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

Form 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2015

Or

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

For the transition period from to

Commission file number: 001-32312

Novelis Inc.

(Exact name of registrant as specified in its charter)

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨

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

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	ý (Do not check if a smaller reporting company)	Smaller reporting company	¨

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

As of November 6, 2015, the registrant had 1,000 shares of common stock, no par value, outstanding. All of the registrant's outstanding shares were held indirectly by Hindalco Industries Ltd., the registrant's parent company.

Novelis Inc.

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PART I. FINANCIAL INFORMATION

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

Novelis Inc.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)
(in millions)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2015	2014	2015	2014
Net sales	$ 2,482	$ 2,831	$ 5,116	$ 5,511
Cost of goods sold (exclusive of depreciation and amortization)	2,241	2,483	4,641	4,812
Selling, general and administrative expenses	100	103	200	211
Depreciation and amortization	89	90	176	179
Interest expense and amortization of debt issuance costs	82	82	162	163
Research and development expenses	13	12	26	24
Gain on assets held for sale	—	—	—	(11)
Loss on extinguishment of debt	—	—	13	—
Restructuring and impairment, net	4	7	19	13
Equity in net loss of non-consolidated affiliates	1	—	2	2
Other (income) expense, net	(32)	18	(62)	23
	2,498	2,795	5,177	5,416
(Loss) income before income taxes	(16)	36	(61)	95
Income tax (benefit) provision	(3)	(2)	12	22
Net (loss) income	(13)	38	(73)	73
Net income attributable to noncontrolling interests	—	—	—	—
Net (loss) income attributable to our common shareholder	$ (13)	$ 38	$ (73)	$ 73

See accompanying notes to the condensed consolidated financial statements.

Novelis Inc.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (unaudited)
(in millions)

	Three Months Ended September 30,	
	2015	2014
Net (loss) income	$ (13)	$ 38
Other comprehensive (loss) income:		
Currency translation adjustment	(61)	(133)
Net change in fair value of effective portion of cash flow hedges	(48)	(7)
Net change in pension and other benefits	9	10
Other comprehensive loss before income tax effect	(100)	(130)
Income tax (benefit) provision related to items of other comprehensive (loss) income	(5)	6
Other comprehensive loss, net of tax	(95)	(136)
Comprehensive loss	(108)	(98)
Less: Comprehensive loss attributable to noncontrolling interests, net of tax	—	(2)
Comprehensive loss attributable to our common shareholder	$ (108)	$ (96)

	Six Months Ended September 30,	
	2015	2014
Net (loss) income	$ (73)	$ 73
Other comprehensive (loss) income:		
Currency translation adjustment	(19)	(106)
Net change in fair value of effective portion of cash flow hedges	(10)	6
Net change in pension and other benefits	—	(3)
Other comprehensive loss before income tax effect	(29)	(103)
Income tax provision related to items of other comprehensive loss	1	1
Other comprehensive loss, net of tax	(30)	(104)
Comprehensive loss	(103)	(31)
Less: Comprehensive loss attributable to noncontrolling interests, net of tax	(2)	(1)
Comprehensive loss attributable to our common shareholder	$ (101)	$ (30)

See accompanying notes to the condensed consolidated financial statements.

Novelis Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)
(in millions, except number of shares)

	September 30, 2015		March 31, 2015	
ASSETS				
Current assets				
Cash and cash equivalents	$	462	$	628
Accounts receivable, net				
— third parties (net of uncollectible accounts of $3 as of September 30, 2015 and March 31, 2015)		1,155		1,289
— related parties		55		53
Inventories		1,349		1,431
Prepaid expenses and other current assets		104		112
Fair value of derivative instruments		102		77
Deferred income tax assets		43		79
Assets held for sale		5		6
Total current assets		3,275		3,675
Property, plant and equipment, net		3,488		3,542
Goodwill		607		607
Intangible assets, net		566		584
Investment in and advances to non–consolidated affiliate		464		447
Deferred income tax assets		95		95
Other long–term assets				
— third parties		116		137
— related parties		19		15
Total assets	$	8,630	$	9,102
LIABILITIES AND SHAREHOLDER'S DEFICIT				
Current liabilities				
Current portion of long–term debt	$	102	$	108
Short–term borrowings		901		846
Accounts payable				
— third parties		1,435		1,854
— related parties		49		44
Fair value of derivative instruments		159		149
Accrued expenses and other current liabilities		593		572
Deferred income tax liabilities		1		20
Total current liabilities		3,240		3,593
Long–term debt, net of current portion		4,418		4,349
Deferred income tax liabilities		196		261
Accrued postretirement benefits		765		748
Other long–term liabilities		185		221
Total liabilities		8,804		9,172
Commitments and contingencies				
Shareholder's deficit				
Common stock, no par value; unlimited number of shares authorized; 1,000 shares issued and outstanding as of September 30, 2015 and March 31, 2015		—		—
Additional paid–in capital		1,404		1,404
Accumulated deficit		(998)		(925)
Accumulated other comprehensive loss		(589)		(561)
Total deficit of our common shareholder		(183)		(82)
Noncontrolling interests		9		12
Total deficit		(174)		(70)
Total liabilities and deficit	$	8,630	$	9,102

See accompanying notes to the condensed consolidated financial statements.

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

	Six Months Ended September 30, 2015	Six Months Ended September 30, 2014
OPERATING ACTIVITIES		
Net (loss) income	$ (73)	$ 73
Adjustments to determine net cash used in operating activities:		
Depreciation and amortization	176	179
(Gain) loss on unrealized derivatives and other realized derivatives in investing activities, net	(12)	14
Gain on assets held for sale	—	(11)
Loss on sale of assets	1	3
Impairment charges	2	—
Loss on extinguishment of debt	13	—
Deferred income taxes	(44)	(18)
Amortization of fair value adjustments, net	6	6
Equity in net loss of non-consolidated affiliates	2	2
Gain on foreign exchange remeasurement of debt	(6)	(3)
Amortization of debt issuance costs and carrying value adjustments	10	13
Other, net	—	(1)
Changes in assets and liabilities including assets and liabilities held for sale (net of effects from divestitures):		
Accounts receivable	127	(187)
Inventories	87	(369)
Accounts payable	(384)	295
Other current assets	10	(29)
Other current liabilities	25	27
Other noncurrent assets	19	(2)
Other noncurrent liabilities	(22)	(5)
Net cash used in operating activities	(63)	(13)
INVESTING ACTIVITIES		
Capital expenditures	(204)	(264)
Proceeds from sales of assets, third party, net of transaction fees and hedging	1	34
Outflows from investment in and advances to non-consolidated affiliates, net	(4)	(11)
(Outflows) proceeds from settlement of other undesignated derivative instruments, net	(14)	3
Net cash used in investing activities	(221)	(238)
FINANCING ACTIVITIES		
Proceeds from issuance of long-term and short-term borrowings	140	198
Principal payments of long-term and short-term borrowings	(135)	(126)
Revolving credit facilities and other, net	123	248
Return of capital to our common shareholder	—	(250)
Dividends, noncontrolling interest	(1)	(1)
Debt issuance costs	(13)	—
Net cash provided by financing activities	114	69
Net decrease in cash and cash equivalents	(170)	(182)
Effect of exchange rate changes on cash	4	(1)
Cash and cash equivalents — beginning of period	628	509
Cash and cash equivalents — end of period	$ 462	$ 326

See accompanying notes to the condensed consolidated financial statements.

Novelis Inc.
CONDENSED CONSOLIDATED STATEMENT OF DEFICIT (unaudited)
(in millions, except number of shares)

	Deficit of our Common Shareholder						
	Common Stock						
	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss (AOCI)	Non-controlling Interests	Total Deficit
Balance as of March 31, 2015	1,000	$ —	$ 1,404	$ (925)	$ (561)	$ 12	$ (70)
Net loss attributable to our common shareholder	—	—	—	(73)	—	—	(73)
Currency translation adjustment, net of tax provision of $ - million included in AOCI	—	—	—	—	(16)	(3)	(19)
Change in fair value of effective portion of cash flow hedges, net of tax provision of $2 million included in AOCI	—	—	—	—	(12)	—	(12)
Change in pension and other benefits, net of tax benefit of $1 million included in AOCI	—	—	—	—	—	1	1
Noncontrolling interest cash dividends declared	—	—	—	—	—	(1)	(1)
Balance as of September 30, 2015	1,000	$ —	$ 1,404	$ (998)	$ (589)	$ 9	$ (174)

See accompanying notes to the condensed consolidated financial statements.

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Organization and Description of Business

Novelis is the world's leading aluminum rolled products producer based on shipment volume in fiscal 2015. We produce aluminum sheet and light gauge products for use in the packaging market, which includes beverage and food can and foil products, as well as for use in the automotive, transportation, electronics, architectural and industrial product markets. We are also the world's largest recycler of aluminum and have recycling operations in many of our plants to recycle both post-consumer aluminum and post-industrial aluminum. As of September 30, 2015, we had manufacturing operations in 11 countries on four continents, which include 25 operating plants, and recycling operations in 11 of these plants.

The March 31, 2015 condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America (U.S. GAAP). The accompanying unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and accompanying notes in our Annual Report on Form 10-K for the year ended March 31, 2015 filed with the United States Securities and Exchange Commission (SEC) on May 12, 2015. Management believes that all adjustments necessary for the fair statement of results, consisting of normally recurring items, have been included in the unaudited condensed consolidated financial statements for the interim periods presented.

Consolidation Policy

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

We use the equity method to account for our investments in entities that we do not control, but where we have the ability to exercise significant influence over operating and financial policies. Consolidated “Net (loss) income attributable to our common shareholder” includes our share of net income (loss) of these entities. Our condensed consolidated financial statements include our "Investment in and advances to non-consolidated affiliates" and "Equity in net loss of non-consolidated affiliates.

Use of Estimates and Assumptions

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

Recently Adopted Accounting Standards

Effective for the first quarter of fiscal 2016, we adopted Financial Accounting Standards Board (FASB) ASU No. 2013-05, *Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity*. The amendments in this update provide clarification regarding the release of a cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets within a foreign entity. Our existing accounting policy complies with this guidance; therefore, there was no impact on our financial statements.

Effective for the first quarter fiscal 2016, we adopted FASB issued ASU No. 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.* The amendment changes the criteria for determining which disposals can be presented as discontinued operations and modifies related disclosure requirements. Under the revised standard, a discontinued operation is (1) a component of an entity or group of components that has been disposed of by sale, disposed of other than by sale or is classified as held for sale that represents a strategic shift that has or will have a major effect on an entity's operations and financial results or (2) an acquired business or nonprofit activity that is classified as held for sale on the date of the acquisition. There was no impact upon adoption; however, the accounting treatment and classification of future disposals under this new standard could differ from our previous treatment and classification of disposals.

Recently Issued Accounting Standards

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which, when effective, will supersede the guidance in former ASC 605, *Revenue Recognition*. The new guidance requires entities to recognize revenue based on the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance is effective for annual periods beginning after December 15, 2016 and interim periods within that year. Early adoption is not permitted. In August 2015, the FASB issued ASU 2015-14 *Revenue from Contracts with Customers (Topic 606): Deferral of Effective Date,* which provides an optional one-year deferral of the effective date. We are currently evaluating the impact of this standard on our consolidated financial position and results of operations.

In February 2015, the FASB issued ASU No. 2015-02, *Consolidations (Topic 810): Amendments to the Consolidations Analysis*, which when effective, will (i) modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities or voting interest entities, (ii) eliminate the presumption that a general partner should consolidate a limited partnership, (iii) affect the consolidation analysis of reporting entities that are involved with variable interest entities, particularly those that have fee arrangements and related party relationships, and (iv) provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. The guidance is effective for annual periods beginning after December 15, 2015 and interim periods within that year. Early adoption is permitted. We will adopt this standard in our first quarter ending June 30, 2016. Adoption of this standard is not expected to have any impact on our consolidated financial position and results of operations.

In April 2015, the FASB issued ASU 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, which, when effective, will require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. The guidance is effective for annual periods beginning after December 15, 2015 and interim periods within that year. In August 2015, the FASB issued ASU 2015-15, a clarifying amendment, allowing for debt issuance costs related to lines of credit being presented as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. An entity should apply the new guidance on a retrospective basis, wherein the balance sheet or each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance. Early adoption is permitted. We will adopt this standard in our first quarter ending June 30, 2016. Adoption of this standard will impact the presentation of deferred debt issuance costs on our consolidated financial position. We have determined that the adoption of these changes as of September 30, 2015 would have resulted in a decrease of approximately $34 million to "Other long-term assets" and "Long-term debt, net of current portion" on the accompanying condensed consolidated Balance Sheet, and that we would continue to present debt issuance costs related to lines of credit as an asset. The future impact of the adoption on balance sheet classification may be impacted by future amortization and debt refinancing.

In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent),* which, when effective, will remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The guidance is effective for annual periods beginning after December 15, 2015 and interim periods within those fiscal years. An entity should apply the amendments retrospectively to all periods presented. Early adoption is permitted. We will adopt this standard in our annual period ending March 31, 2017. Adoption of this standard may impact the presentation of certain pension plan assets in our postretirement benefit plans footnote disclosure.

In July 2015, the FASB issued ASU 2015-011, *Inventory (Topic 330): Simplifying the Measurement of Inventory*, which, when effective, will remove the requirement to measure inventory at the lower of cost or market whereas market could be replacement cost, net realizable value, or net realizable value less an approximately normal profit margin, and require an entity to measure inventory at the lower of cost and net realizable value. Lower of cost and net realizable value is defined as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The guidance is effective for annual periods beginning after December 15, 2016 including interim periods within those fiscal years. This update should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. We will adopt this standard on April 1, 2016, the start of our next fiscal year. Adoption of this standard is not expected to have any impact on our consolidated financial position and results of operations.

2. RESTRUCTURING AND IMPAIRMENT

“Restructuring and impairment, net” for the six months ended September 30, 2015 and 2014 was $19 million and $13 million, respectively.

The following table summarizes our restructuring liability activity and other impairment charges (in millions).

	Total restructuring liabilities	Other restructuring charges (A)	Total restructuring charges	Other impairments (B)	Total restructuring and impairments, net
Balance as of March 31, 2015	$ 32				
-Provisions	18				
-Reversal of expense	(1)				
Expenses, net	17	$ 2	$ 19	$ —	$ 19
Cash payments	(14)				
Foreign currency and other (C)	(6)				
Balance as of September 30, 2015	$ 29				

(A) Other restructuring charges include period expenses that were not recorded through the restructuring liability.
(B) Other impairment charges not related to a restructuring activity.
(C) This primarily relates to the remeasurement of Brazilian real denominated restructuring liabilities.

As of September 30, 2015, $20 million of restructuring liabilities was included in "Accrued expenses and other current liabilities" and $9 million was included in "Other long-term liabilities" on our condensed consolidated balance sheet. As of September 30, 2015, the restructuring liability for the North America segment was $1 million. The other regional and corporate restructuring activities are described in more detail on the subsequent pages.

Europe

The following table summarizes our restructuring activity for the Europe segment by plan (in millions).

	Six Months Ended September 30, 2015	Year Ended March 31, 2015	Prior to April 1, 2014
Restructuring charges - Europe			
Business optimization			
Severance	$ 2	$ 3	$ 43
Total restructuring charges - Europe	$ 2	$ 3	$ 43
Restructuring payments - Europe			
Severance	$ (3)	$ (12)	
Total restructuring payments - Europe	$ (3)	$ (12)	

The business optimization actions include the shutdown of facilities, staff rationalization and other activities to optimize our business in Europe. As of September 30, 2015, the restructuring liability for the Europe segment was $5 million, which relates to severance charges.

South America

The following table summarizes our restructuring activity for the South America segment by plan (in millions).

	Six Months Ended September 30, 2015	Year Ended March 31, 2015	Prior to April 1, 2014
Restructuring charges - South America			
Ouro Preto closures			
Severance	$ 1	$ 14	$ 5
Asset impairments (A)	—	5	1
Environmental charges	—	6	16
Contract termination and other exit related costs	1	5	6
Other past restructuring programs	—	1	20
Total restructuring charges - South America	$ 2	$ 31	$ 48
Restructuring payments - South America			
Severance	$ (2)	$ (12)	
Other	(2)	(4)	
Total restructuring payments - South America	$ (4)	$ (16)	

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

We ceased operations at the smelter in Ouro Preto, Brazil, in December 2014. This decision was made in an effort to further align our global sustainability strategy, and exit non-core operations. Certain charges associated with this closure are reflected within the "Ouro Preto smelter closures" section above, along with our closure of a pot line in Ouro Preto, Brazil, in fiscal 2013. As of September 30, 2015, the restructuring liability for the South America segment was $18 million and related to $12 million of environmental charges, $1 million of certain labor related charges, and $5 million of other exit related costs.

For additional information on environmental charges see Note 16 – Commitments and Contingencies.

Corporate

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

	Six Months Ended September 30, 2015	Year Ended March 31, 2015	Prior to April 1, 2014
Corporate Restructuring Program			
Severance	$ 13	$ —	$ —
Asset impairments (A)	1	—	—
Total restructuring charges - Corporate	$ 14	$ —	$ —
Restructuring payments - Corporate			
Severance	$ (7)	$ —	
Lease Termination Costs	—	(1)	
Total restructuring payments - Corporate	$ (7)	$ (1)	

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

During the first quarter of fiscal 2016, the Company implemented a series of restructuring actions at the global headquarters office to better align the organization structure and corporate staffing levels with strategic priorities. An impairment charge related to certain software items was also recorded as part of this restructuring action. As of September 30, 2015, the restructuring liability for the corporate office was $5 million and related to severance charges.

3. INVENTORIES

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

	September 30, 2015	March 31, 2015
Finished goods	$ 292	$ 358
Work in process	504	531
Raw materials	419	419
Supplies	134	123
Inventories	$ 1,349	$ 1,431

4. ASSETS HELD FOR SALE

We are focused on capturing the global growth we see in our premium product markets of beverage can, automotive and high-end specialties. We continually analyze our product portfolio to ensure we are focused on growing in attractive market segments. The following transaction relates to exiting certain non-core operations and are steps to align our growth strategy in the premium product markets.

In April 2014, we entered into agreements to sell certain hydroelectric power generation operations in South America and our share of the joint venture of the Consorcio Candonga to two separate parties. In December 2014, we sold our share of the joint venture of the Consorcio Candonga. Additionally, we sold the majority of our hydroelectric power generation operations fully owned by the Company in February 2015. The remaining hydroelectric power generation assets which are Property, plant, and equipment, totaling $5 million as of September 30, 2015 and $6 million as of March 31, 2015, were classified as "Assets held for sale" in our condensed consolidated balance sheets. The contract for the sale of these remaining operations is subject to resolution of certain operating license issues and final regulatory approval.

"Gain on assets held for sale" includes $7 million from the sale of our consumer foil operations in North America and $4 million from a property and mining rights sale in South America during the six months ended September 30, 2014.

5. CONSOLIDATION

Variable Interest Entities (VIE)

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

We have a joint interest in Logan Aluminum Inc. (Logan) with Tri-Arrows Aluminum Inc. (Tri-Arrows). Logan processes metal received from Novelis and Tri-Arrows and charges the respective partner a fee to cover expenses. Logan is thinly capitalized and relies on the regular reimbursement of costs and expenses by Novelis and Tri-Arrows to fund its operations. This reimbursement is considered a variable interest as it constitutes a form of financing the activities of Logan. Other than these contractually required reimbursements, we do not provide other material support to Logan. Logan's creditors do not have recourse to our general credit.

We have a majority voting right on Logan's board of directors and have the ability to direct the majority of Logan's production operations. We also have the ability to take the majority share of production and associated costs. These facts qualify us as Logan's primary beneficiary and this entity is consolidated for all periods presented. All significant intercompany transactions and balances have been eliminated.

The following table summarizes the carrying value and classification of assets and liabilities owned by the Logan joint venture and consolidated in our condensed consolidated balance sheets (in millions). There are significant other assets used in the operations of Logan that are not part of the joint venture, as they are directly owned and consolidated by Novelis or Tri-Arrows.

	September 30, 2015	March 31, 2015
Assets		
Current assets		
Cash and cash equivalents	$ 3	$ 2
Accounts receivable	30	40
Inventories	59	52
Prepaid expenses and other current assets	1	1
Total current assets	93	95
Property, plant and equipment, net	14	20
Goodwill	12	12
Deferred income taxes	69	65
Other long-term assets	4	4
Total assets	$ 192	$ 196
Liabilities		
Current liabilities		
Accounts payable	$ 24	$ 33
Accrued expenses and other current liabilities	11	12
Total current liabilities	35	45
Accrued postretirement benefits	170	166
Other long-term liabilities	2	2
Total liabilities	$ 207	$ 213

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

We have a non-consolidated affiliate, Aluminium Norf GmbH (Alunorf), which serves our Europe region with rolling and remelt tolling services. We also had a non-consolidated affiliate, Consorcio Candonga (Candonga), which we sold in December 2014, that provided hydroelectric power generation operations. Included in the accompanying condensed consolidated financial statements are transactions and balances arising from business we conducted with these non-consolidated affiliates, which we classify as related party transactions and balances. We account for these affiliates using the equity method.

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2015	2014	2015	2014
Net sales	$ 117	$ 138	$ 234	$ 276
Costs and expenses related to net sales	115	141	233	287
Provision (benefit) for taxes on income	3	(3)	2	(5)
Net loss	$ (1)	$ —	$ (1)	$ (6)
Purchases of tolling services from Alunorf	$ 59	$ 69	$ 117	$ 138

Additionally, we earned less than $1 million of interest income on a loan due from Alunorf.

The following table describes the period-end account balances that we had with our remaining non-consolidated affiliate, Alunorf, shown as related party balances in the accompanying condensed consolidated balance sheets (in millions). We had no other material related party balances with Alunorf.

	September 30, 2015	March 31, 2015
Accounts receivable-related parties	$ 55	$ 53
Other long-term assets-related parties	$ 19	$ 15
Accounts payable-related parties	$ 49	$ 44

As noted above, we have a loan due from Alunorf, which is presented in "Other long-term assets-related parties" during each of the periods in the table above. We believe collection of the full receivable from Alunorf is probable; thus no allowance for loan loss was recorded as of September 30, 2015 and March 31, 2015.

We have guaranteed the indebtedness for a credit facility on behalf of Alunorf. The guarantee is limited to 50% of the outstanding debt, not to exceed 6 million euros. As of September 30, 2015, there were no amounts outstanding under our guarantee with Alunorf as there were no outstanding borrowings. We have also guaranteed the payment of early retirement benefits on behalf of Alunorf. As of September 30, 2015, this guarantee totaled $2 million, though an associated liability for the Novelis is not currently probable.

Transactions with Hindalco and AV Metals Inc.

We occasionally have related party transactions with Hindalco. During the six months ended September 30, 2015 and 2014, “Net sales” were less than $1 million between Novelis and Hindalco. As of September 30, 2015 and March 31, 2015, there were less than $1 million and $1 million in "Accounts receivable, net" outstanding, respectively, related to transactions with Hindalco.

On April 30, 2014, we paid a return of capital to our direct shareholder, AV Metals Inc., in the amount of $250 million.

7. DEBT

Debt consisted of the following (in millions).

	September 30, 2015				March 31, 2015		
	Interest Rates (A)	Principal	Unamortized Carrying Value Adjustments	Carrying Value	Principal	Unamortized Carrying Value Adjustments	Carrying Value
Third party debt:							
Short-term borrowings	3.05%	$ 901	$ —	$ 901	$ 846	$ —	$ 846
Novelis Inc.							
Floating rate Term Loan Facility, due through June 2022	4.00%	1,796	(18) (B)	1,778	1,731	(13) (B)	1,718
8.375% Senior Notes, due December 2017	8.375%	1,100	—	1,100	1,100	—	1,100
8.75% Senior Notes, due December 2020	8.75%	1,400	—	1,400	1,400	—	1,400
Capital lease obligations, due through July 2017	3.64%	7	—	7	9	—	9
Novelis Korea Limited							
Bank loans, due through September 2020 (KRW 242 billion)	2.67%	203	—	203	192	—	192
Novelis Switzerland S.A.							
Capital lease obligation, due through December 2019 (Swiss francs (CHF) 25 million)	7.50%	26	(1) (C)	25	28	(1) (C)	27
Novelis do Brasil Ltda.							
BNDES loans, due through April 2021 (BRL 19 million)	5.92%	5	(1) (D)	4	7	(1) (D)	6
Other							
Other debt, due through December 2020	6.29%	3	—	3	5	—	5
Total debt		5,441	(20)	5,421	5,318	(15)	5,303
Less: Short-term borrowings		(901)	—	(901)	(846)	—	(846)
Current portion of long term debt		(102)	—	(102)	(108)	—	(108)
Long-term debt, net of current portion		$ 4,438	$ (20)	$ 4,418	$ 4,364	$ (15)	$ 4,349

(A) Interest rates are the fixed or variable rates as specified in the debt instruments (not the effective interest rate) as of September 30, 2015, and therefore, exclude the effects of related interest rate swaps, accretion/amortization of fair value adjustments as a result of purchase accounting in connection with Hindalco's purchase of Novelis and accretion/amortization of debt issuance costs related to the debt exchange completed in fiscal 2009 and the series of refinancing transactions and additional borrowings we completed in fiscal 2011 through 2016. We present stated rates of interest because they reflect the rate at which cash will be paid for future debt service.
(B) Debt existing at the time of Hindalco's purchase of Novelis was recorded at fair value. In connection with a series of refinancing transactions, a portion of the historical fair value adjustments was allocated to the Term Loan Facility, resulting in carrying value adjustments on this debt obligation. The unamortized carrying value also includes an issuance discount.
(C) Debt existing at the time of Hindalco's purchase of Novelis was recorded at fair value resulting in carrying value adjustments to our capital lease obligations in Novelis Switzerland.
(D) The unamortized carrying value includes issuance discounts related to the difference resulting from the contractual rates of interest specified in the instruments that are lower than the market rates of interest upon issuance.

Principal repayment requirements for our total debt over the next five years and thereafter (excluding unamortized carrying value adjustments and using exchange rates as of September 30, 2015 for our debt denominated in foreign currencies) are as follows (in millions).

As of September 30, 2015		Amount
Short-term borrowings and current portion of long-term debt due within one year	$	1,003
2 years		83
3 years		1,200
4 years		26
5 years		20
Thereafter		3,109
Total	$	5,441

Senior Secured Credit Facilities

As of September 30, 2015, the senior secured credit facilities consisted of (1) a $1.8 billion seven-year secured term loan credit facility (Term Loan Facility), (2) a $1.2 billion five-year asset based loan facility (ABL Revolver) and (3) a $200 million 15-month subordinated secured lien revolving facility (Subordinated Lien Revolver). As of September 30, 2015, $18 million of the Term Loan Facility is due within one year.

In June 2015, we entered into the Subordinated Lien Revolver with a maturity date of September 10, 2016. The interest rate for the Subordinated Lien Revolver is equal to the higher of LIBOR and 0.75% plus a spread of 3.50% or 3.25% depending on the total net leverage ratio then in effect. The Subordinated Lien Revolver requires us to maintain a secured net leverage ratio of 4 to 1. Pursuant to the terms of the Term Loan Facility, such secured net leverage maintenance covenant will automatically apply to the Term Loan Facility as well for so long as the Subordinated Lien Revolver is in effect.

In June 2015, we entered into a Refinancing Amendment Agreement with respect to our Term Loan Facility. The Amendment increases the principal amount of the Term Loan Facility from $1.7 billion to $1.8 billion and extends the final maturity from December 17, 2017 to June 2, 2022; provided that, in the event that any series of our senior unsecured notes remain outstanding 92 days prior to its maturity date, then the Term Loan Facility will mature on such date, subject to limited exceptions. The loans under the Term Loan Facility accrue interest at the higher of LIBOR and 0.75% plus a 3.25% spread. The Amendment eliminates the senior secured net leverage covenant that requires us to maintain a minimum senior secured net leverage ratio (subject to the terms disclosed in the preceding paragraph). In addition, certain negative covenants were amended to increase the Company’s operational flexibility, including increasing flexibility to enter into working capital management programs and incur other debt.

In October 2014, we amended and extended our ABL Revolver by entering into a $1.2 billion, five-year, senior secured ABL Revolver bearing an interest rate of LIBOR plus a spread of 1.50% to 2.00% plus a prime spread of 0.50% to 1.00% based on excess availability. The ABL Revolver has a provision that allows the facility to be increased by an additional $500 million. The ABL Revolver has various customary covenants including maintaining a minimum fixed charge coverage ratio of 1.25 to 1 if excess availability is less than the greater of (1) $110 million and (2) 12.5% of the lesser of (a) the maximum size of the ABL Revolver and (b) the borrowing base. The fixed charge coverage ratio will be equal to the ratio of (1) (a) ABL Revolver defined Earnings Before Interest, Taxes, Depreciation and Amortization less (b) maintenance capital expenditures less (c) cash taxes; to (2) (a) interest expense plus (b) scheduled principal payments plus (c) dividends to the Company's direct holding company to pay certain taxes, operating expenses and management fees and repurchases of equity interests from employees, officers and directors. The ABL Revolver matures on October 6, 2019; provided that, in the event that any of the Notes, the Term Loan Facility, or certain other indebtedness are outstanding (and not refinanced with a maturity date later than April 6, 2020) 90 days prior to their respective maturity dates, then the ABL Revolver will mature 90 days prior to the maturity date for the Notes, the Term Loan Facility or such other indebtedness, as applicable; unless excess availability under the ABL Revolver is at least (i) 25% of the lesser of (x) the total ABL Revolver commitment and (y) the then applicable borrowing base and (ii) 20% of the lesser of (x) the total ABL Revolver commitment and (y) the then applicable borrowing base, and a minimum fixed charged ratio test of at least 1.25 to 1 is met.

The senior secured credit facilities contain various affirmative covenants, including covenants with respect to our financial statements, litigation and other reporting requirements, insurance, payment of taxes, employee benefits and (subject to certain limitations) causing new subsidiaries to pledge collateral and guarantee our obligations. The senior secured credit facilities also include various customary negative covenants and events of default, including limitations on our ability to (1) make certain restricted payments, (2) incur additional indebtedness, (3) sell certain assets, (4) enter into sale and leaseback transactions, (5) make investments, loans and advances, (6) pay dividends or returns of capital and distributions beyond certain amounts, (7) engage in mergers, amalgamations or consolidations, (8) engage in certain transactions with affiliates, and (9) prepay certain indebtedness. Substantially all of our assets are pledged as collateral under the senior secured credit facilities. As of September 30, 2015, we were in compliance with the covenants in the Term Loan Facility, ABL Revolver and Subordinated Lien Revolver.

Short-Term Borrowings

As of September 30, 2015, our short-term borrowings were $901 million, consisting of $596 million of loans under our ABL Revolver, $98 million in Novelis Brazil loans, $90 million under our Subordinated Lien Revolver, $48 million (KRW 58 billion) in Novelis Korea loans, $33 million in Novelis Middle East and Africa loans, $27 million (CNY 173 million) in Novelis China loans, $7 million (VND 186 billion) in Novelis Vietnam loans and $2 million of other short-term borrowings.

As of September 30, 2015, $7 million of the ABL Revolver availability was utilized for letters of credit, and we had $187 million in remaining availability under the ABL Revolver.

As of September 30, 2015, $110 million under the Subordinated Lien Revolver was available.

Novelis Korea has entered into various short-term facilities, including revolving loan facilities and committed credit lines. As of September 30, 2015, we had $198 million (KRW 236 billion) in remaining availability under these facilities.

In fiscal year 2016, Novelis Middle East and Africa entered into various short-term facilities, including revolving facility agreements. As of September 30, 2015, we had $7 million in remaining availability under these facilities.

In fiscal year 2015, Novelis China entered into a committed facility. On September 16, 2015 the committed facility for Novelis China was increased to $31 million (200 million CNY). As of September 30, 2015, we had $4 million (CNY 27 million) in remaining availability under this facility.

Senior Notes

On December 17, 2010, we issued $1.1 billion in aggregate principal amount of 8.375% Senior Notes Due 2017 (the 2017 Notes) and $1.4 billion in aggregate principal amount of 8.75% Senior Notes Due 2020 (the 2020 Notes, and together with the 2017 Notes, the Notes).

The Notes contain customary covenants and events of default that will limit our ability and, in certain instances, the ability of certain of our subsidiaries to (1) incur additional debt and provide additional guarantees, (2) pay dividends or return capital beyond certain amounts and make other restricted payments, (3) create or permit certain liens, (4) make certain asset sales, (5) use the proceeds from the sales of assets and subsidiary stock, (6) create or permit restrictions on the ability of certain of the Company's subsidiaries to pay dividends or make other distributions to the Company, (7) engage in certain transactions with affiliates, (8) enter into sale and leaseback transactions, (9) designate subsidiaries as unrestricted subsidiaries and (10) consolidate, merge or transfer all or substantially all of our assets and the assets of certain of our subsidiaries. During any future period in which either Standard & Poor's Ratings Group, Inc. or Moody's Investors Service, Inc. have assigned an investment grade credit rating to the Notes and no default or event of default under the indenture has occurred and is continuing, most of the covenants will be suspended. The Notes include a cross-acceleration event of default triggered if (1) any other indebtedness with an aggregate principal amount of more than $100 million is (1) accelerated prior to its maturity or (2) not repaid at its maturity. As of September 30, 2015, we were in compliance with the covenants in the Notes. The Notes also contain customary call protection provisions for our bond holders that extend through December 2016 for the 2017 Notes and through December 2018 for the 2020 Notes.

Korean Bank Loans

As of September 30, 2015, Novelis Korea had $72 million (KRW 86 billion) of outstanding long-term loans with various banks due within one year. All loans have variable interest rates with base rates tied to Korea's 91-day CD rate plus an applicable spread ranging from 0.80% to 1.58%.

Brazil BNDES Loans

Novelis Brazil entered into loan agreements with Brazil’s National Bank for Economic and Social Development (the BNDES long-term loans) related to the plant expansion in Pindamonhangaba, Brazil (Pinda). As of September 30, 2015 there are $1 million of BNDES long-term loans due within one year.

Other Long-term debt

In December 2004, we entered into a 15-year capital lease obligation with Alcan Inc. for assets in Sierre, Switzerland, which has an interest rate of 7.5% and fixed quarterly payments of CHF 1.7 million, (USD $1.8 million).

During fiscal 2013 and 2014, Novelis Inc. entered into various capital lease arrangements to upgrade and expand our information technology infrastructure.

As of September 30, 2015, we had $3 million of other debt, including certain capital lease obligations, with due dates through December 2020.

Interest Rate Swaps

We use interest rate swaps to manage our exposure to changes in benchmark interest rates which impact our variable-rate debt. See Note 11- Financial Instruments and Commodity Contracts for further information about these interest rate swaps.

8. SHARE-BASED COMPENSATION

The Company's board of directors has authorized long term incentive plans (LTIPs), under which Hindalco stock appreciation rights (Hindalco SARs), Novelis stock appreciation rights (Novelis SARs), and phantom restricted stock units (RSUs) are granted to certain executive officers and key employees. The RSUs are based on Hindalco's stock price. The Hindalco SARs and Novelis SARs vest at the rate of 25% per year, subject to the achievement of an annual performance target, and expire 7 years from their original grant date. The performance criterion for vesting of both the Hindalco SARs and Novelis SARs is based on the actual overall Novelis operating EBITDA compared to the target established and approved each fiscal year. The RSUs vest in full three years from the grant date, subject to continued employment with the Company, but are not subject to performance criteria.

During the six months ended September 30, 2015, we granted 1,816,560 RSUs, 6,329,281 Hindalco SARs, and 608,289 Novelis SARs. Total compensation expense (benefit) related to these plans for the respective periods is less than $1 million and $3 million for the three months ended September 30, 2015, and 2014; and $(6) million and $7 million for the six months ended September 30, 2015 and 2014, respectively. These amounts are included in “Selling, general and administrative expenses” or "Cost of goods sold (exclusive of depreciation and amortization)" in our condensed consolidated statements of operations. As the performance criteria for fiscal years 2017, 2018 and 2019 have not yet been established, measurement periods for Hindalco SARs and Novelis SARs relating to those periods have not yet commenced. As a result, only compensation expense for vested and current year Hindalco SARs and Novelis SARs has been recorded.

The cash payments made to settle SAR liabilities were $2 million and $7 million in the six months ended September 30, 2015 and 2014, respectively. Total cash payments made to settle Hindalco RSUs were $5 million and $3 million in the six months ended September 30, 2015 and 2014, respectively. Unrecognized compensation expense related to the non-vested Hindalco SARs (assuming all future performance criteria are met) was $3 million, which is expected to be recognized over a weighted average period of 2.3 years. Unrecognized compensation expense related to the non-vested Novelis SARs (assuming all future performance criteria are met) was $14 million, which is expected to be recognized over a weighted average period of 2.4 years. Unrecognized compensation expense related to the RSUs was $3 million, which will be recognized over the remaining weighted average vesting period of 1.7 years.

9. POSTRETIREMENT BENEFIT PLANS

Our pension obligations relate to: (1) funded defined benefit pension plans in the U.S., Canada, Switzerland and the U.K.; (2) unfunded defined benefit pension plans in Germany; (3) unfunded lump sum indemnities payable upon retirement to employees in France, Malaysia and Italy; and (4) partially funded lump sum indemnities in South Korea. Our other postretirement obligations (Other Benefits, as shown in certain tables below) include unfunded health care and life insurance benefits provided to retired employees in the U.S., Canada and Brazil.

Components of net periodic benefit cost (credit) for all of our postretirement benefit plans are shown in the tables below (in millions).

	Pension Benefit Plans		Other Benefit Plans	
	Three Months Ended September 30,		Three Months Ended September 30,	
	2015	2014	2015	2014
Service cost	$ 12	$ 11	$ 1	$ 1
Interest cost	14	17	2	2
Expected return on assets	(17)	(18)	—	—
Amortization — losses, net	9	6	1	2
Amortization — prior service credit, net	—	—	(7)	(9)
Net periodic benefit cost (credit)	$ 18	$ 16	$ (3)	$ (4)

	Pension Benefit Plans		Other Benefits	
	Six Months Ended September 30,		Six Months Ended September 30,	
	2015	2014	2015	2014
Service cost	$ 24	$ 22	$ 2	$ 2
Interest cost	29	34	3	3
Expected return on assets	(34)	(35)	—	—
Amortization — losses	18	12	2	4
Amortization — prior service credit, net	(1)	(1)	(14)	(19)
Termination benefits / curtailments	—	1	—	(2)
Net periodic benefit cost (credit)	$ 36	$ 33	$ (7)	$ (12)

The average expected long-term rate of return on plan assets is 5.6% in fiscal 2016.

Employer Contributions to Plans

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2015	2014	2015	2014
Funded pension plans	$ 3	$ 8	$ 6	$ 12
Unfunded pension plans	3	3	5	4
Savings and defined contribution pension plans	6	5	13	11
Total contributions	$ 12	$ 16	$ 24	$ 27

During the remainder of fiscal 2016, we expect to contribute an additional $16 million to our funded pension plans, $5 million to our unfunded pension plans and $9 million to our savings and defined contribution plans.

10. CURRENCY LOSSES (GAINS)

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2015	2014	2015	2014
Gain on remeasurement of monetary assets and liabilities, net	$ (46)	$ (13)	$ (51)	$ (2)
Loss released from accumulated other comprehensive loss	1	1	1	1
Loss recognized on balance sheet remeasurement currency exchange contracts, net	48	13	49	2
Currency losses (gains), net	$ 3	$ 1	$ (1)	$ 1

The following currency losses are included in “Accumulated other comprehensive loss” and “Noncontrolling interests” in the accompanying condensed consolidated balance sheets (in millions).

	Six Months Ended September 30, 2015	Year Ended March 31, 2015
Cumulative currency translation adjustment — beginning of period	$ (214)	$ 90
Effect of changes in exchange rates	(19)	(304)
Cumulative currency translation adjustment — end of period	$ (233)	$ (214)

11. FINANCIAL INSTRUMENTS AND COMMODITY CONTRACTS

The following tables summarize the gross fair values of our financial instruments and commodity contracts as of September 30, 2015 and March 31, 2015 (in millions).

	September 30, 2015				
	Assets		Liabilities		Net Fair Value
	Current	Noncurrent (A)	Current	Noncurrent (A)	Assets / (Liabilities)
Derivatives designated as hedging instruments:					
Cash flow hedges					
Aluminum contracts	$ 30	$ —	$ (1)	$ —	$ 29
Currency exchange contracts	—	—	(54)	(18)	(72)
Energy contracts	—	—	(5)	(1)	(6)
Interest rate swaps	—	—	(1)	—	(1)
Net investment hedges					
Currency exchange contracts	3	—	—	—	3
Fair value hedges					
Aluminum contracts	—	—	(1)	—	(1)
Total derivatives designated as hedging instruments	$ 33	$ —	$ (62)	$ (19)	$ (48)
Derivatives not designated as hedging instruments					
Aluminum contracts	51	—	(40)	—	11
Currency exchange contracts	15	—	(42)	—	(27)
Energy contracts	3	—	(15)	(2)	(14)
Total derivatives not designated as hedging instruments	69	—	(97)	(2)	(30)
Total derivative fair value	$ 102	$ —	$ (159)	$ (21)	$ (78)

	March 31, 2015				
	Assets		Liabilities		Net Fair Value
	Current	Noncurrent (A)	Current	Noncurrent(A)	Assets / (Liabilities)
Derivatives designated as hedging instruments:					
Cash flow hedges					
Aluminum contracts	$ 15	$ —	$ (5)	$ —	$ 10
Currency exchange contracts	4	—	(42)	(15)	(53)
Energy contracts	—	—	(6)	(2)	(8)
Interest rate swaps	—	—	(1)	—	(1)
Net investment hedges					
Currency exchange contracts	5	—	—	—	5
Total derivatives designated as hedging instruments	$ 24	$ —	$ (54)	$ (17)	$ (47)
Derivatives not designated as hedging instruments:					
Aluminum contracts	24	—	(26)	—	(2)
Currency exchange contracts	26	—	(54)	—	(28)
Energy contracts	3	—	(15)	(7)	(19)
Total derivatives not designated as hedging instruments	53	—	(95)	(7)	(49)
Total derivative fair value	$ 77	$ —	$ (149)	$ (24)	$ (96)

(A) The noncurrent portions of derivative assets and liabilities are included in “Other long-term assets-third parties” and in “Other long-term liabilities”, respectively, in the accompanying condensed consolidated balance sheets.

Aluminum

We use derivative instruments to preserve our conversion margins and manage the timing differences associated with metal price lag. We use over-the-counter derivatives indexed to the London Metals Exchange (LME) (referred to as our "aluminum derivative forward contracts") to reduce our exposure to fluctuating metal prices associated with the period of time between the pricing of our purchases of inventory and the pricing of the sale of that inventory to our customers, which is known as "metal price lag." We also purchase forward LME aluminum contracts simultaneously with our sales contracts with customers that contain fixed metal prices. These LME aluminum forward contracts directly hedge the economic risk of future metal price fluctuations to better match the selling price of the metal with the purchase price of the metal. The volatility in local market premiums also results in metal price lag, although we do not have derivative contracts associated with local market premiums as these are not prevalent in the market.

Price risk exposure arises from commitments to sell aluminum in future periods at fixed prices. We identify and designate certain LME aluminum forward contracts as fair value hedges of the metal price risk associated with fixed price sales commitments that qualify as firm commitments. Such exposures do not extend beyond two years in length. We had 10 kt and 2 kt of outstanding aluminum forward purchase contracts designated as fair value hedges as of September 30, 2015 and March 31, 2015, respectively. One kilotonne (kt) is 1,000 metric tonnes.

The following table summarizes the amount of gain (loss) recognized on fair value hedges of metal price risk (in millions).

	Amount of Gain (Loss) Recognized on Changes in Fair Value		Amount of Gain (Loss) Recognized on Changes in Fair Value	
	Three Months Ended September 30,		Six Months Ended September 30,	
	2015	2014	2015	2014
Fair Value Hedges of Metal Price Risk				
Derivative Contracts	$ (1)	$ —	$ (1)	$ 1
Designated Hedged Items	1	—	1	(1)
Net Ineffectiveness (A)	$ —	$ —	$ —	$ —

(A) Effective portion is recorded in "Net sales" and net ineffectiveness in "Other (income) expense, net." There was no amount excluded from the assessment of hedge effectiveness related to Fair Value Hedges.

Price risk arises due to fluctuating aluminum prices between the time the sales order is committed and the time the order is shipped. We identify and designate certain LME aluminum forward purchase contracts as cash flow hedges of the metal price risk associated with our future metal purchases that vary based on changes in the price of aluminum. Such exposures do not extend beyond two years in length. We had 14 kt and 1 kt of outstanding aluminum forward purchase contracts designated as cash flow hedges as of September 30, 2015 and March 31, 2015, respectively.

Price risk exposure arises due to the timing lag between the LME based pricing of raw material aluminum purchases and the LME based pricing of finished product sales. We identify and designate certain LME aluminum forward sales contracts as cash flow hedges of the metal price risk associated with our future metal sales that vary based on changes in the price of aluminum. Generally, such exposures do not extend beyond one year in length. We had 295 kt and 285 kt of outstanding aluminum forward sales contracts designated as cash flow hedges as of September 30, 2015 and March 31, 2015, respectively.

The remaining aluminum derivative contracts are not designated as accounting hedges. As of September 30, 2015 and March 31, 2015, we had 98 kt and 36 kt, respectively, of outstanding aluminum sales contracts not designated as hedges. The average duration of undesignated contracts is less than six months.

The following table summarizes our notional amount (in kt).

	September 30, 2015	March 31, 2015
Hedge Type		
Purchase (Sale)		
Cash flow purchases	14	1
Cash flow sales	(295)	(285)
Fair value	10	2
Not designated	(98)	(36)
Total, net	(369)	(318)

Foreign Currency

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

We use foreign currency contracts to hedge expected future foreign currency transactions, which include capital expenditures. These contracts cover the same periods as known or expected exposures. We had total notional amounts of $707 million and $590 million in outstanding foreign currency forwards designated as cash flow hedges as of September 30, 2015 and March 31, 2015, respectively.

We use foreign currency contracts to hedge our foreign currency exposure to our net investment in foreign subsidiaries. We had $22 million and $28 million of outstanding foreign currency forwards designated as net investment hedges as of September 30, 2015 and March 31, 2015, respectively.

As of September 30, 2015 and March 31, 2015, we had outstanding currency exchange contracts with a total notional amount of $555 million and $868 million, respectively, which were not designated as hedges. Contracts representing the majority of this notional amount will mature during the third quarter of fiscal 2016.

Energy

We own an interest in an electricity swap, which we formerly designated as a cash flow hedge of our exposure to fluctuating electricity prices. As of March 31, 2011, due to significant credit deterioration of our counterparty, we discontinued hedge accounting for this electricity swap. Less than 1 million of notional megawatt hours remained outstanding as of September 30, 2015, and the fair value of this swap was a liability of $12 million as of September 30, 2015. As of March 31, 2015, the fair value of this electricity swap was a liability of $16 million.

We use natural gas forward purchase contracts to manage our exposure to fluctuating energy prices in North America. We had 6 million MMBTUs designated as cash flow hedges as of September 30, 2015, and the fair value was a liability of $6 million. There were 7 million MMBTUs of natural gas forward purchase contracts designated as cash flow hedges as of March 31, 2015 and the fair value was a liability of $8 million. As of September 30, 2015 and March 31, 2015, we had 1 million and 2 million of MMBTUs, respectively, of natural gas forward purchase contracts that were not designated as hedges. The fair value as of September 30, 2015 and March 31, 2015 was a liability of $2 million and a liability of $3 million, respectively, for the forward purchase contracts not designated as hedges. The average duration of undesignated contracts is less than two years in length. One MMBTU is the equivalent of one decatherm, or one million British Thermal Units.

Interest Rate

As of September 30, 2015, we swapped $183 million (KRW 219 billion) floating rate loans to a weighted average fixed rate of 3.23%. All swaps expire concurrent with the maturity of the related loans. As of September 30, 2015 and March 31, 2015, $183 million (KRW 219 billion) and $78 million (KRW 86 billion), respectively, were designated as cash flow hedges.

(Loss) Gain Recognition

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2015	2014	2015	2014
Derivative Instruments Not Designated as Hedges				
Aluminum contracts (C)	$ 9	$ (20)	$ 40	$ (27)
Currency exchange contracts	(55)	(14)	(54)	(2)
Energy contracts (A)	2	2	2	4
Loss recognized in "Other (income) expense, net"	(44)	(32)	(12)	(25)
Derivative Instruments Designated as Hedges				
Gain recognized in "Other (income) expense, net" (B)	22	6	16	8
Total (loss) gain recognized in "Other (income) expense, net"	$ (22)	$ (26)	$ 4	$ (17)
Balance sheet remeasurement currency exchange contract losses	$ (49)	$ (14)	$ (50)	$ (3)
Realized gains (losses), net	42	(11)	34	(14)
Unrealized (losses) gains on other derivative instruments, net (C)	(15)	(1)	20	—
Total (loss) gain recognized in "Other (income) expense, net"	$ (22)	$ (26)	$ 4	$ (17)

(A) Includes amounts related to de-designated electricity swap and natural gas swaps not designated as hedges.
(B) Amount includes: forward market premium/discount excluded from hedging relationship and ineffectiveness on designated aluminum and foreign currency capital expenditure contracts; releases to income from AOCI on balance sheet remeasurement contracts; and ineffectiveness of fair value hedges involving aluminum derivatives.
(C) During the three and six months ended September 30, 2015, the level of undesignated aluminum derivatives was higher due to the recent volatility in the local market premium component of our net selling prices.

The following table summarizes the impact on AOCI and earnings of derivative instruments designated as cash flow and net investment hedges (in millions). Within the next twelve months, we expect to reclassify $46 million of losses from AOCI to earnings, before taxes.

	Amount of Gain (Loss) Recognized in OCI (Effective Portion)		Amount of Gain (Loss) Recognized in OCI (Effective Portion)		Amount of Gain (Loss) Recognized in “Other (Income) Expense, net” (Ineffective and Excluded Portion)		Amount of Gain (Loss) Recognized in “Other (Income) Expense, net” (Ineffective and Excluded Portion)	
	Three Months Ended September 30,		Six Months Ended September 30,		Three Months Ended September 30,		Six Months Ended September 30,	
	2015	2014	2015	2014	2015	2014	2015	2014
Cash flow hedging derivatives								
Aluminum contracts	$ 21	$ (27)	$ 59	$ (48)	$ 22	$ 7	$ 16	$ 10
Currency exchange contracts	(51)	(19)	(43)	13	—	—	—	(1)
Energy contracts	(2)	(3)	(2)	(3)	—	—	—	—
Interest Rate Swaps	1	—	—	—	—	—	—	—
Total cash flow hedging derivatives	$ (31)	$ (49)	$ 14	$ (38)	$ 22	$ 7	$ 16	$ 9
Net investment derivatives								
Currency exchange contracts	—	4	(1)	4	—	—	—	—
Total	$ (31)	$ (45)	$ 13	$ (34)	$ 22	$ 7	$ 16	$ 9

Gain (Loss) Reclassification

Cash flow hedging derivatives	Amount of Gain (Loss) Reclassified from AOCI into Income/(Expense) (Effective Portion) Three Months Ended September 30, 2015	2014	Amount of Gain (Loss) Reclassified from AOCI into Income/(Expense) (Effective Portion) Six Months Ended September 30, 2015	2014	Location of Gain (Loss) Reclassified from AOCI into Earnings
Energy contracts (A)	$ (2)	$ (2)	$ (3)	$ (3)	Other (income) expense, net
Energy contracts (C)	(2)	—	(4)	1	Cost of goods sold (B)
Aluminum contracts	38	(45)	51	(51)	Cost of goods sold (B)
Currency exchange contracts	(10)	1	(16)	2	Cost of goods sold (B)
Currency exchange contracts	(1)	—	(1)	—	SG&A
Currency exchange contracts	(3)	5	—	9	Net sales
Currency exchange contracts	(1)	(2)	(1)	(1)	Other (income) expense, net
Currency exchange contracts	(1)	—	(1)	—	Depreciation and amortization
Total	$ 18	$ (43)	$ 25	$ (43)	Income (loss) before taxes
	(10)	16	(14)	16	Income tax (provision) benefit
	$ 8	$ (27)	$ 11	$ (27)	Net (loss) income

(A) Includes amounts related to de-designated electricity swap. AOCI related to this swap is amortized to income over the remaining term of the hedged item.
(B) "Cost of goods sold" is exclusive of depreciation and amortization.
(C) Includes amounts related to natural gas swaps.

12. ACCUMULATED OTHER COMPREHENSIVE LOSS

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

	Currency Translation	(A) Cash Flow Hedges	(B) Postretirement Benefit Plans	Total
Balance as of June 30, 2015	$ (169)	$ (33)	$ (292)	$ (494)
Other comprehensive income (loss) before reclassifications	(60)	(34)	5	(89)
Amounts reclassified from AOCI	—	(8)	2	(6)
Net current-period other comprehensive income (loss)	(60)	(42)	7	(95)
Balance as of September 30, 2015	$ (229)	$ (75)	$ (285)	$ (589)

	Currency Translation	(A) Cash Flow Hedges	(B) Postretirement Benefit Plans	Total
Balance as of June 30, 2014	$ 115	$ (7)	$ (168)	$ (60)
Other comprehensive income (loss) before reclassifications	(131)	(39)	8	(162)
Amounts reclassified from AOCI	—	27	1	28
Net current-period other comprehensive income (loss)	(131)	(12)	9	(134)
Balance as of September 30, 2014	$ (16)	$ (19)	$ (159)	$ (194)

	Currency Translation	(A) Cash Flow Hedges	(B) Postretirement Benefit Plans	Total
Balance as of March 31, 2015	$ (213)	$ (63)	$ (285)	$ (561)
Other comprehensive income (loss) before reclassifications	(16)	(1)	(3)	(20)
Amounts reclassified from AOCI, net	—	(11)	3	(8)
Net current-period other comprehensive income (loss)	(16)	(12)	—	(28)
Balance as of September 30, 2015	$ (229)	$ (75)	$ (285)	$ (589)

	Currency Translation	(A) Cash Flow Hedges	(B) Postretirement Benefit Plans	Total
Balance as of March 31, 2014	$ 89	$ (20)	$ (160)	$ (91)
Other comprehensive income (loss) before reclassifications	(105)	(26)	3	(128)
Amounts reclassified from AOCI, net	—	27	(2)	25
Net current-period other comprehensive income (loss)	(105)	1	1	(103)
Balance as of September 30, 2014	$ (16)	$ (19)	$ (159)	$ (194)

(A) For additional information on our cash flow hedges see Note 11 - Financial Instruments and Commodity Contracts.
(B) For additional information on our postretirement benefit plans see Note 9 - Postretirement Benefit Plans.

13. FAIR VALUE MEASUREMENTS

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

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

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

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

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

Derivative Contracts

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

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

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

The average forward price at September 30, 2015, estimated using the method described above, was $47 per megawatt hour, which represented a $4 premium over forward prices in the nearby observable market. The actual rate from the most recent swap settlement was approximately $38 per megawatt hour. Each $1 per megawatt hour decline in price decreases the valuation of the electricity swap by less than $1 million.

For Level 2 and 3 of the fair value hierarchy, where appropriate, valuations are adjusted for various factors such as liquidity, bid/offer spreads and credit considerations (nonperformance risk). We regularly monitor these factors along with significant market inputs and assumptions used in our fair value measurements and evaluate the level of the valuation input according to the fair value hierarchy. This may result in a transfer between levels in the hierarchy from period to period. As of September 30, 2015 and March 31, 2015, we did not have any Level 1 derivative contracts. No amounts were transferred between levels in the fair value hierarchy.

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

The following table presents our derivative assets and liabilities which were measured and recognized at fair value on a recurring basis and classified under the appropriate level of the fair value hierarchy as of September 30, 2015 and March 31, 2015 (in millions). The table below also discloses the net fair value of the derivative instruments after considering the impact of master netting agreements.

	September 30, 2015		March 31, 2015	
	Assets	Liabilities	Assets	Liabilities
Level 2 instruments				
Aluminum contracts	$ 81	$ (42)	$ 39	$ (31)
Currency exchange contracts	18	(114)	35	(111)
Energy contracts	3	(11)	3	(14)
Interest rate swaps	—	(1)	—	(1)
Total level 2 instruments	102	(168)	77	(157)
Level 3 instruments				
Energy contracts	—	(12)	—	(16)
Total level 3 instruments	—	(12)	—	(16)
Total gross	$ 102	$ (180)	$ 77	$ (173)
Netting adjustment (A)	(37)	37	(28)	28
Total net	$ 65	$ (143)	$ 49	$ (145)

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

We recognized unrealized gains of less than $1 million for the six months ended September 30, 2015 related to Level 3 financial instruments that were still held as of September 30, 2015. These unrealized gains were included in “Other (income) expense, net.”

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

	Level 3 – Derivative Instruments (A)
Balance as of March 31, 2015	$ (16)
Unrealized/realized gain included in earnings (B)	5
Settlements	(1)
Balance as of September 30, 2015	$ (12)

(A) Represents net derivative liabilities.
(B) Included in “Other (income) expense, net.”

Financial Instruments Not Recorded at Fair Value

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

	September 30, 2015		March 31, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Long-term receivables from related parties	$ 19	$ 17	$ 15	$ 15
Liabilities				
Total debt — third parties (excluding short-term borrowings)	$ 4,520	$ 4,235	$ 4,457	$ 4,659

14. OTHER (INCOME) EXPENSE, NET

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2015	2014	2015	2014
Foreign currency remeasurement losses (gains), net (A)	$ 3	$ 1	$ (1)	$ 1
Loss (gain) on change in fair value of other unrealized derivative instruments, net (B)	15	1	(20)	—
(Gain) loss on change in fair value of other realized derivative instruments, net (B)	(42)	11	(34)	14
Loss on sale of assets, net	—	2	1	3
Loss on Brazilian tax litigation, net (C)	2	2	3	4
Interest income	(2)	(2)	(4)	(3)
Gain on business interruption insurance recovery (D)	(5)	—	(10)	—
Other, net	(3)	3	3	4
Other (income) expense, net	$ (32)	$ 18	$ (62)	$ 23

(A) Includes "(Gain) loss recognized on balance sheet remeasurement currency exchange contracts, net."
(B) See Note 11 - Financial Instruments and Commodity Contracts for further details.
(C) See Note 16 – Commitments and Contingencies – Brazil Tax and Legal Matters for further details.
(D) We experienced an outage at the hotmill in the Logan facility in North America due to an unexpected failure of a motor, which resulted in lost shipments and profits during the fourth quarter of fiscal 2015. A repaired motor was installed and operations at the hotmill resumed within approximately three weeks of the outage. We recognized gains of $5 million, $5 million and $13 million during the second quarter of fiscal 2016, first quarter of fiscal 2016, and fourth quarter of fiscal 2015, respectively, as settlements of the related business interruption recovery claim were reached. The payment in the second quarter of fiscal 2016 represented the final settlement payment.

15. INCOME TAXES

A reconciliation of the Canadian statutory tax rate to our effective tax rate was as follows (in millions, except percentages).

	Three Months Ended September 30,		Six Months Ended September 30,	
	2015	2014	2015	2014
Pre-tax (loss) income before equity in net loss of non-consolidated affiliates and noncontrolling interests	$ (15)	$ 36	$ (59)	$ 97
Canadian statutory tax rate	25%	25 %	25 %	25%
(Benefit) provision at the Canadian statutory rate	$ (4)	$ 9	$ (15)	$ 24
Increase (decrease) for taxes on (loss) income resulting from:				
Exchange translation items	2	(15)	10	(11)
Exchange remeasurement of deferred income taxes	(16)	(14)	(14)	(10)
Change in valuation allowances	24	25	45	36
Income items not subject to tax	3	3	3	2
Dividends not subject to tax	(12)	(14)	(17)	(24)
Tax rate differences on foreign earnings	2	3	3	4
Other — net	(2)	1	(3)	1
Income tax (benefit) provision	$ (3)	$ (2)	$ 12	$ 22
Effective tax rate	19%	(6)%	(20)%	23%

Exchange translation items relate primarily to U.S. dollar denominated monetary assets and liabilities which will ultimately be taxed in local currency. The exchange remeasurement of deferred income taxes relates to deferred tax assets and liabilities in Brazil which get remeasured for currency fluctuations against the U.S. dollar. The change in valuation allowances primarily relates to tax losses in certain jurisdictions where we believe it is more likely than not that we will not be able to utilize those losses.

As of September 30, 2015, we had a net deferred tax liability of $59 million. This amount included gross deferred tax assets of approximately $1.1 billion and a valuation allowance of $573 million. It is reasonably possible that our estimates of future taxable income may change within the next 12 months, resulting in a change to the valuation allowance in one or more jurisdictions.

Tax authorities continue to examine certain of our tax filings for fiscal years 2008 through 2013. As a result of audit settlements, judicial decisions, the filing of amended tax returns or the expiration of statutes of limitations, our reserves for unrecognized tax benefits, as well as reserves for interest and penalties, may decrease in the next 12 months by an amount up to approximately $12 million.

16. COMMITMENTS AND CONTINGENCIES

We are party to, and may in the future be involved in, or subject to, disputes, claims and proceedings arising in the ordinary course of our business, including some we assert against others, such as environmental, health and safety, product liability, employee, tax, personal injury and other matters. We have established a liability with respect to contingencies for which a loss is probable and estimable. While the ultimate resolution of and liability and costs related to these matters cannot be determined with certainty, we do not believe any of these pending actions, individually or in the aggregate, will materially impair our operations or materially affect our financial condition or liquidity.

For certain matters in which the Company is involved for which a loss is reasonably possible, we are unable to estimate a loss. For certain other matters for which a loss is reasonably possible and the loss is estimable, we have estimated the aggregated range of loss as $0 to $60 million. This estimated aggregate range of reasonably possible losses is based upon currently available information. The Company's estimates involve significant judgment, and therefore, the estimate will change from time to time and actual losses may differ from the current estimate. We review the status of, and estimated liability related to, pending claims and civil actions on a quarterly basis. The evaluation model includes all asserted and unasserted claims that can be reasonably identified including claims relating to our responsibility for compliance with environmental, health and safety laws and regulations in the jurisdictions in which we operate or formerly operated. The estimated costs in respect of such reported liabilities are not offset by amounts related to insurance or indemnification arrangements unless otherwise noted.

The following describes certain contingencies relating to our business, including those for which we assumed liability as a result of our spin-off from Alcan Inc.

Environmental Matters

We own and operate numerous manufacturing and other facilities in various countries around the world. Our operations are subject to environmental laws and regulations from various jurisdictions, which govern, among other things, air emissions, wastewater discharges, the handling, storage and disposal of hazardous substances and wastes, the remediation of contaminated sites, post-mining reclamation and restoration of natural resources, and employee health and safety. Future environmental regulations may impose stricter compliance requirements on the industries in which we operate. Additional equipment or process changes at some of our facilities may be needed to meet future requirements. The cost of meeting these requirements may be significant. Failure to comply with such laws and regulations could subject us to administrative, civil or criminal penalties, obligations to pay damages or other costs, and injunctions and other orders, including orders to cease operations.

We are involved in proceedings under the U.S. Comprehensive Environmental Response, Compensation, and Liability Act, also known as CERCLA or Superfund, or analogous state provisions regarding liability arising from the usage, storage, treatment or disposal of hazardous substances and wastes at a number of sites in the United States, as well as similar proceedings under the laws and regulations of the other jurisdictions in which we have operations, including Brazil and certain countries in the European Union. Many of these jurisdictions have laws that impose joint and several liability, without regard to fault or the legality of the original conduct, for the costs of environmental remediation, natural resource damages, third party claims, and other expenses. In addition, we are, from time to time, subject to environmental reviews and investigations by relevant governmental authorities. We are also involved in claims and litigation filed on behalf of persons alleging exposure to substances and other hazards at our current and former facilities.

We have established liabilities based on our estimates for the currently anticipated costs associated with these environmental matters. We estimated that the remaining undiscounted clean-up costs related to our environmental liabilities as of September 30, 2015 were approximately $17 million, of which $12 million was included in "Other long-term liabilities" and the remaining $5 million in "Accrued expenses and other current liabilities". Of the total $17 million, $13 million was associated with restructuring actions and the remaining undiscounted clean-up costs were approximately $4 million. As of March 31, 2015, $18 million of the environmental liability was included in "Other long-term liabilities," with the remaining $4 million included in "Accrued expenses and other current liabilities" in our condensed consolidated balance sheet. Management has reviewed the environmental matters, including those for which we assumed liability as a result of our spin-off from Alcan Inc. As a result of management's review of these items, management has determined that the currently anticipated costs associated with these environmental matters will not, individually or in the aggregate, materially impact our operations or materially adversely affect our financial condition, results of operations or liquidity.

Brazil Tax and Legal Matters

Under a federal tax dispute settlement program established by the Brazilian government, we have settled several disputes with Brazil's tax authorities regarding various forms of manufacturing taxes and social security contributions. In most cases, we are paying the settlement amounts over a period of 180 months, although in some cases we are paying the settlement amounts over a shorter period. The assets and liabilities related to these settlements are presented in the table below (in millions).

	September 30, 2015	March 31, 2015
Cash deposits (A)	$ 2	$ 3
Short-term settlement liability (B)	$ 6	$ 7
Long-term settlement liability (B)	52	66
Total settlement liability	$ 58	$ 73
Liability for other disputes and claims (C)	$ 10	$ 12

(A) We have maintained these cash deposits as a result of legal proceedings with Brazil's tax authorities. These deposits, which are included in "Other long-term assets — third parties" in our accompanying condensed consolidated balance sheets, will be expended toward these legal proceedings.
(B) The short-term and long-term settlement liabilities are included in "Accrued expenses and other current liabilities" and "Other long-term liabilities", respectively, in our accompanying condensed consolidated balance sheets.
(C) In addition to the disputes we have settled under the federal tax dispute settlement program, we are involved in several other unresolved tax and other legal claims in Brazil. The related liabilities are included in "Other long-term liabilities" in our accompanying condensed consolidated balance sheets.

The interest cost recorded on these settlement liabilities, partially offset by interest earned on the cash deposits is included in the table below (in millions).

	Three Months Ended September 30,		Six Months Ended September 30,	
	2015	2014	2015	2014
Loss on Brazilian tax litigation, net	$ 2	$ 2	$ 3	$ 4

Additionally, we have included in the range of reasonably possible losses disclosed above, any unresolved tax disputes or other contingencies for which a loss is reasonably possible and estimable.

Other Commitments

As of September 30, 2015 and March 31, 2015, we sold certain inventories to third parties and have agreed to repurchase the same or similar inventory back from the third parties at market prices subsequent to the balance sheet dates. Our estimated outstanding repurchase obligations for this inventory as of September 30, 2015 were $25 million and as of March 31, 2015 were approximately $206 million, based on market prices as of these dates. We sell and repurchase inventory with third parties in an attempt to better manage inventory levels and to better match the purchasing of inventory with the demand for our products. As of September 30, 2015 and March 31, 2015, there was no liability related to these repurchase obligations on our accompanying condensed consolidated balance sheets.

17. SEGMENT, MAJOR CUSTOMER AND MAJOR SUPPLIER INFORMATION

Segment Information

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

The following is a description of our operating segments:

North America. Headquartered in Atlanta, Georgia, this segment operates eight plants, including two fully dedicated recycling facilities and one facility with recycling operations, in two countries.

Europe. Headquartered in Kusnacht, Switzerland, this segment operates ten plants, including two fully dedicated recycling facilities and two facilities with recycling operations, in four countries.

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

South America. Headquartered in Sao Paulo, Brazil, this segment comprises power generation operations, and operates two plants, including a facility with recycling operations, in Brazil. Our remaining smelting operations facilities ceased operations in December 2014. The majority of our power generation operations were sold during the fourth quarter of fiscal 2015.

Net sales and expenses are measured in accordance with the policies and procedures described in Note 1 — Business and Summary of Significant Accounting Policies.

We measure the profitability and financial performance of our operating segments based on “Segment income.” “Segment income” provides a measure of our underlying segment results that is in line with our approach to risk management. We define “Segment income” as earnings before (a) “depreciation and amortization”; (b) “interest expense and amortization of debt issuance costs”; (c) “interest income”; (d) unrealized gains (losses) on change in fair value of derivative instruments, net, except for foreign currency remeasurement hedging activities, which are included in segment income; (e) impairment of goodwill; (f) gain or loss on extinguishment of debt; (g) noncontrolling interests' share; (h) adjustments to reconcile our proportional share of “Segment income” from non-consolidated affiliates to income as determined on the equity method of accounting; (i) “restructuring and impairment, net”; (j) gains or losses on disposals of property, plant and equipment and businesses, net; (k) other costs, net; (l) litigation settlement, net of insurance recoveries; (m) sale transaction fees; (n) provision or benefit for taxes on income (loss) and (o) cumulative effect of accounting change, net of tax.

The tables below show selected segment financial information (in millions). The “Eliminations and Other” column in the table below includes eliminations and functions that are managed directly from our corporate office that have not been allocated to our operating segments, as well as the adjustments for proportional consolidation, and eliminations of intersegment “Net sales.” The financial information for our segments includes the results of our affiliates on a proportionately consolidated basis, which is consistent with the way we manage our business segments. In order to reconcile the financial information for the segments shown in the tables below to the relevant U.S. GAAP-based measures, we must adjust proportional consolidation of each line item. The “Eliminations and Other” in “Net sales – third party” includes the net sales attributable to our joint venture party, Tri-Arrows, for our Logan affiliate because we consolidate 100% of the Logan joint venture for U.S. GAAP, but we manage our Logan affiliate on a proportionately consolidated basis. See Note 5 - Consolidation and Note 6 - Investment in and Advances to Non-Consolidated Affiliates and Related Party Transactions for further information about these affiliates. Additionally, we eliminate intersegment sales and intersegment income for reporting on a consolidated basis.

Selected Segment Financial Information

September 30, 2015	North America	Europe	Asia	South America	Eliminations and Other	Total
Investment in and advances to non–consolidated affiliate	$ —	$ 464	$ —	$ —	$ —	$ 464
Total assets	$ 2,565	$ 2,952	$ 1,482	$ 1,501	$ 130	$ 8,630

March 31, 2015	North America	Europe	Asia	South America	Eliminations and Other	Total
Investment in and advances to non–consolidated affiliate	$ —	$ 447	$ —	$ —	$ —	$ 447
Total assets	$ 2,744	$ 2,952	$ 1,663	$ 1,588	$ 155	$ 9,102

Selected Operating Results Three Months Ended September 30, 2015	North America	Europe	Asia	South America	Eliminations and Other	Total
Net sales-third party	$ 834	$ 798	$ 443	$ 363	$ 44	$ 2,482
Net sales-intersegment	1	41	36	14	(92)	—
Net sales	$ 835	$ 839	$ 479	$ 377	$ (48)	$ 2,482
Depreciation and amortization	$ 36	$ 27	$ 15	$ 15	$ (4)	$ 89
Income tax (benefit) provision	$ (17)	$ (7)	$ 4	$ 6	$ 11	$ (3)
Capital expenditures	$ 25	$ 32	$ 10	$ 7	$ 1	$ 75

Selected Operating Results Three Months Ended September 30, 2014	North America	Europe	Asia	South America	Eliminations and Other	Total
Net sales-third party	$ 901	$ 931	$ 531	$ 422	$ 46	$ 2,831
Net sales-intersegment	6	32	37	23	(98)	—
Net sales	$ 907	$ 963	$ 568	$ 445	$ (52)	$ 2,831
Depreciation and amortization	$ 34	$ 27	$ 18	$ 16	$ (5)	$ 90
Income tax provision (benefit)	$ 4	$ 7	$ 3	$ (19)	$ 3	$ (2)
Capital expenditures	$ 28	$ 61	$ 14	$ 11	$ 12	$ 126

Selected Operating Results Six Months Ended September 30, 2015	North America	Europe	Asia	South America	Eliminations and Other	Total
Net sales-third party	$ 1,720	$ 1,613	$ 976	$ 716	$ 91	$ 5,116
Net sales-intersegment	3	106	69	52	(230)	—
Net sales	$ 1,723	$ 1,719	$ 1,045	$ 768	$ (139)	$ 5,116
Depreciation and amortization	$ 71	$ 52	$ 31	$ 30	$ (8)	$ 176
Income tax (benefit) provision	$ (32)	$ (13)	$ 5	$ 23	$ 29	$ 12
Capital expenditures	$ 77	$ 88	$ 20	$ 15	$ 4	$ 204

Selected Operating Results Six Months Ended September 30, 2014	North America	Europe	Asia	South America	Eliminations and Other	Total
Net sales-third party	$ 1,716	$ 1,811	$ 1,060	$ 825	$ 99	$ 5,511
Net sales-intersegment	12	66	64	40	(182)	—
Net sales	$ 1,728	$ 1,877	$ 1,124	$ 865	$ (83)	$ 5,511
Depreciation and amortization	$ 68	$ 52	$ 38	$ 33	$ (12)	$ 179
Income tax (benefit) provision	$ (5)	$ 19	$ 6	$ (7)	$ 9	$ 22
Capital expenditures	$ 47	$ 150	$ 34	$ 28	$ 5	$ 264

The following table shows the reconciliation from segment income for each of our regions to “Net (loss) income attributable to our common shareholder” (in millions).

	Three Months Ended September 30,		Six Months Ended September 30,	
	2015	2014	2015	2014
North America	$ 53	$ 76	$ 95	$ 140
Europe	41	75	32	154
Asia	34	36	70	73
South America	54	41	113	96
Intersegment eliminations	—	2	(1)	2
Depreciation and amortization	(89)	(90)	(176)	(179)
Interest expense and amortization of debt issuance costs	(82)	(82)	(162)	(163)
Adjustment to eliminate proportional consolidation	(8)	(9)	(15)	(17)
Unrealized (losses) gains on change in fair value of derivative instruments, net	(15)	(1)	20	—
Realized losses on derivative instruments not included in segment income	(3)	—	(2)	(1)
Gain on assets held for sale	—	—	—	11
Loss on extinguishment of debt	—	—	(13)	—
Restructuring and impairment, net	(4)	(7)	(19)	(13)
Loss on sale of fixed assets	—	(2)	(1)	(3)
Other income (costs), net	3	(3)	(2)	(5)
(Loss) income before income taxes	(16)	36	(61)	95
Income tax (benefit) provision	(3)	(2)	12	22
Net (loss) income	(13)	38	(73)	73
Net income attributable to noncontrolling interests	—	—	—	—
Net (loss) income attributable to our common shareholder	$ (13)	$ 38	$ (73)	$ 73

Information about Major Customers and Primary Supplier

The table below shows our net sales to Rexam Plc (Rexam) and Affiliates of Ball Corporation (Ball), our two largest customers, as a percentage of total "Net sales."

	Three Months Ended September 30,		Six Months Ended September 30,	
	2015	2014	2015	2014
Rexam (A)	20%	18%	19%	18%
Ball	11%	12%	11%	11%

(A) In February of 2015, Ball Corporation made an offer to acquire Rexam. The combination is subject to regulatory approvals and other customary conditions to closing.

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2015	2014	2015	2014
Purchases from RTA as a percentage of total	12%	16%	13%	15%

18. SUPPLEMENTAL INFORMATION

Supplemental cash flow information is as follows (in millions).

	Six Months Ended September 30,	
	2015	2014
Supplemental disclosures of cash flow information:		
Interest paid	$ 152	$ 150
Income taxes paid	$ 41	$ 63

As of September 30, 2015, we recorded $64 million of outstanding accounts payable and accrued liabilities related to capital expenditures for which the cash outflows will occur subsequent to September 30, 2015.

19. SUPPLEMENTAL GUARANTOR INFORMATION

In connection with the issuance of Novelis Inc.'s (the Parent and Issuer) 2017 Notes and 2020 Notes, certain of our wholly-owned subsidiaries, which are 100% owned within the meaning of Rule 3-10(h)(1) of Regulation S-X, provided guarantees. These guarantees are full and unconditional as well as joint and several. The guarantor subsidiaries (the Guarantors) are comprised of the majority of our businesses in Canada, the U.S., the U.K., Brazil, Portugal and Switzerland, as well as certain businesses in Germany and France. The remaining subsidiaries (the Non-Guarantors) of the Parent are not guarantors of the Notes.

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
(in millions)

	Three Months Ended September 30, 2015				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net sales	$ 158	$ 2,159	$ 588	$ (423)	$ 2,482
Cost of goods sold (exclusive of depreciation and amortization)	156	1,972	534	(421)	2,241
Selling, general and administrative expenses	2	84	14	—	100
Depreciation and amortization	4	69	16	—	89
Interest expense and amortization of debt issuance costs	80	20	2	(20)	82
Research and development expenses	—	12	1	—	13
Restructuring and impairment, net	—	4	—	—	4
Equity in net loss of non-consolidated affiliates	—	1	—	—	1
Equity in net income of consolidated subsidiaries	(82)	(13)	—	95	—
Other expense (income), net	9	(66)	5	20	(32)
	169	2,083	572	(326)	2,498
(Loss) income before income taxes	(11)	76	16	(97)	(16)
Income tax provision (benefit)	2	(9)	4	—	(3)
Net (loss) income	(13)	85	12	(97)	(13)
Net income attributable to noncontrolling interests	—	—	—	—	—
Net (loss) income attributable to our common shareholder	$ (13)	$ 85	$ 12	$ (97)	$ (13)
Comprehensive (loss) income	$ (108)	$ 64	$ (35)	$ (29)	$ (108)
Less: Comprehensive loss attributable to noncontrolling interest	—	—	—	—	—
Comprehensive (loss) income attributable to our common shareholder	$ (108)	$ 64	$ (35)	$ (29)	$ (108)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
(in millions)

	Three Months Ended September 30, 2014				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net sales	$ 166	$ 2,415	$ 684	$ (434)	$ 2,831
Cost of goods sold (exclusive of depreciation and amortization)	172	2,121	626	(436)	2,483
Selling, general and administrative expenses	(1)	83	21	—	103
Depreciation and amortization	5	65	20	—	90
Research and development expenses	—	11	1	—	12
Interest expense and amortization of debt issuance costs	81	20	2	(21)	82
Restructuring and impairment, net	—	6	1	—	7
Equity in net income of consolidated subsidiaries	(128)	(10)	—	138	—
Other (income) expense, net	(2)	(1)	—	21	18
	127	2,295	671	(298)	2,795
Income before taxes	39	120	13	(136)	36
Income tax provision (benefit)	1	(6)	3	—	(2)
Net income	38	126	10	(136)	38
Net income attributable to noncontrolling interests	—	—	—	—	—
Net income attributable to our common shareholder	$ 38	$ 126	$ 10	$ (136)	$ 38
Comprehensive (loss) income	$ (96)	$ 32	$ (19)	$ (15)	$ (98)
Less: Comprehensive loss attributable to noncontrolling interest	—	—	(2)	—	(2)
Comprehensive (loss) income attributable to our common shareholder	$ (96)	$ 32	$ (17)	$ (15)	$ (96)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
(in millions)

	Six Months Ended September 30, 2015				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net sales	$ 324	$ 4,450	$ 1,221	$ (879)	$ 5,116
Cost of goods sold (exclusive of depreciation and amortization)	333	4,071	1,113	(876)	4,641
Selling, general and administrative expenses	(5)	171	34	—	200
Depreciation and amortization	9	134	33	—	176
Interest expense and amortization of debt issuance costs	159	37	4	(38)	162
Loss on extinguishment of debt	13	—	—	—	13
Research and development expenses	—	25	1	—	26
Restructuring and impairment, net	9	9	1	—	19
Equity in net loss of non-consolidated affiliates	—	2	—	—	2
Equity in net income of consolidated subsidiaries	(103)	(19)	—	122	—
Other (income) expense, net	(21)	(91)	12	38	(62)
	394	4,339	1,198	(754)	5,177
(Loss) income before income taxes	(70)	111	23	(125)	(61)
Income tax provision	3	4	5	—	12
Net (loss) income	(73)	107	18	(125)	(73)
Net income attributable to noncontrolling interests	—	—	—	—	—
Net (loss) income attributable to our common shareholder	$ (73)	$ 107	$ 18	$ (125)	$ (73)
Comprehensive (loss) income	$ (101)	$ 142	$ (36)	$ (108)	$ (103)
Less: Comprehensive loss attributable to noncontrolling interest	—	—	(2)	—	(2)
Comprehensive (loss) income attributable to our common shareholder	$ (101)	$ 142	$ (34)	$ (108)	$ (101)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
(in millions)

	Six Months Ended September 30, 2014				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net sales	$ 340	$ 4,650	$ 1,369	$ (848)	$ 5,511
Cost of goods sold (exclusive of depreciation and amortization)	344	4,071	1,247	(850)	4,812
Selling, general and administrative expenses	(5)	174	42	—	211
Depreciation and amortization	9	129	41	—	179
Research and development expenses	—	23	1	—	24
Interest expense and amortization of debt issuance costs	161	34	5	(37)	163
Gain on assets held for sale, net	(5)	(6)	—	—	(11)
Restructuring and impairment, net	—	11	2	—	13
Equity in net loss of non-consolidated affiliates	—	2	—	—	2
Equity in net income of consolidated subsidiaries	(218)	(19)	—	237	—
Other (income) expense, net	(22)	3	5	37	23
	264	4,422	1,343	(613)	5,416
Income before income taxes	76	228	26	(235)	95
Income tax provision	3	12	7	—	22
Net income	73	216	19	(235)	73
Net income attributable to noncontrolling interests	—	—	—	—	—
Net income attributable to our common shareholder	$ 73	$ 216	$ 19	$ (235)	$ 73
Comprehensive (loss) income	$ (30)	$ 106	$ 25	$ (132)	$ (31)
Less: Comprehensive loss attributable to noncontrolling interest	—	—	(1)	—	(1)
Comprehensive (loss) income attributable to our common shareholder	$ (30)	$ 106	$ 26	$ (132)	$ (30)

CONDENSED CONSOLIDATING BALANCE SHEET (in millions)

	As of September 30, 2015				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
			ASSETS		
Current assets					
Cash and cash equivalents	$ 2	$ 281	$ 179	$ —	$ 462
Accounts receivable, net of allowances					
— third parties	34	882	239	—	1,155
— related parties	276	156	187	(564)	55
Inventories	49	999	306	(5)	1,349
Prepaid expenses and other current assets	6	72	26	—	104
Fair value of derivative instruments	8	84	13	(3)	102
Deferred income tax assets	—	30	13	—	43
Assets held for sale	—	5	—	—	5
Total current assets	375	2,509	963	(572)	3,275
Property, plant and equipment, net	88	2,573	827	—	3,488
Goodwill	—	596	11	—	607
Intangible assets, net	18	545	3	—	566
Investments in and advances to non-consolidated affiliates	—	464	—	—	464
Investments in consolidated subsidiaries	3,166	572	—	(3,738)	—
Deferred income tax assets	—	44	51	—	95
Other long-term assets					
— third parties	53	52	11	—	116
— related parties	1,168	68	—	(1,217)	19
Total assets	$ 4,868	$ 7,423	$ 1,866	$ (5,527)	$ 8,630
			LIABILITIES AND (DEFICIT) EQUITY		
Current liabilities					
Current portion of long-term debt	$ 22	$ 8	$ 72	$ —	$ 102
Short-term borrowings					
— third parties	357	460	84	—	901
— related parties	45	108	—	(153)	—
Accounts payable					
— third parties	30	884	521	—	1,435
— related parties	66	267	46	(330)	49
Fair value of derivative instruments	67	64	31	(3)	159
Accrued expenses and other current liabilities					
— third parties	87	436	70	—	593
— related parties	1	72	8	(81)	—
Deferred income tax liabilities	—	1	—	—	1
Total current liabilities	675	2,300	832	(567)	3,240
Long-term debt, net of current portion					
— third parties	4,262	23	133	—	4,418
— related parties	49	1,112	56	(1,217)	—
Deferred income tax liabilities	—	189	7	—	196
Accrued postretirement benefits	30	544	191	—	765
Other long-term liabilities	35	144	6	—	185
Total liabilities	5,051	4,312	1,225	(1,784)	8,804
Commitments and contingencies					
Total temporary equity - intercompany	—	1,681	—	(1,681)	—
Shareholder's (deficit) equity					
Common stock	—	—	—	—	—
Additional paid-in capital	1,404	—	—	—	1,404
(Accumulated deficit) retained earnings	(998)	1,955	734	(2,689)	(998)
Accumulated other comprehensive (loss) income	(589)	(525)	(102)	627	(589)
Total (deficit) equity of our common shareholder	(183)	1,430	632	(2,062)	(183)
Noncontrolling interests	—	—	9	—	9
Total (deficit) equity	(183)	1,430	641	(2,062)	(174)
Total liabilities and (deficit) equity	$ 4,868	$ 7,423	$ 1,866	$ (5,527)	$ 8,630

CONDENSED CONSOLIDATING BALANCE SHEET (in millions)

	As of March 31, 2015				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
ASSETS					
Current assets					
Cash and cash equivalents	$ 4	$ 365	$ 259	$ —	$ 628
Accounts receivable, net of allowances					
— third parties	23	1,034	232	—	1,289
— related parties	385	154	158	(644)	53
Inventories	55	1,084	294	(2)	1,431
Prepaid expenses and other current assets	6	89	17	—	112
Fair value of derivative instruments	19	55	9	(6)	77
Deferred income tax assets	—	70	9	—	79
Assets held for sale	—	6	—	—	6
Total current assets	492	2,857	978	(652)	3,675
Property, plant and equipment, net	95	2,549	898	—	3,542
Goodwill	—	596	11	—	607
Intangible assets, net	19	562	3	—	584
Investments in and advances to non-consolidated affiliates	—	447	—	—	447
Investments in consolidated subsidiaries	3,013	597	—	(3,610)	—
Deferred income tax assets	—	47	48	—	95
Other long-term assets					
— third parties	57	70	10	—	137
— related parties	1,265	64	—	(1,314)	15
Total assets	$ 4,941	$ 7,789	$ 1,948	$ (5,576)	$ 9,102
LIABILITIES AND (DEFICIT) EQUITY					
Current liabilities					
Current portion of long-term debt	$ 22	$ 8	$ 78	$ —	$ 108
Short-term borrowings					
— third parties	394	381	71	—	846
— related parties	—	122	—	(122)	—
Accounts payable					
— third parties	27	1,195	632	—	1,854
— related parties	78	393	42	(469)	44
Fair value of derivative instruments	83	62	10	(6)	149
Accrued expenses and other current liabilities					
— third parties	99	412	61	—	572
— related parties	—	47	6	(53)	—
Deferred income tax liabilities	—	20	—	—	20
Total current liabilities	703	2,640	900	(650)	3,593
Long-term debt, net of current portion					
— third parties	4,205	28	116	—	4,349
— related parties	49	1,209	56	(1,314)	—
Deferred income tax liabilities	—	254	7	—	261
Accrued postretirement benefits	30	534	184	—	748
Other long-term liabilities	36	175	10	—	221
Total liabilities	5,023	4,840	1,273	(1,964)	9,172
Commitments and contingencies					
Total temporary equity - intercompany	—	1,681	—	(1,681)	—
Shareholder's (deficit) equity					
Common stock	—	—	—	—	—
Additional paid-in capital	1,404	—	—	—	1,404
(Accumulated deficit) retained earnings	(925)	1,831	711	(2,542)	(925)
Accumulated other comprehensive (loss) income	(561)	(563)	(48)	611	(561)
Total (deficit) equity of our common shareholder	(82)	1,268	663	(1,931)	(82)
Noncontrolling interests	—	—	12	—	12
Total (deficit) equity	(82)	1,268	675	(1,931)	(70)
Total liabilities and (deficit) equity	$ 4,941	$ 7,789	$ 1,948	$ (5,576)	$ 9,102

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS (in millions)

	Six Months Ended September 30, 2015				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
OPERATING ACTIVITIES					
Net cash provided by (used in) operating activities	$ 63	$ 115	$ (46)	$ (195)	$ (63)
INVESTING ACTIVITIES					
Capital expenditures	(2)	(185)	(17)	—	(204)
Proceeds from sales of assets, net of transaction fees and hedging					
— third parties	—	1	—	—	1
Outflows from investment in and advances to affiliates, net	(64)	(4)	(45)	109	(4)
(Outflows) proceeds from settlement of other undesignated derivative instruments, net	(48)	47	(13)	—	(14)
Net cash used in investing activities	(114)	(141)	(75)	109	(221)
FINANCING ACTIVITIES					
Proceeds from issuance of long-term and short-term borrowings					
— third parties	60	45	35	—	140
— related parties	—	140	—	(140)	—
Principal payments of long-term and short-term borrowings					
— third parties	(6)	(117)	(12)	—	(135)
— related parties	—	(62)	—	62	—
Revolving credit facilities and other, net					
— third parties	(37)	138	22	—	123
— related parties	45	(14)	—	(31)	—
Intercompany dividends	—	(194)	(2)	195	(1)
Debt issuance costs	(13)	—	—	—	(13)
Net cash provided by (used in) financing activities	49	(64)	43	86	114
Net decrease in cash and cash equivalents	(2)	(90)	(78)	—	(170)
Effect of exchange rate changes on cash	—	6	(2)	—	4
Cash and cash equivalents — beginning of period	4	365	259	—	628
Cash and cash equivalents — end of period	$ 2	$ 281	$ 179	$ —	$ 462

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS (in millions)

	Six Months Ended September 30, 2014				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
OPERATING ACTIVITIES					
Net cash provided by (used in) operating activities	$ 108	$ 74	$ (6)	$ (189)	$ (13)
INVESTING ACTIVITIES					
Capital expenditures	(8)	(218)	(38)	—	(264)
Proceeds from the sale of assets, net of transaction fees					
— third parties	29	5	—	—	34
Outflows from investment in and advances to affiliates, net	(71)	(4)	—	64	(11)
Proceeds (outflows) from settlement of other undesignated derivative instruments, net	11	(11)	3	—	3
Net cash used in investing activities	(39)	(228)	(35)	64	(238)
FINANCING ACTIVITIES					
Proceeds from issuance of long-term and short-term borrowings					
— third parties	—	188	10	—	198
— related parties	—	500	3	(503)	—
Principal payments of long-term and short-term borrowings					
— third parties	(11)	(95)	(20)	—	(126)
— related parties	—	(22)	—	22	—
Revolving credit facilities and other, net					
— third parties	199	50	(1)	—	248
— related parties	(7)	(420)	—	427	—
Return of capital to our common shareholder	(250)	—	—	—	(250)
Dividends - noncontrolling interests	—	(188)	(2)	189	(1)
Proceeds from issuance of intercompany equity	—	—	10	(10)	—
Net cash (used in) provided by financing activities	(69)	13	—	125	69
Net decrease in cash and cash equivalents	—	(141)	(41)	—	(182)
Effect of exchange rate changes on cash	—	(3)	2	—	(1)
Cash and cash equivalents — beginning of period	4	372	133	—	509
Cash and cash equivalents — end of period	$ 4	$ 228	$ 94	$ —	$ 326

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

FORWARD LOOKING STATEMENTS

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

OVERVIEW AND REFERENCES

Novelis is the world's leading aluminum rolled products producer based on shipment volume in fiscal 2015. We produce aluminum sheet and light gauge products for use in the packaging market, which includes beverage and food can and foil products, as well as for use in the automotive, transportation, electronics, architectural and industrial product markets. We are also the world's largest recycler of aluminum and have recycling operations in many of our plants to recycle both post-consumer aluminum and post-industrial aluminum. As of September 30, 2015, we had manufacturing operations in 11 countries on four continents, which include 25 operating plants, and recycling operations in 11 of these plants. We are the only company of our size and scope focused solely on the aluminum rolled products markets and capable of local supply of technologically sophisticated products in all of our geographic regions, but with the global footprint to service global customers.

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

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

References to our Form 10-K made throughout this document refer to our Annual Report on Form 10-K for the year ended March 31, 2015, filed with the United States Securities and Exchange Commission (SEC) on May 12, 2015.

HIGHLIGHTS

We reported "Segment income" of $182 million for the second quarter of fiscal 2016, which is down 21% compared to the second quarter of fiscal 2015 reflecting significant unfavorable metal price lag of $63 million. Excluding the impact from metal price lag, "Segment income" increased by $15 million driven by higher flat rolled products shipments and favorable product mix due to a strategic shift to grow premium automotive shipments, partially offset by higher costs associated with the start-up and support of new automotive finishing and recycling capacity and less favorable recycling benefits due to lower aluminum prices as compared to the prior year. Global economic uncertainty, foreign currency volatility and uncertainty in commodity markets, while not impacting the efficiency of our operations, impacted our financial results and likely will continue to have an impact in the near term.

Shipments of flat rolled products increased to 788 kt, which is a new quarterly shipment record, compared to 765 kt during the second quarter of fiscal 2015. Year to date flat rolled products shipments of 1,556 kt is also at record levels. Regional shipments of flat rolled products increased 3% in the second quarter of fiscal 2016 compared to the second quarter of fiscal 2015, primarily due to a 7% increase in Europe and 3% increase in North America with shipments up slightly in Asia and South America. Global automotive shipments increased by 59% and 63% compared to the three and six months ended September 30, 2014, respectively.

We have made significant investments in automotive sheet finishing operations globally as the automotive industry is using more aluminum in vehicles to improve vehicle performance and fuel efficiency by reducing vehicle weight. The two automotive sheet finishing lines in our Oswego, New York facility are operating at full capacity, and our automotive finishing line in Changzhou, China continues to ramp up production in line with demand, which is contributing to record global automotive shipment levels. We also started the commissioning process of our third automotive finishing line at our Oswego, New York facility, and a second automotive finishing line at our Nachterstedt, Germany facility.

We reported a "Net loss" of $13 million in the three months ended September 30, 2015, compared with "Net income" of $38 million in the three months ended September 30, 2014. Net cash used in operating activities was $63 million for the six months ended September 30, 2015, a decline of $50 million from the prior comparable period, primarily due to lower segment income, partially offset by lower working capital requirements. Capital expenditures related to strategic expansion projects declined as some of our larger projects have either recently commissioned or are in the commissioning phase. We spent $204 million on capital expenditures globally for the six months ended September 30, 2015 compared to $264 million in the same period in prior year.

BUSINESS AND INDUSTRY CLIMATE

The demand for aluminum in the automotive industry continues to grow rapidly. This demand has been driven by the benefits that result from using lighter weight materials in vehicles, as companies respond to government regulations, which are driving improved emissions and better fuel economy; while also maintaining or improving vehicle handling, braking, and safety. We expect the automotive aluminum market to grow significantly through the end of the decade, which is driving the investments we have made in our automotive sheet finishing capacity in North America, Europe and Asia.

While economic growth and material substitution continues to drive increasing global demand for aluminum beverage cans, consumer demand for carbonated soft drinks in North America has declined, creating excess capacity in the can sheet market in the region. We expect the overcapacity for can products in North America to eventually lessen as producers of flat rolled aluminum products shift more hot mill rolling capacity toward automotive products. Slower economic growth and uncertainty in China and increased competition from Chinese suppliers of flat rolled aluminum products has put downward pressure on conversion premiums, primarily in can and specialty products.

Base aluminum prices and local market premiums continued on a downward trend in the second quarter of fiscal 2016 and have declined sharply in the first half of fiscal 2016. These price declines are contractually passed through to the majority of our customers, although recognition in net selling prices precedes the recognition of metal price movements in our cost of goods sold. Although we use derivatives contracts to minimize the price lag associated with LME base aluminum prices, we do not use derivative contracts for local market premiums, as these are not prevalent in the market.

Key Sales and Shipment Trends

(in millions, except shipments which are in kt)	Three Months Ended				Year Ended	Three Months Ended	
	June 30, 2014	Sept 30, 2014	Dec 31, 2014	March 31, 2015	March 31, 2015	June 30, 2015	Sept 30, 2015
Net sales	$ 2,680	$ 2,831	$ 2,847	$ 2,789	$ 11,147	$ 2,634	$ 2,482
Percentage increase (decrease) in net sales versus comparable previous year period	12%	17%	18%	9 %	14%	(2)%	(12)%
Rolled product shipments:							
North America	249	260	255	243	1,007	261	269
Europe	246	234	218	240	938	252	250
Asia	188	186	198	196	768	193	187
South America	114	116	129	131	490	107	117
Eliminations	(27)	(31)	(43)	(52)	(153)	(45)	(35)
Total	770	765	757	758	3,050	768	788
The following summarizes the percentage increase (decrease) in rolled product shipments versus the comparable previous year period:							
North America	5%	9%	9%	(2)%	5%	5 %	3 %
Europe	6%	4%	3%	(1)%	3%	2 %	7 %
Asia	16%	19%	20%	25 %	20%	3 %	1 %
South America	24%	7%	5%	6 %	10%	(6)%	1 %
Total	9%	7%	5%	1 %	5%	— %	3 %

Business Model and Key Concepts

Conversion Business Model

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

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

LME Base Aluminum Prices and Local Market Premiums

The average (based on the simple average of the monthly averages) and closing prices based upon the LME prices for aluminum for the three and six months ended September 30, 2015 and 2014 are as follows:

	Three Months Ended September 30,		Percent	Six Months Ended September 30,		Percent
	2015	2014	Change	2015	2014	Change
London Metal Exchange Prices						
Aluminum (per metric tonne, and presented in U.S. dollars):						
Closing cash price as of beginning of period	$ 1,647	$ 1,851	(11)%	$ 1,789	$ 1,731	3 %
Average cash price during the period	$ 1,589	$ 1,989	(20)%	$ 1,679	$ 1,894	(11)%
Closing cash price as of end of period	$ 1,562	$ 1,935	(19)%	$ 1,562	$ 1,935	(19)%

The weighted average local market premium was as follows for the three and six months ended September 30, 2015 and 2014 are as follows:

	Three Months Ended September 30,		Percent	Six Months Ended September 30,		Percent
	2015	2014	Change	2015	2014	Change
Weighted average Local Market Premium (per metric tonne, and presented in U.S. dollars)	$ 178	$ 482	(63)%	$ 235	$ 458	(49)%

Metal Price Lag and Related Hedging Activities

Increases or decreases in the price of aluminum based on average LME base aluminum prices and local market premiums directly impact “Net sales,” “Cost of goods sold (exclusive of depreciation and amortization)” and working capital. The timing of these impacts varies based on contractual arrangements with customers and metal suppliers in each region. These timing impacts are referred to as metal price lag. Metal price lag exists due to: 1) the period of time between the pricing of our purchases of metal, holding and processing the metal, and the pricing of the sale of finished inventory to our customers, and 2) certain customer contracts containing fixed forward price commitments which result in exposure to changes in metal prices for the period of time between when our sales price fixes and the sale actually occurs.

We use LME aluminum forward contracts to preserve our conversion margins and manage the timing differences associated with the LME base metal component of “Net sales,” and “Cost of goods sold (exclusive of depreciation and amortization)." These derivatives directly hedge the economic risk of future LME base metal price fluctuations to better match the purchase price of metal with the sales price of metal. We do not use derivative contracts to offset the impacts of local market premium price movements as these contracts are not prevalent in the market. As a consequence, volatility in local market premiums can result in significant metal price lag.

We elect to apply hedge accounting to better match the recognition of gains or losses on certain derivative instruments with the recognition of the underlying exposure being hedged in the statement of operations. For undesignated metal derivatives, there are timing differences between the recognition of unrealized gains or losses on the derivatives and the recognition of the underlying exposure in the statement of operations. The recognition of unrealized gains and losses on undesignated metal derivative positions typically precedes inventory cost recognition, customer delivery and revenue recognition. The timing difference between the recognition of unrealized gains and losses on undesignated metal derivatives and cost or revenue recognition impacts “Income (loss) before income taxes” and “Net income (loss).” Gains and losses on metal derivative contracts are not recognized in “Segment income” until realized.

See *Segment Review* below for the impact of metal price lag on each of our segments.

Foreign Currency and Related Hedging Activities

We operate a global business and conduct business in various currencies around the world. We have exposure to foreign currency risk as fluctuations in foreign exchange rates impact our operating results as we translate the operating results from various functional currencies into our U.S. dollar reporting currency at the current average rates. We also record foreign exchange remeasurement gains and losses when business transactions are denominated in currencies other than the functional currency of that operation. Global economic uncertainty is contributing to higher levels of volatility among the currency pairs in which we conduct business. The following table presents the exchange rates as of the end of each period and the average of the month-end exchange rates for the three and six months ended September 30, 2015 and 2014:

	Exchange Rate as of		Average Exchange Rate Three Months Ended September 30,		Average Exchange Rate Six Months Ended September 30,	
	September 30, 2015	March 31, 2015	2015	2014	2015	2014
U.S. dollar per Euro	1.117	1.075	1.112	1.305	1.112	1.339
Swiss franc per Euro	1.089	1.045	1.079	1.210	1.060	1.214
Brazilian real per U.S. dollar	3.973	3.208	3.671	2.319	3.381	2.273
South Korean won per U.S. dollar	1,195	1,105	1,179	1,030	1,140	1,026
Canadian dollar per U.S. dollar	1.335	1.267	1.321	1.099	1.277	1.091

In both South Korea and Europe, operations are recorded in their local currency and translated into the U.S. dollar reporting currency. When comparing the second quarter of fiscal 2016 operating results with the second quarter of fiscal 2015, in South Korea and Europe, the stronger U.S. dollar resulted in unfavorable foreign exchange translation.

In Brazil and Canada, the U.S. dollar is the functional currency due to predominantly U.S. dollar selling prices while our operating costs are predominately denominated in the Brazilian real and the Canadian dollar. The stronger U.S. dollar compared to the Brazilian real and the Canadian dollar resulted in a favorable remeasurement of local currency operating costs and liabilities into the U.S. dollar in the second quarter of fiscal 2016 compared to the second quarter of fiscal 2015.

In January 2015, the Swiss National Bank discontinued its policy to support a minimum exchange rate between the Euro and the Swiss franc. Following this announcement, the Swiss franc rapidly appreciated in value. This adversely impacted our Swiss operations, where operating costs are incurred primarily in the Swiss franc, and a large portion of revenues are denominated in the Euro.

We use foreign exchange forward contracts and cross-currency swaps to manage our exposure arising from recorded assets and liabilities, firm commitments, and forecasted cash flows denominated in currencies other than the functional currency of certain operations, which include capital expenditures and net investment in foreign subsidiaries. In the second quarter of fiscal 2016, remeasurement hedging losses on the currency exchange contracts partially offset the foreign currency exchange balance sheet remeasurement gains arising from the non-functional currency denominated assets and liabilities being remeasured to the functional currency of certain operations. The increased volatility in the daily Brazilian real and Korean won exchange rates versus the U.S. dollar resulted in a portion of the balance sheet remeasurement gains and losses not being fully offset by the foreign currency exchange hedges. In South America, the foreign currency exchange hedging losses partially offset the foreign currency remeasurement gains on the Brazilian real denominated liabilities being remeasured to the U.S. dollar. In South Korea, the foreign currency exchange hedging losses partially offset the foreign currency remeasurement gains on the U.S. dollar denominated receivables. For other foreign currency hedging programs, the unrealized gains or losses on other undesignated derivatives are recognized in the statement of operations prior to the hedged transaction. The movement of currency exchange rates during the second quarter of fiscal 2016 and the second quarter of fiscal 2015 resulted in $4 million of net unrealized losses and $2 million of net unrealized losses, respectively, on undesignated foreign currency derivatives. The movement of currency exchange rates during the first half of fiscal 2016 and the first half of fiscal 2015 resulted in $5 million of net unrealized losses and $1 million of net unrealized losses, respectively, on undesignated foreign currency derivatives.

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

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2015 COMPARED TO THE THREE MONTHS ENDED SEPTEMBER 30, 2014

"Net sales" decreased $349 million, or 12%, driven by a 20% decrease in average base aluminum prices and a 63% decrease in average local market premiums, partially offset by the favorable impact from our strategic shift to higher priced automotive products and a 23 kt increase in flat rolled products shipments to a record level 788 kt.

"Cost of goods sold (exclusive of depreciation and amortization)" decreased $242 million, or 10%, due to lower weighted average metal costs, partially offset by an increase in shipments and higher costs related to our strategic expansion projects. Total metal input costs included in "Cost of goods sold (exclusive of depreciation and amortization)" decreased $255 million.

"Loss before income taxes" for the three months ended September 30, 2015 was $16 million, compared to "Income before income taxes" of $36 million in the three months ended September 30, 2014. In addition to the factors noted above, the following additional items affected "Loss before income taxes:"

- Sharp declines in local market premiums in the current period compared to prior year, which we are unable to hedge economically, drove significant unfavorable metal price lag of $63 million;
- Net losses related to changes in fair value of other unrealized derivative instruments of $15 million compared to the $1 million loss in the same period in the prior year, which is reported as "Other (income) expense, net"; and
- "Restructuring and impairment, net" of $4 million for the three months ended September 30, 2015 is primarily related to severance charges related to organizational restructuring in our corporate headquarters and European operations as we continue to align our structure to better support our evolving business environment. We incurred $7 million for the three months ended September 30, 2014, which primarily included severance charges in our European region and environmental and other charges related to certain non-core assets in Brazil.

Our effective tax rate was 19% and we recognized a $3 million tax benefit for the three months ended September 30, 2015, primarily due to tax losses in jurisdictions where we believe it more likely than not that we will not be able to utilize those losses, partially offset by net favorable foreign exchange movement. For the three months ended September 30, 2014, we recognized a $2 million tax benefit primarily due to losses in jurisdictions where we believe it more likely than not that we will not be able to utilize those losses offset by favorable foreign exchange movement.

We reported "Net loss attributable to our common shareholder" of $13 million for the three months ended September 30, 2015 as compared to "Net income attributable to our common shareholder" of $38 million for the three months ended September 30, 2014, primarily as a result of the factors discussed above.

Segment Review

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

We measure the profitability and financial performance of our operating segments based on "Segment income." We define "Segment income" as earnings before (a) "depreciation and amortization"; (b) "interest expense and amortization of debt issuance costs"; (c) "interest income"; (d) unrealized gains (losses) on changes in fair value of derivative instruments, net, except for foreign currency remeasurement hedging activities, which are included in segment income; (e) impairment of goodwill; (f) gain or loss on extinguishment of debt; (g) noncontrolling interests' share; (h) adjustments to reconcile our proportional share of "Segment income" from non-consolidated affiliates to income as determined on the equity method of accounting; (i) "restructuring and impairment, net"; (j) gains or losses on disposals of property, plant and equipment and businesses, net; (k) other costs, net; (l) litigation settlement, net of insurance recoveries; (m) sale transaction fees; (n) provision or benefit for taxes on income (loss) and (o) cumulative effect of accounting changes, net of tax. The financial information for our segments includes the results of our affiliates on a proportionately consolidated basis, which is consistent with the way we manage our business segments. See Note 5 — Consolidation and Note 6 — Investment in and Advances to Non-Consolidated Affiliates and Related Party Transactions for further information about these affiliates. Our presentation of "Segment income" on a consolidated basis is a non-GAAP financial measure. See "Non-GAAP Financial Measures" below for additional discussion about our use of "Total Segment income."

The tables below show selected segment financial information (in millions, except shipments which are in kt). For additional financial information related to our operating segments, see Note 17 — Segment, Major Customer and Major Supplier Information. In order to reconcile the financial information for the segments shown in the tables below to the relevant U.S. GAAP-based measures, "Eliminations and Other" adjusts for proportional consolidation of each line item, and eliminates intersegment shipments (in kt) and intersegment "Net sales."

Selected Operating Results Three Months Ended September 30, 2015	North America	Europe	Asia	South America	Eliminations and Other	Total
Net sales	$ 835	$ 839	$ 479	$ 377	$ (48)	$ 2,482
Shipments						
Rolled products - third party	268	235	173	112	—	788
Rolled products - intersegment	1	15	14	5	(35)	—
Total rolled products	269	250	187	117	(35)	788
Non-rolled products	4	45	1	21	—	71
Total shipments	273	295	188	138	(35)	859

Selected Operating Results Three Months Ended September 30, 2014	North America	Europe	Asia	South America	Eliminations and Other	Total
Net sales	$ 907	$ 963	$ 568	$ 445	$ (52)	$ 2,831
Shipments						
Rolled products - third party	259	225	173	108	—	765
Rolled products - intersegment	1	9	13	8	(31)	—
Total rolled products	260	234	186	116	(31)	765
Non-rolled products	6	48	1	27	(2)	80
Total shipments	266	282	187	143	(33)	845

The following table reconciles changes in “Segment income” for the three months ended September 30, 2014 to the three months ended September 30, 2015 (in millions).

Changes in Segment income	North America	Europe	Asia	South America	Eliminations (A)	Total
Segment income - Three Months Ended September 30, 2014	$ 76	$ 75	$ 36	$ 41	$ 2	$ 230
Volume	7	17	1	1	(5)	21
Conversion premium and product mix	21	5	4	6	(12)	24
Conversion costs (B)	(9)	(31)	7	—	15	(18)
Metal price lag (C)	(43)	(17)	(5)	2	—	(63)
Foreign exchange	—	(14)	(6)	15	—	(5)
Primary operations	—	—	—	(4)	—	(4)
Selling, general & administrative and research & development costs (D)	(5)	2	(1)	(5)	—	(9)
Other changes	6	4	(2)	(2)	—	6
Segment income - Three Months Ended September 30, 2015	$ 53	$ 41	$ 34	$ 54	$ —	$ 182

(A) The recognition of "Segment income" by a region on an intersegment shipment could occur in a period prior to the recognition of "Segment income" on a consolidated basis, depending on the timing of when the inventory is sold to the third party customer. The "Eliminations" column adjusts regional "Segment income" for intersegment shipments that occur in a period prior to recognition of "Segment income" on a consolidated basis. The "Eliminations" column also reflects adjustments for changes in regional volume, conversion premium and product mix, and conversion costs related to intersegment shipments for consolidation.

(B) Conversion costs include expenses incurred in production such as direct and indirect labor, energy, freight, scrap usage, alloys and hardeners, coatings, alumina, melt loss, the benefit of utilizing scrap and other metal costs. Conversion costs are excluding costs related to changes in mix. Fluctuations in this component reflect cost efficiencies (inefficiencies) during the period as well as cost (inflation) deflation.

(C) Metal price lag impacts on year over year comparisons was primarily driven by local market premium price volatility which we are unable to hedge economically.

(D) Selling, general & administrative costs and research & development costs include costs incurred directly by each segment and all corporate related costs, which are allocated to each of our segments.

North America

“Net sales” decreased $72 million, or 8%, due to lower average base aluminum prices, lower local market premiums, and lower can and specialty shipments partially offset by higher automotive shipments as we continue to adjust our product mix to match demand. As a result of the continued ramp-up of our new automotive lines in the region and higher demand in the automotive sector, we expect to see positive year over year automotive shipment growth in the remainder of fiscal year 2016.

“Segment income” was $53 million, a decrease of 30%, reflecting significant unfavorable metal price lag of $43 million. Excluding the impact of metal price lag, "Segment income" would have increased by $20 million year over year due to higher conversion premiums from the related product mix shift, partially offset by higher fixed and variable costs associated with the commissioning and support of new automotive capacity. We also recognized a $5 million insurance settlement gain in the second quarter of fiscal 2016 for a business interruption which occurred in the fourth quarter of fiscal 2015 at our Logan facility.

Our two new automotive sheet finishing lines at our Oswego, New York facility, are operating at full capacity contributing to automotive shipment growth. The third automotive finishing line in our Oswego, New York facility, began the commissioning process during the quarter, ahead of its targeted commissioning date.

Europe

“Net sales” decreased $124 million, or 13%, due to lower average base aluminum prices, lower local market premiums and unfavorable changes in foreign currency rates, partially offset by higher can and automotive shipments. Although economic uncertainty is leading to softening demand for our specialties business in parts of Europe, we continue to experience strong market demand for can and automotive products.

“Segment income” was $41 million, a decrease of 45%, reflecting significant unfavorable metal price lag of $17 million. Excluding the impact of metal price lag, "Segment income" would have declined by $17 million year over year due to unfavorable impact from changes in foreign currency rates, higher conversion costs primarily related to the higher fixed cost base associated with the ramp-up of our new recycling facility in Nachterstedt, Germany, and an increase in variable costs resulting from operational issues that are temporarily constraining the facility's output, partially offset by higher conversion premiums and increased shipments.

We are in the process of commissioning a second automotive finishing line in our Nachterstedt, Germany facility.

Asia

“Net sales” decreased $89 million, or 16%, due to lower average base aluminum prices and lower specialty shipments due to increased competition from Chinese suppliers, partially offset by higher shipments of can and automotive products as we continue to adjust our product mix to match demand. The increase in can volumes was driven by shipments to customers in the Middle East. Automotive shipments from our new automotive finishing line in Changzhou, China also increased as we increased intersegment shipments of automotive products to Novelis Europe with an additional portion of the increase attributable to demand from customers in China.

“Segment income” was $34 million, a decrease of 6%, reflecting unfavorable metal price lag of $5 million. Excluding the impact of metal price lag, "Segment income" would have increased by $3 million year over year due to favorable shift in product mix to automotive products, and lower metal input costs associated with a decrease in the local market premium which is a cost we incur and are unable to fully pass along to some of our customers, partially offset by unfavorable impact from changes in foreign currency rates.

South America

“Net sales” decreased $68 million, or 15%, due to lower average base aluminum prices, lower local market premiums, and flat shipments as the decrease in specialty shipments were offset by an increase in can shipments. Shipments of specialty products decreased compared to prior year largely due to slowing economic conditions in Brazil with gross domestic product contracting in consecutive quarters; however, demand for relatively recession resistant can products remain strong.

“Segment income” was $54 million, an increase of 32% reflecting favorable metal price lag of $2 million. Excluding the impact of metal price lag, "Segment income" would have increased by $11 million year over year primarily reflecting favorable foreign currency changes, a favorable shift in product mix as additional can sales offset a decrease in specialties resulting in increased shipments for the quarter.

Reconciliation of segment results to "Net (loss) income attributable to our common shareholder"

Costs such as depreciation and amortization, interest expense and unrealized gains (losses) on changes in the fair value of derivatives (except for derivatives used to manage our foreign currency remeasurement activities) are not utilized by our chief operating decision maker in evaluating segment performance. The table below reconciles income from reportable segments to "Net (loss) income attributable to our common shareholder" for the three months ended September 30, 2015 and 2014 (in millions).

	Three Months Ended September 30,	
	2015	2014
North America	$ 53	$ 76
Europe	41	75
Asia	34	36
South America	54	41
Intersegment eliminations	—	2
Total Segment income	182	230
Depreciation and amortization	(89)	(90)
Interest expense and amortization of debt issuance costs	(82)	(82)
Adjustment to eliminate proportional consolidation	(8)	(9)
Unrealized losses on change in fair value of derivative instruments, net	(15)	(1)
Realized losses on derivative instruments not included in segment income	(3)	—
Restructuring and impairment, net	(4)	(7)
Loss on sale of fixed assets	—	(2)
Other income (costs), net	3	(3)
(Loss) income before income taxes	(16)	36
Income tax (benefit) provision	(3)	(2)
Net (loss) income	(13)	38
Net income attributable to noncontrolling interests	—	—
Net (loss) income attributable to our common shareholder	$ (13)	$ 38

"Adjustment to eliminate proportional consolidation" relates to depreciation and amortization and income taxes at our Aluminium Norf GmbH (Alunorf) joint venture. Income taxes related to our equity method investments are reflected in the carrying value of the investment and not in our consolidated "Income tax (benefit) provision."

"Realized losses on derivative instruments not included in segment income" represents realized losses on foreign currency derivatives related to capital expenditures.

"Other income (costs), net" related primarily to losses on certain indirect tax expenses in Brazil, and interest income.

RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2015 COMPARED TO THE SIX MONTHS ENDED SEPTEMBER 30, 2014

“Net sales” decreased $395 million, or 7%, driven by an 11% decrease in average base aluminum prices, a 49% decrease in average local market premiums, and impact from the sale of our North American consumer foil operations, partially offset by the favorable impact from our strategic shift to higher priced automotive products. Shipments of flat rolled products increased by 21 kt to a record level of 1,556 kt.

“Cost of goods sold (exclusive of depreciation and amortization)” decreased $171 million, or 4%, due to lower weighted average metal costs, and impact from the sale of our North American consumer foil operations, partially offset by an increase in shipments and higher costs related to our strategic expansion projects. Total metal input costs included in "Cost of goods sold (exclusive of depreciation and amortization)” decreased $170 million.

“Loss before income taxes” for the six months ended September 30, 2015 was $61 million, compared to "Income before income taxes" of $95 million in the six months ended September 30, 2014. In addition to the factors noted above, the following items affected “Loss before income taxes:”

- Sharp declines in local market premiums in the current period compared to prior year, which we are unable to hedge economically, resulted in significant unfavorable metal price lag of $150 million;
- "Selling, general and administrative expenses" decreased $11 million primarily due to tighter cost control in the current year and lower long-term incentive plan costs;
- The six months ended September 30, 2014 included a "Gain on assets held for sale, net" of $11 million related to $7 million from the sale of our consumer foil operations in North America and $4 million from a property and mining rights sale in Brazil;
- "Loss on extinguishment of debt" includes a $13 million loss on the partial extinguishment of our Term Loan Facility, which was amended during the first quarter of fiscal 2016;
- "Restructuring and impairment, net" of $19 million for the six months ended September 30, 2015 includes $14 million of severance and impairment charges related to business restructuring events in our corporate headquarters, and another $5 million of other costs associated with realigning our structure to better support our evolving business environment. In the prior year, we incurred $13 million, primarily related to restructuring actions in South America, Europe, and North America and impairment charges in South America. (See Note 2 - Restructuring and impairment to our accompanying condensed consolidated financial statements for further details on restructuring activities; and
- Net gains related to changes in fair value of other unrealized derivative instruments of $20 million in the current period was reported as "Other (income) expense, net".

We recognized $12 million tax expense for the six months ended September 30, 2015 primarily due to tax losses in jurisdictions where we believe it is more likely than not that we will not be able to utilize those losses, partially offset by net favorable foreign exchange movements. For the six months ended September 30, 2014 our effective tax rate was 23% and we recognized a $22 million tax expense primarily due to losses in jurisdictions where we believe it more likely than not that we will not be able to utilized those losses, partially offset by favorable foreign exchange movement.

We reported “Net loss attributable to our common shareholder” of $73 million for the six months ended September 30, 2015 as compared to "Net income attributable to our common shareholder" of $73 million for the six months ended September 30, 2014, primarily as a result of the factors discussed above.

Segment Review

The tables below show selected segment financial information (in millions, except shipments which are in kt). For additional financial information related to our operating segments, see Note 17 — Segment, Major Customer and Major Supplier Information. In order to reconcile the financial information for the segments shown in the tables below to the relevant U.S. GAAP-based measures, "Eliminations and Other" adjusts for proportional consolidation of each line item, and eliminates intersegment shipments (in kt), intersegment sales, and intersegment income.

Selected Operating Results Six Months Ended September 30, 2015	North America	Europe	Asia	South America	Eliminations and Other	Total
Net sales	$ 1,723	$ 1,719	$ 1,045	$ 768	$ (139)	$ 5,116
Shipments						
Rolled products - third party	529	466	355	206	—	1,556
Rolled products - intersegment	1	36	25	18	(80)	—
Total rolled products	530	502	380	224	(80)	1,556
Non-rolled products	9	64	2	44	—	119
Total shipments	539	566	382	268	(80)	1,675

Selected Operating Results Six Months Ended September 30, 2014	North America	Europe	Asia	South America	Eliminations and Other	Total
Net sales	$ 1,728	$ 1,877	$ 1,124	$ 865	$ (83)	$ 5,511
Shipments						
Rolled products - third party	507	460	351	217	—	1,535
Rolled products - intersegment	2	20	23	13	(58)	—
Total rolled products	509	480	374	230	(58)	1,535
Non-rolled products	11	77	1	52	(2)	139
Total shipments	520	557	375	282	(60)	1,674

The following table reconciles changes in “Segment income” for the six months ended September 30, 2014 to the six months ended September 30, 2015 (in millions).

Changes in Segment income	North America (A)	Europe	Asia	South America	Eliminations (B)	Total
Segment income - Six Months Ended September 30, 2014	$ 140	$ 154	$ 73	$ 96	$ 2	$ 465
Volume	20	25	4	(7)	(27)	15
Conversion premium and product mix	36	6	5	5	(7)	45
Conversion costs (C)	(31)	(56)	3	1	31	(52)
Metal price lag (D)	(68)	(77)	(8)	3	—	(150)
Foreign exchange	—	(32)	(3)	28	—	(7)
Primary operations	—	—	—	(4)	—	(4)
Selling, general & administrative and research & development costs (E)	(8)	5	(1)	(8)	—	(12)
Other changes	6	7	(3)	(1)	—	9
Segment income - Six Months Ended September 30, 2015	$ 95	$ 32	$ 70	$ 113	$ (1)	$ 309

(A) Included in the North America "Segment income" for the six months ended September 30, 2014 were the operating results of our consumer foil operations in North America we sold on June 30, 2014. The change to "Segment income" attributable to these operations for the six months ended September 30, 2015 compared to the prior year was unfavorable by $1 million. The following table reconciles changes in “Segment income” for the six months ended September 30, 2014 to the six months ended September 30, 2015 (in millions), with the impact of the consumer foil operations separately identified.

Changes in Segment income	North America	Total
Segment income - Six Months Ended September 30, 2014	$ 140	$ 465
Volume	24	19
Conversion premium and product mix	46	55
Conversion costs	(43)	(64)
Metal price lag	(68)	(150)
Foreign exchange	—	(7)
Primary metal production	—	(4)
Selling, general & administrative and research & development costs	(9)	(13)
Other changes	6	9
Net impact of North America consumer foil operations sold in fiscal 2015	(1)	(1)
Segment income - Six Months Ended September 30, 2015	$ 95	$ 309

(B) The recognition of "Segment income" by a region on an intersegment shipment could occur in a period prior to the recognition of "Segment income" on a consolidated basis, depending on the timing of when the inventory is sold to the third party customer. The "Eliminations" column adjusts regional "Segment income" for intersegment shipments that occur in a period prior to recognition of "Segment income" on a consolidated basis. The "Eliminations" column also reflects adjustments for changes in regional volume, conversion premium and product mix, and conversion costs related to intersegment shipments for consolidation.

(C) Conversion costs include expenses incurred in production such as direct and indirect labor, energy, freight, scrap usage, alloys and hardeners, coatings, alumina, melt loss, the benefit of utilizing scrap and other metal costs. Fluctuations in this component reflect cost efficiencies (inefficiencies) during the period as well as cost (inflation) deflation.

(D) Metal price lag impacts on year over year comparisons were primarily driven by local market premium price volatility which we are unable to hedge economically.

(E) Selling, general & administrative costs and research & development costs include costs incurred directly by each segment and all corporate related costs, which are allocated to each of our segments.

North America

“Net sales” decreased $5 million, due to lower average aluminum prices, lower local market premiums, impact from the sale of our North American consumer foil operations, and lower can and specialty shipments partially offset by higher automotive shipments as we continue to adjust our product mix to match demand. As a result of our continued ramp-up of our new automotive lines in the region and higher demand in the automotive sector, we expect to see positive year over year automotive shipment growth in the remainder of fiscal year 2016.

“Segment income” was $95 million, a decrease of 32%, reflecting significant unfavorable metal price lag of $68 million. Excluding the impact of metal price lag, "Segment income" would have increased by $23 million year over year due to higher shipment levels, higher conversion premiums from the related product mix shift, and recognition of a $10 million insurance settlement gain in the first six months of fiscal 2016 for a business interruption which occurred in the fourth quarter of fiscal 2015 at our Logan facility, partially offset by higher fixed and variable costs associated with the commissioning and support of new automotive capacity.

Europe

“Net sales” decreased $158 million, or 8%, due to lower average aluminum prices, lower local market premiums, unfavorable changes in foreign currency rates, partially offset by higher can and automotive shipments. We continue to experience strong market demand for can and automotive products due to material substitution trends favoring aluminum.

“Segment income” was $32 million, a decrease of 79%, reflecting significant unfavorable metal price lag of $77 million. Excluding the impact of metal price lag, "Segment income" would have declined by $45 million year over year due to an unfavorable impact from changes in foreign currency rates, the higher fixed cost base associated with the ramp-up of our new recycling facility in Nachterstedt, Germany, and an increase in variable costs resulting from operational issues that are temporarily constraining the facility's output, partially offset by higher conversion premiums and increased shipments.

Asia

“Net sales” decreased $79 million, or 7%, reflecting lower average aluminum prices and lower specialty shipments due to increased competition from Chinese suppliers, partially offset by higher can and automotive shipments as we continue to adjust our product mix to match demand. The increase in our can volumes was driven by shipments to customers in the Middle East. Automotive shipments from our new automotive finishing line in Changzhou, China also increased as we increased intersegment shipments of automotive products to Novelis Europe with an additional portion of the increase attributable to demand from customers in China.

“Segment income” was $70 million, a decrease of 4%, reflecting unfavorable metal price lag of $8 million. Excluding the impact of metal price lag, "Segment income" would have increased by $5 million year over year due to a favorable shift in product mix related to additional automotive shipments, an increase in shipments and lower metal input costs associated with a decrease in the local market premium which is a cost we incur and are unable to fully pass along to some of our customers, partially offset by unfavorable impact from changes in foreign currency rates.

South America

“Net sales” decreased $97 million, or 11%, driven by lower average aluminum prices and a slight decrease in our shipments of our can and specialty products. The decrease in our specialty products is primarily due to slowing economic conditions in Brazil while the lower can shipments in the current period compared to the prior period was driven by higher volumes in the prior year related to the FIFA World Cup.

“Segment income” was $113 million, an increase of 18%, reflecting favorable metal price lag of $3 million. Excluding the impact of metal price lag, "Segment income" would have increased by $14 million year over year primarily reflecting favorable foreign currency changes, a favorable shift in product mix as additional can sales offset a decrease in specialties, partially offset by a decrease in shipments.

Reconciliation of segment results to "Net (loss) income attributable to our common shareholder"

Costs such as depreciation and amortization, interest expense and unrealized gains (losses) on changes in the fair value of derivatives (except for derivatives used to manage our foreign currency remeasurement activities) are not utilized by our chief operating decision maker in evaluating segment performance. The table below reconciles income from reportable segments to "Net (loss) income attributable to our common shareholder" for the six months ended September 30, 2015 and 2014 (in millions).

	Six Months Ended September 30,	
	2015	2014
North America	$ 95	$ 140
Europe	32	154
Asia	70	73
South America	113	96
Intersegment eliminations	(1)	2
Total Segment income	309	465
Depreciation and amortization	(176)	(179)
Interest expense and amortization of debt issuance costs	(162)	(163)
Adjustment to eliminate proportional consolidation	(15)	(17)
Unrealized gains on change in fair value of derivative instruments, net	20	—
Realized losses on derivative instruments not included in segment income	(2)	(1)
Gain on assets held for sale	—	11
Loss on extinguishment of debt	(13)	—
Restructuring and impairment, net	(19)	(13)
Loss on sale of fixed assets	(1)	(3)
Other costs, net	(2)	(5)
(Loss) income before income taxes	(61)	95
Income tax provision	12	22
Net (loss) income	(73)	73
Net income attributable to noncontrolling interests	—	—
Net (loss) income attributable to our common shareholder	$ (73)	$ 73

Liquidity and Capital Resources

Over the past four years, we have been in a transitional period in which we invested heavily in strategically expanding rolling capacity, recycling operations and automotive finishing capabilities. Several of our expansion projects are ramping up operations, and multiple projects have begun commissioning in the current year which, when operational, will generate additional operating cash flows. Our significant investments in the business were funded through cash flows generated by our operations, and a combination of local financing and our senior secured credit facilities. We expect to be able to fund our continued expansions, service our debt obligations and provide sufficient liquidity to run our business through one or more of the following: the generation of operating cash flows; our existing debt facilities, including refinancing; and new debt issuances, as necessary.

Our Term Loan Facility was refinanced on June 2, 2015 and extended to June 2, 2022. Additionally, we entered into a new Subordinated Lien Revolver on June 10, 2015.

Available Liquidity

Our available liquidity as of September 30, 2015 and March 31, 2015 is as follows (in millions):

	September 30, 2015		March 31, 2015	
Cash and cash equivalents	$	462	$	628
Availability under committed credit facilities		506		510
Total liquidity	$	968	$	1,138

Available liquidity decreased $170 million to $968 million as of September 30, 2015. The decrease is primarily attributable to negative free cash flow of $285 million, a decrease in the ABL borrowing base of $132 million, debt issuance costs of $13 million, foreign currency exchange impact on availability of the committed credit facilities of $12 million and net payments under our debt instruments of $5 million; offset by new committed credit facilities of $273 million and other increases of $4 million. As of September 30, 2015, our availability under committed credit facilities of $506 million was comprised of $187 million under our ABL Revolver, $209 million under our Korea, China, and Middle East and Africa loan facilities and $110 million under our new Subordinated Lien Revolver.

The “Cash and cash equivalents” balance above includes cash held in foreign countries in which we operate. As of September 30, 2015, we held approximately $2 million of "Cash and cash equivalents" in Canada, where we are incorporated, with the rest held in other countries in which we operate. As of September 30, 2015, we held $71 million of cash in jurisdictions for which we have asserted that earnings are indefinitely reinvested and we plan to continue to fund operations and local expansions with cash held in those jurisdictions. Our significant future uses of cash include funding our expansion projects globally, which we plan to fund with cash flows from operating activities and local financing, and servicing our debt obligations domestically, which we plan to fund with cash flows from operating activities and, if necessary, by repatriating cash from jurisdictions for which we have not asserted that earnings are indefinitely reinvested. Cash held outside of Canada is free from significant restrictions that would prevent the cash from being accessed to meet the Company's liquidity needs including, if necessary, to fund operations and service debt obligations in Canada. Upon the repatriation of any earnings to Canada, in the form of dividends or otherwise, we could be subject to Canadian income taxes (subject to adjustment for foreign taxes paid and the utilization of the large cumulative net operating losses we have in Canada) and withholding taxes payable to the various foreign jurisdictions. As of September 30, 2015, we do not believe adverse tax consequences exist that restrict our use of “Cash or cash equivalents” in a material manner.

Free Cash Flow

We define “Free cash flow” (which is a non-GAAP measure) as: (a) “net cash provided by (used in) operating activities,” (b) plus "net cash provided by (used in) investing activities” and (c) less “proceeds from sales of assets, net of transaction fees and hedging.” Management believes “Free cash flow” is relevant to investors as it provides a measure of the cash generated internally that is available for debt service and other value creation opportunities. However, “Free cash flow” does not necessarily represent cash available for discretionary activities, as certain debt service obligations must be funded out of “Free cash flow.” Our method of calculating “Free cash flow” may not be consistent with that of other companies.

The following table shows “Free cash flow” for the six months ended September 30, 2015 and 2014, the change between periods, and the ending balances of cash and cash equivalents (in millions).

	Six Months Ended September 30, 2015	Six Months Ended September 30, 2014	Change
Net cash used in operating activities	$ (63)	$ (13)	$ (50)
Net cash used in investing activities	(221)	(238)	17
Less: Proceeds from sales of assets, net of transaction fees and hedging	(1)	(34)	33
Free cash flow	$ (285)	$ (285)	$ —
Ending cash and cash equivalents	$ 462	$ 326	$ 136

Operating Activities

Net cash used in operating activities was $63 million for the six months ended September 30, 2015, which was unfavorable compared to net cash used in operating activities of $13 million in the six months ended September 30, 2014. The unfavorable variance relates to lower "Segment income", driven by significant unfavorable impacts from metal price lag. The following summarizes changes in working capital accounts (in millions).

	Six Months Ended September 30, 2015	Six Months Ended September 30, 2014	Change
Net cash (used in) provided by operating activities due to changes in working capital:			
Accounts receivable	$ 127	$ (187)	$ 314
Inventories	87	(369)	456
Accounts payable	(384)	295	(679)
Other current assets and liabilities	35	(2)	37
Net change in working capital	$ (135)	$ (263)	$ 128

Six Months Ended September 30, 2015

"Accounts receivable, net" decreased due to 7% lower sales and higher forfaiting and factoring (collectively referred to as factoring) of accounts receivable. As of September 30, 2015 and March 31, 2015, we had factored, without recourse, certain trade receivable aggregating $685 million and $591 million, respectively, which had a favorable impact to net cash provided by operating activities of $94 million for the six months ended September 30, 2015. We determine the need to factor our receivables based on local cash needs including the need to fund our strategic investments, as well as attempting to balance the timing of cash flows of trade payables and receivables. "Inventories" were lower due to lower average metal costs, partially offset by higher quantities on hand. The higher quantities of inventory on hand at September 30, 2015 is the result of recent capacity expansions, as well as longer supply chains to support the auto sector and expand our scrap procurement network. As of September 30, 2015, we had sold certain inventories to third parties and have agreed to repurchase the same or similar inventory back from the third parties at market prices subsequent to September 30, 2015. Our estimated repurchase obligation for this inventory as of September 30, 2015 is $25 million, based on market prices as of these dates. We sell and repurchase inventory with third parties in an attempt to better manage inventory levels and to better match the purchasing of inventory with the demand for our products. "Accounts payable" declined $384 million in the second quarter of fiscal 2016 due to lower metal input costs, partially offset by longer payment terms with certain vendors.

Included in cash flows from operating activities for the six months ended September 30, 2015 were $152 million of interest payments, $41 million of cash paid for income taxes, $14 million of payments on restructuring programs, and $12 million of contributions to our pension plans. As of September 30, 2015, we had $29 million of outstanding restructuring liabilities, of which $20 million we estimate will result in cash outflows within the next twelve months. We also expect to incur restructuring charges in future periods as we fully dismantle the smelter site in South America.

Six Months Ended September 30, 2014

We experienced an increase in "Accounts receivable, net" due to an increase in shipments, higher base aluminum prices and local market premiums compared to the end of the fourth quarter of prior year, partially offset by higher forfaiting and factoring (collectively referred to as factoring) of accounts receivable. As of September 30, 2014 and March 31, 2014, we had factored, without recourse, certain trade receivable aggregating $318 million and $245 million, respectively, which had a favorable impact to net cash used in operating activities of $73 million for the six months ended September 30, 2014. We determine the need to factor our receivables based on local cash needs including the need to fund our strategic investments, as well as attempting to balance the timing of cash flows of trade payables and receivables. "Inventories" were higher due to an increase in quantities and higher metal input costs when compared to the fourth quarter of fiscal 2014. The higher quantities of inventory on hand at September 30, 2014 is the result of additional capacity from our expansions resulting in higher purchase and shipment levels. As of September 30, 2014, we had sold certain inventories to third parties and have agreed to repurchase the same or similar inventory back from the third parties subsequent to September 30, 2014. Our estimated repurchase obligation for this inventory as of September 30, 2014 is $132 million, based on market prices as of this date. We sell and repurchase inventory with third parties in an attempt to better manage inventory levels and to better match the purchasing of inventory with the demand for our products. We experienced an increase in "Accounts payable" due to higher purchases of inventory and higher metal input costs when compared to the end of the fourth quarter of prior year, the timing of payments on vendor payables outstanding as of September 30, 2014, and longer payment terms with certain vendors.

Included in cash flows from operating activities for the six months ended September 30, 2014 were $150 million of interest payments, $63 million of cash paid for income taxes, $11 million of payments on restructuring programs, and $27 million of contributions to our pension plans.

Hedging Activities

We use derivative contracts to manage risk as well as liquidity. Under our terms of credit with counterparties to our derivative contracts, we do not have any material margin call exposure. No material amounts have been posted by Novelis nor do we hold any material amounts of margin posted by our counterparties. We settle derivative contracts in advance of billing on the underlying physical inventory and collecting payment from our customers, which temporarily impacts our liquidity position. The lag between derivative settlement and customer collection typically ranges from 30 to 90 days.

More details on our operating activities can be found above in “Results of operations for the six months ended September 30, 2015 compared to the six months ended September 30, 2014."

Investing Activities

The following table presents information regarding our “Net cash used in investing activities” (in millions).

	Six Months Ended September 30, 2015	Six Months Ended September 30, 2014	Change
Capital expenditures	$ (204)	$ (264)	$ 60
(Outflows) proceeds from settlement of other undesignated derivative instruments, net	(14)	3	(17)
Proceeds from sales of assets, third party, net of transaction fees and hedging	1	34	(33)
Outflows from investment in and advances to non-consolidated affiliates, net	(4)	(11)	7
Net cash used in investing activities	$ (221)	$ (238)	$ 17

For the six months ended September 30, 2015, our "Capital expenditures" were primarily attributable to our automotive sheet finishing expansions in the U.S. and Germany. For the six months ended September 30, 2014, our "Capital expenditures" were primarily attributable to our automotive sheet finishing expansions in the U.S., China and Germany and our recycling expansion in Germany. Also included in both periods presented above are maintenance related capital expenditures.

As of September 30, 2015, we had $64 million of outstanding accounts payable and accrued liabilities related to capital expenditures in which the cash outflows will occur subsequent to September 30, 2015. We expect capital expenditures for fiscal 2016 to total approximately $400 million.

The settlement of undesignated derivative instruments resulted in cash outflow of $14 million and cash inflow of $3 million, in the six months ended September 30, 2015 and 2014, respectively. The variance in these cash flows related primarily to changes in average aluminum prices and foreign currency rates which impact gains or losses we realize on the settlement of derivatives.

The net proceeds from asset sales for the six months ended September 30, 2015 were $1 million related to the sale of fixed assets in Brazil. The net proceeds from asset sales for the six months ended September 30, 2014 were $30 million related to the sale of our consumer foil operations in North America and $4 million related to an arrangement to sell property and mining rights in Brazil.

“Outflows from investments in and advances to non–consolidated affiliates, net" for six months ended September 30, 2015 was primarily comprised of loans made to our non-consolidated affiliate, Alunorf, to fund capital expenditures.

Financing Activities

The following table presents information regarding our “Net cash provided by financing activities” (in millions).

	Six Months Ended September 30, 2015	Six Months Ended September 30, 2014	Change
Proceeds from issuance of long-term and short-term borrowings	$ 140	$ 198	$ (58)
Principal payments of long-term and short-term borrowings	(135)	(126)	(9)
Revolving credit facilities and other, net	123	248	(125)
Return of capital to our common shareholder	—	(250)	250
Dividends, noncontrolling interest	(1)	(1)	—
Debt issuance costs	(13)	—	(13)
Net cash provided by financing activities	$ 114	$ 69	$ 45

Six Months Ended September 30, 2015

During the six months ended September 30, 2015, we received proceeds of $60 million related to the refinancing of the Term Loan as well as issuances of new loans in Brazil, Korea and Vietnam of $45 million, $27 million and $8 million, respectively. We made principal repayments of $113 million on short-term loans in Brazil, $10 million on Novelis Vietnam loan repayments, $5 million on capital leases, $5 million on the Term Loan, and $2 million in other principal repayments. The change in our credit facilities balance is related to a net increase of $68 million on our ABL Revolver and Subordinated Lien Revolver, and $55 million in our short-term revolving facilities in Novelis Asia and Novelis Middle East and Africa. In June 2015, we amended and extended our Term Loan by entering into a $1.8 billion seven-year secured term loan credit facility. Additionally, in June 2015, we entered into a new Subordinated Lien Revolver, which is a $200 million 15-month secured revolving facility.

As of September 30, 2015, our short-term borrowings were $901 million consisting of $596 million of loans under our ABL Revolver, $98 million in Novelis Brazil loans, $90 million under our Subordinated Lien Revolver, $48 million in Novelis Korea bank loans, $33 million in Novelis Middle East and Africa loans, $27 million in Novelis China loans, and $7 million in Novelis Vietnam loans. The weighted average interest rate on our total short-term borrowings was 3.05% as of September 30, 2015. As of September 30, 2015, $7 million of the ABL Revolver was utilized for letters of credit, reducing our availability under that facility.

Six Months Ended September 30, 2014

During the six months ended September 30, 2014, we received proceeds related to the issuance of new short-term loans in Brazil, Korea and Vietnam of $184 million, $7 million and $3 million, respectively. We made principal repayments of $87 million on short-term loans in Brazil, $9 million on our Term Loan Facility, $2 million on long-term loans in Brazil, $4 million on capital leases, $7 million on long-term loans in Korea, and $17 million on other loans. On April 30, 2014, we made a return of capital payment to our direct shareholder, AV Metals Inc., in the amount of $250 million.

OFF-BALANCE SHEET ARRANGEMENTS

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

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

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

Derivative Instruments

See Note 11 — Financial Instruments and Commodity Contracts to our accompanying unaudited condensed consolidated financial statements for a full description of derivative instruments.

Guarantees of Indebtedness

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

We have guaranteed the indebtedness for a credit facility and loan on behalf of Alunorf. We have also guaranteed the payment of early retirement benefits on behalf of Alunorf.

Other Arrangements

Factoring of Trade Receivables

We factor and forfait trade receivables (collectively, we refer to these as "factoring" programs) based on local cash needs including the need to fund our strategic investments, as well as attempting to balance the timing of cash flows of trade payables and receivables, fund strategic investments, and fund other business needs. Factored invoices are not included in our condensed consolidated balance sheets when we do not retain a financial or legal interest. If a financial or legal interest is retained, we classify these factorings as secured borrowings.

Other

As part of our ongoing business, we do not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities (SPEs), which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As of September 30, 2015 and March 31, 2015, we are not involved in any unconsolidated SPE transactions.

CONTRACTUAL OBLIGATIONS

We have future obligations under various contracts relating to debt and interest payments, capital and operating leases, long-term purchase obligations, postretirement benefit plans and uncertain tax positions. See Note 7 — Debt to our accompanying condensed consolidated financial statements and "Contractual Obligations" in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended March 31, 2015 for more details.

RETURN OF CAPITAL

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

On April 30, 2014, we made a return of capital payment to our direct shareholder, AV Metals Inc., in the amount of $250 million.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

During the six months ended September 30, 2015, there were no significant changes to our critical accounting policies and estimates as reported in our Annual Report on Form 10-K for the year ended March 31, 2015.

RECENTLY ISSUED ACCOUNTING STANDARDS

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

NON-GAAP FINANCIAL MEASURES

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

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

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

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

We also use total “Segment income”:

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

Total “Segment income” is equivalent to our Adjusted EBITDA, which we refer to in our earnings announcements and other external presentations to analysts and investors.

"Free cash flow" consists of: (a) net cash provided by (used in) operating activities; (b) plus net cash provided by (used in) investing activities and (c) less proceeds from sales of assets, net of transaction fees and hedging. Management believes "Free cash flow" is relevant to investors as it provides a measure of the cash generated internally that is available for debt service and other value creation opportunities. However, "Free cash flow" is not a measurement of financial performance or liquidity under U.S. GAAP and does not necessarily represent cash available for discretionary activities, as certain debt service obligations must be funded out of "Free cash flow." In addition, the company's method of calculating "Free cash flow" may not be consistent with that of other companies.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND MARKET DATA

This document contains forward-looking statements that are based on current expectations, estimates, forecasts and projections about the industry in which we operate, and beliefs and assumptions made by our management. Such statements include, in particular, statements about our plans, strategies and prospects. Words such as “expect,” “anticipate,” “intend,” “plan,” “believe,” “seek,” “estimate” and variations of such words and similar expressions are intended to identify such forward-looking statements. Examples of forward-looking statements in this Quarterly Report on Form 10-Q include, but are not limited to, our expectations with respect to the impact of metal price movements on our financial performance and the effectiveness of our hedging programs and controls. These statements are based on beliefs and assumptions of Novelis’ management, which in turn are based on currently available information. These statements are not guarantees of future performance and involve assumptions and risks and uncertainties that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed, implied or forecasted in such forward-looking statements. We do not intend, and we disclaim any obligation, to update any forward-looking statements, whether as a result of new information, future events or otherwise.

This document also contains information concerning our markets and products generally, which is forward-looking in nature and is based on a variety of assumptions regarding the ways in which these markets and product categories will develop. These assumptions have been derived from information currently available to us and to the third party industry analysts quoted herein. This information includes, but is not limited to, product shipments and share of production. Actual market results may differ from those predicted. We do not know what impact any of these differences may have on our business, our results of operations, financial condition, and cash flow. Factors that could cause actual results or outcomes to differ from the results expressed or implied by forward-looking statements include, among other things:

- relationships with, and financial and operating conditions of, our customers, suppliers and other stakeholders;
- changes in the prices and availability of aluminum (or premiums associated with aluminum prices) or other materials and raw materials we use;
- fluctuations in the supply of, and prices for, energy in the areas in which we maintain production facilities;
- our ability to access financing to fund current operations and for future capital requirements;
- the level of our indebtedness and our ability to generate cash to service our indebtedness;
- lowering of our ratings by a credit rating agency;
- changes in the relative values of various currencies and the effectiveness of our currency hedging activities;
- union disputes and other employee relations issues;
- factors affecting our operations, such as litigation (including product liability claims), environmental remediation and clean-up costs, breakdown of equipment and other events;
- changes in general economic conditions, including deterioration in the global economy;
- the capacity and effectiveness of our hedging activities;
- impairment of our goodwill, other intangible assets, and long-lived assets;
- loss of key management and other personnel, or an inability to attract such management and other personnel;
- risks relating to future acquisitions or divestitures;
- our inability to successfully implement our growth initiatives;
- changes in interest rates that have the effect of increasing the amounts we pay under our senior secured credit facilities, other financing agreements and our defined benefit pension plans;
- risks relating to certain joint ventures and subsidiaries that we do not entirely control;
- the effect of derivatives legislation on our ability to hedge risks associated with our business;
- competition from other aluminum rolled products producers as well as from substitute materials such as steel, glass, plastic and composite materials;
- demand and pricing within the principal markets for our products as well as seasonality in certain of our customers’ industries;
- economic, regulatory and political factors within the countries in which we operate or sell our products, including changes in duties or tariffs; and
- changes in government regulations, particularly those affecting taxes and tax rates, health care reform, climate change, environmental, health or safety compliance.

The above list of factors is not exhaustive. These and other factors are discussed in more detail under “Item 1A. Risk Factors” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended March 31, 2015.

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

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

By their nature, all derivative financial instruments involve risk, including the credit risk of non-performance by counterparties. All derivative contracts are executed with counterparties that, in our judgment, are creditworthy. Our maximum potential loss may exceed the amount recognized in the accompanying September 30, 2015 condensed consolidated balance sheet.

The decision of whether and when to execute derivative instruments, along with the duration of the instrument, can vary from period to period depending on market conditions and the relative costs of the instruments. The duration is linked to the timing of the underlying exposure, with the connection between the two being regularly monitored.

The market risks we are exposed to as part of our ongoing business operations are materially consistent with our risk exposures in the prior year, as we have not entered into any new material hedging programs.

Commodity Price Risks

We have commodity price risk with respect to purchases of certain raw materials including aluminum, electricity, natural gas and transport fuel.

Aluminum

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

Increases or decreases in the average price of aluminum based on the LME directly impact “Net sales,” “Cost of goods sold (exclusive of depreciation and amortization)” and working capital. The timing of these impacts varies based on contractual arrangements with customers and metal suppliers in each region. These timing impacts are referred to as metal price lag. Metal price lag exists due to: 1) certain customer contracts containing fixed forward price commitments which result in exposure to changes in metal prices for the period of time between when our sales price fixes and the sale actually occurs, and 2) the period of time between the pricing of our purchases of metal, holding and processing the metal, and the pricing of the sale of finished inventory to our customers.

We use derivative instruments to preserve our conversion margins and manage the timing differences associated with metal price lag. We use over-the-counter derivatives indexed to the London Metals Exchange (LME) (referred to as our "aluminum derivative contracts") to reduce our exposure to fluctuating metal prices associated with the period of time between the pricing of our purchases of inventory and the pricing of the sale of that inventory to our customers. We also purchase forward LME aluminum contracts simultaneous with our sales contracts with customers that contain fixed metal prices. These LME aluminum forward contracts directly hedge the economic risk of future metal price fluctuations to ensure we sell metal for the same price at which we purchase metal.

Sensitivities

The following table presents the estimated potential effect on the fair values of these derivative instruments as of September 30, 2015, given a 10% increase in prices.

	Change in Price	Change in Fair Value
LME aluminum	10%	$ (58)

Energy

We use several sources of energy in the manufacturing and delivery of our aluminum rolled products. For the quarter ended September 30, 2015, natural gas and electricity represented approximately 98% of our energy consumption by cost. We also use fuel oil and transport fuel. The majority of energy usage occurs at our casting centers and during the hot rolling of aluminum. Prior to the smelter facilities in South America ceasing operations, our smelter operations also required a significant amount of energy. Our cold rolling facilities require relatively less energy.

We purchase our natural gas on the open market, subjecting us to market price fluctuations. We seek to stabilize our future exposure to natural gas prices through the use of forward purchase contracts.

A portion of our electricity requirements are purchased pursuant to long-term contracts in the local regions in which we operate. A number of our facilities are located in regions with regulated prices, which affords relatively stable costs. In North America, we have entered into an electricity swap to fix a portion of the cost of our electricity requirements.

Fluctuating energy costs worldwide, due to the changes in supply and demand, and international and geopolitical events, expose us to earnings volatility as changes in such costs cannot be immediately recovered under existing contracts and sales agreements, and may only be mitigated in future periods under future pricing arrangements.

Sensitivities

The following table presents the estimated potential effect on the fair values of these derivative instruments as of September 30, 2015, given a 10% decline in spot prices for energy contracts ($ in millions).

	Change in Price	Change in Fair Value
Electricity	(10)%	$ —
Natural Gas	(10)%	(2)

Foreign Currency Exchange Risks

Exchange rate movements, particularly the Euro, the Swiss franc, the Brazilian real and the Korean won against the U.S. dollar, have an impact on our operating results. In Europe, where we have predominantly local currency selling prices and operating costs, we benefit as the Euro strengthens, but are adversely affected as the Euro weakens. In January 2015, the Swiss National Bank discontinued its policy to support a minimum exchange rate between the Euro and the Swiss franc. Following this announcement, the Swiss franc rapidly appreciated in value. This adversely impacted our Swiss operations, where operating costs are incurred primarily in the Swiss franc, and a large portion of revenues are denominated in the Euro. In South Korea, where we have local currency operating costs and U.S. dollar denominated selling prices for exports, we benefit as the won weakens but are adversely affected as the won strengthens. In Brazil, where we have predominately U.S. dollar selling prices and local currency operating costs, we benefit as the real weakens, but are adversely affected as the real strengthens.

It is our policy to minimize exposures from non-functional currency denominated transactions within each of our operating segments. We use foreign exchange forward contracts, options and cross-currency swaps to manage exposure arising from recorded assets and liabilities, firm commitments, and forecasted cash flows denominated in currencies other than the functional currency of certain operations, which include forecasted net sales, forecasted purchase commitments, capital expenditures and net investment in foreign subsidiaries. Our most significant non-U.S. dollar functional currency operations have the Euro and the Korean won as their functional currencies, respectively. Our Brazilian operations are U.S. dollar functional.

We also face translation risks related to the changes in foreign currency exchange rates which are generally not hedged. Amounts invested in these foreign operations are translated into U.S. dollars at the exchange rates in effect at the balance sheet date. The resulting translation adjustments are recorded as a component of "Accumulated other comprehensive loss" in the Shareholder's deficit section of the accompanying condensed consolidated balance sheets. Net sales and expenses at these non-U.S. dollar functional currency entities are translated into varying amounts of U.S. dollars depending upon whether the U.S. dollar weakens or strengthens against other currencies. Therefore, changes in exchange rates may either positively or negatively affect our net sales and expenses as expressed in U.S. dollars.

Any negative impact of currency movements on the currency contracts we have entered into to hedge foreign currency commitments to purchase or sell goods and services would be offset by an approximately equal and opposite favorable exchange impact on the commitments being hedged. For a discussion of accounting policies and other information relating to currency contracts, see Note 1 - Business and Summary of Significant Accounting Policies and Note 11 - Financial Instruments and Commodity Contracts.

Sensitivities

The following table presents the estimated potential effect on the fair values of these derivative instruments as of September 30, 2015, given a 10% change in rates ($ in millions).

	Change in Exchange Rate	Change in Fair Value
Currency measured against the U.S. dollar		
Brazilian real	(10)%	$ (17)
Euro	10 %	(19)
Korean won	(10)%	(48)
Canadian dollar	(10)%	(4)
British pound	(10)%	(5)
Swiss franc	(10)%	(18)
Chinese yuan	10 %	(5)

Interest Rate Risks

We use interest rate swaps to manage our exposure to changes in benchmark interest rates which impact our variable-rate debt.

Our Term Loan Facility is a floating rate obligation with a floor feature. Our interest rate paid is a spread of 3.25% plus the higher of LIBOR or 75 basis points (0.75% floor). As of September 30, 2015, this floor feature was in effect, which resulted in an interest rate of 4.00%. Due to the floor feature of the Term Loan Facility as of September 30, 2015, a 10 basis point increase or decrease in LIBOR interest rates would have had no impact on our annual pre-tax income. To be above the Term Loan Facility floor, future interest rates would have to increase by 43 basis points (bps).

From time to time, we have used interest rate swaps to manage our debt cost. As of September 30, 2015, there were no USD LIBOR based interest rate swaps outstanding.

In Korea, we periodically enter into interest rate swaps to fix the interest rate on various floating rate debt in order to manage our exposure to changes in the 3M-CD interest rate. See Note 11- Financial Instruments and Commodity Contracts for further information on the amounts outstanding as of September 30, 2015.

Sensitivities

The following table presents the estimated potential effect on the fair values of these derivative instruments as of September 30, 2015, given a 100 bps decrease in the benchmark interest rate ($ in millions).

	Change in Rate	Change in Fair Value
Interest Rate Contracts		
Asia - KRW-CD-3200	(100) bps	$ (2)

Item 4. ***Controls and Procedures***

Evaluation of Disclosure Controls and Procedures

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

We have carried out an evaluation, with the participation of our Principal Executive Officer and Principal Financial Officer, of the effectiveness of the Company’s disclosure controls and procedures pursuant to Rule 13a-15 of the Exchange Act. Based upon such evaluation, management has concluded that the Company’s disclosure controls and procedures were effective as of September 30, 2015.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. *Legal Proceedings*

We are a party to litigation incidental to our business from time to time. For additional information regarding litigation to which we are a party, see Note 16 — Commitments and Contingencies to our accompanying condensed consolidated financial statements.

Item 1A. *Risk Factors*

See "Risk Factors" in Part I, Item 1A in our Annual Report on Form 10-K for the year ended March 31, 2015.

Item 5. *Other Information*

Compensation of Interim Chief Financial Officer

On October 19, 2015, the Company announced that it had appointed Steven E. Pohl as its Interim Chief Financial Officer. On November 4, 2015, the Company's Board of Directors determined that Mr. Pohl would be eligible for a cash bonus payment in respect of his interim appointment, in an amount between $30,000 and $60,000 for up to three months of service, or between $60,000 and $120,000 for up to six months of service. The actual payment amount will be based on the length of Mr. Pohl's service in the interim role and his performance in managing the role.

Resignation of Chief Accounting Officer

On November 9, 2015, Robert Nelson, Vice President and Controller of Novelis Inc., advised the Company of his intention to resign effective March 31, 2016. Mr. Nelson will continue to serve as the Company's Chief Accounting Officer until the effective date of his resignation, or until such earlier time as his successor has been appointed. The Board of Directors is expected to appoint Stephanie Rauls to serve as Chief Accounting Officer of Novelis Inc. upon Mr. Nelson's departure from the role. Ms. Rauls, 46, has served as the Company's Vice President - Global Tax since joining Novelis in December 2013. Prior to joining Novelis, Ms. Rauls served as Vice President, Tax of Wal-Mart Stores, Inc. from 2011 to 2013, and prior to that she was employed by GE Healthcare as a tax director from 2002 to 2011. Ms. Rauls earned a Bachelor of Business Administration in Accounting from the University of Wisconsin-Madison and a Juris Doctor from Valparaiso University School of Law. Ms. Rauls is a Certified Public Accountant.

Item 6. ***Exhibits***

Exhibit No.	Description
2.1	Arrangement Agreement by and among Hindalco Industries Limited, AV Aluminum Inc. and Novelis Inc., dated as of February 10, 2007 (incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed on February 13, 2007) (File No. 001-32312))
3.1	Restated Certificate and Articles of Amalgamation of Novelis Inc. (incorporated by reference to Exhibit 3.1 to our Quarterly Report on Form 10-Q filed on November 10, 2010 (File No. 001-32312))
3.2	Certificate and Articles of Amalgamation of Novelis Inc., dated March 31, 2015 (incorporated by reference to Exhibit 3.2 to our Annual Report on Form 10-K filed on May 12, 2015 (File No. 001-32312))
3.3	Novelis Inc. Amended and Restated Bylaws, adopted as of July 24, 2008 (incorporated by reference to Exhibit 3.2 to our Current Report on Form 8-K filed on July 25, 2008 (File No. 001-32312))
10.1	Employment Agreement between Steven Fisher and Novelis Inc., dated August 10, 2015
31.1	Section 302 Certification of Principal Executive Officer
31.2	Section 302 Certification of Principal Financial Officer
32.1	Section 906 Certification of Principal Executive Officer
32.2	Section 906 Certification of Principal Financial Officer
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

SIGNATURES

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

NOVELIS INC.	
By:	/s/ Steven E. Pohl
	Steven E. Pohl
	Interim Chief Financial Officer
	(Principal Financial Officer and Authorized Officer)
By:	/s/ Robert P. Nelson
	Robert P. Nelson
	Vice President Finance — Controller
	(Principal Accounting Officer)

Date: November 9, 2015

EXHIBIT INDEX

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101.PRE	XBRL Taxonomy Extension Presentation Linkbase

August 2015 **Personal & Confidential**

Dear Mr. Fisher,

Re: Appointment Letter

Novelis Inc. is pleased to offer you the role as President & Chief Executive Officer. This position will initially be based in Atlanta, Georgia (US) but can be relocated to any other location based on business needs. You will report to Mr. Debu Bhattacharya, MD Hindalco Industries Ltd. and Vice Chairman of Novelis Inc. and the reporting may change to any other Board member of Novelis as may be decided and communicated by the Board. The terms and conditions applicable to your appointment to this position are as follows:

1. Position Title

   President & Chief Executive Officer with Novelis Inc.

2. Base Salary

   Effective 10th August, 2015, your base salary will be **$750000** annually. Your next salary review will be in July 2016.

3. Annual Incentives

   You are entitled to participate in Novelis Annual Incentive Plan (AIP). The target opportunity for your position will be 100% of your annual base salary. The annual incentive performance measures for Fiscal Year 2015-16 are set forth in the Novelis 2016 Annual Incentive Plan

4. Long Term Incentive Plan (LTIP)

   You are eligible to participate in the Novelis Long Term Incentive Plan (LTIP). Your target opportunity for Fiscal 2015-16 is **$2500000**. The LTIP grant is in the form of 80% Stock Appreciation Rights (SARs) and 20% Restricted Stock Units (RSU's) as more fully described in the Novelis 2015 LTIP Plan.

5. Benefits

Novelis provides a wide range of benefits as well as an Annual Company paid Executive Physical examination. Benefits include:

- Savings and Retirement
- Life insurance.
- Medical and prescription drug plan for you and your eligible dependents.
- Dental coverage for you and your eligible dependents.
- Short-Term Disability.
- Long-Term Disability.
- Business Travel and Accident Insurance.
- Flex Perks – You will receive an annual stipend of US60000 minus required deductions, paid to you over 12 months. This amount is intended for your personal use for club memberships, tax preparation services, car allowance, professional financial services or as you may choose. The company does not otherwise pay club dues and/or other services.

6. Vacation Entitlement

Your vacation entitlement is governed by Novelis' vacation policy but will be no less than 25 days annually. You are also entitled to the paid holidays in Novelis published holiday schedule for the Atlanta office which includes nine (9) scheduled holidays and two (2) personal days.

7. Change in Control

Novelis will provide you with a separate Agreement that provides protection in the event of a Change in Control.

8. Severance and Other Termination Benefits

You are entitled to severance and other benefits if the Company shall terminate your employment other than for Cause, or you terminate your employment for Good Reason defined as follows:

"Cause" means only (i) your conviction of any crime (whether or not involving the company) constituting a felony in the applicable jurisdiction; (ii) willful and material violation of the companies policies including, but not limited to, those relating to sexual harassment and confidential information; (iii) willful misconduct in the performance of your duties for the

Company; or (iv) willful failure or refusal to perform your material duties and responsibilities which is not remedied within ten (10) days after written demand from the Board of Directors to remedy such failure or refusal.

“Good Reason” means any of the following if it shall occur without your express written consent: (i) a material reduction in your position, duties , reporting relationships, responsibilities, authority, or status within the Company except as contained in this contract; (ii) a reduction in your base salary and target short term and long term incentive opportunities in effect on date hereof or as the same may be increased from time to time during the term of this Agreement; or (iii) any failure of the Company to comply with its obligations under this Agreement, in each case which is not remedied within ten (10) day after written demand by you to remedy such reduction or failure.

Your right to receive severance and benefits shall be subject to the terms and conditions of the Company's release from and waiver by you of claims, non-compete agreement and non-solicitation agreement for executive employees. No payments or benefits shall be paid unless you execute such release and waiver of claims, non-compete agreement and non-solicitation agreement. The Release shall not release your right to receive indemnification and defense from the Company for any claims arising out of the performance of your duties on behalf of the Company. Termination of employment due to Cause, Death, Disability or Retirement at any time shall not give rise to any rights to compensation.

(a) Severance Pay. The Company shall pay a lump sum cash amount equal to:

[A x (B + C)] - D, where

"A" equals a multiplier of 2.0;

"B" equals your annual base salary (including all amounts of such base salary that are voluntarily deferred under any qualified and non-qualified plans of the Company) determined at the rate in effect as of the date of appointment, which stands at $ 750000;

"C" equals your target short term incentive opportunity given in this contract of employment which is $750000; and

"D" equals the amount of retention and severance payments, if any, paid or payable to you by the Company other than pursuant to this Agreement; it being expressly understood that the purpose of this deduction is to avoid any duplication of payments to you.

(b) Other Benefits.

(i) If you are not eligible for retiree medical benefits and are covered under the Company's group health plan at the time of your termination of employment, the Company shall pay an additional lump sum cash amount for the purpose of assisting you with the cost of post-employment medical continuation coverage equal to: (C x M) / (1 - T), where

"C" equals the full monthly COBRA premium charged for coverage under the Company's group medical plan at your then current level of coverage;

"M" equals twelve (12) months; and

"T" equals an assumed tax rate of 40%

(ii) To the extent applicable, you shall be entitled to continue coverage under the Company's group life plan for a period of twelve (12) months at your pre-termination level of coverage.

(iii) You shall be entitled to twelve (12) months of additional credit for benefit accrual and contribution allocation purposes including credit for age, service and earnings pro rated over twelve (12) months under the Company's tax-qualified and non-qualified pension, savings or other retirement plans; provided that if applicable provisions of the Code prevent payment in respect of such credit under the Company's tax-qualified plans, such payments shall be made under the Company's non-qualified plans.

(iv) To the extent you are not already fully vested under the Company's tax-qualified and non-qualified retirement pension, savings and other retirement plans, you shall become 100% vested under such plans; provided that if applicable provisions of the Code prevent accelerated vesting under the Company's tax-qualified plans, an equivalent benefit shall be payable under the Company's non-qualified plans.

Notwithstanding the foregoing provisions of this paragraph 8 or any other provision in this Agreement, if you are a “specified employee" within the meaning of Code Section 409A, then all payments under this Agreement shall be delayed for a period of six (6) months to the extent required by Section 409A.

Should you decide to voluntarily separate from the company you will have to give the company a 3 month notice and will not be entitled to any of the payments in this paragraph 8.

9. Code Section 409A

To the extent applicable, this Agreement shall be interpreted in accordance with Section 409A of the Code and the applicable U.S. Treasury regulations and other interpretative guidance issued thereunder, including without limitation any regulations or other guidance that may be issued after the effective date of this Agreement. Notwithstanding any provision of the Agreement to the contrary, the Company may adopt such amendments to the Agreement or adopt other policies and procedures, or take any other actions, that the Company determines is necessary or appropriate to exempt the Agreement from Section 409A and/or preserve the intended tax treatment of the benefits provided hereunder, or to comply with the requirements of Section 409A and related U.S. Treasury guidance, as long as such changes do not reduce the overall compensation.

10. Non-Competition

10.1 Competing Entities: In this Agreement, "Competing Entities" includes any entity whose major business consists of manufacturing or recycling of aluminium, alumina, or downstream rolled aluminium products.

10.2 Competitive Activities: You covenant and agree that, while employed with the Company and for 24 months thereafter, you shall not, directly or indirectly, in any manner whatsoever including, without limitation, either individually, or in partnership, jointly or in conjunction with any other person, or as employee, principal, agent, consultant, director, shareholder, lender or otherwise:

(a) be engaged actively in or by any Competing Entities in order to provide products or services similar to the products and services provided by the Company;

(b) have any financial or other interest including, without limitation, an interest by way of royalty or other compensation arrangements, in or in respect of any Competing Entities, excluding the ownership of not more than 5% of the issued shares of any such Competing Entities, the shares of which are listed on a recognized stock exchange or traded in the over-the-counter market; or

(c) advise, lend money to or guarantee the debts or obligations of any Competing Entities.

11 Non-Solicitation

11.1 Customers and Suppliers: You covenant and agree that, while employed with the Company and for 24 months thereafter, you will not, in any manner, directly or indirectly, by any means, in any capacity, in order to direct away from the Company, approach, solicit, or contact any customers or suppliers of the Company who has actively done business with the Company in the preceding twenty four months, or any prospective customer or supplier that the Company approached, solicited or contacted in the preceding twenty four months, or attempt to do any of the foregoing, in order to offer or obtain services or products that compete with the business of the Company (or any material part thereof) as conducted at the time of the cessation of the your employment or during the twenty four month period prior to such date or contemplated to be carried on in its most recent annual business plan.

11.2 Employees: You covenant and agree that, while employed with the Company and for 24 months thereafter, you will not induce or solicit, or attempt to induce or solicit, or assist any person to induce or solicit, any management or higher employee, contractor or advisor of the Company, or assist or encourage any management or higher employee, contractor or advisor of the Company, to accept employment or engagement elsewhere that competes with the business of the Company (or any material part thereof) as conducted at the time of the cessation of your employment or any other business conducted by the Company during the twenty four month period prior to such date or contemplated to be carried on in its most recent annual business plan.

12. Governing Law

This letter agreement shall be governed by, and shall be construed in accordance with, the internal laws (and not the laws of conflicts) of the State of Georgia.

13. Obligation to Mitigate Damages: No Effect on other Contractual Rights:

a. You shall not be required to mitigate damages or the amount of any payment provided for under this Agreement by seeking other employment or otherwise nor shall the amount of any payment provided for under this Agreement be reduced by any compensation earned by you as a result of employment by another employer after your termination of employment, or otherwise.

b. The provision of this Agreement, and any payments provided for hereunder, shall not reduce any amounts otherwise payable, or in any way diminish your existing rights, or rights which would accrue solely as a result of the passage of time, under any employee benefit plan or arrangement providing retirement benefits or health, life, disability, or similar welfare benefits.

14. <u>Successor to the Company:</u>

The Company will require any successor or assign (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to absolutely and unconditionally assume and agree to perform this Agreement in the same manner and to the extent that the Company would be required to perform it if no such succession or assignment had taken place.

Any failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession or assignment shall entitle you to terminate your employment for Good Reason.

15. <u>Indemnification.</u>

The Company will provide full indemnification to the maximum extent permitted under the Companies by-laws and applicable law. The Company shall maintain Directors and Officers liability insurance coverage in an amount reasonably anticipated to satisfy such indemnification during your employment and at all times thereafter for the duration of any period of limitations during which any action may be brought against you.

16. <u>General.</u>

16.1. All the information in this letter including eligibility for participation in compensation and benefits plan is subject to the terms of applicable plan documents and policies, which are subject to change during the normal course of Novelis business, but shall not result in an overall reduction of your compensation or terms and conditions of your employment. Your employment at Novelis is “at – will” and either you or Novelis may decide to terminate the employment relationship at any time for any reason, except as provided by law. The terms of this letter, therefore, do not and are not intended to create either an express or implied contract of employment with Novelis for any particular duration.

16.2 In carrying out the Company’s business, employees often learn confidential or proprietary information about the Company, its customers, suppliers, or joint venture parties. Employees must maintain the confidentiality of all information so entrusted to them, except when disclosure is authorized or legally mandated. Confidential or proprietary information of the Company, and of other companies, includes any non-public information that would be harmful to the relevant company or useful or helpful to competitors if disclosed. You will find more information about this in the Code of Conduct. By signing below, you acknowledge you have received a copy of the Novelis/Aditya Birla Group Code of Conduct. You are also required to complete the Novelis Inc. Employee Information Agreement. Please return the enclosed Novelis Inc. Employee Information Agreement with your signed copy of this offer letter.

If you agree with the foregoing terms please sign and return a copy of this letter to me. If you have any question please feel free to contact me.

Sincerely,

/s/ Debu Bhattacharya

Debu Bhattacharya

MD Hindalco Industries Ltd. & Vice Chairman Novelis Inc.

Accepted: /s/ Steven Fisher

(Name)

Date: 8/10/15

Exhibit 31.1

Certification

I, Steven Fisher, certify that:

1. I have reviewed this Annual Report on Form 10-Q of Novelis Inc. (Novelis);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Steven Fisher

Steven Fisher
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 9, 2015

Exhibit 31.2

Certification

I, Steven Pohl, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Novelis Inc. (Novelis);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Steven E. Pohl

Steven E. Pohl
Interim Chief Financial Officer
(Principal Financial Officer)

Date: November 9, 2015

Exhibit 32.1

Certification Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Novelis Inc. (Novelis), hereby certifies that Novelis' Annual Report on Form 10-Q for the period ended September 30, 2015 (Report) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Novelis.

/s/ Steven Fisher

Steven Fisher
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 9, 2015

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of this Report.

Exhibit 32.2

Certification Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Novelis Inc. (Novelis), hereby certifies that Novelis' Quarterly Report on Form 10-Q for the period ended September 30, 2015 (Report) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Novelis.

/s/ Steven E. Pohl

Steven E. Pohl
Interim Chief Financial Officer
(Principal Financial Officer)

Date: November 9, 2015

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of this Report.