Novelis Provides Update To Shareholders

Current CFO To Step Down When Successor Joins Company

Newly Negotiated Customer Contracts Expected To Eliminate Metal Price Ceiling Exposure Beyond 2006 In Excess of Internal Hedge Position

Work Underway To Complete Review of 2005 Financial Statements

Letter to Shareholders Outlines Priorities for 2006

ATLANTA, Dec. 22 /PRNewswire-FirstCall/ -- In a letter to its shareholders, Novelis Inc. (NYSE: NVL) (TSX: NVL) today announced that it has initiated a search for new leadership for its finance group, including a new chief financial officer, to address the Company's changing needs as it becomes a world-class public company. In addition, it has taken a series of actions to limit its short- and long-term metal price ceiling exposure and is moving swiftly to complete the financial review it announced in November.

The text of the letter to shareholders from president and chief executive officer Brian W. Sturgell follows. The details of the actions the Company is taking to cap its metal price ceiling exposure are also discussed in a separate press release issued today.

Letter to Shareholders

December 22, 2005

Dear Fellow Novelis Shareholders:

I am writing to you today to bring you up to date on a number of very important initiatives we have undertaken to help ensure that Novelis continues to be a strong and disciplined public enterprise, highly focused on building and delivering shareholder value.

Central to that effort is a commitment to make any changes necessary to bring Novelis in line with best practices in financial controls and processes and in its communications with our investors. While we believe that we have the requisite technical processes and systems in place, we know there is room for improvement. It is certainly imperative that we do a better job in providing the investment community with timely and reliable financial statements, appropriate metal risk protection in light of the sustained strength of aluminum prices, and key metrics to help shareholders understand and value the Company's operations and outlook. As a corporation, we are firmly committed to meeting the highest standards in every aspect of operating as a public company. We have heard from many of you, and we want you to know we are active listeners. I thank you for the interest you've shown in Novelis and for your constructive input.

It is clear that two significant factors have damaged our credibility with the investment community and have had a negative impact on our stock price performance over the past few months. The first was our inability to clearly quantify the metal price exposure resulting from the ceiling price component in can sheet contracts in North America, in the face of sustained and unexpectedly high metal prices. Second, as we have already reported, we delayed the release of our third quarter 2005 financial results and will restate our previously issued financial statements for the first and second quarters of 2005.

We have taken the following actions to properly reset Novelis for the future.

Comprehensive Program to Cap Metal Price Ceiling Exposure

As an aluminum conversion business, one of our highest priorities must be to minimize, to the extent possible, metal price exposure and volatility to our earnings. Metal risk was not a large strategic issue for our operations when we were a part of Alcan, but as we have noted in our public filings and statements, it is a significant factor for us as a stand-alone aluminum conversion business. The extremely high price of aluminum and, more importantly, the fact that prices have remained at such high levels for an extended period of time, has affected our can sheet contracts in North America, triggering the metal price ceiling clause in the contracts.

The financial impact on our Company of the metal price ceiling in these contracts is one of the factors (along with a significant currency effect in South America) that led us to miss earnings expectations back in the second quarter. This was compounded by the fact that no pure rolled products peers exist that investors can look to for points of comparison.

While a metal price ceiling has been a standard component in can sheet contracts in North America since 1996, the industry has not encountered, until recently, a sustained level of high metal prices like those existing today.

As a result, we have undertaken two major initiatives:

- First, we have announced and are taking actions designed to eliminate the ceiling concept in our can sheet contracts. The cornerstone of this initiative is the successful negotiation of certain can sheet contracts in North America which removes the metal price ceiling from those contracts. As a result, we expect that we will no longer have metal price ceiling exposure beyond 2006 that exceeds our internal hedge position. We are pleased to have achieved these contract changes while also maintaining or enhancing long-term volume as well as contract terms and conditions.
- Second, we have significantly revised our hedging policy and in late September initiated the actions necessary to cap our remaining metal price ceiling exposure in a comprehensive manner to minimize our exposure during the fourth quarter of 2005 and during 2006. At the same time, we are ensuring that our business practices continue to be aligned with the Novelis conversion business model. The separate press release we issued today provides significant detail about the immediate and long-term benefits as well as the short-term costs of these actions.

Review of 2005 Financial Statements

While careful to avoid offering excuses concerning our restatement, I believe it is important for you to understand what led to the decision to restate and also to conduct a review of our opening reserves and contingencies along with adjustments made to create our opening balance sheet.

The first restatement issue relates to tax accounting on currency impacts on loans from the Canadian parent to European subsidiaries. Under a transition service agreement that was a part of the separation agreement, our former parent calculated these amounts for Novelis and provided us with the journal entries associated with these taxes that we needed to book in the first and second quarters.

Novelis assumed the responsibility for preparing these entries in the third quarter and determined that accounting in this area for the first and second quarters had been incorrect. This required us to reexamine the impact on our first and second quarters for materiality. Since the correction for the first quarter's income taxes was approximately $4 million, it was material enough to warrant the restatement of our first quarter results.

The second accounting issue involving our restatement is the reversal of a reserve related to a long-standing Brazilian tax litigation matter.

At the end of September, we learned for the first time about a favorable ruling handed down in June in this litigation. Through a careful review of the situation, we determined that while we were unaware of the court decision in the second quarter at the time it occurred, we could have known, had a more effective system been in place to monitor activity on our reserves. This positive court decision constituted a triggering event and warranted the partial reversal of a related reserve that had been on the books since 1996. As a result of the court decision, a gain of approximately $5 million should have been recorded in the second quarter, but since the second quarter had already closed, a restatement became necessary.

While these issues are highly technical, they had a material impact on our financial results in our first and second quarters. As a result, the Audit Committee of the Board of Directors decided to undertake a review of our opening contingencies and reserves as well as the adjustments made to create Novelis' opening balance sheet.

Recognizing the need for the financial community to have complete confidence in the outcome of this review, the Audit Committee has retained Morgan Lewis and FTI Consulting to assist it in conducting a thorough and comprehensive review. Their work is well underway, and the Board and I are committed to keeping you informed in a direct and timely manner.

As you are aware, we are delaying the reporting of our third quarter results until the review is complete. Obviously, this is driven by our desire to be as sure as we possibly can be that we address any embedded issues in our opening balance sheet position that could otherwise have caused further clarifications or restatements in the future.

Search for New Finance Group Leadership

We have a search underway for a new chief financial officer and a new controller with successful and extensive public company experience. Both current CFO Geoffrey P. Batt and current controller Jo-Ann Longworth played a valuable role during the past year, transitioning from Alcan and setting up a new corporate finance function, and we are grateful for their contributions during our transition to an independent public enterprise. Geoff agreed to come out of retirement at the time of the spin-off to lead the Company's finance group for an interim period. Both Geoff and Jo-Ann have agreed to stay on until their successors are in place to ensure a smooth transition. In the meantime, they are actively involved with FTI in its review and in preparing for the restatements. Now, however, is clearly the right time to address the Company's changing needs going forward.

We have engaged an executive search firm to find individuals highly experienced in public company financial reporting, accounting and investor relations. While we recognize the imperative of finding the right candidates, we have an accelerated search in process.

The Audit Committee and I intend to charge the new CFO with making any changes necessary to bring the Company in line with best financial and investor relations practices. This will include, among other things, an evaluation of our current guidance policy and the information and communications that we should provide to the investment community on a regular basis.

Priorities for 2006

Until we complete our financial review, it is not possible or appropriate to provide meaningful financial information on our expectations for 2006. However, I can outline for you a sense of our ongoing priorities and operational goals:

- We continue to have a dedicated focus on strong cash flow to continue to deleverage the Company. Our current over-arching objective is to maximize our cash flow generation in order to continue to pay down debt. Our business group leaders understand that imperative and are working hard on this issue as our success in 2005 in this area indicates. As a management team, we recognize that the means for Novelis to achieve sustained long-term value creation for shareholders lies first with reducing our debt. During the first three quarters of 2005, we paid down $264 million in debt. It is worth noting that our strong cash flow this year also funded the $43 million in options cost we paid in the second half of 2005 associated with our hedging actions for 2006.
- We will accelerate our efforts to evaluate restructuring requirements in our European operations. We believe that there are meaningful efficiencies and streamlining opportunities to be accomplished by continuing to simplify our European operations. To date, we have closed a rolling facility in Flemalle, Belgium, a rolling facility in Falkirk, Scotland, and two regional headquarters -- one in Germany and one in the United Kingdom. In addition, we have announced our intention to sell a rolling operation in Annecy, France, and most recently announced last month our decision to exit the non-core European aluminum casting alloys business by closing our casting alloys operation in Borgofranco, Italy, by the end of March 2006.
- We will invest in technologies and capabilities that derive from our essential competitive strength -- the technological sophistication of our global assets. Our ability to occupy the high-end of the rolled products value spectrum on all four major continents to meet rolled products demand is unique to Novelis and is central to our business model.
- We have taken steps to reposition Novelis' global pension obligation, shifting from defined benefit to defined contribution for all employees hired post-spin. We have also modified our healthcare provisions in the United States by adopting a health maintenance approach, reducing our costs and providing a permanent structure in support of health care cost containment into the future.
- Finally, we are working to transform the culture of Novelis in important ways, recognizing that we have moved from the position of being operating units of a large public company to being a highly visible public entity in our own right. Key to this goal is ensuring that our employees work as one cohesive enterprise to live up to the expectations of our shareholders regarding performance, predictability, consistency, and clarity.

Conclusion

While the steps we have taken are important, we know that regaining the trust of the investment community will take time, better communication, and quarter after quarter of financial performance that meets or exceeds expectations. At the same time, we remain a very strong company. We are the world's leading rolled products business, and we have many opportunities in front of us. Building on the actions already taken, we look forward to capitalizing on additional opportunities in the months ahead.

Sincerely,

Brian W. Sturgell
President and Chief Executive Officer

Novelis is the global leader in aluminum rolled products and aluminum can recycling. The Company has 36 operating facilities in 11 countries and more than 13,000 employees. Novelis has the unparalleled capability to provide its customers with a regional supply of technically sophisticated rolled aluminum products throughout Asia, Europe, North America, and South America. Through its advanced production capabilities, the Company supplies aluminum sheet and foil to the automotive and transportation, beverage and food packaging, construction and industrial, and printing markets. For more information on Novelis, visit http://www.novelis.com.

Statements made in this news release that describe Novelis' intentions, expectations or predictions may be forward-looking statements within the meaning of securities laws. Novelis cautions that, by their nature, forward- looking statements involve risk and uncertainty and that Novelis' actual results could differ materially from those expressed or implied in such statements. Important factors which could cause such differences include an increase in the price of aluminum (or premiums associated with such price), an increase in the price of derivative instruments, a default under the new can sheet contracts, an increase in energy costs, global supply and demand conditions for rolled aluminum products, changes in the relative value of various currencies, demand and pricing within the principal markets for the Company's products, changes in government regulations, particularly those affecting environmental, health or safety compliance, economic developments, relationships with (and financial or operating conditions of) customers and suppliers, competition from other aluminum rolled products producers as well as from substitute materials such as steel, glass, plastic and composite materials, and the level of our indebtedness and ability to generate cash and other factors relating to the Company's ongoing operations. Reference should be made to Novelis' registration statement on Form S-4, as amended, filed with the Securities and Exchange Commission for a discussion of major risk factors.

SOURCE Novelis Inc.

CONTACT: Media, Brenda Pulley, +1-404-814-4266,
brenda.pulley@novelis.com, or
Investor, Holly K. Ash, +1-404-814-4212,
holly.ash@novelis.com,
both of Novelis Inc.