

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q**

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

For the quarterly period ended September 30, 2017

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
(State or other jurisdiction of
incorporation or organization)

98-0442987
(I.R.S. Employer
Identification Number)

3560 Lenox Road, Suite 2000
Atlanta, Georgia
(Address of principal executive offices)

30326
(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 No

The registrant is a voluntary filer and is not subject to the filing requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934. However, the registrant 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.

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 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," "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

As of November 1, 2017, 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,	
	2017	2016	2017	2016
Net sales	\$ 2,794	\$ 2,361	\$ 5,463	\$ 4,657
Cost of goods sold (exclusive of depreciation and amortization)	2,361	1,980	4,622	3,910
Selling, general and administrative expenses	124	108	230	200
Depreciation and amortization	91	90	181	179
Interest expense and amortization of debt issuance costs	64	81	128	164
Research and development expenses	16	14	31	27
Gain on assets held for sale	—	(1)	—	(2)
(Gain) loss on sale of a business, net	(318)	27	(318)	27
Loss on extinguishment of debt	—	112	—	112
Restructuring and impairment, net	7	1	8	3
Equity in net loss of non-consolidated affiliates	1	—	1	—
Other expense, net	25	11	13	39
	<u>2,371</u>	<u>2,423</u>	<u>4,896</u>	<u>4,659</u>
Income (loss) before income taxes	423	(62)	567	(2)
Income tax provision	116	27	159	63
Net income (loss)	<u>307</u>	<u>(89)</u>	<u>408</u>	<u>(65)</u>
Net income attributable to noncontrolling interests	—	—	—	—
Net income (loss) attributable to our common shareholder	<u>\$ 307</u>	<u>\$ (89)</u>	<u>\$ 408</u>	<u>\$ (65)</u>

See accompanying notes to the condensed consolidated financial statements.

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

	Three Months Ended September 30,	
	2017	2016
Net income (loss)	\$ 307	\$ (89)
Other comprehensive (loss) income:		
Currency translation adjustment	28	64
Net change in fair value of effective portion of cash flow hedges	(41)	13
Net change in pension and other benefits	10	9
Other comprehensive (loss) income before income tax effect	(3)	86
Income tax (benefit) provision related to items of other comprehensive income	(11)	7
Other comprehensive income, net of tax	8	79
Comprehensive income (loss)	315	(10)
Less: Comprehensive income attributable to noncontrolling interests, net of tax	1	1
Comprehensive income (loss) attributable to our common shareholder	\$ 314	\$ (11)

	Six Months Ended September 30,	
	2017	2016
Net income (loss)	\$ 408	\$ (65)
Other comprehensive income:		
Currency translation adjustment	91	11
Net change in fair value of effective portion of cash flow hedges	3	2
Net change in pension and other benefits	5	29
Other comprehensive income before income tax effect	99	42
Income tax provision related to items of other comprehensive income	4	8
Other comprehensive income, net of tax	95	34
Comprehensive income (loss)	503	(31)
Less: Comprehensive income attributable to noncontrolling interests, net of tax	—	1
Comprehensive income (loss) attributable to our common shareholder	\$ 503	\$ (32)

See accompanying notes to the condensed consolidated financial statements.

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

	September 30, 2017	March 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 949	\$ 594
Accounts receivable, net		
— third parties (net of uncollectible accounts of \$7 and \$6 as of September 30, 2017 and March 31, 2017)	1,290	1,067
— related parties	180	60
Inventories	1,488	1,333
Prepaid expenses and other current assets	118	137
Fair value of derivative instruments	71	113
Assets held for sale	3	3
Total current assets	4,099	3,307
Property, plant and equipment, net	3,067	3,357
Goodwill	607	607
Intangible assets, net	433	457
Investment in and advances to non-consolidated affiliates	799	451
Deferred income tax assets	80	86
Other long-term assets		
— third parties	96	94
— related parties	8	15
Total assets	\$ 9,189	\$ 8,374
LIABILITIES AND SHAREHOLDER'S EQUITY (DEFICIT)		
Current liabilities		
Current portion of long-term debt	\$ 144	\$ 121
Short-term borrowings	342	294
Accounts payable		
— third parties	1,957	1,722
— related parties	57	51
Fair value of derivative instruments	125	151
Accrued expenses and other current liabilities	558	580
Total current liabilities	3,183	2,919
Long-term debt, net of current portion	4,403	4,437
Deferred income tax liabilities	142	98
Accrued postretirement benefits	803	799
Other long-term liabilities	232	198
Total liabilities	8,763	8,451
Commitments and contingencies		
Shareholder's equity (deficit)		
Common stock, no par value; unlimited number of shares authorized; 1,000 shares issued and outstanding as of September 30, 2017 and March 31, 2017	—	—
Additional paid-in capital	1,404	1,404
Accumulated deficit	(510)	(918)
Accumulated other comprehensive loss	(450)	(545)
Total equity (deficit) of our common shareholder	444	(59)
Noncontrolling interests	(18)	(18)
Total equity (deficit)	426	(77)
Total liabilities and equity (deficit)	\$ 9,189	\$ 8,374

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,	
	2017	2016
OPERATING ACTIVITIES		
Net income (loss)	\$ 408	\$ (65)
Adjustments to determine net cash provided by operating activities:		
Depreciation and amortization	181	179
Loss (gain) on unrealized derivatives and other realized derivatives in investing activities, net	12	(1)
Gain on assets held for sale	—	(2)
(Gain) loss on sale of business	(318)	27
Loss on sale of assets	2	6
Impairment charges	6	—
Loss on extinguishment of debt	—	112
Deferred income taxes	47	(4)
Amortization of fair value adjustments, net	—	6
Equity in net loss of non-consolidated affiliates	1	—
(Gain) loss on foreign exchange remeasurement of debt	(2)	2
Amortization of debt issuance costs and carrying value adjustments	10	9
Other, net	4	—
Changes in assets and liabilities including assets and liabilities held for sale (net of effects from divestitures):		
Accounts receivable	(310)	(159)
Inventories	(107)	(115)
Accounts payable	163	22
Other current assets	26	6
Other current liabilities	(31)	(90)
Other noncurrent assets	(2)	(9)
Other noncurrent liabilities	4	49
Net cash provided by (used in) operating activities	94	(27)
INVESTING ACTIVITIES		
Capital expenditures	(82)	(90)
Proceeds from sales of assets, third party, net of transaction fees and hedging	1	1
Proceeds (outflows) from the sale of a business, net of certain transaction fees	314	(13)
Proceeds from investment in and advances to non-consolidated affiliates, net	8	9
Proceeds from settlement of other undesignated derivative instruments, net	1	6
Net cash provided by (used in) investing activities	242	(87)
FINANCING ACTIVITIES		
Proceeds from issuance of long-term and short-term borrowings	—	2,765
Principal payments of long-term and short-term borrowings	(64)	(2,609)
Revolving credit facilities and other, net	88	(3)
Debt issuance costs	(4)	(134)
Net cash provided by financing activities	20	19
Net increase (decrease) in cash and cash equivalents	356	(95)
Effect of exchange rate changes on cash	(1)	12
Cash and cash equivalents — beginning of period	594	556
Cash and cash equivalents — end of period	<u>\$ 949</u>	<u>\$ 473</u>

See accompanying notes to the condensed consolidated financial statements.

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

	Equity (Deficit) of our Common Shareholder							Total (Deficit)/ Equity
	Common Stock		Additional Paid-in Capital	Retained Earnings/ (Accumulated Deficit)	Accumulated Other Comprehensive Loss (AOCI)	Non- controlling Interests		
	Shares	Amount						
Balance as of March 31, 2017	1,000	\$ —	\$ 1,404	\$ (918)	\$ (545)	\$ (18)	\$ (77)	
Net income attributable to our common shareholder	—	—	—	408	—	—	408	
Net income attributable to noncontrolling interests	—	—	—	—	—	—	—	
Currency translation adjustment included in AOCI	—	—	—	—	91	—	91	
Change in fair value of effective portion of cash flow hedges, net of tax provision of \$1 million included in AOCI	—	—	—	—	2	—	2	
Change in pension and other benefits, net of tax provision of \$3 million included in AOCI	—	—	—	—	2	—	2	
Balance as of September 30, 2017	<u>1,000</u>	<u>\$ —</u>	<u>\$ 1,404</u>	<u>\$ (510)</u>	<u>\$ (450)</u>	<u>\$ (18)</u>	<u>\$ 426</u>	

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

We produce aluminum sheet and light gauge products for use in the packaging market, which includes beverage and food cans and foil products, as well as for use in the automotive, transportation, electronics, architectural and industrial product markets. We have recycling operations in many of our plants to recycle post-consumer aluminum, such as used beverage cans and post-industrial aluminum, such as class scrap. As of September 30, 2017, we had manufacturing operations in ten countries on four continents: North America, South America, Asia and Europe, through 24 operating facilities, including recycling operations in eleven of these plants.

The March 31, 2017 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, 2017 filed with the United States Securities and Exchange Commission (SEC) on May 10, 2017. 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 income (loss) attributable to our common shareholder” includes our share of Net income (loss) of these entities. The difference between consolidation and the equity method impacts certain of our financial ratios because of the presentation of the detailed line items reported in the condensed consolidated financial statements for consolidated entities, compared to a two-line presentation of “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.

Revision of Previously Issued Financial Statements

During the preparation of the Form 10-Q for the three months ended June 30, 2017, we identified a misclassification between “Prepaid expenses and other current assets” and “Accrued expenses other current liabilities” accounts that understated these balances for the periods ended March 31, 2017, December 31, 2016, and September 30, 2016 of \$26 million, \$21 million, and \$16 million, respectively. In addition, we identified a misclassification between “Deferred income tax assets” and “Deferred income tax liabilities” of \$4 million that understated these balances as of March 31, 2017. We assessed the

materiality of the misstatements and concluded that these misstatements were not material to the Company's previously issued financial statements and that amendments of previously filed reports were therefore not required. However, we elected to revise the previously reported amounts in both the the March 31, 2017 consolidated balance sheet and September 30, 2016 consolidated statement of cash flow by the amounts above. The referenced prior period above not presented herein include misstatements that impact the consolidated statements of cash flows and will be revised, as applicable, in future filings. These revisions will impact the "Other current assets" and "Other current liabilities" line items within total "Operating Activities." However, there is no impact to "Net cash provided by (used in) operating activities" within the consolidated statements of cash flows.

Reclassification

A reclassification of a prior period amount has been made to conform to the presentation adopted for the current period.

For the three and six months ended September 30, 2016, we reclassified \$27 million from "Other expense, net" to "(Gain) loss on the sale of a business" in the condensed consolidated statement of operations to conform with the current period presentation. This reclassification had no impact on "Income (loss) before income taxes," "Net income (loss) attributable to our common shareholder," the condensed consolidated balance sheets or condensed consolidated statements of cash flows during the respective periods. Refer to Note 14 — Other expense, net for further details.

Recently Issued Accounting Standards

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*. The amendments in this update better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The guidance is effective for public business entities for interim and annual periods beginning after December 15, 2018. Early adoption is permitted and we intend to early adopt. We believe that the impact to Novelis will primarily result from the following changes to the guidance: The entire change in the value of the hedging instrument will be deferred to OCI; and the component excluded from the assessment of hedge effectiveness will be recognized immediately in earnings, in the same line item as the hedged item.

In May 2017, the FASB issued ASU 2017-09, *Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting*. This update was issued to provide clarity and reduce both (1) diversity in practice and (2) cost and complexity when applying the guidance in Topic 718, Compensation-Stock Compensation, to a change to the terms or conditions of a share-based payment award. An entity may change the terms or conditions of a share-based payment award for many different reasons, and the nature and effect of the change can vary significantly. Under the new guidance, modification accounting is required only if the fair value, the vesting conditions, or the classification of the award (as equity or liability) changes as a result of the change in terms or conditions. The guidance is effective for public business entities for interim and annual periods beginning after December 15, 2017. Early adoption is permitted. We will adopt this standard in our first quarter ending June 30, 2018. Adoption of this standard is not expected to have an impact on our consolidated results of operations.

In March 2017, the FASB issued ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. This update was issued primarily to improve the presentation of net periodic pension cost and net periodic postretirement benefit cost. The new guidance requires entities to (1) disaggregate the current service cost component from the other components of net benefit cost (the "other components") and present it with other current compensation costs for related employees in the results of operations and (2) present the other components elsewhere in the results of operations and outside of income from operations if that subtotal is presented. The guidance is effective for public business entities for interim and annual periods beginning after December 15, 2017. Early adoption is permitted. Currently, all postretirement costs (FAS 87, FAS 106 and FAS 112) fall within the line item "Selling, general and administrative expenses" within the consolidated results of operations. We are currently evaluating the impact of this standard on our consolidated financial position and results of operations.

In February 2017, the FASB issued ASU 2017-06, *Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965), Employee Benefit Plan Master Trust Reporting (“ASU 2017-06”)*. This update primarily impacted the reporting by an employee benefit plan (a plan) for its interest in a master trust. The amendments in this update require all plans to disclose (1) their master trust’s other asset and liability balances and (2) the dollar amount of the plan’s interest in each of those balances. The amendments in this update are effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. Adoption of this standard is not expected to have an impact on our consolidated financial position or results of operations.

In February 2017, the FASB issued ASU 2017-05, *Other Income-Gains and Losses from the Derecognition of Non-financial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Non-financial Assets*. The amendments in this update include (i) clarification that non-financial assets within the scope of ASC 610-20 may include non-financial assets transferred within a legal entity to a counterparty; (ii) clarification that an entity should allocate consideration to each distinct asset by applying the guidance in ASC 606 on allocating the transaction price to performance obligations; and (iii) a requirement for entities to derecognize a distinct non-financial asset or distinct in substance non-financial asset in a partial sale transaction when it does not have (or ceases to have) a controlling financial interest in the legal entity that holds the asset in accordance with ASC 810, and transfers control of the asset in accordance with ASC 606. The guidance is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods. Early adoption is permitted. Adoption of this standard is expected to have an immaterial impact on our consolidated financial position and results of operations.

In January 2017, the FASB issued ASU 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, accounting guidance, which removes Step 2 from the goodwill impairment test. As amended, the goodwill impairment test will consist of one step comparing the fair value of a reporting unit with its carrying amount. Under the simplified model, a goodwill impairment is calculated as the difference between the carrying amount of the reporting unit and its fair value, but not to exceed the carrying amount of goodwill allocated to that reporting unit. Early adoption is permitted. The guidance is effective for public business entities for interim and annual periods beginning after its annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Adoption of this standard is not expected to have any impact on our consolidated financial position, results of operations and statement of cash flows.

In January 2017, the FASB issued ASU 2017-01, *Clarifying the Definition of a Business (Topic 805)*, which provides guidance on evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. The new guidance amends ASC 805 to provide a more robust framework to use in determining when a set of assets and activities is a business. In addition, the amendments provide more consistency in applying the guidance, reduce the costs of application, and make the definition of a business more operable. The guidance is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods. Early adoption is permitted. We believe that the adoption of this standard will not have an impact on our consolidated financial position and results of operations.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230) - Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in this update apply to all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows under Topic 230. The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The guidance is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods. Early adoption is permitted. Adoption of this standard is not expected to have any impact on our consolidated financial position, results of operations and statement of cash flows.

In October 2016, the FASB issued ASU 2016-16, *Accounting for Income Taxes: Intra-Entity Asset Transfers of Assets Other than Inventory*. The new guidance eliminates the exception for all intra-entity sales of assets other than inventory. The guidance will require the tax effects of intercompany transactions to be recognized currently and will likely impact reporting entities’ effective tax rates. The guidance is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods. Early adoption is permitted. We are currently evaluating the impact of this standard on our consolidated financial position and results of operations.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230) - Classification of Certain Cash Receipts and Cash Payments*. The new guidance applies to all entities that are required to present a statement of cash flows under Topic 230 and addresses specific cash flow items to provide clarification and reduce the diversity in presentation of these items. The guidance is effective for annual periods beginning after December 15, 2017 and interim periods within that year. Early adoption is permitted. Adoption of this standard is not expected to have any impact on our consolidated financial position, results of operations and statement of cash flows as our current policies are aligned with this standard.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which when effective will require organizations that lease assets (e.g., through "leases") to recognize assets and liabilities for the rights and obligations created by the leases on the balance sheet. A lessee will be required to recognize assets and liabilities for leases with terms that exceed twelve months. The standard will also require disclosures to help investors and financial statement users to better understand the amount, timing and uncertainty of cash flows arising from leases. The disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. The guidance is effective for annual periods beginning after December 15, 2018, and interim periods within those annual periods. Early adoption is permitted. We are currently evaluating the impact of this standard on our consolidated financial position and results of operations.

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 these 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. Subsequent to these amendments, further clarifying amendments have been issued. We are currently evaluating the impact of the standard on our consolidated financial position, results of operations and disclosures. We have begun assessing our contracts and drafting policies to implement the new revenue standards and will be implementing this standard during the first quarter of fiscal year 2019.

2. RESTRUCTURING AND IMPAIRMENT

“Restructuring and impairment, net” for the six months ended September 30, 2017 was \$8 million, which included impairment charges unrelated to restructuring of \$5 million on intangible software assets and \$1 million on other long-lived assets. “Restructuring and impairment, net” for the six months ended September 30, 2016 was \$3 million.

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, 2017	\$ 24				
Expenses	2	\$ —	\$ 2	\$ 6	\$ 8
Cash payments	(3)				
Foreign currency (C)	(1)				
Balance as of September 30, 2017	<u>\$ 22</u>				

(A) Other restructuring charges include period expenses that were not recorded through the restructuring liability.

(B) Other impairment charges not related to restructuring activities.

(C) This primarily relates to the remeasurement of Brazilian real denominated restructuring liabilities.

As of September 30, 2017, \$16 million of restructuring liabilities was included in "Accrued expenses and other current liabilities" and \$6 million was included in "Other long-term liabilities" on our condensed consolidated balance sheet. As of September 30, 2017, there was an \$18 million restructuring liability for the South America segment, \$2 million for the Europe segment, \$1 million for the North America segment and \$1 million for the Asia segment. There were also \$1 million and \$2 million in payments for the Europe and South America segments, respectively, during the six months ended September 30, 2017.

As of March 31, 2017, \$16 million of restructuring liabilities was included in "Accrued expenses and other current liabilities" and \$8 million was included in "Other long-term liabilities" on our condensed consolidated balance sheet.

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

3. INVENTORIES

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

	September 30, 2017	March 31, 2017
Finished goods	\$ 377	\$ 389
Work in process	686	576
Raw materials	270	213
Supplies	155	155
Inventories	\$ 1,488	\$ 1,333

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 specialty products. We continually analyze our product portfolio to ensure we are focused on growing in attractive market segments. The following transactions relate to exiting certain non-core operations to focus on our growth strategy in the premium product markets.

We made the decision to sell two hydroelectric power generation facilities in South America. During the year ended March 31, 2017, we recorded a \$1 million gain from our sale of one hydroelectric power generation facility. The remaining hydroelectric power generation assets have a net book value of \$3 million as of September 30, 2017 and March 31, 2017. These assets continue to be reflected as "Assets held for sale" pending regulatory approval.

In March 2016, we made a decision to sell properties in Ouro Preto, Brazil related to the closure of the Ouro Preto smelter facility in South America. "Gain on assets held for sale" during the six months ended September 30, 2016 includes a \$1 million gain from our sale of these assets.

5. CONSOLIDATION

Variable Interest Entities (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. As Logan is dependent upon the investors for ongoing capital to support the operations of the entity, Logan is a variable interest entity ("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. 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 the ability to make decisions regarding 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, 2017	March 31, 2017
Assets		
Current assets		
Cash and cash equivalents	\$ 1	\$ 2
Accounts receivable	15	29
Inventories	68	62
Prepaid expenses and other current assets	1	2
Total current assets	85	95
Property, plant and equipment, net	23	25
Goodwill	12	12
Deferred income taxes	91	89
Other long-term assets	29	30
Total assets	\$ 240	\$ 251
Liabilities		
Current liabilities		
Accounts payable	\$ 34	\$ 32
Accrued expenses and other current liabilities	19	21
Total current liabilities	53	53
Accrued postretirement benefits	213	224
Other long-term liabilities	3	3
Total liabilities	\$ 269	\$ 280

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

We have two non-consolidated affiliates, Aluminum Norf GmbH (Alunorf) and Ulsan Aluminum, Ltd. (UAL). 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.

In May 2017, Novelis Korea Ltd. (Novelis Korea), a subsidiary of Novelis Inc., entered into definitive agreements with Kobe Steel Ltd. (Kobe), an unrelated party, under which Novelis Korea and Kobe will jointly own and operate the Ulsan manufacturing plant owned by Novelis Korea. In April 2017, Novelis Korea formed a new wholly owned subsidiary, UAL. In September 2017, the transaction closed and Novelis Korea sold 49.9% of its shares in UAL to Kobe for the purchase price of \$314 million. We recognized a net gain of \$318 million on the transaction, pre-tax, consisting of: (1) \$168 million gain related to the difference between the fair value of the consideration received and the carrying amount of the former subsidiary's assets and liabilities; (2) \$163 million net gain related to the remeasurement of the retained investment by Novelis Korea; (3) \$11 million in transaction fees and (4) \$2 million in pension settlement losses. The net gain is recognized in "Gain (loss) on sale of a business" within the condensed consolidated statement of operations. The fair value of the retained investment was derived from cash consideration paid by a market participant, Kobe, for its 49.9% interest.

As a result of this transaction, we have shared power in UAL with Kobe. Novelis Korea and Kobe will supply input metal to UAL and UAL will produce flat rolled aluminum products exclusively for Novelis Korea and Kobe. In addition, we hold several variable interests in UAL through the regular funding of costs and expenses by Novelis Korea and Kobe. As UAL is dependent upon the investors for ongoing capital to support the operations of the entity, UAL is a variable interest entity ("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. The entity will be controlled by the Board of Directors. We do not have the sole decision-making ability regarding UAL's production operations and other significant decisions as the Board of Directors has ultimate control over these decisions. In addition, we do not have the ability to take the majority share of production and associated costs over the life of the joint venture. As we share power jointly with Kobe, we determined Novelis is not the primary beneficiary. Our risk of loss with respect to this VIE is limited to the carrying value of our investment in and inventory-related receivables from UAL. UAL's creditors do not have recourse to our general credit. We have no obligation to provide additional funding to this VIE outside of the contractually required reimbursements.

The following table summarizes the results of operations of our equity method affiliates, and the nature and amounts of significant transactions we have 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,	
	2017	2016	2017	2016
Net sales	\$ 124	\$ 124	\$ 241	\$ 245
Costs and expenses related to net sales	126	122	242	242
Provision for taxes on income	—	2	—	1
Net (loss) income	\$ (2)	\$ —	\$ (1)	\$ 2
Purchases of tolling services from Alunorf	\$ 63	\$ 62	\$ 121	\$ 123

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

Novelis Inc.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - (Continued)

	September 30, 2017	March 31, 2017
Accounts receivable-related parties	\$ 180	\$ 60
Other long-term assets-related parties	\$ 8	\$ 15
Accounts payable-related parties	\$ 57	\$ 51

We earned less than \$1 million of interest income on a loan due from Alunorf during each of the periods presented in "Other long-term assets-related parties" 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, 2017 and March 31, 2017.

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, 2017, 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, 2017, this guarantee totaled \$2 million.

Transactions with Hindalco

We occasionally have related party transactions with our indirect parent company, Hindalco. During the six months ended September 30, 2017 and 2016, "Net sales" were less than \$1 million between Novelis and Hindalco. As of September 30, 2017 and March 31, 2017, there were less than \$1 million in "Accounts receivable, net - related parties" outstanding related to transactions with Hindalco.

During the six months ended September 30, 2017, Novelis did not purchase any raw materials from Hindalco. There were \$3 million of raw material purchases from Hindalco that were fully paid for during the six months ended September 30, 2016.

Novelis Inc.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - (Continued)

7. DEBT

Debt consisted of the following (in millions).

	September 30, 2017				March 31, 2017				
	Interest Rates (A)	Principal	Unamortized Carrying Value Adjustments		Carrying Value	Principal	Unamortized Carrying Value Adjustments		Carrying Value
Third party debt:									
Short-term borrowings	2.69%	\$ 342	\$ —		\$ 342	\$ 294	\$ —		\$ 294
Novelis Inc.									
Floating rate Term Loan Facility, due June 2022	3.18%	1,787	(49)	(B)	1,738	1,796	(53)	(B)	1,743
Novelis Corporation									
5.875% Senior Notes, due September 2026	5.875%	1,500	(22)	(B)	1,478	1,500	(23)	(B)	1,477
6.25% Senior Notes, due August 2024	6.25%	1,150	(18)	(B)	1,132	1,150	(19)	(B)	1,131
Novelis Korea Limited									
Bank loans, due through September 2020 (KRW 205 billion)	2.52%	178	—		178	184	—		184
Novelis Switzerland S.A.									
Capital lease obligation, due through December 2019 (Swiss francs (CHF) 15 million)	7.50%	15	—		15	17	(1)	(B)	16
Novelis do Brasil Ltda.									
BNDES loans, due through April 2021 (BRL 9 million)	6.00%	4	—		4	4	—		4
Other									
Capital Lease Obligations and Other debt, due through December 2020	4.68%	2	—		2	3	—		3
Total debt		4,978	(89)		4,889	4,948	(96)		4,852
Less: Short term borrowings		(342)	—		(342)	(294)	—		(294)
Current portion of long term debt		(144)	—		(144)	(121)	—		(121)
Long-term debt, net of current portion		<u>\$ 4,492</u>	<u>\$ (89)</u>		<u>\$ 4,403</u>	<u>\$ 4,533</u>	<u>\$ (96)</u>		<u>\$ 4,437</u>

(A) Interest rates are the stated rates of interest on the debt instrument (not the effective interest rate) as of September 30, 2017, and therefore, exclude the effects of related interest rate swaps and 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 refinancing transactions and additional borrowings. We present stated rates of interest because they reflect the rate at which cash will be paid for future debt service.

(B) Amounts include unamortized debt issuance costs, fair value adjustments and debt discounts.

Novelis Inc.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - (Continued)

Principal repayment requirements for our total debt over the next five years and thereafter using exchange rates as of September 30, 2017 (for our debt denominated in foreign currencies) are as follows (in millions).

As of September 30, 2017	Amount
Short-term borrowings and current portion of long-term debt due within one year	\$ 486
2 years	75
3 years	33
4 years	20
5 years	1,714
Thereafter	2,650
Total	\$ 4,978

Senior Secured Credit Facilities

As of September 30, 2017, the senior secured credit facilities consisted of (i) a 1.8 billion secured term loan credit facility (Term Loan Facility) and (ii) a \$1 billion asset based loan facility (ABL Revolver). As of September 30, 2017, \$18 million of the Term Loan Facility is due within one year.

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

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

In September 2017, we amended our Term Loan Credit Agreement (the "Term Loan Amendment") to our \$1.8 billion Credit Agreement (the "Term Loan Facility") dated as of January 10, 2017. The amendment modifies certain provisions of the Term Loan Facility to facilitate the closing of the previously announced transaction with Kobe Steel Ltd.

The senior secured credit facilities contain various affirmative covenants, including covenants with respect to our financial statements, litigation and other reporting requirements, insurance, payment of taxes, employee benefits and (subject to certain limitations) causing new subsidiaries to pledge collateral and guaranty our obligations. The senior secured credit facilities also include various customary negative covenants and events of default, including limitations on our ability to (1) make certain restricted payments, (2) incur additional indebtedness, (3) sell certain assets, (4) enter into sale and leaseback transactions, (5) make investments, loans and advances, (6) pay dividends or returns of capital and distributions beyond certain

amounts, (7) engage in mergers, amalgamations or consolidations, (8) engage in certain transactions with affiliates, and (9) prepay certain indebtedness. The Term Loan Credit Agreement also contains a financial maintenance covenant, prohibiting the Company's senior secured net leverage ratio as of the last day of each fiscal quarter period and measured on a rolling four quarter basis from exceeding 3.50 to 1.00, subject to customary equity cure rights. The senior secured credit facilities include a cross-default provision under which lenders could accelerate repayment of the loans if a payment or non-payment default arises under any other indebtedness with an aggregate principal amount of more than \$100 million (or, in the case of the Term Loan Facility, under the ABL Revolver regardless of the amount outstanding). Substantially all of our assets are pledged as collateral under the senior secured credit facilities. As of September 30, 2017, we were in compliance with the covenants in the Term Loan Facility and ABL Revolver.

Short-Term Borrowings

As of September 30, 2017, our short-term borrowings were \$342 million, consisting of \$290 million of short-term loans under our ABL Revolver, \$51 million in Novelis China loans (CNY 340 million), and \$1 million of other short-term borrowings.

As of September 30, 2017, \$19 million of the ABL Revolver was utilized for letters of credit, and we had \$486 million in remaining availability under the ABL Revolver.

As of September 30, 2017, we had availability under our Novelis Korea, Novelis Middle East and Africa, and Novelis China revolving credit facilities and credit lines of \$188 million (KRW 216 billion), \$20 million, and \$6 million (CNY 39 million), respectively.

Senior Notes

On August 29, 2016, Novelis Corporation, an indirect wholly owned subsidiary of Novelis Inc., issued \$1.15 billion in aggregate principal amount of 6.25% Senior Notes Due 2024 (the 2024 Notes). The 2024 Notes are guaranteed, jointly and severally, on a senior unsecured basis, by Novelis Inc. and certain of its subsidiaries.

Additionally, on September 14, 2016, Novelis Corporation issued \$1.5 billion in aggregate principal amount of 5.875% Senior Notes Due 2026 (the 2026 Notes, and together with the 2024 Notes, the Notes). The 2026 Notes are guaranteed, jointly and severally, on a senior unsecured basis, by Novelis Inc. and certain of its subsidiaries.

The proceeds from the issuance of the 2024 Notes and the 2026 Notes were used to extinguish our 8.375% 2017 Senior Notes and our 8.75% 2020 Senior Notes, respectively. In addition, we paid combined tender offer premiums and issuance costs of \$139 million associated with the refinancing transactions, including fees paid to lenders, arrangers, and outside professionals such as attorneys and rating agencies. We recorded a "Loss on extinguishment of debt" of \$112 million in the second quarter of fiscal 2017 related to refinancing transactions. We incurred debt issuance costs of \$45 million on the Notes which were capitalized and amortized as an increase to "Interest expense and amortization of debt issuance costs" over the term of these instruments.

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 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, 2017, we were in compliance with the covenants in the Notes. The Notes also contain customary call protection provisions for our bond holders that extend through August 2022 for the 2024 Notes and through September 2024 for the 2026 Notes.

Korea Bank Loans

As of September 30, 2017, Novelis Korea had \$116 million (KRW 133 billion) of outstanding long-term loans with various banks due within one year. The loans have variable interest rates with base rates tied to Korea's 91-day CD rate plus an applicable spread ranging from 0.91% 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, 2017 there are \$2 million of BNDES loans due within one year.

Other Long-term debt

In December 2004, we entered into a fifteen-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 \$1.7 million).

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

As of September 30, 2017, we had \$1 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), phantom restricted stock units (RSUs), and Novelis Performance Units (Novelis PUs) are granted to certain executive officers and key employees.

The Hindalco SARs vest at the rate of 25% or 33% per year, subject to the achievement of an annual performance target, and expire seven years from their original grant date. The performance criterion for vesting of the Hindalco SARs is based on the actual overall Novelis operating EBITDA compared to the target established and approved each fiscal year. The RSUs are based on Hindalco's stock price. The RSUs vest either in full three years from the grant date or 33% per year over three years, subject to continued employment with the Company, but are not subject to performance criteria. In May 2016, the Company's board of directors approved the issuance of Novelis PUs which have a fixed \$100 value per unit and will vest in full three years from the grant date, subject to specific performance criteria compared to the established target. The Company made a voluntary offer to the participants with outstanding Novelis SARs granted for fiscal years 2012 through 2016 to exchange their Novelis SARs for an equivalently valued number of Novelis PUs. The voluntary exchange resulted in 1,054,662 Novelis SARs being modified into PUs which are not based on Novelis' or Hindalco's fair values and are accounted for outside the scope of ASC 718, *Compensation - Stock Compensation*. This exchange was accounted for as a modification.

During the six months ended September 30, 2017, we granted 2,567,050 RSUs, 2,317,529 Hindalco SARs, and no Novelis SARs. Total compensation expense related to these plans for the respective periods was \$9 million and \$10 million for the three months ended September 30, 2017 and 2016, respectively. These amounts are included in "Selling, general and administrative expenses" in our condensed consolidated statements of operations. As the performance criteria for fiscal years 2019, 2020 and 2021 have not yet been established, measurement periods for Hindalco SARs 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. As of September 30, 2017, the outstanding liability related to share-based compensation was \$20 million.

The cash payments made to settle SAR liabilities were \$7 million and \$1 million in the six months ended September 30, 2017 and 2016. Total cash payments made to settle Hindalco RSUs were \$8 million and \$2 million in the six months ended September 30, 2017 and 2016, respectively. Unrecognized compensation expense related to the non-vested Hindalco SARs (assuming all future performance criteria are met) was \$9 million, which is expected to be recognized over a weighted average period of 1.3 years. Unrecognized compensation expense related to the non-vested Novelis SARs (assuming all future performance criteria are met) was less than \$1 million, which is expected to be recognized over a weighted average period of 1.1 years. Unrecognized compensation expense related to the RSUs was \$16 million, which will be recognized over the remaining weighted average vesting period of 1.1 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 and Italy; and (4) partially funded lump sum indemnities in South Korea. Our other postretirement obligations (Other Benefit Plans, 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 for all of our postretirement benefit plans are shown in the table below (in millions).

	Pension Benefit Plans				Other Benefit Plans			
	Three Months Ended September 30,				Three Months Ended September 30,			
	2017		2016		2017		2016	
Service cost	\$	11	\$	12	\$	1	\$	1
Interest cost		15		16		3		2
Expected return on assets		(16)		(15)		—		—
Amortization — losses, net		9		9		—		1
Amortization — prior service credit, net		—		(1)		—		1
Termination benefits / curtailments		2		—		—		—
Net periodic benefit cost	\$	21	\$	21	\$	4	\$	5

	Pension Benefit Plans				Other Benefits			
	Six Months Ended September 30,				Six Months Ended September 30,			
	2017		2016		2017		2016	
Service cost	\$	22	\$	23	\$	3	\$	3
Interest cost		30		31		4		3
Expected return on assets		(32)		(31)		—		—
Amortization — losses		18		20		1		2
Amortization — prior service credit, net		—		(1)		—		1
Termination benefits / (curtailments)		2		—		—		—
Net periodic benefit cost	\$	40	\$	42	\$	8	\$	9

The average expected long-term rate of return on plan assets is 5.2% in fiscal 2018.

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 and Brazil. We contributed the following amounts to all plans (in millions).

	Three Months Ended September 30,				Six Months Ended September 30,			
	2017		2016		2017		2016	
Funded pension plans	\$	31	\$	4	\$	34	\$	7
Unfunded pension plans		4		3		7		6
Savings and defined contribution pension plans		6		7		14		13
Total contributions	\$	41	\$	14	\$	55	\$	26

During the remainder of fiscal 2018, we expect to contribute an additional \$8 million to our funded pension plans, \$9 million to our unfunded pension plans and \$11 million to our savings and defined contribution plans.

10. CURRENCY (GAINS) LOSSES

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2017	2016	2017	2016
(Gain) loss on remeasurement of monetary assets and liabilities, net	\$ (10)	\$ 4	\$ (39)	\$ 15
Loss (gain) recognized on balance sheet remeasurement currency exchange contracts, net	9	(6)	39	(14)
Currency (gains) losses, net	\$ (1)	\$ (2)	\$ —	\$ 1

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

	Six Months Ended September 30, 2017		Year Ended March 31, 2017	
	\$	\$	\$	\$
Cumulative currency translation adjustment — beginning of period	(256)	(197)	(256)	(197)
Effect of changes in exchange rates	91	(75)	91	(75)
Sale of investment in foreign entities (A)	—	16	—	16
Cumulative currency translation adjustment — end of period	\$ (165)	\$ (256)	\$ (165)	\$ (256)

(A) We reclassified \$16 million of cumulative currency losses from AOCI to “Other expense, net” in the twelve months ended March 31, 2017 due to the sale of our equity interest in Aluminum Company of Malaysia Berhad (ALCOM) in fiscal 2017.

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, 2017 and March 31, 2017 (in millions).

	September 30, 2017					
	Assets		Liabilities		Net Fair Value	
	Current	Noncurrent (A)	Current	Noncurrent (A)	Assets / (Liabilities)	
Derivatives designated as hedging instruments:						
<i>Cash flow hedges</i>						
Aluminum contracts	\$ 1	\$ —	\$ (48)	\$ —	\$ (47)	
Currency exchange contracts	16	1	(5)	(3)	9	
Energy contracts	—	1	(2)	(7)	(8)	
Total derivatives designated as hedging instruments	17	2	(55)	(10)	(46)	
Derivatives not designated as hedging instruments						
Aluminum contracts	33	1	(45)	—	(11)	
Currency exchange contracts	20	—	(25)	—	(5)	
Energy contracts	1	—	—	—	1	
Total derivatives not designated as hedging instruments	54	1	(70)	—	(15)	
Total derivative fair value	\$ 71	\$ 3	\$ (125)	\$ (10)	\$ (61)	

	March 31, 2017					
	Assets		Liabilities		Net Fair Value	
	Current	Noncurrent (A)	Current	Noncurrent(A)	Assets / (Liabilities)	
Derivatives designated as hedging instruments:						
<i>Cash flow hedges</i>						
Aluminum contracts	\$ —	\$ —	\$ (69)	\$ —	\$ (69)	
Currency exchange contracts	26	1	(1)	(3)	23	
Energy contracts	1	—	—	(9)	(8)	
Total derivatives designated as hedging instruments	27	1	(70)	(12)	(54)	
Derivatives not designated as hedging instruments:						
Aluminum contracts	57	1	(68)	(1)	(11)	
Currency exchange contracts	29	—	(13)	—	16	
Total derivatives not designated as hedging instruments	86	1	(81)	(1)	5	
Total derivative fair value	\$ 113	\$ 2	\$ (151)	\$ (13)	\$ (49)	

(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.

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. We did not have any outstanding aluminum forward purchase contracts designated as fair value hedges as of September 30, 2017 and March 31, 2017. One kilotonne (kt) is 1,000 metric tonnes.

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. We did not have any outstanding aluminum forward purchase contracts designated as cash flow hedges as of September 30, 2017 and March 31, 2017.

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 two years in length. The average duration of undesignated contracts is less than one year.

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

	September 30, 2017	March 31, 2017
Hedge type		
<i>Purchase (Sale)</i>		
Cash flow sales	(432)	(391)
Not designated	(100)	(89)
Total, net	(532)	(480)

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 \$432 million and \$465 million in outstanding foreign currency forwards designated as cash flow hedges as of September 30, 2017 and March 31, 2017, respectively.

We use foreign currency contracts to hedge our foreign currency exposure to our net investment in foreign subsidiaries. We had \$290 million outstanding foreign currency forwards designated as net investment hedges as of September 30, 2017. There were no foreign currency forwards designated as net investment hedges as of March 31, 2017.

As of September 30, 2017 and March 31, 2017, we had outstanding foreign currency exchange contracts with a total notional amount of \$1,420 million and \$683 million, respectively, to primarily hedge balance sheet remeasurement risk, which were not designated as hedges. Contracts representing the majority of this notional amount will mature during the third quarter of fiscal 2018 and offset the remeasurement impact.

Energy

We own an interest in an electricity swap contract to hedge our exposure to fluctuating electricity prices. As of September 30, 2017 and March 31, 2017, there were 1 million of notional megawatt hours outstanding, and the fair value of the swap was a liability of \$8 million and \$9 million, respectively. The electricity swap, which matures on January 5, 2022, is designated as a cash flow hedge.

We use natural gas forward purchase contracts ("forward contracts") to manage our exposure to fluctuating natural gas prices in North America. We had a notional of 19 million MMBTUs designated as cash flow hedges as of September 30, 2017, and the fair value was a liability of less than \$1 million. There was a notional of 6 million MMBTU forward contracts designated as cash flow hedges as of March 31, 2017 and the fair value was an asset of \$1 million. As of September 30, 2017 and March 31, 2017, we had notionals of 1 million and less than 1 million MMBTU forward contracts that were not designated as hedges, respectively. The fair value as of September 30, 2017 and March 31, 2017 was a liability of less than \$1 million for the forward contracts not designated as hedges. The average duration of undesignated contracts is less than 2 years in length. One MMBTU is the equivalent of one decatherm, or one million British Thermal Units.

We use diesel fuel forward contracts to manage our exposure to fluctuating fuel prices in North America, which were not designated as hedges as of September 30, 2017. As of September 30, 2017 and March 31, 2017, we had 6 million and 8 million gallons of diesel fuel forward purchase contracts outstanding, and the fair values were an asset of less than \$1 million. The average duration of undesignated contracts is less than 2 years in length.

Interest Rate

As of September 30, 2017, we swapped \$116 million (KRW 133 billion) floating rate loans to a weighted average fixed rate of 2.92%. All swaps expire concurrent with the maturity of the related loans. As of September 30, 2017 and March 31, 2017, \$116 million (KRW 133 billion) and \$119 million (KRW 133 billion), respectively, were designated as cash flow hedges.

Gain (Loss) 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 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,	
	2017	2016	2017	2016
Derivative instruments not designated as hedges				
Aluminum contracts	\$ (12)	\$ (5)	\$ 2	\$ (17)
Currency exchange contracts	(11)	5	(49)	13
Energy contracts (A)	2	2	3	5
(Loss) gain recognized in "Other expense, net"	(21)	2	(44)	1
Derivative instruments designated as hedges				
Losses recognized in "Other expense, net" (B)	(12)	(5)	(7)	(13)
Total loss recognized in "Other expense, net"	\$ (33)	\$ (3)	\$ (51)	\$ (12)
Balance sheet remeasurement currency exchange contract (losses) gains	\$ (9)	\$ 6	\$ (39)	\$ 14
Realized losses, net	(6)	(13)	(10)	(23)
Unrealized (losses) gains on other derivative instruments, net	(18)	4	(2)	(3)
Total loss recognized in "Other expense, net"	\$ (33)	\$ (3)	\$ (51)	\$ (12)

(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.

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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 \$41 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 Expense, net" (Ineffective and Excluded Portion)		Amount of Gain (Loss) Recognized in "Other 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,	
	2017	2016	2017	2016	2017	2016	2017	2016
Cash flow hedging derivatives								
Aluminum contracts	\$ (52)	\$ 1	\$ (23)	\$ (30)	\$ (14)	\$ (4)	\$ (9)	\$ (13)
Currency exchange contracts	4	14	(7)	32	1	1	1	1
Energy contracts	—	(3)	(2)	(4)	1	(1)	1	(1)
Total cash flow hedging derivatives	\$ (48)	\$ 12	\$ (32)	\$ (2)	\$ (12)	\$ (4)	\$ (7)	\$ (13)
Net investment derivatives								
Currency exchange contracts	—	(1)	—	—	—	—	—	—
Total	\$ (48)	\$ 11	\$ (32)	\$ (2)	\$ (12)	\$ (4)	\$ (7)	\$ (13)

Gain (Loss) Reclassification

	Amount of Gain (Loss) Reclassified from AOCI into Income/(Expense) (Effective Portion) Three Months Ended September 30,		Amount of Gain (Loss) Reclassified from AOCI into Income/(Expense) (Effective Portion) Six Months Ended September 30,		Location of Gain (Loss) Reclassified from AOCI into Earnings
	2017	2016	2017	2016	
Cash flow hedging derivatives					
Energy contracts (A)	\$ —	\$ (2)	\$ —	\$ (3)	Other expense, net
Energy contracts (C)	—	(1)	(1)	(3)	Cost of goods sold (B)
Aluminum contracts	(11)	(7)	(43)	(6)	Cost of goods sold (B)
Aluminum contracts	—	(1)	—	(2)	Net sales
Currency exchange contracts	4	5	7	5	Cost of goods sold (B)
Currency exchange contracts	1	1	1	1	Selling, general and administrative expenses
Currency exchange contracts	—	3	2	3	Net sales
Currency exchange contracts	—	—	—	1	Other expense, net
Currency exchange contracts	(1)	(1)	(1)	(1)	Depreciation and amortization
Total	\$ (7)	\$ (3)	\$ (35)	\$ (5)	Loss before taxes
	2	2	12	1	Income tax benefit
	\$ (5)	\$ (1)	\$ (23)	\$ (4)	Net loss

(A) Includes amounts related to de-designated electricity swap. AOCI related to this swap was 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 electricity and natural gas swaps.

12. ACCUMULATED OTHER COMPREHENSIVE INCOME (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, 2017	\$ (193)	\$ (18)	\$ (246)	\$ (457)
Other comprehensive income (loss) before reclassifications	28	(31)	6	3
Amounts reclassified from AOCI, net	—	5	(1)	4
Net current-period other comprehensive income (loss)	28	(26)	5	7
Balance as of September 30, 2017	<u>\$ (165)</u>	<u>\$ (44)</u>	<u>\$ (241)</u>	<u>\$ (450)</u>

	Currency Translation	(A) Cash Flow Hedges	(B) Postretirement Benefit Plans	Total
Balance as of June 30, 2016	\$ (248)	\$ (18)	\$ (279)	\$ (545)
Other comprehensive income before reclassifications	47	9	11	67
Amounts reclassified from AOCI, net (C)	16	1	(6)	11
Net current-period other comprehensive income	63	10	5	78
Balance as of September 30, 2016	<u>\$ (185)</u>	<u>\$ (8)</u>	<u>\$ (274)</u>	<u>\$ (467)</u>

	Currency Translation	(A) Cash Flow Hedges	(B) Postretirement Benefit Plans	Total
Balance as of March 31, 2017	\$ (256)	\$ (46)	\$ (243)	\$ (545)
Other comprehensive income before reclassifications	91	(21)	(4)	66
Amounts reclassified from AOCI, net	—	23	6	29
Net current-period other comprehensive income	91	2	2	95
Balance as of September 30, 2017	<u>\$ (165)</u>	<u>\$ (44)</u>	<u>\$ (241)</u>	<u>\$ (450)</u>

	Currency Translation	(A) Cash Flow Hedges	(B) Postretirement Benefit Plans	Total
Balance as of March 31, 2016	\$ (196)	\$ (11)	\$ (293)	\$ (500)
Other comprehensive (loss) income before reclassifications	(5)	(1)	17	11
Amounts reclassified from AOCI, net (C)	16	4	2	22
Net current-period other comprehensive income	11	3	19	33
Balance as of September 30, 2016	<u>\$ (185)</u>	<u>\$ (8)</u>	<u>\$ (274)</u>	<u>\$ (467)</u>

(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.

(C) The \$16 million in currency translation reclassified from AOCI relates to CTA that was written off as part of our sale of the Aluminium Company of Malaysia Berhad (ALCOM) business in fiscal 2017. Refer to Note 14 — Other Expense, Net for additional information.

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, natural gas and diesel fuel 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, natural gas and diesel fuel 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.

For the electricity swap, the average forward price at September 30, 2017, estimated using the method described above, was \$40 per megawatt hour, which represented a \$3 premium over forward prices in the nearby observable market. The actual rate from the most recent swap settlement was approximately \$35 per megawatt hour. Each \$1 per megawatt hour decline in price decreases the valuation of the electricity swap by \$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, 2017 and March 31, 2017, 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.

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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, 2017 and March 31, 2017 (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, 2017		March 31, 2017	
	Assets	Liabilities	Assets	Liabilities
Level 2 instruments				
Aluminum contracts	\$ 35	\$ (93)	\$ 58	\$ (138)
Currency exchange contracts	37	(33)	56	(17)
Energy contracts	2	(1)	1	—
Total level 2 instruments	74	(127)	115	(155)
Level 3 instruments				
Energy contracts	—	(8)	—	(9)
Total level 3 instruments	—	(8)	—	(9)
Total gross	\$ 74	\$ (135)	\$ 115	\$ (164)
Netting adjustment (A)	\$ (36)	\$ 36	\$ (46)	\$ 46
Total net	\$ 38	\$ (99)	\$ 69	\$ (118)

(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 \$2 million for the six months ended September 30, 2017 related to Level 3 financial instruments that were still held as of September 30, 2017. These unrealized gains were included in "Other 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, 2017	\$ (9)
Unrealized/realized gain included in earnings (B)	3
Unrealized/realized loss included in AOCI (C)	(1)
Settlements	(1)
Balance as of September 30, 2017	\$ (8)

(A) Represents net derivative liabilities.

(B) Included in "Other expense, net."

(C) Included in "Change in fair value of effective portion of cash flow hedges, net"

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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, 2017		March 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Long-term receivables from related parties	\$ 8	\$ 8	\$ 15	\$ 14
Liabilities				
Total debt — third parties (excluding short-term borrowings)	\$ 4,547	\$ 4,723	\$ 4,558	\$ 4,797

14. OTHER EXPENSE, NET

“Other expense, net” is comprised of the following (in millions).

	Three Months Ended September 30,		Six Months Ended September 30,	
	2017	2016	2017	2016
Currency (gains) losses, net (A)	\$ (1)	\$ (2)	\$ —	\$ 1
Unrealized losses (gains) on change in fair value of derivative instruments, net (B)	18	(4)	2	3
Realized losses on change in fair value of derivative instruments, net (B)	6	13	10	23
Loss on sale of assets, net	1	2	2	6
Loss on Brazilian tax litigation, net (C)	1	2	2	3
Interest income	(2)	(2)	(4)	(5)
Other, net	2	2	1	8
Other expense, net (D)	\$ 25	\$ 11	\$ 13	\$ 39

(A) See Note 10 — Currency (Gains) Losses for further details.

(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 have reclassified the "Loss on sale of a business" for the three and six months ended September 30, 2016 of \$27 million from "Other expense, net" to "(Gain) loss on the sale of a business" in the condensed consolidated statement of operations for presentation purposes. In September 2016, we sold our equity interest in Aluminium Company of Malaysia Berhad (ALCOM), a previously consolidated subsidiary. The sale resulted in a loss of \$27 million during the three months ended September 30, 2016.

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,	
	2017	2016	2017	2016
Pre-tax income (loss) before equity in net loss of non-consolidated affiliates and noncontrolling interests	\$ 424	\$ (62)	\$ 568	\$ (2)
Canadian statutory tax rate	25%	25 %	25%	25 %
Provision (benefit) at the Canadian statutory rate	\$ 106	\$ (15)	\$ 142	\$ —
Increase (decrease) for taxes on income (loss) resulting from:				
Exchange translation items	3	(2)	6	4
Exchange remeasurement of deferred income taxes	3	(1)	—	6
Change in valuation allowances	1	32	3	43
Tax credits	(3)	—	(7)	—
Expense items not subject to tax	1	2	—	2
Tax gain, net	—	9	—	9
Dividends not subject to tax	—	(13)	—	(23)
Legislative changes including enacted tax rates	—	3	—	3
Tax rate differences on foreign earnings	7	7	13	15
Other — net	(2)	5	2	4
Income tax provision	\$ 116	\$ 27	\$ 159	\$ 63
Effective tax rate	27%	(44)%	28%	(3,150)%

Our effective tax rate differs from the Canadian statutory rate primarily due to the following factors: (1) pre-tax foreign currency gains or losses with no tax effect and the tax effect of U.S. dollar denominated currency gains or losses with no pre-tax effect, which are shown above as exchange translation items; (2) the remeasurement of deferred income taxes due to foreign currency changes, which is shown above as exchange remeasurement of deferred income taxes; (3) changes in valuation allowances; and (4) differences between Canadian and foreign statutory tax rates applied to earnings in foreign jurisdictions and foreign withholding tax expense shown above as tax rate differences on foreign earnings.

As of September 30, 2017, we had a net deferred tax liability of \$62 million. This amount included gross deferred tax assets of approximately \$1.2 billion and a valuation allowance of \$683 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 2005 through 2017. 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 \$16 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, 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 \$120 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, 2017 were approximately \$15 million, of which \$8 million was included in "Other long-term liabilities" and the remaining \$7 million in "Accrued expenses and other current liabilities". Of the total \$15 million, \$12 million was associated with restructuring actions and the remaining undiscounted clean-up costs were approximately \$3 million. As of March 31, 2017, \$10 million of the environmental liability was included in "Other long-term liabilities," with the remaining \$5 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, 2017	March 31, 2017
Cash deposits (A)	\$ 3	\$ 3
Short-term settlement liability (B)	\$ 9	\$ 9
Long-term settlement liability (B)	55	59
Total settlement liability	\$ 64	\$ 68
Liability for other disputes and claims (C)	\$ 28	\$ 22

- (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,	
	2017	2016	2017	2016
Loss on Brazilian tax litigation, net	\$ 1	\$ 2	\$ 2	\$ 3

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

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 sell certain inventories to third parties and agree to repurchase the same or similar inventory back from the third parties at market prices subsequent to balance sheet dates. Our estimated outstanding repurchase obligations for this inventory as of March 31, 2017 was approximately \$12 million based on market prices as of the balance sheet date. We had no outstanding repurchase obligations at September 30, 2017. As of September 30, 2017 and March 31, 2017, there were no liabilities related to these repurchase obligations recorded in 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 Künsnacht, 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 four plants, including three facilities with recycling operations, in three 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. 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 see in our Annual Report on Form 10-K for the year ended March 31, 2017.

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); (o) cumulative effect of accounting change, net of tax; and (p) metal price lag.

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.

Novelis Inc.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - (Continued)

Selected Segment Financial Information

September 30, 2017	North America	Europe	Asia	South America	Eliminations and Other	Total
Investment in and advances to non-consolidated affiliates	\$ —	\$ 500	\$ 299	\$ —	\$ —	\$ 799
Total assets	\$ 2,461	\$ 2,926	\$ 2,070	\$ 1,610	\$ 122	\$ 9,189

March 31, 2017	North America	Europe	Asia	South America	Eliminations and Other	Total
Investment in and advances to non-consolidated affiliates	\$ —	\$ 451	\$ —	\$ —	\$ —	\$ 451
Total assets	\$ 2,359	\$ 2,683	\$ 1,602	\$ 1,637	\$ 93	\$ 8,374

Selected Operating Results Three Months Ended September 30, 2017	North America	Europe	Asia	South America	Eliminations and Other	Total
Net sales-third party	\$ 949	\$ 850	\$ 506	\$ 435	\$ 54	\$ 2,794
Net sales-intersegment	10	11	8	28	(57)	—
Net sales	<u>\$ 959</u>	<u>\$ 861</u>	<u>\$ 514</u>	<u>\$ 463</u>	<u>\$ (3)</u>	<u>\$ 2,794</u>

Depreciation and amortization	\$ 37	\$ 27	\$ 14	\$ 16	\$ (3)	\$ 91
Income tax provision (benefit)	\$ 10	\$ 4	\$ 82	\$ 24	\$ (4)	\$ 116
Capital expenditures	\$ 18	\$ 12	\$ 8	\$ 5	\$ —	\$ 43

Selected Operating Results Three Months Ended September 30, 2016	North America	Europe	Asia	South America	Eliminations and Other	Total
Net sales-third party	\$ 774	\$ 719	\$ 456	\$ 354	\$ 58	\$ 2,361
Net sales-intersegment	1	10	2	18	(31)	—
Net sales	<u>\$ 775</u>	<u>\$ 729</u>	<u>\$ 458</u>	<u>\$ 372</u>	<u>\$ 27</u>	<u>\$ 2,361</u>

Depreciation and amortization	\$ 37	\$ 27	\$ 15	\$ 15	\$ (4)	\$ 90
Income tax (benefit) provision	\$ (2)	\$ —	\$ 5	\$ 18	\$ 6	\$ 27
Capital expenditures	\$ 15	\$ 13	\$ 9	\$ 9	\$ —	\$ 46

Selected Operating Results Six Months Ended September 30, 2017	North America	Europe	Asia	South America	Eliminations and Other	Total
Net sales - third party	\$ 1,893	\$ 1,660	\$ 1,000	\$ 806	\$ 104	\$ 5,463
Net sales - intersegment	16	22	18	37	(93)	—
Net sales	<u>\$ 1,909</u>	<u>\$ 1,682</u>	<u>\$ 1,018</u>	<u>\$ 843</u>	<u>\$ 11</u>	<u>\$ 5,463</u>

Depreciation and amortization	\$ 75	\$ 54	\$ 29	\$ 32	\$ (9)	\$ 181
Income tax provision	\$ 21	\$ 11	\$ 89	\$ 36	\$ 2	\$ 159
Capital expenditures	\$ 33	\$ 21	\$ 12	\$ 12	\$ 4	\$ 82

Novelis Inc.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - (Continued)

Selected Operating Results Six Months Ended September 30, 2016	North America	Europe	Asia	South America	Eliminations and Other	Total
Net sales - third party	\$ 1,516	\$ 1,474	\$ 896	\$ 658	\$ 113	\$ 4,657
Net sales - intersegment	2	22	6	33	(63)	—
Net sales	<u>\$ 1,518</u>	<u>\$ 1,496</u>	<u>\$ 902</u>	<u>\$ 691</u>	<u>\$ 50</u>	<u>\$ 4,657</u>
Depreciation and amortization	\$ 74	\$ 54	\$ 30	\$ 31	\$ (10)	\$ 179
Income tax (benefit) provision	\$ (6)	\$ 3	\$ 13	\$ 39	\$ 14	\$ 63
Capital expenditures	\$ 27	\$ 33	\$ 14	\$ 19	\$ (3)	\$ 90

The table below reconciles “Net income (loss) attributable to our common shareholder” to income from reportable segments for the three and six months ended September 30, 2017 and 2016 (in millions).

	Three Months Ended September 30,		Six Months Ended September 30,	
	2017	2016	2017	2016
Net income (loss) attributable to our common shareholder	\$ 307	\$ (89)	\$ 408	\$ (65)
Noncontrolling interests	—	—	—	—
Income tax provision	116	27	159	63
Depreciation and amortization	91	90	181	179
Interest expense and amortization of debt issuance costs	64	81	128	164
Adjustment to reconcile proportional consolidation	8	8	16	16
Unrealized losses (gains) on change in fair value of derivative instruments, net	18	(4)	2	3
Realized gains on derivative instruments not included in segment income	—	—	(1)	(1)
Gain on assets held for sale	—	(1)	—	(2)
Loss on extinguishment of debt	—	112	—	112
Restructuring and impairment, net	7	1	8	3
Loss on sale of fixed assets	1	2	2	6
(Gain) loss on sale of a business (A)	(318)	27	(318)	27
Metal price lag (B)	5	14	6	27
Other, net	3	2	—	6
Total of reportable segments	<u>\$ 302</u>	<u>\$ 270</u>	<u>\$ 591</u>	<u>\$ 538</u>

(A) In September 2017, Novelis Korea Ltd., a subsidiary of Novelis Inc., sold a portion of its shares in Ulsan Aluminum, Ltd. (UAL) for \$314 million, which resulted in a gain on sale of investments. For additional information related to the transaction, see Note 6 — Investment in and Advances to Non-Consolidated Affiliates and Related Party Transactions.

(B) Effective in the first quarter of fiscal 2018, management removed the impact of metal price lag from Segment Income in order to enhance the visibility of the underlying operating performance of the Company. The impact of metal price lag is now reported as a separate line item in this reconciliation. This change does not impact our condensed consolidated financial statements. Segment Income for prior periods presented has been updated to reflect this change. For additional information related to metal price lag, see Note 11 — Financial Instruments and Commodity Contracts.

Novelis Inc.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) - (Continued)

“Adjustment to reconcile 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 provision.”

“Realized gains on derivative instruments not included in segment income” represents realized gains (losses) on foreign currency derivatives related to capital expenditures.

“Other, net” is related primarily to losses on certain indirect tax expenses in Brazil and interest income.

The table below displays income from reportable segments for the three months and six months ended September 30, 2017 and 2016, respectively.

	Three Months Ended September 30,		Six Months Ended September 30,	
	2017	2016	2017	2016
North America	\$ 124	\$ 93	\$ 240	\$ 186
Europe	51	49	108	106
Asia	37	46	81	92
South America	90	82	162	154
Total of reportable segments	\$ 302	\$ 270	\$ 591	\$ 538

Information about Major Customers and Primary Supplier

Major Customers

The table below shows our net sales to the Affiliates of Ball Corporation (Ball) and Ford Motor Company (Ford), our two largest customers, as a percentage of total “Net sales.”

	Three Months Ended September 30,		Six Months Ended September 30,	
	2017	2016	2017	2016
Ball (A)	21%	24%	21%	27%
Ford	10%	10%	10%	9%

(A) In fiscal 2017, Ball completed the acquisition of Rexam and the divestiture of certain assets to the Ardagh Group (Ardagh). We combined the sales of Ball and Rexam for presentation purposes. For the three and six months ended September 30, 2017, combined sales to Ball, Rexam, and Ardagh totaled 29% of “Net Sales”.

Primary Supplier

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2017	2016	2017	2016
Purchases from RT as a percentage of total combined metal purchases	10%	11%	10%	11%

18. SUPPLEMENTAL INFORMATION

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

	Six Months Ended September 30,	
	2017	2016
Supplemental disclosures of cash flow information:		
Interest paid	\$ 135	\$ 208
Income taxes paid	\$ 68	\$ 44

As of September 30, 2017, we recorded \$46 million of outstanding accounts payable and accrued liabilities related to capital expenditures for which the cash outflows will occur subsequent to September 30, 2017. During the three months ended September 30, 2017, we did not incur any capital lease obligations. During the three months ended September 30, 2016, we incurred capital lease obligations of \$1 million.

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 2017. 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, 2017, we had manufacturing operations in ten countries on four continents, which include 24 operating plants, and recycling operations in eleven of these plants.

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, 2017, filed with the United States Securities and Exchange Commission (SEC) on May 10, 2017.

HIGHLIGHTS

We reported "Net income" of \$307 million in the three months ended September 30, 2017, compared with "Net loss" of \$89 million in the three months ended September 30, 2016. The increase is primarily due to Novelis Korea Ltd. (Novelis Korea), a subsidiary of Novelis Inc., entering into an agreement with Kobe Steel Ltd. (Kobe), to jointly own and operate the Ulsan manufacturing plant currently owned by Novelis Korea. In fiscal 2018, Novelis Korea formed a new wholly owned subsidiary, Ulsan Aluminum, Ltd. (UAL) and sold 49.9% of its shares in UAL to Kobe, resulting in a loss of control over the subsidiary. The transaction resulted in a pre-tax gain of \$318 million, which was offset by a tax expense of \$77 million.

Additionally, there were record shipments for Novelis in the three months ended September 30, 2017, including increased automotive shipments, as we continue to focus on optimizing our product portfolio. Increases in can shipments, strong operational performance, and a focus on driving asset efficiency also contributed to higher net income. Furthermore, there was a "Loss on extinguishment of debt" in the prior year of \$112 million related to the fiscal 2017 extinguishment of our 2017 Notes and 2020 Notes. As a result of these transactions, we recognized \$17 million of interest savings during the three months ended September 30, 2017.

We reported "Segment income" of \$302 million for the second quarter of fiscal 2018 compared with "Segment income" of \$270 million for the second quarter of fiscal 2017; which is record "Segment income" for a quarter. The increase is primarily due to increased can and automotive shipments, strong operational performance, and a focus on driving asset efficiency. Net cash provided by investing activities was \$242 million for the six months ended September 30, 2017, an improvement of \$329 million from the prior comparable period, primarily due to the \$314 million in cash proceeds received for the sale of shares of UAL to Kobe, which enhances Novelis' strategic flexibility and reduces its net debt.

BUSINESS AND INDUSTRY CLIMATE

Economic growth and material substitution continue to drive increasing global demand for aluminum and rolled products. Global can sheet overcapacity, increased competition from Chinese suppliers of flat rolled aluminum products, and customer consolidation are also adding downward pricing pressures in the can sheet market.

Meanwhile, the demand for aluminum in the automotive industry continues to grow, which drove the investments we made in our automotive sheet finishing capacity in North America, Europe and Asia. This demand has been primarily driven by the benefits that result from using lighter weight materials in the vehicles, as companies respond to government regulations, which are driving improved emissions and better fuel economy; while also maintaining or improving vehicle safety and performance.

Key Sales and Shipment Trends

(in millions, except shipments which are in kt)

	Three Months Ended				Year Ended	Three Months Ended	
	June 30, 2016	Sept 30, 2016	Dec 31, 2016	March 31, 2017	March 31, 2017	June 30, 2017	Sept 30, 2017
Net sales	\$ 2,296	\$ 2,361	\$ 2,313	\$ 2,621	\$ 9,591	\$ 2,669	\$ 2,794
Percentage (decrease) increase in net sales versus comparable previous year period	(13)%	(5)%	(2)%	9%	(3)%	16%	18%
Rolled product shipments:							
North America	242	252	247	269	1,010	273	274
Europe	246	236	226	235	943	235	237
Asia	178	176	162	174	690	180	180
South America	103	121	125	125	474	110	131
Eliminations	(14)	(12)	(10)	(14)	(50)	(13)	(20)
Total	755	773	750	789	3,067	785	802

The following summarizes the percentage (decrease) increase in rolled product shipments versus the comparable previous year period:

North America	(7)%	(6)%	(2)%	8%	(2)%	13%	9%
Europe	(2)%	(6)%	(3)%	(4)%	(4)%	(4)%	—%
Asia	(8)%	(6)%	(16)%	(7)%	(9)%	1%	2%
South America	(4)%	3%	(5)%	(7)%	(3)%	7%	8%
Total	(2)%	(2)%	(4)%	—%	(2)%	4%	4%

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) a local market premium; 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.” In Asia we purchase our metal inputs 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 for aluminum set on the LME for the three and six months ended September 30, 2017 and 2016 are as follows:

	<u>Three Months Ended September 30,</u>		<u>Percent</u>	<u>Six Months Ended September 30,</u>		<u>Percent</u>
	<u>2017</u>	<u>2016</u>		<u>Change</u>	<u>2017</u>	
London Metal Exchange Prices						
Aluminum (per metric tonne, and presented in U.S. dollars):						
Closing cash price as of beginning of period	\$ 1,909	\$ 1,635	17%	\$ 1,947	\$ 1,492	30%
Average cash price during the period	\$ 2,011	\$ 1,620	24%	\$ 1,961	\$ 1,596	23%
Closing cash price as of end of period	\$ 2,111	\$ 1,659	27%	\$ 2,111	\$ 1,659	27%

The weighted average local market premium was as follows for the three and six months ended September 30, 2017 and 2016 are as follows:

	<u>Three Months Ended September 30,</u>		<u>Percent</u>	<u>Six Months Ended September 30,</u>		<u>Percent</u>
	<u>2017</u>	<u>2016</u>		<u>Change</u>	<u>2017</u>	
Weighted average Local Market Premium (per metric tonne, and presented in U.S. dollars)	\$ 168	\$ 130	29%	\$ 162	\$ 137	18%

Metal Price Lag and Related Hedging Activities

Increases or decreases in the price of aluminum based on the 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: (i) 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 (ii) 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. The derivative market for local market premiums is not robust or efficient enough for us to offset the impacts of LMP price movements beyond a very small volume. As a consequence, volatility in local market premiums can have a significant impact on our results of operations and cash flows. Reduced volatility of local market premiums reduced the amount of metal price lag for the six months ended September 30, 2017.

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.

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. 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, 2017 and 2016:

	Exchange Rate as of		Average Exchange Rate		Average Exchange Rate	
	September 30, 2017	March 31, 2017	Three Months Ended September 30,		Six Months Ended September 30,	
			2017	2016	2017	2016
U.S. dollar per Euro	1.182	1.068	1.185	1.119	1.152	1.120
Brazilian real per U.S. dollar	3.168	3.168	3.149	3.242	3.199	3.330
South Korean won per U.S. dollar	1,147	1,116	1,130	1,114	1,130	1,140
Canadian dollar per U.S. dollar	1.246	1.329	1.247	1.309	1.293	1.299
Swiss franc per Euro	1.144	1.069	1.143	1.090	1.116	1.093

Exchange rate movements 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 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 manufacturing costs, we benefit as the real weakens, but are adversely affected as the real strengthens.

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. The impact of foreign exchange remeasurement, net of related hedges, was a net currency gain of \$1 million and a net currency gain of \$2 million, during the second quarter of fiscal 2018 and fiscal 2017, respectively. The movement of currency exchange rates during the second quarter of fiscal 2018 and fiscal 2017 resulted in \$7 million and \$1 million of net unrealized gains, respectively, on undesignated foreign currency derivatives.

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

Recent Developments

Sierre Leases

We lease real and personal property at our Sierre, Switzerland rolling facility from a subsidiary of Constellium N.V. (Constellium) as part of long-term, renewable lease agreements. In January 2017, Constellium submitted to the Company a notice of termination of the leases on the grounds that we breached certain terms and failed to remedy the alleged breaches within the cure period of the leases, and thereby sought to evict Novelis from the Sierre facility and terminate the shared services and access and easement rights that Constellium provides at the facility. The Company believes it has not breached the leases and Constellium does not have a right to terminate the leases, services, or access. We submitted the dispute to arbitration under the rules of the International Chamber of Commerce (ICC) as required by the leases. The ICC granted Novelis' request for a stay of effectiveness of the notice of termination of the leases and access and easement rights at least until the arbitration has concluded or the tribunal orders otherwise. In July and August 2017, Constellium submitted further notices of termination of shared services and other use, access, and easement rights. Novelis has challenged these notices and requested the arbitrators to stay portions of these terminations; Constellium has agreed that it will not terminate the shared services and other disputed ancillary items at least until February 1, 2018. As a result of the dispute, we are seeking alternate sources of supply of certain essential services and ancillary items at the Sierre facility.

RESULTS OF OPERATIONS

Three Months Ended September 30, 2017 compared to the Three Months Ended September 30, 2016

“Net sales” increased \$433 million, or 18%, driven by a 24% increase in average base aluminum prices and a 29% increase in average local market premiums. The increase was also due to a 4% increase in flat rolled product shipments, including a favorable impact from our strategic shift to higher conversion premium products.

“Cost of goods sold (exclusive of depreciation and amortization)” increased \$381 million, or 19%, due to higher weighted average metal costs and a 4% increase in flat rolled product shipments. Total metal input costs included in “Cost of goods sold (exclusive of depreciation and amortization)” increased \$367 million.

“Income before income taxes” for the three months ended September 30, 2017 was \$423 million, compared to a \$62 million “Loss before income taxes” in the three months ended September 30, 2016. In addition to the factors noted above, the following additional items affected “Income (loss) before income taxes”:

- A pre-tax gain on sale of a business of \$318 million related to the sale of shares of UAL to Kobe and the deconsolidation of the remaining assets to form the equity method investment in September 2017;
- “Loss on extinguishment of debt” in the prior year of \$112 million relates to the extinguishment of our 2017 and 2020 Senior Notes in fiscal 2017;
- A loss of \$27 million was recognized on the sale of our interest in the Aluminium Company of Malaysia Berhad in the prior year, which was reported within “(Gain) loss on sale of a business, net”;
- A decline in interest expense of \$17 million primarily due to lower interest rates resulting from the refinancing of the 2017 Notes, 2020 Notes and Term Loan in fiscal 2017;
- Net losses related to changes in the fair value of other unrealized derivative instruments was \$18 million compared to \$4 million of gains in the same period in the prior year, which is reported as “Other expense, net”; and
- An increase in “Selling, general and administrative expenses” primarily related to an increase in fair value of LTIP and Novelis PU awards.

We recognized \$116 million of tax expense for the three months ended September 30, 2017, which resulted in an effective tax rate of 27%. This tax rate is due to the results of operations, a \$77 million expense on the sale of a business and the unfavorable impact of the strengthening Brazil Real. We recognized \$27 million of tax expense for the three months ended September 30, 2016, 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 and therefore have a valuation allowance recorded, offset by dividends not subject to tax.

We reported “Net income (loss) attributable to our common shareholder” of \$307 million and \$(89) million for the three months ended September 30, 2017 and 2016, respectively, 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); (o) cumulative effect of accounting changes, net of tax; and (p) metal price lag. 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, 2017	North America	Europe	Asia	South America	Eliminations and Other	Total
Net sales	\$ 959	\$ 861	\$ 514	\$ 463	\$ (3)	\$ 2,794
Shipments						
Rolled products - third party	270	234	178	120	—	802
Rolled products - intersegment	4	3	2	11	(20)	—
Total rolled products	274	237	180	131	(20)	802
Non-rolled products	—	2	2	32	—	36
Total shipments	274	239	182	163	(20)	838

Selected Operating Results Three Months Ended September 30, 2016	North America	Europe	Asia	South America	Eliminations and Other	Total
Net sales	\$ 775	\$ 729	\$ 458	\$ 372	\$ 27	\$ 2,361
Shipments						
Rolled products - third party	252	232	175	114	—	773
Rolled products - intersegment	—	4	1	7	(12)	—
Total rolled products	252	236	176	121	(12)	773
Non-rolled products	2	2	2	18	—	24
Total shipments	254	238	178	139	(12)	797

The following table reconciles changes in "Segment income" for the three months ended September 30, 2016 to the three months ended September 30, 2017 (in millions).

Changes in Segment income	North America	Europe	Asia	South America	Eliminations (A)	Total
Segment income - Three Months Ended September 30, 2016 (B)	\$ 93	\$ 49	\$ 46	\$ 82	\$ —	\$ 270
Volume	23	1	8	10	(8)	34
Conversion premium and product mix	(3)	8	(8)	(7)	6	(4)
Conversion costs (C)	8	(7)	(5)	7	2	5
Foreign exchange	—	5	(2)	(3)	—	—
Selling, general & administrative and research & development costs (D)	(2)	(5)	(2)	(5)	—	(14)
Other changes	5	—	—	6	—	11
Segment income - Three Months Ended September 30, 2017	\$ 124	\$ 51	\$ 37	\$ 90	\$ —	\$ 302

- (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) Effective in the first quarter of fiscal 2018, management removed the impact of metal price lag from Segment Income in order to enhance the visibility of the underlying operating performance of the Company. This change does not impact our condensed consolidated financial statements. Segment information for prior periods presented has been updated to reflect this change.
- (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) 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" increased \$184 million, or 24%, due to higher average aluminum prices and higher can and automotive shipments due to customer demand in the region.

"Segment income" was \$124 million, an increase of 33%, primarily due to higher automotive and can volumes and strong operational performance resulting in lower metal input and conversion costs.

Europe

"Net sales" increased \$132 million, or 18%, due to higher average aluminum prices and higher automotive shipments partially offset by lower can and specialties shipments.

"Segment income" was \$51 million, an increase of 4%, primarily due to favorable product mix as a result of our portfolio optimization efforts offset by higher metal input costs resulting from increased imports and conversion costs.

Asia

"Net sales" increased \$56 million, or 12%, due to higher average aluminum prices and higher can and automotive shipments; partially offset by lower can pricing and lower specialties shipments.

“Segment income” was \$37 million, a decrease of 20%, primarily due to lower can pricing, lower specialties volumes and unfavorable cost absorption as shipments grew faster than production and reduced inventory levels. These negative factors were partially offset by an increase in can and automotive volumes and lower metal input costs.

South America

“Net sales” increased \$91 million, or 24%, due to higher specialties and can shipments as well as higher average aluminum prices partially offset by an unfavorable mix within specialties products.

“Segment income” was \$90 million, an increase of 10%, primarily due to higher can and specialties volumes and lower metal input costs offset by unfavorable mix within specialties products.

Reconciliation of “Net income (loss) attributable to our common shareholder” to segment income

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 “Net income (loss) attributable to our common shareholder” to income from reportable segments for the three months ended September 30, 2017 and 2016 (in millions).

	Three Months Ended September 30,	
	2017	2016
Net income (loss) attributable to our common shareholder	\$ 307	\$ (89)
Noncontrolling interests	—	—
Income tax provision	116	27
Depreciation and amortization	91	90
Interest expense and amortization of debt issuance costs	64	81
Adjustment to reconcile proportional consolidation	8	8
Unrealized losses (gains) on change in fair value of derivative instruments, net	18	(4)
Gain on assets held for sale	—	(1)
Loss on extinguishment of debt	—	112
Restructuring and impairment, net	7	1
Loss on sale of fixed assets	1	2
(Gain) loss on sale of a business (A)	(318)	27
Metal price lag (B)	5	14
Other, net	3	2
Total of reportable segments	\$ 302	\$ 270

(A) In September 2017, Novelis Korea Ltd., a subsidiary of Novelis Inc., sold a portion of its shares in Ulsan Aluminum, Ltd. (UAL) for \$314 million, which resulted in a gain on sale of investments. For additional information related to the transaction, see Note 6 — Investment in and Advances to Non-Consolidated Affiliates and Related Party Transactions.

(B) Effective in the first quarter of fiscal 2018, management removed the impact of metal price lag from Segment Income in order to enhance the visibility of the underlying operating performance of the Company. The impact of metal price lag is now reported as a separate line item in this reconciliation. This change does not impact our condensed consolidated financial statements. Segment Income for prior periods presented has been updated to reflect this change.

For additional information related to metal price lag, see Note 11 — Financial Instruments and Commodity Contracts.

“Adjustment to eliminate proportional consolidation” relates to depreciation and amortization and income taxes at our Alunorf and UAL joint ventures. Income taxes related to our equity method investments are reflected in the carrying value of the investment and not in our consolidated “Income tax provision.”

“Realized gains on derivative instruments not included in segment income” represents realized gains on foreign currency derivatives related to capital expenditures.

"Other, net" relates primarily to losses on certain indirect tax expenses in Brazil, and interest income.

The table below displays income from reportable segments by region for the three months ended September 30, 2017 and 2016, respectively.

	Three Months Ended September 30,	
	2017	2016
North America	\$ 124	\$ 93
Europe	51	49
Asia	37	46
South America	90	82
Total of reportable segments	\$ 302	\$ 270

RESULTS OF OPERATIONS

Six Months Ended September 30, 2017 compared to the Six Months Ended September 30, 2016

"Net sales" increased \$806 million or 17%, driven by a 23% increase in average base aluminum prices and an 18% increase in average local market premiums. The increase was also due to a 4% increase in flat rolled product shipments, including a favorable impact from our strategic shift to higher conversion premium products.

"Cost of goods sold (exclusive of depreciation and amortization)" increased \$712 million, or 18%, due to an increase in flat rolled product shipments and higher average aluminum prices. Total metal input costs included in "Cost of goods sold (exclusive of depreciation and amortization)" increased \$697 million.

"Income before income taxes" for the six months ended September 30, 2017 was \$567 million, compared to a \$2 million "Loss before income taxes" in the six months ended September 30, 2016. In addition to the factors noted above, the following additional items affected "Income (loss) before income taxes:"

- A pre-tax gain on sale of a business of \$318 million related to the purchase of shares of UAL by Kobe and the deconsolidation the remaining assets to form the equity method investment in September 2017.
- "Loss on extinguishment of debt" in the prior year of \$112 million relates to the extinguishment of our 2017 and 2020 Senior Notes in fiscal 2017;
- A decline in interest expense of \$36 million primarily due to lower interest rates resulting from the refinancing of the 2017 Notes, 2020 Notes and Term Loan in fiscal 2017;
- A loss of \$27 million was recognized on the sale of our interest in the Aluminium Company of Malaysia Berhad in the prior year, which was reported within "(Gain) loss on sale of a business, net";
- "Restructuring and impairment, net" for the six months ended September 30, 2017 was \$8 million compared to \$3 million of expenses in the same period of the prior year;
- Net losses related to changes in the fair value of other unrealized derivative instruments was \$18 million compared to \$4 million of gains in the same period in the prior year, which is reported as "Other expense, net";
- An increase in "Selling, general and administrative expenses " primarily related to an increase in fair value of LTIP and Novelis PU awards; and
- Declines in local market premiums which we are unable to hedge economically resulted in a \$6 million metal price lag loss in the first six months of this fiscal year compared to a \$27 million loss in the prior year.

We recognized \$159 million of tax expense for the six months ended September 30, 2017, primarily due to the results of operations and a \$77 million expense on the sale of a business and the unfavorable impact of the strengthening Brazil Real. We recognized \$63 million of tax expense for the six months ended September 30, 2016, 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 and therefore have a valuation allowance recorded and unfavorable foreign exchange translation and remeasurement of deferred income taxes, offset by dividends not subject to tax.

We reported "Net income attributable to our common shareholder" of \$408 million for the six months ended September 30, 2017 as compared to "Net loss attributable to our common shareholder" of \$65 million for the six months ended September 30, 2016, 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) and intersegment "Net sales."

Selected Operating Results Six Months Ended September 30, 2017	North America	Europe	Asia	South America	Eliminations and Other	Total
Net sales	\$ 1,909	\$ 1,682	\$ 1,018	\$ 843	\$ 11	\$ 5,463
Shipments						
Rolled products - third party	541	465	354	227	—	1,587
Rolled products - intersegment	6	7	6	14	(33)	—
Total rolled products	547	472	360	241	(33)	1,587
Non-rolled products	—	4	4	59	—	67
Total shipments	547	476	364	300	(33)	1,654

Selected Operating Results Six Months Ended September 30, 2016	North America	Europe	Asia	South America	Eliminations and Other	Total
Net sales	\$ 1,518	\$ 1,496	\$ 902	\$ 691	\$ 50	\$ 4,657
Shipments						
Rolled products - third party	493	473	351	211	—	1,528
Rolled products - intersegment	1	9	3	13	(26)	—
Total rolled products	494	482	354	224	(26)	1,528
Non-rolled products	3	5	4	33	—	45
Total shipments	497	487	358	257	(26)	1,573

The following table reconciles changes in "Segment income" for the six months ended September 30, 2016 to the six months ended September 30, 2017 (in millions).

Changes in Segment income	North America	Europe	Asia	South America	Eliminations (A)	Total
Segment income - Six Months Ended September 30, 2016 (B)	\$ 186	\$ 106	\$ 92	\$ 154	\$ —	\$ 538
Volume	56	(12)	14	21	(5)	74
Conversion premium and product mix	1	11	(18)	(23)	6	(23)
Conversion costs (C)	(6)	6	(1)	8	(1)	6
Foreign exchange	2	8	(2)	—	—	8
Selling, general & administrative and research & development costs (D)	(9)	(10)	(4)	(8)	—	(31)
Other changes	10	(1)	—	10	—	19
Segment income - Six Months Ended September 30, 2017	<u>\$ 240</u>	<u>\$ 108</u>	<u>\$ 81</u>	<u>\$ 162</u>	<u>\$ —</u>	<u>\$ 591</u>

- (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) Effective in the first quarter of fiscal 2018, management removed the impact of metal price lag from Segment Income in order to enhance the visibility of the underlying operating performance of the Company. This change does not impact our condensed consolidated financial statements. Segment information for prior periods presented has been updated to reflect this change.
- (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) 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" increased \$391 million, or 26%, primarily due to higher average aluminum prices and higher can, automotive, and specialties shipments.

"Segment income" was \$240 million, an increase of 29%, primarily due to higher can, auto and specialties volumes and strong operational performance resulting from lower metal input and conversion costs. These positive factors were partially offset by unfavorable cost absorption as shipments grew faster than production and reduced inventory levels.

Europe

"Net sales" increased \$186 million or 12%, primarily due to higher average aluminum prices and higher automotive shipments; partially offset by lower can and specialty shipments.

"Segment income" was \$108 million, an increase of 2%, primarily due to favorable cost absorption due to changes in inventory levels in the current and prior year, favorable product mix as a result of our portfolio optimization efforts and higher automotive volumes. These positive factors were partially offset by lower can and specialties volumes, and higher metal input costs resulting from increased imports and conversion costs.

Asia

"Net sales" increased \$116 million, or 13%, due to higher average aluminum prices and higher can and automotive shipments; partially offset by lower can pricing and lower specialties shipments.

“Segment income” was \$81 million, a decrease of 12%, primarily due to lower can pricing, an increase in the local market premium which is a cost we incur and are unable to fully pass along to some of our customers, and lower specialties volumes. These negative factors were partially offset by increased can and automotive volumes, and lower metal input costs.

South America

“Net sales” increased \$152 million, or 22%, due to higher average aluminum prices and higher specialties and can shipments; partially offset by unfavorable mix within specialties products.

“Segment income” was \$162 million, an increase of 5%, primarily due to higher can and specialties volumes and lower metal input costs partially offset by unfavorable mix within specialties products.

Reconciliation of “Net income (loss) attributable to our common shareholder” to segment income

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 “Net income (loss) attributable to our common shareholder” to income from reportable segments for the six months ended September 30, 2017 and 2016 (in millions).

	Six Months Ended September 30,	
	2017	2016
Net income (loss) attributable to our common shareholder	\$ 408	\$ (65)
Noncontrolling interests	—	—
Income tax provision	159	63
Depreciation and amortization	181	179
Interest expense and amortization of debt issuance costs	128	164
Adjustment to reconcile proportional consolidation	16	16
Unrealized losses on change in fair value of derivative instruments, net	2	3
Realized gains on derivative instruments not included in segment income	(1)	(1)
Gain on assets held for sale	—	(2)
Loss on extinguishment of debt	—	112
Restructuring and impairment, net	8	3
Loss on sale of fixed assets	2	6
(Gain) loss on sale of a business (A)	(318)	27
Metal price lag (B)	6	27
Other, net	—	6
Total of reportable segments	\$ 591	\$ 538

(A) In September 2017, Novelis Korea Ltd., a subsidiary of Novelis Inc., sold a portion of its shares in Ulsan Aluminum, Ltd. (UAL) for \$314 million, which resulted in a gain on sale of investments. For additional information related to the transaction, see Note 6 — Investment in and Advances to Non-Consolidated Affiliates and Related Party Transactions.

(B) Effective in the first quarter of fiscal 2018, management removed the impact of metal price lag from Segment Income in order to enhance the visibility of the underlying operating performance of the Company. The impact of metal price lag is now reported as a separate line item in this reconciliation. This revision does not impact our condensed consolidated financial statements. Segment information for prior periods presented has been revised to reflect this change. For additional information related to metal price lag, see Note 11 — Financial Instruments and Commodity Contracts.

“Adjustment to reconcile proportional consolidation” relates to depreciation and amortization and income taxes at our Alunorf and UAL joint ventures. Income taxes related to our equity method investments are reflected in the carrying value of the investment and not in our consolidated “Income tax provision.”

“Realized gains on derivative instruments not included in segment income” represents realized gains on foreign currency derivatives related to capital expenditures.

“Other, net” related primarily to losses on certain indirect tax expenses in Brazil, and interest income.

The table below displays income from reportable segments by region for the six months ended September 30, 2017 and 2016, respectively.

	Six Months Ended September 30,	
	2017	2016
North America	\$ 240	\$ 186
Europe	108	106
Asia	81	92
South America	162	154
Total of reportable segments	\$ 591	\$ 538

Liquidity and Capital Resources

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. Our expansion projects are currently generating additional operating cash flows. We have the ability to fund our potential expansions, service our debt obligations, and provide sufficient liquidity to operate 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.

Debt Refinancing

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

In September 2017, we amended our Term Loan Credit Agreement (the "Term Loan Amendment") to our \$1.8 billion Credit Agreement (the "Term Loan Facility") dated as of January 10, 2017. The amendment modified certain provisions of the Term Loan Facility to facilitate the closing of the previously announced transaction with Kobe Steel Ltd.

In January 2017, we entered into a new Term Loan Credit Agreement. The Agreement provided Novelis with \$1.8 billion, and the proceeds were used to extinguish the existing Term Loan agreement originally maturing on June 2, 2022 and fund related transaction expenses. The Term Loan Credit Agreement matures on June 2, 2022, subject to 0.25% quarterly amortization payments. The Term Loan Credit Agreement also requires customary mandatory prepayments with excess cash flow, asset sale and condemnation proceeds and proceeds of prohibited indebtedness, all subject to customary exceptions. The Term Loan may be prepaid, in full or in part, at any time at the Company's election without penalty or premium; provided that any optional prepayment in connection with a repricing amendment or refinancing through the issuance of lower priced debt made within six-months after the earlier of (i) completion of the initial syndication of the Term Loan and (ii) April 13, 2017, will be subject to a 1.00% prepayment premium. The Term Loan Credit Agreement allows for additional term loans to be issued in an amount not to exceed \$300 million (or its equivalent in other currencies) if, after giving effect to such incurrence on a pro forma basis, the senior secured net leverage ratio does not exceed 3.50 to 1.00, plus an unlimited amount if, after giving effect to such incurrence on a pro forma basis, the senior secured net leverage ratio does not exceed 3.00 to 1.00. The lenders under the Term Loan Credit Agreement have not committed to provide any such additional term loans.

On August 15, 2016, we commenced a cash tender offer to purchase any and all of our \$1.1 billion aggregate principal amount of outstanding 8.375% Senior Notes due 2017 (the 2017 Notes). Approximately \$636 million of the \$1.1 billion outstanding 2017 Notes, which represents approximately 58% of the outstanding 2017 Notes, were tendered in the tender offer. On August 29, 2016, Novelis Corporation, an indirect wholly-owned subsidiary of Novelis Inc., issued and sold \$1.15 billion principal amount of the 2024 Notes. Using proceeds from the sales of the 2024 Notes, we paid approximately \$660 million to purchase the 2017 Notes tendered in the tender offer. Also on August 29, 2016, we irrevocably deposited with the trustee for the 2017 Notes funds sufficient to fund the redemption of the remaining outstanding 2017 Notes that were not tendered in the tender offer, which included payment of accrued and unpaid interest through, but not including, the December 15, 2016 redemption date. As a result, we were released from our obligations under the 2017 Notes and the indenture governing the 2017 Notes pursuant to the satisfaction and discharge provisions thereunder.

On September 7, 2016, we commenced a cash tender offer to purchase any and all of our \$1.4 billion aggregate principal amount of 8.75% Senior Notes due 2020 (the 2020 Notes). Approximately \$1.1 billion of the \$1.4 billion outstanding 2020 Notes, which represented approximately 79% of the outstanding 2020 Notes, were tendered in the tender offer. On

September 16, 2016, Novelis Corporation issued and sold \$1.5 billion principal amount of 2026 Notes. Using proceeds from the sale of the 2026 Notes, we paid approximately \$1.2 billion to purchase the 2020 Notes tendered in the tender offer. Also on September 16, 2016, we irrevocably deposited with the trustee for the 2020 Notes funds sufficient to fund the redemption of the remaining outstanding 2020 Notes that were not tendered in the tender offer, which included payment of accrued and unpaid interest through the October 14, 2016 redemption date. As a result, we were released from our obligations under the 2020 Notes and the indenture governing the 2020 Notes pursuant to the satisfaction and discharge provisions thereunder.

The 2024 and 2026 Notes issued by Novelis Corporation as part of the refinancing transactions are fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis, by Novelis Inc. and all of Novelis Inc.'s existing and future Canadian and U.S. restricted subsidiaries (other than Novelis Corporation), certain of its existing foreign restricted subsidiaries and other restricted subsidiaries that guarantee debt in the future under any credit facilities, subject to certain exceptions. The 2024 Notes and the 2026 Notes contain customer covenants and events of default. See Note 7 — Debt to our accompanying condensed consolidated financial statements for additional information. In addition, pursuant to the indentures governing the 2024 and 2026 Notes, the Company is required to provide the following financial information regarding its subsidiaries.

As of September 30, 2017, the Company's subsidiaries that are not guarantors represented the following approximate percentages of (a) net sales, (b) Adjusted EBITDA, and (c) total assets of the Company, on a consolidated basis (including intercompany balances):

Item Description	Ratio
Consolidated net sales represented by net sales to third parties by non-guarantor subsidiaries (for the six months ended September 30, 2017)	20%
Consolidated Adjusted EBITDA represented by non-guarantor subsidiaries (for the six months ended September 30, 2017)	17%
Consolidated assets are owned by non-guarantor subsidiaries (as of September 30, 2017)	20%

In addition, for the six months ended September 30, 2017 and 2016, the Company's subsidiaries that are not guarantors had net sales of \$1.3 billion and \$1.2 billion, respectively, and, as of September 30, 2017, those subsidiaries had assets of \$2.5 billion and debt and other liabilities of \$1.5 billion (including inter-company balances).

Available Liquidity

Our available liquidity as of September 30, 2017 and March 31, 2017 is as follows (in millions):

	September 30, 2017	March 31, 2017
Cash and cash equivalents	\$ 949	\$ 594
Availability under committed credit facilities	700	701
Total liquidity	\$ 1,649	\$ 1,295

We reported availability of \$1.6 billion as of September 30, 2017, which represents an increase compared to \$1.3 billion reported as of March 31, 2017. The increase is primarily attributable to \$314 million in proceeds from the sale of shares in UAL and other assets, an increase in the ABL borrowing base of \$143 million, and positive free cash flow of \$24 million. These increases were partially offset by net payments on short-term and long-term borrowings of \$78 million, a reduction in availability of credit facilities of \$37 million, and other changes of \$16 million. As of September 30, 2017, our availability under committed credit facilities of \$700 million was comprised of \$486 million under our ABL Revolver and \$214 million under our Korea, China, and Middle East loan facilities.

The "Cash and cash equivalents" balance above includes cash held in foreign countries in which we operate. As of September 30, 2017, we held \$3 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, 2017, we held \$406 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, 2017, 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, cash income taxes 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.

Effective in the second quarter of fiscal 2018, management clarified the definition of "Free cash flow" (a non-GAAP measure) to reduce "Proceeds on the sale of assets, net of transaction fees and hedging" by cash income taxes to further enable users of the financial statements to understand cash generated internally by the Company. This change does not impact the condensed consolidated financial statements or significantly impact prior periods.

The following table shows "Free cash flow" for the six months ended September 30, 2017 and 2016, the change between periods, and the ending balances of cash and cash equivalents (in millions).

	Six Months Ended September 30,		Change
	2017	2016	
Net cash provided by (used in) operating activities	\$ 94	\$ (27)	\$ 121
Net cash provided by (used in) investing activities	242	(87)	329
Less: Proceeds from the sale of a business, net of transaction fees, cash income taxes and hedging (A)	(312)	12	(324)
Free cash flow	\$ 24	\$ (102)	\$ 126
Ending cash and cash equivalents	\$ 949	\$ 473	\$ 476

(A) This line item includes the proceeds from the sale of shares in Ulsan Aluminum Ltd., to Kobe Steel Ltd. during the three months ended September 30, 2017 in the amount of \$314 million. This line item also includes "Outflows from the sale of a business, net of transaction fees," which is comprised of cash of \$13 million held by ALCOM, which was a consolidated entity sold during the three months ended September 30, 2016. We expect additional cash taxes and transaction fees related to Ulsan Aluminum Ltd. of approximately \$39 million and \$9 million, respectively, to be paid during the remainder of fiscal 2018.

Operating Activities

Net cash provided by (used in) operating activities was \$94 million for the six months ended September 30, 2017, which was favorable compared to net cash used in operating activities of \$27 million for the six months ended September 30, 2016. The favorable variance primarily relates to higher "Segment income". The following summarizes changes in working capital accounts (in millions).

	Six Months Ended September 30,		Change
	2017	2016	
Net cash used in operating activities due to changes in working capital:			
Accounts receivable	\$ (310)	\$ (159)	\$ (151)
Inventories	(107)	(115)	8
Accounts payable	163	22	141
Other current assets and liabilities	(5)	(84)	79
Net change in working capital	\$ (259)	\$ (336)	\$ 77

Six Months Ended September 30, 2017

"Accounts receivable, net" increased due to the timing of cash collections on certain customer and related party receivables balances coupled with an 18% increase in sales. As of September 30, 2017 and March 31, 2017, we had factored, without recourse, certain trade receivables aggregating \$735 million and \$679 million, respectively, which had a favorable impact to net cash provided by operating activities of \$56 million for the six months ended September 30, 2017. 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 higher quantities on hand and higher average metal costs. The higher quantities of inventory on hand at September 30, 2017 is the result of recent capacity expansions, as well as longer supply chains to support the automotive sector and expand our scrap procurement network. "Accounts payable" increased \$163 million in the six months ended September 30, 2017 due primarily to higher metal input costs.

Included in cash flows from operating activities for the six months ended September 30, 2017 were \$135 million of interest payments, \$68 million of cash paid for income taxes, \$3 million of payments on restructuring programs, and \$55 million of contributions to our pension plans. As of September 30, 2017, we had \$22 million of outstanding restructuring liabilities, of which \$16 million we estimate will result in cash outflows within the next twelve months.

Six Months Ended September 30, 2016

"Accounts receivable, net" increased due to the timing of cash collections on certain customer receivables balances and lower factoring balances offset by 5% lower sales. As of September 30, 2016 and March 31, 2016, we had factored, without recourse, certain trade receivables aggregating \$519 million and \$626 million, respectively, which had an unfavorable impact to net cash provided by operating activities of \$107 million for the six months ended September 30, 2016. 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 higher quantities on hand partially offset by lower average metal costs. The higher quantities of inventory on hand at September 30, 2016 is the result of recent capacity expansions, as well as longer supply chains to support the automotive sector and expand our scrap procurement network. As of September 30, 2016, 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, 2016. Our estimated repurchase obligation for this inventory as of September 30, 2016 is \$23 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. "Accounts payable" increased \$22 million in the six months ended September 30, 2016 due primarily to the timing of payments to vendors.

Included in cash flows from operating activities for the six months ended September 30, 2016 were \$208 million of interest payments, \$44 million of cash paid for income taxes, \$7 million of payments on restructuring programs, and \$26 million of contributions to our pension plans. As of September 30, 2016, we had \$25 million of outstanding restructuring liabilities, of which \$17 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 dismantle the smelter site in South America.

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, 2017 compared to the six months ended September 30, 2016."

Investing Activities

The following table presents information regarding our "Net cash provided by (used in) operating activities" (in millions).

	Six Months Ended September 30,		Change
	2017	2016	
Capital expenditures	\$ (82)	\$ (90)	\$ 8
Proceeds from settlement of other undesignated derivative instruments, net	1	6	(5)
Proceeds from sales of assets, third party, net of transaction fees and hedging	1	1	—
Proceeds (outflows) from the sale of a business, net of certain transaction fees	314	(13)	327
Proceeds from investment in and advances to non-consolidated affiliates, net	8	9	(1)
Net cash provided by (used in) investing activities	\$ 242	\$ (87)	\$ 329

For the six months ended September 30, 2017 and September 30, 2016, our "Capital expenditures" were primarily attributable to maintenance of existing property, plant, and equipment.

"Proceeds from the sale of business, net of certain transaction fees" for the six months ended September 30, 2017 was primarily due to the sale of shares in Ulsan Aluminum Ltd.

As of September 30, 2017, we had \$46 million of outstanding accounts payable and accrued liabilities related to capital expenditures in which the cash outflows will occur subsequent to September 30, 2017. We expect capital expenditures for fiscal 2018 to be approximately \$250 million.

The settlement of undesignated derivative instruments resulted in cash outflow of \$1 million and cash inflow of \$6 million, in the six months ended September 30, 2017 and 2016, 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.

"Proceeds from investments in and advances to non-consolidated affiliates, net" for six months ended September 30, 2017 and 2016 were primarily comprised of loan repayments and advances 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,		Change
	2017	2016	
Proceeds from issuance of long-term and short-term borrowings	\$ —	\$ 2,765	\$ (2,765)
Principal payments of long-term and short-term borrowings	(64)	(2,609)	2,545
Revolving credit facilities and other, net	88	(3)	91
Debt issuance costs	(4)	(134)	130
Net cash provided by financing activities	\$ 20	\$ 19	\$ 1

Six Months Ended September 30, 2017

During the six months ended September 30, 2017, there were no issuances of long or short-term borrowings. We made principal repayments of \$50 million on short-term loans in Brazil, \$9 million on our Term Loan Facility, \$4 million on capital leases, and less than \$1 million in other principal repayments. The change in our revolving credit facilities balance is related to proceeds of \$96 million on our ABL Revolver partially offset by repayments of \$8 million in our China credit facilities.

As of September 30, 2017, our short-term borrowings were \$342 million consisting of \$290 million of loans under our ABL Revolver, \$51 million in Novelis China loans and \$1 million of other short-term borrowings.

Six Months Ended September 30, 2016

During the six months ended September 30, 2016, we received proceeds of \$1.2 billion and \$1.5 billion, related to the issuance of our new 2024 and 2026 Notes, respectively. We also received proceeds related to the issuance of new short term loans in Brazil and Vietnam of \$81 million and \$34 million, respectively. Additionally, we made principal repayments of \$1.1 billion and \$1.4 billion on our 2017 Notes and 2020 Notes, respectively, \$55 million on short-term loans in Brazil, \$37 million on Novelis Vietnam loan repayments, \$9 million on the Term Loan, \$5 million on capital leases and \$3 million in other principal repayments. The net cash repayments from our credit facilities balance is related to \$12 million net repayments on our Middle East and Africa (MEA) facilities offset by net proceeds of \$9 million in our China credit facilities.

As of September 30, 2016, our short-term borrowings were \$596 million consisting of \$392 million of loans under our ABL Revolver, \$103 million in Novelis Brazil loans, \$53 million in Novelis China loans, \$40 million in Novelis Korea bank loans, \$7 million in Novelis Vietnam loans and \$1 million of other short-term borrowings. The weighted average interest rate on our total short-term borrowings was 2.65% as of September 30, 2016. As of September 30, 2016, \$14 million of the ABL Revolver was utilized for letters of credit, reducing our availability under that facility.

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 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. The guarantee is limited to 50% of the outstanding debt, not to exceed 6 million euros. As of September 30, 2017, there were no amounts outstanding under our guarantee with Alunorf. We have also guaranteed the payment of early retirement benefits on behalf of Alunorf. As of September 30, 2017, this guarantee totaled \$2 million.

Other Arrangements

Factoring of Trade Receivables

We factor and forfeit trade receivables (collectively, we refer to these as "factoring" programs) based on local cash needs, 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. However, no such financial or legal interests are currently retained.

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 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, 2017 and March 31, 2017, 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. See 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, 2017 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.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

During the six months ended September 30, 2017, 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, 2017.

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, cash income taxes 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.

Effective in the second quarter of fiscal 2018, management clarified the definition of "Free cash flow" (a non-GAAP measure) to reduce "Proceeds on the sale of assets, net of transaction fees and hedging" by cash income taxes to further enable users of the financial statements to understand cash generated internally by the Company. This change does not impact the condensed consolidated financial statements and does not significantly impact prior periods.

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, the effectiveness of our hedging programs and controls, and our future borrowing availability. 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, repay existing debt or refinance existing debt 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, 2017.

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 the London Metals Exchange ("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, 2017 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) a local market premium; 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: (i) 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 (ii) 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 related to base aluminum price. We use over-the-counter derivatives indexed to the 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 better match the purchase price of metal with the sales price of metal.

Sensitivities

The following table presents the estimated potential effect on the fair values of these derivative instruments as of September 30, 2017, given a 10% increase in prices (\$ in millions).

	Change in Price		Change in Fair Value
LME aluminum	10%	\$	(103)

Energy

We use several sources of energy in the manufacturing and delivery of our aluminum rolled products. For the quarter ended September 30, 2017, 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 and diesel fuel on the open market, subjecting us to market price fluctuations. We seek to stabilize our future exposure to natural gas and diesel fuel 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, 2017, given a 10% decline in spot prices for energy contracts (\$ in millions).

	Change in Price	Change in Fair Value
Electricity	(10)%	\$ (4)
Natural Gas	(10)%	(5)
Diesel Fuel	(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 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 income/loss" in the Shareholder's equity/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 in our Annual Report on Form 10-K for the year ended March 31, 2017, and Note 11 - Financial Instruments and Commodity Contracts to our accompanying condensed consolidated financial statements.

Sensitivities

The following table presents the estimated potential effect on the fair values of these derivative instruments as of September 30, 2017, 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)%	\$ (26)
Euro	10 %	(42)
Korean won	(10)%	(5)
Canadian dollar	(10)%	(4)
British pound	(10)%	(18)
Swiss franc	(10)%	(40)
Chinese yuan	10 %	(11)

Interest Rate Risks

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

As of September 30, 2017, 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, 2017.

Sensitivities

The following table presents the estimated potential effect on the fair values of these derivative instruments as of September 30, 2017, 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	\$ —

Term Loan

In January 2017, we refinanced our Term Loan Facility. Our interest rate paid is a spread of 1.85% plus LIBOR (1.33%). As of September 30, 2017, the effective interest rate was 3.18%. As of September 30, 2017, a 10 basis point increase or decrease in LIBOR interest rates would have had less than \$2 million impact on our annual pre-tax income.

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, 2017.

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, 2017.

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, 2016 (incorporated by reference to Exhibit 3.2 to our Annual Report on Form 10-K filed on May 10, 2016 (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	Amendment No. 1 to Second Amended and Restated Credit Agreement dated as of September 14, 2017, between Novelis Inc., as the Parent Borrower, and the other Borrowers and Loan Parties party thereto, AV Metals Inc., the Third Party Security Provider, the Lenders party thereto, the Issuing Banks party thereto, Wells Fargo Bank, National Association, as Administrative Agent and Collateral Agent, and Wells Fargo Bank, N.A. (London Branch), as European Swingline Lender
10.2	Amendment No. 1 to Credit Agreement, dated as of September 14, 2017, between Novelis Inc., as Borrower, AV Metals Inc., as Holdings, the other Loan Parties party thereto, the Third Party Security Provider, and Standard Chartered Bank, as Administrative Agent for the Lenders
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/ Devinder Ahuja

Devinder Ahuja

Chief Financial Officer

(Principal Financial Officer and Authorized Officer)

By:

/s/ Stephanie Rauls

Stephanie Rauls

Vice President Finance and Controller

(Principal Accounting Officer)

Date: November 2, 2017

EXHIBIT INDEX

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**EXHIBIT 10.1 AMENDMENT NO. 1 TO
SECOND AMENDED AND RESTATED CREDIT AGREEMENT,**

dated as of September 14, 2017,

among

**NOVELIS INC.,
as Parent Borrower,
NOVELIS CORPORATION
as U.S. Borrower,
THE OTHER U.S. SUBSIDIARIES OF PARENT BORROWER
PARTY HERETO AS U.S. BORROWERS,
NOVELIS UK LTD,
as U.K. Borrower,
NOVELIS AG,
as Swiss Borrower,
NOVELIS DEUTSCHLAND GMBH,
as German Borrower,
AV METALS INC.,
THE OTHER GUARANTORS PARTY HERETO,
THE THIRD PARTY SECURITY PROVIDER,
THE LENDERS PARTY HERETO,
WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Administrative Agent, Collateral Agent, and U.S. Swingline Lender,
WELLS FARGO BANK, N.A. (LONDON BRANCH),
as European Swingline Lender, and
BANK OF AMERICA, N.A. AND HSBC BANK USA, N.A.,
as Issuing Banks.**

**MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED,
CITIGROUP GLOBAL MARKETS, INC.,
DEUTSCHE BANK SECURITIES INC., and
JPMORGAN CHASE BANK, N.A.,
as Co-Syndication Agents.**

**WELLS FARGO BANK, NATIONAL ASSOCIATION,
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED,
CITIGROUP GLOBAL MARKETS, INC.,
DEUTSCHE BANK SECURITIES INC., and
JPMORGAN CHASE BANK, N.A.,
as Joint Lead Arrangers and Joint Bookmanagers.**

This **AMENDMENT NO. 1 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT** (this “**Amendment**”), dated as of September 14, 2017, is entered into between NOVELIS INC., a corporation amalgamated under the Canada Business Corporations Act and having its corporate office at Two Alliance Center, 3560 Lenox Road, Suite 2000, Atlanta, GA 30326, USA (the “**Parent Borrower**”), NOVELIS CORPORATION, as a U.S. borrower, the other U.S. borrowers party thereto (collectively, the “**U.S. Borrowers**”), NOVELIS UK LTD, as U.K. borrower (the “**U.K. Borrower**”), NOVELIS AG, as Swiss borrower (the “**Swiss Borrower**”), NOVELIS DEUTSCHLAND GMBH, as German borrower (the “**German Borrower**” and, together with the Parent Borrower, the U.S. Borrowers, the U.K. Borrower, and the Swiss Borrower, the “**Borrowers**”), AV METALS INC., a corporation formed under the Canada Business Corporations Act (“**Holdings**”), the other LOAN PARTIES (as defined in the Amended Credit Agreement referred to below), NOVELIS ITALIA S.P.A. (the “**Third Party Security Provider**”), the LENDERS party hereto, each ISSUING BANK party hereto, and WELLS FARGO BANK, NATIONAL ASSOCIATION, as administrative agent (in such capacity, and together with its successors in such capacity, “**Administrative Agent**”), and as collateral agent (in such capacity, and together with its successors in such capacity, “**Collateral Agent**”), and WELLS FARGO BANK, N.A. (LONDON BRANCH), as European swingline lender (in such capacity, and together with its successors in such capacity, “**European Swingline Lender**”).

RECITALS

WHEREAS, the Borrowers, Holdings, the other Loan Parties, the Administrative Agent, the Collateral Agent, the European Swingline Lender, the Issuing Banks, the lenders from time to time party thereto immediately prior to the Amendment Effective Date (the “**Existing Lenders**”), and the other parties from time to time party thereto, entered into that certain Second Amended and Restated Credit Agreement, dated as of October 6, 2014 (the “**Existing Credit Agreement**”, and the Existing Credit Agreement, as amended, supplemented, restated or otherwise modified prior to the date hereof, the “**Credit Agreement**”, and as amended by this Amendment, the “**Amended Credit Agreement**”);

WHEREAS, the Third Party Security Provider has pledged certain assets to secure the Secured Obligations of the Loan Parties;

WHEREAS, the Borrowers have requested an amendment to the Credit Agreement as herein set forth;

WHEREAS, the U.S. Borrowers and the other Guarantors party to the U.S. Security Agreement (collectively, the “**Reaffirming Parties**”, and each, a “**Reaffirming Party**”) have entered into or joined the U.S. Security Agreement in order to induce the Lenders to make Loans, and each Reaffirming Party desires to reaffirm the security interest granted pursuant to the U.S. Security Agreement;

WHEREAS, the Reaffirming Parties expect to realize, or have realized, substantial direct and indirect benefits as a result of this Amendment becoming effective and the consummation of the transactions contemplated hereby; and

WHEREAS, the Borrowers, Holdings, the other Loan Parties, the Administrative Agent, the Collateral Agent, the European Swingline Lender, each Existing Lender party hereto, and each other bank or financial institution signatory hereto as a lender and listed on Annex I hereto (the “**New Lenders**” and, collectively with the Existing Lenders party hereto, the “**Lenders**”), and each Issuing Bank, have agreed to amend the Credit Agreement on the terms and subject to the conditions herein provided.

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants and obligations herein set forth and other good and valuable consideration, the adequacy and receipt of which is hereby acknowledged, and in reliance upon the representations, warranties and covenants herein contained, the parties hereto, intending to be legally bound, hereby agree as follows:

Section 1. Definitions. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Amended Credit Agreement.

Section 2. Commitments; Lenders. Subject to the terms and conditions set forth herein, effective as of the Amendment Effective Date (as defined below), immediately prior to giving effect to Section 4 of this Amendment:

(a) the Revolving Commitment of each Existing Lender under the Credit Agreement shall be adjusted as necessary such that the Revolving Commitment of such Existing Lender and of each New Lender under the Amended Credit Agreement shall be as set forth on Annex I hereto;

(b) each of the Lenders party hereto hereby waives advance notice of any termination or reduction (including in accordance with Section 11.02(d) of the Credit Agreement) of its Revolving Commitment in connection therewith; provided that notice thereof is provided on or prior to the Amendment Effective Date;

(c) the Total Revolving Commitments both immediately before and immediately after giving effect to this Amendment shall be \$1,000,000,000;

(d) the Revolving Exposure and other exposures under or in connection with the Revolving Commitments of each Existing Lender (as in effect immediately prior to giving effect to this Amendment) shall be reallocated and assigned (including in accordance with Section 11.02(d) of the Credit Agreement) from the Existing Lenders to and among the Lenders (including, for avoidance of doubt, the New Lenders), and settled by the Administrative Agent, the Lenders, and the Existing Lenders that are not Lenders party to this Amendment as necessary, in each case in accordance with each such Person’s adjusted shares of such commitments (including, in the case of the Existing Lenders that are not Lenders party to this Amendment, the payment of its Revolving Percentage (as in effect immediately prior to giving effect to this Amendment) of the outstanding principal amount of the Loans, and all accrued and unpaid interest and fees in connection therewith); and

(e) after giving effect to the foregoing, the “Commitment” and the “Revolving Commitment” of each Existing Lender that is not a Lender party to this Amendment shall terminate,

and each such Existing Lender shall cease to be a Lender under the Credit Agreement and the Amended Credit Agreement for all purposes.

Notwithstanding anything to the contrary in any Loan Document, each Lender party to this Amendment consents to the non-pro rata payments required to effect the provisions of this Section 2. This Amendment shall constitute an Assignment and Assumption for purposes of the Credit Agreement, the Amended Credit Agreement, and the other Loan Documents.

Section 3. Lender Agreements.

(a) Each of the Lenders:

(i) confirms that it has received a copy of the Credit Agreement and the other Loan Documents, together with copies of such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Amendment;

(ii) agrees that it will, independently and without reliance upon any Agent, any Issuing Bank or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement or the Amended Credit Agreement;

(iii) appoints and authorizes each Agent to take such action as agent on its behalf and to exercise such powers under the Credit Agreement, the Amended Credit Agreement and the other Loan Documents as are delegated to such Agent by the terms thereof, together with such powers as are reasonably incidental thereto; and

(iv) agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement or the Amended Credit Agreement are required to be performed by it as a Lender.

(b) Each New Lender acknowledges and agrees that, upon its execution of this Amendment and upon the assignments effected pursuant to Section 2 of this Agreement, such New Lender shall become a "Lender" under, and for all purposes of, the Credit Agreement, the Amended Credit Agreement and the other Loan Documents, and shall be subject to and bound by the terms hereof and thereof, and shall perform all the obligations of and shall have all rights of a Lender hereunder and thereunder.

(c) The Loan Parties, the Agents, the Lenders and the Issuing Banks each, by their execution and delivery of this Amendment and in reliance upon the representations and warranties in this Section 3, consents to each New Lender becoming a "Lender" pursuant to Section 2 of this Amendment under, and for all purposes of, the Credit Agreement, the Amended Credit Agreement, and the other Loan Documents.

(d) By its execution of this Amendment, each New Lender represents and warrants that it meets all the requirements to be an assignee under Section 11.04 of the Credit Agreement (subject to such consents, if any, as may be required thereunder).

(e) For each New Lender, delivered herewith to the Parent Borrower and the Administrative Agent are such forms, certificates or other evidence with respect to Tax withholding matters as such New Lender may be required to deliver to the Parent Borrower and the Administrative Agent pursuant to Section 2.15 of the Credit Agreement.

(f) Each Lender hereby expressly consents to, ratifies (*genehmigt*) and confirms the declarations and acts made by the Collateral Agent on behalf and in the name of the Assignee as Future Pledgee (as defined in the relevant German Security Agreement) in the German Security Agreements. Each Lender confirms that it is aware of the contents of the German Security Agreements.

Section 4. Amendments. Subject to the terms and conditions set forth herein, effective as of the Amendment Effective Date, immediately after giving effect to Section 2 of this Amendment, the Credit Agreement is hereby amended as follows:

- (a) The cover page of the Credit Agreement is hereby amended and restated as set forth on Exhibit A hereto.
- (b) The following defined terms shall be added to Section 1.01 in the appropriate alphabetical order:

(i) “**Amendment No. 1**” means that certain Amendment No. 1 to Second Amended and Restated Credit Agreement, dated as of September 14, 2017, among Holdings, the Borrowers, the other Loan Parties party thereto, Novelis Italia, S.p.A., as third party security provider, the Administrative Agent, the Collateral Agent, the European Swingline Lender, and each Issuing Bank party thereto.

(ii) “**Amendment No. 1 Effective Date**” means the “Amendment Effective Date” as defined in Amendment No. 1.

(iii) “**Anti-Money Laundering Laws**” shall mean applicable laws or regulations in any jurisdiction in which any Credit Party or any of its Subsidiaries or their respective Related Parties are located or doing business that relates to money laundering or terrorism financing, any predicate crime to money laundering, or any financial record keeping and reporting requirements related thereto.

(iv) “**Bail-In Action**” means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

(v) “**Bail-In Legislation**” means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

(vi) “**EEA Financial Institution**” means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of

an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

(vii) “**EEA Member Country**” means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

(viii) “**EEA Resolution Authority**” means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

(ix) “**EU Bail-In Legislation Schedule**” means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

(x) “**NKL Share Repurchase**” shall mean the repurchase by NKL of Equity Interests of NKL for cash consideration derived from all or a portion of the proceeds of the Ulsan Share Sale, which may be structured as a share cancellation, a reduction in par value, a share consolidation and reduction in share value, or any other legal structure resulting in the reduction of Equity Interests in NKL in exchange for cash consideration.

(xi) “**Reporting Recovery Event**” shall mean, with respect to any Reporting Trigger Event at any time (a) no Default or Event of Default shall have been outstanding for a period of thirty (30) consecutive days then ended and (b) Excess Availability shall be at least the greater of (i) \$110,000,000 and (ii) 12.5% of the lesser of (A) the Total Revolving Commitment and (B) the then-applicable Total Borrowing Base, for a period of thirty (30) consecutive days then ended.

(xii) “**Reporting Trigger Event**” shall mean as of any Business Day after the Closing Date (a) an Event of Default shall have occurred and is continuing and/or (b) Excess Availability shall as of any date (or, in the case only of Sections 5.07(c), 9.02(f), or 9.03(c)), for a period of three (3) consecutive Business Days be less than the greater of (i) \$110,000,000 and (ii) 12.5% of the lesser of (A) the Total Revolving Commitment and (B) the then-applicable Total Borrowing Base.

(xiii) “**Ulsan Joint Venture Partner**” shall mean Kobe Steel, Ltd., a company organized under the laws of Japan.

(xiv) “**Ulsan JV Subsidiary**” shall mean a joint venture stock company organized, or to be organized, in Korea, and registered, or to be registered, in the Commercial Corporate Registry in Korea.

(xv) “**Ulsan Sale Agreement**” shall mean that certain share sale and purchase agreement, dated as of May 10, 2017, between NKL and the Ulsan Joint Venture Partner, as the same may be amended or modified from time to time.

(xvi) “**Ulsan Share Sale**” shall mean the sale, pursuant to the terms of the Ulsan Sale Agreement, by NKL of 49.9%% of the Equity Interests owned by NKL in the Ulsan JV Subsidiary to the Ulsan Joint Venture Partner, for cash in the amount of \$314,370,000, and the

subsequent sale by NKL of 0.1% of the Equity Interests owned by NKL in the Ulsan JV Subsidiary to the Ulsan Joint Venture Partner, for cash in the amount of \$630,000.

(xvii) “**Write-Down and Conversion Powers**” means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

(c) The following defined terms shall be deleted from Section 1.01 in their entirety: “**Anti-Terrorism Laws**”, “**Sanctioned Country**” and “**Trading With the Enemy Act**”.

(d) The defined term “**Anti-Corruption Laws**” in Section 1.01 is amended and restated in its entirety as follows:

“**Anti-Corruption Laws**” shall mean: (a) the U.S. Foreign Corrupt Practices Act of 1977, as amended; (b) the U.K. Bribery Act 2010, as amended; and (c) any other anti-bribery or anti-corruption laws, regulations or ordinances in any jurisdiction in which any Credit Party or any of its Subsidiaries or their respective Related Parties is located or doing business.”

(e) The defined term “**Arranger**” in Section 1.01 is amended and restated in its entirety as follows:

“**Arranger**” shall mean Wells Fargo Bank, National Association, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets, Inc., Deutsche Bank Securities Inc., and JPMorgan Chase Bank, N.A., as joint lead arrangers.”

(f) The defined term “**Availability Conditions**” in Section 1.01 is amended and restated in its entirety as follows:

“**Availability Conditions**” shall mean that, with respect to any Proposed Transaction, each of the following conditions are satisfied, as applicable:

- (a) both immediately prior to and after giving effect to such Proposed Transaction, no Default shall have occurred and be continuing; and
- (b) when used with regard to Section 6.08 (Dividends), immediately after giving effect to such Proposed Transaction, (i)(A) Excess Availability on the date such Proposed Transaction is consummated and (B) average daily Excess Availability for the 30 day period immediately preceding such Proposed Transaction (assuming such Proposed Transaction occurred on the first day of such 30 day period), in each case is greater than or equal to 20% of the lesser of (y) the Total Revolving Commitment and (z) the Total Borrowing Base or (ii) (A)(1) Excess Availability on the date such Proposed Transaction is consummated and (2) average daily Excess Availability for the 30 day period immediately preceding such Proposed Transaction (assuming such Proposed Transaction occurred on the first day of such 30 day period), in each case is greater than or equal to 15% of the lesser of (y) the Total Revolving Commitment and (z) the Total Borrowing Base and (B) the Consolidated Fixed Charge Coverage

Ratio as of the end of the most recent fiscal quarter (on a trailing four quarter basis, on a Pro Forma Basis after giving effect to each such Proposed Transaction as if such Proposed Transaction occurred on the first day of the most recently ended fiscal quarter for which financial statements have been delivered pursuant to Section 5.01(a) and (b)) shall not be less than 1.25 to 1.0; or

(c) when used with regard to Sections 6.06 (Asset Sales) and 6.11 (Prepayments of other Indebtedness, etc.), immediately after giving effect to such Proposed Transaction, (i) Excess Availability on the date such Proposed Transaction is consummated is greater than or equal to 20% of the lesser of (y) the Total Revolving Commitment and (z) the Total Borrowing Base or (ii)(A) Excess Availability on the date such Proposed Transaction is consummated is greater than or equal to 15% of the lesser of (y) the Total Revolving Commitment and (z) the Total Borrowing Base and (B) the Consolidated Fixed Charge Coverage Ratio as of the end of the most recent fiscal quarter (on a trailing four quarter basis, on a Pro Forma Basis after giving effect to each such Proposed Transaction as if such Proposed Transaction occurred on the first day of the most recently ended fiscal quarter for which financial statements have been delivered pursuant to Section 5.01(a) and (b)) shall not be less than 1.25 to 1.0; or

(d) when used with regard to Section 6.04 (Investments, Loans and Advances) (including with respect to Permitted Acquisitions), and for all other Proposed Transactions not referred to in clauses (b) or (c) above, immediately after giving effect to such Proposed Transaction, (i) Excess Availability on the date such Proposed Transaction is consummated is greater than or equal 20% of the lesser of (y) the Total Revolving Commitment and (z) the Total Borrowing Base or (ii)(A) Excess Availability on the date such Proposed Transaction is consummated is greater than or equal to 15% of the lesser of (y) the Total Revolving Commitment and (z) the Total Borrowing Base and (B) the Consolidated Fixed Charge Coverage Ratio as of the end of the most recent fiscal quarter (on a trailing four quarter basis, on a Pro Forma Basis after giving effect to each such Proposed Transaction as if such Proposed Transaction occurred on the first day of the most recently ended fiscal quarter for which financial statements have been delivered pursuant to Section 5.01(a) and (b)) shall not be less than 1.25 to 1.0; and

(e) in each case, prior to undertaking any Proposed Transaction involving (i) payment of a Dividend of \$25,000,000 or more or (ii) any payment (or transfer of property having a fair market value) of \$100,000,000 or more, the Loan Parties shall deliver to the Administrative Agent an Officer's Certificate demonstrating in reasonable details the satisfaction of the conditions contained in clause (b), (c) or (d) above, as applicable."

(g) The defined term "**Cash Dominion Recovery Event**" in Section 1.01 is amended by deleting "\$100,000,000" and replacing it with "\$90,000,000".

(h) The defined term “**Cash Dominion Trigger Event**” in Section 1.01 is amended by deleting “\$100,000,000” and replacing it with “\$90,000,000”.

(i) The defined term “**Cash Equivalents**” in Section 1.01 is amended by deleting the phrase “clause (c)” in the last proviso to such definition and replacing it with the phrase “clause (a), (c) or (d)”.

(j) The defined term “**Consolidated EBITDA (Fixed Charge)**” in Section 1.01 is amended by deleting clause (z)(b) therefrom and replacing it with the phrase “(b) any gain or loss relating to cancellation or extinguishment of Indebtedness.”

(k) The defined term “**Covenant Recovery Event**” in Section 1.01 is amended by deleting “\$110,000,000” and replacing it with “\$90,000,000”, and (ii) deleting “12.5%” and replacing it with “10%”.

(l) The defined term “**Covenant Trigger Event**” in Section 1.01 is amended by deleting “\$110,000,000” and replacing it with “\$90,000,000”, and (ii) deleting “12.5%” and replacing it with “10%”.

(m) The defined term “**Defaulting Lender**” in Section 1.01 is amended by (i) deleting “or” before clause (d)(iii) and adding “or (iv) become the subject of a Bail-In Action” immediately prior to the phrase “; provided that a Lender shall not be a Defaulting Lender”, (ii) adding the phrase “other than via an Undisclosed Administration,” immediately after the phrase “(d) has, or has a direct or indirect parent company that has,” and (iii) adding the following at the end of such definition:

“so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority or instrumentality) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. For purposes of this definition, “**Undisclosed Administration**” means in relation to a Lender or its direct or indirect parent company the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official by a supervisory authority or regulator under or based on the law in the country where such Lender or such parent company is subject to home jurisdiction supervision if applicable law requires that such appointment is not to be publicly disclosed”.

(n) The defined term “**Eligible Assignee**” in Section 1.01 is amended by deleting the last proviso thereof in its entirety.

(o) The defined term “**European Borrowing Base**” in Section 1.01 is amended and restated in its entirety as follows:

“**European Borrowing Base**” shall mean the lesser of (i) the sum of (A) the Swiss Borrowing Base plus (B) the U.K. Borrowing Base plus (C) the German Borrowing Base and (ii) 50% of the aggregate Revolving Commitments.

(p) The defined term “**European Swingline Commitment**” in Section 1.01 is amended by deleting “€60,000,000” and replacing it with “€70,000,000”.

(q) The defined term “**Excluded Property**” in Section 1.01 is amended by (i) deleting “and” immediately prior to the reference to sub-clause (y) in clause (f) thereof and replacing it with a comma, and (ii) adding the following at the end of clause (f) thereof:

“and (z) any fee-owned real property located in the United States”.

(r) The defined term “**Federal Funds Rate**” in Section 1.01 is amended by deleting the phrase “arranged by federal funds brokers”.

(s) The defined term “**French Collateral Agent**” in Section 1.01 is amended by adding the following sentence at the end thereof:

“Pursuant to article 1161 of the French *code civil*, the Lenders hereby expressly authorize the French Collateral Agent to act on the behalf and for the account of the Lenders and in its own name and for its own account as creditor under the Parallel Debt provision set forth in Section 11.24, in connection with the performance of the Loan Documents.”

(t) The defined term “**Maturity Date**” is amended by (i) deleting the phrase “October 6, 2019” from clause (i) thereof and replacing it with the phrase “September 14, 2022” and (ii) deleting clause (A) therefrom and replacing it with the following:

“(A) such Indebtedness has, or has been refinanced to have, a maturity date six months or more after the scheduled Maturity Date”.

(u) The defined term “**Mortgaged Property**” in Section 1.01 is amended by deleting the period at the end thereof and replacing it with the phrase “; provided that, notwithstanding anything in this Agreement or any other Loan Document to the contrary, (i) Excluded Property and (ii) Real Property located in the United States, in the case of clauses (i) and (ii), shall not constitute, and shall not be required to become, Mortgaged Property.”.

(v) The defined term “**Permitted Customer Account Financing**” in Section 1.01 is amended by (i) adding the phrase “(or, in the case of any representation or warranty that is qualified as to materiality, “Material Adverse Effect” or similar language, in all respects)” immediately after the phrase “true and correct in all material respects” in clause (i) thereof, and (ii) deleting clause (iii) thereof and replacing it with the phrase “(iii) the number of Account Debtors whose Accounts are at any time subject to Permitted Customer Account Financings shall be limited to seven; provided that all Affiliates of an Account Debtor shall be deemed to be a single Account Debtor for purposes of this definition”.

(w) The defined term “**Permitted German Alternative Financing**” in Section 1.01 is amended by adding the phrase “(or, in the case of any representation or warranty that is qualified as to materiality, “Material Adverse Effect” or similar language, in all respects)” immediately after the phrase “true and correct in all material respects” in clause (i) thereof.

(x) The defined term “**Permitted Holdings Amalgamation**” in Section 1.01 is amended by adding the phrase “(or, in the case of any representation or warranty that is qualified as to materiality, “Material Adverse Effect” or similar language, in all respects)” immediately after the phrase “true and correct in all material respects” in clause (i) thereof.

(y) The defined term “**Permitted Novelis Switzerland Financing**” in Section 1.01 is amended by adding the phrase “(or, in the case of any representation or warranty that is qualified as to materiality, “Material Adverse Effect” or similar language, in all respects)” immediately after the phrase “true and correct in all material respects” in clause (ii) thereof.

(z) The defined term “**person**” or “**Person**” is amended by deleting the period at the end thereof and replacing it with the phrase “, including any territory or country.”.

(aa) The defined term “**Related Parties**” in Section 1.01 is amended and restated in its entirety as follows:

“**Related Parties**” means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents, trustees, administrators, managers, advisors and representatives of such Person and of such Person’s Affiliates.”

(bb) The defined term “**Sanctioned Person**” in Section 1.01 is amended and restated in its entirety as follows:

“**Sanctioned Person**” means any Person that is a target of Sanctions, including without limitation, a Person that is: (a) listed on OFAC’s Specially Designated Nationals (SDN) and Blocked Persons List; (b) listed on OFAC’s Consolidated Sanctions List; (c) a legal entity that is deemed by OFAC to be a Sanctions target based on the ownership of such legal entity by Sanctioned Person(s); or (d) a Person that is a Sanctions target pursuant to any territorial or country-based Sanctions program.”

(cc) The defined term “**Sanctions**” in Section 1.01 is amended and restated in its entirety as follows:

“**Sanctions**” or “**Sanction**” means individually and collectively, respectively, any and all economic or financial sanctions, sectoral sanctions, secondary sanctions, trade embargoes and anti-terrorism laws imposed, administered or enforced from time to time by: (a) the United States of America, including those administered by the U.S. Treasury Department Office of Foreign Assets Control (OFAC), the U.S. State Department, the U.S. Department of Commerce, or through any existing or future Executive Order, (b) the United Nations Security Council, (c) the European Union, (d) the United Kingdom, or (e) any other governmental authorities with jurisdiction over any Credit Party or its Subsidiaries or their respective Related Parties.”

(dd) The defined term “**Subsidiary**” in Section 1.01 is amended by (i) adding “(A)” before the word “Logan” in the last sentence of such definition, and (ii) deleting the period at the end of the last sentence in such definition and replacing it with the following:

“and (B) (i) except as set forth in clause (ii) below, Ulsan JV Subsidiary shall not be treated as a Subsidiary hereunder or under the other Loan Documents at any time that (x) Holdings directly or indirectly owns Equity Interests in Ulsan JV Subsidiary and (y) Holdings or any of its Subsidiaries has the right to elect no more than half of the directors of Ulsan JV Subsidiary and (ii) regardless of whether Ulsan JV Subsidiary is a Subsidiary, the financial results of Ulsan JV Subsidiary shall be included in all consolidated financial results of Novelis Inc. and its Subsidiaries to the extent Novelis Inc. consolidates the results of Ulsan JV Subsidiary in its financial statements in accordance with U.S. GAAP.”

(ee) The defined term “**Swiss Qualifying Bank**” in Section 1.01 is amended by deleting the phrase “No. S-02.130(4.99)” and replacing it with the phrase “No. S-02.130.1(4.99)”.

(ff) The defined term “**Syndication Period**” in Section 1.01 is deleted in its entirety.

(gg) The defined term “**Total Adjusted Borrowing Base**” in Section 1.01 is amended and restated in its entirety as follows:

“**Total Adjusted Borrowing Base**” shall mean, at any time, the sum of (i) the U.S. Borrowing Base at such time, plus (ii) the Canadian Borrowing Base at such time, plus (iii) the lesser of (A) the U.K. Borrowing Base and (B) 50% of the aggregate Revolving Commitments, minus (without duplication) (iv) Reserves against the Total Borrowing Base or any component thereof (other than the German Borrowing Base and the Swiss Borrowing Base).

(hh) The defined term “**Total Adjusted Borrowing Base (German)**” in Section 1.01 is amended and restated in its entirety as follows:

“**Total Adjusted Borrowing Base (German)**” shall mean, at any time, the sum of (i) the U.S. Borrowing Base at such time, plus (ii) the Canadian Borrowing Base at such time, plus (iii) the lesser of (A)(I) the U.K. Borrowing Base plus (II) the Swiss Borrowing Base and (B) 50% of the aggregate Revolving Commitments, minus (without duplication) (iv) Reserves against the Total Borrowing Base or any component thereof (other than the German Borrowing Base).

(ii) The defined term “**Total Adjusted Borrowing Base (Swiss)**” in Section 1.01 is amended and restated in its entirety as follows:

“**Total Adjusted Borrowing Base (Swiss)**” shall mean, at any time, the sum of (i) the U.S. Borrowing Base at such time, plus (ii) the Canadian Borrowing Base at such time, plus (iii) the lesser of (A)(I) the U.K. Borrowing Base plus (II) the German Borrowing Base and (B) 50% of the aggregate Revolving Commitments, minus (without duplication) (iv) Reserves against the Total Borrowing Base or any component thereof (other than the Swiss Borrowing Base).

(jj) Section 1.04 is amended by adding the following after the last sentence in such section:

“Notwithstanding anything to the contrary in this Agreement, regardless of whether Ulsan JV Subsidiary is a Subsidiary, the financial results of Ulsan JV Subsidiary shall be included in all consolidated financial results of Novelis Inc. and its Subsidiaries to the extent Novelis Inc. consolidates the results of Ulsan JV Subsidiary in its financial statements in accordance with U.S. GAAP. Notwithstanding anything to the contrary in this Agreement, nothing in this Agreement shall be deemed to require the consolidation of Ulsan JV Subsidiary into the consolidated financial results of the Parent Borrower to the extent not required under U.S. GAAP.”

(kk) Section 2.02(c) is amended by deleting the phrase “(11:00 a.m., London time in the case of Revolving Loans made in GBP or Euros)” and replacing it with the phrase “(1:00 p.m., London time in the case of Revolving Loans made in GBP or Euros)”.

(ll) Section 2.18(b) is amended by (i) amending and restating the second sentence of clause (i) thereof as follows:

“The obligation of Borrowers to reimburse the applicable Issuing Bank for any payment made under a Letter of Credit shall be absolute, unconditional, irrevocable, and joint and several, and shall be paid without regard to any lack of validity or enforceability of any Letter of Credit or this Agreement (or any term or provision therein or herein); or the the existence of any claim, setoff, defense or other right that Borrowers may have at any time against the beneficiary or against the Issuing Bank; any draft, certificate or other document presented under a Letter of Credit having been determined to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; or any other event or circumstances which might constitute a legal or equitable discharge or provide a right of setoff against the Borrowers’ reimbursement obligation.”,

(ii) adding the following sentence at the end of clause (iv) thereof:

“Except as otherwise provided herein, Borrowers shall indemnify each Issuing Bank for all losses (except losses resulting from such Issuing Bank’s actual gross negligence or willful misconduct (as determined by a court of competent jurisdiction in a non-appealable decision)) incurred in connection with the issuance of Letters of Credit, the use of the proceeds therefrom, and any refusal by such Issuing Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit.”,

and (iii) adding the following sentence immediately after the second sentence of clause (v) thereof:

“With respect to documents presented which appear on their face to substantially comply with the terms of a Letter of Credit, each Issuing Bank may, in its sole

discretion provided such Issuing Bank's conduct in exercising such discretion is in accordance with standard letter of credit practice, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.”.

(mm) Section 2.18(c) is amended by deleting the “or” immediately prior to clause (c) thereof and adding the phrase “or (d) upon the termination of this Agreement” immediately after the phrase “within 20 Business Days prior to the Maturity Date”.

(nn) Section 2.18(e) is amended by deleting the second proviso thereto and replacing it with the following:

“ provided, further, that Bank of America, N.A. and HSBC Bank USA, N.A. are each hereby designated as an additional Issuing Bank”.

(oo) Section 2.18(g) is amended and restated in its entirety as follows:

“(g) Issuance Through Affiliates. At an Issuing Bank's discretion (with the prior consent of the Parent Borrower, which shall not be unreasonably withheld), one or more Letters of Credit may be issued by an Affiliate of such Issuing Bank (in which case “**Issuing Bank**” shall, with respect to such Letter of Credit, mean such Affiliate). If and to the extent an Affiliate of the Issuing Bank issues a Letter of Credit such Affiliate shall be an express third party beneficiary of this Agreement with respect to this Section 2.18, and entitled to enforce its rights hereunder as if it were a party hereto.”.

(pp) Section 2.23(b)(iv) is amended by deleting the phrase “Section 2.12” and replacing it with the phrase “Section 2.12 or Section 2.13”.

(qq) Section 3.04(b) is amended by deleting the phrase “March 31, 2014” and replacing it with the phrase “March 31, 2017”.

(rr) Section 3.05(c) is amended by deleting the following phrase from such section:

“No Mortgage encumbers improved Real Property located in the United States that is located in an area that has been identified by the Secretary of Housing and Urban Development as an area having special flood hazards within the meaning of the National Flood Insurance Act of 1968 unless flood insurance available under such Act has been obtained in accordance with Section 5.04.”.

(ss) Section 3.22 is amended and restated in its entirety as follows, with corresponding changes made to the Table of Contents to reflect the new heading of Section 3.22:

“**Sanctions**. No Credit Party and none of its Restricted Subsidiaries or, to each Credit Party's knowledge, their respective Related Parties (a) is a Sanctioned Person, (b) is controlled by or is acting on behalf of a Sanctioned Person, (c) is under

investigation for an alleged breach of Sanction(s) by a governmental authority that enforces Sanctions, or (d) will fund any repayment of the credit with proceeds derived from any transaction that would be prohibited by Sanctions or, to the knowledge of any Credit Party, would otherwise cause the Lender or any other party to this Agreement to be in breach of any Sanctions. A Credit Party will notify the Lender and Administrative Agent in writing not more than five (5) Business Days after becoming aware of any breach of this section.”

(tt) Section 4.02(c) is amended by adding the phrase “(or, in the case of any representation or warranty that is qualified as to materiality, “Material Adverse Effect” or similar language, in all respects)” immediately after each occurrence of the phrase “in all material respects”.

(uu) Section 5.01(a) is amended by adding the phrase “(and in any case not less than one time in each calendar year)” immediately after the phrase “(including, if applicable, any extension permitted under Rule 12b-25 of the Exchange Act), after the end of each fiscal year”.

(vv) Section 5.01 is amended by deleting clause (c) thereof and replacing it with the following:

“(c) [Reserved].”

(ww) Section 5.04(c) is amended by deleting clause (c) thereof and replacing it with the following:

“(c) [Reserved].”

(xx) Section 5.07(c) is amended and restated in its entirety as follows:

“(c) The Loan Parties shall cooperate fully with the Collateral Agent and its agents during all Collateral field audits and Inventory Appraisals, which shall be at the expense of Borrowers and shall be conducted (x) annually, (y) after the occurrence of a Reporting Trigger Event, so long as such field audit or Inventory Appraisal has commenced or been scheduled, or the auditors and/or appraisers have been engaged, on or prior to the date that is the later of (i) 90 days after the occurrence of such Reporting Trigger Event and (ii) the date that a Reporting Recovery Event occurs, if requested by the Collateral Agent, semi-annually, or (z) following the occurrence and during the continuation of an Event of Default, more frequently at Collateral Agent’s reasonable request.”

(yy) Section 5.11(c) is amended by adding the following phrase immediately after each occurrence of the phrase “Real Property” therein:

“located outside of the United States”.

(zz) Section 5.12 is amended by adding the following phrase immediately after the phrase “Real Property of any Loan Party constituting Collateral” in the last sentence of such section:

“(it being understood that Real Property located in the United States shall not constitute, or be required to become, Collateral)”.

(aaa) Section 5.16 is amended and restated in its entirety as follows, with corresponding changes made to the Table of Contents to reflect the new heading of Section 5.16:

“**Post-Closing Covenants.** Execute and deliver the documents and complete the tasks and take the other actions set forth on Schedule 5.16 of Amendment No. 1, in each case within the time limits specified on such Schedule.

(bbb) Section 6.01(b) is amended by clause (i) thereof and replacing it with the following:

“(i) Indebtedness outstanding on the Amendment No. 1 Effective Date and listed on Schedule 6.01(b) to Amendment No. 1, and Permitted Refinancings thereof,”

(ccc) Section 6.01(e) is amended by deleting each reference to the phrase “\$750,000,000” and replacing it with the phrase “the greater of (x) 15% of Consolidated Net Tangible Assets and (y) \$750,000,000”.

(ddd) Section 6.01(m) is amended by deleting each reference to the phrase “\$750,000,000” and replacing it with the phrase “the greater of (x) 15% of Consolidated Net Tangible Assets and (y) \$750,000,000”.

(eee) Section 6.01(y) is amended by deleting the phrase “\$500,000,000” and replacing it with the phrase “the greater of (x) 10% of Consolidated Net Tangible Assets and (y) \$500,000,000”.

(fff) Section 6.01(cc) is amended by deleting the phrase “\$150,000,000” and replacing it with the phrase “the greater of (x) 3% of Consolidated Net Tangible Assets and (y) \$150,000,000”.

(ggg) Section 6.02(c) is amended and restated in its entirety as follows:

“(c) any Lien in existence on the Amendment No. 1 Effective Date and set forth on Schedule 6.02(c) to Amendment No. 1 that does not attach to the Accounts and Inventory of any Borrower or Borrowing Base Guarantor and any Lien granted as a replacement, renewal or substitution therefor; provided that any such replacement, renewal or substitute Lien (i) does not secure an aggregate amount of Indebtedness, if any, greater than that secured on the Amendment No. 1 Effective Date (including undrawn commitments thereunder in effect on the Amendment No. 1 Effective Date, accrued and unpaid interest thereon and fees and premiums payable in connection with a Permitted Refinancing of the Indebtedness secured by such Lien) and (ii) does not encumber any property other than the property subject thereto on the Amendment No. 1 Effective Date (any such Lien, an “**Existing Lien**”);”

(hhh) Section 6.02(u) is amended by deleting the phrase “\$50,000,000” and replacing it with the phrase “the greater of (x) 2% of Consolidated Net Tangible Assets and (y) \$100,000,000”.

(iii) Section 6.03 is amended by deleting clause (iii) thereof and replacing it with the following:

“(iii) after giving effect to such Sale and Leaseback Transaction, the aggregate fair market value of all properties covered by Sale and Leaseback Transactions entered into would not exceed (A) in the case of a Sale and Leaseback Transaction constituting Indebtedness incurred pursuant to Section 6.01(cc), the greater of (x) \$150,000,000 and (y) 3% of Consolidated Net Tangible Assets at any time and (B) in the case of all other Sale and Leaseback Transactions, the greater of (x) \$250,000,000 and (y) 5% of Consolidated Net Tangible Assets.”.

(jjj) Section 6.04(a) is amended by deleting the phrase “\$75,000,000” and replacing it with the phrase “the greater of (x) 1.5% of Consolidated Net Tangible Assets and (y) \$75,000,000”.

(kkk) Section 6.04(b) is amended and restated in its entirety as follows:

“(b) Investments outstanding on the Amendment No. 1 Effective Date and identified on Schedule 6.04(b) to Amendment No. 1;”

(lll) Section 6.04(i) is amended by deleting the phrase “\$100,000,000” and replacing it with the phrase “the greater of (x) 2% of Consolidated Net Tangible Assets and (y) \$100,000,000”.

(mmm) Section 6.04 is amended by (i) deleting the word “and” at the end of subsection 6.04(t), and (ii) adding as a new subsection 6.04(v) and a new subsection 6.04(w) the following:

“(v) Investments consisting of (i) unsecured guaranties by Novelis Inc. of NKL’s indemnification obligations owing to (x) the Ulsan JV Subsidiary attributable to employment-related claims or claims of former employees of NKL, and (y) the Ulsan Joint Venture Partner for losses of the Ulsan Joint Venture Partner arising from NKL’s breach of representations, warranties and covenants applicable to NKL under the Ulsan Sale Agreement; provided that Novelis Inc.’s maximum aggregate liability under the guaranties described in this clause (i) shall not exceed \$157,500,000, and (ii) an unsecured guaranty by Novelis Inc. of NKL’s indemnification obligations owing to the Ulsan JV Subsidiary for losses of the Ulsan JV Subsidiary arising from environmental liabilities that relate to actions occurring prior to the closing of the Ulsan Share Sale; provided that Novelis Inc.’s maximum aggregate liability under the guaranty described in this clause (ii) shall not exceed \$157,500,000;” and

“(w) Investments in Ulsan JV Subsidiary in an aggregate amount not to exceed ₩125,000,000,000 at any time outstanding;”.

(nnn) Section 6.06(e) is amended by deleting each reference to the phrase “\$750,000,000” and replacing it with the phrase “the greater of (x) 15% of Consolidated Net Tangible Assets and (y) \$750,000,000”.

(ooo) Section 6.06(h) is amended by deleting the phrase “\$100,000,000” and replacing it with the phrase “the greater of (x) 2% of Consolidated Net Tangible Assets and (y) \$100,000,000”.

(ppp) Section 6.06(i) is amended by (i) deleting the first instance of the phrase “\$50,000,000” and replacing it with the phrase “the greater of (x) 1% of Consolidated Net Tangible Assets and (y) \$50,000,000” and (ii) deleting the phrase “such \$50,000,000 aggregate cap will not

apply to such Asset Swap” and replacing it with “the aggregate cap in clause (iii) above will not apply to such Asset Swap”.

(qqq) Section 6.06(r) is amended by deleting each reference to the phrase “\$750,000,000” and replacing it with the phrase “the greater of (x) 15% of Consolidated Net Tangible Assets and (y) \$750,000,000”.

(rrr) Section 6.06 is amended by (i) deleting the word “and” at the end of subsection 6.06(r), (ii) deleting the period at the end of subsection 6.06(s) and replacing it with a semicolon, (iii) adding as a new subsection 6.06(t) “any sale, lease transfer or other disposition in connection with any industrial revenue bond or similar program that does not result in the recognition of the sale or the asset transfer in accordance with GAAP, or any similar transaction;” and (iv) adding a new subsection 6.06(u) and a new subsection 6.06(v) as follows:

“(u) the Ulsan Share Sale; and

(v) the NKL Share Repurchase.”

(sss) Section 6.17 is amended and restated in its entirety as follows:

“**Fiscal Year.** Change its fiscal year-end to a date other than March 31; provided that, upon at least 30 Business Days’ prior written notice to the Administrative Agent (or such shorter period as may be determined by the Administrative Agent in its sole discretion), each of Holdings and its Subsidiaries shall be permitted to change its fiscal year-end to December 31 at any time on or after the date that Hindalco changes its fiscal year-end to December 31, in which case the Loan Parties and the Administrative Agent will, and are hereby authorized by the other Agents, the Lenders and the Issuing Banks to, make any adjustments to this Agreement and the other Loan Documents that are reasonably requested by the Administrative Agent or are necessary to reflect such change in fiscal year-end.”

(ttt) Section 6.18 is amended by deleting the phrase “Use the proceeds of any Loans” and replacing it with the phrase “Use the proceeds of any Loans or any drawings under a Letter of Credit”.

(uuu) Section 6.19 is amended by (i) deleting the word “and” immediately before the reference to clause (5) therein, (ii) adding the phrase “Standard Factoring Undertakings and Standard Securitization Undertakings in connection with transactions otherwise permitted hereunder and (6)” immediately after “(5)”, and (ii) adding the phrase “or restricts assignment, pursuant to customary provisions, of any other agreement entered into in the ordinary course of business,” at the end of clause Section (c) therein.

(vvv) Section 6.20 is amended and restated in its entirety as follows, with corresponding changes made to the Table of Contents to reflect the new heading of Section 6.20:

“**Compliance with Anti-Money Laundering Laws and Anti-Corruption Laws.** Each Credit Party, its Restricted Subsidiaries and their respective Related Parties shall: (a) comply in all material respects with all applicable Anti-Money Laundering Laws and Anti-Corruption Laws, and shall maintain policies and procedures

reasonably designed to ensure compliance with the Anti-Money Laundering Laws and Anti-Corruption Laws, (b) ensure it does not use, directly or indirectly, any part of the proceeds of the Loans or any Letter of Credit in violation of any Anti-Corruption Laws or Anti-Money Laundering Law, and (c) ensure it does not fund any repayment of any Loan or LC Obligation in violation of any Anti-Corruption Laws or Anti-Money Laundering Laws. Each Credit Party shall, upon the request of the Administrative Agent from time to time, provide certification and other reasonably requested evidence of such Credit Party's compliance with this section."

(www) Section 6.21 is amended and restated in its entirety as follows, with corresponding changes made to the Table of Contents to reflect the new heading of Section 6.21:

Compliance with Sanctions. No Credit Party and none of its Restricted Subsidiaries or, to each Credit Party's knowledge, their respective Related Parties will, directly or indirectly, use the proceeds of any Loan or any drawing under any Letter of Credit hereunder, or lend, contribute, or otherwise make available such proceeds to any subsidiary, joint venture partner, or other Person (i) to fund any activities or business of or with a Sanctioned Person in any manner violative of any Sanctions, or (ii) in any manner that would be prohibited by Sanctions or, to the knowledge of any Credit Party, would otherwise cause the Lender to be in breach of any Sanctions. Each Credit Party shall comply with Sanctions and shall maintain policies and procedures reasonably designed to ensure compliance with Sanctions."

(xxx) Section 8.01(d)(i) is amended by deleting the word "and" immediately prior to the phrase "ARTICLE VI" and replacing it with the word "or".

(yyy) Section 9.01(d) is amended by deleting the phrase "that are not a part of the Cash Management Systems" from clause (A) thereof.

(zzz) Section 9.02(f) is amended by deleting each reference to the word "Covenant" therein and replacing them with the word "Reporting".

(aaaa) Section 9.03(a) is amended by (i) amending and restating the first proviso thereto as follows: "provided that, if during the first month of any fiscal quarter the Total Revolving Exposure does not at any time exceed 25% of the Total Borrowing Base (as reported in the Borrowing Base Certificate most recently delivered pursuant to the terms of this Agreement) and no Default is then continuing, the Administrative Borrower shall not be required to deliver a Borrowing Base Certificate with regard to such month;" and (ii) deleting the phrase "In addition, the Administrative Borrower shall promptly (and in any event within five (5) Business Days) provide to the Collateral Agent and the Administrative Agent an updated Borrowing Base Certificate after the occurrence of" and replacing it with the phrase "In addition, the Administrative Borrower shall promptly (and in any event within five (5) Business Days) after the occurrence thereof provide to the Collateral Agent and the Administrative Agent a revision to the most recently delivered Borrowing Base Certificate, which revised certificate shall report the Borrowing Base as of the last day of the month (or week, after the occurrence of a Covenant Trigger Event and until the occurrence of a corresponding Covenant Recovery Event) covered by such certificate, demonstrating the pro forma effect of the following on the Borrowing Base:".

(bbbb) Section 9.03(c) is amended by (i) deleting the phrase “Covenant Trigger Event” and replacing it with the phrase “Reporting Trigger Event” and (ii) deleting the phrase “Cash Dominion” and replacing it with the word “Reporting”.

(cccc) Section 9.03(e) is amended by deleting each reference to the word “Covenant” and replacing them with the word “Reporting”.

(dddd) Section 10.01(a) is amended by adding the following sentence at the end thereof:

“Pursuant to article 1161 of the French *code civil*, the Lenders hereby expressly authorize the French Collateral Agent to act on the behalf and for the account of the Lenders and in its own name and for its own account as creditor under the Parallel Debt provision set forth in Section 11.24, in connection with the performance of the Loan Documents.”.

(eeee) Section 10.02(a) is amended by (i) deleting the word “or” immediately prior to clause (g) and adding the following phrase at the end thereof (prior to giving effect to the following clause (ii)): “or (h) to the extent such Lien attaches to property that would otherwise constitute Excluded Property” and (ii) adding the following two sentences at the end thereof:

“As of the Amendment No. 1 Effective Date, notwithstanding anything to the contrary in the Intercreditor Agreement, and as permitted by Section 2.4(b)(i) of the Intercreditor Agreement, each Secured Party hereby unconditionally (i) (x) terminates each Mortgage in respect of Real Property located in the United States, Quebec, and the Ouro Preto Real Property located in Brazil, and (y) releases (1) the equipment and inventory owned by the Brazilian Guarantor that is located in Ouro Preto Brazil, and (2) the Real Property located in the United States, Quebec, and the Ouro Preto Real Property located in Brazil, in the case of clauses (1) and (2), from securing the Secured Obligations, and agrees that such Real Property and such Brazilian inventory and equipment shall not constitute “Collateral” or “Mortgaged Property” for any purposes hereunder or under any other Loan Document, and (ii) authorizes and directs (x) the Administrative Agent or the Collateral Agent, as applicable, at the Borrowers’ sole cost and expense, promptly upon receipt thereof, to execute and deliver to the Parent Borrower documents and agreements that release and discharge the Mortgages and Liens encumbering the Real Property located in the United States, Quebec, and the Ouro Preto Real Property located in Brazil, and to otherwise evidence the release and discharge of the equipment and inventory owned by the Brazilian Guarantor that is located in Ouro Preto Brazil, and (y) any Borrower or any of its Subsidiaries to record or cause any title company, attorney, or other Person to record such documents and agreements effecting such releases and discharges in the United States, Quebec and Brazilian land title records (or local equivalent) and, in the case of such Brazilian inventory and equipment, any applicable filing offices in Brazil, in each case as determined by such Borrower or such Subsidiary. Each Secured Party acknowledges as of the Amendment No. 1 Effective Date, that mortgages over Real Property located in the United States in favor of the Term Loan Administrative Agent or the Term Loan

Collateral Agent, as the case may be, shall remain in full force and effect, irrespective of the releases described in the immediately preceding sentence, and that no mortgages over Real Property located in the United States shall be entered into to secure the Secured Obligations from and after the Amendment No. 1 Effective Date.”.

(ffff) Section 10.05 is amended by adding the following sentence immediately after the first sentence thereof:

“In no event shall any Lender have any obligation thereunder to indemnify or hold harmless any Agent Indemnitee with respect to a Claim that is determined in a final, non-appealable judgment by a court of competent jurisdiction to result from the gross negligence or willful misconduct of such Indemnitee.”.

(gggg) Section 11.02(b)(iv) is amended by deleting the word “or” immediately prior to clause (v) thereof and adding the following clauses (vi) and (vii) at the end thereof:

“(vi) permit or require mortgages or other security over Real Property located in the United States, or otherwise amend the definitions of Excluded Property or Collateral to include Real Property located in the United States, or (vii) except pursuant to the Intercreditor Agreement, release Holdings or all or substantially all of the Subsidiary Guarantors from their Guarantees (except as provided in this Agreement (including, without limitation, Section 7.09) or as otherwise expressly provided by any such Guarantee), or limit their liability in respect of such Guarantees”.

(hhhh) Section 11.04(c)(i) is amended by adding the phrase “a U.S.-based Affiliate of a Lender or an Approved Fund,” immediately after the phrase “ in the case of a partial assignment to a Person other than a Lender,”.

(iiii) Section 11.04(c)(iii) is amended by deleting the phrase “article 1278 *et seq.* of the French Code *civil*” and replacing it with the phrase “article 1334 *et seq.* of the French *code civil*”.

(jjjj) Section 11.09(b) is amended by deleting the phrase “**NONEXCLUSIVE JURISDICTION**” and replacing it with the phrase “**EXCLUSIVE JURISDICTION**”.

(kkkk) Section 11.16 is amended by adding the following sentence at the end thereof:

“Notwithstanding anything herein to the contrary, each party hereby acknowledges that the provisions of article 1195 of the French *code civil* shall not apply to it with respect to its obligations under the French Security Agreements and that it shall not be entitled to make any claim under article 1195 of the French *code civil*.”

(llll) Article XI is amended by adding a new Section 11.35 at the end thereof as follows:

“**SECTION 11.35 Acknowledgement and Consent to Bail-In of EEA Financial Institutions.** Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject

to the write-down and conversion powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-In Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority.”.

(mmmm) Article XI is amended by adding a new Section 11.36 as follows:

“**SECTION 11.36 Lender Authorizations with respect to the NKL Share Repurchase.** The Lenders authorize and direct, in connection with the NKL Share Repurchase, the Collateral Agent to return any share certificates representing Equity Interests in NKL and sign any documentation required to give effect to the NKL Share Repurchase; provided, that after giving effect to the NKL Share Repurchase, certificates representing 100% of the Equity Interests in NKL held by Loan Parties are promptly delivered to the Term Loan Collateral Agent or its counsel along with such other documentation required to pledge such Equity Interests as Collateral.”.

(nnnn) Annex I is amended and restated in its entirety by Annex I attached hereto

(oooo) Annex II is amended and restated in its entirety as follows:

“Applicable Margin

<u>Average Quarterly Excess Availability</u>	<u>Eurocurrency</u>	<u>EURIBOR</u>	<u>Base Rate</u>
Level I Greater than or equal to 50% of the aggregate Commitments	1.25%	1.25%	0.25%
Level II Less than 50% and equal to or greater than 33% of the aggregate Commitments	1.50%	1.50%	0.50%
Level III Less than 33% of the aggregate Commitments	1.75%	1.75%	0.75%

Until December 31, 2017, the Applicable Margin shall be determined based upon Level II. Thereafter, the Applicable Margin shall be subject to increase or decrease as of the first day of each fiscal quarter based on Average Quarterly Excess Availability for the preceding fiscal quarter. If the first Borrowing Base Certificate in any fiscal quarter is not received by the date required under Section 9.03, then, at the option of the Administrative Agent or Required Lenders, the margins shall be determined as if Level III were applicable, from such day until the first day of the calendar month following actual receipt.”.

(pppp) Schedule 3.17 “Pension Matters” is amended and restated in its entirety by Schedule 3.17 attached hereto.

(qqqq) Schedule 6.01(b) “Existing Indebtedness” is amended and restated in its entirety by Schedule 6.01(b) attached hereto.

(rrrr) Schedule 6.02(c) “Existing Liens” is amended and restated in its entirety by Schedule 6.02(c) attached hereto.

(ssss) Schedule 6.04(b) “Existing Investments” is amended and restated in its entirety by Schedule 6.04(b) attached hereto.

Section 5. Conditions Precedent to Effectiveness of this Amendment. This Amendment shall become effective as of the first date (the “**Amendment Effective Date**”) on which each of the following conditions precedent shall have been satisfied, or duly waived by the Lenders:

(a) Certain Documents. The Administrative Agent shall have received each of the following, in form and substance satisfactory to the Administrative Agent and each of the Lenders:

(i) Loan Documents. Executed counterparts of each of the following, properly executed by a Responsible Officer of each applicable signing Person:

(A) this Amendment, duly executed by each of the Loan Parties, the Third Party Security Provider, the Lenders, the Issuing Banks, the Administrative Agent, the Collateral Agent, and the European Swingline Lender;

(B) a Borrowing Base Certificate, dated the Amendment Effective Date and certifying the Borrowing Base as of August 31, 2017 (after giving effect to this Amendment);

(C) to the extent applicable, a Note executed by each applicable Borrower in favor of each Lender that has requested a Note prior to the Amendment Effective Date;

(D) such amendments to, amendments and restatements of, or confirmations or reaffirmations of, or supplements to, existing Security Documents or other Loan Documents, such additional Security Document, Loan Documents or other filings, renewals of filings, searches or actions, in each case as the Administrative Agent or the Collateral Agent may require in connection with this Amendment; provided that the foregoing shall not be required in respect of Real Property located in the United States;

(E) each New Lender shall execute and deliver to the Administrative Agent (1) a Swiss Qualifying Bank representation letter and (2) a UK withholding tax representation letter, in the case of clauses (1) and (2), in form and substance reasonably satisfactory to the Administrative Agent; and

(F) Mortgage releases, dated as of the Amendment Effective Date, in form and substance reasonably acceptable to the Administrative Agent, in respect of all Real Property located in the United States that is secured by a Mortgage in favor of the Administrative Agent or the Collateral Agent.

(ii) Corporate Documents.

(A) a certificate of the secretary, assistant secretary or managing director (where applicable) of each Loan Party dated the Amendment Effective Date, certifying (1) that attached thereto is a true and complete copy of each Organizational Document (or its equivalent including the constitutional documents) of such Loan Party certified (to the extent customary in the applicable jurisdiction) as of a recent date by the Secretary of State (or equivalent Governmental Authority) of the jurisdiction of its organization, (2) that attached thereto is a true and complete copy of resolutions duly adopted by the Board of Directors and/or shareholders, as applicable, of such Loan Party authorizing the execution, delivery and performance of the Loan Documents to which such person is a party and, in the case of the Borrowers, the borrowings under the Credit Agreement, and

that such resolutions, or any other document attached thereto, have not been modified, rescinded, amended or superseded and are in full force and effect, (3) as to the incumbency and specimen signature of each officer executing any Loan Document or any other document delivered in connection herewith on behalf of such Loan Party (together with a certificate of another officer as to the incumbency and specimen signature of the secretary, assistant secretary or managing director executing the certificate in this clause (A), and other customary evidence of incumbency) and (4) that the borrowing, guarantee, or granting of Liens with respect to the Loans or any of the other Secured Obligations would not cause any borrowing, guarantee, security or similar limit binding on any Loan Party to be exceeded;

(B) a certificate as to the good standing (where applicable, or such other customary functionally equivalent certificates or abstracts) of each Loan Party (in so-called “long-form” if available) as of a recent date, from such Secretary of State (or other applicable Governmental Authority);

(C) a certificate of the applicable Loan Parties confirming that the records of the applicable Loan Parties at the United Kingdom Companies House and each other relevant registrar of companies (or equivalent Governmental Authority) in the respective jurisdictions of organization of the Loan Parties are accurate, complete and up to date and that the latest relevant accounts have been duly filed, where applicable;

(D) if relevant, evidence that each Irish Guarantor has done all that is necessary to follow the procedures set out in section 82 of the Companies Act 2014 of Ireland in order to enable it to enter into the Loan Documents;

(E) evidence that each of the Loan Parties are members of the same group of companies consisting of a holding company and its subsidiaries for the purposes of Section 7 of the Companies Act 2014 of Ireland and Section 8 of the Companies Act 2014 of Ireland;

(F) up-to date certified copy of the constitutional documents (e.g., for a German GmbH: *Handelsregisterauszug, Gesellschaftsvertrag, Gesellschafterliste*) for each German Loan Party; and

(G) such other documents as the Lenders, the Issuing Banks or the Administrative Agent may reasonably request.

(iii) Officer’s Certificate. The Administrative Agent shall have received a certificate, dated the Amendment Effective Date and signed by a Responsible Officer of the Parent Borrower, certifying (i) compliance with the conditions precedent set forth in this Section 5, (ii) that no Default has occurred and is continuing, and (iii) that each of the representations and warranties made by any Loan Party set forth in Section 6 below or in any other Loan Document were true and correct in all material respects (or, in the case of any representation or warranty that is qualified as

to materiality, “Material Adverse Effect” or similar language, in all respects) on and as of the Amendment Effective Date, except to the extent such representations and warranties expressly related to an earlier date, in which case such representation and warranty shall have been true and correct in all material respects (or, in the case of any representation or warranty that is qualified as to materiality, “Material Adverse Effect” or similar language, in all respects) as of such earlier date.

(iv) Solvency Certificate. The Administrative Agent shall have received a solvency certificate in the form of Exhibit Q to the Credit Agreement (or in such other form as is satisfactory to the Administrative Agent to reflect applicable legal requirements), dated the Amendment Effective Date and signed by a senior Financial Officer of the Parent Borrower.

(b) Opinions of Counsel. The Administrative Agent shall have received, on behalf of itself, the other Agents, the Lenders and the Issuing Banks, (i) a favorable written opinion of Torys LLP, special counsel for the Loan Parties and (ii) a favorable written opinion of certain local and foreign counsel of the Loan Parties (or, in the case of Loan Documents governed by the laws of the United Arab Emirates or the Dubai International Financial Centre, foreign counsel of the Agents), in each case (A) dated the Amendment Effective Date, (B) addressed to the Agents, the Issuing Banks and the Lenders and (C) covering such matters relating to the Loan Documents and the Transactions as the Administrative Agent shall reasonably request.

(c) Applicable Law. The Administrative Agent shall be satisfied that Holdings, the Borrowers and their Subsidiaries and the Transactions shall be in full compliance with all material Applicable Law, including Regulations T, U and X of the Board, and shall have received satisfactory evidence of such compliance reasonably requested by them.

(d) Consents. All approvals of Governmental Authorities and third parties necessary to consummate the Transactions shall be obtained and shall be in full force and effect.

(e) Litigation. There shall be no governmental or judicial action, actual or threatened, that has or would have, singly or in the aggregate, a reasonable likelihood of restraining, preventing or imposing burdensome conditions on the Transactions.

(f) USA Patriot Act. The Arrangers, the Agents, the Issuing Banks and the Lenders shall have received, sufficiently in advance of the Amendment Effective Date, all documentation and other information that may be required by the Arrangers, the Agents, the Issuing Banks and the Lenders in order to enable compliance with applicable “know your customer” and anti-money laundering rules and regulations, including the Act (including, without limitation, the information described in Section 11.13 of the Credit Agreement).

(g) Payment of Interest, Fees, Costs, and Expenses.

(i) The Arrangers and Administrative Agent shall have received all fees and other amounts due and payable on or prior to the Amendment Effective Date, including, to the extent invoiced, reimbursement or payment of all reasonable out-of-pocket expenses (including the reasonable legal fees and expenses of Skadden, Arps, Slate, Meagher & Flom LLP, special counsel to the Agents, and the reasonable fees and expenses of any local counsel, foreign counsel, appraisers,

consultants and other advisors) required to be reimbursed or paid by any Loan Party hereunder or under any other Loan Document.

(ii) Each Agent, each Lender (including each Existing Lender that is not a Lender party to this Amendment), and each Issuing Bank shall have received all accrued and unpaid interest, fees and other amounts owing to such Person as of the Amendment Effective Date.

(h) Representations and Warranties. Each of the representations and warranties contained in Section 6 below and in any other Loan document shall be true and correct in all material respects (or, in the case of any representation or warranty that is qualified as to materiality, “Material Adverse Effect” or similar language, in all respects) on and as of the date hereof and the Administrative Agent shall have received a certificate of a Responsible Officer of the Parent Borrower, addressed to the Administrative Agent and dated as of the Amendment Effective Date, certifying the same.

(i) No Default or Event of Default. Before and after giving effect to this Amendment, no Default or Event of Default shall have occurred and be continuing and the Administrative Agent shall have received a certificate of a Responsible Officer of the Parent Borrower, addressed to the Administrative Agent and dated as of the Amendment Effective Date, certifying the same.

Notwithstanding the foregoing, to the extent that the execution and delivery of any document or the completion of any task or action is listed on Schedule 5.16 to Amendment No. 1, such item shall not be a condition precedent and shall instead be subject to Section 5.16 to Amendment No. 1.

Section 6. Representations and Warranties. Each Loan Party represents and warrants to the Administrative Agent and each Lender as follows:

(a) After giving effect to this Amendment, each of the representations and warranties in the Credit Agreement or in any other Loan Document are true and correct in all material respects (or, in the case of any representation or warranty that is qualified as to materiality, “Material Adverse Effect” or similar language, in all respects) on and as of the date hereof as though made on and as of such date, except to the extent that any such representation or warranty expressly relates to an earlier date, in which case such representations and warranties are true and correct in all material respects (or, in the case of any representation or warranty that is qualified as to materiality, “Material Adverse Effect” or similar language, in all respects) as of such earlier date.

(b) The execution and delivery by the Parent Borrower, each other Loan Party and the Third Party Security Provider of this Amendment, and the performance of this Amendment and the Amended Credit Agreement by the Parent Borrower, each other Loan Party and the Third Party Security Provider, in each case have been duly authorized by all requisite organizational action on its part and will not violate any of its Organizational Documents.

(c) This Amendment has been duly executed and delivered by the Parent Borrower, each other Loan Party and the Third Party Security Provider, and each of this Amendment and the Amended Credit Agreement constitutes the Parent Borrower’s, such Loan Party’s or such Third Party Security Provider’s, as applicable, legal, valid and binding obligation, enforceable against it in accordance with their terms, except as the same may be limited by bankruptcy, insolvency,

reorganization, moratorium or other similar laws affecting the rights of creditors generally and by general principles of equity.

(d) Before and after giving effect to this Amendment, no Default or Event of Default has occurred and is continuing as of the date hereof.

Section 7. Continuing Effect; Liens and Guarantees; No Novation.

(a) Each of the Loan Parties and the Third Party Security Provider hereby consents to this Amendment. Each of the Loan Parties and the Third Party Security Provider hereby acknowledges and agrees that all of its Secured Obligations, including all Liens and (in the case of the Loan Parties) Guarantees granted to the Secured Parties under the applicable Loan Documents, are ratified and reaffirmed and that such Liens and Guarantees shall continue in full force and effect on and after Amendment Effective Date to secure and support the Secured Obligations of the Parent Borrower and the Guarantors. Each of the Loan Parties hereby further ratifies and reaffirms the validity, enforceability and binding nature of the Secured Obligations.

(b) Holdings and each Subsidiary Guarantor hereby (i) acknowledges and agrees to the terms of this Amendment and (ii) confirms and agrees that, each of its Guarantee and any Foreign Guarantee is, and shall continue to be, in full force and effect, and shall apply to all Secured Obligations without defense, counterclaim or offset of any kind and each of its Guarantee and any such Foreign Guarantee is hereby ratified and confirmed in all respects. The Parent Borrower hereby confirms its liability for the Secured Obligations, without defense, counterclaim or offset of any kind.

(c) Holdings, the Parent Borrower, each other Loan Party and the Third Party Security Provider hereby ratifies and reaffirms the validity and enforceability (without defense, counterclaim or offset of any kind) of the Liens and security interests granted by it to the Collateral Agent for the benefit of the Secured Parties to secure any of the Secured Obligations by Holdings, the Parent Borrower, any other Loan Party and the Third Party Security Provider pursuant to the Loan Documents to which any of Holdings, the Parent Borrower, any other Loan Party or the Third Party Security Provider is a party and hereby confirms and agrees that notwithstanding the effectiveness of this Agreement, and except as expressly amended by this Agreement, each such Loan Document is, and shall continue to be, in full force and effect and each is hereby ratified and confirmed in all respects, except that, on and after the effectiveness of this Amendment, each reference in the Loan Documents to the "Credit Agreement", "thereunder", "thereof" (and each reference in the Credit Agreement to this "Agreement", "hereunder" or "hereof") or words of like import shall mean and be a reference to the Credit Agreement as amended by this Agreement.

(d) Without limiting the generality of this Section 7 or Section 8, (i) neither this Amendment, the Amended Credit Agreement, nor any other Loan Document entered into in connection herewith or therewith, shall extinguish the "Secured Obligations" (or any term of like import) as defined or referenced in each Security Agreement, or the "Secured Obligations" under and as defined in the Existing Credit Agreement (collectively, the "**Loan Document Secured Obligations**"), or discharge or release the priority of any Loan Document, and any security interest previously granted pursuant to each Loan Document is hereby reaffirmed and each such security interest continues in effect and secures the Loan Document Secured Obligations, (ii) nothing

contained herein, in the Amended Credit Agreement or any other Loan Document entered into in connection herewith or therewith shall be construed as a substitution or novation of all or any portion of the Loan Document Secured Obligations or instruments securing any of the foregoing, which shall remain in full force and effect and shall continue as obligations under the Amended Credit Agreement, and (iii) nothing implied in this Amendment, the Amended Credit Agreement or any other Loan Document entered into in connection herewith or therewith, or in any other document contemplated hereby or thereby shall be construed as a release or other discharge of any Loan Party or the Third Party Security Provider from any of its Loan Document Secured Obligations, it being understood that such obligations shall continue as obligations under the Amended Credit Agreement.

Section 8. U.S. Reaffirmation.

(a) The Reaffirming Parties hereby confirm their respective guarantees, assignments, pledges and grants of security interests, as applicable, under the U.S. Security Agreement, and agree that such guarantees, assignments, pledges and grants of security interests shall continue to be in full force and effect and shall accrue to the benefit of the Collateral Agent for the benefit of the Secured Parties.

(b) Each Reaffirming Party hereby confirms and agrees that the “Secured Obligations” (or any term of like import) as defined or referenced in the U.S. Security Agreement will include the “Secured Obligations” as defined in the Credit Agreement.

Section 9. Grant of Security Interest. In furtherance of the reaffirmations set forth in the preceding Section 8, each Reaffirming Party hereby pledges and grants to the Collateral Agent for the benefit of the Secured Parties, a lien on and security interest in all the right, title and interest of such Reaffirming Party in, to and under all Pledged Collateral (as defined in the U.S. Security Agreement) to secure payment and performance of the Secured Obligations. Each Reaffirming Party hereby irrevocably authorizes the Collateral Agent to file or record financing statements and, to the extent permitted or required hereunder or under the U.S. Security Agreement, other documents or instruments in order to ensure a perfected security interest in the Pledged Collateral owned by such Reaffirming Party. Any financing statement filed by the Collateral Agent may be filed in any filing office in any UCC jurisdiction and may (i) indicate the Reaffirming Party’s Pledged Collateral (1) as all assets of such Reaffirming Party or words of similar effect, regardless of whether any particular asset comprised in the Pledged Collateral falls within the scope of Article 9 of the UCC of such jurisdiction, or (2) by any other description which reasonably approximates the description contained in the U.S. Security Agreement, and (ii) contain any other information required by part 5 of Article 9 of the UCC for the sufficiency or filing office acceptance of any financing statement or amendment, including (A) whether such Reaffirming Party is an organization, the type of organization and any organization identification number issued to such Reaffirming Party, and (B) in the case of a financing statement filed as a fixture filing or indicating such Reaffirming Party’s Pledged Collateral as as-extracted collateral or timber to be cut, a sufficient description of real property to which the Pledged Collateral relates.

Section 10. Reference to and Effect on the Loan Documents.

(a) Except as expressly set forth in this Amendment, all of the terms and provisions of the Credit Agreement and the other Loan Documents (including all exhibits and schedules to each

of the Credit Agreement and the other Loan Documents) are and shall remain in full force and effect and are hereby ratified and confirmed. The Amendment provided for herein is limited to the specific provisions of the Credit Agreement specified herein and shall not constitute an amendment of, or an indication of the Administrative Agent's or any Lender's willingness to amend or waive, any other provisions of the Credit Agreement, any other provisions of the Credit Agreement as amended hereby, or the same sections or any provision of any other Loan Document for any other date or purpose.

(b) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of the Administrative Agent or any Lender under the Credit Agreement or any Loan Document, or constitute a waiver or amendment of any other provision of the Credit Agreement or any Loan Document except as and to the extent expressly set forth herein.

(c) The execution and delivery of this Amendment by any Loan Party or Third Party Security Provider shall not constitute a joinder by, or agreement to be bound by the terms of, any Loan Document to which such Loan Party or Third Party Security Provider is not a party.

(d) This Amendment shall constitute a Loan Document.

Section 11. Further Assurances. The Parent Borrower, each other Loan Party and the Third Party Security Provider hereby agrees to execute any and all further documents, agreements and instruments and take all further actions that the Administrative Agent deems reasonably necessary or advisable in connection with this Amendment, including to continue and maintain the effectiveness of the Liens and guarantees provided for under the Loan Documents, with the priority contemplated under the Loan Documents. The Administrative Agent and the Collateral Agent are hereby authorized by the Lenders to enter into all such further documents, agreements and instruments, and to file all financing statements deemed by the Administrative Agent to be reasonably necessary or advisable in connection with this Amendment.

Section 12. Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Receipt by the Administrative Agent of a facsimile copy or electronic image scan transmission (e.g., PDF via electronic email) of an executed signature page hereof shall constitute receipt by the Administrative Agent of an executed counterpart of this Amendment.

Section 13. Governing Law. This Amendment and the rights and obligations of the parties hereto shall be governed by, and construed and interpreted in accordance with, the law of the State of New York, without regard to conflicts of law principles that would require the application of the laws of another jurisdiction.

Section 14. Headings. Section headings contained in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purposes.

Section 15. **WAIVER OF JURY TRIAL.** EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE REQUIREMENTS OF LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AMENDMENT, ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY).

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers and members thereunto duly authorized, on the date first indicated above.

NOVELIS INC., as the Parent Borrower, Administrative Borrower and a Guarantor

By: /s/ Randal P. Miller
Name: Randal P. Miller
Title: Vice President and Treasurer

AV METALS INC., as Holdings

By: /s/ Randal P. Miller
Name: Randal P. Miller
Title: Authorized Signatory

NOVELIS CORPORATION, as a U.S. Borrower and a Guarantor

By: /s/ Randal P. Miller
Name: Randal P. Miller
Title: Assistant Treasurer

NOVELIS GLOBAL EMPLOYMENT ORGANIZATION, INC., as a U.S. Borrower and a Guarantor

By: /s/ Randal P. Miller
Name: Randal P. Miller
Title: Treasurer

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT]

NOVELIS SOUTH AMERICA HOLDINGS LLC, as a U.S. Borrower and a Guarantor

By: /s/ Randal P. Miller
Name: Randal P. Miller
Title: Treasurer

NOVELIS ACQUISITIONS LLC,
as a U.S. Borrower and a Guarantor

By: /s/ Randal P. Miller
Name: Randal P. Miller
Title: Treasurer

NOVELIS HOLDINGS INC.,
as a U.S. Borrower and a Guarantor

By: /s/ Randal P. Miller
Name: Randal P. Miller
Title: Treasurer

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT]

NOVELIS UK LTD, as U.K. Borrower and a Guarantor

By: /s/ Randal P. Miller

Name: Randal P. Miller

Title: Attorney

NOVELIS EUROPE HOLDINGS LIMITED,

as a U.K. Guarantor

By: /s/ Randal P. Miller

Name: Randal P. Miller

Title: Attorney

NOVELIS SERVICES LIMITED,

as a U.K. Guarantor

By: /s/ Randal P. Miller

Name: Randal P. Miller

Title: Attorney

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT]

NOVELIS AG, as Swiss Borrower, European Administrative Borrower and a Guarantor

By: /s/ Randal P. Miller
Name: Randal P. Miller
Title: Authorized Signatory

NOVELIS SWITZERLAND SA,
as a Swiss Guarantor

By: /s/ Randal P. Miller
Name: Randal P. Miller
Title: Authorized Signatory

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT]

4260848 CANADA INC., as a Canadian Guarantor

By: /s/ Randal P. Miller
Name: Randal P. Miller
Title: Authorized Signatory

4260856 CANADA INC., as a Canadian Guarantor

By: /s/ Randal P. Miller
Name: Randal P. Miller
Title: Authorized Signatory

8018227 CANADA INC., as a Canadian Guarantor

By: /s/ Randal P. Miller
Name: Randal P. Miller
Title: Authorized Signatory

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT]

SIGNED AND DELIVERED AS A DEED
for and on behalf of NOVELIS ALUMINIUM HOLDING UNLIMITED COMPANY
by its lawfully appointed attorney,
as Irish Guarantor
in the presence of:

By: /s/ Randal P. Miller
Name: Randal P. Miller
Title: Attorney

witness:

By: /s/ Shannon Curran
Name: Shannon Curran
Title: Sr. Legal Manager

Address: 3560 Lenox Road, Ste. 2000
Atlanta, GA 30326

Occupation: Paralegal

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT]

NOVELIS DEUTSCHLAND GMBH,
as German Borrower and a German Guarantor

By: /s/ Randal P. Miller
Name: Randal P. Miller
Title: Person Authorized by virtue of Power of Attorney

NOVELIS SHEET INGOT GMBH,
as a German Guarantor

By: /s/ Randal P. Miller
Name: Randal P. Miller
Title: Person Authorized by virtue of Power of Attorney

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT]

NOVELIS DO BRASIL LTDA.,
as Brazilian Guarantor

By: /s/ Randal P. Miller
Name: Randal P. Miller
Title: Attorney-in-Fact

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT]

NOVELIS PAE S.A.S., as French Guarantor

By: /s/ Randal P. Miller

Name: Randal P. Miller

Title: Attorney-in-Fact

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT]

NOVELIS MEA LTD, a Company Limited by Shares under the Companies Law of the Dubai
International Financial Centre,
as Dubai Guarantor

By: /s/ Randal P. Miller
Name: Randal P. Miller
Title: Authorized Signatory

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT]

NOVELIS ITALIA S.P.A., as Third Party Security
Provider

By: /s/ Randal P. Miller
Name: Randal P. Miller
Title: Attorney

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT]

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent, Collateral Agent, U.S. Swingline Lender and as a Lender

By: /s/ Dan Denton
Name: Dan Denton
Title: Vice President

WELLS FARGO BANK, N.A. (LONDON BRANCH), as European Swingline Lender

By: /s/ T Saldanha
Name: T Saldanha
Title: Authorized Signatory

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT]

Bank of America, N.A.,
as a Lender

By: /s/ John Olsen
Name: John Olsen
Title: Senior Vice President

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT]

CITIBANK, N.A.,
as a Lender

By: /s/ David G Foster
Name: David G. Foster
Title: Vice President

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT]

Bank of America, N.A.,
as an Issuing Bank

By: /s/ John Olsen
Name: John Olsen
Title: Senior Vice President

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT]

DEUTSCHE BANK AG NEW YORK BRANCH,
as a Lender

By: /s/ Marcus Tarkington
Name: Marcus Tarkington
Title: Director

By: /s/ Dusan Lazarov
Name: Dusan Lazarov
Title: Director

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT]

JPMORGAN CHASE BANK, N.A.,
as a Lender

By: /s/ James Shender
Name: James Shender
Title: Vice President

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT]

BNP Paribas,
as a Lender

By: /s/ Guelay Mese
Name: Guelay Mese
Title: Director

By: /s/ Raymond G. Dunning
Name: Raymond G. Dunning
Title: Managing Director

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT]

HSBC Bank USA, N.A.,
as Lender and Issuing Bank

By: /s/ Thomas T. Rogers
Name: Thomas T. Rogers
Title: Managing Director

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT]

SOCIETE GENERALE,
as a Lender

By: /s/ Barbara Paulsen
Name: Barbara Paulsen
Title: Managing Director

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT]

BARCLAYS BANK PLC,
as a Lender

By: /s/ Marguerite Sutton
Name: Marguerite Sutton
Title: Vice President

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT]

Standard Chartered Bank,
as a Lender

By: /s/ Daniel Mattern
Name: Daniel Mattern
Title: Associate Director

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT]

MUFG Union Bank, N.A.,
as a Lender

By: /s/ Adrian Avalos
Name: Adrian Avalos
Title: Director

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT]

Bank of Montreal, Chicago Branch,
as a Lender

By: /s/ Kimberly Ptak
Name: Kimberly Ptak
Title: Authorized Officer

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT]

Bank of Montreal, London Branch,
as a Lender

By: /s/ Anthony Ebdon
Name: Anthony Ebdon
Title: Managing Director

By: /s/ Tom Woolgar
Name: Tom Woolgar
Title: Managing Director

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT]

ABN AMRO Capital USA LLC,
as a Lender

By: /s/ Robert Doyle
Name: Robert Doyle
Title: Vice President

By: /s/ R. Bisscheroux
Name: R. Bisscheroux
Title: Director

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT]

Bank of Nova Scotia,
as a Lender

By: /s/ Mauricio Saishio
Name: Mauricio Saishio
Title: Director

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT]

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH,
as a Lender

By: /s/ Doreen Barr
Name: Doreen Barr
Title: Authorized Signatory

By: /s/ Andrew Griffin
Name: Andrew Griffin
Title: Authorized Signatory

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT]

ING Capital LLC,
as a Lender

By: /s/ Jerry L. McDonald
Name: Jerry L. McDonald
Title: Director

By: /s/ Doug S. Clarida
Name: Doug S. Clarida
Title: Director

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT]

Natixis, New York Branch,
as a Lender

By: /s/ Gerry Canet
Name: Gerry Canet
Title: Managing Director

By: /s/ Rebecca Lo
Name: Rebecca Lo
Title: Associate

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT]

PNC Bank NA,
as a Lender

By: /s/ Nelson Rauscher
Name: Nelson Rauscher
Title: Vice President

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT]

Regions Bank,
as a Lender

By: /s/ Debra L. Coheley
Name: Debra L. Coheley
Title: Managing Director

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT]

GOLDMAN SACHS BANK USA,
as a Lender

By: /s/ Josh Rosenthal
Name: Josh Rosenthal
Title: Authorized Signatory

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT]

MORGAN STANLEY BANK, N.A.,
as a Lender

By: /s/ Michael King
Name: Michael King
Title: Authorized Signatory

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT]

Siemens Financial Services, Inc.,
as a Lender

By: /s/ Maria Levy
Name: Maria Levy
Title: Vice President

By: /s/ Sonia Vargas
Name: Sonia Vargas
Title: Sr. Loan Closer

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT]

Annex I
Revolving Commitments

<u>Lender</u>	<u>Revolving Commitment</u>
Wells Fargo Bank, National Association	\$136,500,000
Bank of America, N.A.	81,500,000
Citibank, N.A.	75,000,000
Deutsche Bank AG New York Branch	75,000,000
JPMorgan Chase Bank, N.A.	75,000,000
Bank of Montreal, Chicago Branch and Bank of Montreal, London Branch	40,000,000
Barclays Bank Plc	40,000,000
BNP Paribas	40,000,000
HSBC Bank USA, N.A.	40,000,000
Societe Generale	40,000,000
Standard Chartered Bank	40,000,000
ABN AMRO Capital USA LLC	35,000,000
ING Capital LLC	35,000,000
PNC Bank, N.A.	35,000,000
Regions Bank	35,000,000
MUFG Union Bank, N.A.	35,000,000
The Bank of Nova Scotia	25,000,000
Credit Suisse AG, Cayman Islands Branch	25,000,000
Goldman Sachs Bank USA	25,000,000
Morgan Stanley Bank, N.A.	25,000,000
Natixis, New York Branch	25,000,000
Siemens Financial Services, Inc.	17,000,000

Schedule 3.17

Pension Matters

- Novelis Inc. maintains the Novelis Pension Plan (Canada), a defined benefit pension plan covering employees hired before January 1, 2006.
- Novelis Inc. maintains the Novelis Defined Contribution Pension Plan, a defined contribution plan covering employees hired on or after January 1, 2006.

Schedule 5.16
Post-Closing Covenants
[To come.]

Schedule 6.01(b)

Existing Indebtedness

[To come.]

Schedule 6.02(c)

Existing Liens

[To come.]

Schedule 6.04(b)

Existing Investments

[To come.]

Exhibit A

\$1,000,000,000

SECOND AMENDED AND RESTATED CREDIT AGREEMENT

dated as of October 6, 2014,

AS AMENDED BY AMENDMENT NO. 1,

dated as of September [14], 2017,

among

NOVELIS INC.,

as Parent Borrower,

NOVELIS CORPORATION

as U.S. Borrower,

THE OTHER U.S. SUBSIDIARIES OF PARENT BORROWER

PARTY HERETO AS U.S. BORROWERS,

NOVELIS UK LTD,

as U.K. Borrower,

NOVELIS AG,

as Swiss Borrower,

NOVELIS DEUTSCHLAND GMBH,

as German Borrower,

AV METALS INC.,

THE OTHER GUARANTORS PARTY HERETO,

THE LENDERS PARTY HERETO,

WELLS FARGO BANK, NATIONAL ASSOCIATION,

as Administrative Agent, Collateral Agent, and U.S. Swingline Lender,

WELLS FARGO BANK, N.A. (LONDON BRANCH),

as European Swingline Lender, and

BANK OF AMERICA, N.A. AND HSBC BANK USA, N.A.,

as Issuing Banks.

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED,

CITIGROUP GLOBAL MARKETS, INC.,

DEUTSCHE BANK SECURITIES INC., and

JPMORGAN CHASE BANK, N.A.,

as Co-Syndication Agents.

**WELLS FARGO BANK, NATIONAL ASSOCIATION,
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED,**

CITIGROUP GLOBAL MARKETS, INC.,

DEUTSCHE BANK SECURITIES INC., and

JPMORGAN CHASE BANK, N.A.,

as Joint Lead Arrangers and Joint Bookmanagers.

EXHIBIT 10.2

**AMENDMENT NO. 1 TO
CREDIT AGREEMENT,**

dated as of September 14, 2017,

between

**NOVELIS INC.,
as Borrower,**

**AV METALS INC.,
as Holdings,**

THE OTHER LOAN PARTIES PARTY HERETO,

THE THIRD PARTY SECURITY PROVIDER,

and

**STANDARD CHARTERED BANK,
as Administrative Agent for the Lenders**

This **AMENDMENT NO. 1 TO CREDIT AGREEMENT** (this “**Amendment**”), dated as of September 14, 2017, is entered into between NOVELIS INC., a corporation amalgamated under the Canada Business Corporations Act and having its corporate office at Two Alliance Center, 3560 Lenox Road, Suite 2000, Atlanta, GA 30326, USA (the “**Borrower**”), AV METALS INC., a corporation formed under the Canada Business Corporations Act (“**Holdings**”), the other **LOAN PARTIES** (as defined in the Credit Agreement referred to below), **NOVELIS ITALIA S.P.A.** (the “**Third Party Security Provider**”), and Standard Chartered Bank, being a company incorporated in England by Royal Charter, with reference number ZC18 and whose registered office is 1 Basinghall Avenue, London EC2V 5DD, as administrative agent (in such capacity, and together with its successors in such capacity, “**Administrative Agent**”) under the Credit Agreement referred to below for the Lenders.

RECITALS

WHEREAS, Borrower, AV Metals Inc., the Subsidiary Guarantors, the Administrative Agent, the Collateral Agent and the Lenders from time to time party thereto entered into that certain Credit Agreement, dated as of January 10, 2017 (as amended, supplemented, restated or otherwise modified, the “**Credit Agreement**”);

WHEREAS, the Third Party Security Provider has pledged certain assets to secure the Secured Obligations of the Loan Parties;

WHEREAS, the Designated Company has requested an amendment to the Credit Agreement as herein set forth; and

WHEREAS, the Designated Company, the Administrative Agent and the Required Lenders signatory to an acknowledgement and consent substantially in the form of Exhibit A attached hereto (each, an “**Acknowledgment and Consent**”), have agreed to amend the Credit Agreement on the terms and subject to the conditions herein provided.

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants and obligations herein set forth and other good and valuable consideration, the adequacy and receipt of which is hereby acknowledged, and in reliance upon the representations, warranties and covenants herein contained, the parties hereto, intending to be legally bound, hereby agree as follows:

Section 1. Definitions. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Credit Agreement, as amended hereby.

Section 2. Amendments. Subject to the terms and conditions set forth herein, effective as of the Amendment Effective Date (as defined below), the Credit Agreement is hereby amended as follows:

- (a) The following defined terms shall be added to Section 1.01 in the appropriate alphabetical order:

(i) “**NKL Share Repurchase**” shall mean the repurchase by NKL of Equity Interests of NKL for cash consideration derived from all or a portion of the proceeds of the Ulsan Share Sale, which may be structured as a share cancellation, a reduction in par value, a share consolidation and reduction in share value, or any other legal structure resulting in the reduction of Equity Interests in NKL in exchange for cash consideration.

(ii) “**Ulsan Joint Venture Partner**” shall mean Kobe Steel, Ltd., a company organized under the laws of Japan.

(iii) “**Ulsan JV Subsidiary**” shall mean a joint venture stock company organized, or to be organized, in Korea, and registered, or to be registered, in the Commercial Corporate Registry in Korea.

(iv) “**Ulsan Sale Agreement**” shall mean that certain share sale and purchase agreement, dated as of May 10, 2017, between NKL and the Ulsan Joint Venture Partner, as the same may be amended or modified from time to time.

(v) “**Ulsan Share Sale**” shall mean the sale, pursuant to the terms of the Ulsan Sale Agreement, by NKL of 49.9%% of the Equity Interests owned by NKL in the Ulsan JV Subsidiary to the Ulsan Joint Venture Partner, for cash in the amount of \$314,370,000, and the subsequent sale by NKL of 0.1% of the Equity Interests owned by NKL in the Ulsan JV Subsidiary to the Ulsan Joint Venture Partner, for cash in the amount of \$630,000.

(b) The defined term “Subsidiary” in Section 1.01 is amended by (i) adding “(A)” before the word “Logan” in the last sentence of such definition, and (ii) deleting the period at the end of the last sentence in such definition and replacing it with the following:

“and (B) (i) except as set forth in clause (ii) below, Ulsan JV Subsidiary shall not be treated as a Subsidiary hereunder or under the other Loan Documents at any time that (x) Holdings directly or indirectly owns Equity Interests in Ulsan JV Subsidiary and (y) Holdings or any of its Subsidiaries has the right to elect no more than half of the directors of Ulsan JV Subsidiary and (ii) regardless of whether Ulsan JV Subsidiary is a Subsidiary, the financial results of Ulsan JV Subsidiary shall be included in all consolidated financial results of Novelis Inc. and its Subsidiaries to the extent Novelis Inc. consolidates the results of Ulsan JV Subsidiary in its financial statements in accordance with US GAAP.”

(c) Section 1.04 is amended by adding the following after the last sentence in such section:

“Notwithstanding anything to the contrary in this Agreement, regardless of whether Ulsan JV Subsidiary is a Subsidiary, the financial results of Ulsan JV Subsidiary shall be included in all consolidated financial results of Novelis Inc. and its Subsidiaries to the extent Novelis Inc. consolidates the results of Ulsan JV Subsidiary in its financial statements in accordance with US GAAP. Notwithstanding anything to the contrary in this Agreement, nothing in this Agreement shall be deemed to require the consolidation of Ulsan JV Subsidiary into

the consolidated financial results of the Designated Company to the extent not required under US GAAP.”

(d) Section 5.01(a) is amended by adding the phrase “(and in any case not less than one time in each calendar year)” immediately after the phrase “(including, if applicable, any extension permitted under Rule 12b-25 of the Exchange Act), after the end of each fiscal year”.

(e) Section 6.04 is amended by (i) deleting the word “and” at the end of subsection 6.04(s) and (ii) adding as a new subsection 6.04(u) and a new subsection 6.04(v) the following:

“(u) Investments consisting of (i) unsecured guaranties by Novelis Inc. of NKL’s indemnification obligations owing to (x) the Ulsan JV Subsidiary attributable to employment-related claims or claims of former employees of NKL, and (y) the Ulsan Joint Venture Partner for losses of the Ulsan Joint Venture Partner arising from NKL’s breach of representations, warranties and covenants applicable to NKL under the Ulsan Sale Agreement; provided that Novelis Inc.’s maximum aggregate liability under the guaranties described in this clause (i) shall not exceed \$157,500,000, and (ii) an unsecured guaranty by Novelis Inc. of NKL’s indemnification obligations owing to the Ulsan JV Subsidiary for losses of the Ulsan JV Subsidiary arising from environmental liabilities that relate to actions occurring prior to the closing of the Ulsan Share Sale; provided that Novelis Inc.’s maximum aggregate liability under the guaranty described in this clause (ii) shall not exceed \$157,500,000; and

(v) Investments in Ulsan JV Subsidiary in an aggregate amount not to exceed ₩125,000,000,000 at any time outstanding;”.

(f) Section 6.06 is amended by (i) deleting the word “and” at the end of subsection 6.06(s), and (ii) adding as a new subsection 6.06(u) and a new subsection 6.064(v) the following:

“(u) the Ulsan Share Sale; and

(v) the NKL Share Repurchase.”.

(g) Section 6.17 is amended and restated in its entirety as follows:

“**Fiscal Year.** Change its fiscal year-end to a date other than March 31; provided that, upon at least 15 Business Days’ prior written notice to the Administrative Agent (or such shorter period as may be determined by the Administrative Agent), each of Holdings and its Subsidiaries shall be permitted to change its fiscal year-end to December 31 at any time on or after the date that Hindalco changes its fiscal year-end to December 31.”

(h) Article XI is amended by inserted the following as a new Section 11.15:

“**Section 11.15 Lender Authorizations.** The Lenders authorize and direct (i) each of the Administrative Agent and the Collateral Agent to execute and deliver any Security Documents, amendments to Security Documents or amendments and restatements of Security Documents, in each case, related to any amendment to, or

amendment and restatement of, the Revolving Credit Agreement; provided, that immediately after giving effect to such documents, amendments and amendments and restatements, the scope of the Collateral pledged is no less than the Collateral pledged immediately prior to giving effect to such documents, amendments and amendments and restatements and (ii) in connection with the NKL Share Repurchase, the Collateral Agent to return any share certificates representing Equity Interests in NKL and sign any documentation required to give effect to the NKL Share Repurchase; provided, that after giving effect to the NKL Share Repurchase, certificates representing 100% of the Equity Interests in NKL held by Loan Parties are promptly delivered to the Collateral Agent or its counsel along with such other documentation required to pledge such Equity Interests to the Collateral Agent.”.

Section 3. Conditions Precedent to Effectiveness of this Amendment. This Amendment shall become effective as of the first date (the “**Amendment Effective Date**”) on which each of the following conditions precedent shall have been satisfied, or duly waived by the Required Lenders:

(a) Certain Documents. The Administrative Agent shall have received each of the following, in form and substance satisfactory to the Administrative Agent:

(i) this Amendment, duly executed by each of the Loan Parties, the Third Party Security Provider and the Administrative Agent;

(ii) Acknowledgments and Consents duly executed by the Required Lenders holding Loans on the Amendment Effective Date;

(iii) a certificate of the secretary or assistant secretary of the Designated Company dated the Amendment Effective Date, certifying (A) that attached thereto is a true and complete copy of its Organizational Documents, (B) that attached thereto is a true and complete copy of resolutions duly adopted by the Board of Directors of the Designated Company authorizing the execution, delivery and performance of, *inter alia*, this Amendment and that such resolutions, or any other document attached thereto, have not been modified, rescinded, amended or superseded and are in full force and effect, and (C) as to the incumbency and specimen signature of each officer executing this Amendment (together with a certificate of another officer as to the incumbency and specimen signature of the secretary or assistant secretary executing the certificate in this clause (iii)); and

(iv) a good standing certificate (or such other customary functionally equivalent certificates or abstracts) of the Designated Company, as of a recent date prior to the Amendment Effective Date, from the applicable Governmental Authority of the Designated Company’s jurisdiction of organization.

(b) Payment of Fees Costs and Expenses. The Administrative Agent shall have received all fees required to be paid, and all expenses (including the reasonable fees and expenses of legal counsels) for which invoices have been presented, on or before the Amendment Effective Date, in connection with this Amendment.

(c) Representations and Warranties. Each of the representations and warranties contained in Section 4 below shall be true and correct in all material respects on and as of the date hereof and the Administrative Agent shall have received a certificate of a Responsible Officer of the Designated Company, addressed to the Administrative Agent and dated as of the Amendment Effective Date, certifying the same.

(d) No Default or Event of Default. Before and after giving effect to this Amendment, no Default or Event of Default shall have occurred and be continuing and the Administrative Agent shall have received a certificate of a Responsible Officer of the Designated Company, addressed to the Administrative Agent and dated as of the Amendment Effective Date, certifying the same.

Section 4. Representations and Warranties. Each Loan Party represents and warrants to the Administrative Agent and each Lender as follows:

(a) After giving effect to this Amendment, each of the representations and warranties in the Credit Agreement are true and correct in all material respects on and as of the date hereof as though made on and as of such date, except to the extent that any such representation or warranty expressly relates to an earlier date, in which case such representations and warranties are true and correct in all material respects as of such earlier date.

(b) The execution and delivery by the Designated Company, each other Loan Party and the Third Party Security Provider of this Amendment, and the performance of this Amendment and the Credit Agreement as amended thereby by the Designated Company, each other Loan Party and the Third Party Security Provider, in each case have been duly authorized by all requisite organizational action on its part and will not violate any of its Organizational Documents.

(c) This Amendment has been duly executed and delivered by the Designated Company, each other Loan Party and the Third Party Security Provider, and each of this Amendment and the Credit Agreement as amended hereby constitutes the Designated Company's, such Loan Party's or such Third Party Security Provider's, as applicable, legal, valid and binding obligation, enforceable against it in accordance with their terms, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors generally and by general principles of equity.

(d) Before and after giving effect to this Amendment, no Default or Event of Default has occurred and is continuing as of the date hereof.

Section 5. Continuing Effect; Liens and Guarantees.

(a) Each of the Loan Parties and the Third Party Security Provider hereby consents to this Amendment. Each of the Loan Parties and the Third Party Security Provider hereby acknowledges and agrees that all of its Secured Obligations, including all Liens and (in the case of the Loan Parties) Guarantees granted to the Secured Parties under the applicable Loan Documents, are ratified and reaffirmed and that such Liens and Guarantees shall continue in full force and effect on and after Amendment Effective Date to secure and support the Secured Obligations of the

Designated Company and the Guarantors. Each of the Loan Parties hereby further ratifies and reaffirms the validity, enforceability and binding nature of the Secured Obligations.

(b) Holdings and each Subsidiary Guarantor hereby (i) acknowledges and agrees to the terms of this Amendment and (ii) confirms and agrees that, each of its Guarantee and any Foreign Guarantee is, and shall continue to be, in full force and effect, and shall apply to all Secured Obligations without defense, counterclaim or offset of any kind and each of its Guarantee and any such Foreign Guarantee is hereby ratified and confirmed in all respects. The Designated Company hereby confirms its liability for the Secured Obligations, without defense, counterclaim or offset of any kind.

(c) Holdings, the Designated Company, each other Loan Party and the Third Party Security Provider hereby ratifies and reaffirms the validity and enforceability (without defense, counterclaim or offset of any kind) of the Liens and security interests granted by it to the Collateral Agent for the benefit of the Secured Parties to secure any of the Secured Obligations by Holdings, the Designated Company, any other Loan Party and the Third Party Security Provider pursuant to the Loan Documents to which any of Holdings, the Designated Company, any other Loan Party or the Third Party Security Provider is a party and hereby confirms and agrees that notwithstanding the effectiveness of this Agreement, and except as expressly amended by this Agreement, each such Loan Document is, and shall continue to be, in full force and effect and each is hereby ratified and confirmed in all respects, except that, on and after the effectiveness of this Amendment, each reference in the Loan Documents to the "Credit Agreement", "thereunder", "thereof" (and each reference in the Credit Agreement to this "Agreement", "hereunder" or "hereof") or words of like import shall mean and be a reference to the Credit Agreement as amended by this Agreement.

Section 6. Reference to and Effect on the Loan Documents.

(a) Except as expressly set forth in this Amendment, all of the terms and provisions of the Credit Agreement and the other Loan Documents (including all exhibits and schedules to each of the Credit Agreement and the other Loan Documents) are and shall remain in full force and effect and are hereby ratified and confirmed. The Amendment provided for herein is limited to the specific provisions of the Credit Agreement specified herein and shall not constitute an amendment of, or an indication of the Administrative Agent's or any Lender's willingness to amend or waive, any other provisions of the Credit Agreement, any other provisions of the Credit Agreement as amended hereby, or the same sections or any provision of any other Loan Document for any other date or purpose.

(b) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of the Administrative Agent or any Lender under the Credit Agreement or any Loan Document, or constitute a waiver or amendment of any other provision of the Credit Agreement or any Loan Document except as and to the extent expressly set forth herein.

(c) The execution and delivery of this Amendment by any Loan Party or Third Party Security Provider shall not constitute a joinder by, or agreement to be bound by the terms of, any Loan Document to which such Loan Party or Third Party Security Provider is not a party.

(d) This Amendment shall constitute a Loan Document.

Section 7. Further Assurances. The Designated Company, each other Loan Party and the Third Party Security Provider hereby agrees to execute any and all further documents, agreements and instruments and take all further actions that the Administrative Agent deems reasonably necessary or advisable in connection with this Amendment, including to continue and maintain the effectiveness of the Liens and guarantees provided for under the Loan Documents, with the priority contemplated under the Loan Documents. The Administrative Agent and the Collateral Agent are hereby authorized by the Lenders to enter into all such further documents, agreements and instruments, and to file all financing statements deemed by the Administrative Agent to be reasonably necessary or advisable in connection with this Amendment.

Section 8. Counterparts. This Amendment and each Acknowledgement and Consent may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Receipt by the Administrative Agent of a facsimile copy or electronic image scan transmission (e.g., PDF via electronic email) of an executed signature page hereof or of an Acknowledgement and Consent, as applicable, shall constitute receipt by the Administrative Agent of an executed counterpart of this Amendment or such Acknowledgement and Consent, as applicable.

Section 9. Governing Law. This Amendment and the rights and obligations of the parties hereto shall be governed by, and construed and interpreted in accordance with, the law of the State of New York, without regard to conflicts of law principles that would require the application of the laws of another jurisdiction.

Section 10. Headings. Section headings contained in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purposes.

Section 11. **WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE REQUIREMENTS OF LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AMENDMENT, ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY).**

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers and members thereunto duly authorized, on the date first indicated above.

NOVELIS INC., as the Designated Company

By: /s/ Randal P. Miller
Name: Randal P. Miller
Title: Vice President and Treasurer

AV METALS INC., as Holdings

By: /s/ Randal P. Miller
Name: Randal P. Miller
Title: Authorized Signatory

NOVELIS CORPORATION, as a U.S. Guarantor

By: /s/ Randal P. Miller
Name: Randal P. Miller
Title: Assistant Treasurer

NOVELIS GLOBAL EMPLOYMENT ORGANIZATION, INC., as a U.S. Guarantor

By: /s/ Randal P. Miller
Name: Randal P. Miller
Title: Treasurer

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO CREDIT AGREEMENT]

NOVELIS SOUTH AMERICA HOLDINGS LLC, as a U.S. Guarantor

By: /s/ Randal P. Miller
Name: Randal P. Miller
Title: Treasurer

NOVELIS ACQUISITIONS LLC,
as a U.S. Guarantor

By: /s/ Randal P. Miller
Name: Randal P. Miller
Title: Treasurer

NOVELIS HOLDINGS INC., as a U.S. Guarantor

By: /s/ Randal P. Miller
Name: Randal P. Miller
Title: Treasurer

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO CREDIT AGREEMENT]

NOVELIS UK LTD, as a U.K. Guarantor

By: /s/ Randal P. Miller
Name: Randal P. Miller
Title: Attorney

NOVELIS EUROPE HOLDINGS LIMITED,
as a U.K. Guarantor

By: /s/ Randal P. Miller
Name: Randal P. Miller
Title: Attorney

NOVELIS SERVICES LIMITED,
as a U.K. Guarantor

By: /s/ Randal P. Miller
Name: Randal P. Miller
Title: Attorney

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO CREDIT AGREEMENT]

NOVELIS AG, as a Swiss Guarantor

By: /s/ Randal P. Miller
Name: Randal P. Miller
Title: Authorized Signatory

NOVELIS SWITZERLAND SA,
as a Swiss Guarantor

By: /s/ Randal P. Miller
Name: Randal P. Miller
Title: Authorized Signatory

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO CREDIT AGREEMENT]

4260848 CANADA INC., as a Canadian Guarantor

By: /s/ Randal P. Miller
Name: Randal P. Miller
Title: Authorized Signatory

4260856 CANADA INC., as a Canadian Guarantor

By: /s/ Randal P. Miller
Name: Randal P. Miller
Title: Authorized Signatory

8018227 CANADA INC., as a Canadian Guarantor

By: /s/ Randal P. Miller
Name: Randal P. Miller
Title: Authorized Signatory

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO CREDIT AGREEMENT]

SIGNED AND DELIVERED AS A DEED
for and on behalf of NOVELIS ALUMINIUM HOLDING UNLIMITED COMPANY
by its lawfully appointed attorney,
as Irish Guarantor
in the presence of:

By: /s/ Randal P. Miller
Name: Randal P. Miller
Title: Attorney

witness:

By: /s/ Shannon Curran
Name: Shannon Curran
Title: Sr. Legal Manager

Address: 3560 Lenox Road, Ste. 2000

Atlanta, GA, 30326

Occupation: Paralegal

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO CREDIT AGREEMENT]

NOVELIS DEUTSCHLAND GMBH,
as a German Guarantor

By: /s/ Randal P. Miller
Name: Randal P. Miller
Title: Person Authorized by virtue of Power of Attorney

NOVELIS SHEET INGOT GMBH,
as a German Guarantor

By: /s/ Randal P. Miller
Name: Randal P. Miller
Title: Person Authorized by virtue of Power of Attorney

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO CREDIT AGREEMENT]

NOVELIS DO BRASIL LTDA.,
as Brazilian Guarantor

By: /s/ Randal P. Miller
Name: Randal P. Miller
Title: Attorney-in-Fact

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO CREDIT AGREEMENT]

NOVELIS PAE S.A.S., as French Guarantor

By: /s/ Randal P. Miller

Name: Randal P. Miller

Title: Attorney-in-Fact

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO CREDIT AGREEMENT]

NOVELIS MEA LTD, a Company Limited by Shares under the Companies Law of the Dubai
International Financial Centre,
as Dubai Guarantor

By: /s/ Randal P. Miller
Name: Randal P. Miller
Title: Authorized Signatory

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO CREDIT AGREEMENT]

NOVELIS ITALIA S.P.A., as Third Party Security
Provider

By: /s/ Randal P. Miller
Name: Randal P. Miller
Title: Attorney

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO CREDIT AGREEMENT]

STANDARD CHARTERED BANK, as Administrative Agent

By: /s/ Valdeep Singh

Name: Valdeep Singh
Title: Legal Counsel

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO CREDIT AGREEMENT]

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EXHIBIT A

Form of Acknowledgment and Consent

_____, 2017

To: Standard Chartered Bank, as Administrative Agent
1 Basinghall Avenue, 5th floor
London, England
EC2V 5DD
Attention: Asset Servicing Manager

Re: Novelis Inc. Acknowledgement and Consent to Amendment No. 1 to Credit Agreement

Ladies and Gentlemen:

Reference is hereby made to (i) the Credit Agreement, dated as of January 10, 2017 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the “**Credit Agreement**”), among, *inter alios*, Novelis Inc., certain affiliates and subsidiaries of Novelis Inc., the several banks and other financial institutions or entities party thereto as lenders, and Standard Chartered Bank, as administrative agent (in such capacity, the “**Administrative Agent**”), and (ii) Amendment No. 1 to Credit Agreement (the “**Amendment**”) between Novelis Inc. and the Administrative Agent, in the form posted by the Administrative Agent via Intralinks, Syndtrak, ClearPar or a substantially similar electronic transmission system. Capitalized terms used but not defined herein having the meaning assigned to such terms in the Amendment.

CONSENT TO EFFECTIVENESS OF THE AMENDMENT. By signing below, the undersigned, in its capacity as a Lender under the Credit Agreement, hereby acknowledges and consents to, and agrees to the terms of, the Amendment and hereby irrevocably authorizes Standard Chartered Bank, in its capacity as Administrative Agent, to execute the Amendment on behalf of the undersigned with respect to all Loans owned by the undersigned immediately prior to giving effect to the Amendment.

[Signature page follows.]

IN WITNESS WHEREOF, the undersigned has duly executed this Acknowledgment and Consent as of the date first written above.

(Name of Institution)

By:

Name:
Title:

[If a second signature is necessary:

By:

Name:
Title:]

Certification

I, Steven Fisher, 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 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 2, 2017

Certification

I, Devinder Ahuja, 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/ Devinder Ahuja

Devinder Ahuja

Chief Financial Officer

(Principal Financial Officer)

Date: November 2, 2017

**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, 2017 (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 2, 2017

of this Report.

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

**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, 2017 (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/ Devinder Ahuja

Devinder Ahuja

Chief Financial Officer

(Principal Financial Officer)

Date: November 2, 2017

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.