as of March 31, 2018	$ (22)	$ 6	$ (16)

(A) For additional information on our postretirement benefit plans see Note 11 - Postretirement Benefit Plans.

15. FAIR VALUE MEASUREMENTS

We record certain assets and liabilities, primarily derivative instruments, on our 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 and foreign exchange 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 that use 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 commonly include cross-currency swaps, foreign currency contracts, and LME aluminum forwards.

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 March 31, 2018 and March 31, 2017, we did not have any Level 1 or Level 3 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 statement of financial position prior to considering master netting agreements. The table below also discloses the net fair value of the derivative instruments after considering the impact of master netting agreements.

The following tables present our derivative assets and liabilities which were measured and recognized at fair value on a recurring basis classified under the appropriate level of the fair value hierarchy as of March 31, 2018 and 2017 (in millions).

	March 31,			
	2018		2017	
	Assets	Liabilities	Assets	Liabilities
Level 2 Instruments				
Aluminum contracts	$ 5	$ (4)	$ 1	$ (4)
Currency exchange contracts	5	(10)	3	(3)
Total Level 2 Instruments	$ 10	$ (14)	$ 4	$ (7)
Netting adjustment (A)	(8)	8	(4)	4
Total, net	$ 2	$ (6)	$ —	$ (3)

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

Financial Instruments Not Recorded at Fair Value

The table below presents the estimated fair value of certain financial instruments that are not recorded at fair value on a recurring basis (in millions). The table excludes short-term financial assets and liabilities for which we believe carrying value approximates fair value. We value 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. The values below relate to consolidated Novelis.

	March 31,			
	2018		2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Liabilities				
Total debt — third parties (excluding short term borrowings)	$ 1,735	$ 1,760	$ 1,778	$ 1,725

16. OTHER EXPENSES (INCOME)

"Other income (expense), net" is comprised of the following (in millions)

	Year Ended March 31,	
	2018	2017
Foreign currency remeasurement gains, net	$ (2)	$ (6)
Loss on sale of a business (A)	—	27
Other, net	(2)	60
Other expense (income), net	$ (4)	$ 81

(A) On September 30, 2016, we sold our 59.15% equity interest in Aluminum Company of Malaysia Berhad (ALCOM), a previously consolidated subsidiary, to Towerpack Sdn. Bhd. for $12 million (MYR 48 million), which was recorded in "Accounts Receivable, net" as of September 30, 2016, and received in October 2016. The transaction includes our interest in the Bukit Raja, Malaysia facility, which processed aluminum within the construction/industrial and heavy and light gauge foil markets, and the wholly-owned entity Alcom Nikkei Specialty Coatings Sdn. Berhad. This sale is part of our continued strategy to exit certain non-core operations and align our growth strategy in the premium product markets. The sale resulted in a loss of $27 million during the year ended March 31, 2017. As a result of this sale, we no longer own any interest in ALCOM.

17. INCOME TAXES

We used the benefits-for-loss method of tax allocation so that net operating losses are characterized as realized (or realizable).

We are subject to Canadian and local income taxes. The domestic (Canada) components of our "Income (loss) income before income taxes" are as follows (in millions).

	Year Ended March 31,	
	2018	2017
Domestic (Canada)	$ 357	$ (35)
Foreign (all other countries)	—	—
Pre-tax (loss) income	$ 357	$ (35)

The components of the "Income tax provision" are as follows (in millions).

	Year Ended March 31,	
	2018	2017
Current provision:		
Domestic (Canada)	$ 4	$ 5
Foreign (all other countries)	3	—
Total current	7	5
Deferred provision:		
Domestic (Canada)	—	—
Foreign (all other countries)	—	—
Total deferred	—	—
Income tax provision	$ 7	$ 5

Deferred Income Taxes

Deferred income taxes recognize the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the carrying amounts used for income tax purposes, and the impact of available net operating loss (NOL) and tax credit carryforwards. These items are stated at the enacted tax rates that are expected to be in effect when taxes are actually paid or recovered.

At March 31, 2018 the Company had total deferred tax assets of approximately $589 million primarily arising from book reserves not deductible for tax and net operating loss carryforwards, net of other deferred liabilities of $0 million. At March 31, 2017 the Company had total deferred tax assets of approximately $584 million primarily arising from book reserves not deductible for tax and net operating loss carryforwards, net of other deferred liabilities of $8 million.

ASC 740 requires that we reduce our deferred income tax assets by a valuation allowance if, based on the weight of the available evidence, it is more likely than not that all or a portion of a deferred tax asset will not be realized. After consideration of all evidence, both positive and negative, management concluded that is more likely than not that we will be unable to realize a portion of our deferred tax assets and that valuation allowances of $589 million and $576 million were necessary as of March 31, 2018 and 2017, respectively.

As of March 31, 2018, we had net operating loss carryforwards of approximately $467 million (tax effected) and tax credit carryforwards of $51 million, which will be available to offset future taxable income and tax liabilities, respectively. The net operating loss carryforwards and the tax credit carryforwards begin expiring in fiscal 2028 and 2018, respectively. As of March 31, 2018, valuation allowances of $467 million, $51 million and $71 million had been recorded against net operating loss carryforwards, tax credit carryforwards and other deferred tax assets, respectively, where it appeared more likely than not that such benefits will not be realized. The net operating loss carryforwards are Canadian related.

As of March 31, 2017, we had net operating loss carryforwards of approximately $473 million (tax effected) and tax credit carryforwards of $46 million, which will be available to offset future taxable income and tax liabilities, respectively. The net operating loss carryforwards and the tax credit carryforwards begin expiring in fiscal 2027 and 2017, respectively. As of March 31, 2017, valuation allowances of $473 million, $46 million and $59 million had been recorded against net operating loss carryforwards, tax credit carryforwards and other deferred tax assets, respectively, where it appeared more likely than not that such benefits will not be realized. The net operating loss carryforwards are Canadian related.

The Company has not provided deferred taxes on undistributed earnings of its non-domestic subsidiaries, as the Company does not currently plan to initiate any action that would result in these earnings being repatriated. It is not practicable to determine the income tax liability that would be payable if such earnings were not reinvested indefinitely.

Tax Uncertainties

Tax authorities have concluded examination of our tax filings for fiscal years 2008 through 2013. As a result of further settlement of audits, judicial decisions, or the filing of amended tax returns, our net operating loss carryforwards has been reduced by $5 million, and our valuation allowance on NOLs has been reduced by $5 million.

Income Tax Payable and Receivable

Our balance sheet includes income taxes payable of less than $1 million as of March 31, 2018 and income taxes payable of less than $1 million as of March 31, 2017, which are included in "Prepaid expenses and other current assets."

18. SUPPLEMENTAL INFORMATION

Supplemental cash flow information (in millions).

	Year Ended March 31,	
	2018	2017
Supplemental disclosures of cash flow information:		
Interest paid	$ 68	$ 237
Income taxes paid	$ —	$ 3

As of March 31, 2018, we recorded less than $1 million of outstanding accounts payable and accrued liabilities related to capital expenditures in which the cash outflows occurred subsequent to March 31, 2018. During the year ended March 31, 2018 and 2017, did not incur any capital lease obligations related to capital lease acquisitions.