(A free translation of the original in Portuguese)

## Independent auditor's report

To the Management and Quotaholders
Novelis do Brasil Ltda.

We have audited the accompanying financial statements of Novelis do Brasil Ltda. (the "Company"), which comprise the balance sheet as at March 31, 2015 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices adopted in Brazil and 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.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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Novelis do Brasil Ltda.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Novelis do Brasil Ltda. as at March 31, 2015, and its financial performance and its 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).

São Paulo, May 19, 2015

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Tadeu Cendón Ferreira
Contador CRC 1SP188352/O-5

(A free translation of the original in Portuguese)

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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 | 2015 | 2014 |
|---|---|---|
| Current assets | | |
| Cash and cash equivalents (Note 6) | 611,389 | 72,554 |
| Trade receivables (Note 8) | 659,750 | 484,442 |
| Inventories (Note 9) | 446,960 | 300,109 |
| Taxes recoverable | 92,810 | 41,656 |
| Derivative financial instruments (Note 7) | 31,530 | 22,619 |
| Other receivables | 126,647 | 22,671 |
| | 1,969,086 | 944,051 |
| Non-current assets held for sale (Note 2.8) | 19,504 | 167,880 |
| | 1,988,590 | 1,111,931 |
| Non-current assets | | |
| Long-term receivables | | |
| Related parties (Note 22) | 178,940 | 79,205 |
| Taxes recoverable | 22,702 | 28,283 |
| Judicial deposits (Note 13) | 17,586 | 20,358 |
| Other receivables | 12,494 | 830 |
| | 231,722 | 128,676 |
| Investments | 3 | - |
| Intangible assets | 3,066 | 2,361 |
| Property, plant and equipment (Note 10) | 2,736,979 | 1,974,494 |
| | 2,971,770 | 2,105,531 |
| Total assets | 4,960,360 | 3,217,462 |

| Liabilities and equity | 2015 | 2014 |
|---|---|---|
| Current liabilities | | |
| Trade payables ( Note 11 ) | 737,084 | 351,810 |
| Borrowings (Note 12) | 542,358 | 253,898 |
| Borrowings from related parties (Notes 12 and 22) | 2,828 | 2,608 |
| Salaries, provisions and social charges | 46,548 | 45,082 |
| Current income tax and social contribution payable | 69,353 | 41,905 |
| Other taxes and contributions payable | 42,599 | 18,341 |
| Tax refinancing (Note 15) | 23,776 | 25,029 |
| Derivative financial instruments (Note 7) | 12,950 | 21,336 |
| Payables to associates (Note 22) | 61,231 | 45,176 |
| Advances from customers | 17,774 | 17,083 |
| Other liabilities | 149,242 | 73,526 |
| | 1,705,743 | 895,794 |
| Liabilities related to non-current assets held for sale (Note 2.8) | - | 18,363 |
| | 1,705,743 | 914,157 |
| Non-current liabilities | | |
| Borrowings from related parties (Notes 12 and 22) | 657,640 | 565,750 |
| Borrowings (Note 12) | 29,067 | 28,912 |
| Deferred income tax and social contribution (Note 15) | 511,198 | 366,018 |
| Tax refinancing (Note 14) | 209,964 | 217,596 |
| Derivative financial instruments (Note 7) | 18,688 | 9,813 |
| Provision for contingencies (Note 13) | 34,189 | 33,972 |
| Other payables | 63,171 | 50,551 |
| | 1,523,917 | 1,272,612 |
| Total liabilities | 3,229,660 | 2,186,769 |
| Equity | | |
| Share capital (Note 16) | 402,147 | 402,147 |
| Carrying value adjustments | 933,097 | 484,471 |
| Retained earnings | 395,456 | 144,075 |
| Total equity | 1,730,700 | 1,030,693 |
| Total liabilities and equity | 4,960,360 | 3,217,462 |

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

## Novelis do Brasil Ltda.

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

| | 2015 | 2014 |
|---|---|---|
| **Net revenue (Note 17)** | **4,579,634** | **3,568,936** |
| Cost of sales (Note 19) | (3,894,643) | (3,028,043) |
| **Gross profit** | **684,991** | **540,893** |
| Selling expenses (Note 19) | (13,250) | (14,646) |
| Administrative expenses (Note 19) | (77,209) | (72,661) |
| Other expenses, net (Note 18) | (248,965) | (261,374) |
| **Operating profit before finance results** | **345,567** | **192,212** |
| Finance results, net (Note 20) | (20,450) | (5,676) |
| Net foreign exchange and monetary gains (losses) (Note 21) | 129,097 | 23,879 |
| **Net finance income** | **108,647** | **18,203** |
| **Profit before taxation** | **454,214** | **210,415** |
| Income tax and social contribution | | |
| Current (Note 15) | (177,506) | (110,433) |
| Deferred (Note 15) | (4,164) | 26,978 |
| **Profit for the year** | **272,544** | **126,960** |

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

## Novelis do Brasil Ltda.

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

| | 2015 | 2014 |
|---|---|---|
| **Profit for the year** | 272,544 | 126,960 |
| **Other comprehensive income (loss)** | | |
| *Items that will be reclassified to profit or loss* | | |
| Derivatives | 4,883 | (7,619) |
| Pension reserve | 322 | (2,318) |
| *Items that will not be reclassified to profit or loss* | | |
| Currency translation adjustments | 487,260 | 155,444 |
| Realization of deemed costs | (43,839) | (51,590) |
| | 448,626 | 93,907 |
| Transfer of realization of deemed costs | 43,839 | 51,590 |
| **Total comprehensive income for the year** | 765,009 | 272,467 |

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

## Novelis do Brasil Ltda.

### Statement of changes in equity

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

| | Share capital | Carrying value adjustments | Retained earnings | Total |
|---|---|---|---|---|
| **At March 31, 2013** | 376,216 | 390,554 | 354,422 | 1,121,192 |
| Profit for the year | - | - | 126,960 | 126,960 |
| Other comprehensive income | - | 93,917 | 51,590 | 145,507 |
| | - | - | - | - |
| Total comprehensive income for the year | - | 93,917 | 178,550 | 272,467 |
| Capital increase | | | | |
| With associated checking accounts | 25,931 | - | - | 25,931 |
| Total capital increase | 25,931 | - | - | 25,931 |
| Allocation of profit for the year | | | | |
| Interest on capital (Note 16 (b)) | - | - | (30,767) | (30,767) |
| Dividend distribution (Note 16(b)) | - | - | (358,130) | (358,130) |
| Total distribution to quotaholders | - | - | (388,897) | (388,897) |
| **At March 31, 2014** | 402,147 | 484,471 | 144,075 | 1,030,693 |
| Profit for the year | - | - | 272,544 | 272,544 |
| Other comprehensive income | - | 448,626 | 43,839 | 492,465 |
| Total comprehensive income for the year | - | 448,626 | 316,383 | 765,009 |
| Allocation of profit for the year | | | | |
| Interest on capital (Note 16 (b)) | - | - | (21,172) | (21,172) |
| Dividend distribution (Note 16(b)) | - | - | (60,266) | (60,266) |
| Write-off of goodwill – sale of business | - | - | 16,436 | 16,436 |
| Total distribution to quotaholders | - | - | (65,002) | (65,002) |
| **At March 31, 2015** | 402,147 | 933,097 | 395,456 | 1,730,700 |

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

## Novelis do Brasil Ltda.

**Statement of cash flow**
**Years ended March 31**
**All amounts in thousands of reais** (A free translation of the original in Portuguese)

| | 2015 | 2014 |
|---|---|---|
| **Cash flow from operating activities** | | |
| **Profit for the year** | 272,544 | 126,960 |
| **Adjustments to reconcile profit for the year to cash provided by operating activities** | | |
| Depreciation and amortization | 152,629 | 151,362 |
| Impairment | - | 39,088 |
| Loss (profit) on disposal of property, plant and equipment/ and intangible assets | 5,330 | 20,109 |
| Deferred income tax and social contribution | 4,164 | (26,978) |
| Transactions with unsettled derivative instruments | (5330) | 2,324 |
| Provision for contingencies | 8,669 | 4,054 |
| Updated fair value of borrowings | 1,866 | 1,879 |
| Proceeds from borrowings | (4,675) | (2,205) |
| Interest on borrowings | 29,240 | 19,918 |
| | 464,437 | 336,511 |
| Changes in equity accounts | | |
| Other comprehensive income | 5,205 | (9,937) |
| Other changes in equity | 16,436 | - |
| Changes in assets and liabilities | | |
| Trade receivables | 20,840 | (62,355) |
| Inventories | (16,622) | (54,276) |
| Taxes recoverable | (12,639) | 2,415 |
| Other receivables | (123,110) | 8,233 |
| Judicial deposits | 8,704 | 15,664 |
| Assets held for sale | - | (5,912) |
| Liabilities related to assets held for sale | - | 18,258 |
| Trade payables | 184,036 | 67,779 |
| Salaries and social charges | (13,403) | 14,365 |
| Taxes and contributions payable | 22,583 | 19,682 |
| Tax refinancing | (85,090) | (45,008) |
| Derivative financial instruments | (3,922) | 6,631 |
| Payables to associates | (2,170) | 7,796 |
| Advances from customers | (4,975) | 2,993 |
| Contingencies | (8,221) | (9,789) |
| Other liabilities | 28,209 | 28,384 |
| **Net cash provided by operating activities** | 480,297 | 341,434 |
| **Cash flow from investment activities** | | |
| Proceeds from sales of property, plant and equipment and assets held for sale | 189,992 | 18,663 |
| Loans receivable from related parties | (49,540) | - |
| Interest received on loans | 2,745 | 2,205 |
| Capitalized interest | - | (10,246) |
| Purchases of property, plant and equipment and intangible assets | (109,842) | (248,261) |
| **Net cash (used in) investment activities** | 33,355 | (237,639) |

## Novelis do Brasil Ltda.

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

| | 2015 | 2014 |
|---|---|---|
| **Cash flow by financing activities** | | |
| Payment of interest on borrowings from related parties | (11,684) | (11,391) |
| New borrowings | 776,098 | 329,761 |
| Payment of interest on borrowing from third parties | (15,330) | (8,718) |
| Repayment of borrowings from related parties | (111,789) | - |
| Payment of dividends | (60,266) | (358,130) |
| Repayment of borrowings from third parties | (642,978) | (305,935) |
| Interest on capital paid | (21,172) | (4,836) |
| **Net cash provided by (used in) financing activities** | (87,120) | (359,249) |
| **Effects of exchange rate changes on cash and cash equivalents** | 112,303 | 39,975 |
| **(Decrease) increase in cash and cash equivalents** | 538,835 | (215,479) |
| **Cash and cash equivalents at the beginning of the year** | 72,554 | 288,033 |
| **Cash and cash equivalents at the end of the year** | 611,389 | 72,554 |
| **Additional information on cash flow** | | |
| Income Tax | | |
| Payments | (118.772) | (68.762) |
| Social contribution on net income | | |
| Payments | (43.839) | (25.361) |
| **Non-cash transactions** | | |
| Capital increase with associated checking accounts | - | 25,931 |

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

## 1 General information

The Novelis Group is the world leader in aluminum rolled products and aluminum recycling. Based on the Company's capacity, commitment to innovation and cutting-edge technology, Novelis offers sustainable solutions for the most demanding applications, which include automobiles, beverage cans, architecture materials and electronic goods.

Most of the Company's aluminum products are made from recyclable materials, preserving natural resources and allowing the creation of products with a lower environmental impact.

Novelis do Brasil Ltda. (the "Company" or "Novelis") is a subsidiary of Novelis Inc., headquartered in Atlanta, Georgia, USA. Novelis Inc. belongs to Hindalco Industries Limited headquartered in Mumbai, the main company of the multinational Aditya Birla Group.

Novelis, with its headquarters in the city of São Paulo, has 2 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.

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

In response to the increasing demand for our products, we expanded the Pindamonhangaba plant in fiscal year 2013, installed a new beverage can painting line, and increased its aluminum recycling capacity in the fiscal year 2014.

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. It has a total of around 1,500 employees.

In 2013 Novelis started restructuring its non-strategic businesses, with the sale of the aluminum production assets and the closing of an aluminum production line in Ouro Preto, Minas Gerais.

In December 2014, continuing its global strategy of focusing its business on the rolling segment, Novelis sold its mining rights, closed the remaining operations of the production unit in Ouro Preto, Minas Gerais, and sold its stake in Consórcio da Usina Hidroelétrica de Candonga ("Candonga Consortium"). In February 2015 the Company also sold Usina Maynart Energética, which comprised six small hydroelectric plants, all of them in the State of Minas Gerais.

The issue of these financial statements was authorized by the Company's Board of Directors on April 30, 2015.

## 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, unless otherwise stated.

### 2.1 Basis of preparation

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

### (a) Financial statements

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 (“CPCs”) and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Joint operations

The Candonga Consortium was incorporated under the terms of Article 278 of Law 6,404/76, which establishes that the consortium is not a legal entity, and that the consortium companies should individually account for their proportionate share of the consortium’s assets and liabilities, without the assumption of joint liability. In this context, Novelis’ stake in the consortium (corresponding to a 50% stake) was reflected in these financial statements until December 10, 2014, when Novelis’ stake in the consortium was sold to a third party. In 2014 this represented a net amount of R$ 87,991 in the related asset and liability accounts, mainly recorded in non-current assets held for sale.

## 2.2 Foreign currency translation

### (a) Functional currency

After an analysis of the operations and business of Novelis, mainly with respect to the determination of its functional currency, 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. The balance is presented net of bank overdrafts in the statement of cash flow, as presented in Note 6.

### 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.

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

Purchases and sales of financial assets are recognized on the trade date – the date on which the Company commits to purchase or sell the asset. When applicable, investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried 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 from the investments have expired or have been transferred, and the Company has transferred substantially all of the risks and rewards of ownership. 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 value of the 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 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 (excluding future credit losses that have not been incurred) 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. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

## 2.5 Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date 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 hedges).

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 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 in 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 a current asset or liability.

### (a) Fair value hedge

Changes in the fair value 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 against the risk of fluctuations in the metal price (commodity), interest on borrowings and foreign exchange exposure.

The gain or loss relating to the effective portion of the 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 hedge and metal hedge (commodity)**

The effective portion of changes in the fair value 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 when 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 follow:

***(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 borrowings 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".

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

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value 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 or delinquency is identified by the Company's credit and legal areas. In practice, they are usually recognized at the amount billed, adjusted by the provision for impairment, if necessary.

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

## 2.7 Inventories

Inventories are 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. Net realizable value is the estimated selling price in the ordinary course of business, less conclusion costs and selling expenses.

## 2.8 Non-current assets held for sale

Non-current assets are classified as held for sale when their carrying amount is to be recovered 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 cost and depreciated on a straight line basis, taking into consideration the estimated economic useful lives of the related components.

The costs of borrowings used to finance the construction of property, plant and equipment are capitalized during the period necessary to construct and prepare the asset for its intended use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with these costs will flow to the Company, and they can be measured reliably. The carrying amounts of the replaced items or parts are derecognized. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

Land is not depreciated. 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 | 6.7 to 40 | 16 |
| Machinery and equipment | 3 to 40 | 10 |
| Vehicles | 3 to 5 | 3 |
| Furniture and fixtures | 4 to 10 | 4 |

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 amount 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)). 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

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 in 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 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred, and are 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 borrowings using the effective interest rate method.

Borrowings 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

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 comprises 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 at the balance sheet date. Management periodically evaluates the positions taken by the Company in its income tax returns in situations where 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 by 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 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 comprises 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 its amount can be reliably measured, it is probable that future economic benefits will flow to the entity, and the risks and rewards had been transferred to the buyer. The Company's policy for revenue recognition, therefore, is the date on which the product is delivered to the buyer. Revenue from the provision of metal processing services is recognized when the product is delivered to the buyer, that is, when the services are 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 concerning 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 are related to the impairment of non-financial assets, as detailed in Note 2.11.

## 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, with 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 organization's exposure as regards its assets and liabilities in a currency different from its functional currency.

Similarly to the fluctuations in exchange rates, the amounts of assets and liabilities also fluctuate, with an impact on the company's overall value.

Since approximately 7% of the Company's billing and 22% of its costs are in local currency (R$), the strategy is to hedge the portion of the appreciation of the Brazilian Real in relation to the US Dollar. Therefore, the Company's strategy to mitigate foreign exchange risk includes futures using contracts to hedge 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:

| | 2015 | 2014 |
|---|---|---|
| Assets | | |
| Cash and cash equivalents | 441,352 | 72,111 |
| Receivables from third parties | 90,949 | 77,290 |
| Judicial deposits | 17,587 | 20,358 |
| Recoverable Value-Added Tax on Sales and Services (ICMS on property, plant and equipment (Credit over Fixed Assets ("CIAP")) | 22,704 | 28,283 |
| Income tax and social contribution for offsetting - prepayments | 47,369 | 27,365 |
| Other taxes recoverable | 18,808 | 14,268 |
| Other | 25,853 | 17,749 |
| National Telecommunications Fund ("FNT") and Tax on Financial Transactions ("IOF") processes | 12,938 | 9,390 |
| | 677,560 | 266,814 |
| Liabilities | | |
| Trade payables | (526,512) | (332,757) |
| Labor charges | (61,272) | (41,455) |
| Taxes payable | (63,724) | (72,919) |
| Other accounts | (52,477) | (86,329) |
| Tax refinancing | (242,101) | (236,956) |
| Borrowings - National Bank for Economic and Social Development ("BNDES") | (21,833) | (28,970) |
| Contingency | (22,396) | (18,262) |
| Provision for restructuring | (79,835) | (18,450) |
| Transfer of technology | (59,849) | (40,975) |
| | (1,129,999) | (877,073) |
| Net exposure | (452,439) | (610,259) |

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 controlled 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 carried out by the head office. The Company's current net exposure is negative, due to a higher volume of short-term liabilities "Trade payables" and long-term liabilities "Tax refinancing" ,"Contingency" and "Provision for restructuring", less mainly short-term assets "Cash and cash equivalents", "Receivables from third parties" and "Judicial deposits". Taking into consideration an upward or downward variation of 29% in the exchange rate, the impact on income and equity would be approximately R$ 73 million (2014 - R$ 61 million), being an exchange loss when the Brazilian Real appreciates in relation to the US Dollar or an exchange gain when it depreciates.

**(ii) Commodity price risk**

Commodity price risk is the risk of changes in the prices of the raw materials used by the Company, which impacts the results. The factors that may affect the commodity prices include policy, 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 the final product that derives 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 swaps and futures contracts.

The Company's business is conducted through a model for the conversion of metal that permits the passing on of the increases and reductions in the 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 London Metals Exchange ("LME") 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 under 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 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. Taking into consideration the maintenance of the level of efficiency of the coverage of derivatives related to the exposure to the metal price lag, the impact (gain) during 2015 was R$ 23.8 million in cost of sales, mostly comprised of items to which it is not possible to apply derivative instruments, such as market premiums and *contango*.

### (iii) Interest rate risk

Interest rate risk is the risk related to changes in investment values or borrowing costs due to changes in interest rates, and the Company continuously monitors its exposure to market interest rates. A positive change is good, but without an appropriate planning or hedging, the change may be negative and reduce the company's overall value.

### (b) Credit risk

The credit risk refers to the possibility of not receiving the principal amount negotiated due to default, 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 Company's sales policy is closely associated with the level of credit risk to which it 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 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 represents the possibility of losses due to the inability to carry out a transaction in a reasonable time and without significant loss of value. The second relates to the possibility of lack of funds to honor commitments assumed 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 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 (ii) | Between one and two years (ii) | Between two and five years (ii) | More than five years (ii) | Total |
|---|---|---|---|---|---|
| At March 31, 2015 | | | | | |
| Trade and other payables | 934,696 | - | - | - | 934,696 |
| Borrowings (*) | 537,001 | - | 256,640 | 403,828 | 1,197,469 |
| At March 31, 2014 | | | | | |
| Trade and other payables | 127,853 | 1,095 | - | 291,870 | 420,818 |
| Borrowings (*) | 256,506 | - | 308,967 | 285,695 | 851,168 |

(*) The table above represents the balance sheet accounts at March 31, 2015. However, the Company amortizes the interest for its main borrowing on a quarterly basis.
The future value of the borrowings to the respective contractual maturity dates totals R$ 1,203,476 (2014 - R$ 871,642).

### 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.

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. Capital is not managed at Company level but at the consolidated level by the parent company.

## 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 by means of the application of methodologies the Company considers appropriate, in order to better evaluate each type of instrument, and considerable judgment is necessary to interpret market data in order to produce the most adequate fair value estimation.

As a consequence, the estimates presented below do not necessarily indicate the amounts that can be realized in the current market. The use of different hypotheses and/or methodologies may have a material effect on the estimated realizable values.
The methods below were used to estimate the fair value of each class of financial instrument for which it is practical to estimate a fair value.

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

The Company considers the fair value to be the price that would be received to sell an asset or paid to settle a liability in an arm's length transaction on the balance sheet date. The Company applies the same data or assumptions that other market players would utilize to determine the price of the asset or liability in question, including assumptions on risk and the risks inherent to the sources used by fair valuation techniques. The Company primarily applies the market method for recurring fair value measurements, and seeks to utilize the best information available. Accordingly, the Company adopts techniques that maximize the utilization of sources of observable information and minimize the utilization of sources of unobservable information. The Company classifies the balances hierarchically according to the quality of the sources utilized to generate the fair value prices for financial instruments measured at fair value in the balance sheet. The hierarchy comprises three levels of fair value, as follow:

(i) Level 1- the quoted prices are available in highly liquid markets for identical assets and liabilities on the date of the financial statements.

(ii) Level 2- the prices utilized are different from those quoted in highly liquid markets included in Level 1; however, they are directly or indirectly observable as at the date of the financial statements.

(iii) Level 3- the sources of information on the prices utilized include sources that are usually less observable.

The table below classifies the Company's financial assets and liabilities by level, using the fair value hierarchy. The Company's evaluation of certain items of information is subjective, and may affect the measurement of assets and liabilities at fair value and their classification within the fair value hierarchy. The Company did not have financial instruments classified in Levels 1 and 3 at March 31, 2015 or 2014:

| **Derivatives used for hedging (Level 2)** | **2015** | **2014** |
|---|---|---|
| Assets | 31,530 | 22,619 |
| Liabilities | 31,638 | 31,149 |

## 5 Financial instruments by category

### (a) Classification by category

The fair values of the financial instruments at March 31, 2015 were as follow:

| | **March 31, 2015** | | |
|---|---|---|---|
| | **Loans and receivables** | **Assets at fair value through profit or loss** | **Total** |
| Cash and cash equivalents | 611,389 | - | 611,389 |
| Trade and other receivables, net | 798,891 | - | 798,891 |
| Derivative financial instruments | - | 31,530 | 31,530 |
| | 1,410,280 | 31,530 | 1,441,810 |

| | | | |
|---|---|---|---|
| | **Other liabilities** | **Liabilities at fair value through profit or loss** | **Total** |
| Borrowings | 1,231,892 | - | 1,231,892 |
| Trade and other payables | 1,028,502 | - | 1,028,502 |
| Derivative financial instruments | - | 31,638 | 31,638 |
| | 2,260,394 | 31,638 | 2,292,032 |

| | **March 31, 2014** | | |
|---|---|---|---|
| | **Loans and receivables** | **Assets at fair value through profit or loss** | **Total** |
| Cash and cash equivalents | 72,554 | - | 72,554 |
| Trade and other receivables, net | 507,943 | - | 507,943 |

| | | | March 31, 2014 |
|---|---|---|---|
| Derivative financial instruments | - | 22,619 | 22,619 |
| | 580,497 | 22,619 | 603,116 |

| | Other liabilities | Liabilities at fair value through profit or loss | Total |
|---|---|---|---|
| Borrowings | 851,168 | - | 851,168 |
| Trade and other payables | 538,146 | - | 538,146 |
| Derivative financial instruments | | 31,149 | 31,149 |
| | 1,389,314 | 31,149 | 1,420,463 |

## (b) Credit risk of the financial instruments

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

Approximately 72% of the Company's main customers, which are the major producers of beverage packages, are classified as follow: 51% as "BBB-", 26% as "BB" and 23% as "BB+", in accordance with the risk rating of 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

| | 2015 | 2014 |
|---|---|---|
| Cash on hand and in banks | 179,021 | 7,545 |
| Financial investments | 432,368 | 65,009 |
| | 611,389 | 72,554 |

"Financial investments" refer mainly to fixed income transactions indexed to variations in the Interbank Deposit Certificate ("CDI") rate, with immediate liquidity. Income from financial investments recognized during the year, amounting to R$ 12,590 (March 31, 2014 - R$ 9,311), was recorded as income from financial investments in the statement of income. At March 31, 2015 and 2014, the Company was not making use of bank overdrafts.

## 7 Derivative financial instruments

The table below summarizes the gross fair value of the Company's derivatives at March 31, 2015 and 2014:

| | March 31, 2015 | | | | |
|---|---|---|---|---|---|
| **Type** | **Assets** | | **Liabilities** | | **Total Assets (-) Liabilities** |
| | **Current** | **Non-Current** | **Current** | **Non-Current** | |
| Currency swap contracts | - | - | - | (18,682) | (18,682) |
| Aluminum contracts | 31,530 | - | (12,950) | (6) | 18,574 |
| **Total** | **31,530** | **-** | **(12,950)** | **(18,688)** | **(108)** |

| | March 31, 2014 | | | | |
|---|---|---|---|---|---|
| **Type** | **Assets** | | **Liabilities** | | **Total Assets (-) Liabilities** |
| | **Current** | **Non-Current** | **Current** | **Non-Current** | |
| Currency swap contracts | - | - | (1,416) | (9,813) | (11,229) |
| Aluminum contracts | 22,619 | - | (19,920) | - | 2,699 |
| **Total** | **22,619** | **-** | **(21,336)** | **(9,813)** | **(8,530)** |

The derivative financial instruments are contracted with banks or brokers and registered, if applicable, with the Commodities and Futures Exchange ("BM&F"), São Paulo Stock Exchange ("BOVESPA") and Central System for the Custody and Financial Settlement of Securities ("CETIP"). The derivative contracts have as their sole purpose the management of risks, and 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 fluctuations of the metal price. Over-the-counter derivatives indexed to the London Metals Exchange ("LME") are used to reduce the exposure to the fluctuations of the metal price associated to the period between the inventory purchase pricing and the inventory sale pricing for 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, so that the sale price is aligned with the metal purchase price.

The price exposure risk is due to metal sale commitments entered into with customers at a certain fixed prices. Certain LME forward contracts and fair value hedges of the metal price associated to the fixed price sale commitment qualify as firm purchase commitments. Therefore, any risk related to the volatility of the aluminum price and the related revenue with the fixed price is covered by a gain or loss on derivatives.

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

***Notional (KT)***

| Purchase/(Sale) | **2015** | **2014** |
|---|---|---|
| Cash flow | (42.8) | (60.0) |
| Not designated | (14.3) | (14.0) |
| **Total** | **(57.1)** | **(74.0)** |

**Foreign exchange contracts**

The foreign exchange contracts 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$)*** | **2015** | **2014** |
|---|---|---|
| *Currency swap contracts* | 41,430 | 38,553 |

## 8 Trade receivables

| | **2015** | **2014** |
|---|---|---|
| Trade receivables, domestic | 484,671 | 403,407 |
| Trade receivables, foreign – related parties | 107,132 | 52,046 |
| Trade receivables, foreign – third parties | 68,197 | 29,367 |
| | 660,000 | 484,820 |
| Less - provision for impairment of trade receivables | (250) | (378) |
| | 659,750 | 484,442 |

The ageing analysis of these trade receivables is as follow:

| | **2015** | **2014** |
|---|---|---|

| | Past due | Not yet due | Total | Past due | Not yet due | Total |
|---|---|---|---|---|---|---|
| Up to 30 days | 11,891 | 255,198 | 267,089 | 7,352 | 475,014 | 482,366 |
| From 31 to 60 days | 1,318 | 286,049 | 287,367 | 1,208 | - | 1,208 |
| From 61 to 90 days | 87 | 35,127 | 35,214 | 711 | - | 711 |
| More than 90 days | 33,561 | 36,769 | 70,330 | 535 | - | 535 |
| | 46,857 | 613,143 | 660,000 | 9,806 | 475,014 | 484,820 |

The movement in the Company's provision for the impairment of trade receivables was as follow:

| | 2015 | 2014 |
|---|---|---|
| Opening balance | 378 | 3,460 |
| Addition to provision | - | 237 |
| Written-off provision | (141) | (3,677) |
| Currency translation adjustments | 13 | 358 |
| Closing balance | 250 | 378 |

The recognition and write-off of the provision for impaired receivables were both recorded in the statement of income as "Finance income or costs".

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 (historical performance), classified into three major groups:

- Group 1 - Customers with annual purchases above US$ 12,000.
- Group 2 - Customers with annual purchases between US$ 3,600 and US$ 12,000.
- Group 3 - Customers with annual purchases of up to US$ 3,600.

The composition of receivables by customer classification is presented below:

| | 2015 | 2014 |
|---|---|---|
| Group 1 | 659,439 | 385,019 |
| Group 2 | 48 | 25,224 |
| Group 3 | 263 | 74,199 |
| | 659,750 | 484,442 |

**9**

| | 2015 | 2014 |
|---|---|---|
| Finished goods | 61,099 | 38,182 |
| Work in progress | 220,473 | 123,976 |
| Raw materials | 88,204 | 82,475 |
| Storeroom supplies and others | 87,811 | 61,253 |
| | 457,587 | 305,886 |
| Provision for inventory losses | (10,627) | (5,777) |
| | 446,960 | 300,109 |

## 10 Property, plant and equipment

| | Land, buildings and improvements | Machinery, equipment and vehicles | Property, plant and equipment in progress | Total |
|---|---|---|---|---|
| Net book value, at March 31, 2013 | 403,753 | 871,673 | 553,784 | 1,829,210 |
| Cost | 509,345 | 1,389,159 | 553,784 | 2,452,288 |
| Accumulated depreciation | (105,592) | (517,486) | - | (623,078) |
| Net book value, at March 31, 2013 | 403,753 | 871,673 | 553,784 | 1,829,210 |
| Opening balance at March 31, 2014 | 403,753 | 871,673 | 553,784 | 1,829,210 |
| Purchases | - | - | 248,130 | 248,130 |
| Capitalized interest | - | - | 10,246 | 10,246 |
| Transfers | 96,492 | 568,275 | (664,767) | - |
| Depreciation | (24,999) | (122,736) | - | (147,735) |
| Impairment | (17,527) | (19,477) | (2,084) | (39,088) |
| Write-off of assets held for sale | (89,031) | (62,262) | (8,369) | (159,662) |
| Translation adjustments | 52,940 | 114,391 | 66,062 | 233,393 |
| Net book value, at March 31, 2014 | 421,628 | 1,349,864 | 203,002 | 1,974,494 |
| Cost | 521,687 | 1,954,816 | 203,002 | 2,679,505 |
| Accumulated depreciation | (100,059) | (604,952) | - | (705,011) |
| Net book value at March 31, 2014 | 421,628 | 1,349,864 | 203,002 | 1,974,494 |
| Opening balance at March 31, 2015 | 421,628 | 1,349,864 | 203,002 | 1,974,494 |
| Purchases | - | 4,560 | 103,529 | 108,089 |
| Write-offs | (442) | (2,809) | (1,976) | (5,227) |
| Transfers | 14,343 | 249,659 | (264,002) | - |
| Depreciation | (11,970) | (138,793) | - | (150,763) |

| | Land, buildings and improvements | Machinery, equipment and vehicles | Property, plant and equipment in progress | Total |
|---|---|---|---|---|
| Translation adjustments | 176,638 | 596,918 | 36,830 | 810,386 |
| Net book value, at March 31, 2015 | 600,197 | 2,059,398 | 77,383 | 2,736,979 |
| Cost | 757,343 | 3,070,355 | 77,383 | 3,905,081 |
| Accumulated depreciation | (157,146) | (1,010,957) | - | (1,168,102) |
| Net book value, at March 31, 2015 | **600,197** | **2,059,398** | **77,383** | **2,736,979** |

**(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 the review of the estimated economic useful lives of these items.

**(b) Non-current assets held for sale**

In March 2014, the Company decided to sell its operations related to hydroelectric energy generation, including the investment in the joint venture Candonga Consortium, to a third party. In April 2014, the Company entered into an agreement to sell the operations. In December 2014, after regulatory approvals, the sale of the stake in the joint operation Candonga Consortium was concluded, resulting in proceeds of R$163,323 (net of gains on derivatives and transaction expenses) and the recognition of gains of assets held for sale of R$59,397, Additionally, in February 2015, after regulatory approvals, we sold the hydroelectric energy generation operations of Maynart Energética and received R$43,170 (net of transaction expenses) and recognized a loss related to assets held for sale of R$35,061.

In May 2014, we recognized gains related to assets held for sale of R$ 9,638 after non-reimbursable receipts related to the mining rights sales contract. In December 2014, we received the payment of R$ 9,700, after regulatory approval, and recognized gains related to assets held for sale net of the residual value of R$6,134.

To date, the Company has not received regulatory approval to sell the operations of the hydroelectric energy generation of Brito & Brecha, which comprises the balance of assets held for sale in March 2015 amounting to R$19,504. This sale is contingent on the renewal of the plant operating licenses by the regulatory agencies.

The following table summarizes the carrying amounts of the main classes of assets and liabilities held for sale (in millions).

| **Assets held for sale** | **2015** | **2014** |
|---|---|---|
| Cash and cash equivalents | - | 4,491 |
| Other receivables | - | 1,453 |
| Intangible assets | - | 2,274 |
| Property, plant and equipment | 19,504 | 159,662 |
| **Total** | **19,504** | **167,880** |

| **Liabilities related to assets held for sale** | **2015** | **2014** |
|---|---|---|
| Trade payables | - | 440 |
| Taxes payable | - | 81 |
| Salaries and social security charges payable | - | 229 |
| Trade payables | - | 10,415 |
| Liabilities and ANEEL (Energy Agency) fees | - | 6,816 |
| Contingencies | - | 382 |
| **Total** | **-** | **18,363** |

### (c) Other information

The depreciation of property, plant and equipment and the amortization of intangible assets in the year ended March 31, 2015, allocated to cost of goods sold and administrative expenses, totaled R$ 149,842 (2014 – R$ 146,901) and R$ 2,787 (2014 – R$ 4,461), respectively.

## 11 Trade payables

The balance at March 31, 2015 of R$ 737,084 (2014 –R$ 351,810) reflects the increase in purchases of raw materials in the domestic market and changes in the accounts payable procedures, payment terms and conditions for suppliers.

## 12 Borrowings

| | Currency | Index and weighted average annual rate of interest and commission | Final maturity | 2015 | 2014 |
|---|---|---|---|---|---|
| Current | | | | | |
| Foreign currency | | | | | |
| From related parties | | | | | |
| Interest | US$ | Exchange variation + LIBOR + interest from 1% to 2.0% | September 2021 | 2,828 | 2,608 |
| | | | | 2,828 | 2,608 |
| From third parties | | Import financing | | | |
| Interest | US$ | LIBOR 6m + interest of 2.20 to 3.8066% | November 2014 | - | 1,059 |
| Interest | US$ | LIBOR 6m + interest of 2.20 to 3.8066% | June 2015 | 595 | - |
| | | | | 595 | 1,059 |
| From third parties | | ACC | | | |
| Interest | US$ | Interest of 1.74 to 2.30% | December 2014 | - | 984 |
| Interest | US$ | Interest of 1.74 to 2.30% | October 2015 | 3,403 | - |
| | | | | 3,403 | 984 |
| From third parties | | 4131 | | | |
| Interest | US$ | Interest of 1.60 to 1.90% | November 2015 | 1,439 | - |
| | | | | 1,439 | - |
| Local currency | | | | | |
| BNDES | R$ | Interest of 5.50% | April 2021 | 109 | 89 |
| | | | | 109 | 89 |
| From third parties | | Import financing | | | |
| Principal | US$ | LIBOR 6m + interest of 2.38% | April 2014 | - | 3,319 |
| Principal | US$ | LIBOR 6m + interest of 2.37% | April 2014 | - | 4,177 |
| Principal | US$ | LIBOR 6m + interest of 2.37% | May 2014 | - | 6,946 |

| | Currency | Index and weighted average annual rate of interest and commission | Final maturity | 2015 | 2014 |
|---|---|---|---|---|---|
| Principal | US$ | LIBOR 6m + interest of 2.38% | May 2014 | - | 7,329 |
| Principal | US$ | LIBOR 6m + interest of 2.38% | May 2014 | - | 2,202 |
| Principal | US$ | LIBOR 6m + interest of 2.38% | June 2014 | - | 6,646 |
| Principal | US$ | LIBOR 6m + interest of 2.38% | June 2014 | - | 5,602 |
| Principal | US$ | LIBOR 6m + interest of 2.37% | June 2014 | - | 9,343 |
| Principal | US$ | LIBOR 6m + interest of 2.37% | June 2014 | - | 6,964 |
| Principal | US$ | LIBOR 6m + interest of 2.37% | July 2014 | - | 13,400 |
| Principal | US$ | LIBOR 6m + interest of 2.42% | August 2014 | - | 16,125 |
| Principal | US$ | LIBOR 6m + interest of 2.42% | August 2014 | - | 12,221 |
| Principal | US$ | LIBOR 6m + interest of 2.40% | September 2014 | - | 9,478 |
| Principal | US$ | LIBOR 6m + interest of 2.40% | September 2014 | - | 9,872 |
| Principal | US$ | LIBOR 6m + interest of 2.40% | November 2014 | - | 6,531 |
| Principal | US$ | LIBOR 6m + interest of 2.40% | November 2014 | - | 5,117 |
| Principal | US$ | LIBOR 6m + interest of 2.20% | April 2014 | - | 3,938 |
| Principal | US$ | LIBOR 6m + interest of 3.20% | May 2015 | 5,042 | |
| Principal | US$ | LIBOR 6m + interest of 3.30% | May 2015 | 13,101 | - |
| Principal | US$ | LIBOR 6m + interest of 3.40% | May 2015 | 7,059 | - |
| Principal | US$ | LIBOR 6m + interest of 3.40% | June 2015 | 8,224 | - |
| Principal | US$ | LIBOR 6m + interest of 3.55% | April 2015 | 14,639 | - |
| Principal | US$ | LIBOR 6m + interest of 3.8066% | April 2015 | 1,759 | - |
| | | | | 49,824 | 129,210 |

| | Currency | Index and weighted average annual rate of interest and commission | Final maturity | 2015 | 2014 |
|---|---|---|---|---|---|
| From third parties | | ACC | | | |
| Principal | US$ | Interest of 1.99% | June 2014 | - | 11,315 |
| Principal | US$ | Interest of 2.07% | June 2014 | - | 4,526 |
| Principal | US$ | Interest of 2.07% | July 2014 | - | 22,630 |
| Principal | US$ | Interest of 2.10% | December 2014 | - | 38,471 |
| Principal | US$ | Interest of 1.84% | December 2014 | - | 38,471 |
| Principal | US$ | Interest of 2.30% | April 2015 | 48,120 | - |
| Principal | US$ | Interest of 1.74% | April 2015 | 32,080 | - |
| Principal | US$ | Interest of 2.25% | April 2015 | 48,120 | - |
| Principal | US$ | Interest of 2.29% | May 2015 | 7,057 | - |
| Principal | US$ | Interest of 2.30% | October 2015 | 54,536 | - |
| | | | | 189,913 | 115,413 |
| From third parties | | 4131 | | | |
| Principal | US$ | LIBOR 6m + interest of 1.90% | July 2015 | 64,160 | - |
| Principal | US$ | LIBOR 6m + interest of 1.90% | July 2015 | 96,240 | - |
| Principal | US$ | LIBOR 6m + interest of 1.60% | November 2015 | 102,656 | - |
| | | | | 263,056 | - |
| From third parties | | International forfeiting | | | |
| Principal | US$ | Interest of 2.10% | July 2015 | 2,471 | - |
| Principal | US$ | Interest of 2.10% | August 2015 | 3,246 | - |
| Principal | US$ | Interest of 2.50% | August 2015 | 940 | - |
| Principal | US$ | Interest of 2.60% | August 2015 | 940 | - |
| Principal | US$ | Interest of 2.10% | September 2015 | 7,626 | - |
| Principal | US$ | Interest of 2.20% | September 2015 | 940 | - |
| Principal | US$ | Interest of 2.10% | September 2015 | 551 | - |
| Principal | US$ | Interest of 2.80% | September 2015 | 419 | - |
| Principal | US$ | Interest of 2.10% | October 2015 | 1,881 | - |
| Principal | US$ | Interest of 2.3% | October 2015 | 1,582 | - |
| Principal | US$ | Interest of 2.4% | October 2015 | 757 | - |

| | Currency | Index and weighted average annual rate of interest and commission | Final maturity | 2015 | 2014 |
|---|---|---|---|---|---|
| Principal | US$ | Interest of 2.5% | October 2015 | 629 | - |
| Principal | US$ | Interest of 2.0% | November 2015 | 940 | - |
| Principal | US$ | Interest of 2.3% | November 2015 | 3,966 | - |
| Principal | US$ | Interest of 2.4% | November 2015 | 943 | - |
| Principal | US$ | Interest of 1.9% | December 2015 | 940 | - |
| | | | | 28,771 | - |
| Local currency | | | | | |
| BNDES | R$ | Interest of 5.5% | December 2018 | 907 | 896 |
| BNDES | R$ | Interest of 5.5% | March 2019 | 3,520 | 3,520 |
| BNDES | R$ | Interest of 5.5% | April 2021 | 239 | 239 |
| BNDES | R$ | Interest of 8.7% | September 2019 | 225 | 225 |
| BNDES | R$ | Interest of 8.7% | November 2019 | 63 | 73 |
| BNDES | R$ | Interest of 8.7% | February 2015 | - | 1,921 |
| BNDES | R$ | Interest of 8.7% | February 2020 | 38 | 38 |
| BNDES | R$ | Interest of 8.7% | April 2020 | 256 | 231 |
| | | | | 5,248 | 7,143 |
| | | | | 542,358 | 253,898 |
| Total current | | | | 545,186 | 256,506 |
| Non-current | | | | | |
| Foreign currency | | | | | |
| From related parties | | | | | |
| Principal | US$ | Foreign exchange variation + LIBOR + interest of 1.00% | January 2021 | 48,120 | 33,945 |
| Principal | US$ | Foreign exchange variation + LIBOR + interest of 1.00% | March 2021 | 16,040 | 11,315 |
| Principal | US$ | Foreign exchange variation + LIBOR + interest of 1.00% | August 2021 | 192,480 | 135,780 |
| Principal | US$ | Foreign exchange variation + LIBOR + interest of | August 2021 | 64,160 | 45,260 |

| | Currency | Index and weighted average annual rate of interest and commission | Final maturity | 2015 | 2014 |
|---|---|---|---|---|---|
| | | 1.75% | | | |
| Principal | US$ | Foreign exchange variation + LIBOR + interest of 1.00% | September 2021 | 80,200 | 56,575 |
| Principal | US$ | Foreign exchange variation + LIBOR + interest of 2.00% | May 2018 | 256,640 | 282,875 |
| | | | | 657,640 | 565,750 |

| | Currency | Index and weighted average annual rate of interest and commission | Final maturity | 2015 | 2014 |
|---|---|---|---|---|---|
| Local currency | | | | | |
| BNDES | R$ | Interest of 5.50% | December 2018 | 4,396 | 4,548 |
| BNDES | R$ | Interest of 5.50% | March 2019 | 18,630 | 18,475 |
| BNDES | R$ | Interest of 5.50% | April 2021 | 2,145 | 1,957 |
| BNDES | R$ | Interest of 8.7% | February 2015 | - | 10 |
| BNDES | R$ | Interest of 8.7% | September 2019 | 1,388 | 1,370 |
| BNDES | R$ | Interest of 8.7% | November 2019 | 407 | 466 |
| BNDES | R$ | Interest of 8.7% | February 2020 | 266 | 360 |
| BNDES | R$ | Interest of 8.7% | April 2020 | 1,835 | 1,726 |
| | | | | 29,067 | 28,912 |
| Total non-current | | | | 686,707 | 594,662 |
| Total current and noncurrent | | | | 1,231,893 | 851,168 |

The financing obtained from the National Bank for Economic and Social Development ("BNDES") is guaranteed by the Company's equipment amounting to R$ 51,169 at March 31, 2015.

On March 31, 2015, the Company had credit limits with nine financial institutions amounting to approximately R$ 2,425 million (R$ 1,320 million at March 31, 2014). These lines were available to support the Company's operations, either in the form of Derivatives, Working Capital or Guarantees.

## 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 its 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 provision for contingent liabilities recognized in the accounting records are as follow:

| | Judicial deposits | | Provision for contingencies | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Tax contingencies | 9,614 | 14,611 | 8,540 | 15,854 |
| Labor and civil contingencies | 7,301 | 5,463 | 25,649 | 18,118 |
| Other deposits | 671 | 284 | - | - |
| | 17,586 | 20,358 | 34,189 | 33,972 |

The movements in the provision in the year ended March 31, 2015 were as follow:

| | Labor | Civil | Tax | Total |
|---|---|---|---|---|
| At March 31, 2013 | 23,334 | 1,136 | 15,145 | 39,615 |
| Additions/(reversals) | 2,347 | 66 | 1,288 | 3,701 |
| Interest/monetary adjustments | - | - | 355 | 355 |
| Transfers to "Tax refinancing" | (8,377) | (170) | (862) | (9,409) |
| Write-offs | - | (382) | - | (382) |
| Translation adjustment | 158 | 7 | (72) | 93 |
| At March 31, 2014 | 17,462 | 657 | 15,854 | 33,972 |
| Additions/(reversals) | 6,062 | 3,659 | (1,360) | 8,361 |
| Interest/monetary adjustments | | | 310 | 310 |
| Transfers to "Tax refinancing" | | | (6,548) | (6,548) |
| Write-offs | (1,558) | (35) | (82) | (1,675) |
| Translation adjustment | (15) | (582) | 366 | (231) |
| At March 31, 2015 | 21,951 | 3,699 | 8,540 | 34,189 |

**(a) Labor claims**

Labor contingencies comprise mainly lawsuits related to challenges by employees and labor unions. The main claims are presented below:

A labor claim filed by the Metalworkers Union of Candeias - BA, requiring that the court recognizes that there was mass dismissal, and awarding the payment of indemnification to the dismissed employees, as a result of the closure of the plant located in Aratu - BA. The Company has a provision amounting to R$ 15,382 at March 31, 2015 (2014 - R$ 13,666).

Also concerning the plant closed in Aratu, there are two relevant labor claims discussing the recognition of occupational accidents/disease and the consequent payment of indemnification for pain and suffering and property damages. For both cases, the Company made a total provision amounting to R$ 2,259 at March 31, 2015 (2014 – R$ 1,510).

**(b) Civil claims**

Civil contingencies refer mostly to lawsuits involving the suppliers of products and services, related to contractual conditions or resulting from the expropriation of land because of the installation of hydroelectric plants or small hydroelectric plants in Minas Gerais.

**(c) Tax claims**

The Company filed a request to offset 100% of tax losses and social contribution tax losses carried forward generated between 1991 and 1994. On November 31, 2009, the Company withdrew from the lawsuit in order to apply for the amnesty granted by Law 11,941/09, when it requested the conversion of part of the judicial deposit into Federal Government income and the assessment of the remaining value, equivalent to the discounts granted under the aforementioned law. Considering that there is a discussion

of the remaining amount due to the Company, it requested the assessment of the values considered as not contested (amounting to R$ 6,561) and the continuation of the proceedings regarding the contested values. The uncontested amounts due to the Company were deposited in its account in April 2013. The provision of R$ 6,183 refers to the amount of interest that the Company is still challenging. In March 2015, the Company waived the contested part of the discussion due to: (a) guidance of its outside legal counsel that the chances of a favorable outcome were remote, and (b) its claim that the deposited amounts were converted into Federal Government income and, subsequently, allowed the recognition of certain tax credits for the Company required for the payment of certain debts.

**(d) Possible losses**

At March 31, 2015, the Company had lawsuits for which losses are considered possible by its external and internal lawyers amounting to R$ 131,730 (2014 – R$ 132,398). These lawsuits are not accrued and are related to tax, labor, civil and environmental matters.

## 14 Tax refinancing

| | IPI | Other | Total |
|---|---|---|---|
| At March 31, 2013 | 236,271 | 19,922 | 256,193 |
| Additions | | | |
| Interest/monetary adjustments | 15,679 | 264 | 15,943 |
| Amortization | (20,998) | (7,292) | (28,290) |
| Translation adjustments | (1,172) | (49) | (1,221) |
| At March 31, 2014 | 229,780 | 12,845 | 242,625 |
| Additions | | | |
| Interest/monetary adjustments | 13,691 | 3,226 | 16,917 |
| Amortization | (18,536) | (7,724) | (26,260) |
| Translation adjustments | (1,236) | 1,694 | 458 |
| At March 31, 2015 | 223,699 | 10,041 | 233,740 |

(a) Tax Recovery Program ("PAES")

On July 25, 2003, the Company joined a PAES program established in order to settle its tax and social security liabilities in 39 fixed installments. In the year ended March 31, 2015, this program was settled.

(b) IPI (Excise Tax)

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 offset them in the respective year through the installment payment program, dividing the payment into 180 fixed installments. The movement of such liabilities between April 2013 and March 2015 is 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.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available to offset temporary differences and/or tax losses, based on projections of future results based on internal assumptions and future economic scenarios, which may, therefore, suffer changes.

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

| | 2013 | Additions/ exclusions | Functional currency effect | Translation adjustment | 2014 | Additions/ exclusions | Functional currency effect | Translation adjustment | 2015 |
|---|---|---|---|---|---|---|---|---|---|
| Assets | | | | | | | | | |
| Temporarily non-deductible provisions | 6,403 | 28,025 | 94 | 956 | 35,478 | 27,528 | (13,687) | 18,900 | 68,219 |
| | 6,403 | 28,025 | 94 | 956 | 35,478 | 27,528 | (13,687) | 18,900 | 68,219 |
| Liabilities | | | | | | | | | |
| Foreign exchange variations taxed on a cash basis | (119,568) | 12,417 | 14,699 | (14,640) | (107,092) | 70,155 | 21,425 | (17,694) | (33,206) |
| PP&E/intangible assets/ inventories/hedge accounting (*) | (236,372) | (90,810) | 62,195 | (29,417) | (294,404) | (177,109) | 77,606 | (152,304) | (546,211) |
| | (355,940) | (78,393) | 76,894 | (44,057) | (401,496) | (106,954) | 99,031 | (169,998) | (579,416) |
| | (349,537) | (50,368) | 76,988 | (43,101) | (366,018) | (79,426) | 85,344 | (151,098) | (511,198) |

(*) Substantially resulting from differences generated by the Transition Tax Regime ("RTT"), 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 this 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 determined in Brazilian Reais. Therefore, fluctuations in the foreign exchange rate 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 rate is shown below:

| | 2015 | 2014 |
|---|---|---|
| Profit before income tax and social contribution | 454,214 | 210,415 |
| Tax calculated based on the local tax rates (34%) | 154,433 | 71,541 |
| Non-taxable income | (9,155) | (10,373) |
| Tax incentives | (4,039) | (1,993) |
| Effect of the translation of the result | (46,616) | (8,369) |
| Provision for tax relating to legal and administrative disputes | 1,704 | (430) |
| Functional currency effect on deferred tax | 85,345 | 33,079 |
| Income tax and social contribution for the year | 181,670 | 83,455 |
| Current | (177,506) | 110,433 |
| Deferred | (4,164) | (26,978) |
| | 181,670 | 83,455 |

### (b) Law 12,973/2014

On May 14, 2014 Provisional Measure 627/2013 was converted into Law 12,973/2014, repealing the Transitional Tax Regime ("RTT") and bringing other measures, among them: (i) changes in Decree-Law 1,598/77 which deals with corporate income tax as well as amending the relevant legislation governing the social contribution on net income; (ii) provides that the amendment or adoption of accounting methods and criteria through administrative acts issued based on the corporatre legislation in force of the business law, which post-date the publication of this MP, will not have implications for the calculation of federal tax until approved by the tax authorities; (iii) includes a specific treatment of the potential taxation of profits earned abroad; (iv) includes provisions regarding the calculation of interest on capital, and includes a consideration of investments accounted for using the equity method.

The provisions of Law 12,973/2014 are effective from 2015 or 2014, should the taxpayer opt for its early adoption. Therefore, transactions prior to December 31, 2013 for taxpayers opting for early adoption, or prior to December 31, 2014 for those not opting for earl adoption, remain subject to tax neutrality (RTT). Novelis did not opt for early adoption.

## 16 Equity

### (a) Share capital

The share capital, subscribed and paid up at March 31, 2015, amounting to R$ 402,147, is represented by 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 December 2, 2014 and December 12, 2014, 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$ 21,172 (net of taxes - R$ 17,997). The tax benefits generated by the payment of dividends in the form of interest on capital were maintained in the year's result.

In addition, dividends amounting to R$ 60,266 were distributed, approved by the Company's management on December 12, 2014.

### (c) Carrying value adjustments

**Composition of the carrying value adjustments**

| | Deemed cost | Derivatives | Cumulative translation adjustments, net | Pension reserve | Total |
|---|---|---|---|---|---|
| At March 31, 2013 | 243,335 | 3,794 | 143,425 | - | 390,554 |
| Deemed cost realization | (51,590) | - | - | - | (51,590) |
| Derivatives ("OCI") | - | (7,619) | - | - | (7,619) |
| Pension reserve | - | - | - | (2,318) | (2,318) |
| Cumulative translation adjustment | - | - | 155,444 | - | 155,444 |
| At March 31, 2014 | 191,745 | (3,825) | 298,869 | (2,318) | 484,471 |
| Deemed cost realization | (43,839) | - | - | - | (43,839) |
| Derivatives ("OCI") | - | 4,883 | - | - | 4,883 |
| Pension reserve | - | - | - | 322 | 322 |
| Cumulative translation adjustments | - | - | 487,260 | - | 487,260 |
| At March 31, 2015 | 147,906 | 1,058 | 786,129 | (1,996) | 933,097 |

## 17 Net revenue

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

| | 2015 | 2014 |
|---|---|---|
| Gross revenue | | |
| Sales of goods | | |
| Domestic market | 4,621,318 | 3,693,334 |
| Foreign market | 617,811 | 399,635 |
| Rendering of services | 313,010 | 273,772 |
| | 5,552,139 | 4,366,741 |
| Deductions | | |
| Taxes on invoicing | (882,980) | (743,930) |
| Cancelations and abatements | (89,525) | (53,875) |

| | 2015 | 2014 |
|---|---|---|
| | (972,505) | (797,805) |
| Net revenue | 4,579,634 | 3,568,936 |

## 18 Other expenses, net

| | 2015 | 2014 |
|---|---|---|
| Development of businesses and projects | (292) | (540) |
| Restructuring expenses | (75,677) | (44,953) |
| Transfers of technology | (186,725) | (142,337) |
| Donations | (3,885) | (3,097) |
| Other taxes and duties | (7,221) | (2,769) |
| Taxes on remittances abroad | (26,942) | (17,691) |
| Impairment (Note 12(b)) | - | (39,088) |
| Processes - FNT | 8,495 | - |
| Labor claims | (5,093) | (6,392) |
| Sale of energy | 31,518 | 7,838 |
| Other income and expenses, net | 16,857 | (12,345) |
| | (248,965) | (261,374) |

## 19 Expenses by nature

| | 2015 | 2014 |
|---|---|---|
| Personnel | (238,780) | (235,337) |
| Depreciation and amortization | (152,629) | (133,835) |
| Materials, energy and services of third parties | (256,457) | (218,328) |
| Maintenance and occupancy expenses | (80,720) | (72,391) |
| Freight | (122,037) | (105,681) |
| Raw materials and others | (3,134,479) | (2,349,778) |
| Total cost of sales, selling and administrative expenses | (3,985,102) | (3,115,350) |
| Classified as follow | | |
| Cost of sales | (3,894,643) | (3,028,043) |
| Selling expenses | (13,250) | (14,646) |
| Administrative expenses | (77,209) | (72,661) |
| | (3,985,102) | (3,115,350) |

## 20 Finance results, net

| | 2015 | 2014 |
|---|---|---|
| Financial discounts received | 501 | 764 |
| Financial charges on discounting of trade notes | (16,923) | (6,083) |
| Financial charges on borrowings | (26,998) | (8,184) |
| Interest received from third parties | 750 | 176 |
| Transactions with derivatives - unsettled | 6,288 | (2,324) |
| Transactions with derivatives - settled | 12,284 | 13,710 |
| Income from financial investments | 12,590 | 9,311 |
| Monetary adjustment of taxes and contingencies | (13,176) | (14,476) |

| | | |
|---|---|---|
| Other | 4,232 | 1,430 |
| Net financial results | (20,450) | (5,676) |

## 21 Net foreign exchange and monetary gains (losses)

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

| | 2015 | 2014 |
|---|---|---|
| Foreign exchange variations | 36,992 | (9,708) |
| Monetary adjustments of taxes and contingencies | 92,105 | 33,587 |
| | 129,097 | 23,879 |

## 22 Related-parties transactions

### (a) Transactions and balances between related parties

### (i) Transactions

| | 2015 | 2014 |
|---|---|---|
| Purchases of products | | |
| Maynart Energética | 268 | - |
| Novelis – Korea | 63 | - |
| Novelis - Germany | 73 | 23,726 |
| Novelis - UK | - | 6,274 |
| Novelis - Corporation | - | 2,181 |
| | 404 | 32,181 |
| Sales of goods | | |
| Novelis - Madeira | 804 | 73,101 |
| Novelis - MEA | 238,456 | 102,167 |
| Novelis - Logan | 15,092 | - |
| | 254,352 | 175,268 |
| Technology transfer expenses | | |
| Novelis - UK | 186,725 | 142,337 |
| Interest income | | |
| Financial charges on borrowings | 4,788 | 2,205 |
| Finance costs | | |
| Financial charges on borrowings | 10,912 | 11,257 |

### (ii) Balances

| | 2015 | 2014 |
|---|---|---|
| Current assets | | |
| Trade receivables | | |
| Novelis - Madeira | - | 28,350 |
| Novelis - MEA | 89,749 | 23,696 |

| | | 2015 | 2014 |
|---|---|---|---|
| Novelis - Logan | | 17,383 | - |
| Other receivables | | | |
| Novelis – United States | | 2,972 | 504 |
| Novelis – Korea | | - | 70 |
| Novelis – Switzerland | | 592 | 36 |
| Novelis - MEA | | 55 | 12 |
| | | 110,751 | 52,668 |
| Long-term receivables | | | |
| Checking account – loan | | | |
| Novelis Corp – United States | Exchange variations + 2.50% p.a. plus LIBOR | - | 79,205 |
| Novelis Corp – United States | Exchange variation + 3.78% p.a. plus LIBOR | 96,240 | - |
| Novelis Corp – United States | Exchange variation + 4.39% p.a. plus LIBOR | 80,200 | - |
| Novelis Corp – United States Charges | | 2,500 | - |
| | | 289,691 | 131,873 |
| Current liabilities | | | |
| Other payables | | | |
| Novelis – United States | | 657 | 4,198 |
| Novelis - England | | 59,845 | 40,978 |
| Novelis – Switzerland | | 29 | - |
| Novelis - MEA | | 399 | - |
| Novelis – Korea | | 33 | - |
| Maynart Energética | | 268 | - |
| Borrowings (current liabilities) | | | |
| Novelis – United States (Note 13) | | 2,828 | 2,608 |
| Borrowings (non-current liabilities) | | | |
| Novelis Inc. - United States (Note 13) | | 657,640 | 565,750 |
| | | 721,699 | 613,534 |

**(b) Key management compensation**

Key management includes the Company's directors and managers. The compensation paid or payable to key management for their services, related to salaries and social charges, profit sharing and reimbursement of expenses, in the year ended March 31, 2015 amounted to R$ 13,166 (2014 - R$ 13,089).

## 23 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, 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, 2015 the Company had the following insurance policies, contracted with third parties:

| Lines | Amounts insured (unaudited) |
|---|---|
| Fire damage to property, plant and equipment | |
| Property | 4,186,700 |
| Small hydroelectric power plants | 226,365 |
| Multi-risk | 31,041 |
| | 4,444,106 |
| Civil liability | 4,000 |
| | 4,448,106 |

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