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

Form 10-Q

(Mark One)

þ	**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** **For the quarterly period ended June 30, 2010**
	Or
o	**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)*
3399 Peachtree Road NE, Suite 1500 **Atlanta, Georgia** *(Address of principal executive offices)*	**30326** *(Zip Code)*

Telephone: (404) 814-4200
(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 þ No o

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 o No o

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

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

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

As of July 31, 2010, the registrant had 77,459,658 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.

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PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***

Novelis Inc.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)
(In millions)

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009
Net sales	$ 2,533	$ 1,960
Cost of goods sold (exclusive of depreciation and amortization shown below)	2,208	1,533
Selling, general and administrative expenses	81	78
Depreciation and amortization	103	100
Research and development expenses	9	8
Interest expense and amortization of debt issuance costs	39	43
Interest income	(3)	(3)
(Gain) loss on change in fair value of derivative instruments, net	6	(72)
Restructuring charges, net	6	3
Equity in net loss of non-consolidated affiliates	3	10
Other (income) expense, net	7	(13)
	2,459	1,687
Income before income taxes	74	273
Income tax provision	15	112
Net income	59	161
Net income attributable to noncontrolling interests	9	18
Net income attributable to our common shareholder	$ 50	$ 143

See accompanying notes to the condensed consolidated financial statements.

Novelis Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)
(In millions, except number of shares)

	June 30, 2010	March 31, 2010
ASSETS		
Current assets		
Cash and cash equivalents	$ 419	$ 437
Accounts receivable (net of allowances of $4 as of June 30, 2010 and March 31, 2010)		
— third parties	1,242	1,143
— related parties	18	24
Inventories	1,075	1,083
Prepaid expenses and other current assets	45	39
Fair value of derivative instruments	158	197
Deferred income tax assets	28	12
Total current assets	2,985	2,935
Property, plant and equipment, net	2,499	2,632
Goodwill	611	611
Intangible assets, net	718	749
Investment in and advances to non-consolidated affiliates	650	709
Fair value of derivative instruments, net of current portion	5	7
Long-term deferred income tax assets	6	5
Other long-term assets		
— third parties	93	93
— related parties	18	21
Total assets	$ 7,585	$ 7,762
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Current portion of long-term debt	$ 107	$ 106
Short-term borrowings	29	75
Accounts payable		
— third parties	1,084	1,076
— related parties	44	53
Fair value of derivative instruments	107	110
Accrued expenses and other current liabilities	422	436
Deferred income tax liabilities	32	34
Total current liabilities	1,825	1,890
Long-term debt, net of current portion	2,485	2,490
Long-term deferred income tax liabilities	495	497
Accrued postretirement benefits	486	499
Other long-term liabilities	343	376
Total liabilities	5,634	5,752
Commitments and contingencies		
Shareholder's equity		
Common stock, no par value; unlimited number of shares authorized; 77,459,658 shares issued and outstanding as of June 30, 2010 and March 31, 2010	—	—
Additional paid-in capital	3,497	3,497
Accumulated deficit	(1,475)	(1,525)
Accumulated other comprehensive loss	(213)	(103)
Total Novelis shareholder's equity	1,809	1,869
Noncontrolling interests	142	141
Total equity	1,951	2,010
Total liabilities and shareholder's equity	$ 7,585	$ 7,762

See accompanying notes to the condensed consolidated financial statements.

Novelis Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
(In millions)

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009
OPERATING ACTIVITIES		
Net income	$ 59	$ 161
Adjustments to determine net cash provided by (used in) operating activities:		
Depreciation and amortization	103	100
(Gain) loss on change in fair value of derivative instruments, net	6	(72)
Deferred income taxes	(11)	98
Write-off and amortization of fair value adjustments, net	5	(51)
Equity in net loss of non-consolidated affiliates	3	10
Foreign exchange remeasurement of debt	7	(7)
Gain on sale of assets	(13)	(1)
Other, net	3	3
Changes in assets and liabilities:		
Accounts receivable	(146)	(80)
Inventories	(38)	11
Accounts payable	51	29
Other current assets	(8)	3
Other current liabilities	16	29
Other noncurrent assets	(3)	(9)
Other noncurrent liabilities	(12)	32
Net cash provided by operating activities	22	256
INVESTING ACTIVITIES		
Capital expenditures	(23)	(24)
Proceeds from sales of assets	15	3
Changes to investment in and advances to non-consolidated affiliates	—	3
Proceeds from related party loans receivable, net	3	6
Net proceeds (outflow) from settlement of derivative instruments	32	(221)
Net cash provided by (used in) investing activities	27	(233)
FINANCING ACTIVITIES		
Proceeds from issuance of debt, related parties	—	3
Principal payments	(4)	(12)
Short-term borrowings, net	(41)	(33)
Dividends, noncontrolling interest	(17)	(1)
Net cash used in financing activities	(62)	(43)
Net decrease in cash and cash equivalents	(13)	(20)
Effect of exchange rate changes on cash balances held in foreign currencies	(5)	9
Cash and cash equivalents — beginning of period	437	248
Cash and cash equivalents — end of period	$ 419	$ 237

See accompanying notes to the condensed consolidated financial statements.

Novelis Inc.

CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDER'S EQUITY (unaudited)
(In millions, except number of shares)

	Novelis Inc. Shareholder						
	Common Stock						
	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss (AOCI)	Non-controlling Interests	Total Equity
Balance as of March 31, 2010	77,459,658	$ —	$ 3,497	$ (1,525)	$ (103)	$ 141	$ 2,010
Net income attributable to our common shareholder	—	—	—	50	—	—	50
Net income attributable to noncontrolling interests	—	—	—	—	—	9	9
Currency translation adjustment	—	—	—	—	(116)	(8)	(124)
Change in fair value of effective portion of cash flow hedges, net of tax provision of $3 included in AOCI	—	—	—	—	6	—	6
Balance as of June 30, 2010	77,459,658	$ —	$ 3,497	$ (1,475)	$ (213)	$ 142	$ 1,951

See accompanying notes to the condensed consolidated financial statements.

Novelis Inc.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)
(In millions)

	Three Months Ended June 30, 2010			Three Months Ended June 30, 2009		
	Attributable to Our Common Shareholder	Attributable to Noncontrolling Interests	Total	Attributable to Our Common Shareholder	Attributable to Noncontrolling Interests	Total
Net income	$ 50	$ 9	$ 59	$ 143	$ 18	$ 161
Other comprehensive income (loss):						
Currency translation adjustment	(116)	(8)	(124)	50	7	57
Net change in fair value of effective portion of cash flow hedges	9	—	9	11	—	11
Postretirement benefit plans:						
Change in pension and other benefits	—	—	—	3	—	3
Other comprehensive income (loss) before income tax effect	(107)	(8)	(115)	64	7	71
Income tax provision related to items of other comprehensive income (loss)	3	—	3	2	—	2
Other comprehensive income (loss), net of tax	(110)	(8)	(118)	62	7	69
Comprehensive income (loss)	$ (60)	$ 1	$ (59)	$ 205	$ 25	$ 230

See accompanying notes to the condensed consolidated financial statements.

Novelis Inc.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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. In October 2007, the Rio Tinto Group purchased all the outstanding shares of Alcan, Inc. and became Rio Tinto Alcan Inc. References herein to "Rio Tinto Alcan" refer to Rio Tinto Alcan Inc.

Description of Business and Basis of Presentation

Novelis Inc., formed in Canada on September 21, 2004, and its subsidiaries, is the world's leading aluminum rolled products producer based on shipment volume. We produce aluminum sheet and light gauge products where the end-use destination of the products includes the beverage and food can, transportation, construction and industrial, and foil products markets. As of June 30, 2010, we had operations on four continents: North America, Europe, Asia and South America, through 31 operating plants, one research facility and several market-focused innovation centers in 11 countries. In addition to aluminum rolled products plants, our South American businesses include bauxite mining, primary aluminum smelting and power generation facilities.

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, 2010 filed with the United States Securities and Exchange Commission (SEC) on May 27, 2010. 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.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The principal areas of judgment relate to (1) the fair value of derivative financial instruments; (2) impairment of goodwill; (3) impairments of long-lived assets, intangible assets and equity investments; (4) actuarial assumptions related to pension and other postretirement benefit plans; (5) income tax reserves and valuation allowances and (6) assessment of loss contingencies, including environmental, litigation and other tax reserves.

Acquisition of Novelis Common Stock

On May 15, 2007, the Company was acquired by Hindalco through its indirect wholly-owned subsidiary pursuant to a plan of arrangement (the Arrangement) at a price of $44.93 per share. The aggregate purchase price for all of the Company's common shares was $3.4 billion and Hindalco also assumed $2.8 billion of Novelis' debt for a total transaction value of $6.2 billion. Subsequent to completion of the Arrangement on May 15, 2007, all of our common shares were indirectly held by Hindalco.

Consolidation Policy

Our 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 consolidated financial statements.

Reclassifications and Adjustment

Certain reclassifications of prior period amounts and presentation have been made to conform to the presentation adopted for the current period. In order to present the impact of all customer-directed derivatives and associated trading activities as operating activities on the consolidated statement of cash flows, we corrected our presentation by reclassifying this activity from investing activities to operating activities. This resulted in a reduction to operating cash flow and an increase to investing cash flow of approximately $2 million for the three months ended June 30, 2009. This reclassification did not have any impact on total cash or on the balance sheet, income statement or related disclosures.

In the condensed consolidated balance sheet as of March 31, 2010, we reclassified $3 million of capitalized software from Property, plant and equipment, net to Intangible assets. The reclassification had no impact on total assets, total liabilities, total equity, net income (loss) or cash flows as previously reported.

Recently Adopted Accounting Standards

Effective April 1, 2010, we adopted authoritative guidance in the Accounting Standards Update (ASU) No. 2009-17, *Consolidations: Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities.* ASU No. 2009-17 was intended (1) to address the effects on certain provisions of the accounting standard dealing with consolidation of variable interest entities, as a result of the elimination of the qualifying special-purpose entity concept in ASU No. 2009-16, *Transfers and Servicing: Accounting for Transfers of Financial Assets*, and (2) to clarify questions about the application of certain key provisions related to consolidation of variable interest entities. This standard had no impact on our consolidated financial position, results of operations and cash flow, but did require certain additional footnote disclosures. These disclosures are included in Note 4 — Consolidation of Variable Interest Entities.

Recently Issued Accounting Standards

We have determined that recently issued accounting standards will not have a material impact on our consolidated financial position, results of operations and cash flow.

2. RESTRUCTURING PROGRAMS

Restructuring charges, net for the three months ended June 30, 2010 is $6 million. The following table summarizes our restructuring accrual activity by region (in millions).

	Europe	North America	Asia	South America	Corporate	Restructuring Reserves
Balance as of March 31, 2010	$ 28	$ 10	$ —	$ —	$ —	$ 38
Provisions, net	1	5	—	—	—	6
Cash payments	(4)	(5)	—	—	—	(9)
Impact of exchange rate changes	—	—	—	—	—	—
Balance as of June 30, 2010	$ 25	$ 10	$ —	$ —	$ —	$ 35

Europe

Restructuring charges for the three months ended June 30, 2010 consist of a net $1 million in additional severance and other environmental costs across our European plants related to restructuring actions initiated in prior years. For the three months ended June 30, 2010, we made $3 million in severance payments and $1 million in payments for environmental remediation.

North America

We recorded $5 million in restructuring expense in the three months ended June 30, 2010 related to the relocation of our North American headquarters from Cleveland to Atlanta. For the three months ended June 30, 2010 we made $3 million in payments related to the relocation of our North American headquarters and $2 million in payments related to previously announced separation programs.

3. INVENTORIES

Inventories consisted of the following (in millions).

	June 30, 2010	March 31, 2010
Finished goods	$ 227	$ 270
Work in process	425	431
Raw materials	334	295
Supplies	95	93
	1,081	1,089
Allowances	(6)	(6)
Inventories	$ 1,075	$ 1,083

4. CONSOLIDATION OF VARIABLE INTEREST ENTITIES (VIE)

The entity that has a controlling financial interest in a VIE is referred to as the primary beneficiary and consolidates the VIE. Prior to March 31, 2010, the primary beneficiary was the entity that would absorb a majority of the economic risks and rewards of the VIE based on an analysis of projected probability-weighted cash flows. In accordance with the new accounting guidance on consolidation of VIEs effective April 1, 2010 (see Note 1), an entity is deemed to have a controlling financial interest and is the primary beneficiary of a VIE if it has both the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and an obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE.

We have a joint interest in Logan Aluminum Inc. (Logan) with ARCO Aluminum, Inc. (ARCO). Logan processes metal received from Novelis and ARCO 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 ARCO to fund its operations. This reimbursement is considered a variable interest as it constitutes a form of financing of the activities of Logan. Other than these contractually required reimbursements, we do not provide other material support to Logan. Logan's creditors do not have recourse to our general credit.

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

Novelis Inc.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) — (Continued)

The following table summarizes the carrying value and classification of assets and liabilities owned by the Logan joint venture and consolidated on 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 ARCO.

	June 30, 2010	March 31, 2010
Assets		
Current assets		
Cash and cash equivalents	$ 3	$ 3
Accounts receivable	31	29
Inventories, net	31	31
Prepaid expenses and other current assets	1	1
Total current assets	66	64
Property, plant and equipment, net	9	10
Goodwill	12	12
Deferred income taxes	42	41
Other long-term assets	3	3
Total assets	$ 132	$ 130
Liabilities		
Current liabilities		
Accounts payable	$ 25	$ 23
Accrued expenses and other current liabilities	11	12
Total current liabilities	36	35
Accrued postretirement benefits	98	97
Other long-term liabilities	3	3
Total liabilities	$ 137	$ 135

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

The following table summarizes our share of the condensed results of operations of our equity method affiliates. These results include the incremental depreciation and amortization expense that we record in our equity method accounting as a result of fair value adjustments made to our investments in non-consolidated affiliates due to the Arrangement.

	Three Months Ended June 30,	
	2010	2009
Net sales	$ 56	$ 56
Costs, expenses and provisions for taxes on income	59	66
Net loss	$ (3)	$ (10)

Included in the accompanying condensed consolidated financial statements are transactions and balances arising from business we conduct with these non-consolidated affiliates, which we classify as related party transactions and balances. For the three months ended June 30, 2010 and 2009, we purchased $56 million of tolling services from Aluminium Norf GmbH (Norf). For the same periods, we earned less than $1 million of interest income on a loan due from Norf.

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.

	June 30, 2010	March 31, 2010
Accounts receivable	$ 18	$ 24
Other long-term receivables	$ 18	$ 21
Accounts payable	$ 44	$ 53

6. DEBT

Debt consists of the following (in millions).

		June 30, 2010			March 31, 2010		
	Interest Rates(A)	Principal	Unamortized Fair Value Adjustments(B)	Carrying Value	Principal	Unamortized Fair Value Adjustments(B)	Carrying Value
Third party debt:							
Short term borrowings	1.84%	$ 29	$ —	$ 29	$ 75	$ —	$ 75
Novelis Inc.							
Floating rate Term Loan Facility, due July 2014	2.36%(C)	291	—	291	292	—	292
11.5% Senior Notes, due February 2015	11.50%	185	(3)	182	185	(3)	182
7.25% Senior Notes, due February 2015	7.25%	1,124	38	1,162	1,124	41	1,165
Novelis Corporation							
Floating rate Term Loan Facility, due July 2014	2.30%(C)	857	(43)	814	859	(46)	813
Novelis Switzerland S.A.							
Capital lease obligation, due December 2019 (Swiss francs (CHF) 47 million)	7.50%	43	(2)	41	45	(3)	42
Capital lease obligation, due August 2011 (CHF 1 million)	2.49%	1	—	1	1	—	1
Novelis Korea Limited							
Bank loan, due October 2010	1.32%(C)	100	—	100	100	—	100
Other							
Other debt, due December 2011 through December 2012	1.00%	1	—	1	1	—	1
Total debt — third parties		2,631	(10)	2,621	2,682	(11)	2,671
Less: Short term borrowings		(29)	—	(29)	(75)	—	(75)
Current portion of long term debt		(116)	9	(107)	(116)	10	(106)
Long-term debt, net of current portion — third parties:		$ 2,486	$ (1)	$ 2,485	$ 2,491	$ (1)	$ 2,490

(A) Interest rates are as of June 30, 2010 and exclude the effects of accretion/amortization of fair value adjustments as a result of the Arrangement and the debt exchange completed in fiscal 2009.

Novelis Inc.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) — (Continued)

(B) Debt existing at the time of the Arrangement was recorded at fair value. Additional floating rate Term Loan with a face value of $220 million issued in March 2009 was recorded at a fair value of $165 million. Additional 11.5% Senior Notes with a face value of $185 million issued in August 2009 were recorded at fair value of $181 million.

(C) Excludes the effect of related interest rate swaps and the effect of accretion of fair value.

Principal repayment requirements for our total debt over the next five years and thereafter (excluding unamortized fair value adjustments and using rates of exchange as of June 30, 2010 for our debt denominated in foreign currencies) are as follows (in millions).

As of June 30, 2010	Amount
Within one year	$ 145
2 years	16
3 years	16
4 years	16
5 years	2,414
Thereafter	24
Total	$ 2,631

Senior Secured Credit Facilities

Our senior secured credit facilities consist of (1) a $1.15 billion seven year term loan facility maturing July 2014 (Term Loan facility) and (2) an $800 million five-year multi-currency asset-backed revolving credit line and letter of credit facility (ABL Facility). The senior secured credit facilities include certain affirmative and negative covenants. Under the ABL Facility, if our excess availability, as defined under the borrowing, is less than $80 million, we are required to maintain a minimum fixed charge coverage ratio of 1 to 1. Substantially all of our assets are pledged as collateral under the senior secured credit facilities.

Short-Term Borrowings and Lines of Credit

As of June 30, 2010, our short-term borrowings were $29 million consisting of (1) $12 million of short-term loans under the ABL Facility and (2) $17 million in bank overdrafts. As of June 30, 2010, $22 million of the ABL Facility was utilized for letters of credit and we had $649 million in remaining availability under this revolving credit facility. The weighted average interest rate on our total short-term borrowings was 1.84% and 1.71% as of June 30, 2010 and March 31, 2010, respectively.

As of June 30, 2010, we had $151 million of outstanding letters of credit in Korea which are not related to the ABL Facility.

Interest Rate Swaps

As of June 30, 2010, we have interest rate swaps to fix the variable LIBOR interest rate on $520 million of our floating rate Term Loan facility. We are still obligated to pay any applicable margin, as defined in our senior secured credit facilities. Interest rate swaps related to $300 million at an effective weighted average interest rate of 1.49% expire March 31, 2011. Interest rate swaps related to the remaining $220 million at an effective weighted average interest rate of 1.97% expire April 30, 2012.

We have a cross-currency interest rate swap in Korea to convert our $100 million variable rate bank loan to KRW 92 billion at a fixed rate of 5.44%. The swap expires October 2010, concurrent with the maturity of the loan.

As of June 30, 2010 approximately 76% of our debt was fixed rate and approximately 24% was variable rate, after the effect of interest rate swaps.

7. SHARE-BASED COMPENSATION

The board of directors authorized the Novelis Long-Term Incentive Plan FY 2010 — FY 2013 (2010 LTIP) in June 2009 and the Novelis Long-Term Incentive Plan FY 2009 — FY 2012 (2009 LTIP) in June 2008. Under both plans, phantom stock appreciation rights (SARs) were granted to certain of our executive officers and key employees. The SARs vest at the rate of 25% per year, subject to performance criteria and expire seven years from their grant date. Each SAR is to be settled in cash based on the difference between the market value of one Hindalco share on the date of grant and the market value on the date of exercise. In May 2010, the board of directors authorized the Novelis Long-Term Incentive Plan FY 2011 (2011 LTIP). The 2011 LTIP provides for phantom SARs and restricted stock units (RSUs) to be granted under the plan. The 2011 LTIP SARs will vest similar to the 2010 LTIP and 2009 LTIP. The RSUs will vest three years from the grant date. No expense was recorded during the three months ended June 30, 2010 for the 2011 LTIP because all criteria for determining a grant date had not been met as of June 30, 2010.

Total compensation expense related to the LTIP plans for the respective periods is presented in the table below (in millions). These amounts are included in Selling, general and administrative expenses in our condensed consolidated statements of operations.

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009
Novelis Long-Term Incentive Plan 2009	$ 1	$ —
Novelis Long-Term Incentive Plan 2010	1	—
Total compensation expense	$ 2	$ —

The tables below show the SARs activity under our 2010 LTIP and 2009 LTIP.

2010 LTIP	Number of SARs	Weighted Average Exercise Price (in Indian Rupees)	Weighted Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value (USD in millions)
SARs outstanding as of March 31, 2010	13,680,431	87.68	6.24	$ 29
Exercised	131,336	85.79		
Forfeited/Cancelled	306,540	85.79		
SARs outstanding as of June 30, 2010	13,242,555	87.98	6.00	$ 16

2009 LTIP	Number of SARs	Weighted Average Exercise Price (in Indian Rupees)	Weighted Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value (USD in millions)
SARs outstanding as of March 31, 2010	11,371,399	60.50	5.25	$ 18
Exercised	1,213,342	60.50		
Forfeited/Cancelled	316,266	60.50		
SARs outstanding as of June 30, 2010	9,841,791	60.50	5.00	$ 15

The fair value of each SAR is based on the difference between the fair value of a long call and a short call option. The fair value of each of these call options was determined using the Monte Carlo Simulation model. We used historical stock price volatility data of Hindalco on the Bombay Stock Exchange to determine expected volatility assumptions. The fair value of each SAR under the 2010 LTIP and 2009 LTIP was estimated as of June 30, 2010 using the following assumptions:

	2010 LTIP	2009 LTIP
Risk-free interest rate	7.34 — 7.61%	7.16% — 7.42%
Dividend yield	0.93%	0.93%
Volatility	49.53%	53.12%
Time interval (in years)	0.004	0.004

The fair value of the SARs is being recognized over the requisite performance and service period of each tranche, subject to the achievement of any performance criterion. Since the performance criteria for fiscal years 2012 and 2013 have not yet been established and therefore, measurement periods for SARs relating to those periods have not yet commenced, no compensation expense for those tranches has been recorded for the quarter ended June 30, 2010. As of June 30, 2010, 5,774,246 SARs were exercisable.

Unrecognized compensation expense related to the non-vested SARs (assuming all future performance criteria are met) is $17 million which is expected to be realized over a weighted average period of 1.89 years.

8. POSTRETIREMENT BENEFIT PLANS

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

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

	Pension Benefit Plans Three Months Ended June 30,		Other Benefits Three Months Ended June 30,	
	2010	2009	2010	2009
Service cost	$ 9	$ 8	$ 2	$ 2
Interest cost	16	14	2	3
Expected return on assets	(14)	(10)	—	—
Amortization — losses	3	3	—	—
Net periodic benefit cost	$ 14	$ 15	$ 4	$ 5

The expected long-term rate of return on plan assets is 6.8% in fiscal 2011.

Employer Contributions to Plans

For pension plans, our policy is to fund an amount required to provide for contractual benefits attributed to service to-date, and amortize unfunded actuarial liabilities typically over periods of 15 years or less. We also participate in savings plans in Canada and the U.S., as well as defined contribution pension plans in the

U.S., U.K., Canada, Germany, Italy, Switzerland, Malaysia and Brazil. We contributed the following amounts to all plans, including the Rio Tinto Alcan plans that cover our employees (in millions).

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009
Funded pension plans	$ 9	$ 3
Unfunded pension plans	3	4
Savings and defined contribution pension plans	5	3
Total contributions	$ 17	$ 10

During the remainder of fiscal 2011, we expect to contribute an additional $31 million to our funded pension plans, $9 million to our unfunded pension plans and $12 million to our savings and defined contribution plans.

9. CURRENCY (GAINS) LOSSES

The following currency (gains) losses are included in the accompanying condensed consolidated statements of operations (in millions).

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009
Net (gain) on change in fair value of currency derivative instruments(A)	$ (24)	$ (22)
Net (gain) loss on remeasurement of monetary assets and liabilities(B)	21	(4)
Net currency gain	$ (3)	$ (26)

(A) Included in (Gain) loss on change in fair value of derivative instruments, net.

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

The following currency gains (losses) are included in Accumulated other comprehensive loss (AOCI), net of tax and Noncontrolling interests (in millions).

	Three Months Ended June 30, 2010	Year Ended March 31, 2010
Cumulative currency translation adjustment — beginning of period	$ (3)	$ (78)
Effect of changes in exchange rates	(124)	75
Cumulative currency translation adjustment — end of period	$ (127)	$ (3)

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10. FINANCIAL INSTRUMENTS AND COMMODITY CONTRACTS

The fair values of our financial instruments and commodity contracts as of June 30, 2010 and March 31, 2010 are as follows (in millions):

	June 30, 2010				
	Assets		Liabilities		Net Fair Value
	Current	Noncurrent	Current	Noncurrent(A)	Assets/(Liabilities)
Derivatives designated as hedging instruments:					
Interest rate swaps	$ —	$ —	$ (5)	$ (1)	$ (6)
Electricity swap	—	—	(6)	(20)	(26)
Total derivatives designated as hedging instruments	—	—	(11)	(21)	(32)
Derivatives not designated as hedging instruments:					
Aluminum contracts	83	1	(72)	(6)	6
Currency exchange contracts	75	4	(21)	(6)	52
Energy contracts	—	—	(3)	—	(3)
Total derivatives not designated as hedging instruments	158	5	(96)	(12)	55
Total derivative fair value	$ 158	$ 5	$ (107)	$ (33)	$ 23

	March 31, 2010				
	Assets		Liabilities		Net Fair Value
	Current	Noncurrent	Current	Noncurrent(A)	Assets/(Liabilities)
Derivatives designated as hedging instruments:					
Currency exchange contracts	$ —	$ —	$ —	$ (21)	$ (21)
Interest rate swaps	—	—	(6)	(1)	(7)
Electricity swap	—	—	(8)	(27)	(35)
Total derivatives designated as hedging instruments	—	—	(14)	(49)	(63)
Derivatives not designated as hedging instruments:					
Aluminum contracts	149	6	(80)	—	75
Currency exchange contracts	48	1	(10)	(1)	38
Energy contracts	—	—	(6)	—	(6)
Total derivatives not designated as hedging instruments	197	7	(96)	(1)	107
Total derivative fair value	$ 197	$ 7	$ (110)	$ (50)	$ 44

(A) The noncurrent portions of derivative liabilities are included in Other long-term liabilities in the accompanying condensed consolidated balance sheets.

Net Investment Hedges

The effective portion of the change in fair value of the derivative is included in Other comprehensive income (loss) (OCI), and will be reclassified to the condensed consolidated statement of operations when the related investment is disposed. The ineffective portion of gain or loss on derivatives is included in (Gain) loss on change in fair value of derivative instruments, net. In May 2010, we terminated these hedges early and realized a net loss of $3 million which was included in OCI. Net realized and unrealized losses included in OCI for the three months ended June 30, 2010 and March 31, 2010 were $18 million and $16 million, respectively.

Cash Flow Hedges

We own an interest in an electricity swap which we designated as a cash flow hedge of our exposure to fluctuating electricity prices. The effective portion of gain or loss on the derivative is included in OCI and is reclassified when we recognize the underlying exposure into (Gain) loss on change in fair value of derivatives, net in our accompanying condensed consolidated statements of operations. As of June 30, 2010, the outstanding portion of this swap includes a total of 1.6 million megawatt hours through 2017.

We use interest rate swaps to manage our exposure to changes in the benchmark LIBOR interest rate which impacts our variable-rate debt. We have designated these as cash flow hedges. The effective portion of gain or loss on the derivative is included in OCI and reclassified when settled into Interest expense and amortization of debt issuance costs in our accompanying condensed consolidated statements of operations. We had $510 million of outstanding interest rate swaps designated as cash flow hedges as of June 30, 2010 and March 31, 2010.

For all derivatives designated as cash flow hedges, gains or losses representing hedge ineffectiveness are recognized in (Gain) loss on change in fair value of derivative instruments, net in our current period earnings. If at any time during the life of a cash flow hedge relationship we determine that the relationship is no longer effective, the derivative will no longer be designated as a cash flow hedge. This could occur if the underlying hedged exposure is determined to no longer be probable, or if our ongoing assessment of hedge effectiveness determines that the hedge relationship no longer meets the criteria we established at the inception of the hedge. If the derivative is no longer designated as a cash flow hedge, gains or losses recognized to date in AOCI would remain in AOCI until the underlying exposure is recognized. However, if the underlying exposure is no longer probable, such amounts would be immediately reclassified into current period earnings, along with the subsequent changes in the fair value of the undesignated derivative.

During the next twelve months we expect to reclassify $11 million in effective net losses from our cash flow hedges. The maximum period over which we have hedged our exposure to cash flow variability is through 2017.

The following table summarizes the impact on AOCI and earnings of derivative instruments designated as cash flow hedges (in millions).

	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)		Amount of Gain or (Loss) Reclassified from AOCI into Income/(Expense) (Effective Portion)		Amount of Gain or (Loss) Recognized in Income/(Expense) on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009
Electricity swap	$ (10)	$ 9	$ (1)	$ (1)	$ —	$ 2
Interest rate swaps	$ —	$ 1	$ —	$ —	$ —	$ —

Derivative Instruments Not Designated as Hedges

While each of these derivatives is intended to be effective in helping us manage risk, they have not been designated as hedging instruments. The change in fair value of these derivative instruments is included in (Gain) loss on change in fair value of derivative instruments, net in the accompanying condensed consolidated statement of operations.

We use aluminum forward contracts and options to hedge our exposure to changes in the London Metal Exchange (LME) price of aluminum. These exposures arise from firm commitments to sell aluminum in future periods at fixed prices, the forecasted output of our smelter operations in South America and the forecasted metal price lag associated with firm commitments to sell aluminum in future periods at prices based on the LME. As of June 30, 2010 and March 31, 2010, we had 34 kilotonnes (kt) and 55 kt, respectively, of outstanding aluminum contracts not designated as hedges. We classify cash settlement amounts associated with these derivatives as part of investing activities in the condensed consolidated statements of cash flows.

For certain customers, we enter into contractual relationships that entitle us to pass-through the economic effect of trading positions that we take with other third parties on our customers' behalf. We recognize a derivative position with both the customer and the third party for these types of contracts and we classify cash settlement amounts associated with these derivatives as part of operating activities in the condensed consolidated statements of cash flows.

We use foreign exchange forward contracts and cross-currency swaps 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. As of June 30, 2010 and March 31, 2010, we had outstanding currency exchange contracts with a total notional amount of $1.7 billion and $1.4 billion, respectively, that were not designated as hedges.

We use interest rate swaps to manage our exposure to fluctuating interest rates associated with variable-rate debt. As of June 30, 2010 and March 31, 2010, we had $10 million of outstanding interest rate swaps that were not designated as hedges in each period.

We use natural gas swaps to manage our exposure to fluctuating energy prices in North America. As of June 30, 2010 and March 31, 2010, we had 3.9 million MMBTUs and 4.2 million MMBTUs, respectively, of natural gas swaps that were not designated as hedges. One MMBTU is the equivalent of one decatherm, or one million British Thermal Units.

The following table summarizes the gains (losses) associated with the change in fair value of derivative instruments recognized in earnings (in millions).

	Three Months Ended June 30,	
	2010	2009
Derivative Instruments Not Designated as Hedges		
Aluminum contracts	$ (33)	$ 48
Currency exchange contracts	24	22
Energy contracts	1	—
Gain (loss) recognized	(8)	70
Derivative Instruments Designated as Cash Flow Hedges		
Electricity swap	2	2
Gain (loss) on change in fair value of derivative instruments, net	$ (6)	$ 72

The following table summarizes realized and unrealized gains (losses) associated with the change in fair value of derivative instruments recognized in earnings.

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009
Realized gains (losses) included in segment income	$ 41	$ (228)
Realized gains (losses) on corporate derivative instruments	—	1
Unrealized gains (losses)	(47)	299
Gain (loss) on change in fair value of derivative instruments, net	$ (6)	$ 72

We recognize realized gains (losses) in earnings when derivate instruments settle or when the final cash price is determined. We recognize an unrealized gain (loss) in earnings when derivative positions are marked to market. Unrealized gains (losses) arise from market movements impacting the value of our derivative positions and from the reversal that occurs when derivatives are settled and the position is realized.

The timing of gains (losses) realized in earnings approximates the timing of income recognized related to the underlying hedged exposures.

11. 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 values 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 that 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 that 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 of our derivative contracts that have fair values based upon trades in liquid markets, such as aluminum 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 that use observable market inputs as their basis, such as time value, forward interest rates, volatility factors, and current (spot) and

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) — (Continued)

forward market prices for foreign exchange rates. We generally classify these instruments within Level 2 of the valuation hierarchy. Such derivatives include interest rate swaps, cross-currency swaps, foreign currency forward contracts and certain energy-related forward contracts (e.g., natural gas).

We classify derivative contracts that are valued based on models with significant unobservable market inputs as Level 3 of the valuation hierarchy. These derivatives include certain of our energy-related forward contracts (e.g., electricity), certain foreign currency forward contracts and commodity location premium contracts. Models for these fair value measurements include inputs based on estimated future prices for periods beyond the term of the quoted prices.

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).

As of June 30, 2010 and March 31, 2010, we did not have any Level 1 financial instruments.

The following tables present our derivative assets and liabilities which are measured and recognized at fair value on a recurring basis classified under the appropriate level of the fair value hierarchy as of June 30, 2010 and March 31, 2010 (in millions).

	June 30, 2010		March 31, 2010	
	Assets	Liabilities	Assets	Liabilities
Level 2				
Aluminum contracts	$ 80	$ (74)	$ 151	$ (76)
Currency exchange contracts	79	(27)	49	(32)
Energy contracts	—	(3)	—	(6)
Interest rate swaps	—	(6)	—	(7)
Total Level 2 Instruments	159	(110)	200	(121)
Level 3				
Aluminum contracts	4	(4)	4	(4)
Electricity swap	—	(26)	—	(35)
Total Level 3 Instruments	4	(30)	4	(39)
Total	$ 163	$ (140)	$ 204	$ (160)

We recognized unrealized losses of $5 million related to Level 3 financial instruments that were still held as of June 30, 2010. These unrealized gains are included in (Gain) loss on change in fair value of derivative instruments, net.

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

	Level 3 Derivative Instruments(A)
Balance as of March 31, 2010	$ (35)
Net realized/unrealized (losses) included in earnings(B)	2
Net realized/unrealized (losses) included in Other comprehensive income (loss)(C)	9
Net purchases, issuances and settlements	(2)
Net transfers from Level 3 to Level 2	—
Balance as of June 30, 2010	$ (26)

(A) Represents derivative assets net of derivative liabilities.

(B) Included in (Gain) loss on change in fair value of derivative instruments, net.

(C) Included in Change in fair value of effective portion of hedges, net.

Financial Instruments Not Recorded at Fair Value

The table below presents the estimated fair value of certain financial instruments that are 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.

	June 30, 2010		March 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Long-term receivables from related parties	$ 18	$ 18	$ 21	$ 21
Liabilities				
Total debt — third parties (excluding short term borrowings)	2,592	2,413	2,596	2,432

12. OTHER (INCOME) EXPENSE, NET

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

	Three Months Ended June 30,	
	2010	2009
Exchange (gains) losses, net	$ 21	$ (4)
Gain on sale of assets	(13)	(1)
Gain on tax litigation settlement in Brazil	—	(6)
Other, net	(1)	(2)
Other (income) expense, net	$ 7	$ (13)

13. INCOME TAXES

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

	Three Months Ended June 30,	
	2010	2009
Pre-tax income before equity in net income of non-consolidated affiliates and noncontrolling interests	$ 77	$ 283
Canadian statutory tax rate	29%	30%
Provision at the Canadian statutory rate	22	85
Increase (decrease) for taxes on income (loss) resulting from:		
Exchange translation items	(2)	12
Exchange remeasurement of deferred income taxes	(2)	23
Change in valuation allowances	3	1
Expense (income) items not subject to tax	(1)	1
Tax rate differences on foreign earnings	(5)	(11)
Uncertain tax positions, net	1	1
Other — net	(1)	—
Income tax provision	$ 15	$ 112
Effective tax rate	19%	40%

As of June 30, 2010, we had a net deferred tax liability of $493 million. This amount includes gross deferred tax assets of approximately $734 million and a valuation allowance as of $242 million.

14. COMMITMENTS AND CONTINGENCIES

In connection with our spin-off from Alcan Inc., we assumed a number of liabilities, commitments and contingencies mainly related to our historical rolled products operations, including liabilities in respect of legal claims and environmental matters. As a result, we may be required to indemnify Rio Tinto Alcan for claims successfully brought against Alcan or for the defense of legal actions that arise from time to time in the normal course of our rolled products business including commercial and contract disputes, employee-related claims and tax disputes (including several disputes with Brazil's Ministry of Treasury regarding various forms of manufacturing taxes and social security contributions). In addition to these assumed liabilities and contingencies, we may, in the future, be involved in, or subject to, other disputes, claims and proceedings that arise in the ordinary course of our business, including some that we assert against others, such as environmental, health and safety, product liability, employee, tax, personal injury and other matters. Where appropriate, we have established reserves in respect of these matters (or, if required, we have posted cash guarantees). While the ultimate resolution of, and liability and costs related to, these matters cannot be determined with certainty due to the considerable uncertainties that exist, we do not believe that any of these pending actions, individually or in the aggregate, will materially impair our operations or materially affect our financial condition or liquidity. The following describes certain legal proceedings relating to our business, including those for which we assumed liability as a result of our spin-off from Alcan Inc.

Legal Proceedings

Coca-Cola Lawsuit. On July 8, 2010, a Georgia state court granted Novelis Corporation's motion for summary judgment, effectively dismissing a lawsuit brought by Coca-Cola Bottler's Sales and Services Company LLC (CCBSS) against Novelis Corporation. In the lawsuit, which was filed on February 15, 2007, CCBSS alleged that Novelis Corporation breached the "most favored nations" provision regarding certain pricing matters under an aluminum can stock supply agreement between the parties, and sought monetary damages and other relief. On August 6, 2010, CCBSS filed a notice of appeal with the court, reserving its right to appeal the summary judgment ruling. However, we have concluded that a loss from the litigation is not probable and therefore have not recorded an accrual. In addition, we do not believe there is a reasonable possibility of a loss from the lawsuit.

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 be expected to 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.

With respect to environmental loss contingencies, we record a loss contingency whenever such contingency is probable and reasonably estimable. The evaluation model includes all asserted and unasserted claims that can be reasonably identified. Under this evaluation model, the liability and the related costs are quantified based upon the best available evidence regarding actual liability loss and cost estimates. Except for those loss contingencies where no estimate can reasonably be made, the evaluation model is fact-driven and attempts to estimate the full costs of each claim. Management reviews the status of, and estimated liability related to, pending claims and civil actions on a quarterly basis. The estimated costs in respect of such reported liabilities are not offset by amounts related to cost-sharing between parties, insurance, indemnification arrangements or contribution from other potentially responsible parties (PRPs) unless otherwise noted.

We have established procedures for regularly evaluating environmental loss contingencies, including those arising from such environmental reviews and investigations and any other environmental remediation or compliance matters. We believe we have a reasonable basis for evaluating these environmental loss contingencies, and we believe we have made reasonable estimates of the costs that are likely to be borne by us for these environmental loss contingencies. Accordingly, we have established reserves based on our reasonable estimates for the currently anticipated costs associated with these environmental matters. We estimate that the undiscounted remaining clean-up costs related to all of our known environmental matters as of June 30, 2010 will be approximately $53 million. Of this amount, $38 million is included in Other long-term liabilities, with the remaining $15 million included in Accrued expenses and other current liabilities in our consolidated balance sheet as of June 30, 2010. 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 this review, 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 Matters

Primarily as a result of legal proceedings with Brazil's Ministry of Treasury regarding certain taxes in South America, as of June 30, 2010 and March 31, 2010, we had cash deposits aggregating approximately $47 million and $45 million, respectively, in judicial depository accounts pending finalization of the related cases. The depository accounts are in the name of the Brazilian government and will be expended towards these legal proceedings or released to us, depending on the outcome of the legal cases. These deposits are included in Other long-term assets — third parties in our accompanying condensed consolidated balance sheets. In addition, we are involved in several disputes with Brazil's Ministry of Treasury about various forms of manufacturing taxes and social security contributions, for which we have made no judicial deposits but for which we have established reserves ranging from $19 million to $123 million as of June 30, 2010. In total, these reserves approximate $148 million and $149 million as of June 30 and March 31, 2010, respectively, and are included in Other long-term liabilities in our accompanying consolidated balance sheets.

On May 28, 2009, the Brazilian government passed a law allowing taxpayers to settle certain federal tax disputes with the Brazilian tax authorities, including disputes relating to a Brazilian national tax on manufactured products, through an installment program. Under the program, if a company elects to settle a tax dispute and pay the principal amount due over a specified payment period, the company will receive a discount on the interest and penalties owed on the disputed tax amount. Novelis joined the installment program in November of 2009. Pursuant to recently enacted law, we plan to identify to the Brazilian government, in August 2010, those tax disputes that Novelis will settle pursuant to the installment program.

Guarantees of Indebtedness

We have issued guarantees on behalf of certain of our wholly-owned 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 hold any assets of any third parties as collateral to offset the potential settlement of these guarantees.

Since we consolidate wholly-owned subsidiaries in our consolidated financial statements, all liabilities associated with trade payables for these entities are already included in our consolidated balance sheets.

The following table discloses information about our obligations under guarantees of indebtedness related to our wholly-owned subsidiaries as of June 30, 2010 (in millions).

Type of Entity	Maximum Potential Future Payment	Liability Carrying Value
Wholly-owned subsidiaries	$ 130	$ 37

We have no 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.

15. 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 in order to best serve our customers, we manage our activities on the basis of geographical areas 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. Segment income provides a measure of our underlying segment results that is in line with our portfolio 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; (e) impairment of goodwill; (f) impairment charges on long-lived assets (other than goodwill); (g) gain on extinguishment of debt; (h) noncontrolling interests' share; (i) adjustments to reconcile our proportional share of Segment income from non-consolidated affiliates to income as determined on the equity method of accounting; (j) restructuring charges, net; (k) gains or losses on disposals of property, plant and equipment and businesses, net; (l) other costs, net; (m) litigation settlement, net of insurance recoveries; (n) sale transaction fees; (o) provision or benefit for taxes on income (loss) and (p) cumulative effect of accounting change, net of tax.

Adjustment to Eliminate Proportional Consolidation. The financial information for our segments includes the results of our non-consolidated affiliates on a proportionately consolidated basis, which is consistent with the way we manage our business segments. However, under US GAAP, these non-consolidated affiliates are accounted for using the equity method of accounting. Therefore, in order to reconcile the financial information for the segments shown in the tables below to the relevant US GAAP-based measures, we must remove our proportional share of each line item that we included in the segment amounts. See Note 5 — Investment in and Advances to Non-Consolidated Affiliates and Related Party Transactions for further information about these non-consolidated affiliates.

The tables below show selected segment financial information (in millions).

Selected Segment Financial Information

Total Assets	North America	Europe	Asia	South America	Corporate and Other	Eliminations	Total
June 30, 2010	$2,747	$2,702	$949	$1,349	$ 51	$ (213)	$7,585
March 31, 2010	$2,726	$2,870	$965	$1,344	$ 49	$ (192)	$7,762

Selected Operating Results Three Months Ended June 30, 2010	North America	Europe	Asia	South America	Corporate and Other	Eliminations	Total
Net sales	$959	$842	$457	$277	$ —	$ (2)	$2,533
Depreciation and amortization	42	33	15	23	2	(12)	103
Capital expenditures	7	8	6	5	3	(6)	23

Selected Operating Results Three Months Ended June 30, 2009	North America	Europe	Asia	South America	Corporate and Other	Eliminations	Total
Net sales	$767	$665	$326	$204	$ —	$ (2)	$1,960
Depreciation and amortization	41	48	11	18	1	(19)	100
Capital expenditures	6	11	3	7	—	(3)	24

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) — (Continued)

The following table shows the reconciliation from income from reportable segments to Net income attributable to our common shareholder (in millions).

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009
North America	$ 101	$ 57
Europe	88	33
Asia	44	38
South America	49	11
Corporate and other(A)	(19)	(15)
Depreciation and amortization	(103)	(100)
Interest expense and amortization of debt issuance costs	(39)	(43)
Interest income	3	3
Unrealized gains (losses) on change in fair value of derivative instruments, net(B)	(47)	299
Adjustment to eliminate proportional consolidation	(10)	(16)
Restructuring charges, net	(6)	(3)
Other income, net	13	9
Income before income taxes	74	273
Income tax provision	15	112
Net income	59	161
Net income attributable to noncontrolling interests	9	18
Net income attributable to our common shareholder	$ 50	$ 143

(A) Corporate and other includes functions that are managed directly from our corporate office, which focuses on strategy development and oversees governance, policy, legal compliance, human resources and finance matters. These expenses have not been allocated to the regions. It also includes realized gains (losses) on corporate derivative instruments.

(B) Unrealized gains (losses) on change in fair value of derivative instruments, net represents the portion of gains (losses) that were not settled in cash during the period. Total realized and unrealized gains (losses) are included in the aggregate each period in (Gain) loss on change in fair value of derivative instruments, net on our condensed consolidated statements of operations. See Note 10 — Financial Instruments and Commodity Contracts for additional discussion.

Information about Major Customers and Primary Supplier

The table below shows our net sales to Rexam Plc (Rexam) and Anheuser-Busch InBev (Anheuser-Busch), our two largest customers, as a percentage of total Net sales.

	Three Months Ended June 30,	
	2010	2009
Rexam	16%	20%
Anheuser-Busch	13%	12%

Rio Tinto Alcan is our primary supplier of metal inputs, including prime and sheet ingot. During the three months ended June 30, 2010 and 2009, purchases from Rio Tinto Alcan as a percentage of total combined metal purchases (in kt) was 35% and 43%, respectively, in each period.

16. SUPPLEMENTAL INFORMATION

Accumulated other comprehensive loss consists of the following (in millions).

	June 30, 2010	March 31, 2010
Currency translation adjustment	$ (124)	$ (8)
Fair value of effective portion of cash flow hedges	(21)	(27)
Pension and other benefits	(68)	(68)
Accumulated other comprehensive loss	$ (213)	$ (103)

Supplemental cash flow information (in millions):

	Three Months Ended June 30,	
	2010	2009
Interest paid	$ 9	$ 18
Income taxes paid (refunded)	$ 9	$ (7)

17. SUPPLEMENTAL GUARANTOR INFORMATION

In connection with the issuance of our 7.25% Senior Notes and our 11.5% Senior Notes, certain of our wholly-owned subsidiaries, which are 100% owned within the meaning of Rule 3-10(h)(1) of Regulation S-X, provided guarantees. These guarantees are full and unconditional as well as joint and several. The guarantor subsidiaries (the Guarantors) are comprised of the majority of our businesses in Canada, the U.S., the U.K., Brazil, Portugal, Luxembourg and Switzerland, as well as certain businesses in Germany. Certain Guarantors may be subject to restrictions on their ability to distribute earnings to Novelis Inc. (the Parent). The remaining subsidiaries (the Non-Guarantors) of the Parent are not guarantors of the Senior Notes.

The following information presents condensed consolidating statements of operations, balance sheets and statements of cash flows of the Parent, the Guarantors, and the Non-Guarantors. Investments include investment in and advances to non-consolidated affiliates as well as investments in net assets of divisions included in the Parent, and have been presented using the equity method of accounting.

Novelis Inc.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) — (Continued)

NOVELIS INC.

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
(In millions)

	Three Months June 30, 2010				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net sales	$ 260	$ 2,032	$ 749	$ (508)	$ 2,533
Cost of goods sold (exclusive of depreciation and amortization shown below)	242	1,804	670	(508)	2,208
Selling, general and administrative expenses	(3)	69	15	—	81
Depreciation and amortization	2	77	24	—	103
Research and development expenses	6	3	—	—	9
Interest expense and amortization of debt issuance costs	29	23	1	(14)	39
Interest income	(14)	(3)	—	14	(3)
(Gain) loss on change in fair value of derivative instruments, net	1	—	5	—	6
Restructuring charges, net	—	5	1	—	6
Equity in net (income) loss of non-consolidated affiliates	(47)	3	—	47	3
Other (income) expense, net	(4)	—	11	—	7
	212	1,981	727	(461)	2,459
Income (loss) before income taxes	48	51	22	(47)	74
Income tax provision (benefit)	(2)	13	4	—	15
Net income (loss)	50	38	18	(47)	59
Net income (loss) attributable to noncontrolling interests	—	—	9	—	9
Net income (loss) attributable to our common shareholder	$ 50	$ 38	$ 9	$ (47)	$ 50

Novelis Inc.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) — (Continued)

	Three Months Ended June 30, 2009				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net sales	$ 168	$ 1,534	$ 551	$ (293)	$ 1,960
Cost of goods sold (exclusive of depreciation and amortization shown below)	156	1,214	456	(293)	1,533
Selling, general and administrative expenses	10	56	12	—	78
Depreciation and amortization	1	78	21	—	100
Research and development expenses	5	3	—	—	8
Interest expense and amortization of debt issuance costs	26	30	3	(16)	43
Interest income	(15)	(3)	(1)	16	(3)
(Gain) loss on change in fair value of derivative instruments, net	(2)	(61)	(9)	—	(72)
Restructuring charges, net	—	3	—	—	3
Equity in net (income) loss of non-consolidated affiliates	(147)	10	—	147	10
Other (income) expense, net	(7)	7	(13)	—	(13)
	27	1,337	469	(146)	1,687
Income (loss) before income taxes	141	197	82	(147)	273
Income tax provision (benefit)	(2)	101	13	—	112
Net income (loss)	143	96	69	(147)	161
Net income (loss) attributable to noncontrolling interests	—	—	18	—	18
Net income (loss) attributable to our common shareholder	$ 143	$ 96	$ 51	$ (147)	$ 143

Novelis Inc.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) — (Continued)

NOVELIS INC.

CONDENSED CONSOLIDATING BALANCE SHEET
(In millions)

	June 30, 2010				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
ASSETS					
Current assets					
Cash and cash equivalents	$ 26	$ 263	$ 130	$ —	$ 419
Accounts receivable, net of allowances					
— third parties	27	809	406	—	1,242
— related parties	724	252	60	(1,018)	18
Inventories	50	759	266	—	1,075
Prepaid expenses and other current assets	2	34	9	—	45
Fair value of derivative instruments	4	116	47	(9)	158
Deferred income tax assets	—	21	7	—	28
Total current assets	833	2,254	925	(1,027)	2,985
Property, plant and equipment, net	136	1,891	472	—	2,499
Goodwill	—	600	11	—	611
Intangible assets, net	5	710	3	—	718
Investments in and advances to non-consolidated affiliates	1,946	649	1	(1,946)	650
Fair value of derivative instruments, net of current portion	1	6	1	(3)	5
Deferred income tax assets	1	3	2	—	6
Other long-term assets	909	195	73	(1,066)	111
Total assets	$ 3,831	$ 6,308	$ 1,488	$ (4,042)	$ 7,585
LIABILITIES AND SHAREHOLDER'S EQUITY					
Current liabilities					
Current portion of long-term debt	$ 3	$ 3	$ 101	$ —	$ 107
Short-term borrowings					
— third parties	—	12	17	—	29
— related parties	25	460	17	(502)	—
Accounts payable					
— third parties	68	565	451	—	1,084
— related parties	67	360	132	(515)	44
Fair value of derivative instruments	6	95	16	(10)	107
Accrued expenses and other current liabilities	68	271	84	(1)	422
Deferred income tax liabilities	—	32	—	—	32
Total current liabilities	237	1,798	818	(1,028)	1,825
Long-term debt, net of current portion					
— third parties	1,632	853	—	—	2,485
— related parties	111	865	89	(1,065)	—
Deferred income tax liabilities	—	483	12	—	495
Accrued postretirement benefits	33	335	118	—	486
Other long-term liabilities	9	325	12	(3)	343
Total liabilities	2,022	4,659	1,049	(2,096)	5,634
Commitments and contingencies					
Shareholder's equity					
Common stock	—	—	—	—	—
Additional paid-in capital	3,497	(694)	(109)	803	3,497
Retained earnings/(accumulated deficit)	(1,475)	2,514	464	(2,978)	(1,475)
Accumulated other comprehensive income (loss)	(213)	(171)	(58)	229	(213)
Total Novelis shareholder's equity	1,809	1,649	297	(1,946)	1,809
Noncontrolling interests	—	—	142	—	142
Total equity	1,809	1,649	439	(1,946)	1,951
Total liabilities and shareholder's equity	$ 3,831	$ 6,308	$ 1,488	$ (4,042)	$ 7,585

Novelis Inc.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) — (Continued)

NOVELIS INC.

CONDENSED CONSOLIDATING BALANCE SHEET
(In millions)

	As of March 31, 2010				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
ASSETS					
Current assets					
Cash and cash equivalents	$ 22	$ 266	$ 149	$ —	$ 437
Accounts receivable, net of allowances					
— third parties	24	747	372	—	1,143
— related parties	695	312	62	(1,045)	24
Inventories	47	770	266	—	1,083
Prepaid expenses and other current assets	2	28	9	—	39
Fair value of derivative instruments	5	161	43	(12)	197
Deferred income tax assets	—	7	5	—	12
Total current assets	795	2,291	906	(1,057)	2,935
Property, plant and equipment, net	138	1,976	518	—	2,632
Goodwill	—	600	11	—	611
Intangible assets, net	6	740	3	—	749
Investments in and advances to non-consolidated affiliates	1,998	708	1	(1,998)	709
Fair value of derivative instruments, net of current portion	—	7	2	(2)	7
Deferred income tax assets	1	3	1	—	5
Other long-term assets	976	199	78	(1,139)	114
Total assets	$ 3,914	$ 6,524	$ 1,520	$ (4,196)	$ 7,762
LIABILITIES AND SHAREHOLDER'S EQUITY					
Current liabilities					
Current portion of long-term debt	$ 3	$ 3	$ 100	$ —	$ 106
Short-term borrowings					
— third parties	—	61	14	—	75
— related parties	41	457	21	(519)	—
Accounts payable					
— third parties	58	600	418	—	1,076
— related parties	62	350	166	(525)	53
Fair value of derivative instruments	7	102	13	(12)	110
Accrued expenses and other current liabilities	52	279	106	(1)	436
Deferred income tax liabilities	—	33	1	—	34
Total current liabilities	223	1,885	839	(1,057)	1,890
Long-term debt, net of current portion					
— third parties	1,635	854	1	—	2,490
— related parties	115	929	94	(1,138)	—
Deferred income tax liabilities	—	485	12	—	497
Accrued postretirement benefits	31	349	119	—	499
Other long-term liabilities	41	333	5	(3)	376
	2,045	4,835	1,070	(2,198)	5,752
Commitments and contingencies					
Shareholder's equity					
Common stock	—	—	—	—	—
Additional paid-in capital	3,497	—	—	—	3,497
Retained earnings (accumulated deficit)	(1,525)	1,818	349	(2,167)	(1,525)
Accumulated other comprehensive income (loss)	(103)	(129)	(40)	169	(103)
Total equity of our common shareholder	1,869	1,689	309	(1,998)	1,869
Noncontrolling interests	—	—	141	—	141
Total equity	1,869	1,689	450	(1,998)	2,010
Total liabilities and equity	$ 3,914	$ 6,524	$ 1,520	$ (4,196)	$ 7,762

Novelis Inc.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) — (Continued)

NOVELIS INC.

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
(In millions)

	Three Months Ended June 30, 2010				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
OPERATING ACTIVITIES					
Net cash provided by (used in) operating activities	$ 29	$ (18)	$ 11	$ —	$ 22
INVESTING ACTIVITIES					
Capital expenditures	(4)	(13)	(6)	—	(23)
Proceeds from sales of assets	—	14	1	—	15
Proceeds from loans receivable, net — related parties	—	3	—	—	3
Net proceeds from settlement of derivative instruments	(4)	36	—	—	32
Net cash provided by (used in) investing activities	(8)	40	(5)	—	27
FINANCING ACTIVITIES					
Principal payments					
— third parties	(1)	(3)	—	—	(4)
— related parties	—	22	(8)	(14)	—
Short-term borrowings, net					
— third parties	—	(45)	4	—	(41)
— related parties	(16)	4	(2)	14	—
Dividends — noncontrolling interests	—	—	(17)	—	(17)
Net cash provided by (used in) financing activities	(17)	(22)	(23)	—	(62)
Net increase (decrease) in cash and cash equivalents	4	—	(17)	—	(13)
Effect of exchange rate changes on cash balances held in foreign currencies	—	(3)	(2)	—	(5)
Cash and cash equivalents — beginning of period	22	266	149	—	437
Cash and cash equivalents — end of period	$ 26	$ 263	$ 130	$ —	$ 419

Novelis Inc.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) — (Continued)

NOVELIS INC.

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
(In millions)

	Three Months Ended June 30, 2009				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
OPERATING ACTIVITIES					
Net cash provided by (used in) operating activities	$ 3	$ 129	$ 151	$ (27)	$ 256
INVESTING ACTIVITIES					
Capital expenditures	(1)	(18)	(5)	—	(24)
Proceeds from sales of assets	—	—	3	—	3
Changes to investment in and advances to non-consolidated affiliates	—	3	—	—	3
Proceeds from loans receivable, net — related parties	—	6	—	—	6
Net proceeds from settlement of derivative instruments	(1)	(177)	(43)	—	(221)
Net cash provided by (used in) investing activities	(2)	(186)	(45)	—	(233)
FINANCING ACTIVITIES					
Proceeds from issuance of debt — related party	3	—	—	—	3
Principal payments					
— third parties	(1)	(3)	(8)	—	(12)
— related parties	(9)	5	(59)	63	—
Short-term borrowings, net					
— third parties	—	(8)	(25)	—	(33)
— related parties	10	26	—	(36)	—
Dividends — noncontrolling interests	—	—	(1)	—	(1)
Net cash provided by (used in) financing activities	3	20	(93)	27	(43)
Net increase (decrease) in cash and cash equivalents	4	(37)	13	—	(20)
Effect of exchange rate changes on cash balances held in foreign currencies	—	4	5	—	9
Cash and cash equivalents — beginning of period	3	175	70	—	248
Cash and cash equivalents — end of period	$ 7	$ 142	$ 88	$ —	$ 237

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. We produce aluminum sheet and light gauge products for the beverage and food can, transportation, construction and industrial, and foil products markets. As of June 30, 2010, we had operations on four continents: North America; South America; Asia and Europe, through 31 operating plants, one research facility and several market-focused innovation centers in 11 countries. In addition to aluminum rolled products plants, our South American businesses include bauxite mining, primary aluminum smelting and power generation facilities. We are the only company of our size and scope focused solely on aluminum rolled products markets and capable of local supply of technologically sophisticated products in all of these geographic regions.

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. In October 2007, the Rio Tinto Group purchased all the outstanding shares of Alcan, Inc. and became Rio Tinto Alcan Inc. References herein to "Rio Tinto Alcan" refer to Rio Tinto Alcan Inc.

All tonnages are stated in metric tonnes. One metric tonne is equivalent to 2,204.6 pounds. One kilotonne (kt) is 1,000 metric tonnes. One MMBTU is the equivalent of one decatherm, or one million British Thermal Units.

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, 2010, filed with the United States Securities and Exchange Commission (SEC) on May 27, 2010.

On May 15, 2007, the Company was acquired by Hindalco through its indirect wholly-owned subsidiary pursuant to a plan of arrangement (the Arrangement) at a price of $44.93 per share. The aggregate purchase price for all of the Company's common shares was $3.4 billion and Hindalco also assumed $2.8 billion of Novelis' debt for a total transaction value of $6.2 billion. Subsequent to completion of the Arrangement on May 15, 2007, all of our common shares were indirectly held by Hindalco.

HIGHLIGHTS

Significant factors that impacted our business for each of the three months ended June 30, 2010 and 2009 are presented briefly below. Each is discussed in further detail throughout the Management's Discussion and Analysis and Segment Review.

- Net sales for the first quarter of fiscal 2011 were $2.5 billion, an increase of 29% compared to the $2.0 billion reported in the same period a year ago. Shipments of aluminum rolled products totaled 746 kt for the first quarter of fiscal 2011, an increase of 15% compared to shipments of 650 kt in the first quarter of the previous year, driven by stronger end-market demand across all our regions. This represents the second consecutive quarter since the economic downturn that shipments grew in all four regions year-over-year.
- We reported pre-tax income of $74 million for the three months ended June 30, 2010, as compared to pre-tax income of $273 million for the three months ended June 30, 2009. The prior year quarter includes unrealized gains on derivative instruments of $299 million and the current quarter results include $47 million of unrealized losses on derivatives.

BUSINESS AND INDUSTRY CLIMATE

Global economic trends affect our business, and the economic slowdown of the preceding two years had a negative effect on the demand for our products. During the fourth quarter of fiscal 2010, we saw recovery in all our regions. The increase in demand has continued in the first quarter of fiscal 2011 in all our end-markets.

Key Sales and Shipment Trends

	Three Months Ended				Year Ended	Three Months Ended
	June 30, 2009	September 30, 2009	December 31, 2009	March 31, 2010	March 31, 2010	June 30, 2010
	(In millions, excepts shipments which are in kt)					
Net sales	$ 1,960	$ 2,181	$ 2,112	$ 2,420	$ 8,673	$ 2,533
Percentage increase (decrease) in net sales versus comparable previous year period	(37)%	(26)%	(3)%	25%	(15)%	29%
Rolled product shipments:						
North America	254	258	243	274	1,029	278
Europe	185	203	188	227	803	232
Asia	130	139	134	129	532	146
South America	81	93	84	86	344	90
Total	650	693	649	716	2,708	746
Beverage and food cans	396	407	371	406	1,580	425
All other rolled products	254	286	278	310	1,128	321
Total	650	693	649	716	2,708	746
Percentage increase (decrease) in rolled products shipments versus comparable previous year period:						
North America	(11)%	(12)%	—%	11%	(4)%	9%
Europe	(32)%	(20)%	(5)%	21%	(12)%	25%
Asia	(2)%	14%	26%	50%	19%	12%
South America	(7)%	7%	(3)%	1%	(1)%	11%
Total	(16)%	(8)%	3%	18%	(2)%	15%
Beverage and food cans	(5)%	(2)%	2%	12%	1%	7%
All other rolled products	(29)%	(16)%	3%	27%	(7)%	26%
Total	(16)%	(8)%	3%	18%	(2)%	15%

Business Model and Key Concepts

Conversion Business Model

Most 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 products have a price structure with two components: (i) a pass-through aluminum price based on the London Metal Exchange (LME) plus local market premiums and (ii) a "conversion premium" price on the conversion cost to produce the rolled product which reflects, among other factors, the competitive market conditions for that product.

Increases or decreases in the LME price directly impact net sales, cost of goods sold (exclusive of depreciation and amortization) and working capital, albeit on a lag basis. The timing of these impacts on sales revenue and metal purchase costs vary based on contractual arrangements with customers and metal suppliers in each region. Certain of our sales contracts contain fixed metal prices for sales in future periods of time, which exposes us to the risk of changes in LME prices. In addition, we are exposed to fluctuating metal prices on our purchases of inventory associated with the period of time between the pricing of our purchases of inventory and the shipment of that inventory to our customers. Timing differences also occur in the flow of metal costs through moving average inventory cost values and cost of goods sold (exclusive of depreciation and amortization). We refer to these timing differences collectively as metal price lag.

We also have exposure to foreign currency risk associated with sales made in currencies that differ from those in which we are paying our conversion costs. For example, sales in Brazil are generally priced in US dollars, but the majority of our conversion costs are paid in Brazilian Real. We discuss this foreign currency risk further below.

Metal Derivative Instruments

We use derivative instruments to preserve our conversion margin and manage the timing differences associated with metal price lag.

We enter into forward metal purchases simultaneous with the sales contracts that contain fixed metal prices. These forward metal purchases directly hedge the economic risk of future metal price fluctuation associated with these contracts. The recognition of unrealized gains and losses on metal derivative positions typically precedes customer delivery and revenue recognition under the related fixed forward priced contracts. The timing difference between the recognition of unrealized gains and losses on metal derivatives and 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.

Additionally, we sell short-term LME futures contracts to reduce our exposure to fluctuating LME prices during the period of time for which we are responsible for the price of inventory we physically hold and to manage the metal price lag. The majority of our metal purchases are based on average prices for a period of time prior to the period at which we order the metal. Additionally, there is a period of time between when we place an order for metal, when we receive the metal and when we ship the metal to our customers. The fluctuations in LME futures during that time period directly hedge the economic risk of metal price fluctuations on our inventory.

We settle derivative contracts in advance of billing and collecting from our customers, which temporarily impacts our liquidity position. The lag between derivative settlement and customer collection typically ranges from 30 to 60 days.

Metal Price Ceilings

Since the spin-off from Alcan Inc. in 2005, we had contracts which contained a ceiling over which metal prices could not be contractually passed through to certain customers. The last of these contracts expired on December 31, 2009. During the first quarter of fiscal 2010, LME prices were below the metal price ceiling. Therefore, the metal price ceiling contracts did not have an effect on the first quarter 2010 results of operations. We also held derivatives to hedge our exposure to metal price movements related to these contracts which resulted in a $13 million gain during the first quarter of fiscal 2010.

In connection with the allocation of purchase price (i.e., total consideration) paid by Hindalco, we established reserves totaling $655 million as of May 15, 2007 to record these sales contracts with metal price ceilings at fair value. These reserves were accreted into net sales over the term of the underlying contracts. This accretion had no impact on cash flow. For the three months ended June 30, 2009, we recorded accretion of $55 million. With the expiration of the last contract with a price ceiling, the balance of the reserve was zero at December 31, 2009, so there was no accretion in the three months ended June 30, 2010.

LME

The average (based on the simple average of the monthly averages) and closing prices based upon the LME for aluminum for the three months ended June 30, 2010 and 2009 are as follows:

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Percent Change
London Metal Exchange Prices			
Aluminum (per metric tonne, and presented in U.S. dollars):			
Closing cash price as of beginning of period	$ 2,288	$ 1,366	67%
Average cash price during the period	$ 2,096	$ 1,484	41%
Closing cash price as of end of period	$ 1,924	$ 1,616	19%

Prices increased from March 31, 2010 until approximately mid-April and then steadily declined through the end of the first quarter of fiscal 2011, which resulted in $66 million of unrealized losses on metal derivatives. The increase in the LME during the first quarter of fiscal 2010 resulted in $55 million of unrealized gains on metal derivatives.

Foreign Exchange

We operate a global business and conduct business in various currencies around the world. Fluctuations in foreign exchange rates impact our operating results. We recognize foreign exchange gains and losses when business transactions are denominated in currencies other than the functional currency of that operation. The following table presents the exchange rate as of month-end and the average of the month-end exchange rates for the three months ended June 30, 2010 and 2009:

	Exchange Rate as of		Average Exchange Rate Three Months Ended June 30,	
	June 30, 2010	March 31, 2010	2010	2009
U.S. dollar per Euro	1.225	1.353	1.285	1.379
Brazilian real per U.S. dollar	1.801	1.784	1.785	2.036
South Korean won per U.S. dollar	1,210	1,131	1,164	1,302
Canadian dollar per U.S. dollar	1.063	1.014	1.035	1.149

The U.S. dollar strengthened during the first quarter of fiscal 2011. In Europe and Asia, the strengthening of the U.S. dollar resulted in foreign exchange losses as these operations are recorded in local currency. In North America and Brazil, where the U.S. dollar is the functional currency due to predominantly U.S. dollar selling prices and local currency operating costs, foreign exchange results were relatively flat.

We use foreign exchange forward contracts and cross-currency swaps 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. The strengthening dollar during the first quarter of fiscal 2011 resulted in $24 million of gains on foreign currency derivatives, as compared to $22 million of gains on foreign exchange derivatives during the first quarter of fiscal 2010.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2010 COMPARED TO THE THREE MONTHS ENDED JUNE 30, 2009

Net sales for the three months ended June 30, 2010 increased 29% as compared to the three months ended June 30, 2009, primarily as a result of a 15% increase in volume, a 41% increase in average LME prices and higher conversion premiums. This increase was partially offset by $55 million of accretion of the metal price ceiling contract reserves recorded in the first quarter of 2010, which did not affect the first quarter of 2011 because the contract expired December 31, 2009. We have experienced a rapid increase in demand across all our regions over the past two quarters, and are at or near capacity in all regions.

Cost of goods sold (exclusive of depreciation and amortization) increased $675 million, or 44%, which reflects the increased volume and higher average LME prices, offset by our prior cost cutting measures. See the Segment Review for further discussion of the fluctuations in the results of operations by region.

We reported net income attributable to our common shareholder of $50 million for the first quarter of fiscal 2011 as compared to $143 for the first quarter of fiscal 2010. The three months ended June 30, 2010 was impacted by $49 million in unrealized losses on derivative instruments, as compared to gains of $299 million in the three months ended June 30, 2009. Net income for the first quarter of fiscal 2011 includes a gain on the sale of land in Brazil of $13 million, and net income for the first quarter of fiscal 2010 includes a gain on the settlement of certain tax litigation in South America of $6 million. We also recorded an income tax provision of $15 million in the three months ended June 30, 2010, as compared to a $112 million income tax provision in the same period of the prior year.

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 areas 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. Segment income provides a measure of our underlying segment results that is in line with our portfolio 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; (e) impairment of goodwill; (f) impairment charges on long-lived assets (other than goodwill); (g) gain on extinguishment of debt; (h) noncontrolling interests' share; (i) adjustments to reconcile our proportional share of Segment income from non-consolidated affiliates to income as determined on the equity method of accounting; (j) restructuring charges, net; (k) gains or losses on disposals of property, plant and equipment and businesses, net; (l) other costs, net; (m) litigation settlement, net of insurance recoveries; (n) sale transaction fees; (o) provision or benefit for taxes on income (loss) and (p) cumulative effect of accounting change, net of tax.

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 15 — Segment, Major Customer and Major Supplier Information.

Selected Operating Results Three Months Ended June 30, 2010	North America	Europe	Asia	South America	Eliminations	Total
Net sales	$ 959	$ 842	$ 457	$ 277	$ (2)	$ 2,533
Shipments (kt)						
Rolled products	278	232	146	90	—	746
Ingot products	5	17	1	10	—	33
Total shipments	283	249	147	100	—	779

Selected Operating Results Three Months Ended June 30, 2009	North America	Europe	Asia	South America	Eliminations	Total
Net sales	$ 767	$ 665	$ 326	$ 204	$ (2)	$ 1,960
Shipments (kt)						
Rolled products	254	185	130	81	—	650
Ingot products	7	27	—	7	—	41
Total shipments	261	212	130	88	—	691

The following table reconciles changes in Segment income for the three months ended June 30, 2009 to three months ended June 30, 2010 (in millions). Variances include the related realized derivative gain or loss.

Changes in Segment income	North America	Europe	Asia	South America
Segment income — three months ended June 30, 2009	$ 57	$ 33	$ 38	$ 11
Volume	16	32	9	6
Conversion premium and product mix	15	1	7	7
Conversion costs(A)	27	(15)	(1)	4
Metal price lag	(6)	30	8	8
Foreign exchange	(7)	(11)	(13)	1
Primary metal production	—	—	—	15
Other changes(B)	(1)	18	(4)	(3)
Segment income — three months ended June 30, 2010	$ 101	$ 88	$ 44	$ 49

(A) 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 incremental benefit of used beverage cans (UBCs) and other metal costs. Fluctuations in this component reflect cost efficiencies during the period as well as cost inflation (deflation).

(B) Other changes include selling, general & administrative costs and research and development for all segments and certain other items which impact one or more regions, including such items as the impact of purchase accounting and metal price ceiling contracts. Significant fluctuations in these items are discussed below.

North America

As of June 30, 2010, North America manufactured aluminum sheet and light gauge products through 11 plants, including two dedicated recycling facilities. Important end-use applications include beverage cans, containers and packaging, automotive and other transportation applications, building products and other industrial applications.

North America continued its recovery in volumes as demand remained strong in all industry sectors, continuing the general recovery experienced in the second half of 2010. Shipments in the first quarter of fiscal 2011 increased as compared to a year ago, and as compared to the fourth quarter of fiscal 2010 as the region operated at or near capacity during the first quarter of fiscal 2011. Net sales for the first quarter of fiscal 2011 were up $192 million, or 25%, as compared to the first quarter of fiscal 2010 reflecting the increase in demand previously mentioned as well as higher LME prices and improved conversion premiums.

Segment income for the first quarter of fiscal 2011 was $101 million, up $44 million as compared to the prior year period. Favorable volume, conversion premiums and conversion costs were partially offset by the negative impact of foreign exchange rate changes and metal price lag.

Europe

As of June 30, 2010, our European segment provided European markets with value-added sheet and light gauge products through 12 aluminum rolled products facilities and one dedicated recycling facility. Europe serves a broad range of aluminum rolled product end-use markets in various applications including can, automotive, lithographic, foil products and painted products.

Our European operations have experienced a strong recovery in demand in all industry sectors with flat rolled shipments and net sales up 25% and 27%, respectively, compared to the prior year. Flat rolled shipments were up 2% as compared to the fourth quarter of fiscal 2010.

Segment income for the first quarter of fiscal 2011 was $88 million, up $55 million compared to the same period of the prior year. Favorable volumes and metal price lag mainly contributed to the increase and were slightly offset by higher input costs related primarily to metal premiums; maintenance and other fixed costs; and a negative impact from foreign currency fluctuations. Other changes reflect a favorable impact of $18 million from fixed forward price sales contracts.

Asia

As of June 30, 2010, Asia operated three manufacturing facilities with production balanced between foil, construction and industrial, and beverage and food can end-use applications.

In the first quarter of fiscal 2011, the Asian markets continued the growth experienced in fiscal 2010, particularly in can and electronics end markets. We expect growth in China's economy to benefit export-oriented neighboring countries as they participate in demand for finished goods and infrastructure projects in China. Flat rolled product shipments are up 12% as compared to the prior year period and 13% as compared to the fourth quarter of fiscal 2010. We expect customer demand to continue at these levels for the near term. Net sales increased $131 million, or 40%, as compared to the first quarter of fiscal 2010, reflecting the higher volume and higher LME prices.

Segment income increased from $38 million in the first quarter of fiscal 2010 to $44 million for the first quarter of fiscal 2011 due to increased volumes, conversion premiums and the positive impact of metal price lag, partially offset by unfavorable exchange rate fluctuations.

South America

Our operations in South America manufacture various aluminum rolled products for the beverage and food can, construction and industrial and transportation end-use markets. Our South American operations included two rolling plants in Brazil along with two smelters and power generation facilities as of June 30, 2010.

Total shipments increased as compared to the prior year period, with rolled products shipments up 11%, while net sales increased 36% as compared to the prior year due to continued growth in volumes and higher LME prices. Flat rolled shipments in South America for the first quarter of fiscal 2011 were up 5% as compared to the fourth quarter of fiscal 2010 due to continued growth in can market demand.

Segment income for South America increased $38 million as compared to the prior year period. This increase in segment income is due to a $15 million increase in the smelter benefit compared to the prior year period as well as increases in volumes, conversion premiums and a favorable increase in metal price lag.

Reconciliation of segment results to Net income

Costs such as depreciation and amortization, interest expense and unrealized gains (losses) on changes in the fair value of derivatives are not utilized by our chief operating decision maker in evaluating segment performance. The table below reconciles income from reportable segments to Net income attributable to our common shareholder for the three months ended June 30, 2010 and 2009 (in millions).

	Three Months Ended June 30,	
	2010	**2009**
North America	$ 101	$ 57
Europe	88	33
Asia	44	38
South America	49	11
Corporate and other	(19)	(15)
Depreciation and amortization	(103)	(100)
Interest expense and amortization of debt issuance costs	(39)	(43)
Interest income	3	3
Unrealized gains (losses) on change in fair value of derivative instruments, net	(47)	299
Adjustment to eliminate proportional consolidation	(10)	(16)
Restructuring charges, net	(6)	(3)
Other income, net	13	9
Income before income taxes	74	273
Income tax provision	15	112
Net income	59	161
Net income attributable to noncontrolling interests	9	18
Net income attributable to our common shareholder	$ 50	$ 143

Corporate and other includes functions that are managed directly from our corporate office, which focuses on strategy development and oversees governance, policy, legal compliance, human resources and finance matters. These expenses have not been allocated to the regions. Corporate and other costs increased from $15 million to $19 million primarily due to increases in employee costs and professional fees.

Interest expense and amortization of debt issuance costs decreased primarily due to lower average interest rates on our variable rate debt. Approximately 24% of our debt was variable rate as of June 30, 2010 after taking into account the effect of interest rate swaps.

Unrealized gains on the change in fair value of derivative instruments represent the mark to market accounting for changes in the fair value of our derivatives that do not receive hedge accounting treatment. For the first quarter of fiscal 2011, the $47 million of unrealized losses consists of (1) $3 million reversal of previously recognized gains upon settlement of derivatives and (2) $44 million of unrealized losses relating to mark to market losses on metal derivatives and gains on currency derivatives. We recorded $299 million of unrealized losses for the first quarter of fiscal 2010.

Adjustment to eliminate proportional consolidation was $10 million of loss for the first quarter of fiscal 2011 as compared to a $16 million loss in the first quarter of fiscal 2010. This adjustment typically relates to depreciation and amortization and income taxes at our Aluminium Norf GmbH (Norf) 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.

Restructuring charges in the first quarter of fiscal 2011 primarily related to the move of our North American headquarters to Atlanta, GA. See Note 2 — Restructuring Programs.

Other income, net includes a gain on the sale of unused land in South America of $13 million for the first quarter of fiscal 2011. The land had previously been used as a bauxite mine until all bauxite was removed from the site. The first quarter of fiscal 2010 includes a gain of $6 million on the settlement of certain tax litigation in Brazil.

We have experienced significant fluctuations in income tax expense and the corresponding effective tax rate. The primary factors contributing to the effective tax rate differing from the statutory Canadian rate include:

- Our functional currency in Brazil is the U.S. dollar where the company holds significant U.S. dollar denominated debt. As the value of the local currency strengthens and weakens against the U.S. dollar, unrealized gains or losses are created for tax purposes, while the underlying gains or losses are not recorded in our income statement.
- We have significant net deferred tax liabilities in Brazil that are remeasured to account for currency fluctuations as the taxes are payable in local currency.
- Our income is taxed at various statutory tax rates in varying jurisdictions. Applying the corresponding amounts of income and loss to the various tax rates results in differences when compared to our Canadian statutory tax rate.
- We record increases and decreases to valuation allowances primarily related to tax losses in certain jurisdictions where we believe it is more likely than not that we will not be able to utilize those losses.

For the three months ended June 30, 2010, we recorded a $15 million income tax provision on our pre-tax income of $77 million, before our equity in net income of non-consolidated affiliates, which represented an effective tax rate of 19%. Our effective tax rate differs from the expense at the Canadian statutory rate primarily due to the following factors: (1) $2 million benefit for 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, (2) a $2 million benefit for exchange remeasurement of deferred income taxes, (3) a $3 million increase in valuation allowances primarily related to tax losses in certain jurisdictions where we believe it is more likely than not that we will not be able to utilize those losses , and (4) a $5 million benefit from differences between the Canadian statutory and foreign effective tax rates applied to entities in different jurisdictions.

For the three months ended June 30, 2009, we recorded a $112 million income tax provision on our pre-tax loss of $283 million, before our equity in net (income) loss of non-consolidated affiliates, which represented an effective tax rate of 40%. Our effective tax rate differs from the benefit at the Canadian statutory rate primarily due to the following factors: (1) a $12 million expense for 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, (2) a $23 million expense for exchange remeasurement of deferred income taxes, and (3) an $11 million benefit from differences between the Canadian statutory and foreign effective tax rates applied to entities in different jurisdictions.

LIQUIDITY AND CAPITAL RESOURCES

We believe we have adequate liquidity to meet our operational and capital requirements for the foreseeable future. Our primary sources of liquidity are cash and cash equivalents, borrowing availability under our revolving credit facility and cash generated by operating activities.

As of June 30, 2010, we have available liquidity of $1.05 billion. This reflects our continued efforts to preserve liquidity through cost and capital spending controls and effective management of working capital, which we believe are sustainable. Our available liquidity allows us to make strategic investments in our business as opportunities are identified that are aligned with our strategic plan.

Available Liquidity

Our estimated liquidity as of June 30, 2010 and March 31, 2010 is as follows (in millions):

	June 30, 2010	March 31, 2010
Cash and cash equivalents	$ 419	$ 437
Overdrafts	(17)	(14)
Availability under the ABL facility	649	603
Total estimated liquidity	$ 1,051	$ 1,026

The cash and cash equivalents balance above includes cash held in foreign countries in which we operate. These amounts are generally available on a short-term basis, subject to regulatory requirements, in the form of a dividend or inter-company loan. Borrowings under the ABL Facility are generally based on 85% of eligible accounts receivable and 64 to 70% of eligible inventories.

Free Cash Flow

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

The following table shows the Free cash flow for the three months ended June 30, 2010 and 2009, the change between periods as well as the ending balances of cash and cash equivalents (in millions).

	Three Months Ended June 30,		
	2010	2009	Change
Net cash provided by operating activities	$ 22	$ 256	$ (234)
Net cash provided by (used in) investing activities	27	(233)	260
Less: Proceeds from sales of assets	(15)	(3)	(12)
Free cash flow	$ 34	$ 20	$ 14
Ending cash and cash equivalents	$ 419	$ 237	$ 182

Free cash flow increased $14 million in the first quarter of fiscal 2011 as compared to the first quarter of fiscal 2010. The changes in free cash flow are described in greater detail below.

Operating Activities

Overall operating results were strong for the first quarter of fiscal 2011, reflecting the increase in volumes and our lower fixed cost structure as a result of our prior cost cutting measures. Additionally, cash flow from operations for the quarter ended June 30, 2010 benefitted from cash receipts of $30 million related to customer-directed derivatives, as compared to $24 million of cash outflows for the quarter ended June 30, 2009. Cash flow from operations was negatively affected by $76 million as a result of our decision to change how we finance working capital in Asia and South America, which we determined to be the best use of cash during the quarter. Additionally, higher working capital balances as a result of LME prices, which were 41% higher on average in the first quarter of fiscal 2011 as compared to the first quarter of fiscal 2010, had a negative effect on cash flows from operations.

Investing Activities

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

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Change
Capital expenditures	$ (23)	$ (24)	$ 1
Net proceeds (outflow) from settlement of derivative instruments	32	(221)	253
Proceeds from sales of assets	15	3	12
Changes to investment in and advances to non-consolidated affiliates	—	3	(3)
Proceeds from related parties loans receivable, net	3	6	(3)
Net cash provided by (used in) investing activities	$ 27	$ (233)	$ 260

The majority of our capital expenditures in fiscal 2010 and the first quarter of fiscal 2011 related to projects devoted to product quality, technology, productivity enhancement and increased capacity. In response to the economic downturn, we reduced our capital spending in the second half of fiscal 2009, with a focus on preserving maintenance and safety and maintained that level of spending throughout fiscal 2010 with an annual capital expenditure of approximately $100 million. As our liquidity position has improved, we have increased our capital expenditure plan to include certain strategic investments. We expect that our total annual capital expenditures for fiscal 2011 to be between $240 and $250 million, including approximately $66 million related to our previously announced expansion in South America.

The settlement of derivative instruments resulted in an inflow of $32 million in the three months ended June 30, 2010 as compared to $221 million in cash outflow in the prior year period. The net inflow in the first quarter of fiscal 2011 was primarily related to metal derivatives. Based on forward curves for metal, foreign currencies, interest rates and energy as of June 30, 2010, we forecast approximately $50 million of cash inflows related to the settlement of derivative instruments in the second quarter.

The majority of proceeds from asset sales in the three months ended June 30, 2010 relate to asset sales in South America.

Proceeds from loans receivable, net during all periods are primarily comprised of payments we received related to a loan due from our non-consolidated affiliate, Aluminium Norf GmbH.

Financing Activities

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

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Change
Proceeds from issuance of debt, related parties	$ —	$ 3	$ (3)
Principal payments, third parties	(4)	(12)	8
Short-term borrowings, net	(41)	(33)	(8)
Dividends, noncontrolling interest	(17)	(1)	(16)
Net cash used in financing activities	$ (62)	$ (43)	$ (19)

As of June 30, 2010, our short-term borrowings were $29 million consisting of (1) $12 million of short-term loans under our senior secured credit facilities (ABL Facility), and (2) a $17 million in bank overdrafts. As of June 30, 2010, $22 million of the ABL Facility was utilized for letters of credit and we had $649 million in remaining availability under the ABL Facility. The weighted average interest rate on our total short-term borrowings was 1.84% and 1.71% as of June 30, 2010 and March 31, 2010, respectively.

OFF-BALANCE SHEET ARRANGEMENTS

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

Derivative Instruments

See Note 10 — Financial Instruments and Commodity Contracts to our accompanying condensed consolidated financial statements for a full description of derivative instruments

Guarantees of Indebtedness

We have issued guarantees on behalf of certain of our wholly-owned 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 hold any assets of any third parties as collateral to offset the potential settlement of these guarantees.

Since we consolidate wholly-owned subsidiaries in our consolidated financial statements, all liabilities associated with trade payables for these entities are already included in our consolidated balance sheets.

The following table discloses information about our obligations under guarantees of indebtedness related to our wholly-owned subsidiaries as of June 30, 2010 (in millions).

Type of Entity	Maximum Potential Future Payment	Liability Carrying Value
Wholly-owned subsidiaries	$ 130	$ 37

We have no 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.

Other

As part of our ongoing business, we do not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities (SPEs), which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As of June 30, 2010 and March 31, 2010, 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. During the three months ended June 30, 2010, there were no significant changes to these obligations as reported in our Annual Report on Form 10-K for the year ended March 31, 2010.

DIVIDENDS

No dividends have been declared since October 26, 2006. Future dividends 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 that would allow us to legally pay dividends and other relevant factors.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

During the three months ended June 30, 2010, 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, 2010.

RECENT ACCOUNTING STANDARDS

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

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND MARKET DATA

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

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

- changes in the prices and availability of aluminum (or premiums associated with such prices) or other materials and raw materials we use;
- the capacity and effectiveness of our metal hedging activities, including our internal used beverage cans (UBCs) and smelter hedges;
- relationships with, and financial and operating conditions of, our customers, suppliers and other stakeholders;
- fluctuations in the supply of, and prices for, energy in the areas in which we maintain production facilities;
- our ability to access financing for future capital requirements;
- continuing obligations and other relationships resulting from our spin-off from Alcan Inc.;
- changes in the relative values of various currencies and the effectiveness of our currency hedging activities;
- factors affecting our operations, such as litigation, environmental remediation and clean-up costs, labor relations and negotiations, breakdown of equipment and other events;
- the impact of restructuring efforts in the future;
- economic, regulatory and political factors within the countries in which we operate or sell our products, including changes in duties or tariffs;

- competition from other aluminum rolled products producers as well as from substitute materials such as steel, glass, plastic and composite materials;
- changes in general economic conditions including deterioration in the global economy, particularly sectors in which our customers operate;
- changes in the fair value of derivative instruments;
- cyclical demand and pricing within the principal markets for our products as well as seasonality in certain of our customers' industries;
- changes in government regulations, particularly those affecting taxes, environmental, health or safety compliance;
- changes in interest rates that have the effect of increasing the amounts we pay under our principal credit agreement and other financing agreements;
- the effect of taxes and changes in tax rates; and
- our indebtedness and our ability to generate cash.

The above list of factors is not exhaustive. Some of these and other factors are discussed in more detail under "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended March 31, 2010.

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 aluminum, electricity and natural gas), 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. Except where noted, the derivative contracts are marked-to-market and the related gains and losses are included in earnings in the current accounting period.

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 June 30, 2010 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 always linked to the timing of the underlying exposure, with the connection between the two being regularly monitored.

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

Most of our business is conducted under a conversion model that allows us to pass through increases or decreases in the price of aluminum to our customers. Nearly all of our products have a price structure with two components: (i) a pass through aluminum price based on the LME plus local market premiums and (ii) a "conversion premium" based on the conversion cost to produce the rolled product and the competitive market conditions for that product.

A key component of our conversion model is the use of derivative instruments on projected aluminum requirements to preserve our conversion margin. We enter into forward metal purchases simultaneous with the sales contracts that contain fixed metal prices. These forward metal purchases directly hedge the economic risk of future metal price fluctuation associated with these contracts. The recognition of unrealized gains and losses on metal derivative positions typically precedes customer delivery and revenue recognition under the related fixed forward priced contracts. The timing difference between the recognition of unrealized gains and losses on metal derivatives and recognition of revenue 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.

Metal price lag exposes us to potential losses in periods of falling aluminum prices. We sell short-term LME futures contracts to reduce our exposure to this risk. We expect the gain or loss on the settlement of the derivative to offset the effect of changes in aluminum prices on future product sales. These hedges generally generate losses in periods of increasing aluminum prices.

Sensitivities

We estimate that a 10% decline in LME aluminum prices would result in a $24 million pre-tax loss related to the change in fair value of our aluminum contracts as of June 30, 2010.

Energy

We use several sources of energy in the manufacture and delivery of our aluminum rolled products. In the three months ended June 30, 2010, natural gas and electricity represented approximately 89% of our energy consumption by cost. We also use fuel oil and transport fuel. The majority of energy usage occurs at our casting centers, at our smelters in South America and during the hot rolling of aluminum. Our cold rolling facilities require relatively less energy.

We purchase our natural gas on the open market, which subjects us to market pricing fluctuations. We seek to stabilize our future exposure to natural gas prices through the use of forward purchase contracts. Natural gas prices in Europe, Asia and South America have historically been more stable than in the United States. As of June 30, 2010, we have a nominal amount of forward purchases outstanding related to natural gas.

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 South America, we own and operate hydroelectric facilities that meet approximately 27% of our total electricity requirements in that segment. Additionally, we have entered into an electricity swap in North America to fix a portion of the cost of our electricity requirements.

We purchase a nominal amount of heating oil forward contracts to hedge against fluctuations in the price of our transport fuel.

Fluctuating energy costs worldwide, due to the changes in supply and international and geopolitical events, expose us to earnings volatility as such changes in such costs cannot immediately be 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 June 30, 2010, given a 10% decline in spot prices for energy contracts ($ in millions).

	Change in Price	Change in Fair Value
Electricity	(10)%	$ (1)
Natural Gas	(10)%	(2)

Foreign Currency Exchange Risks

Exchange rate movements, particularly the euro, 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 Korea, where we have local currency selling prices for local sales and U.S. dollar denominated selling prices for exports, we benefit slightly as the won weakens, but are adversely affected as the won strengthens, due to a slightly higher percentage of exports compared to local sales. In Brazil, where we have predominately U.S. dollar selling prices, metal costs and local currency operating costs, we benefit as the local currency weakens, but are adversely affected as the local currency strengthens. Foreign currency contracts may be used to hedge the economic exposures at our foreign operations.

It is our policy to minimize functional currency exposures within each of our key regional operating segments. As such, the majority of our foreign currency exposures are from either forecasted net sales or forecasted purchase commitments in non-functional currencies. Our most significant non-U.S. dollar functional currency operating segments are Europe and Asia, which have the euro and the Korean won as their functional currencies, respectively. South America is U.S. dollar functional with Brazilian real transactional exposure.

We face translation risks related to the changes in foreign currency exchange rates. Amounts invested in our 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 Shareholders' equity section of the accompanying condensed consolidated balance sheets. Net sales and expenses in our foreign operations' foreign currencies 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 from foreign operations as expressed in U.S. dollars.

Any negative impact of currency movements on the currency contracts that we have entered into to hedge foreign currency commitments to purchase or sell goods and services would be offset by an equal and opposite favorable exchange impact on the commitments being hedged. For a discussion of accounting policies and other information relating to currency contracts, see Note 1 — Business and Summary of Significant Accounting Policies and Note 10 — Financial Instruments and Commodity Contracts.

Sensitivities

The following table presents the estimated potential effect on the fair values of these derivative instruments as of June 30, 2010, 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)%	$ (16)
Euro	10%	(29)
Korean won	(10)%	(6)
Canadian dollar	10%	(4)
British pound	10%	(3)
Swiss franc	10%	(2)

Interest Rate Risks

As of June 30, 2009, approximately 76% of our debt obligations were at fixed rates. Due to the nature of fixed-rate debt, there would be no significant impact on our interest expense or cash flows from either a 10% increase or decrease in market rates of interest.

We are subject to interest rate risk related to our floating rate debt. For every 12.5 basis point increase in the interest rates on our outstanding variable rate debt as of June 30, 2010, which includes $628 million of term loan debt and other variable rate debt of $9 million, our annual pre-tax income would be reduced by approximately $1 million. From time to time, we have used interest rate swaps to manage our debt cost. In Korea, we entered into interest rate swaps to fix the interest rate on various floating rate debt. See Note 6 — Debt for further information.

Sensitivities

The following table presents the estimated potential effect on the fair values of these derivative instruments as of June 30, 2010, given a 10% change in the benchmark USD LIBOR interest rate ($ in millions).

	Change in Rate	Change in Fair Value
Interest Rate Contracts		
North America	(10)%	$ —
Asia	(10)%	$ —

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 June 30, 2010.

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 14 — Commitments and Contingencies to our accompanying condensed consolidated financial statements.

Item 1A. *Risk Factors*

There have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended March 31, 2010.

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 Incorporation of Novelis Inc. (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on January 7, 2005 (File No. 001-32312))
3.2	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*	Novelis 2011 Long-term Incentive Plan (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on May 18, 2010 (File No. 001-32312).
10.2*	Novelis 2011 Annual Incentive Plan (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on May 28, 2010 (File No. 001-32312).
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

* Indicates a management contract or compensatory plan or arrangement.

SIGNATURES

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

NOVELIS INC.

By: /s/ Steven Fisher
Steven Fisher
Chief Financial Officer
(Principal Financial Officer and
Authorized Officer)

By /s/ Robert P. Nelson
Robert P. Nelson
Vice President Finance — Controller
(Principal Accounting Officer)

Date: August 10, 2010

EXHIBIT INDEX

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* Indicates a management contract or compensatory plan or arrangement.

Exhibit 31.1

Certification

I, Philip Martens, certify that:

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

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/ Philip Martens

Philip Martens
President and Chief Operating Officer
(Principal Executive Officer)

Date: August 10, 2010

Exhibit 31.2

Certification

I, Steven Fisher, certify that:

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

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

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

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

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

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

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

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

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

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

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

/s/ Steven Fisher
Steven Fisher
Chief Financial Officer
(Principal Financial Officer)

Date: August 10, 2010

Exhibit 32.1

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

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Novelis Inc. (the Company), hereby certifies that the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2010 (the 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 the Company.

/s/ Philip Martens
Philip Martens
President and Chief Operating Officer
(Principal Executive Officer)

Date: August 10, 2010

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

Exhibit 32.2

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

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Novelis Inc. (the Company), hereby certifies that the Company’s Quarterly Report on Form 10-Q for the period ended June 30, 2010 (the 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 the Company.

/s/ Steven Fisher
Steven Fisher
Chief Financial Officer
(Principal Financial Officer)

Date: August 10, 2010

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.