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Novelis do Brasil Ltda.

Financial statements
at March 31, 2017
and independent auditor's report

(DC1) Uso Interno na PwC – Confidencial

Novelis do Brasil Ltda.

Independent auditor's report

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

Opinion

We have audited the accompanying financial statements of Novelis do Brasil Ltda. (the "Company"), which comprise the balance sheet as at March 31, 2017 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Novelis do Brasil Ltda. as at March 31, 2017, and its financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that

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includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

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

São Paulo, May 3, 2017

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Marcelo Orlando
Contador CRC 1SP217518/O-7

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Novelis do Brasil Ltda.

Balance sheet at March 31

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

Assets	2017	2016
Current assets		
Cash and cash equivalents (Note 6)	755,905	984,005
Trade receivables (Note 8)	679,101	604,858
Other receivables (Note 8)	-	9,632
Receivables from related parties (Note 22)	54,864	65,577
Inventory (Note 9)	413,506	420,464
Taxes recoverable	21,183	13,671
Derivative financial instruments (Note 7)	162,600	44,285
Other receivables	28,543	51,519
	2,115,702	2,194,011
Non-current assets held for sale	10,283	16,819
	2,125,985	2,210,830
Non-current assets		
Long term receivables		
Related parties (Note 22)	-	108,898
Taxes recoverable	25,570	20,219
Judicial deposits (Note 13)	22,167	18,401
Other receivables	25,584	23,797
	73,321	171,316
Investments	1	3
Intangible assets	5,304	4,061
Property, plant and equipment (Note 10)	2,567,691	2,945,186
	2,646,317	3,120,566
Total assets	4,772,302	5,331,395

Liabilities and equity	2017	2016
Current liabilities		
Trade payables (Note 11)	283,603	207,584
Trade payables – reverse factoring (Note 11 (a))	393,481	409,152
Other payables (Note 11 (b))	257,942	244,955
Borrowing (Note 12)	168,466	283,585
Salaries, provision and social charges	49,661	47,530
Current income tax and social contribution payable	38,933	23,476
Other taxes and contributions payable	47,171	40,668
Tax refinancing (Note 14)	27,879	25,807
Derivative financial instruments (Note 7)	74,193	18,532
Payables to related parties (Note 22)	94,501	45,621
Advances from customers	8,263	11,167
Other liabilities (Note 23)	87,853	154,547
	1,531,946	1,512,623
Non-current liabilities		
Borrowing (Note 12)	19,240	26,006
Deferred income tax and social contribution (Note 15)	518,171	639,931
Tax refinancing (Note 14)	183,537	202,585
Derivative financial instruments (Note 7)	9,395	18,841
Provision for contingencies (Note 13)	70,087	53,674
Other liabilities (Note 23)	47,008	31,801
	847,438	972,839
Total liabilities	2,379,384	2,485,462
Equity		
Share capital (Note 16)	958,528	958,528
Carrying value adjustments	902,433	1,178,235
Retained earnings	531,957	709,170
Total equity	2,392,918	2,845,933
Total liabilities and equity	4,772,302	5,331,395

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

Novelis do Brasil Ltda.

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

	2017	2016
Net revenue (Note 17)	**4,960,845**	**5,648,449**
Cost of sales (Note 19)	(3,772,863)	(4,467,001)
Gross profit	**1,187,982**	**1,181,448**
Selling expenses (Note 19)	(25,756)	(14,670)
Administrative expenses (Note 19)	(88,883)	(73,903)
Other expenses, net (Note 18)	(269,174)	(309,851)
Operating profit before finance results	**804,169**	**783,025**
Finance results, net (Note 20)	28,905	(17,307)
Net foreign exchange and monetary gains (losses) (Note 21)	(73,095)	94,844
Net finance income	**(44,190)**	**77,537**
Profit before taxation	**759,979**	**860,562**
Income tax and social contribution		
Current (Note 15)	(249,811)	(291,501)
Deferred (Note 15)	55,175	(51,304)
Profit for the year	**565,343**	**517,757**
Earnings per quota	**0.59**	**0.54**

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

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

	2017	2016
Profit for the year	565,343	517,757
Other comprehensive income (loss)		
Items that will be reclassified to profit or loss		
Derivatives	1,021	16,330
Exclusive health plan	1,050	(907)
Items that will not be reclassified to profit or loss		
Currency translation adjustments (Note 16(c))	(265,835)	241,573
Total other comprehensive income	(263,764)	256,996
Total comprehensive income for the year	301,579	774,753

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

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Statement of changes in equity

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

	Share capital	Carrying value adjustments	Retained earnings	Total
At March 31, 2015	402,147	933,097	395,456	1,730,700
Profit for the year			517,757	517,757
Other comprehensive income (Note 17(c))		256,996		256,996
Total comprehensive income for the year		256,996	517,757	774,753
Transactions with stockholders				
Capital increase through capitalization of borrowing	556,381			556,381
Reclassifications				
Realization - deemed cost		(11,858)	11,858	-
Allocation of profit for the year				
Interest on capital (Note 16 (b))			(52,134)	(52,134)
Dividend distribution (Note 16(b))			(163,767)	(163,767)
Total distribution to quotaholders			(215,901)	(215,901)
At March 31, 2016	958,528	1,178,235	709,170	2,845,933
Profit for the year			565,343	565,343
Other comprehensive income		(263,764)		(263,764)
Total comprehensive income for the year		(263,764)	565,343	301,579
Transactions with stockholders				
Capital increase through capitalization of Borrowing				
Reclassifications				
Realization - deemed cost		(12,038)	12,038	
Allocation of profit for the year				
Dividend distribution (Note 16 (b))			(75,898)	(75,898)
Interest on capital (Note 16 (b))			(678,696)	(678,696)
Total distribution to quotaholders			(754,594)	(754,593)
At March 31, 2017	958,528	902,433	531,957	2,392,918

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

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Statement of cash flow
Years ended at March 31

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

	2017	2016
Cash flow from operating activities		
Profit for the year	565,343	517,757
Adjustments to reconcile profit for the year with cash provided by operating activities		
Depreciation and amortization	198,519	209,298
Profit on disposal of property, plant and equipment and intangible assets	21,754	19,321
Deferred income tax and social contribution	(55,175)	51,304
Transactions involving unsettled derivative instruments	(70,975)	14,981
Provision for contingencies	(371)	25,348
Updated fair value of borrowing	106	815
Proceeds from borrowing	(2,979)	(5,867)
Impairment		5,256
Interest on borrowing	10,393	11,556
	666,615	849,769
Changes in equity accounts		
Other comprehensive income	2,072	15,423
Changes in assets and liabilities		
Trade receivables	(138,463)	43,728
Inventory	(40,812)	75,998
Taxes recoverable	(17,273)	90,017
Other receivables	18,047	88,229
Judicial deposits	(6,026)	1,117
Assets held for sale	4,886	(398)
Trade payables	174,890	44,354
Salaries and social charges	7,653	(4,143)
Taxes and contributions payable	32,287	(51,814)
Tax refinancing	8,422	(31,166)
Derivative financial instruments	(6,886)	(35,234)
Payables to associates	56,134	(22,489)
Advances from customers	(1,749)	(8,621)
Contingencies	23,605	(6,810)
Other liabilities	(32,335)	(58,418)
Net cash provided by operating activities	751,067	989,542
Cash flow from investment activities		
Receipt of loans from related parties	99,018	89,696
Interest received on loans	4,956	6,517
Purchases of property, plant and equipment and intangible assets	(165,429)	(137,371)
Net cash used in investment activities	(61,455)	(41,159)

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

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Statement of cash flows
Years ended at March 31
All amounts in thousands of reais **(continued)**

	2017	2016
Cash flow from financing activities		
Payment of interest on borrowing from related parties		(1,676)
New borrowing	265,907	161,459
Payment of interest on borrowing from third parties	(9,390)	(11,034)
Repayment of borrowing from related parties		(107,635)
Payment of dividends	(678,696)	(163,200)
Repayment of borrowing from third parties	(360,277)	(485,029)
Interest on capital paid	(75,898)	(51,825)
Net cash used in financing activities	(858,354)	(658,939)
Effects of exchange rate changes on cash and cash equivalents	(59,358)	83,173
Increase/(Decrease) in cash and cash equivalents	(228,100)	372,617
Cash and cash equivalents at the beginning of the year	984,005	611,389
Cash and cash equivalents at the end of the year	755,905	984,005
Additional information on cash flow		
Income tax		
Payments	(177,983)	(206,720)
Social contribution on net income		
Payments	(63,993)	(76,033)
Non-cash transactions		
Capital increase through associated checking accounts	-	556,381

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

1 General information

Novelis do Brasil Ltda. (the “Company” or “Novelis”) is a subsidiary of Novelis Inc., headquartered in Atlanta, Georgia, USA. All of the common shares of Novelis Inc. are owned directly by AV Metalis Inc. and indirectly by Hindalco Industries Limited headquartered in Mumbai, the principal company of the multinational Aditya Birla Group.

The Novelis Group is the world leader in aluminum rolled products and aluminum recycling. Its production of aluminum sheet and foil is used mainly in beverage cans, automobiles, specialty products (including electronic goods, architectural and transportation, among others) and foil markets. The Novelis Group has factories in ten countries across four continents North America, South America, Asia and Europe, through 24 operating facilities, including recycling operations in eleven of these plants.

Novelis, with its headquarters in the city of São Paulo, has two plants located in Pindamonhangaba and Santo André, both in the state of São Paulo, which together carry out aluminum sheet and foil rolling, recycling and toll manufacturing operations. It has a total of around 1,500 employees.

The main markets served by Novelis are aluminum cans, specialty products, industrial, foil, packaging and transportation, with the beverage cans segment representing the main market.

Novelis also has eight collection centers distributed across five states (São Paulo, Minas Gerais, Bahia, Recife and Pará) and two small hydroelectric plants in the state of Minas Gerais.

With the goal of ensuring the growth of the aluminum rolling and recycling segments, Novelis has been restructuring its businesses starting in 2013, with the closing of an aluminum production line in Ouro Preto, the sale of the aluminum production assets, the sale of mining rights and properties, sale of its stake in Consórcio da Usina Hidroelétrica de Candonga (“Candonga Consortium”), and sale of the Maynart Energética and Brito Energética plants, all in the State of Minas Gerais.

The issue of these financial statements was authorized by the Company's Board of Directors on May 3rd, 2017.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The financial statements have been prepared using the historical cost as the value basis, and have been adjusted to reflect the "Deemed cost" of the fixed assets as at the date of the adoption of the new pronouncements issued by the Brazilian Accounting Pronouncements Committee ("CPCs") beginning on January 1, 2008 (the "transition date") and the financial assets and liabilities measured at fair value.

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

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

2.1 .1 New standards not yet effective

The following new standards were issued by the IASB but are not effective for the year ended March 31, 2017. The early adoption of standards, even though encouraged by the IASB, has not been implemented in Brazil by the Brazilian Accounting Pronouncements Committee (“CPC”).

. IFRS 9, "Financial Instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014 and is effective from January 10, 2018. It supersedes the guidance included in IAS 39 related to the classification and measurement of financial instruments. The main amendments introduced by IFRS 9 are: (i) new criteria for the classification of financial assets; (ii) a new impairment model for financial assets, which is a hybrid of expected and incurred losses, replacing the current model of incurred losses; and (iii) the relaxation of the requirements for the adoption of hedge accounting. Management has yet to assess IFRS 9’s full impact.

. IFRS 15 - "Revenue from Contracts with Customers" introduces the principles to be applied by an entity to determine the measurement and recognition of revenue. The effective date is January 1o, 2018 and it replaces IAS 11 - "Construction Contracts", IAS 18 - "Revenue" and the related interpretations. Management has yet to assess IFRS 15’s full impact.

. IFRS 16 - "Leases" - the new standard requires lessees to recognize the liability for future payments and the right of use of the leased asset for virtually all lease contracts, including operating leases. Certain short term and low-value contracts may be outside of the scope of this new standard. The criteria for recognition and measurement of leases in the lessors' financial statements of the lessors are substantially maintained. IFRS 16 is effective for years beginning on or after January 1, 2019 and it replaces IAS 17 - "Leases" and corresponding interpretations. Management is assessing the impact of the adoption of IFRS 16.

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

2.2 Foreign currency translation

(a) Functional currency

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

(b) Presentation currency

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

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

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

(c) Transactions and balances

Transactions in other currencies are translated into the functional currency using the exchange rates prevailing at the dates of the transactions, or the dates of valuation when items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the

translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income as monetary and foreign exchange variations.

2.3 Cash and cash equivalents

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

2.4 Financial assets

2.4.1 Classification

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

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

Financial assets are included in current assets, except for those with maturities greater than 12 months after the balance sheet date.

2.4.2 Recognition and measurement

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

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

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

2.4.3 Impairment of financial assets

Assets carried at amortized cost

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be

related objectively to an event occurring after the impairment was recognized, the reversal of the previously recorded loss is recognized in the statement of income.

2.5 Derivative financial instruments and hedging activities

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

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

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

The fair values of derivative instruments used for hedging purposes are disclosed in Note 7. Changes in the hedging amounts classified in "Carrying value adjustments" within equity are shown in the table of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Derivatives are classified as current assets or liabilities.

(a) Fair value hedges

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

The gain or loss relating to the effective portion of metal derivatives is recognized in the statement of income within "Cost of sales" and, in the case of foreign exchange exposure, within "Finance results, net".

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

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

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

(i) Cash flow hedge

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

(ii) Metal hedge (commodity)

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

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

(c) Derivatives at fair value through profit or loss

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

2.6 Trade receivables

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

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

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

2.7 Inventory

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

2.8 Non-current assets held for sale

Non-current assets are classified as held for sale when their carrying amounts are recoverable principally through a sale transaction, and a sale is considered highly probable.
They are stated at the lower of the carrying amount and fair value less costs to sell.

2.9 Property, plant and equipment

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

their costs to their residual values over their estimated useful lives.

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

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

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

	Years	Years (weighted average)
Buildings and improvements	10 to 40	30.4
Machinery and equipment	2 to 40	17.6
Vehicles	3 to 10	3.6
Furniture and fixtures	5 to 10	9

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

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

2.10 Impairment of non-financial assets

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

2.11 Trade payables and other payables

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

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

2.12 Borrowing

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

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

2.13 Provisions for contingencies and other liabilities

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

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

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

2.14 Current and deferred income tax and social contribution

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

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

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

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

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

2.15 Revenue recognition

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

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity, and the risks and rewards have been

transferred to the buyer. The Company's policy in relation to metal processing services is therefore to recognize revenue on the date on which the product is delivered to the buyer; that is, when the services have been completed.

2.16 Distribution of dividends and interest on capital

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

3 Critical accounting estimates and judgments

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

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

4 Financial risk management

4.1 Financial or market risks

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

(a) Market risk

(i) Foreign exchange risk

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

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

Considering that the Company's functional currency is the US$, and approximately 16% of its billing and 37% of its costs are in local currency (R$), the Company's risk management strategy is to hedge the appreciation of the Brazilian Real in relation to the US Dollar. Therefore, the Company's strategy to mitigate foreign exchange risk includes future contracts for hedging certain costs and projected revenue and investments in property, plant and equipment. Presented below are the total assets and liabilities that are exposed to foreign exchange risk:

	2017	2016
Assets		
Cash and cash equivalents	503,125	761,131
Receivables from third parties	223,719	154,108
Judicial deposits	9,842	10,082
Recoverable Value-Added Tax on Sales and Services (“ICMS – CIAP”) related to property, plant and equipment	26,084	18,542
Income tax and social contribution for offsetting – prepayments	41,553	98,416
National Telecommunications Fund (“FNT”) and Tax on Financial Transactions (“IOF”) judiciary bonds	-	23,350
	804,323	1,065,629
Liabilities		
Trade payables	(508,594)	(543,824)
Labor charges	(39,961)	(47,673)
Taxes payable	(130,948)	(137,522)
Tax refinancing	(208,470)	(213,610)
Borrowing - National Bank for Economic and Social Development (“BNDES”)	(11,668)	(34,808)
Contingencies	(21,368)	(8,160)
Provision for restructuring costs	(59,200)	(12,923)
Transfers of technology	(54,453)	(49,159)
	(1,034,662)	(1,047,679)
Net exposure	(230,339)	17,950

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

(ii) Commodity price risk

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

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

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

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

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

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

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

(iii) Interest rate risk

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

(b) Credit risk

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

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

(c) Liquidity risk

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

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

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

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

	Less than one year	Between one and two years	Between two and five years	More than five years	Total
At March 31, 2017					
Trade and other payables	586,447				586,447
Borrowing (*)	168,465	18,276	964		187,705
At March 31, 2016					
Trade and other payables	777,928				777,928
Borrowing	278,252				278,252

(*) The table above represents the balance sheet accounts as at March 31, 2017. However, the Company amortizes the interest on its main borrowing on a quarterly basis.
The future value of the borrowing up to the respective contractual maturity dates totals R$ 190,018 (2016 - R$ 280,501).

4.2 Capital management

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

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

4.3 Fair value estimation

(a) Fair value of financial instruments

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

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

(b) Classification

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

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

The table below classifies the Company's financial assets and liabilities by level using the fair value hierarchy. The Company did not have financial instruments classified at Levels 1 and 3 at March 31, 2017 or 2016:

Derivatives used for hedging (Level 2)	**2017**	**2016**
Assets	66,491	44,285
Liabilities	83,587	37,373

5 Financial instruments

(a) Classification by category

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

	Other liabilities	**Liabilities at fair value through profit or loss**	**Total**
Borrowing	187,706	-	187,706
Trade and other payables	1,037,790	-	1037.790
Derivative financial instruments	-	83,588	83,588
	1,225,496	83,588	1,309,084

			March 31, 2016
	Loans and receivables	**Assets at fair value through profit or loss**	**Total**
Cash and cash equivalents	984,005	-	984,005
Trade and other receivables, net	755,384	-	755,384
Derivative financial instruments	-	44,285	44,285
	1,739,389	44,285	1,783,673

	Other liabilities	**Liabilities carried at fair value profit or loss**	**Total**
Borrowing	309,591	-	309,591
Trade and other payables	968,812	-	968,812
Derivative financial instruments	-	37,373	37,373
	1,278,403	37,373	1,315,776

(b) Credit risk of the financial instruments

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

The Company operates with financial institutions classified mostly (64%) as “BB”, according to risk ratings from Standard & Poor’s Rating Services (“S&P”).
"BBB" – Has adequate capacity to fulfill financial obligations
“BB+” – Normal risk rating, capacity to honor commitments
"BB" – Less vulnerable than others classified below this ranking.

6 Cash and cash equivalents

	2017	2016
Cash on hand and in banks	198,899	226,926
Financial investments	557,006	757,079
	755,905	984,005

"Financial investments" refer mainly to fixed income transactions indexed to variations in the Interbank Deposit Certificate (CDI), with immediate liquidity. Income from financial investments recognized during the year, in the amount of R$ 26,218 (March 31, 2016 - R$ 37,171), was recorded as income from financial investments in the statement of income. At March 31, 2017 and 2016, the Company was not make use of any bank overdrafts.

7 Derivative financial instruments

The table below summarizes the gross fair value of the Company’s derivatives at March 31, 2017 and 2016:

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

					March 31, 2016
Type	**Assets**		**Liabilities**		**Total Assets (-) Liabilities**
	Current	**Non-Current**	**Current**	**Non-Current**	
Currency swap contracts	-	-	-	(17,583)	(17,583)
Aluminum contracts	11,839	-	(17,673)	(65)	(5,898)
Currency contracts	32,446	-	(860)	(1,194)	30,392
Total	**44,285**	**-**	**(18,532)**	**(18,841)**	**6,911**

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

Aluminum contracts

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

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

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

Notional (KT)

Purchase/(Sale)	**2017**	**2016**
Cash flow	44.4	47.2
Not designated	-	17.2
Total	**44.4**	**64.4**

Foreign exchange contracts

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

Notional (R$)	2017	2016
Currency swap contracts	21,071	34,808

8 Trade receivables

	2017	2016
Trade receivables, domestic	593,565	554,897
Trade receivables, foreign market	91,844	59,593
	685,409	614,490
Less - provision for impairment of trade receivables	(6,308)	-
	679,101	614,490

The aging analysis of these trade receivables is as follows:

	2017			2016		
	Past due	Not yet due	Total	Past due	Not yet due	Total
Up to 30 days	5,099	217,197	222,296	29.970	175,566	205,536
From 31 to 60 days	1,808	295,938	297,746	777	296,608	297.38
From 61 to 90 days	1,671	98,903	100,574	518	77,796	78,314
More than 90 days	8,333	50,152	58,485	9,925	23,330	33,255
	16,911	662,190	679,101	41,190	573,300	614,490

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

Credit quality of financial assets

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

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

The composition of receivables by customer classification is presented below:

	2017	2016
Group 1	436,899	529,085
Group 2	242,202	85,405
	679,101	614,490

9 Inventory

	2017	2016
Finished goods	149,353	115,849
Work in progress	162,569	177,171
Raw materials	13,413	34,044
Storeroom supplies	105,977	109,339
	431,312	436,403
Provision for inventory losses	(17,806)	(15,939)
	413,506	420,464

10 Property, plant and equipment

	Land, buildings and improvements	Machinery equipment and vehicles (i)	Property, plant and equipment in progress	Total
Closing balance at March 31, 2015	600,197	2,059,398	77,383	2,736,979
Purchases	-	897	133,777	134,674
Write-offs	(3,963)	(13,817)	(1,502)	(19,283)
Transfers	19,870	107,608	(127,480)	(2)
Depreciation	(23,321)	(183,979)	-	(207,300)
Translation adjustments	65,711	225,982	8,426	300,119
Net book value at March 31, 2016	658,494	2,196,089	90,603	2,945,187
Cost	855,956	3,466,358	90,603	4,412,918
Accumulated depreciation	(197,462)	(1,270,270)	-	(1,467,732)
Net book value at March 31, 2016	658,494	2,196,089	90,603	2,945,186
Closing balance at March 31, 2016	658,494	2,196,089	90,603	2,945,186
Purchases			163,667	163,667
Write-offs	(11,889)	(10,275)	663	(21,501)
Transfers	10,747	138,768	(149,515)	-
Depreciation	(21,893)	(176,626)		(198,519)
Translation adjustments	(71,329)	(239,035)	(10,778)	(321,142)

	Land, buildings and improvements	Machinery equipment and vehicles (i)	Property, plant and equipment in progress	Total
Net book value, at March 31, 2017	564,130	1,908,921	94,640	2,567,691
Cost	738,297	3,149,232	94,640	3,982,169
Accumulated depreciation	(174,167)	(1,240,311)	-	(1,414,478)
Net book value, at March 31, 2017	564,130	1,908,921	94,640	2,567,691

(i) The respective items of Machinery and equipment, considered as assets pledged as guarantee, linked to borrowing from third parties BNDES, amounted to R$ 29,718 in March 2017.

(a) Deemed cost

At January 1, 2008, the Company applied the deemed cost method, as permitted by CPC 27- "Property, Plant and Equipment". The Company recorded the deemed cost and reviewed the remaining useful lives of the land, buildings and machinery and equipment groups in conformity with the technical appraisal report issued by the internal appraisers at the transition date. As a consequence, assets increased by R$ 781,076 and the depreciation rates of property, plant and equipment were altered based on a review of the estimated economic useful lives of these items. Annually, or when indications of impairment are identified, the remaining useful lives of property, plant and equipment is reviewed.

(b) Non-current assets held for sale

Proceeding with the global strategy of focusing its business on the rolling and recycling segments, the Company decided to sell the last two operations related to hydroelectric energy generation, the net amount of which at March 31, 2016 was R$ 16,819 and which were classified as “Assets held for sale”.

During the year ended March 31, 2017, the Company recognized a gain of R$ 3,211 deriving from the sale of Brito Energética Ltda. The remaining electrical energy operation (Brecha Energética Ltda), whose residual value is R$ 10,283, remains classified in the line item “Assets held for sale”, awaiting the resolution of certain pending issues regarding the operating license.

Additionally, during the year ended March 31, 2017 the Company completed the sale of some properties in Ouro Preto and recognized a net gain of R$ 2,958.

(c) Other information

The depreciation of property, plant and equipment and amortization of intangible assets during the year ended March 31, 2017, allocated to cost of goods sold and administrative expenses, totaled R$ 198,519 (2016 – R$ 209,298) respectively.

11 Trade payables

The balance at March 31, 2017 of R$ 283,603 (2016 –R$ 207,584) reflects the reclassification between the account balances of trade payables – reverse factoring and other payables described below.

(a) Trade payables – reverse factoring

The Company has agreements entered into arrangements with certain financial institutions for reverse factoring with its main suppliers, allowing the Company to grant payment terms ranging from 30 to 90 days. As part of these transactions, the suppliers transfer the right to receive billed amounts from the Company's sales of metals (raw materials) to the financial institutions, which in turn will become the creditors of the transaction. The balance at March 31, 2017 is R$ 393,481 (2016 - R$ 409,152).

(b) Other payables

The Company entered into contracts with intermediary metal suppliers, for import-to-order operations, with an average payment term of 190 days. The balance at March 31, 2017 is R$ 257,942 (2016 - R$ 244,955).

The present value calculation was performed, but was not recorded at March 31, 2017 due to the immaterial results.

12 Borrowing

	Currency	Index and weighted average annual rate of interest and commission	Final maturity	2017	2016
Current					
Foreign currency					
From third parties		ACC			
Interest	US$	Interest of 1.83 to 2.25%	April 2016		2,921
Interest	US$	Interest of 3.30%	April 2017	2,039	-
Interest	US$	Interest of 3.45%	June 2017	2,678	-
				4,717	2,921
From third parties		4131			
Interest	US$	Interest of 2.00%	November 2016	-	1,295
				-	1,295
Local currency					
BNDES	R$	Interest of 5.50%	April 2017	82	87
				82	87
From third parties		Import financing			
Principal	US$	Interest of 1.83% to 2.25%	April 2016		160,151
Principal	US$	Interest of 3.30%	April 2017	63,368	
Principal	US$	Interest of 3.45%	June 2017	95,052	-
				158,420	160,151
From third parties		4131			
Principal	US$	Libor 12m + Interest of 2.00%	November 2016		113,885
				-	113,885

Local currency

BNDES (i)	R$	Interest of 5.5% to 8.7%	April 2017 to March 2018	5,247	5,245
				5,247	5,245
Total current				168,466	283,585
Noncurrent					
Foreign currency					
BNDES (i)	R$	Interest from 5.50% to 8.70%	December 2018 to April 2020		26,006
BNDES (i)	R$	Interest from 5.50% to 8.70%	December 2018 to April 2021	19,240	
				19,240	26,006
Total non-current				19,240	26,006
Total current and non-current				187,706	309,591

At March 31, 2017, the Company had credit limits with eight financial institutions amounting to approximately R$ 1,078,826 million (R$ 1,928 million at March 31, 2016). These lines were available to support the Company's operations, either in the form of Derivatives, Working Capital or Guarantees.

(i) The financing obtained from the National Bank for Economic and Social Development (BNDES) is guaranteed by Company's equipment amounting to R$ 29,718 at March 31, 2017 (2016 - R$ 31,251).

13 Provision for contingencies and judicial deposits

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

The provision for probable losses arising from contingent liabilities is estimated and adjusted by management, supported by the opinion of external or internal attorneys. The contingent liabilities for which losses are classified as possible are not recognized in the accounting records, and are disclosed in the notes to the financial statements. The contingent liabilities for these losses are classified as remote and are neither recognized nor disclosed.

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

	Judicial deposits		Provision for contingencies	
	2017	**2016**	**2017**	**2016**
Tax contingencies	9,401	8,671	1,622	1,660
Labor and civil contingencies	12,286	9,060	68,465	52,014
Other deposits	480	670		
	22,167	18,401	70,087	53,674

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

	Labor	Civil	Tax	Total
At March 31, 2015	21,951	3,699	8,540	34,189
Additions/(reversals)	8,111	16,966		25,077
Interest/monetary adjustments			270	270
Transfers to "Tax refinancing"			(6,358)	(6,358)
Write-offs	(366)		(86)	(452)
Translation adjustments	(449)	2,101	(706)	947
At March 31, 2016	29,248	22,766	1,660	53,674
Additions/(reversals)	(372)	19,358		18,986
Interest/monetary adjustments			38	38
Transfers to "Tax refinancing"				
Write-offs	(2,105)	(8)	(102)	(2,215)
Translation adjustments	(297)	(125)	26	(396)
At March 31, 2017	26,474	41,991	1,622	70,087

(a) Labor claims

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

We point out a labor claim filed by the Metalworkers Union of Candeias - BA, requiring that the court recognize a mass dismissal, and award indemnification to the dismissed employees, as a result

of the closure of the plant located in Aratu - BA in 2010, mentioned above. The Company has a provision amounting to R$ 18,649 at March 31, 2017.

(b) Civil claims

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

(c) Tax claims

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

(d) Possible losses

At March 31, 2017, the Company had lawsuits in which losses are considered possible by external and internal legal advisors amounting to R$ 169,839 (2016 – R$ 176,745). These lawsuits are not accrued and are related to tax, labor, civil and environmental matters.

Possible losses by nature

	2017	2016
Civil	8,275	15,295
Environmental	386	326
Labor	27,353	25,569
Tax	133,825	135,555
	169,839	176,745

14 Tax refinancing - Current

	IPI	Other	Total
At March 31, 2015	18,797	1,537	20,334
Additions			
Interest/monetary adjustments			
Transfers	7,012	(1,188)	5,824
Amortization			
Translation adjustments	(473)	121	(352)
At March 31, 2016	25,336	470	25,806
Additions			
Interest/monetary adjustments			
Transfers	(828)	2,200	1,372
Amortization			
Translation adjustments	829	(128)	701
At March 31, 2017	25,337	2,542	27,879

Tax refinancing – Non-current

	IPI	Other	Total
At March 31, 2015	204,902	8,503	213,405
Additions			
Interest/monetary adjustments	18,249	363	18,612
Transfers	(7,012)	1,188	(5,824)
Amortization	(24,362)	(452)	(24,814)
Translation adjustments	360	846	1,206
At March 31, 2016	192,137	10,448	202,585
Additions			
Interest/monetary adjustments	16,722	(8,383)	8,339
Transfers	828	(2,200)	(1,372)
Amortization	(26,791)	(2,474)	(29,265)
Translation adjustments	(670)	3,922	3,252
At March 31, 2017	182,226	1,313	183,539

The Company filed a lawsuit asserting its right to receive IPI credits arising from purchases of products that are subject to a zero rate ("Zero Rate IPI Case") and to offset them in the respective year through the installment payment program, dividing the payment into 180 fixed installments. The movements of such liabilities between March 2015 and March 2017 are shown above.

15 Deferred income tax and social contribution

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

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

	2015	Additions/ exclusions	Functional currency effect	Translation adjustments	2016	Additions/ exclusions	Functional currency effect	Translation adjustments	2017
Assets									
Temporarily non-deductible Provisions	68,219	(18,160)	(7,523)	7,669	50,205	(12,420)	5,720	(5,240)	38,265
	68,219	(18,160)	(7,523)	7,669	50,205	(12,420)	5,720	(5,240)	38,265
Liabilities									
Foreign exchange variations taxed on a cash basis	(24,876)	(24,876)	3,644	(3,461)	(57,899)	9,018	(6,599)	6,526	(49,224)
PP&E/intangible assets/ inventory/hedge accounting (*)	(86,727)	(86,727)	60,232	(59,531)	(632,237)	(10,643)	68,619	67,049	(507,012)
	(111,603)	(111,603)	63,876	(62,992)	(690,136)	(1,625)	62,020	73,305	(556,436)
	(129,763)	(129,763)	56,353	(55,323)	(639,931)	(14,045)	67,740	68,065	(518,171)

(*)Substantially resulting from temporary differences, as described further in (b).

(a) Reconciliation of income tax and social contribution

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

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

	2017	2016
Profit before income tax and social contribution	759,978	860,562
Tax calculated based on local tax rates (34%)	258,393	292,591
Non-taxable income	(27,271)	(16,999)
Tax incentives	(4,145)	(6,567)
Effect of the translation of the result	25,680	46,457
Provision for tax relating to legal and administrative disputes	6,530	1,507
Functional currency effect on deferred tax	(64,551)	25,817
Income tax and social contribution for the year	194,636	342,805
Current	249,811	291,501
Deferred	(55,175)	51,304
	194,636	342,805

16 Equity

(a) Share capital

The share capital, subscribed and paid up at March 31, 2017, amounted to R$ 958,528, made up of quotas of R$ 1.00 each.

(b) Interest on capital and dividends

Under the Company's bylaws and in conformity with Law 9,249/95, on April 13, 2016, June 6, 2016 and December 14, 2016, management approved the distribution to the quotaholders of interest on capital, calculated based on the variations of the long term interest rate (“TJLP”).

The amount of interest on capital approved was R$ 75,040, net of taxes - R$ 63,784 (2016 - 51, 825, net of taxes - R$ 43,592). The tax benefits generated by the payment of dividends in the form of interest on capital were recorded in the year's result.

In addition, dividends amounting to R$ 685,565 (2016 - R$ 163,200) were distributed, approved by the Company's management on April 13, 2016 and June 6, 2016.

(c) Carrying value adjustments

Composition of the carrying value adjustments

	Deemed cost	Derivatives	Cumulative translation adjustments, net	Pension reserve	Total
At March 31, 2015	147,906	1,058	786,129	(1,996)	933,097
Deemed cost realization	(11,857)				(11,858)
Derivatives (“OCI”)*		16,330			16,330
Pension reserve				(907)	(907)
Cumulative translation adjustments			241,572		241,572
At March 31, 2016	136,049	17,388	1,027,701	(2,903)	1,178,235
Deemed cost realization	(12,038)				(12,038)
Derivatives (“OCI”)*		1,021			1,021
Pension reserve				1,050	1,050
Cumulative translation adjustment			(265,835)		(265,835)
At March 31, 2017	124,011	18,409	761,866	(.1853)	902,433

(*) Derivatives (“OCI”) – Other comprehensive income

17 Net revenue

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

	2017	2016
Gross revenue		
Sales of goods		
Domestic market	4,871,498	5,733,244
Foreign market	567,761	690,191
Provision of services	502,702	396,683
	5,941,961	6,820,118
Deductions		
Taxes on invoicing	(915,333)	(1,075,326)
Cancellations and abatements	(65,783)	(96,343)
	(981,116)	(1,171,669)
Net revenue	4,960,845	5,648,449

18 Other expenses, net

	2017	2016
Development of businesses and projects	(627)	(3,685)
Restructuring costs	(11,143)	(6,445)
Transfer of technology	(207,805)	(243,338)
Donations	(3,815)	(6,303)
Other taxes and duties	(10,432)	(7,812)
Taxes on remittances abroad	(30,993)	(32,753)
Net gain (loss) on disposal of property, plant and equipment	-	(2,854)
Other income and expenses, net	(4,359)	(6,662)
	(269,174)	(309,851)

19 Expenses by nature

	2017	2016
Personnel	(189,868)	(172,661)
Depreciation and amortization	(198,519)	(209,298)
Materials, energy and services of third parties	(329,849)	(356,430)
Maintenance and occupancy	(129,758)	(119,746)
Freight	(99,286)	(103,073)
Raw materials and others	(2,940,222)	(3,594,366)
Total cost of sales, selling and administrative expenses	(3,887,502)	(4,555,575)
Classified as follow:		
Cost of sales	(3,772,863)	(4,467,001)
Selling expenses	(25,756)	(14,670)
Administrative expenses	(88,883)	(73,903)
	(3,887,502)	(4,555,575)

20 Finance results, net

	2017	2016
Financial discounts received	(39)	1,228
Financial charges on discounting of trade notes	(23,170)	(33,832)
Financial charges on borrowing	(11,358)	(12,024)
Interest received from third parties	266	498
Transactions involving derivatives - unsettled	70,975	(14,981)
Transactions involving derivatives – settled	(25,447)	19,108
Income from financial investments	26,219	37,171
Monetary adjustment of taxes and contingencies	(12,127)	(20,743)
Other	3,586	6,268
Net financial results	28,905	(17,307)

21 Net foreign exchange and monetary gains (losses)

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

	2017	2016
Foreign exchange variation	(30,740)	(68,777)
Monetary adjustment of taxes and contingencies	(42,355)	(26,067)
	(73,095)	(94,844)

22 Related party transactions

(a) Transactions and balances between related parties

(i) Transactions

	2017	2016
Purchases of products		
Novelis – Korea	44	1,520
Novelis – Solatens	-	685
Novelis – Corporation	-	722
	44	2,927
Sales of products		
Novelis – Solatens	108	-
Novelis – MEA	205,237	301,190
Novelis – Logan	-	20,716
Novelis – Oswego	-	176
	205,345	322,082
Technology transfer expenses		
Novelis – UK	207,805	243,338
Interest income		
Financial charges on borrowing	3,103	5,792
Finance costs		
Financial charges on borrowing	-	2,050

(ii) Balances

		2017	2016
Current assets			
Trade receivables			
Novelis – MEA		54,200	64,140
Novelis – United States		655	199
Novelis – Switzerland		-	1,238
Novelis – Korea		9	-
		54,864	65,577
Long term receivables			
Novelis Corp – United States	(Exchange variations+4.16% p.a. plus LIBOR)	-	106,767
Novelis Corp – United States (charges)		-	2,131
			108,898
Current liabilities			
Other payables			
Novelis – United States		94,307	45,589
Novelis – Switzerland		-	32
Novelis – MEA		194	-
		94,501	45,621

(b) Key management compensation

Key management includes the Company's directors and managers. The compensation paid or payable to key management for their services, comprised of salaries and social charges, profit sharing and reimbursement of expenses, in the year ended March 31, 2017 amounted to R$ 15,649 (2016 - R$ 16,353).

23 Other liabilities

The following table presents the balances of other liabilities for the years ended March 31, 2017 and March 31, 2016, respectively:

	2017	2016
Current liabilities		
Provision for restructuring costs	33,291	53,981
Provision for contracts with customers	12,152	44,625
Provision for freight	8,611	18,267
Commitments payable	11,129	11,743
Bonuses	7,722	2,407
Exclusive health plan	574	430
Other provisions	14,374	23,094
	87,853	154,547

	2017	2016
Non-current liabilities		
Provision for restructuring costs	25,527	14,888
Bonuses	5,104	7,076
Exclusive health plan	5,388	1,689
Provision for disposal of assets	1,842	1,874
Provision for group life insurance	5,569	5,862
Other provisions	3,578	412
	47,008	31,801

24 Insurance

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

At March 31, 2017, the Company had the following insurance policies, contracted with third parties:

Lines	**Amounts insured (unaudited)**
Fire damage to property, plant and equipment	
Property	4,907
Small hydroelectric power plants	71
Multi-risk	39
	5,017
Civil liability	4
	5,021

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