UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

Form 10-K

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended March 31, 2011

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

(404) 814-4200
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act of 1933. Yes o No þ

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"). Yes o No þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. 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 May 26, 2011, the registrant had 1,000 common shares outstanding. All of the Registrant's outstanding shares were held indirectly by Hindalco Industries Ltd., the Registrant's parent company.

DOCUMENTS INCORPORATED BY REFERENCE
None

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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 under the headings “Item 1. Business,” “Item 1A. Risk Factors” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.” 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 Annual Report on Form 10-K include, but are not limited to, our expectations with respect to the impact of metal price movements on our financial performance; the effectiveness of our hedging programs and controls; and our future borrowing availability. These statements are based on beliefs and assumptions of Novelis’ management, which in turn are based on currently available information. These statements are not guarantees of future performance and involve assumptions and risks and uncertainties that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed, implied or forecasted in such forward-looking statements. We do not intend, and we disclaim any obligation, to update any forward-looking statements, whether as a result of new information, future events or otherwise.

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

- relationships with, and financial and operating conditions of, our customers, suppliers and other stakeholders;
- changes in the prices and availability of aluminum (or premiums associated with aluminum prices) or other materials and raw materials we use;
- fluctuations in the supply of, and prices for, energy in the areas in which we maintain production facilities;
- our ability to access financing to fund current operations and for future capital requirements;
- the level of our indebtedness and our ability to generate cash;
- deterioration of our ratings by a credit rating agency;
- changes in the relative values of various currencies and the effectiveness of our currency hedging activities;
- union disputes and other employee relations issues;
- factors affecting our operations, such as litigation (including product liability claims), environmental remediation and clean-up costs, labor relations and negotiations, breakdown of equipment and other events;
- changes in general economic conditions, including deterioration in the global economy;
- changes in the fair value of derivative instruments or the failure of counterparties to our derivative instruments to honor their agreements;
- the capacity and effectiveness of our metal hedging activities;
- availability of production capacity;
- impairment of our goodwill and other intangible assets;

- loss of key management and other personnel, or an inability to attract such management and other personnel;
- risks relating to future acquisitions or divestitures;
- our inability to successfully implement our growth initiatives;
- changes in interest rates that have the effect of increasing the amounts we pay under our new senior secured credit facilities, other financing agreements and our defined benefit pension plans;
- risks relating to certain joint ventures and subsidiaries that we do not entirely control;
- the effect of new derivatives legislation on our ability to hedge risks associated with our business;
- competition from other aluminum rolled products producers as well as from substitute materials such as steel, glass, plastic and composite materials;
- cyclical demand and pricing within the principal markets for our products as well as seasonality in certain of our customers' industries;
- economic, regulatory and political factors within the countries in which we operate or sell our products, including changes in duties or tariffs; and
- changes in government regulations, particularly those affecting taxes and tax rates, health care reform, climate change, environmental, health or safety compliance.

The above list of factors is not exhaustive. These and other factors are discussed in more detail under "Item 1A. Risk Factors" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

In this Annual Report on Form 10-K, unless otherwise specified, the terms "we," "our," "us," "Company," "Novelis" and "Novelis Group" refer to Novelis Inc., a company incorporated in Canada under the Canadian Business Corporations Act (CBCA) and its subsidiaries. References herein to "Hindalco" refer to Hindalco Industries Limited. In October 2007, Rio Tinto Group purchased all of the outstanding shares of Alcan Inc. References herein to "Alcan" refer to Rio Tinto Alcan Inc.

Exchange Rate Data

We prepare our financial statements in United States (U.S.) dollars. As of December 31, 2008, the Federal Reserve Bank of New York ceased the practice of maintaining and publishing historical exchange rates. From December 31, 2008 onward, we have used the CitiFX Benchmark, published by Citibank, for exchange rate information published daily as of 16:00 Greenwich Mean Time (GMT) (11:00 A.M. Eastern Standard Time).

The following table sets forth exchange rate information expressed in terms of Canadian dollars per U.S. dollar at the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York. As noted above, the years ended March 31, 2011, 2010 and 2009 include exchange data from Citibank as of 16:00 GMT. The rates set forth below may differ from the actual rates used in our accounting processes and in the preparation of our consolidated financial statements.

Period	At Period End	Average Rate(A)	High	Low
Year Ended December 31, 2006	1.1652	1.1310	1.1726	1.0955
Three Months Ended March 31, 2007(B)	1.1530	1.1674	1.1852	1.1530
April 1, 2007 Through May 15, 2007(B)	1.0976	1.1022	1.1583	1.0976
May 16, 2007 Through March 31, 2008(B)	1.0275	1.0180	1.1028	0.9168
Year Ended March 31, 2009	1.2579	1.1247	1.2694	0.9938
Year Ended March 31, 2010	1.0144	1.0848	1.1881	1.0144
Year Ended March 31, 2011	0.9709	1.0206	1.0663	0.9709

(A) For periods after December 31, 2008, this represents the average of the 16:00 GMT buying rates on the last day of each month during the period. For periods before December 31, 2008, we used the average of the 17:00 Greenwich Mean Time (GMT) (12:00 P.M. Eastern Standard Time) on the last day of each month during the period.

(B) See Note 1 — Business and Summary of Significant Accounting Policies (*Acquisition of Novelis Common Stock*) to our accompanying audited consolidated financial statements.

All dollar figures herein are in U.S. dollars unless otherwise indicated.

Commonly Referenced Data

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

PART I

Item 1. *Business*

Overview

We are the world's leading aluminum rolled products producer based on shipment volume in fiscal 2011, with total shipments during that period of approximately 3,097 kt. 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 aluminum products in all of the regions in which we operate. We are also the global leader in the recycling of used aluminum beverage cans. We had net sales of approximately $10.6 billion for the year ended March 31, 2011.

Our History

Organization and Description of Business

Novelis Inc. was formed in Canada on September 21, 2004. We produce aluminum sheet and light gauge products for use in the beverage and food can, transportation, construction and industrial, and foil product markets. As of March 31, 2011, we had operations in eleven countries on four continents: North America, Europe, Asia and South America, through 30 operating plants, seven research and development facilities and three recycling facilities. In addition to aluminum rolled products plants, our South American businesses include bauxite mining, primary aluminum smelting and power generation facilities.

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.

Amalgamation of AV Aluminum Inc. and Novelis Inc.

Effective September 29, 2010, in connection with an internal restructuring transaction and pursuant to articles of amalgamation under the Canadian Business Corporations Act, we were amalgamated (the Amalgamation) with our direct parent AV Aluminum Inc., a Canadian corporation (AV Aluminum), to form an amalgamated corporation named Novelis Inc., also a Canadian corporation.

As a result of the Amalgamation, we and AV Aluminum continue our corporate existence, the amalgamated Novelis Inc. remains liable for all of our and AV Aluminum's obligations, and we continue to own all of our respective property. Since AV Aluminum was a holding company whose sole asset was the shares of the pre amalgamated Novelis, our business, management, board of directors and corporate governance procedures following the Amalgamation are identical to those of Novelis immediately prior to the Amalgamation. Novelis Inc., like AV Aluminum, remains an indirect, wholly-owned subsidiary of Hindalco. We have retrospectively recast all periods presented to reflect the amalgamated companies.

Our Industry

The aluminum rolled products market represents the global supply of and demand for aluminum sheet, plate and foil produced either from sheet ingot or continuously cast roll-stock in rolling mills operated by independent aluminum rolled products producers and integrated aluminum companies alike.

Aluminum rolled products are semi-finished aluminum products that constitute the raw material for the manufacture of finished goods ranging from automotive body panels to food and beverage cans. There are two major types of manufacturing processes for aluminum rolled products differing mainly in the process used to achieve the initial stage of processing:

- *hot mills* — that require sheet ingot, a rectangular slab of aluminum, as starter material; and
- *continuous casting mills* — that can convert molten metal directly into semi-finished sheet.

Both processes require subsequent rolling, which we call cold rolling, and finishing steps such as annealing, coating, leveling or slitting to achieve the desired thicknesses, width and metal properties. Most customers receive shipments in the form of aluminum coil, a large roll of metal, which can be fed into their fabrication processes.

There are two sources of input material: (1) primary aluminum, such as molten metal, re-melt ingot and sheet ingot; and (2) recycled aluminum, such as recyclable material from fabrication processes, which we refer to as recycled process material, used beverage cans (UBCs) and other post-consumer aluminum.

Primary aluminum and sheet ingot can generally be purchased at prices set on the London Metal Exchange (LME), plus a premium that varies by geographic region of delivery, alloying material, form (ingot or molten metal) and purity.

Recycled aluminum is also an important and growing source of input material. Aluminum is infinitely recyclable and recycling it requires approximately 5% of the energy needed to produce primary aluminum. As a result, in regions where aluminum is widely used, manufacturers and customers are active in setting up collection processes in which UBCs and other recyclable aluminum are collected for re-melting at purpose-built plants. Manufacturers may also enter into agreements with customers who return recycled process material and pay to have it re-melted and rolled into the same product again.

End-use Markets

Aluminum rolled products companies produce and sell a wide range of aluminum rolled products, which can be grouped into four end-use markets based upon similarities in end-use: (1) packaging; (2) transportation; (3) electronics and (4) architectural. Within each end-use market, aluminum rolled products are manufactured with a variety of alloy mixtures; a range of tempers (hardness), gauges (thickness) and widths; and various coatings and finishes. Large customers typically have customized needs resulting in the development of close relationships with their supplying mills and close technical development relationships.

Packaging. Aluminum, because of its relatively light weight, recyclability and formability, has a wide variety of uses in packaging. Beverage cans are the second largest aluminum rolled products application, accounting for approximately 23% of total worldwide shipments in the calendar year ended December 31, 2010, according to market data from Commodity Research Unit International Limited (CRU), an independent business analysis and consultancy group focused on the mining, metals, power, cables, fertilizer and chemical sectors. Beverage and food cans is also our largest end-use market, making up 58% of our total flat rolled product shipments in each of the years ended March 31, 2011 and 2010. The recyclability of aluminum cans enables them to be used, collected, melted and returned to the original product form an unlimited number of times, unlike steel, paper or PET plastic, which deteriorate with every iteration of recycling. Aluminum beverage cans also offer advantages in fabricating efficiency and product shelf life. Fabricators are able to produce and fill beverage cans at very high speeds, and non-porous aluminum cans provide longer shelf life than PET plastic containers. Aluminum cans are light, stackable and use space efficiently, making them convenient and cost efficient to ship.

Beverage can sheet is sold in coil form for the production of can bodies, ends and tabs. The material can be ordered as rolled, degreased, pre-lubricated, pre-treated and/or lacquered. Typically, can makers define their own specifications for material to be delivered in terms of alloy, gauge, width and surface finish.

Converter foil is very thin aluminum foil, plain or printed, that is typically laminated to plastic or paper to form an internal seal for a variety of packaging applications, including juice boxes, pharmaceuticals, food pouches, cigarette packaging and lid stock. Customers order coils of converter foil in a range of thicknesses from 6 microns to 60 microns.

Household foil includes home and institutional aluminum foil wrap sold as a branded or generic product. Known in the industry as packaging foil, it is manufactured in thicknesses ranging from 11 microns to 23 microns. Container foil is used to produce semi-rigid containers such as pie plates and take-out food trays and is usually ordered in a range of thicknesses ranging from 60 microns to 200 microns.

Other applications in this end-use market include food cans and screw caps for the beverage industry.

Transportation. Heat exchangers, such as radiators and air conditioners, are an important application for aluminum rolled products in the truck and automobile categories of the transportation end-use market. Original equipment manufacturers also use aluminum sheet with specially treated surfaces and other specific properties for interior and exterior applications. Newly developed alloys are being used in transportation tanks and rigid containers that allow for safer and more economical transportation of hazardous and corrosive materials.

There has been recent growth in certain geographic markets in the use of aluminum rolled products in automotive body panel applications, including hoods, deck lids, fenders and lift gates. These uses typically result from co-operative efforts between aluminum rolled products manufacturers and their customers that yield tailor-made solutions for specific requirements in alloy selection, fabrication procedure, surface quality and joining. We believe the recent growth in automotive body panel applications is due in part to the lighter weight, better fuel economy and improved emissions performance associated with these applications and we expect increased growth in this end-use market as automotive companies continue to explore opportunities for ways to reduce the weight (lightweighting) of automobiles as a result of environmental regulations around emissions and competition related to fuel economy.

Aluminum rolled products are also used in aerospace applications, a segment of the transportation market in which we were not allowed to compete until January 6, 2010, pursuant to a non-competition agreement we entered into with Alcan in connection with the spin-off. However, aerospace-related consumption of aluminum rolled products has historically represented a relatively small portion of total aluminum rolled products market shipments.

Aluminum is also used in the construction of ships' hulls and superstructures and passenger rail cars because of its strength, light weight, formability and corrosion resistance.

Electronics. Aluminum's ability to conduct electricity and heat and to offer corrosion resistance makes it useful in a wide variety of electronic and industrial applications. Industrial applications include electronics and communications equipment, process and electrical machinery and lighting fixtures. Uses of aluminum rolled products in consumer durables include microwaves, coffee makers, flat screen televisions, personal computers, mobile phones, air conditioners, pleasure boats and cooking utensils.

Architectural. Construction is the largest application within this end-use market. Aluminum rolled products developed for the construction industry are often decorative and non-flammable, offer insulating properties, are durable and corrosion resistant, and have a high strength-to-weight ratio. Aluminum siding, gutters, and downspouts comprise a significant amount of construction volume. Other applications include doors, windows, awnings, canopies, facades, roofing and ceilings.

Market Structure

The aluminum rolled products industry is characterized by economies of scale, significant capital investments required to achieve and maintain technological capabilities and demanding customer qualification standards. The service and efficiency demands of large customers have encouraged consolidation among suppliers of aluminum rolled products.

While our customers tend to be increasingly global, many aluminum rolled products tend to be produced and sold on a regional basis. The regional nature of the markets is influenced in part by the fact that not all mills are equipped to produce all types of aluminum rolled products. For instance, only a few mills in North America, Europe and Asia, and only one mill in South America produce beverage can body and end stock. In addition, individual aluminum rolling mills generally supply a limited range of products for end-use markets, and seek to maximize profits by producing high volumes of the highest margin mix per mill hour given available capacity and equipment capabilities.

Certain multi-purpose, common alloy and plate rolled products are imported into Europe and North America from producers in emerging markets, such as Brazil, South Africa, Russia and China. However, at this time we believe that most of these producers are generally unable to produce flat rolled products that meet the quality requirements, lead times and specifications of customers with more demanding applications. In addition, high freight costs, import duties, inability to take back recycled aluminum, lack of technical service capabilities and long lead-times mean that many developing market exporters are viewed as second-tier suppliers. Therefore, many of our customers in the Americas, Europe and Asia do not look to suppliers in these emerging markets for a significant portion of their requirements.

Competition

The aluminum rolled products market is highly competitive. We face competition from a number of companies in all of the geographic regions and end-use markets in which we operate. Our primary competitors are as follows:

North America
Alcoa, Inc. (Alcoa)
Aleris International, Inc. (Aleris)
Arco Aluminium, Inc.
Norandal Aluminum
Rio Tinto Alcan Inc.
Wise Metal Group LLC

Asia
Alcoa
Furukawa-Sky Aluminum Corp.
Kobe Steel Ltd.
Nanshan Aluminum
Sumitomo Light Metal Company, Ltd.
Southwest Aluminum Co. Ltd.

Europe
Alcoa
Aleris
Hydro A.S.A.
Rio Tinto Alcan Inc.

South America
Alcoa
Companhia Brasileira de Alumínio

The factors influencing competition vary by region and end-use market, but generally we compete on the basis of our value proposition, including price, product quality, the ability to meet customers' specifications, range of products offered, lead times, technical support and customer service. In some end-use markets, competition is also affected by fabricators' requirements that suppliers complete a qualification process to supply their plants. This process can be rigorous and may take many months to complete. As a result, obtaining business from these customers can be a lengthy and expensive process. However, the ability to obtain and maintain these qualifications can represent a competitive advantage.

In addition to competition from others within the aluminum rolled products industry, we, as well as the other aluminum rolled products manufacturers, face competition from non-aluminum material producers, as fabricators and end-users have, in the past, demonstrated a willingness to substitute other materials for aluminum. In the beverage and food cans end-use market, aluminum rolled products' primary competitors are glass, PET plastic, and in some regions, steel. In the transportation end-use market, aluminum rolled products compete mainly with steel and composites. Aluminum competes with wood, plastic, cement and steel in building products applications. Factors affecting competition with substitute materials include price, ease of manufacture, consumer preference and performance characteristics.

Key Factors Affecting Supply and Demand

The following factors have historically affected the supply of aluminum rolled products:

Production Capacity. As in most manufacturing industries with high fixed costs, production capacity has the largest impact on supply in the aluminum rolled products industry. In the aluminum rolled products industry, the addition of production capacity requires large capital investments and significant plant construction or expansion, and typically requires long lead-time equipment orders.

Alternative Technology. Advances in technological capabilities allow aluminum rolled products producers to better align product portfolio and supply with industry demand. As an example, continuous casting offers the ability to increase capacity in smaller increments than is possible with hot mill additions. This enables production capacity to better adjust to small year-over-year increases in demand. However, the continuous casting process results in the production of a more limited range of products.

Trade. Some trade flows do occur between regions despite shipping costs, import duties and the need for localized customer support. Higher value-added, specialty products such as lithographic sheet and some foils are more likely to be traded internationally, especially if demand in certain markets exceeds local supply. With respect to less technically demanding applications, emerging markets with low cost inputs may export commodity aluminum rolled products to larger, more mature markets. Accordingly, regional changes in supply, such as plant expansions, may have some effect on the worldwide supply of commodity aluminum rolled products.

The following factors have historically affected the demand for aluminum rolled products:

Economic Growth. We believe that economic growth is currently the single largest driver of aluminum rolled products demand. In mature markets, growth in demand has typically correlated closely with growth in industrial production.

In emerging markets such as China, growth in demand typically exceeds industrial production growth largely because of expanding infrastructures, capital investments and rising incomes that often accompany economic growth in these markets.

Substitution Trends. Manufacturers' willingness to substitute other materials for aluminum in their products and competition from substitution materials suppliers also affect demand. For example, in North America, competition from PET plastic containers and glass bottles, and changes in marketing channels and consumer preferences in beverage containers, have, in recent years, reduced the growth rate of aluminum can sheet in North America from the high rates experienced in the 1970s and 1980s. Historically, despite changes in consumer preferences, North American aluminum beverage can shipments have remained at approximately 100 billion cans per year since 1994 according to the Can Manufacturers Institute. For the calendar year ended December 31, 2010, North American aluminum beverage can shipments have increased by approximately 0.2% to 99.3 billion cans mainly due to an increase in demand for carbonated soft drinks.

Environmental regulations and competition among automobile manufacturers has resulted in efforts to reduce the weight of vehicles. As automobile manufacturers substitute aluminum for other heavier alternatives, demand for flat rolled aluminum products has increased.

Downgauging. Increasing technological and asset sophistication has enabled aluminum rolling companies to offer consistent or even improved product strength using lighter gauge (thinner) aluminum products, providing customers with a more cost-effective product as compared to alternatives to aluminum. This reduces raw material requirements, but also effectively increases rolled products' plant utilization rates and reduces available capacity, because to produce the same number of units requires more rolling hours to achieve thinner gauges. As utilization rates increase, revenues rise as our pricing tends to be based on machine hours used rather than on the volume of material rolled. On balance, we believe that downgauging has maintained or enhanced overall market economics for both users and producers of aluminum rolled products.

Seasonality. Demand for certain aluminum rolled products is affected by seasonal factors, such as increases in consumption of beer and soft drinks packaged in aluminum cans and the use of aluminum sheet used in the construction and industrial end-use market during summer months. We typically experience seasonal slowdowns during our third fiscal quarter resulting in lower shipment volumes as a result of lower end-product sales of beverages in the northern hemisphere, declines in overall production output due primarily to the holidays in North America and Europe, and the seasonal downturn in construction due to weather.

Our Business Strategy

Our primary objective is to deliver shareholder and customer value by being the most innovative and profitable aluminum rolled products company in the world. We intend to achieve this objective through the following areas of focus:

Operate as "One Novelis" — a Fully-integrated Global Company

We intend to continue to build on our focused business model to operate as "One Novelis." The term "One Novelis" refers to our goal of becoming a truly integrated, global company driven by a singular focus. An important part of the One Novelis concept is our highly-focused, pass-through business model that utilizes our manufacturing excellence, our risk management expertise, our value-added conversion premium-based pricing, and, importantly, our growing ability to leverage our global assets according to a single, corporate-wide vision. We believe this integrated approach is the foundation for the effective execution of our strategy across the Novelis system.

We strive to service our customers in a consistent, global manner through seamless alignment of goals, methods and metrics across the organization to improve communication and by implementation of strategic initiatives. These initiatives have resulted in enhanced operating margins and performance and we believe we will continue to make aggressive steps to operate globally. During fiscal 2011, we have taken steps to realign globally by creating a global commercial organization and a global recycling organization. Additionally, we have aligned our organization globally in our key end-use markets.

Focus on Our Core Premium Products to Drive Enhanced Profitability

We will focus on capturing the growth in the beverage can market worldwide as well as the automotive and electronic markets. We plan to continue improving our product mix and margins by leveraging our world-class assets and technical capabilities. Our management approach helps us to systematically identify opportunities to improve the profitability of our operations through product portfolio analysis. This ensures that we focus on growing in attractive market segments, while also taking actions to exit unattractive ones. We will continue to focus on our core products while investing in emerging growth markets.

Pursue Organic Growth Through Capital Investments in Emerging Growth Markets and Debottlenecking Initiatives

We are currently operating at or near capacity. We are investing heavily in increasing our capacity, particularly in high growth emerging markets. Our international presence positions us well to capture additional growth opportunities in targeted aluminum rolled products. In particular, we believe Asia and South America have high growth potential in areas such as beverage cans and electronics. While our existing manufacturing and operating presence positions us well to capture this growth, we expect to make some incremental capital expenditures or selective acquisitions to expand our capabilities in these areas.

In response to the growing demand for our products in South America, in May 2010 we announced a plan to invest nearly $300 million to expand our aluminum rolling operations in Brazil to increase capacity by more than 50% to approximately 600 kt of aluminum sheet per year. The project is expected to be completed by late calendar 2012. Additionally, in May 2011, we announced a plan to invest approximately $400 million to expand our recycling and rolling capabilities in Asia in response to the growing demand in both Asia and the Middle East. The rolling expansion, which will include investments in both hot rolling and cold rolling operations, is expected to increase capacity in Asia by over 50% to 1,000 kt of aluminum sheet per year. The expansion will also include the construction of a state-of-the-art recycling center for used aluminum beverage cans. The project is expected to be completed by late fiscal 2013. In response to the lightweighting trend in the automotive industry, we will be investing in increasing our North American rolling capacity for the transportation end-use market.

To release additional capacity in facilities, increase efficiency and improve margins, we are continually evaluating debottlenecking opportunities globally through modifications of and investments in existing equipment and processes. We believe our debottlenecking initiatives will release approximately 100 kt of additional production capacity in fiscal 2012, and we anticipate that we can release additional capacity through these efforts by 3% to 4% annually over the next 2 to 3 years with minimal capital investments.

Sustainability

In May 2011, we announced an aggressive new sustainability platform that aims to increase the recycled content of our aluminum to 80 percent by 2020. This move will significantly reduce our carbon footprint and improve the environmental attractiveness of our products as well as those of our customers. Today, recycled metal accounts for 34 percent of the aluminum Novelis uses. Increasing that amount to 80 percent will remove an estimated 10 million metric tons of greenhouse gas emissions from the aluminum product lifecycle each year. We intend to issue an annual Sustainability Report beginning in July 2011.

Focus on Reducing our Costs

We strive to be the lowest cost producer of world-class aluminum rolled products by pursuing a standardized focus on our core operations globally and through the implementation of cost-reduction and restructuring initiatives. To achieve this objective, we have standardized our manufacturing processes and the associated upstream and downstream production elements where possible while still allowing the flexibility to respond to local market demands. In addition, we have implemented numerous restructuring initiatives, including the shutdown of facilities, staff rationalization and other activities, all of which have led to significant cost savings that we will benefit from for years to come. We plan to continue to focus on maintaining our low cost base, even as we invest in expansion of our capacity, and intend to persist in the implementation of ongoing initiatives to improve operational efficiencies across our plants globally.

Our Operating Segments

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. The following is a description of our operating segments:

- *North America.* Headquartered in Atlanta, GA, this segment manufactures aluminum sheet and light gauge products and operates eleven plants, including two fully dedicated recycling facilities, in two countries.
- *Europe.* Headquartered in Zurich, Switzerland, this segment manufactures aluminum sheet and light gauge products and operates 13 plants, including one fully dedicated recycling facility, in six countries.
- *Asia.* Headquartered in Seoul, South Korea, this segment manufactures aluminum sheet and light gauge products and operates three plants in two countries.
- *South America.* South America operates two rolling plants along with one primary aluminum smelter, a bauxite mine and a hydro-electric power plant as of March 31, 2011, all of which are located in Brazil. South America manufactures aluminum rolled products, including can stock, automotive and industrial sheet and light gauge for the beverage and food can, construction and industrial, foil and other packaging and transportation end-use applications.

The table below shows Net sales and total shipments by segment. For additional financial information related to our operating segments, see Note 19 — Segment, Geographical Area, Major Customer and Major Supplier Information to our accompanying audited consolidated financial statements.

Sales in millions Shipments in kilotonnes	Year Ended March 31, 2011	2010	2009
Consolidated			
Net sales(A)	$10,577	$8,673	$10,177
Total shipments	3,097	2,854	2,943
North America			
Net sales(B)	$ 3,922	$3,292	$ 3,930
Total shipments	1,121	1,063	1,109
Europe			
Net sales(B)	$ 3,589	$2,975	$ 3,718
Total shipments	976	884	1,009
Asia			
Net sales(B)	$ 1,866	$1,501	$ 1,536
Total shipments	581	534	460
South America			
Net sales(B)	$ 1,214	$ 948	$ 1,007
Total shipments	419	373	365

(A) Consolidated Net sales include the results of our non-consolidated affiliates on a proportionately consolidated basis, which is consistent with the way we manage our business segments.

(B) Net sales by segment includes intersegment sales.

North America

As of March 31, 2011, North America operates 11 aluminum rolled products facilities, including two fully dedicated recycling facilities, and manufactures a broad range of aluminum sheet and light gauge products. End-use markets for this segment include beverage cans, containers and packaging, automotive and other transportation applications, building products and other industrial applications. The majority of North America's efforts are directed towards the beverage can sheet market. The beverage can end-use market is technically demanding to supply and pricing is competitive. We believe we have a competitive advantage in this market due to our low-cost and technologically advanced manufacturing facilities and technical support capability. Recycling is important in the manufacturing process and we have five facilities in North America that re-melt post-consumer aluminum and recycled process material. Most of the recycled material is from UBCs and the material is cast into sheet ingot for North America's two can sheet production plants (at Russellville, Kentucky and Oswego, New York). In August 2009, we entered into a UBC recycling joint venture with Alcoa to create a new independent company, known as Evermore Recycling LLC (Evermore Recycling). Our investment in Evermore Recycling is 55.8% and Alcoa's equity investment is 44.2%. Evermore Recycling purchases UBCs from suppliers for recycling by us and Alcoa and is designed to create value by increasing efficiency, building stronger supplier relationships and increasing recycling.

Europe

As of March 31, 2011, Europe operates 13 operating plants, including one fully dedicated recycling facility and one integrated recycling facility, and manufactures a broad range of sheet and foil products. End-use markets for this segment include beverage and food can, automotive, construction and industrial products, foil and technical products and lithographic. Beverage and food can represent the largest end-use market in terms of shipment volume by Europe. Europe has foil and packaging facilities at six locations and, in addition to six rolled product plants, has distribution centers in Italy and sales offices in several European countries. Operations include our 50% joint venture interest in Aluminium Norf GmbH (Norf), which is the world's largest aluminum rolling and remelt facility. Norf supplies high quality can stock, foilstock and feeder stock for finishing at our other European operations.

In April 2009, we closed our distribution center in France. In March 2009, we announced the closure of our aluminum sheet mill in Rogerstone, South Wales, U.K. The facility ceased operations in April 2009. On March 1, 2011, we announced the sale of our printed confectionery foil packaging business at Bridgnorth, UK. The operation is associated with the previously announced closure of the Bridgnorth aluminum foil rolling and laminating activities, which ceased operations at the end of April 2011. In February 2011, we announced plans to invest $18 million in the construction of a new recycling center at Norf.

Asia

As of March 31, 2011, Asia operates three manufacturing facilities and manufactures a broad range of sheet and light gauge products. End-use markets include beverage and food cans, electronics and construction and industrial products and foil. The beverage can market represents the largest end-use market in terms of volume. Recycling is an important part of our Korean operations with recycling facilities at both the Ulsan and Yeongju facilities. Metal from recycled aluminum purchases represented 31% of Asia's total shipments in fiscal 2011. We believe that Asia is well-positioned to benefit from further economic development in China as well as other parts of Asia.

In May 2011, we announced plans to invest approximately $400 million to expand our aluminum rolling and recycling operations in South Korea in response to the growing demand in Asia and the Middle East. The rolling expansion, which will include investments in both hot rolling and cold rolling operations, will increase our aluminum sheet capacity in Asia to 1000 kt annually. A response to projected market growth in the region, the move is designed to rapidly bring to market high-quality aluminum rolling capacity aligned with the projected needs of a growing customer base. The new capacity is expected to come on stream in late fiscal 2013. The expansion will increase Novelis' aluminum sheet capacity in Asia by more than 50 percent, and will also include the construction of a state-of-the-art recycling center for used aluminum beverage cans and a casting operation.

South America

As of March 31, 2011, South America operates two rolling plants along with one primary aluminum smelter and a hydro-electric power plant, all of which are located in Brazil. South America manufactures aluminum rolled products, including can stock, automotive and industrial sheet and light gauge for the beverage and food can, construction and industrial, foil and other packaging and transportation end-use applications. Beverage and food can represent the largest end-use application in terms of shipment volume. Our operations in South America include a smelters used by our Brazilian aluminum rolled products operations, with any excess production being sold on the market in the form of aluminum billets, and a hydro-electric power plant which we use to generate a portion of our own power requirements. Additionally, we own bauxite mines and reserves which are not currently operational.

In May 2009, we ceased the production of alumina at our Ouro Preto facility in Brazil as the sustained decline in alumina prices made alumina production economically unfeasible. In light of the alumina and aluminum pricing environment, we closed our Aratu facility in Candeias, Brazil in December 2010. In response to the growing demand for our products in South America, in May 2010 we announced a plan to invest nearly $300 million to expand our aluminum rolling operations in Brazil to increase the plant's capacity by more than 50% to approximately 600 kt of aluminum sheet per year. The project is expected to be completed by late fiscal 2012.

Financial Information About Geographic Areas

Certain financial information about geographic areas is contained in Note 19 — Segment, Geographical Area, Major Customer and Major Supplier Information to our accompanying audited consolidated financial statements.

Raw Materials and Suppliers

The raw materials that we use in manufacturing include primary aluminum, recycled aluminum, sheet ingot, alloying elements and grain refiners. Our smelters also use alumina, caustic soda and calcined petroleum coke and resin. These raw materials are generally available from several sources and are not generally subject to supply constraints under normal market conditions. We also consume considerable amounts of energy in the operation of our facilities.

Aluminum

We obtain aluminum from a number of sources, including the following:

Primary Aluminum Sourcing. We purchased or tolled approximately 1,900 kt of primary aluminum in fiscal 2011 in the form of sheet ingot, standard ingot and molten metal, approximately 50% of which we purchased from Alcan. Following our spin-off from Alcan, we have continued to purchase aluminum from Alcan pursuant to metal supply agreements. Our primary aluminum contracts with Alcan were renegotiated and the amended agreements took effect on January 1, 2008.

Primary Aluminum Production. We produced approximately 78 kt of our own primary aluminum requirements in fiscal 2011 through our smelter and related facilities in Brazil.

Recycled Aluminum Products. We operate facilities in several plants to recycle post-consumer aluminum, such as UBCs collected through recycling programs. In addition, we have agreements with several of our large customers where we take recycled processed material from their fabricating activity and re-melt, cast and roll it to re-supply them with aluminum sheet. Other sources of recycled material include lithographic plates, where over 90% of aluminum used is recycled, and products with longer lifespans, like cars and buildings, which are starting to become high volume sources of recycled material. We purchased or tolled approximately 1,000 kt of recycled material inputs in fiscal 2011 and are making recycling investments in Europe, Korea and South America to increase the amount of recycled material we use as raw materials.

The majority of recycled material we re-melt is directed back through can-stock plants. The net effect of all recycling activities in terms of total shipments of rolled products is that approximately 33% of our aluminum rolled products production for fiscal 2011 was made with recycled material.

Energy

We use several sources of energy in the manufacture and delivery of our aluminum rolled products. In fiscal 2011, natural gas and electricity represented approximately 83% 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 smelter 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 have in the past and may continue to seek to stabilize our future exposure to natural gas prices through the purchase of derivative instruments. Natural gas prices in Europe, Asia and South America have historically been more stable than in the United States.

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. We have fixed pricing on some of our energy supply arrangements. When the market price of energy is above the fixed price within the contract, we are subject to the credit risk of the counterparty in terms of fulfilling the contract to its term, including those favorable contracts which were existent at the date of the Arrangement and for which an intangible asset was recorded in purchase accounting.

Our South America segment has its own hydroelectric facility that meets approximately 45% of its total electricity requirements. We have a mixture of self-generated electricity, long term and shorter term contracts. We may continue to face challenges renewing our South American energy supply contracts at rates which enable profitable operation of our full smelter capacity.

Others

We also have bauxite and alumina requirements. We will satisfy some of our alumina requirements for the near term pursuant to an alumina supply agreement we have entered into with Alcan.

Our Customers

Although we provide products to a wide variety of customers in each of the markets that we serve, we have experienced consolidation trends among our customers in many of our key end-use markets. In fiscal 2011, approximately 50% of our total net sales were to our ten largest customers, most of whom we have been supplying for more than 20 years. To address consolidation trends, we focus significant efforts at developing and maintaining close working relationships with our customers and end-users. Our major customers include:

Beverage and Food Cans
Anheuser-Busch InBev
Affiliates of Ball Corporation
Can-Pack S.A.
Various bottlers of the Coca-Cola System
Crown Cork & Seal Company
Rexam plc

Transportation
Audi Worldwide Company
BMW Group International
Daimler AG
Ford Motor Company
General Motors
Hyundai Motor Company
Jaguar Land Rover
Volvo Group

Construction, Industrial and Other
Agfa-Gevaert N.V.
Amcor Limited
Kodak Polychrome Graphics GmbH
Lotte Aluminum Co. Ltd.
Pactiv Corporation
Ryerson Inc.
Tetra Pak Ltd.

Electronics
LG
Samsung

In our single largest end-use market, beverage can sheet, we sell directly to beverage makers and bottlers as well as to can fabricators that sell the cans they produce to bottlers. In certain cases, we also operate under umbrella agreements with beverage makers and bottlers under which they direct their can fabricators to source their requirements for beverage can body, end and tab stock from us. Among these umbrella agreements is an agreement with several North American bottlers of Coca-Cola branded products, including Coca-Cola Bottlers' Sales and Services. Under this agreement, we shipped approximately 349 kt of beverage can sheet (including tolled metal) during fiscal 2011. These shipments were made to, and we received payment from, our direct customers, who are the beverage can fabricators that sell beverage cans to the Coca-Cola associated bottlers. Under the agreement, bottlers in the Coca-Cola system may join this agreement by committing a specified percentage of the can sheet required by their can fabricators to us.

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.

	Year Ended March 31,		
	2011	2010	2009
Rexam	15%	16%	17%
Anheuser-Busch	13%	11%	7%

Distribution and Backlog

We have two principal distribution channels for the end-use markets in which we operate: direct sales to our customers and distributors.

	Year Ended March 31,		
	2011	2010	2009
Direct sales as a percentage of total net sales	92%	93%	93%
Distributor sales as a percentage of total net sales	8%	7%	7%

Direct Sales

We supply various end-use markets all over the world through a direct sales force that operates from individual plants or sales offices, as well as from regional sales offices in 21 countries. The direct sales channel typically involves very large, sophisticated fabricators and original equipment manufacturers. Longstanding relationships are maintained with leading companies in industries that use aluminum rolled products. Supply contracts for large global customers generally range from one to five years in length and historically there has been a high degree of renewal business with these customers. Given the customized nature of products and in some cases, large order sizes, switching costs are significant, thus adding to the overall consistency of the customer base.

We also use third party agents or traders in some regions to complement our own sales force. They provide service to our customers in countries where we do not have local expertise. We tend to use third party agents in Asia more frequently than in other regions.

Distributors

We also sell our products through aluminum distributors, particularly in North America and Europe. Customers of distributors are widely dispersed, and sales through this channel are highly fragmented. Distributors sell mostly commodity or less specialized products into many end-use markets in small quantities, including the construction and industrial and transportation markets. We collaborate with our distributors to develop new end-use markets and improve the supply chain and order efficiencies.

Backlog

We believe that order backlog is not a material aspect of our business.

Research and Development

The table below summarizes our research and development expense in our plants and modern research facilities, which included mini-scale production lines equipped with hot mills, can lines and continuous casters (in millions).

	Year Ended March 31,		
	2011	2010	2009
Research and development expenses	$40	$38	$41

We conduct research and development activities at our plants in order to satisfy current and future customer requirements, improve our products and reduce our conversion costs. Our customers work closely with our research and development professionals to improve their production processes and market options. We have approximately 210 employees dedicated to research and development, located in many of our plants and research center.

Our Employees

The table below summarizes our approximate number of employees by region.

Employees	North America	Europe	Asia	South America	Total
March 31, 2011	3,100	4,650	1,500	1,600	10,850
March 31, 2010	2,900	4,750	1,500	1,900	11,050

Approximately 63% of our employees are represented by labor unions and their employment conditions are governed by collective bargaining agreements. Collective bargaining agreements are negotiated on a site, regional or national level, and are of different durations.

We experienced a work stoppage at our Korean facilities for 12 days in August 2010. While this work stoppage resulted in a wage increase of approximately 15% for the workers at our Korean facilities, it did not have a material impact on our results of operations. We have not experienced a prolonged labor stoppage in any of our principal facilities during the last decade.

Intellectual Property

In connection with our spin-off, Alcan has assigned or licensed to Novelis a number of important patents, trademarks and other intellectual property rights owned or previously owned by Alcan and required for our business. Ownership of certain intellectual property that is used by both us and Alcan is owned by one of us, and licensed to the other. Certain specific intellectual property rights, which have been determined to be exclusively useful to us or which were required to be transferred to us for regulatory reasons, have been assigned to us with no license back to Alcan.

We actively review intellectual property arising from our operations and our research and development activities and, when appropriate, we apply for patents in the appropriate jurisdictions, including the United States and Canada. We currently hold patents and patent applications on approximately 175 different items of intellectual property. While these patents and patent applications are important to our business on an aggregate basis, no single patent or patent application is deemed to be material to our business.

We have applied for or received registrations for the “Novelis” word trademark and the Novelis logo trademark in approximately 50 countries where we have significant sales or operations. Novelis uses the Aditya Birla Rising Sun logo under license from Aditya Birla Management Corporation Private Limited.

We have also registered the word “Novelis” and several derivations thereof as domain names in numerous top level domains around the world to protect our presence on the World Wide Web.

Environment, Health and Safety

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 our liability arising from the usage, storage, treatment or disposal of hazardous substances and wastes at a number of sites in the United States, as well as similar proceedings under the laws and regulations of the other jurisdictions in which we have operations, including Brazil and certain countries in the European Union. Many of these jurisdictions have laws that impose joint and several liability, without regard to fault or the legality of the original conduct, for the costs of environmental remediation, natural resource damages, third party claims, and other expenses. In addition, we are, from time to time, subject to environmental reviews and investigations by relevant governmental authorities.

We have established procedures for regularly evaluating environmental loss contingencies, including those arising from 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 also believe we have made reasonable estimates for the costs that are likely to be ultimately 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. Management has determined that the currently anticipated costs associated with these environmental matters will not, individually or in the aggregate, materially impair our operations or materially adversely affect our financial condition.

Our capital expenditures for environmental protection and the betterment of working conditions in our facilities were $1 million in fiscal 2011. We expect these capital expenditures will be approximately $5 million and $2 million in fiscal 2012 and 2013, respectively. In addition, expenses for environmental protection (including estimated and probable environmental remediation costs as well as general environmental protection costs at our facilities) were $18 million in fiscal 2011, and are expected to be $34 million and $27 million in fiscal 2012 and 2013, respectively. Generally, expenses for environmental protection are recorded in Cost of goods sold. However, significant remediation costs that are not associated with on-going operations are recorded in Other (income) expenses, net.

Available Information

We are subject to the reporting and information requirements of the Securities Exchange Act of 1934, as amended (Exchange Act) and, as a result, we file periodic reports and other information with the SEC. We make these filings available on our website free of charge, the URL of which is http://www.novelis.com, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The SEC maintains a website (http://www.sec.gov) that contains our annual, quarterly and current reports and other information we file electronically with the SEC. You can read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Information on our website does not constitute part of this Annual Report on Form 10-K.

Item 1A. ***Risk Factors***

In addition to the factors discussed elsewhere in this report, you should consider the following factors, which could materially affect our business, financial condition or results of operations in the future. The following factors, among others, could cause our actual results to differ from those projected in any forward looking statements we make.

Certain of our customers are significant to our revenues, and we could be adversely affected by changes in the business or financial condition of these significant customers or by the loss of their business.

Our ten largest customers accounted for approximately 50%, 48% and 45% of our total net sales for the year ended March 31, 2011, 2010 and 2009, respectively, with Rexam Plc, a leading global beverage can maker, and its affiliates representing approximately 13%, 16% and 17% of our total net sales in the respective periods. A significant downturn in the business or financial condition of our significant customers could materially adversely affect our results of operations and cash flows. In addition, if our existing relationships with significant customers materially deteriorate or are terminated in the future, and we are not successful in replacing business lost from such customers, our results of operations and cash flows could be adversely affected. Some of the longer term contracts under which we supply our customers, including under umbrella agreements such as those described under "Business — Our Customers," are subject to renewal, renegotiation or re-pricing at periodic intervals or upon changes in competitive supply conditions. Our failure to successfully renew, renegotiate or re-price such agreements could result in a reduction or loss in customer purchase volume or revenue, and if we are not successful in replacing business lost from such customers, our results of operations and cash flows could be adversely affected. The markets in which we operate are competitive and customers may seek to consolidate supplier relationships or change suppliers to obtain cost savings and other benefits.

Our results and short term liquidity can be negatively impacted by timing differences between the prices we pay under purchase contracts and metal prices we charge our customers.

Most of our purchase and sales contracts are based on the LME price for high grade aluminum, and there are typically timing differences between the pricing periods for purchases and sales where purchase prices tend to be fixed earlier than sales prices. This creates a price exposure that we call "metal price lag." To mitigate this exposure, we sell short-term LME futures contracts to protect the value of priced metal purchases and inventory until the sale price is established. We settle these derivative contracts in advance of collecting from our customers, which impacts our short-term liquidity position.

In addition, from time to time, customers request fixed prices for longer term sales commitments, and we in turn enter into futures purchase contracts to hedge against these fixed forward priced sales to customers. The mismatch between the settlement of these derivative contracts and the recognition of revenue from shipments hedged with these derivative contracts also leads to volatility in our GAAP operating results. The lag between derivative settlement and customer collection typically ranges from 30 to 60 days.

Our operations consume energy and our profitability and cash flows may decline if energy costs were to rise, or if our energy supplies were interrupted.

We consume substantial amounts of energy in our rolling operations, cast house operations and a Brazilian smelting operation. The factors that affect our energy costs and supply reliability tend to be specific to each of our facilities. A number of factors could materially adversely affect our energy position including:

- increases in costs of natural gas;
- significant increases in costs of supplied electricity or fuel oil related to transportation;
- interruptions in energy supply due to equipment failure or other causes;
- the inability to extend energy supply contracts upon expiration on economical terms; and
- the inability to pass through energy costs in certain sales contracts.

In addition, global climate change may increase our costs for energy sources, supplies or raw materials. See "— We may be affected by global climate change or by legal, regulatory or market responses to such change." If energy costs were to rise, or if energy supplies or supply arrangements were disrupted, our profitability and cash flows could decline.

A deterioration of our financial position or a downgrade of our ratings by a credit rating agency could increase our borrowing costs and our business relationships could be adversely affected.

A deterioration of our financial position or a downgrade of our ratings for any reason could increase our borrowing costs and have an adverse effect on our business relationships with customers, suppliers and hedging counterparties. From time to time, we enter into various forms of hedging activities against currency, interest rate or metal price fluctuations and trade metal contracts on the LME. Financial strength and credit ratings are important to the availability and pricing of these hedging and trading activities. As a result, any downgrade of our credit ratings may make it more costly for us to engage in these activities, and changes to our level of indebtedness may make it more difficult or costly for us to engage in these activities in the future.

Adverse changes in currency exchange rates could negatively affect our financial results or cash flows and the competitiveness of our aluminum rolled products relative to other materials.

Our businesses and operations are exposed to the effects of changes in the exchange rates of the U.S. dollar, the euro, the British pound, the Brazilian real, the Canadian dollar, the Korean won and other currencies. We have implemented a hedging policy that attempts to manage currency exchange rate risks to an acceptable level based on management's judgment of the appropriate trade-off between risk, opportunity and cost; however, this hedging policy may not successfully or completely eliminate the effects of currency exchange rate fluctuations which could have a material adverse effect on our financial results and cash flows.

We prepare our consolidated financial statements in U.S. dollars, but a portion of our earnings and expenditures are denominated in other currencies, primarily the euro, the Korean won and the Brazilian real. Changes in exchange rates will result in increases or decreases in our operating results and may also affect the book value of our assets located outside the U.S.

Most of our facilities are staffed by a unionized workforce, and union disputes and other employee relations issues could materially adversely affect our financial results.

Approximately 63% of our employees are represented by labor unions under a large number of collective bargaining agreements with varying durations and expiration dates. We may not be able to satisfactorily renegotiate our collective bargaining agreements when they expire. In addition, existing collective bargaining agreements may not prevent a strike or work stoppage at our facilities in the future. For example, we experienced a work stoppage at our Korean facilities for 12 days in August 2010. While this work stoppage resulted in a wage increase of approximately 15% for the workers at our Korean facilities, it did not have a material impact on our results of operations. However, any future extended work stoppages could have a material adverse effect on our financial results and cash flows.

We could be adversely affected by disruptions of our operations.

Breakdown of equipment or other events, including catastrophic events such as war or natural disasters, leading to production interruptions at our plants could have a material adverse effect on our financial results and cash flows. Further, because many of our customers are, to varying degrees, dependent on planned deliveries from our plants, those customers that have to reschedule their own production due to our missed deliveries could pursue claims against us and reduce their future business with us. We may incur costs to correct any of these problems, in addition to facing claims from customers. Further, our reputation among actual and potential customers may be harmed, resulting in a loss of business. While we maintain insurance policies covering, among other things, physical damage, business interruptions and product liability, these policies would not cover all of our losses.

Our operations have been and will continue to be exposed to various business and other risks, changes in conditions and events beyond our control in countries where we have operations or sell products.

We are, and will continue to be, subject to financial, political, economic and business risks in connection with our global operations. We have made investments and carry on production activities in various emerging markets, including Brazil, Korea and Malaysia, and we market our products in these countries, as well as China and certain other countries in Asia, the Middle East and emerging markets in South America. While we anticipate higher growth or attractive production opportunities from these emerging markets, they also present a higher degree of risk than more developed markets. In addition to the business risks inherent in developing and servicing new markets, economic conditions may be more volatile, legal and regulatory systems less developed and predictable, and the possibility of various types of adverse governmental action more pronounced. In addition, inflation, fluctuations in currency and interest rates, competitive factors, civil unrest and labor problems could affect our revenues, expenses and results of operations. Our operations could also be adversely affected by acts of war, terrorism or the threat of any of these events as well as government actions such as controls on imports, exports and prices, tariffs, new forms of taxation, or changes in fiscal regimes and increased government regulation in the countries in which we operate or service customers. Unexpected or uncontrollable events or circumstances in any of these markets could have a material adverse effect on our financial results and cash flows.

In addition, although relations between the Republic of Korea (which we refer to as Korea) and the Democratic People’s Republic of Korea (which we refer to as North Korea) have been tense throughout Korea’s modern history, North Korea’s recent artillery attack on Korea’s Yeonpyeong Island has vastly increased such tensions. There can be no assurance that the level of tension on the Korean peninsula will not escalate in the future. Further attacks may occur on Korea, including on areas in which we operate, which could have a material adverse affect on our operations. If military hostilities continue or increase between North Korea and Korea or the United States, the region could become further destabilized and our operations could be halted, and any such hostilities could have a material adverse effect on our operations.

Economic conditions could negatively affect our financial condition and results of operations.

Our financial condition and results of operations depend significantly on worldwide economic conditions. These economic conditions deteriorated significantly in many countries and regions in which we do business during and after the difficult global capital market conditions in 2008 and 2009, which resulted in a tightening in the credit markets, a low level of liquidity in many financial markets and extreme volatility in fixed income, currency and equity markets.

We are unable to predict the timing and rate at which industry variables may fully recover or future adverse changes in worldwide economic conditions. Uncertainty about current or future global economic conditions poses a risk as our customers may postpone purchases in response to tighter credit and negative financial news, which could adversely impact demand for our products. In addition, there can be no assurance that the actions we have taken or may take in response to the economic conditions will be sufficient to counter any continuation or reoccurrence of the downturn or disruptions. A significant global economic downturn or disruptions in the financial markets could have a material adverse effect on our financial condition and results of operations.

Our results of operations, cash flows and liquidity could be adversely affected if we were unable to purchase derivative instruments or if counterparties to our derivative instruments fail to honor their agreements.

We use various derivative instruments to manage the risks arising from fluctuations in aluminum prices, exchange rates, energy prices and interest rates. If for any reason we were unable to purchase derivative instruments to manage these risks or were unsuccessful in passing through the costs of our risk management activities, our results of operations, cash flows and liquidity could be adversely affected. In addition, we may be exposed to losses in the future if the counterparties to our derivative instruments fail to honor their agreements. In particular, deterioration in the financial condition of our counterparties and any resulting failure to pay amounts owed to us or to perform obligations or services owed to us could have a negative effect on our business and financial condition. Further, if major financial institutions continue to consolidate and are forced to operate under more restrictive capital constraints and regulations, there could be less liquidity in the derivative markets, which could have a negative effect on our ability to hedge and transact with creditworthy counterparties.

New derivatives legislation could have an adverse impact on our ability to hedge risks associated with our business and on the cost of our hedging activities.

We use over-the-counter (OTC) derivatives products to hedge our metal commodity risks and, to a lesser extent, our interest rate and currency risks. Recent legislation has been adopted to increase the regulatory oversight of the OTC derivatives markets and impose restrictions on certain derivative transactions, which could affect the use of derivatives in hedging transactions. Final regulations pursuant to this legislation defining which companies will be subject to the legislation have not yet been adopted. If future regulations subject us to additional capital or margin requirements or other restrictions on our trading and commodity positions, they could have an adverse effect on our ability to hedge risks associated with our business and on the cost of our hedging activities.

During many operating periods, we utilize substantially all of our production capacity, which may put us at a competitive disadvantage since we may be unable to take on additional volumes to meet our customers' needs or acquire new business. Therefore, we may lose future business to competitors with available capacity.

During fiscal year 2011, we operated at or near capacity across our system of plants worldwide. We anticipate that we will continue to make capital investments in our facilities to upgrade our technology and processes and attempt to expand the output capacity of our existing equipment and facilities, but our capacity expansion may not be sufficient to match the level of future demand increases. To the extent other rolled aluminum products manufacturers have available capacity at levels that exceed ours, we may be at a competitive disadvantage in our efforts to increase volumes from a current customer or to win significant new customer opportunities.

Our goodwill and other intangible assets could become impaired, which could require us to take non-cash charges against earnings.

We assess, at least annually and potentially more frequently, whether the value of our goodwill and other intangible assets has been impaired. Any impairment of goodwill or other intangible assets as a result of such analysis would result in a non-cash charge against earnings, which charge could materially adversely affect our reported results of operations.

A significant and sustained decline in our future cash flows, a significant adverse change in the economic environment or slower growth rates could result in the need to perform additional impairment analysis in future periods. If we were to conclude that a write-down of goodwill or other intangible assets is necessary, then we would record such additional charges, which could materially adversely affect our results of operations.

As part of our ongoing evaluation of our operations, we may undertake additional restructuring efforts in the future which could in some instances result in significant severance-related costs, environmental remediation expenses and impairment and other restructuring charges.

We recorded restructuring charges of $34 million for the year ended March 31, 2011 and $14 million for the year ended March 31, 2010. During these periods, we announced, among others, the following restructuring actions and programs:

- the relocation of our North American headquarters from Cleveland, Ohio to Atlanta, Georgia;
- the shutdown of our Aratu facility located in Candeias, Brazil; and
- the cessation of foil rolling activities and part of the packaging business at our facility located in Bridgnorth, U.K.

We may take additional restructuring actions in the future. Any additional restructuring efforts could result in significant severance-related costs, environmental remediation expenses, impairment charges, restructuring charges and related costs and expenses, which could adversely affect our profitability and cash flows.

We may not be able to successfully develop and implement new technology initiatives in a timely manner.

We have invested in, and are involved with, a number of technology and process initiatives. Several technical aspects of these initiatives are still unproven, and the eventual commercial outcomes cannot be assessed with any certainty. Even if we are successful with these initiatives, we may not be able to deploy them in a timely fashion. Accordingly, the costs and benefits from our investments in new technologies and the consequent effects on our financial results may vary from present expectations.

Loss of our key management and other personnel, or an inability to attract such management and other personnel, could adversely impact our business.

We depend on our senior executive officers and other key personnel to run our business. The loss of any of these officers or other key personnel could materially adversely affect our operations. Competition for qualified employees among companies that rely heavily on engineering and technology is intense, and the loss of qualified employees or an inability to attract, retain and motivate additional highly skilled employees required for the operation and expansion of our business could hinder our ability to improve manufacturing operations, conduct research activities successfully and develop marketable products.

Future acquisitions or divestitures may adversely affect our financial condition.

As part of our strategy for growth, we may pursue acquisitions, divestitures or strategic alliances, which may not be completed or, if completed, may not be ultimately beneficial to us. There are numerous risks commonly encountered in strategic transactions, including the risk that we may not be able to complete a transaction that has been announced, effectively integrate businesses acquired or generate the cost savings and synergies anticipated. Failure to do so could have a material adverse effect on our financial results.

Capital investments in debottlenecking or other organic growth initiatives may not produce the returns we anticipate.

A significant element of our strategy is to invest in opportunities to increase the production capacity of our operating facilities through modifications of and investments in existing facilities and equipment and to evaluate other investments in organic growth in our target markets. These projects involve numerous risks and uncertainties, including the risk that actual capital investment requirements exceed projected levels, that our forecasted demand levels prove to be inaccurate, that we do not realize the production increases or other benefits anticipated, that we experience scheduling delays in connection with the commencement or completion of the project, that the project disrupts existing plant operations causing us to temporarily lose a portion of our available production capacity, or that key management devotes significant time and energy focused on one or more initiatives that divert attention from other business activities.

We could be required to make unexpected contributions to our defined benefit pension plans as a result of adverse changes in interest rates and the capital markets.

Most of our pension obligations relate to funded defined benefit pension plans for our employees in the U.S., the U.K. and Canada, unfunded pension benefits in Germany and lump sum indemnities payable to our employees in France, Italy, Korea and Malaysia upon retirement or termination. Our pension plan assets consist primarily of funds invested in listed stocks and bonds. Our estimates of liabilities and expenses for pensions and other postretirement benefits incorporate a number of assumptions, including expected long-term rates of return on plan assets and interest rates used to discount future benefits. Our results of operations, liquidity or shareholders’ equity in a particular period could be adversely affected by capital market returns that are less than their assumed long-term rate of return or a decline of the rate used to discount future benefits.

If the assets of our pension plans do not achieve assumed investment returns for any period, such deficiency could result in one or more charges against our earnings for that period. In addition, changing economic conditions, poor pension investment returns or other factors may require us to make unexpected cash contributions to the pension plans in the future, preventing the use of such cash for other purposes.

We face risks relating to certain joint ventures and subsidiaries that we do not entirely control. Our ability to access cash from these entities may be more restricted than if these entities were wholly-owned subsidiaries.

Some of our activities are, and will in the future be, conducted through entities that we do not entirely control or wholly own. These entities include our Norf, Germany; Logan, Kentucky; and Evermore Recycling joint ventures, as well as our majority-owned Korean and Malaysian subsidiaries. Our Malaysian subsidiary is a public company whose shares are listed for trading on the Bursa Malaysia. Under the governing documents, agreements or securities laws applicable to or stock exchange listing rules relative to certain of these joint ventures and subsidiaries, our ability to fully control certain operational matters may be limited. In addition, we do not solely determine certain key matters, such as the timing and amount of cash distributions from these entities. As a result, our ability to access cash from these entities may be more restricted than if they were wholly-owned entities. Further, in some cases we do not have rights to prevent a joint venture partner from selling its joint venture interests to a third party.

Hindalco and its interests as equity holder may conflict with the interests of the holders of our senior notes in the future.

Novelis is an indirectly wholly-owned subsidiary of Hindalco. As a result, Hindalco may exercise control over our decisions to enter into any corporate transaction or capital restructuring and has the ability to approve or prevent any transaction that requires the approval of our shareholder. Hindalco may have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in its judgment, could enhance its equity investment, even though such transactions might involve risks to holders of our Senior Notes.

Additionally, Hindalco operates in the aluminum industry and may from time to time acquire and hold interests in businesses that compete, directly or indirectly, with us. Hindalco has no obligation to provide us with financing and is able to sell their equity ownership in us at any time.

If we are unable to obtain sufficient quantities of primary aluminum, recycled aluminum, sheet ingot and other raw materials used in the production of our products, our ability to produce and deliver products or to manufacture products on a timely basis could be adversely affected.

We rely on a limited number of suppliers for our raw materials requirements. Increasing aluminum demand levels have caused supply constraints in the industry. Further increases in demand levels could exacerbate these supply issues. If we are unable to obtain sufficient quantities of primary aluminum, recycled aluminum, sheet ingot and other raw materials used in the production of our rolled aluminum products due to supply constraints in the future, our ability to produce and deliver products or to manufacture products on a timely basis could be adversely affected.

Our sheet ingot requirements have historically been, in part, supplied by Rio Tinto Alcan pursuant to agreements with us. For the year ended March 31, 2011, we purchased the majority of our third party sheet ingot requirements from Rio Tinto Alcan's primary metal group. If Rio Tinto Alcan or any other significant supplier of sheet ingot is unable to deliver sufficient quantities of this material on a timely basis, our production may be disrupted and our net sales, profitability and cash flows could be materially adversely affected. Although aluminum is traded on the world markets, developing alternative suppliers of sheet ingot could be time consuming and expensive.

In addition, our continuous casting operations at our Saguenay Works, Canada facility depend upon a local supply of molten aluminum from Rio Tinto Alcan. For the fiscal year ended March 31, 2011, Rio Tinto Alcan's primary metal group supplied most of the molten aluminum used at Saguenay Works. If this supply were to be disrupted, our Saguenay Works production could be interrupted and our net sales, profitability and cash flows could be materially adversely affected.

We face significant price and other forms of competition from other aluminum rolled products producers, which could hurt our results of operations and cash flows.

Generally, the markets in which we operate are highly competitive. We compete primarily on the basis of our value proposition, including price, product quality, ability to meet customers' specifications, range of products offered, lead times, technical support and customer service. Some of our competitors may benefit from greater capital resources, have more efficient technologies, have lower raw material and energy costs and may be able to sustain longer periods of price competition. In particular, we face increased competition from producers in China, which have significantly lower production costs and pricing. This lower pricing could erode the market prices of our products in the Chinese market and elsewhere.

In addition, our competitive position within the global aluminum rolled products industry may be affected by, among other things, the recent trend toward consolidation among our competitors, exchange rate fluctuations that may make our products less competitive in relation to the products of companies based in other countries (despite the U.S. dollar-based input cost and the marginal costs of shipping) and economies of scale in purchasing, production and sales, which accrue to the benefit of some of our competitors. For example, the price gap between the Shanghai Futures Exchange (SHFE) and the LME may make products manufactured in China with SHFE prices for aluminum more competitive compared to our products manufactured in Asia with LME prices for aluminum.

Increased competition could cause a reduction in our shipment volumes and profitability or increase our expenditures, either of which could have a material adverse effect on our financial results and cash flows.

The end-use markets for certain of our products are highly competitive and customers are willing to accept substitutes for our products.

The end-use markets for certain aluminum rolled products are highly competitive. Aluminum competes with other materials, such as steel, plastics, composite materials and glass, among others, for various applications, including in beverage and food cans and automotive end-use markets. In the past, customers have demonstrated a willingness to substitute other materials for aluminum. For example, changes in consumer preferences in beverage containers have increased the use of PET plastic containers and glass bottles in recent years. These trends may continue. The willingness of customers to accept substitutes for aluminum products could have a material adverse effect on our financial results and cash flows.

The seasonal nature of some of our customers' industries could have a negative effect on our financial results and cash flows.

The construction industry and the consumption of beer and soda are sensitive to weather conditions and as a result, demand for aluminum rolled products in the construction industry and for can feedstock can be seasonal. Our quarterly financial results could fluctuate as a result of climatic changes, and a prolonged series of cool summers in the different regions in which we conduct our business could have a material adverse effect on our financial results and cash flows.

We are subject to a broad range of environmental, health and safety laws and regulations, and we may be exposed to substantial environmental, health and safety costs and liabilities.

We are subject to a broad range of environmental, health and safety laws and regulations in the jurisdictions in which we operate. These laws and regulations impose increasingly stringent environmental, health and safety protection standards and permitting requirements regarding, among other things, air emissions, wastewater storage, treatment and discharges, the use and handling of hazardous or toxic materials, waste disposal practices, the remediation of environmental contamination, post-mining reclamation and working conditions for our employees. Some environmental laws, such as Superfund and comparable laws in U.S. states and other jurisdictions worldwide, impose joint and several liability for the cost of environmental remediation, natural resource damages, third party claims, and other expenses, without regard to the fault or the legality of the original conduct.

The costs of complying with these laws and regulations, including participation in assessments and remediation of contaminated sites and installation of pollution control facilities, have been, and in the future could be, significant. In addition, these laws and regulations may also result in substantial environmental liabilities associated with divested assets, third party locations and past activities. In certain instances, these costs and liabilities, as well as related action to be taken by us, could be accelerated or increased if we were to close, divest of or change the principal use of certain facilities with respect to which we may have environmental liabilities or remediation obligations. Currently, we are involved in a number of compliance efforts, remediation activities and legal proceedings concerning environmental matters, including certain activities and proceedings arising under Superfund and comparable laws in U.S. states and other jurisdictions worldwide in which we have operations.

We have established reserves for environmental remediation activities and liabilities where appropriate. However, the cost of addressing environmental matters (including the timing of any charges related thereto) cannot be predicted with certainty, and these reserves may not ultimately be adequate, especially in light of changing interpretations of laws and regulations by regulators and courts, the discovery of previously unknown environmental conditions, the risk of governmental orders to carry out additional compliance on certain sites not initially included in remediation in progress, our potential liability to remediate sites for which provisions have not been previously established and the adoption of more stringent environmental laws including, for example, the possibility of increased regulation of the use of bisphenol-A, a chemical component commonly used in the coating of aluminum cans. Such future developments could result in increased environmental costs and liabilities and could require significant capital expenditures, any of which could have a material adverse effect on our financial condition, results or cash flows. Furthermore, the failure to comply with our obligations under the environmental laws and regulations could subject us to administrative, civil or criminal penalties, obligations to pay damages or other costs, and injunctions or other orders, including orders to cease operations. In addition, the presence of environmental contamination at our properties could adversely affect our ability to sell property, receive full value for a property or use a property as collateral for a loan.

Some of our current and potential operations are located or could be located in or near communities that may regard such operations as having a detrimental effect on their social and economic circumstances. Environmental laws typically provide for participation in permitting decisions, site remediation decisions and other matters. Concern about environmental justice issues also may affect our operations. Should such community objections be presented to government officials, the consequences of such a development may have a material adverse impact upon the profitability or, in extreme cases, the viability of an operation. In addition, such developments may adversely affect our ability to expand or enter into new operations in such location or elsewhere and may also have an effect on the cost of our environmental remediation projects.

We use a variety of hazardous materials and chemicals in our rolling processes, as well as in our smelting operations in Brazil and in connection with maintenance work on our manufacturing facilities. Because of the nature of these substances or related residues, we may be liable for certain costs, including, among others, costs for health-related claims or removal or re-treatment of such substances. Certain of our current and former facilities incorporate asbestos-containing materials, a hazardous substance that has been the subject of health-related claims for occupational exposure. In addition, although we have developed environmental, health and safety programs for our employees, including measures to reduce employee exposure to hazardous substances, and conduct regular assessments at our facilities, we are currently, and in the future may be, involved in claims and litigation filed on behalf of persons alleging injury predominantly as a result of occupational exposure to substances or other hazards at our current or former facilities. It is not possible to predict the ultimate outcome of these claims and lawsuits due to the unpredictable nature of personal injury litigation. If these claims and lawsuits, individually or in the aggregate, were finally resolved against us, our results of operations and cash flows could be adversely affected.

We may be exposed to significant legal proceedings or investigations.

From time to time, we are involved in, or the subject of, disputes, proceedings and investigations with respect to a variety of matters, including environmental, health and safety, product liability, employee, tax, personal injury, contractual and other matters as well as other disputes and proceedings that arise in the ordinary course of business. Certain of these matters are discussed in the preceding risk factor. Any claims against us or any investigations involving us, whether meritorious or not, could be costly to defend or comply with and could divert management's attention as well as operational resources. Any such dispute, litigation or investigation, whether currently pending or threatened or in the future, may have a material adverse effect on our financial results and cash flows.

Product liability claims against us could result in significant costs or negatively impact our reputation and could adversely affect our business results and financial condition.

We are sometimes exposed to warranty and product liability claims. There can be no assurance that we will not experience material product liability losses arising from individual suits or class actions alleging product liability defects or related claims in the future and that these will not have a negative impact on us. We generally maintain insurance against many product liability risks, but there can be no assurance that this coverage will be adequate for any liabilities ultimately incurred. In addition, there is no assurance that insurance will continue to be available on terms acceptable to us. A successful claim that exceeds our available insurance coverage could have a material adverse effect on our financial results and cash flows.

We may be affected by global climate change or by legal, regulatory, or market responses to such change.

There is a growing concern over climate change, which has led to new and proposed legislative and regulatory initiatives, such as cap-and-trade systems and additional limits on emissions of greenhouse gases. New laws enacted could directly and indirectly affect our customers and suppliers (through an increase in the cost of production or their ability to produce satisfactory products) or our business (through an impact on our inventory availability, cost of sales, operations or demand for the products we sell), which could result in an adverse effect on our financial condition, results of operations and cash flows. Compliance with any new or more stringent laws or regulations, or stricter interpretations of existing laws, could require additional expenditures by us, our customers or our suppliers. Also, we rely on natural gas, electricity, fuel oil and transport fuel to operate our facilities. Any increased costs of these energy sources because of new laws could be passed along to us and our customers and suppliers, which could also have a negative impact on our profitability.

We may see increased costs arising from health care reform.

In March 2010, the United States government enacted comprehensive health care reform legislation which, among other things, includes guaranteed coverage requirements, eliminates pre-existing condition exclusions and annual and lifetime maximum limits, restricts the extent to which policies can be rescinded and imposes new and significant taxes on health insurers and health care benefits. The legislation imposes implementation effective dates beginning in 2010 and extending through 2020, and many of the changes require additional guidance from government agencies or federal regulations. Therefore, due to the phased-in nature of the implementation and the lack of interpretive guidance, it is difficult to determine at this time what impact the health care reform legislation will have on our financial results. Possible adverse effects of the health reform legislation include increased costs, exposure to expanded liability and requirements for us to revise ways in which we provide healthcare and other benefits to our employees. In addition, our results of operations, financial position and cash flows could be materially adversely affected.

Income tax payments may ultimately differ from amounts currently recorded by the Company. Future tax law changes may materially increase the Company's prospective income tax expense.

We are subject to income taxation in many jurisdictions in the U.S. as well as numerous foreign jurisdictions. Judgment is required in determining our worldwide income tax provision and accordingly there are many transactions and computations for which our final income tax determination is uncertain. We are routinely audited by income tax authorities in many tax jurisdictions. Although we believe the recorded tax estimates are reasonable, the ultimate outcome from any audit (or related litigation) could be materially different from amounts reflected in our income tax provisions and accruals. Future settlements of income tax audits may have a material effect on earnings between the period of initial recognition of tax estimates in the financial statements and the point of ultimate tax audit settlement. Additionally, it is possible that future income tax legislation in any jurisdiction to which we are subject may be enacted that could have a material impact on our worldwide income tax provision beginning with the period that such legislation becomes effective.

If we fail to maintain effective internal control over financial reporting, we may have material misstatements in our financial statements and we may not be able to report our financial results in a timely manner.

Pursuant to the Sarbanes-Oxley Act of 2002, we are required to provide a report by management in our Form 10-K on internal control over financial reporting, including management's assessment of the effectiveness of such control. Internal control over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls or fraud. Therefore, even effective internal controls can provide only some assurance with respect to the preparation and fair presentation of financial statements. If we fail to maintain the adequacy of our internal controls, we may be unable to provide financial information in a timely and reliable manner. Any such difficulties or failure may have a material adverse effect on our business, financial condition and operating results.

Our substantial indebtedness could adversely affect our business.

We are highly leveraged. As of March 31, 2011, we had $4.1 billion of indebtedness outstanding. Our substantial indebtedness and interest expense could have important consequences to our company and holders of notes, including:

- limiting our ability to borrow additional amounts for working capital, capital expenditures or other general corporate purposes;
- increasing our vulnerability to general adverse economic and industry conditions, including volatility in LME prices;
- limiting our ability to capitalize on business opportunities and to react to competitive pressures and adverse changes in government regulation; and
- limiting our ability or increasing the costs to refinance indebtedness.

The covenants in our senior secured credit facilities and the indentures governing our Senior Notes impose operating and financial restrictions on us.

Our senior secured credit facilities and the indentures governing the notes impose certain operating and financial restrictions on us. These restrictions limit our ability and the ability of our restricted subsidiaries, among other things, to:

- incur additional debt and provide additional guarantees;
- pay dividends and make other restricted payments, including certain investments;
- create or permit certain liens;
- make certain asset sales;
- use the proceeds from the sales of assets and subsidiary stock;
- create or permit restrictions on the ability of our restricted subsidiaries to pay dividends or make other distributions to us;
- engage in certain transactions with affiliates;

- enter into sale and leaseback transactions; and
- consolidate, merge or transfer all or substantially all of our assets or the assets of our restricted subsidiaries.

In addition, under our $800 million five-year multi-currency asset-backed revolving credit line and letter of credit facility (the 2010 ABL Facility), if (a) our excess availability under the 2010 ABL Facility is less than the greater of (i) 12.5% of the lesser of (x) the total 2010 ABL Facility commitment at any time and (y) the then applicable borrowing base and (ii) $90 million, at any time or (b) any event of default has occurred and is continuing, we are required to maintain a minimum fixed charge coverage ratio of at least 1.1 to 1 until (1) such excess availability has subsequently been at least the greater of (i) 12.5% of the lesser of (x) the total ABL Facility commitments at such time and (y) the then applicable borrowing base for 30 consecutive days and (ii) $90 million and (2) no default is outstanding during such 30 day period.

Further, under our $1.5 billion six-year term loan facility (the 2010 Term Loan Facility) we may not permit our total net leverage ratio as of the last day of our four consecutive quarters ending with any fiscal quarter to exceed ratios expected to begin at 4.75 to 1 and stepping down periodically at specified levels over the life of the facility. See Note 10 — Debt for additional discussion.

Item 1B. ***Unresolved Staff Comments***

None.

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Item 2. *Properties*

Our executive offices are located in Atlanta, Georgia. The following tables provide information, by operating segment, about the plant locations, processes and major end-use markets/applications for the aluminum rolled products, recycling and primary metal facilities we operated during all or part of the year ended March 31, 2011. The total number of operating facilities, research and development facilities, and recycling facility used by our operating segments as of March 31, 2011 are shown in the table below:

	Operating Facilities	Research Facilities
North America	11	3
Europe	13	3
South America	3	—
Asia	3	1
Total	30	7

Included above are operating facilities that we jointly own and operate with third parties. Please see detail below:

North America

Location	Plant Processes	Major End-Use Markets
Berea, Kentucky	Recycling	Recycled ingot
Burnaby, British Columbia	Finishing	Foil containers
Fairmont, West Virginia	Cold rolling, finishing	Foil, HVAC material
Greensboro, Georgia	Recycling	Recycled ingot
Kingston, Ontario	Cold rolling, finishing	Automotive, construction/industrial
Russellville, Kentucky(A)	Hot rolling, cold rolling, finishing, recycling	Can stock
Oswego, New York	Novelis Fusion(TM) casting, hot rolling, cold rolling, recycling, brazing, finishing	Can stock, construction/industrial, semi-finished coil
Saguenay, Quebec	Continuous casting, recycling	Semi-finished coil
Terre Haute, Indiana	Cold rolling, finishing	Foil
Toronto, Ontario	Finishing	Foil, foil containers
Warren, Ohio	Coating	Can end stock

(A) We own 40% of the outstanding common shares of Logan Aluminum Inc. (Logan), but we have made subsequent equipment investments such that our portion of Logan's total machine hours has provided us approximately 55% of Logan's total production.

Our Oswego, New York facility operates modern equipment used for recycling beverage cans and other scrap metals, ingot casting, hot rolling, cold rolling and finishing. Oswego produces can stock as well as building and industrial products. Oswego also provides feedstock to our Kingston, Ontario facility, which produces heat-treated automotive sheet and products for construction and industrial applications, and to our Fairmont, West Virginia facility, which produces light gauge sheet.

Our Russellville, Kentucky facility (referred to herein as Logan) is a processing joint venture between us and Arco Aluminum Inc. (ARCO), a subsidiary of a consortium of Japanese companies. Our equity investment in the joint venture is 40%, while ARCO holds the remaining 60% of common shares, but we have made subsequent equipment investments such that our portion of Logan's total machine hours provide us with approximately 55% of Logan's total production. Logan, which was built in 1985, is the newest and largest rolling mill in North America. Logan operates modern and high-speed equipment for ingot casting, hot-rolling, cold-rolling and finishing. Logan is a dedicated manufacturer of aluminum sheet products for the can stock market with modern equipment, an efficient workforce and product focus. A portion of the can end stock is coated at North America's Warren, Ohio facility, in addition to Logan's on-site coating assets. Together with ARCO, we operate Logan as a production cooperative, with each party supplying its own primary metal inputs for transformation at the facility. The transformed product is then returned to the supplying party at cost. Logan does not own any of the primary metal inputs or any of the transformed products. All of the fixed assets at Logan are directly owned by us and ARCO in varying ownership percentages or solely by each party.

We share control of the management of Logan with ARCO through a board of directors with seven voting members on which we appoint four members and ARCO appoints three members. Management of Logan is led jointly by two executive officers who are subject to approval by at least five members of the board of directors. On April 4, 2011, a consortium of Japanese companies, agreed to purchase ARCO's share of Logan. The transaction does not impact our interest in Logan.

Our Saguenay, Quebec facility operates the world's largest continuous caster, which produces feedstock for our two foil rolling plants located in Terre Haute, Indiana; and Fairmont, West Virginia. The continuous caster was developed through internal research and development and we own the process technology. Our Saguenay facility sources molten metal under long-term supply arrangements we have with Rio Tinto Alcan.

Our Burnaby, British Columbia and Toronto, Ontario facilities spool and package household foil products and report to our foil business unit based in Toronto, Ontario.

Along with our recycling center in Oswego, New York, we own two other fully dedicated recycling facilities in North America, located in Berea, Kentucky and Greensboro, Georgia. Each offers a modern, cost-efficient process to recycle used beverage cans and other recycled aluminum into sheet ingot to supply our hot mills in Logan and Oswego. Berea is the largest used beverage can recycling facility in the world.

Europe

Location	Plant Processes	Major End-Use Markets
Berlin, Germany	Converting	Packaging
Bresso, Italy	Finishing, painting	Painted sheet, architectural
Bridgnorth, U.K.(A)	Foil rolling, finishing, converting	Foil, packaging
Dudelange, Luxembourg	Continuous casting, foil rolling, finishing	Foil
Göttingen, Germany	Cold rolling, finishing, painting	Can end, can tab, food can, lithographic, painted sheet
Latchford, U.K.	Recycling	Sheet ingot from recycled metal
Ludenscheid, Germany	Foil rolling, finishing, converting	Foil, packaging
Nachterstedt, Germany	Cold rolling, finishing, painting	Automotive, can end, industrial, painted sheet, architectural
Norf, Germany(B)	Hot rolling, cold rolling	Can stock, foilstock, feeder stock for finishing operations
Ohle, Germany	Cold rolling, finishing, converting	Foil, packaging
Pieve, Italy	Continuous casting, cold rolling, finishing	Coil for Bresso, industrial
Rugles, France	Continuous casting, foil rolling, finishing	Foil
Sierre, Switzerland(C)	Novelis Fusion(TM) casting, hot rolling, cold rolling, finishing	Automotive sheet, industrial

(A) On March 1, 2011, we announced the sale of our printed confectionery foil packaging business at Bridgnorth, UK. The transaction is associated with the previously announced closure of the Bridgnorth aluminum foil rolling and laminating activities, which ceased operations at the end of April 2011.

(B) Operated as a 50/50 joint venture between us and Hydro Aluminum Deutschland GmbH (Hydro).

(C) We have entered into an agreement with Rio Tinto Alcan pursuant to which Rio Tinto Alcan retains access to the plate production capacity, which represents a significant portion of the total production capacity of the Sierre hot mill.

Aluminium Norf GmbH (Norf) in Germany, a 50/50 production-sharing joint venture between us and Hydro, is a large scale, modern manufacturing hub for several of our operations in Europe, and is the largest aluminum rolling mill and remelting operation in the world. Norf supplies hot coil for further processing through cold rolling to some of our other plants, including Göttingen and Nachterstedt in Germany and provides foilstock to our plants in Ohle and Ludenscheid in Germany and Rugles in France. Together with Hydro, we operate Norf as a production cooperative, with each party supplying its own primary metal inputs for transformation at the facility. The transformed product is then transferred back to the supplying party on a pre-determined cost-plus basis. We own 50% of the equity interest in Norf and Hydro owns the other 50%. We share control of the management of Norf with Hydro through a jointly-controlled shareholders' committee. Management of Norf is led jointly by two managing executives, one nominated by us and one nominated by Hydro.

Our Göttingen plant has a paint line as well as lines for can end, food and lithographic sheet. Our Nachterstedt plant cold rolls and finishes mainly automotive sheet and can end stock. The Pieve plant, located near Milan, Italy, mainly produces continuous cast coil that is cold rolled into paintstock and sent to the Bresso, Italy plant for painting and some specialist finishing.

The Dudelange and Rugles foil plants in Luxembourg and France, respectively, utilize continuous twin roll casting equipment and are two of the few foil plants in the world capable of producing 6 micron foil for aseptic packaging applications. The Sierre hot rolling plant in Switzerland, along with Nachterstedt in Germany, are Europe's leading producers of automotive sheet in terms of shipments. Sierre also supplies plate stock to Rio Tinto Alcan.

Our recycling operation in Latchford, United Kingdom is the only major recycling plant in Europe dedicated to used beverage cans.

European operations also include Novelis PAE in Voreppe, France, which sells casthouse technology, including liquid metal treatment devices, such as degassers and filters, chill sheet ingot casters and twin roll continuous casters, in many parts of the world.

Asia

Location	Plant Processes	Major End-Use Markets
Bukit Raja, Malaysia(A)	Continuous casting, cold rolling, coating	Construction/industrial, heavy and light gauge foils
Ulsan, Korea(B)	Novelis Fusion(TM) casting, hot rolling, cold rolling, recycling, finishing	Can stock, construction/industrial, electronics, foilstock, and recycled material
Yeongju, Korea(C)	Hot rolling, cold rolling, recycling, finishing	Can stock, construction/industrial, electronics, foilstock and recycled material

(A) Ownership of the Bukit Raja plant corresponds to our 59% equity interest in Aluminium Company of Malaysia Berhad.

(B) We hold a 68% equity interest in the Ulsan plant.

(C) We hold a 68% equity interest in the Yeongju plant.

Our Korean subsidiary, in which we hold a 68% interest, was formed through acquisitions in 1999 and 2000. Since our acquisitions, product capability has been developed to address higher value and more technically advanced markets such as can sheet.

We hold a 59% equity interest in the Aluminum Company of Malaysia Berhad, a publicly traded company that operates from Bukit Raja, Selangor, Malaysia.

Unlike our production sharing joint ventures at Norf, Germany and Logan, Kentucky, our Korean partners are financial partners and we market 100% of the plants' output.

Asia also operates recycling furnaces at both its Ulsan and Yeongju facilities in Korea for the conversion of customer and third party recycled aluminum. The Ulsan and Yeongju facilities utilized used beverage cans and other recycled scrap material for 31% of their aluminum supply during fiscal 2011. In response to the growing demand for our products, we announced that we will invest approximately $400 million to expand our rolling and recycling operations in South Korea.

South America

Location	Plant Processes	Major End-Use Markets
Pindamonhangaba, Brazil	Hot rolling, cold rolling, recycling, finishing	Construction/industrial, can stock, foilstock, recycled ingot
Utinga, Brazil	Foil rolling, finishing	Foil
Ouro Preto, Brazil(A)	Smelting	Primary aluminum (sheet ingot and billets)
Aratu, Brazil(B)	Smelting	Primary aluminum (sheet ingot)

(A) In May 2009, we ceased the production of commercial grade alumina at our Ouro Preto facility in Brazil.

(B) In December 2010, we closed our Aratu facility in Brazil.

Our Pindamonhangaba (Pinda) rolling and recycling facility in Brazil has an integrated process that includes recycling, sheet ingot casting, hot mill and cold mill operations. A leased coating line produces painted products, including can end stock. Pinda supplies foilstock to our Utinga foil plant, which produces converter, household and container foil.

Pinda is the largest aluminum rolling and recycling facility in South America in terms of shipments and the only facility in South America capable of producing can body and end stock. Pinda recycles primarily used beverage cans, and is engaged in tolling recycled metal for our customers. In response to the growing demand for our products in South America, in May 2010 we announced a plan to invest nearly $300 million to expand our aluminum rolling operations in Pinda. The expansion will increase the plant's capacity by more than 50% to approximately 600 kt of aluminum sheet per year. The project is expected to come on stream in late 2012.

During fiscal 2009, we conducted bauxite mining, alumina refining, primary aluminum smelting and hydro-electric power generation operations at our Ouro Preto, Brazil facility. Our owned power generation supplies approximately 65% of our smelter needs. We also own the mining rights to bauxite reserves in the Ouro Preto, Cataguases and Carangola regions.

In May 2009, we ceased the production of alumina at our Ouro Preto facility in Brazil. The global economic crisis and the recent dramatic drop in alumina prices have made alumina production at Ouro Preto economically unfeasible. Going forward, the plant will purchase alumina through third-parties. Other activities related to the facility, including electric power generation and the production of primary aluminum metal, will continue unaffected.

In December 2010, we closed our primary aluminum smelting operations at our Aratu facility in Candeias, Brazil. The closure was in response to high operating costs and lack of a competitively priced energy supply.

Item 3. *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 18 — Commitments and Contingencies to our accompanying audited consolidated financial statements, which are incorporated by reference into this item.

PART II

Item 5. *Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities*

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, and we became a foreign private issuer. We continue to file periodic reports under section 15(d) of the Securities and Exchange Act of 1934 because our Senior Notes are publicly traded (see Note 10 — Debt to our accompanying audited consolidated financial statements).

On December 17, 2010, we paid $1.7 billion to our shareholder as a return of capital.

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.

Item 6. *Selected Financial Data*

The selected consolidated financial data presented below as of and for the years ended March 31, 2011, 2010 and 2009; the periods May 16, 2007 through March 31, 2008 and April 1, 2007 through May 15, 2007; as of and for the three months ended March 31, 2007 and as of and for the year ended December 31, 2006 were derived from the audited consolidated financial statements of Novelis Inc. The selected consolidated financial data should be read in conjunction with our consolidated financial statements for the respective periods and the related notes included elsewhere in this Form 10-K.

As of May 15, 2007, all of our common shares were indirectly held by Hindalco; thus, earnings per share data are not reported. Amounts in the table below are in millions, except per share amounts.

	Year Ended March 31,			May 16, 2007 Through March 31, 2008(A)	April 1, 2007 Through May 15, 2007(A)	Three Months Ended March 31, 2007(B)	Year Ended December 31, 2006
	2011	2010	2009				
	Successor	*Successor*	*Successor*	*Successor*	*Predecessor*	*Predecessor*	*Predecessor*
Net sales	$ 10,577	$ 8,673	$ 10,177	$ 9,965	$ 1,281	$ 2,630	$ 9,849
Net income (loss) attributable to our common shareholder(C)	$ 116	$ 405	$ (1,910)	$ (53)	$ (97)	$ (64)	$ (275)
Return of capital per common share(D)	$ 1,700,000	$ —	$ —	$ —	$ —	$ —	$ 0.20

	March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007	December 31, 2006
	Successor	*Successor*	*Successor*	*Successor*	*Predecessor*	*Predecessor*
Total assets(A)	$ 8,296	$ 7,762	$ 7,567	$ 10,737	$ 5,970	$ 5,792
Long-term debt (including current portion)	$ 4,086	$ 2,596	$ 2,559	$ 2,575	$ 2,300	$ 2,302
Short-term borrowings	$ 17	$ 75	$ 264	$ 115	$ 245	$ 133
Cash and cash equivalents	$ 311	$ 437	$ 248	$ 326	$ 128	$ 73
Shareholders'/invested equity	$ 445	$ 1,869	$ 1,419	$ 3,490	$ 175	$ 195

(A) On May 15, 2007, the Company was acquired by Hindalco through its indirect wholly-owned subsidiary. Our acquisition by Hindalco was recorded in accordance with Staff Accounting Bulletin No. 103, *Push Down Basis of Accounting Required in Certain Limited Circumstances* (SAB 103). In the accompanying consolidated balance sheets, the consideration and related costs paid by Hindalco in connection with the acquisition have been "pushed down" to us and have been allocated to the assets acquired and liabilities assumed in accordance with Financial Accounting Standards Board (FASB) Statement No. 141, *Business Combinations* (FASB 141), the applicable accounting standard at the Arrangement date. Due to the impact of push down accounting, the Company's selected financial data for the year ended March 31, 2008 are presented in two distinct periods to indicate the application of two different bases of accounting between the periods presented: (1) the period up to, and including, the acquisition date (April 1, 2007 through May 15, 2007, labeled "Predecessor") and (2) the period after that date (May 16, 2007 through March 31, 2008, labeled "Successor"). The table above includes a black line division which indicates that the Predecessor and Successor reporting entities shown are not comparable.

The consideration paid by Hindalco to acquire Novelis has been pushed down to us and allocated to the assets acquired and liabilities assumed based on our estimates of fair value, using methodologies and assumptions that we believe are reasonable. This allocation of fair value results in additional charges or income to our post-acquisition consolidated statements of operations.

(B) On June 26, 2007, our board of directors approved the change of our fiscal year end to March 31 from December 31. On June 28, 2007, we filed a Transition Report on Form 10-Q for the three month period ended March 31, 2007 with the United States Securities and Exchange Commission (SEC) pursuant to Rule 13a-10 under the Securities Exchange Act of 1934 for transition period reporting.

(C) Net income (loss) attributable to our common shareholder for the year ended March 31, 2009 includes non-cash pre-tax impairment charges of $1.5 billion, and certain non-recurring expenses that were incurred related to the acquisition by Hindalco. The three months ended March 31, 2007 and the period May 16, 2007 through March 31, 2008 each include $32 million of sales transaction fees. The period May 16, 2007 through March 31, 2008 also includes $45 million of stock compensation expense related to the Arrangement.

(D) On December 17, 2010, we paid $1.7 billion to our shareholder as a return of capital.

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

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, electronics, construction and industrial, and foil products markets. As of March 31, 2011, we had operations in eleven countries on four continents: 30 operating plants, seven research and development facilities and 3 recycling facilities. 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.

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 and elsewhere in this Annual Report, particularly in "Special Note Regarding Forward-Looking Statements and Market Data" and "Risk Factors."

BACKGROUND AND BASIS OF PRESENTATION

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 $2.8 billion of Novelis' debt was also assumed 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.

Amalgamation of AV Aluminum Inc. and Novelis Inc.

Effective September 29, 2010, in connection with an internal restructuring transaction and pursuant to articles of amalgamation under the Canadian Business Corporations Act, we were amalgamated (the Amalgamation) with our direct parent AV Aluminum Inc., a Canadian corporation (AV Aluminum), to form an amalgamated corporation named Novelis Inc., also a Canadian corporation.

As a result of the Amalgamation, we and AV Aluminum continue our corporate existence, the amalgamated Novelis Inc. remains liable for all of our and AV Aluminum's obligations, and we continue to own all of our respective property. Since AV Aluminum was a holding company whose sole asset was the shares of the pre amalgamated Novelis, our business, management, board of directors and corporate governance procedures following the Amalgamation are identical to those of Novelis immediately prior to the Amalgamation. Novelis Inc., like AV Aluminum, remains an indirect, wholly-owned subsidiary of Hindalco. We have retrospectively recast all periods presented to reflect the amalgamated companies.

HIGHLIGHTS

Fiscal 2011 was a solid year for Novelis with the efforts of fiscal 2010 and 2011 producing strong results throughout the organization. Novelis has now recovered from the global economic downturn, and the results from fiscal 2011 create a baseline for future growth and improvement of the organization. We operated at or near capacity in all of our regions for most of fiscal 2011, which reflects the strong demand we experienced in our core end-use markets.

- Net sales for fiscal 2011 were $10.6 billion, an increase of 22% compared to net sales of $8.7 billion reported for fiscal 2010. Shipments of flat rolled products totaled 2,969 kt in fiscal 2011, an increase of 10% compared to shipments of 2,708 kt in fiscal 2010, which reflects strong demand across all our regions in fiscal 2011. Additionally, average London Metal Exchange (LME) aluminum prices for fiscal 2011 increased 21% as compared to fiscal 2010.
- We reported a pre-tax income of $243 million for fiscal 2011, which includes $84 million of loss on extinguishment of our debt and $64 million of unrealized losses on derivatives. Current year results also include $34 million of restructuring expenses. Net income attributable to our common shareholder for fiscal 2011 was $116 million.
- We reported pre-tax income of $727 million for fiscal 2010, which includes $578 million of unrealized gains on derivatives. Prior year results also include $14 million of restructuring expenses. Net income attributable to our common shareholder for fiscal 2010 was $405 million.
- Operating cash flow for fiscal 2011 was strong and we ended the year with $1.1 billion of liquidity and $311 million of cash on hand at March 31, 2011. We had $1.0 billion of liquidity and $437 million of cash on hand as of March 31, 2010. Our relatively stable liquidity and cash position were attained in light of refinancing transactions to raise $4.8 billion in debt funding and returning $1.7 billion in capital to our shareholder.

BUSINESS AND INDUSTRY CLIMATE

We have experienced strong end customer demand across our regions and core end-use product categories during fiscal 2011. We operated at or near capacity in all our regions throughout the year. We have seen volumes return to levels enjoyed before the global economic downturn, and we now have an asset configuration that is more focused on our core end-use product categories.

Key Sales and Shipment Trends

(In millions, except Shipments which are in kt)

	Three Months Ended				Year Ended	Three Months Ended				Year Ended
	June 30, 2009	Sept 30, 2009	Dec 31, 2009	March 31, 2010	March 31, 2010	June 30, 2010	Sept 30, 2010	Dec 31, 2010	March 31, 2011	March 31, 2011
(Successor)										
Net sales	$ 1,960	$ 2,181	$ 2,112	$ 2,420	$ 8,673	$ 2,533	$ 2,524	$ 2,560	$ 2,960	$ 10,577
% increase (decrease) in net sales versus comparable previous year period	(37)%	(26)%	(3)%	25%	(15)%	29%	16%	21%	22%	22%
Rolled product shipments:										
North America	254	258	243	274	1,029	278	285	262	280	1,105
Europe	185	203	188	227	803	232	227	208	240	907
Asia	130	139	134	129	532	146	134	148	152	580
South America	81	93	84	86	344	90	91	97	99	377
Total	650	693	649	716	2,708	746	737	715	771	2,969
Beverage and food cans	396	407	371	406	1,580	425	429	424	453	1,731
All other rolled products	254	286	278	310	1,128	321	308	291	318	1,238
Total	650	693	649	716	2,708	746	737	715	771	2,969
Percentage increase (decrease) in rolled products shipments versus comparable previous year period:										
North America	(11)%	(12)%	—%	11%	(4)%	9%	10%	8%	2%	7%
Europe	(32)%	(20)%	(5)%	21%	(12)%	25%	12%	11%	6%	13%
Asia	(2)%	14%	26%	50%	19%	12%	(4)%	10%	18%	9%
South America	(7)%	7%	(3)%	1%	(1)%	11%	(2)%	15%	15%	10%
Total	(16)%	(8)%	3%	18%	(2)%	15%	6%	10%	8%	10%
Beverage and food cans	(5)%	(2)%	2%	12%	1%	7%	5%	14%	12%	10%
All other rolled products	(29)%	(16)%	3%	27%	(7)%	26%	8%	5%	3%	10%
Total	(16)%	(8)%	3%	18%	(2)%	15%	6%	10%	8%	10%

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 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 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.

LME

The average and closing aluminum prices based upon the LME for the years ended March 31, 2011, 2010 and 2009 are as follows:

London Metal Exchange Prices	Year Ended March 31, 2011	Year Ended March 31, 2010	Year Ended March 31, 2009	Percent Change: Year Ended March 31, 2011 versus March 31, 2010	Percent Change: Year Ended March 31, 2010 versus March 31, 2009
Aluminum (per metric tonne, and presented in U.S. dollars):					
Closing cash price as of beginning of period	$2,288	$1,366	$2,935	67%	(53)%
Average cash price during period	$2,257	$1,866	$2,227	21%	(16)%
Closing cash price as of end of period	$2,600	$2,288	$1,366	14%	67%

LME prices were fairly steady during the first eight months of fiscal 2011, fluctuating within a $200 per tonne band, and then increasing steadily after November to $2,600 on March 31, 2011. This compares to the dramatic decreases in LME prices in fiscal 2009 and increases in fiscal 2010. As a result, we recorded $5 million and $123 million of net gains on changes in fair value of metal derivatives during fiscal 2011 and fiscal 2010, respectively, as compared to $561 million of net losses on changes in fair value of metal derivatives during fiscal 2009.

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 before income taxes and net income. 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 physically hold the inventory and to manage the metal price lag associated with inventory cost. 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 it and when we ship finished products to our customers. These forward metal sales directly hedge the economic risk of future 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

In the past, we had contracts that 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, and we entered into a new multi-year agreement to continue supplying similar volumes to the same customer. This new agreement became effective January 1, 2010, and does not contain a metal price ceiling.

Contracts with metal price ceilings negatively impacted our margins when the price we paid for metal was above the ceiling price contained in these contracts. We calculate and report this difference to be the difference between the quoted purchase price on the LME (adjusted for any local premiums and for any price lag associated with purchasing or processing time) and the metal price ceiling in our contracts. Cash flows from operations were also negatively impacted by the same amounts, adjusted for any timing difference between customer receipts and vendor payments, and offset partially by reduced income taxes.

LME prices were below the ceiling price for the first five months of fiscal 2010 but rose above the ceiling again in September 2009. In fiscal 2010, we were unable to pass through $10 million of metal purchase costs associated with sales under this contract, as compared to fiscal 2009 when we were unable to pass through $176 million of metal purchase costs associated with sales under this contract.

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 fiscal 2010 and 2009, we recorded accretion of $152 million and $233 million, respectively. 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 during the year ended March 31, 2011.

Foreign Exchange Impact

We operate a global business and conduct business in various currencies around the world. Fluctuations in foreign exchange rates also 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 rates as of the end of each period as well as the average of the month-end exchange rates for each of the past three fiscal years.

	Exchange Rate as of March 31,			Average Exchange Rate Year Ended March 31,		
	2011	2010	2009	2011	2010	2009
U.S. dollar per Euro	1.419	1.353	1.328	1.325	1.414	1.411
Brazilian real per U.S. dollar	1.627	1.784	2.301	1.718	1.861	1.982
South Korean won per U.S. dollar	1,107	1,131	1,337	1,151	1,213	1,221
Canadian dollar per U.S. dollar	0.971	1.014	1.258	1.021	1.085	1.134

During fiscal 2011, the U.S. dollar weakened as compared to the local currency in all our regions. In Europe and Asia, the weakening of the U.S. dollar resulted in foreign exchange gains as these operations use the local currency as the functional currency. In North America and Brazil, where the U.S. dollar is the functional currency due to predominantly U.S. dollar selling prices and metal costs and local currency operating costs, we incurred foreign exchange losses.

The U.S. dollar weakened as compared to the local currency in all regions during fiscal 2010. In Europe and Asia, the weakening of the U.S. dollar resulted in foreign exchange gains 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, we incurred foreign exchange losses as the U.S. dollar weakened.

In fiscal 2009, the U.S. dollar strengthened as compared to the local currency in all regions, resulting in foreign exchange losses in Europe and Asia as these operations are recorded in local currency, and foreign exchanges gains in Brazil and North America.

See "Segment Review" below for each of the periods presented for additional discussion of the impact of foreign exchange on the results of each region.

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, which includes capital expenditures. Additionally, until May 2010, we used foreign currency contracts to hedge our foreign currency exposure to net investment in foreign subsidiaries.

Results of Operations

Year Ended March 31, 2011 Compared with the Year Ended March 31, 2010

We experienced strong demand across all our regions during the year ended March 31, 2011, and are operating at or near capacity in all regions. Net sales for the year ended March 31, 2011 increased $1.9 billion, or 22%, as compared to the year ended March 31, 2010 primarily as a result of increases in LME prices and volumes. The prior year sales amount includes $152 million of non-cash accretion on can price ceiling contracts which did not benefit the current year.

Cost of goods sold (exclusive of depreciation and amortization) for the year ended March 31, 2011 increased $2.0 billion, or 28%, as compared to the year ended March 31, 2010 which reflects higher LME prices and increased volume. Increased input cost pressures were partially offset by our prior sustained cost cutting measures.

Additionally, we had $107 million of gains on realized derivatives during the year ended March 31, 2011, $5 million of which were deferred in Other comprehensive income (loss), as compared to $384 million of losses on realized derivatives during the same period of the prior year. These amounts are reported in Gain (loss) on change in fair value of derivative instruments, net and offset year-over-year impacts of changes in metal prices, foreign currency exchange rates and other input costs on Net sales and Cost of goods sold (exclusive of depreciation and amortization).

Income before income taxes for the year ended March 31, 2011 was $243 million, a decrease of $484 million, or 67%, compared to the $727 million reported in fiscal 2010. The positive effects from operations discussed above were more than offset by the following items:

- $64 million of losses on unrealized derivatives for the year ended March 31, 2011 compared to $578 million of gains for the year ended March 31, 2010
- $84 million of loss on early extinguishment of debt related to the refinancing of our Term Loan facility, our 7.25% Notes and our 11.5% Notes during the year ended March 31, 2011
- $34 million of net restructuring charges for the year ended March 31, 2011 primarily as a result of the move of our North American headquarters to Atlanta, Georgia and the announced shutdowns of our Bridgnorth, UK and Aratu, Brazil facilities, as compared to $14 million of restructuring charges for the same period in the prior year
- foreign exchange gains of $1 million as compared to gains of $15 million in the same period in the prior year.

We reported Net income attributable to our common shareholder of $116 million for fiscal 2011 as compared to Net income attributable to our common shareholder of $405 million for fiscal 2010, primarily as a result of the factors discussed above. We also recorded an income tax provision of $83 million in the year ended March 31, 2011, as compared to a $262 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 were at or near capacity in all our regions for the majority of fiscal 2011 as we continue to look at ways to debottleneck our operations and optimize our product portfolio and footprint.

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. Our presentation of Segment income on a consolidated basis is a non-GAAP financial measure. See "Non-GAAP Financial Measures" below for additional discussion about our use of Total Segment Income.

During the fourth quarter of fiscal 2011, we made a decision to change the manner in which we evaluate and report the Company's business segments, allocating the costs of our corporate center to our regional businesses in North America, Europe, Asia and South America. Corporate center costs were allocated to each region based on a blended weighting of scale, capital intensity and human capital. We have recast all of our historical segment disclosures, including segment income, for all periods presented in this Form 10-K.

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 19 — Segment, Major Customer and Major Supplier Information.

Selected Operating Results Year Ended March 31, 2011	North America	Europe	Asia	South America	Eliminations	Total
Net sales	$ 3,922	$ 3,589	$ 1,866	$ 1,214	$ (14)	$ 10,577
Shipments:						
Rolled products	1,105	907	580	377	—	2,969
Ingot products	16	69	1	42	—	128
Total shipments	1,121	976	581	419	—	3,097

Selected Operating Results Year Ended March 31, 2010	North America	Europe	Asia	South America	Eliminations	Total
Net sales	$ 3,292	$ 2,975	$ 1,501	$ 948	$ (43)	$ 8,673
Shipments:						
Rolled products	1,029	803	532	344	—	2,708
Ingot products	34	81	2	29	—	146
Total shipments	1,063	884	534	373	—	2,854

The following table reconciles changes in Segment income for the year ended March 31, 2010 to the year ended March 31, 2011 (in millions). Variances include the related realized derivative gain or loss.

Changes in Segment Income	North America	Europe	Asia	South America	Total
Segment income — year ended March 31, 2010	$ 292	$ 212	$ 154	$ 97	$ 755
Volume	59	64	22	24	169
Conversion premium and product mix	26	22	36	36	120
Conversion costs(A)	51	(15)	(21)	8	23
Metal price lag	(7)	42	15	11	61
Foreign exchange	(20)	(16)	29	(21)	(28)
Primary metal production	—	—	—	5	5
Other changes(B)	(19)	4	(10)	(8)	(33)
Segment income — year ended March 31, 2011	$ 382	$ 313	$ 225	$ 152	$ 1,072

(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 alternative scrap 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 March 31, 2011, our North American operations manufactured aluminum sheet and light gauge products through eleven plants, including two dedicated recycling facilities. Important end-use applications include beverage cans, containers and packaging, automotive and other transportation applications and other industrial applications.

Our North American operations experienced strong demand across all sectors with increased volumes in can, automotive and other industrial products as compared to the prior year. Shipments of flat rolled products in fiscal 2011 increased 7% as compared to a year ago, with each quarter seeing an increase in volumes shipped as compared to the same period last year. Net sales for fiscal 2011 were up $630 million, or 19%, as compared to fiscal 2010 reflecting the strong demand previously mentioned as well as higher LME prices. This increase is despite the fact that net sales for fiscal 2010 included $152 million of accretion on can price ceiling contracts offset by $128 million of derivatives related to those contracts.

Segment income for fiscal 2011 was $382 million, up $90 million as compared to the prior year. Improved volume, conversion premium and mix and reductions in conversion costs all had a positive impact on segment income. Conversion cost improvements are driven by reductions in a number of cost categories including labor, energy, repairs and maintenance and the usage of other aluminum scrap metal. These improvements are slightly offset by increased costs of alloys and hardeners and higher melt loss rates associated with melting additional scrap inputs. Other changes include a $152 million negative impact related to the purchase accounting effect of metal price ceiling contracts, which increased segment income for fiscal 2010 but did not affect fiscal 2011 offset by a $128 million positive effect of the expiration of the can price ceiling contracts and related derivatives on December 31, 2009.

Europe

As of March 31, 2011, 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 strong demand across our core end-use markets with the can sector providing particularly strong results and the premium car market remaining firm. Flat rolled product shipments and net sales were up 13% and 21%, respectively, as compared to fiscal 2010 which reflects higher average LME prices and volume and mix improvement as a result of strong demand. Our facilities operated at or near capacity for fiscal 2011.

Segment income for fiscal 2011 was $313 million, up $101 million compared to the prior year. Improved volume, conversion premiums, product mix and favorable changes in metal price lag more than offset increases in conversion costs and the negative effect of changes in foreign currency exchange rates to the U.S. dollar and Euro.

Asia

As of March 31, 2011, Asia operated three manufacturing facilities with production balanced between beverage and food can, construction and industrial (including electronics) and foil end-use applications.

In fiscal 2011, the Asian markets experienced strong demand for all product categories. Flat rolled product shipments are up 9% as compared to the prior year period. Net sales increased $365 million for the year ended March 31, 2011 as compared to the prior year primarily as a result of higher LME prices and increased volume.

Segment income for fiscal 2011 was $225 million, up $71 million as compared to the prior year due primarily to improved volume, conversion premiums, favorable changes in metal price lag and favorable effects of changes in foreign currency exchange rates to the U.S. dollar more than offset increases in conversion costs. Other changes reflect the negative effects of higher selling, general and administrative costs as compared to prior year.

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 one smelter, power generation facilities and bauxite mines as of March 31, 2011.

Our South American operations experienced strong demand across all sectors as compared to the prior year. Shipments of flat rolled products in fiscal 2011 increased 10% as compared to a year ago. Net sales for fiscal 2011 were up $266 million, or 28%, as compared to fiscal 2010 reflecting strong demand as well as higher LME prices.

Segment income for fiscal 2011 was $152 million, up $55 million as compared to the prior year. Improved volumes, conversion premiums, reductions of conversion costs and favorable metal price lag more than offset the negative effects of changes in foreign currency exchange rates and higher selling, general and administrative costs. Increased segment income of the primary business reflects the higher LME prices, offset by increased energy and alumina costs.

Reconciliation of segment results to Net income attributable to our common shareholder

Costs such as depreciation and amortization, interest expense and unrealized gains (losses) on changes in the fair value of derivatives 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 year ended March 31, 2011 and 2010 (in millions).

	Year Ended March 31,	
	2011	2010
North America	$ 382	$ 292
Europe	313	212
Asia	225	154
South America	152	97
Total Segment income	1,072	755
Depreciation and amortization	(404)	(384)
Interest expense and amortization of debt issuance costs	(207)	(175)
Interest income	13	11
Unrealized gains (losses) on change in fair value of derivative instruments, net	(64)	578
Realized gains on derivative instruments not included in segment income	5	—
Adjustment to eliminate proportional consolidation	(45)	(52)
Loss on extinguishment of debt	(84)	—
Restructuring charges, net	(34)	(14)
Other costs, net	(9)	8
Income (loss) before income taxes	243	727
Income tax provision (benefit)	83	262
Net income (loss)	160	465
Net income (loss) attributable to noncontrolling interests	44	60
Net income (loss) attributable to our common shareholder	$ 116	$ 405

Interest expense and amortization of debt issuance costs increased primarily due to a higher average principal balance after the refinancing of our debt, offset by lower average interest rates on our variable rate debt for the majority of the year.

For fiscal 2011, the $64 million of losses consists of unrealized losses on changes in fair value of metal, foreign currency, interest rate offset by unrealized gains on energy derivatives. We recorded $578 million of unrealized gains for fiscal 2010.

Realized gains on derivative instruments not included in segment income represents realized gains on foreign currency derivatives related to capital expenditures for our previously announced expansion at our Pinda facility in South America.

Adjustment to eliminate proportional consolidation was a $45 million loss for fiscal 2011 as compared to a $52 million loss in fiscal 2010. This adjustment primarily relates to depreciation, amortization and income taxes at our Aluminium Norf GmbH (Norf) joint venture. The difference from the prior year relates to the reduction in depreciation and amortization on the step up in our basis in the underlying assets of the investees. 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.

We paid tender premiums, fees and other costs of $193 million associated with the refinancing transactions in December 2010 and related exchange offer in March 2011, including fees paid to lenders, arrangers and outside professionals such as attorneys and rating agencies. Approximately $84 million of these fees, existing unamortized fees, discounts and fair value adjustments associated with the old debt were expensed and included in the Loss on early extinguishment of debt. The remaining fees paid and the remaining unamortized fees, discounts and fair value adjustments associated with the old debt were capitalized and will be amortized as an increase to interest expense over the term of the related debt, ranging from five to ten years. See Note 10 — Debt for a further discussion of the refinancing and related accounting.

Restructuring charges in fiscal 2011 primarily related to the move of our North American headquarters to Atlanta, Georgia and the announced closure of our Bridgnorth facility in Europe and our Aratu facility in South America. See Note 2 — Restructuring Programs.

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 or 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 year ended March 31, 2011, we recorded an $83 million income tax provision on our pre-tax income of $255 million, before our equity in net income of non-consolidated affiliates, which represented an effective tax rate of 33%. Our effective tax rate differs from the expense at the Canadian statutory rate due to the following factors: (1) a $20 million expense for exchange remeasurement of deferred income taxes, (2) a $50 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, largely offset by a $49 decrease in our valuation allowance in the U.K. based on expectations of future taxable income, (3) a $15 million benefit from non-taxable dividends, (4) a $6 million benefit from differences between the Canadian statutory and foreign effective tax rates applied to entities in different jurisdictions, and (5) a $6 million expense related to increase in uncertain tax positions.

For fiscal 2010, we recorded a $262 million income tax provision on our pre-tax income of $742 million, before our equity in net (income) loss of non-consolidated affiliates, which represented an effective tax rate of 35%. Our effective tax rate differs from the expense at the Canadian statutory rate primarily due to the following factors: (1) $19 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 $38 million expense for exchange remeasurement of deferred income taxes, (3) a $7 million expense for the effects of enacted tax rate changes on cumulative taxable temporary differences, (4) a $9 million benefit from differences between the Canadian statutory and foreign effective tax rates applied to entities in different jurisdictions and (5) a $10 million benefit related to a decrease in uncertain tax positions.

Year Ended March 31, 2010 Compared with the Year Ended March 31, 2009

For the year ended March 31, 2010, we reported net income attributable to our common shareholder of $405 million on net sales of $8.7 billion, compared to the year ended March 31, 2009 when we reported net loss attributable to our common shareholder of $1.9 billion on net sales of $10.2 billion. The prior year results include pre-tax impairment charges totaling $1.5 billion, which reflected the deterioration in the global economic environment and resulting decreases in the market capitalization of our parent company, valuation of our publicly traded debt and related increase in our cost of capital.

While shipments were flat, Cost of goods sold (exclusive of depreciation and amortization) decreased $2.1 billion, or 22%, on a sales reduction of 15%. The decrease in average metal prices impacted both sales and costs of goods sold. The reduction in cost of goods sold also reflects the benefit of our previously announced restructuring actions and cost reduction initiatives. Selling, general and administrative expenses increased $43 million, or 15%, primarily due to the increase in accrued incentive compensation in the current year as compared to the prior year when business conditions were declining.

The fiscal year ended March 31, 2010 also includes $578 million in unrealized gains on derivative instruments, as compared to unrealized losses of $519 million in the prior year. Additionally, we recorded an income tax provision of $262 million on our net income in fiscal 2010, as compared to a $246 million income tax benefit in the prior year. These items are discussed in further detail below.

Segment Review

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 (described below); (k) 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 19 — Segment, Geographical Area and Major Customer and Major Supplier Information to our accompanying audited consolidated financial statements.

Selected Operating Results Year Ended March 31, 2010	**North America**	**Europe**	**Asia**	**South America**	**Eliminations**	**Total**
Net sales	$ 3,292	$ 2,975	$ 1,501	$ 948	$ (43)	$ 8,673
Shipments (kt)						
Rolled products	1,029	803	532	344	—	2,708
Ingot products	34	81	2	29	—	146
Total shipments	1,063	884	534	373	—	2,854

Selected Operating Results Year Ended March 31, 2009	North America	Europe	Asia	South America	Eliminations	Total
Net sales	$ 3,930	$ 3,718	$ 1,536	$ 1,007	$ (14)	$ 10,177
Shipments (kt)						
Rolled products	1,067	910	447	346	—	2,770
Ingot products	42	99	13	19	—	173
Total shipments	1,109	1,009	460	365	—	2,943

The following table reconciles changes in Segment income for the year ended March 31, 2010 as compared to the year ended March 31, 2009 (in millions):

Changes in Segment Income	North America	Europe	Asia	South America	Total
Segment income — year ended March 31, 2009	$ 60	$ 214	$ 79	$ 132	$ 485
Volume:					
Rolled products	(26)	(104)	34	2	(94)
Other	4	2	(2)	2	6
Conversion premium and product mix	78	58	40	54	230
Conversion costs(A)	75	54	40	6	175
Metal price lag	73	(49)	(82)	3	(55)
Foreign exchange	27	27	48	(30)	72
Other changes(B)	1	10	(3)	(72)	(64)
Segment income — year ended March 31, 2010	$ 292	$ 212	$ 154	$ 97	$ 755

(A) Conversion costs include expenses incurred in production such as direct and indirect labor, energy, freight, scrap usage, alloys and hardeners, coatings, alumina and melt loss. 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 March 31, 2010, North America manufactured aluminum sheet and light gauge products through eleven plants, including two dedicated recycling facilities. Important end-use applications include beverage cans, foil and other packaging, automotive and other transportation applications, building products and other industrial applications.

North America experienced a reduction in demand in the second half of fiscal 2009 as all industry sectors were impacted by the economic downturn. While shipments for fiscal 2010 were down 4% as compared to fiscal 2009, fourth quarter 2010 represented an 11% increase over the same period a year ago and a 13% increase over our seasonally low third quarter of fiscal 2010. Net sales for fiscal 2010 were down $638 million, or 16%, as compared to fiscal 2009 primarily reflecting lower average LME prices as well as the reduced volumes discussed above. Prices under certain can contracts are determined based on a six month price average and therefore do not reflect the recent increases in LME prices. Can shipments represent approximately 70% of our flat rolled shipments in North America.

Segment income for fiscal 2010 was $292 million, up $232 million as compared to the prior year period. Improved conversion premiums and product mix, reductions in conversion costs, favorable metal price lag and favorable impact of foreign exchange all had a positive impact on segment income. Conversion cost improvements relate to reductions in a number of cost categories, including energy, melt loss, production labor and repairs and maintenance as compared to the prior year period. Other changes include a $98 million favorable impact related to metal price ceilings contracts which expired on December 31, 2009, partially offset by an $81 million reduction to the net favorable impact of acquisition related fair value adjustments and a $10 million reduction in the benefit from used beverage cans.

To consolidate corporate functions and enhance organizational effectiveness, we relocated our North American headquarters from Cleveland, Ohio to Atlanta, Georgia, where our executive offices are located. We recorded $4 million in fiscal 2010 related to one-time termination benefits and other employee related costs in connection with the relocation.

In response to reductions in demand in fiscal 2009, we announced a Voluntary Separation Program (VSP) available to salaried employees in North America and the Corporate office, aimed at reducing staffing levels. This VSP plan was supplemented by an Involuntary Severance Program (ISP). Through the VSP and ISP, we eliminated approximately 120 positions during the fourth quarter of fiscal 2009 and the first quarter of fiscal 2010.

Europe

As of March 31, 2010, our European segment provided European markets with value-added sheet and light gauge products through 13 aluminum operating facilities, including one dedicated recycling facility. End-use applications for this segment include beverage and food cans, foil and other packaging, construction and industrial products, automotive and lithographic applications.

Europe experienced a reduction in demand in all industry sectors with flat rolled shipments and net sales down 12% and 20%, respectively, in fiscal 2010 as compared to fiscal 2009. While shipments for fiscal 2010 were down compared to a year ago, fourth quarter 2010 represented a 21% increase over the same period a year ago and a 21% increase over our seasonally low third quarter of fiscal 2010. Net sales for fiscal 2010 were down $743 million, as compared to fiscal 2009 reflecting the volume decrease as well as lower average LME prices.

Segment income for fiscal 2010 was $212 million, down $2 million as compared to the prior year. Improved conversion premium and product mix, reductions in conversion costs and the favorable impact of foreign exchange more than offset the impact of volume reduction and the negative metal price lag. Other changes reflect a favorable impact of $25 million from fixed forward priced contracts in fiscal 2010.

In late fiscal 2009, we began a number of restructuring actions across Europe, including the closure of our plant in Rogerstone, United Kingdom effective April 2009. The closure of the Rogerstone plant resulted in the elimination of 440 positions. Other cost reductions were implemented in 2009 and throughout 2010 through capacity and staff reductions at plants in France, Germany, Switzerland and Italy.

Asia

As of March 31, 2010, Asia operated three manufacturing facilities with production balanced between beverage and food cans, foil and other packaging, industrial products (including electronics and construction) and transportation applications.

The Asian economies, fueled by government stimulus programs, have been recovering rapidly since our first quarter of fiscal 2010. 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 shipments are up 19% as compared to the prior year and have been consistent each quarter this year. We expect customer demand to continue at these levels for the near term. Net sales were down 2% in fiscal 2010 as compared to fiscal 2009 as the decrease in the average LME more than offset volume and conversion premium increases.

Segment income increased from $79 million in fiscal 2009 to $154 million for fiscal 2010 due to improvements in volume, conversion premiums and reductions in conversion costs, partially offset by the unfavorable metal price lag. As shown above in the Foreign Exchange Impact discussion, the U.S. dollar strengthened during fiscal 2009, and weakened during fiscal 2010, resulting in a favorable year-over-year foreign exchange impact in this segment.

In response to reduced demand in the fourth quarter of fiscal 2009, we eliminated 34 positions in Asia related to a voluntary retirement program. Also during fiscal 2009, we recorded an impairment charge of approximately $5 million in Novelis Korea Limited (“Novelis Korea”), formerly Alcan Taihan Aluminum Limited, due to the obsolescence of certain production related fixed assets.

South America

Our operations in South America manufacture various aluminum rolled products, including can stock, automotive and industrial sheet and light gauge for the beverage and food can, construction and industrial, foil and other packaging and transportation applications. Can shipments represented over 80% of our flat rolled shipments in South America in fiscal 2010. As of March 31, 2010, our South American operations included two rolling plants in Brazil along with two smelters, bauxite mines and power generation facilities. We ceased the production of commercial grade alumina at our Ouro Preto facility effective May 2009 as the decline in alumina prices made alumina production economically unfeasible at this facility. For the foreseeable future, the plant will purchase alumina through third parties.

Flat rolled and total shipments were flat in fiscal 2010 as compared to fiscal 2009, while net sales decreased 6% as compared to the prior year due to lower average LME prices, partially offset by increases in pricing.

Segment income for South America decreased $35 million in fiscal 2010 as compared to the prior year period. This decrease in segment income is due to a $59 million decrease in the smelter benefit compared to the prior year period and a $7 million reduction in the benefit associated with used beverage cans, included in Other changes in the table above. These reductions in segment income were partially offset by improvements in conversion premiums on new contracts and reductions in conversion costs.

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 years ended March 31, 2010 and 2009 (in millions).

	Year Ended March 31, 2010	Year Ended March 31, 2009
North America	$ 292	$ 60
Europe	212	214
Asia	154	79
South America	97	132
Total Segment income	755	485
Depreciation and amortization	(384)	(439)
Interest expense and amortization of debt issuance costs	(175)	(182)
Interest income	11	14
Unrealized gains (losses) on change in fair value of derivative instruments, net	578	(519)
Impairment of goodwill	—	(1,340)
Gain on extinguishment of debt	—	122
Restructuring charges, net	(14)	(95)
Adjustment to eliminate proportional consolidation	(52)	(225)
Other costs, net	8	11
Income (loss) before income taxes	727	(2,168)
Income tax provision (benefit)	262	(246)
Net income (loss)	465	(1,922)
Net income (loss) attributable to noncontrolling interests	60	(12)
Net income (loss) attributable to our common shareholder	$ 405	$ (1,910)

Corporate and other includes functions 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 been allocated to the regions. Corporate and other costs increased from $57 million to $90 million primarily due to higher incentive compensation in fiscal 2010 as compared to the prior period when business conditions declined.

Depreciation and amortization decreased $55 million from the prior year period primarily due to certain fixed assets that became fully depreciated during the first quarter of fiscal 2010.

Interest expense and amortization of debt issuance costs decreased primarily due to lower average interest rates on our variable rate debt. Taking into account the effect of interest rate swaps, approximately 26% of our debt was variable rate as of March 31, 2010.

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. In fiscal 2010, the $578 million of unrealized gains consisted of (i) $504 million reversal of previously recognized losses upon settlement of derivatives and (ii) $74 million of unrealized gains relating to mark to market adjustments on metal and currency derivatives. We recorded $519 million of unrealized losses in fiscal 2009.

We recorded a $1.3 billion impairment charge related to goodwill in fiscal 2009. This charge, along with a $160 million impairment charge related to our investment in the Aluminum Norf GmbH (Norf) joint venture, reflected the global economic environment at the time and the related market increase in the cost of capital.

The gain on extinguishment of debt related to the purchase of our 7.25% senior notes with a principal value of $275 million with the proceeds of an additional term loan with a face value of $220 million and an estimated fair value of $165 million. See "Liquidity and Capital Resources" below for additional discussion about the accounting for this purchase.

Restructuring charges in fiscal 2010 primarily relate to previously announced restructuring actions initiated in fiscal 2009 related to voluntary and involuntary separation programs for salaried employees in North America, Europe and Corporate aimed at reducing staff levels. Fiscal 2010 also includes $4 million related to the relocation of our North American headquarters to Atlanta, Georgia. Restructuring charges for fiscal 2009 includes the costs associated with the closure of our plant in Rogerstone, United Kingdom and the related employee and environmental costs. See also "Segment Review" discussion above as well as Note 2 — Restructuring Programs to our accompanying audited consolidated financial statements.

Adjustment to eliminate proportional consolidation was $52 million for fiscal 2010 as compared to $225 million in fiscal 2009. This adjustment typically relates to depreciation and amortization and income taxes at our 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. The adjustment in fiscal 2010 also includes a non-recurring after-tax benefit of $10 million from the refinement of our methodology for recording depreciation and amortization on the step up in our basis in the underlying assets of an investee. The prior year includes a $160 million pre-tax impairment charge related to our investment in Norf.

We experienced significant fluctuations in income tax expense and the corresponding effective tax rate in fiscal 2010. The primary factors contributing to the effective tax rate differing from the statutory Canadian rate include:

- Our functional currency in Canada and Brazil is the U.S. dollar and the company holds significant U.S. dollar denominated debt in these locations. As the value of the local currencies strengthens and weakens against the U.S. dollar, unrealized gains or losses are created in those locations for tax purposes, while the underlying gains or losses are not recorded in our income statement.
- During fiscal 2009, Canadian legislation was enacted allowing us to elect to determine our Canadian taxable income in U.S. dollars. Our election was effective April 1, 2008, and such U.S. dollar taxable gains and losses no longer exist in Canada as of that date.
- 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 fiscal 2010, we recorded a $262 million income tax provision on our pre-tax income of $742 million, before our equity in net (income) loss of non-consolidated affiliates, which represented an effective tax rate of 35%. Our effective tax rate differs from the expense at the Canadian statutory rate primarily due to the following factors: (1) $19 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 $38 million expense for exchange remeasurement of deferred income taxes, (3) a $7 million expense for the effects of enacted tax rate changes on cumulative taxable temporary differences, (4) a $9 million benefit from differences between the Canadian statutory and foreign effective tax rates applied to entities in different jurisdictions and (5) a $10 million benefit related to a decrease in uncertain tax positions.

For fiscal 2009, we recorded a $246 million income tax benefit on our pre-tax loss of $2.0 billion, before our equity in net (income) loss of non-consolidated affiliates, which represented an effective tax rate of 12%. Our effective tax rate differs from the benefit at the Canadian statutory rate primarily due to the following factors: (1) $415 million related to a non-deductible goodwill impairment charge, (2) a $48 million benefit for exchange remeasurement of deferred income taxes, (3) a $61 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, (4) a $33 million benefit from differences between the Canadian statutory and foreign effective tax rates applied to entities in different jurisdictions and (5) a $2 million expense related to an increase in uncertain tax positions.

During fiscal 2010, the statute of limitations lapsed with respect to unrecognized tax benefits related to potential withholding taxes and cross-border intercompany pricing of services. As a result, we recognized a reduction in unrecognized tax benefits of $28 million, including a decrease in accrued interest of $5 million, recorded as a reduction to the income tax provisions in the consolidated statement of operations and comprehensive income (loss).

Liquidity and Capital Resources

See Financing Activities below and Note 10 — Debt of our financial statements for a discussion of certain refinancing transactions during the period. Our new debt facilities provide us greater strategic flexibility to achieve our long-term goals and contain certain customary restrictive covenants. The first measurement period for our financial covenants was the four quarters ended March 31, 2011. 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.

Available Liquidity

As of March 31, 2011, our available liquidity increased $35 million from March 31, 2010 to $1,061 million. 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. We expect continued strong liquidity throughout fiscal 2012 despite significant expected capital expenditures. Our estimated liquidity as of March 31, 2011 and 2010 is as follows (in millions):

	March 31, 2011	March 31, 2010
Cash and cash equivalents	$ 311	$ 437
Overdrafts	(17)	(14)
Availability under the ABL facility	767	603
Total estimated liquidity	$ 1,061	$ 1,026

The cash and cash equivalents balance above includes cash held in foreign countries in which we operate.

Free cash flow

Free cash flow (which is a non-GAAP measure) consists of: (a) net cash provided by (used in) operating activities, (b) plus net cash provided by (used in) investing activities and (c) less net 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 reconciliation from Net cash provided by (used in) operating activities to Free cash flow, the ending balances of cash and cash equivalents and the change between periods (in millions).

	Year Ended March 31,			Change	
	2011	2010	2009	2011 versus 2010	2010 versus 2009
Net cash provided by (used in) operating activities	$ 454	$ 844	$ (220)	$ (390)	$ 1,064
Net cash provided by (used in) investing activities	(113)	(484)	(127)	371	(357)
Less: Proceeds from sales of assets	(31)	(5)	(5)	(26)	—
Free cash flow	$ 310	$ 355	$ (352)	$ (45)	$ 707
Ending cash and cash equivalents	$ 311	$ 437	$ 248	$ (126)	$ 189

Free cash flow decreased $45 million in fiscal 2011 as compared to fiscal 2010, driven by a $133 million increase in capital expenditures. The changes of each component of Free cash flow are described in greater detail below.

In fiscal 2009, operations consumed cash at a higher rate due to slowing business conditions and higher working capital levels associated with rapidly changing aluminum prices and the timing of payments made to suppliers, to brokers to settle derivative positions and the timing of cash receipts from our customers, which explains an increase in Free cash flow of over $700 million in fiscal 2010 as compared to fiscal 2009.

Operating Activities

Overall operating results were strong for the year ended March 31, 2011, reflecting the increase in volumes and our lower fixed cost structure as a result of our prior cost cutting measures. In conjunction with our recently completed refinancing activities, we paid $17 million of withholding taxes during fiscal 2011. Additionally, cash flow from operations for the years ended March 31, 2011 and 2010 benefited from cash receipts of $19 million and $75 million, respectively, related to customer-directed derivatives, as compared to $81 million of cash outflows for the year ended March 31, 2009. However, approximately 26% higher working capital balances as a result of higher LME prices during the year ended March 31, 2011 as compared to the year ended March 31, 2010 had accounted for approximately $251 million lower cash flows in fiscal 2011 as compared to fiscal 2010.

Net cash provided by operating activities in fiscal 2010 significantly improved as compared to net cash used in the fiscal 2009 due to higher net income and improved working capital management, including favorable impacts from customer forfaiting and extended payment terms from suppliers.

We have historically maintained forfaiting and factoring arrangements in Asia and South America that provided additional liquidity in those segments. The economic conditions in 2009 negatively impacted our ability to forfait our customer receivables as well as our suppliers' ability to provide extended payment terms, which resulted in reductions in operating cash flow at the end of fiscal 2009 in these regions.

In our discussion of metal price ceilings, we disclosed that certain customer contracts contained a fixed metal price ceiling beyond which the cost of aluminum could not be passed through to the customer. During the years ended March 31, 2010, and 2009, we were unable to pass through approximately $10 million, and $176 million, respectively, of metal purchase costs associated with sales under these contracts. Net cash provided by operating activities was negatively impacted by the same amount, adjusted for timing difference between customer receipts and vendor payments and offset partially by reduced income taxes for the duration of these contracts. The last metal price ceiling contract expired on December 31, 2009.

Investing Activities

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

	Year Ended March 31, 2011	2010	2009	Change 2011 versus 2010	2010 versus 2009
Capital expenditures	$ (234)	$ (101)	$ (145)	$ (133)	$ 44
Net proceeds (outflow) from settlement of derivative instruments	91	(395)	(24)	486	(371)
Proceeds from sales of assets	31	5	5	26	—
Changes to investment in and advances to non-consolidated affiliates	—	3	20	(3)	(17)
Proceeds (outflow) from related parties loans receivable, net	(1)	4	17	(5)	(13)
Net cash used in investing activities	$ (113)	$ (484)	$ (127)	$ 371	$ (357)

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 2012 to be between $550 and $600 million as a result of our previously announced expansions in Brazil, South Korea and North America. The majority of our capital expenditures for fiscal 2011, 2010 and 2009 have been for 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.

Proceeds from asset sales in fiscal 2011 primarily relate to the sale of certain of our assets in Europe to Hindalco, the sale of certain assets in South America and the sale of our printed confectionery foil packaging business at Bridgnorth, UK, to Discovery Foils. The majority of proceeds from asset sales in fiscal 2010 and 2009 relate to asset sales in Europe and the sale of land in Kingston, Ontario, respectively.

The settlement of metal and other derivative instruments resulted in a net cash inflow of $91 million in the year ended March 31, 2011 as compared to cash outflows of $395 million in fiscal 2010 and $24 million in fiscal 2009. Based on forward curves for metal, foreign currencies, interest rates and energy as of March 31, 2011, we forecast approximately $91 million of cash inflows related to the settlement of derivative instruments in fiscal 2012.

Proceeds (outflow) from related party loans receivable, net during fiscal 2011, 2010 and 2009 are primarily comprised of borrowings and payments on outstanding loans from our non-consolidated affiliate, Norf.

Financing Activities

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

	Year Ended March 31, 2011	2010	2009	Change 2011 versus 2010	2010 versus 2009
Proceeds from issuance of debt, third parties	$ 3,985	$ 177	$ 263	$ 3,808	$ (86)
Proceeds from issuance of debt, related parties	—	4	91	(4)	(87)
Principal repayments, third parties	(2,489)	(67)	(235)	(2,422)	168
Principal repayments, related parties	—	(95)	—	95	(95)
Short-term borrowings, net	(56)	(193)	176	137	(369)
Return of capital to our common shareholder	(1,700)	—	—	(1,700)	—
Dividends, noncontrolling interest	(18)	(13)	(6)	(5)	(7)
Debt issuance costs	(193)	(1)	(3)	(192)	2
Net cash provided by (used in) financing activities	$ (471)	$ (188)	$ 286	$ (283)	$ (474)

On December 17, 2010, we completed a series of refinancing transactions. The refinancing transactions consisted of the sale of $1.1 billion in aggregate principal amount of 8.375% Senior Notes Due 2017 and $1.4 billion in aggregate principal amount of 8.75% Senior Notes Due 2020 (collectively, the Notes) and the issuance of new $1.5 billion secured term loan credit facility (the 2010 Term Loan Facility). We also replaced our existing $800 million asset based loan (ABL) facility with a new $800 million ABL facility.

The proceeds from the refinancing transactions were used to refinance our prior secured term loan credit facility, to fund our tender offers and related consent solicitations for our old 7.25% Senior Notes due 2015 and our old 11.5% Senior Notes due 2015 and to pay premiums, fees and expenses associated with the refinancing. In addition, a portion of the proceeds were used to fund a distribution of $1.7 billion as a return of capital to Hindalco.

On March 10, 2011, we amended the 2010 Term Loan Facility originally entered into on December 17, 2010, and entered into an amended agreement (the 2011 Term Loan Facility) due March 2017. The amended term loan resulted in a reduction of interest rate from a spread of 3.75% and LIBOR floor of 150 basis points to a spread of 3.00% and LIBOR floor of 100 basis points.

See Note 10 — Debt for a further discussion of the refinancing transactions and the tender offers and related consent solicitations.

As of March 31, 2011, our short-term borrowings were $17 million consisting of bank overdrafts and borrowings under the new ABL Facility. Also, as of March 31, 2011, $33 million of the ABL Facility was utilized for letters of credit and we had $767 million in remaining availability under this revolving credit facility. The weighted average interest rate on our total short-term borrowings was 2.43% and 1.71% as of March 31, 2011 and 2010, respectively.

We repaid $100 million related to a bank loan in Korea when it came due on October 25, 2010.

Dividends paid to our noncontrolling interests, primarily in our Asia operating segment, were $18 million, $13 million, and $6 million for fiscal 2011, 2010 and 2009, respectively.

OFF-BALANCE SHEET ARRANGEMENTS

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

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

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

Derivative Instruments

See Note 14 — Financial Instruments and Commodity Contracts to our accompanying audited consolidated financial statements for a full description of derivative instruments.

Guarantees of Indebtedness

We have issued guarantees on behalf of certain of our subsidiaries. The indebtedness guaranteed is for trade accounts payable to third parties. Some of the guarantees have annual terms while others have no expiration and have termination notice requirements. Neither we nor any of our subsidiaries holds any assets of any third parties as collateral to offset the potential settlement of these guarantees. Since we consolidate wholly-owned and majority-owned subsidiaries in our consolidated financial statements, all liabilities associated with trade payables and short-term debt facilities for these entities are already included in our consolidated balance sheets. The following table discloses information about our obligations under guarantees of indebtedness of others as of March 31, 2011 (in millions).

	Maximum Potential Future Payment	Liability Carrying Value
Wholly-owned Subsidiaries	$ 134	$ 63

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 Arrangements

Forfaiting of Trade Receivables

Novelis Korea Limited forfaits trade receivables in the ordinary course of business. These trade receivables are typically outstanding for 60 to 120 days. Forfaiting is a non-recourse method to manage credit and interest rate risks. Under this method, customers contract to pay a financial institution. The institution assumes the risk of non-payment and remits the invoice value (net of a fee) to us after presentation of a proof of delivery of goods to the customer. We do not retain a financial or legal interest in these receivables, and they are not included in our consolidated balance sheets.

Factoring of Trade Receivables

Our Brazilian operations factor, without recourse, certain trade receivables that are unencumbered by pledge restrictions. Under this method, customers are directed to make payments on invoices to a financial institution, but are not contractually required to do so. The financial institution pays us any invoices it has approved for payment (net of a fee). We do not retain financial or legal interest in these receivables, and they are not included in our consolidated balance sheets.

Summary Disclosures of Forfaited and Factored Financial Amounts

The following tables summarize our forfaiting and factoring amounts (in millions).

	Year Ended March 31,		
	2011	2010	2009
Receivables forfaited	$396	$423	$570
Receivables factored	$ 77	$149	$ 70
Forfaiting expense	$ 1	$ 2	$ 5
Factoring expense	$ 1	$ 1	$ 1

	March 31,	
	2011	2010
Forfaited receivables outstanding	$52	$83
Factored receivables outstanding	$ 8	$34

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 March 31, 2011 and 2010, we were 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, and postretirement benefit plans. The following table presents our estimated future payments under contractual obligations that exist as of March 31, 2011, based on undiscounted amounts (in millions). The future cash flow commitments that we may have related to derivative contracts are not estimable and are therefore not included. Furthermore, due to the difficulty in determining the timing of settlements, the table excludes $45 million of uncertain tax positions. See Note 17 — Income Taxes to our accompanying audited consolidated financial statements.

	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Debt(A)	$ 4,078	$ 16	$ 32	$ 106	$ 3,924
Interest on long-term debt(B)	2,354	285	856	757	456
Capital leases(C)	63	8	14	14	27
Operating leases(D)	138	24	38	32	44
Purchase obligations(E)	8,377	3,759	2,934	1,186	498
Unfunded pension plan benefits(F)	161	13	28	31	89
Other post-employment benefits(F)	125	8	18	23	76
Funded pension plans(F)	49	49	—	—	—
Total	$ 15,345	$ 4,162	$ 3,920	$ 2,149	$ 5,114

(A) Includes only principal payments on our Senior Notes, term loans, revolving credit facilities and notes payable to banks and others. These amounts exclude payments under capital lease obligations.

(B) Interest on our fixed rate debt is estimated using the stated interest rate. Interest on our variable-rate debt is estimated using the rate in effect as of March 31, 2011 and includes the effect of current interest rate swap agreements. Actual future interest payments may differ from these amounts based on changes in floating interest rates or other factors or events. These amounts include an estimate for unused commitment fees. Excluded from these amounts are interest related to capital lease obligations, the amortization of debt issuance and other costs related to indebtedness.

(C) Includes both principal and interest components of future minimum capital lease payments. Excluded from these amounts are insurance, taxes and maintenance associated with the property.

(D) Includes the minimum lease payments for non-cancelable leases for property and equipment used in our operations. We do not have any operating leases with contingent rents. Excluded from these amounts are insurance, taxes and maintenance associated with the properties and equipment.

(E) Includes agreements to purchase goods (including raw materials and capital expenditures) and services that are enforceable and legally binding on us, and that specify all significant terms. Some of our raw material purchase contracts have minimum annual volume requirements. In these cases, we estimate our future purchase obligations using annual minimum volumes and costs per unit that are in effect as of March 31, 2011. Due to volatility in the cost of our raw materials, actual amounts paid in the future may differ from these amounts. Excluded from these amounts are the impact of any derivative instruments and any early contract termination fees, such as those typically present in energy contracts.

(F) Obligations for postretirement benefit plans are estimated based on actuarial estimates using benefit assumptions for, among other factors, discount rates, rates of compensation increases and healthcare cost trends. Payments for unfunded pension plan benefits and other post-employment benefits are estimated through 2020. For funded pension plans, estimating the requirements beyond fiscal 2012 is not practical, as it depends on the performance of the plans' investments, among other factors.

RETURN OF CAPITAL

On December 17, 2010, we paid $1.7 billion to our shareholder as a return of capital.

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.

ENVIRONMENT, HEALTH AND SAFETY

We strive to be a leader in environment, health and safety (EHS). Our EHS system is aligned with ISO 14001, an international environmental management standard, and OHSAS 18001, an international occupational health and safety management standard. All of our facilities are expected to implement the necessary management systems to support ISO 14001 and OHSAS 18001 certifications.

As of March 31, 2011, all of our manufacturing facilities worldwide were ISO 14001 certified, 31 facilities were OHSAS 18001 certified and 29 have dedicated quality improvement management systems.

Our capital expenditures for environmental protection and the betterment of working conditions in our facilities were $1 million in fiscal 2011. We expect these capital expenditures will be approximately $5 million and $2 million in fiscal 2012 and 2013, respectively. In addition, expenses for environmental protection (including estimated and probable environmental remediation costs as well as general environmental protection costs at our facilities) were $18 million in fiscal 2011, and are expected to be $34 million and $27 million in fiscal 2012 and 2013, respectively. Generally, expenses for environmental protection are recorded in Cost of goods sold. However, significant remediation costs that are not associated with on-going operations are recorded in Other (income) expenses, net.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our discussion and analysis of our results of operations and liquidity and capital resources are based on our consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States (GAAP). In connection with the preparation of our consolidated financial statements, we are required to make assumptions and estimates about future events, and apply judgments that affect the reported amounts of assets, liabilities, revenue, expenses, and the related disclosures. We base our assumptions, estimates and judgments on historical experience, current trends and other factors we believe to be relevant at the time we prepare our consolidated financial statements. On a regular basis, we review the accounting policies, assumptions, estimates and judgments to ensure that our consolidated financial statements are presented fairly and in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material.

Our significant accounting policies are discussed in Note 1 — Business and Summary of Significant Accounting Policies to our accompanying consolidated financial statements. We believe the following accounting policies are the most critical to aid in fully understanding and evaluating our reported financial results, as they require management to make difficult, subjective or complex judgments, and to make estimates about the effect of matters that are inherently uncertain. Although management believes that the estimates and judgments discussed herein are reasonable, actual results could differ, which could result in gains or losses that could be material. We have reviewed these critical accounting policies and related disclosures with the Audit Committee of our board of directors.

Derivative Financial Instruments

We hold derivatives for risk management purposes and not for trading. We use derivatives to mitigate uncertainty and volatility caused by underlying exposures to aluminum prices, foreign exchange rates, interest rate, and energy prices. The fair values of all derivative instruments are recognized as assets or liabilities at the balance sheet date and are reported gross.

We may be exposed to losses in the future if the counterparties to our derivative contracts fail to perform. We are satisfied that the risk of such non-performance is remote due to our monitoring of credit exposures. Additionally, we enter into master netting agreements with contractual provisions that allow for netting of counterparty positions in case of default, and we do not face credit contingent provisions that would result in the posting of collateral.

For derivatives designated as fair value hedges, we assess hedge effectiveness by formally evaluating the high correlation of changes in the fair value of the hedged item and the derivative hedging instrument. The changes in the fair values of the underlying hedged items are reported in other current and noncurrent assets and liabilities in the consolidated balance sheet. Changes in the fair values of these derivatives and underlying hedged items generally offset and are recorded each period in revenue, consistent with the underlying hedged item.

For derivatives designated as cash flow hedges or net investment hedges, we assess hedge effectiveness by formally evaluating the high correlation of the expected future cash flows of the hedged item and the derivative hedging instrument. The effective portion of gain or loss on the derivative is included in Other comprehensive income (loss) and reclassified to earnings in the period in which earnings are impacted by the hedged items or in the period that the transaction becomes probable of not occurring. 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 and future gains or losses on the derivative will be recognized in (Gain) loss on change in fair value of derivative instruments.

For all derivatives designated in hedging relationships, gains or losses representing hedge ineffectiveness or amounts excluded from effectiveness testing are recognized in (Gain) loss on change in fair value of derivative instruments, net in our current period earnings.

If no hedging relationship is designated, the gains or losses are recognized in (Gain) loss on change in fair value of derivative instruments, net in our current period earnings. We classify cash settlement amounts associated with these derivatives as part of investing activities in the consolidated statements of cash flows.

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 forward market prices for foreign exchange rates. See Note 15 — Fair Value of Assets and Liabilities and Note 11 — Fair Value Measurements to our accompanying consolidated audited financial statements for discussion on fair value of derivative instruments.

Impairment of Goodwill

Goodwill represents the excess of the purchase price over the fair value of the identifiable net assets of acquired companies. As a result of the Arrangement, we estimated fair value of the identifiable net assets of acquired companies using a number of factors, including the application of multiples and discounted cash flow estimates. We have allocated goodwill to our operating segments in North America, Europe and South America, which are also reporting units for purposes of performing our goodwill impairment testing as follows (in millions):

	March 31, 2011
North America	$ 288
Europe	181
South America	142
	$ 611

Goodwill is not amortized; instead, it is tested for impairment annually or more frequently if indicators of impairment exist. On an ongoing basis, absent any impairment indicators, we perform our goodwill impairment testing as of the last day of February of each year.

We test goodwill for impairment using a fair value approach at the reporting unit level. We use our operating segments as our reporting units and perform our goodwill impairment test in two steps. Step one compares the fair value of each reporting unit (operating segment) to its carrying amount. If step one indicates that the carrying value of the reporting unit exceeds the fair value, the second step is performed to measure the amount of impairment, if any.

For purposes of our step one analysis, our estimate of fair value for each reporting unit is based on a combination of (1) quoted market prices/relationships (the market approach), (2) discounted cash flows (the income approach) and (3) a stock price build-up approach (the build-up approach). The estimated fair value for each reporting unit is within the range of fair values yielded under each approach. The approach to determining fair value for all reporting units is consistent given the similarity of our operations in each region.

Under the market approach, the fair value of each reporting unit is determined based upon comparisons to public companies engaged in similar businesses. Under the income approach, the fair value of each reporting unit is based on the present value of estimated future cash flows. The income approach is dependent on a number of significant management assumptions including markets and market share, sales volumes and prices, costs to produce, capital spending, working capital changes and the discount rate. We estimate future cash flows for each of our reporting units based on our projections for the respective reporting unit. These projected cash flows are discounted to the present value using a weighted average cost of capital (discount rate). The discount rate is commensurate with the risk inherent in the projected cash flows and reflects the rate of return required by an investor in the current economic conditions. For our annual impairment test conducted in the fourth quarter of fiscal 2011, we used a discount rate of 10.25%

for all reporting units, a decrease of 0.5% from the rate used in our prior year impairment test. An increase or decrease of 0.5% in the discount rate impacted the estimated fair value of each reporting unit by $150-265 million, depending on the relative size of the reporting unit. The projections are based on both past performance and the expectations of future performance and assumptions used in our current operating plan. We use specific revenue growth assumptions for each reporting unit, based on history and economic conditions, ranging from 2.5% to 3.5% growth through 2016.

Under the build-up approach, which is a variation of the market approach, we estimate the fair value of each reporting unit based on the estimated contribution of each of the reporting units to Hindalco's total business enterprise value.

We performed our annual testing for goodwill impairment as of the last day of February 2011 and no goodwill impairment was identified. The fair values of the reporting units exceeded their respective carrying amounts as of February 28, 2011 by 157% for North America, by 78% for Europe and by 160% for South America.

Equity Investments

We invest in a number of public and privately-held companies, primarily through joint ventures and consortiums. If they are not consolidated, these investments are accounted for using the equity method. As a result of the Arrangement, investments in and advances to affiliates as of May 16, 2007 were adjusted to reflect fair value.

We review equity investments for impairment whenever certain indicators are present suggesting that the carrying value of an investment is not recoverable. This analysis requires a significant amount of judgment to identify events or circumstances indicating that an equity investment may be impaired. Once an impairment indicator is identified, we must determine if an impairment exists, and if so, whether the impairment is other than temporary, in which case the equity investment would be written down to its estimated fair value.

Impairment of Intangible Assets

Our other intangible assets of $707 million as of March 31, 2011 consist of tradenames, technology, customer relationships and favorable energy and supply contracts and are amortized over 3 to 20 years. As of March 31, 2011, we do not have any intangible assets with indefinite useful lives. We consider the potential impairment of these other intangibles assets in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) (Codification) No. 360, *Property, Plant and Equipment.* For tradenames and technology, we utilize a relief-from-royalty method. All other intangible assets are assessed using the income approach. As a result of these assessments, no impairment was indicated.

Impairment of Long Lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment when events or changes in circumstances indicate that the carrying value of the assets contained in our financial statements may not be recoverable. When evaluating long-lived assets for potential impairment, we first compare the carrying value of the asset to the asset's estimated future net cash flows (undiscounted and without interest charges). If the estimated future net cash flows are less than the carrying value of the asset, we calculate and recognize an impairment loss. If we recognize an impairment loss, the carrying amount of the asset is adjusted to fair value based on the discounted estimated future net cash flows and will be its new cost basis. For a depreciable long-lived asset, the new cost basis will be depreciated over the remaining useful life of that asset.

Our impairment loss calculations require management to apply judgments in estimating future cash flows to determine asset fair values, including forecasting useful lives of the assets and selecting the discount rate that represents the risk inherent in future cash flows. For the year ended March 31, 2011, we recorded impairment charges of $5 million classified as Restructuring charges, net related to the write down of land and buildings at our Bridgnorth facility, offset by a $10 million gain on asset sales at our Rogerstone facility. We recorded impairment charges on long-lived assets of $1 million and $18 million (including $17 million classified as Restructuring charges, net), during the years ended March 31, 2010 and 2009, respectively.

If actual results are not consistent with our assumptions and judgments used in estimating future cash flows and asset fair values, we may be exposed to additional impairment losses that could be material to our results of operations.

Pension and Other Postretirement Plans

We account for our pensions and other postretirement benefits in accordance with ASC 715, *Compensation — Retirement Benefits* (ASC 715). Liabilities and expense for pension plans and other postretirement benefits are determined using actuarial methodologies and incorporate significant assumptions, including the rate used to discount the future estimated liability, the long-term rate of return on plan assets, and several assumptions related to the employee workforce (salary increases, medical costs, retirement age, and mortality).

The actuarial models use an attribution approach that generally spreads the financial impact of changes to the plan and actuarial assumptions over the average remaining service lives of the employees in the plan. Changes in liability due to changes in actuarial assumptions such as discount rate, rate of compensation increases and mortality, as well as annual deviations between what was assumed and what was experienced by the plan are treated as gains or losses. Gains and losses are amortized over the group's average future service life of the employees. The average future service life for pension plans and other postretirement benefit plans is 11.4 and 12.4 years respectively. The principle underlying the required attribution approach is that employees render service over their average remaining service lives on a relatively smooth basis and, therefore, the accounting for benefits earned under the pension or non-pension postretirement benefits plans should follow the same relatively smooth pattern.

Our pension obligations relate to funded defined benefit pension plans we have established in the United States, Canada, Switzerland and the United Kingdom, unfunded defined benefit pension plans primarily in Germany, unfunded lump sum indemnities payable upon retirement to employees in France, Malaysia, and Italy and partially funded lump sum indemnities in South Korea. Pension benefits are generally based on the employee's service and either on a flat rate for years of service or on the highest average eligible compensation before retirement. Our other postretirement benefit obligations include unfunded healthcare and life insurance benefits provided to retired employees in Canada, the U.S. and Brazil.

All net actuarial gains and losses are generally amortized over the expected average remaining service life of the employees. The costs and obligations of pension and other postretirement benefits are calculated based on assumptions including the long-term rate of return on pension assets, discount rates for pension and other postretirement benefit obligations, expected service period, salary increases, retirement ages of employees and healthcare cost trend rates. These assumptions bear the risk of change as they require significant judgment and they have inherent uncertainties that management may not be able to control.

The most significant assumption used to calculate pension and other postretirement obligations is the discount rates used to determine the present value of benefits. It is based on spot rate yield curves and individual bond matching models for pension and other postretirement plans in Canada and the United States, and on published long-term high quality corporate bond indices in other countries, at the end of each fiscal year. Adjustments were made to the index rates based on the duration of the plans' obligations for each country. The weighted average discount rate used to determine the pension benefit obligation was 5.3%, 5.5% and 6.0% as of March 31, 2011, 2010 and 2009, respectively. The weighted average discount rate used to determine the other postretirement benefit obligation was 5.2% as of March 31, 2011, compared to 5.6% and 6.2% for March 31, 2010 and 2009, respectively. The weighted average discount rate used to determine the net periodic benefit cost is the rate used to determine the benefit obligation at the end of the previous fiscal year.

As of March 31, 2011, an increase in the discount rate of 0.5%, assuming inflation remains unchanged, would result in a decrease of $109 million in the pension and other postretirement obligations and in a decrease of $14 million in the net periodic benefit cost. A decrease in the discount rate of 0.5% as of March 31, 2011, assuming inflation remains unchanged, would result in an increase of $109 million in the pension and other postretirement obligations and in an increase of $14 million in the net periodic benefit cost. The calculation of the estimate of the expected return on assets and additional discussion regarding pension and other postretirement plans is described in Note 12 — Postretirement Benefit Plans to our accompanying consolidated financial statements. The weighted average expected return on assets was 6.8% for 2011, 6.7% for 2010, and 6.9% for 2009. The expected return on assets is a long-term assumption whose accuracy can only be measured over a long period based on past experience. A variation in the expected return on assets by 0.5% as of March 31, 2011 would result in a variation of approximately $5 million in the net periodic benefit cost.

Income Taxes

We account for income taxes using the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. In addition, deferred tax assets are also recorded with respect to net operating losses and other tax attribute carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. Valuation allowances are established when realization of the benefit of deferred tax assets is not deemed to be more likely than not. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The ultimate recovery of certain of our deferred tax assets is dependent on the amount and timing of taxable income that we will ultimately generate in the future and other factors such as the interpretation of tax laws. This means that significant estimates and judgments are required to determine the extent that valuation allowances should be provided against deferred tax assets. We have provided valuation allowances as of March 31, 2011 aggregating $239 million against such assets based on our current assessment of future operating results, timing and nature of realizing deferred tax liabilities, tax planning strategies and tax carrybacks.

By their nature, tax laws are often subject to interpretation. Further complicating matters is that in those cases where a tax position is open to interpretation, differences of opinion can result in differing conclusions as to the amount of tax benefits to be recognized under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes*. ASC 740 utilizes a two-step approach for evaluating tax positions. Recognition (Step 1) occurs when an enterprise concludes that a tax position, based solely on its technical merits, is more likely than not to be sustained upon examination. Measurement (Step 2) is only addressed if Step 1 has been satisfied. Under Step 2, the tax benefit is measured as the largest amount of benefit, determined on a cumulative probability basis that is more likely than not to be realized upon ultimate settlement. Consequently, the level of evidence and documentation necessary to support a position prior to being given recognition and measurement within the financial statements is a matter of judgment that depends on all available evidence.

As of March 31, 2011 the total amount of unrecognized benefits that, if recognized, would affect the effective income tax rate in future periods based on anticipated settlement dates is $45 million.

Assessment of Loss Contingencies

We have legal and other contingencies, including environmental liabilities, which could result in significant losses upon the ultimate resolution of such contingencies. Environmental liabilities that are not legal asset retirement obligations are accrued on an undiscounted basis when it is probable that a liability exists for past events.

We have provided for losses in situations where we have concluded that it is probable that a loss has been or will be incurred and the amount of the loss is reasonably estimable. A significant amount of judgment is involved in determining whether a loss is probable and reasonably estimable due to the uncertainty involved in determining the likelihood of future events and estimating the financial statement impact of such events. If further developments or resolution of a contingent matter are not consistent with our assumptions and judgments, we may need to recognize a significant charge in a future period related to an existing contingency.

RECENTLY ISSUED ACCOUNTING STANDARDS

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

NON-GAAP FINANCIAL MEASURES

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

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

However, Total Segment Income is not a measurement of financial performance under GAAP, and our Total Segment Income may not be comparable to similarly titled measures of other companies. Total Segment Income has important limitations as an analytical tool, and you should not consider this measure in isolation or as a substitute for analysis of our results as reported under GAAP. For example, Total Segment Income:

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

We also use Total Segment Income:

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

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

Item 7A. ***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 March 31, 2011 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 associated with inventory and non-fixed priced sales 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

As of March 31, 2011, we estimate that a 10% decline in LME aluminum prices would decrease the value of our aluminum contracts by $15 million.

Energy

We use several sources of energy in the manufacture and delivery of our aluminum rolled products. For the year ended March 31, 2011, natural gas and electricity represented approximately 83% 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 March 31, 2011, 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 65% 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 March 31, 2011 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)%	(3)

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 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 exposures from non-functional currency denominated transactions within each of our 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 operations have the euro and the Korean won as their functional currencies, respectively. Our Brazilian operations are U.S. dollar functional.

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

Any negative impact of currency movements on the currency contracts 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 14 — Financial Instruments and Commodity Contracts.

Sensitivities

The following table presents the estimated potential effect on the fair values of these derivative instruments as of March 31, 2011, 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)%	$ (41)
Euro	10%	(24)
Korean won	(10)%	(18)
Canadian dollar	(10)%	(5)
British pound	(10)%	(7)
Swiss franc	(10)%	(11)

Interest Rate Risks

We use interest rate swaps to manage our exposure to changes in the benchmark LIBOR interest rate which impacts our variable-rate debt. Prior to the completion of the December 17, 2010 refinancing transactions, these swaps were designated as cash flow hedges. Upon completion of the refinancing transaction, our exposure to changes in the benchmark LIBOR interest rate was limited which resulted in de-designation. The 2011 Term Loan Facility contains a floor feature of the higher of LIBOR or 100 basis points plus a spread of 3.00%. As of March 31, 2011, this floor feature was in effect, changing our variable rate debt to fixed rate debt. 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.

Due to the floor feature of our 2011 Term Loan Facility mentioned above, a 10 basis point increase in the interest rates on our outstanding variable rate debt as of March 31, 2011, would have no impact on our annual pre-tax income. To be above the 2011 Term Loan Facility floor feature, as of March 31, 2011, interest rates would have to increase by 70 basis points (bp). 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 10 — Debt for further information.

Sensitivities

The following table presents the estimated potential effect on the fair values of these derivative instruments as of March 31, 2011, given a 100 bps negative shift in USD LIBOR ($ in millions).

	Change in Rate	Change in Fair Value
Interest Rate Contracts		
North America	(100) bps	$ (2)

Item 8. ***Financial Statements and Supplementary Data***

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholder of Novelis Inc.:

In our opinion, the consolidated balance sheets and the related consolidated statements of operations, comprehensive income (loss), shareholder's equity and cash flows present fairly, in all material respects, the financial position of Novelis Inc. and its subsidiaries (the Company) at March 31, 2011 and March 31, 2010, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2011 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2011, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Atlanta, GA
May 26, 2011

Novelis Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions)

	Year Ended March 31, 2011	2010	2009
Net sales	$ 10,577	$ 8,673	$10,177
Cost of goods sold (exclusive of depreciation and amortization)	9,227	7,213	9,276
Selling, general and administrative expenses	375	337	294
Depreciation and amortization	404	384	439
Research and development expenses	40	38	41
Interest expense and amortization of debt issuance costs	207	175	182
Interest income	(13)	(11)	(14)
(Gain) loss on change in fair value of derivative instruments, net	(43)	(194)	556
Impairment of goodwill	—	—	1,340
(Gain) loss on extinguishment of debt	84	—	(122)
Restructuring charges, net	34	14	95
Equity in net loss of non-consolidated affiliates	12	15	172
Other (income) expenses, net	7	(25)	86
	10,334	7,946	12,345
Income (loss) before income taxes	243	727	(2,168)
Income tax provision (benefit)	83	262	(246)
Net income (loss)	160	465	(1,922)
Net income (loss) attributable to noncontrolling interests	44	60	(12)
Net income (loss) attributable to our common shareholder	$ 116	$ 405	$ (1,910)

See accompanying notes to the consolidated financial statements.

Novelis Inc.

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

	March 31, 2011	March 31, 2010
ASSETS		
Current assets		
Cash and cash equivalents	$ 311	$ 437
Accounts receivable (net of allowances of $7 and $4 as of March 31, 2011 and 2010, respectively)		
— third parties	1,480	1,143
— related parties	28	24
Inventories, net	1,338	1,083
Prepaid expenses and other current assets	50	39
Fair value of derivative instruments	165	197
Deferred income tax assets	39	12
Total current assets	3,411	2,935
Property, plant and equipment, net	2,543	2,632
Goodwill	611	611
Intangible assets, net	707	749
Investment in and advances to non-consolidated affiliates	743	709
Fair value of derivative instruments, net of current portion	17	7
Deferred income tax assets	52	5
Other long-term assets		
— third parties	193	93
— related parties	19	21
Total assets	$ 8,296	$ 7,762
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Current portion of long-term debt	$ 21	$ 116
Short-term borrowings	17	75
Accounts payable		
— third parties	1,378	1,076
— related parties	50	53
Fair value of derivative instruments	82	110
Accrued expenses and other current liabilities	568	436
Deferred income tax liabilities	43	34
Total current liabilities	2,159	1,900
Long-term debt, net of current portion	4,065	2,480
Deferred income tax liabilities	552	497
Accrued postretirement benefits	526	499
Other long-term liabilities	359	376
	7,661	5,752
Commitments and contingencies		
Shareholder's equity		
Common stock, no par value; unlimited number of shares authorized; 1,000 shares issued and outstanding as of March 31, 2011 and 2010, respectively	—	—
Additional paid-in capital	1,830	3,530
Accumulated deficit	(1,442)	(1,558)
Accumulated other comprehensive income (loss)	57	(103)
Total equity of our common shareholder	445	1,869
Noncontrolling interests	190	141
Total equity	635	2,010
Total liabilities and equity	$ 8,296	$ 7,762

See accompanying notes to the consolidated financial statements.

Novelis Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Year Ended March 31, 2011	2010	2009
OPERATING ACTIVITIES			
Net income (loss)	$ 160	$ 465	$ (1,922)
Adjustments to determine net cash provided by (used in) operating activities:			
Depreciation and amortization	404	384	439
(Gain) loss on change in fair value of derivative instruments, net	(43)	(194)	556
(Gain) loss on extinguishment of debt	84	—	(122)
Non-cash restructuring charges, net	5	2	22
Deferred income taxes	(45)	229	(331)
Write-off and amortization of fair value adjustments, net	4	(134)	(233)
Impairment of goodwill	—	—	1,340
Equity in net loss of non-consolidated affiliates	12	15	172
Foreign exchange remeasurement on debt	—	(20)	26
(Gain) loss on sale of assets	(4)	1	—
Gain on reversal of accrued legal claim	—	(3)	(26)
Other, net	2	10	8
Changes in assets and liabilities (net of effects from acquisitions and divestitures):			
Accounts receivable	(295)	(46)	73
Inventories	(218)	(264)	466
Accounts payable	263	311	(643)
Other current assets	(8)	14	(6)
Other current liabilities	134	47	(63)
Other noncurrent assets	(6)	(15)	17
Other noncurrent liabilities	5	42	7
Net cash provided by (used in) operating activities	454	844	(220)
INVESTING ACTIVITIES			
Capital expenditures	(234)	(101)	(145)
Proceeds from sales of assets			
— third parties	21	5	5
— related parties	10	—	—
Changes to investment in and advances to non-consolidated affiliates	—	3	20
Proceeds from related party loans receivable, net	(1)	4	17
Net proceeds from settlement of derivative instruments	91	(395)	(24)
Net cash used in investing activities	(113)	(484)	(127)
FINANCING ACTIVITIES			
Proceeds from issuance of debt			
— third parties	3,985	177	263
— related parties	—	4	91
Principal repayments			
— third parties	(2,489)	(67)	(235)
— related parties	—	(95)	—
Short-term borrowings, net	(56)	(193)	176
Return of capital to our common shareholder	(1,700)	—	—
Dividends, noncontrolling interest	(18)	(13)	(6)
Debt issuance costs	(193)	(1)	(3)
Net cash provided by (used in) financing activities	(471)	(188)	286
Net increase (decrease) in cash and cash equivalents	(130)	172	(61)
Effect of exchange rate changes on cash balances held in foreign currencies	4	17	(17)
Cash and cash equivalents — beginning of period	437	248	326
Cash and cash equivalents — end of period	$ 311	$ 437	$ 248

See accompanying notes to the consolidated financial statements.

Novelis Inc.

CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY
(In millions, except number of shares)

	Equity of our Common Shareholder						
	Common Stock		Additional Paid-in Capital	Retained Earnings/ (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss) (AOCI)	Non-Controlling Interests	Total Equity
	Shares	Amount					
Balance as of March 31, 2008	1,398,583	—	$ 3,497	$ (53)	$ 46	$ 149	$ 3,639
Fiscal 2009 Activity:							
Net income attributable to our common shareholder	—	—	—	(1,910)	—	—	(1,910)
Net income attributable to noncontrolling interests	—	—	—	—	—	(12)	(12)
Forgiveness of interest on intercompany note	9,347	—	23	—	—	—	23
Payment of income taxes by AV Metals on behalf of Novelis, Inc.	4,116	—	10	—	—	—	10
Currency translation adjustment, net of tax of $— in AOCI	—	—	—	—	(122)	(41)	(163)
Change in fair value of effective portion of hedges, net of tax benefit of $11 included in AOCI	—	—	—	—	(19)	—	(19)
Postretirement benefit plans:							
Change in pension and other benefits, net of tax provision of $31 included in AOCI	—	—	—	—	(53)	—	(53)
Noncontrolling interests cash dividends	—	—	—	—	—	(6)	(6)
Balance as of March 31, 2009	1,412,046	—	3,530	(1,963)	(148)	90	1,509
Fiscal 2010 Activity:							
Net income attributable to our common shareholder	—	—	—	405	—	—	405
Net income attributable to noncontrolling interests	—	—	—	—	—	60	60
Share consolidation	(1,411,046)	—	—	—	—	—	—
Currency translation adjustment, net of tax of $— in AOCI	—	—	—	—	54	21	75
Change in fair value of effective portion of hedges, net of tax benefit of $5 included in AOCI	—	—	—	—	(8)	—	(8)
Postretirement benefit plans:							
Change in pension and other benefits, net of tax provision of $10 included in AOCI	—	—	—	—	(1)	—	(1)
Noncontrolling interests cash dividends	—	—	—	—	—	(30)	(30)
Balance as of March 31, 2010	1,000	—	3,530	(1,558)	(103)	141	2,010
Fiscal 2011 Activity:							
Net income attributable to our common shareholder	—	—	—	116	—	—	116
Net income attributable to noncontrolling interests	—	—	—	—	—	44	44
Currency translation adjustment, net of tax provision of $6 in AOCI	—	—	—	—	111	6	117
Change in fair value of effective portion of hedges, net of tax provision of $27 included in AOCI	—	—	—	—	49	—	49
Postretirement benefit plans:							
Change in pension and other benefits, net of tax benefit of $3 included in AOCI	—	—	—	—	—	—	—
Return of capital to our common shareholder	—	—	(1,700)	—	—	—	(1,700)
Noncontrolling interests cash dividends	—	—	—	—	—	(1)	(1)
Balance as of March 31, 2011	1,000	$ —	$ 1,830	$ (1,442)	$ 57	$ 190	$ 635

See accompanying notes to the consolidated financial statements.

Novelis Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In millions)

	Year Ended March 31, 2011	2010	2009
Net income (loss) attributable to our common shareholder	$ 116	$ 405	$ (1,910)
Other comprehensive income (loss):			
Currency translation adjustment	117	54	(122)
Change in fair value of effective portion of hedges, net	76	(13)	(30)
Postretirement benefit plans:			
Change in pension and other benefits	(3)	9	(84)
Other comprehensive income (loss) before income tax effect	190	50	(236)
Income tax provision (benefit) related to items of other comprehensive income (loss)	30	5	(42)
Other comprehensive income (loss), net of tax	160	45	(194)
Comprehensive income (loss) attributable to our common shareholder	276	450	(2,104)
Net income (loss) attributable to noncontrolling interests	44	60	(12)
Other comprehensive income (loss):			
Currency translation adjustment	6	21	(41)
Other comprehensive income (loss), net of tax	6	21	(41)
Comprehensive income (loss) attributable to noncontrolling interests	50	81	(53)
Comprehensive income (loss)	$ 326	$ 531	$ (2,157)

See accompanying notes to the consolidated financial statements.

Novelis Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

References herein to “Novelis,” the “Company,” “we,” “our,” or “us” refer to Novelis Inc. and its subsidiaries unless the context specifically indicates otherwise. References herein to “Hindalco” refer to Hindalco Industries Limited. In October 2007, the Rio Tinto Group purchased all the outstanding shares of Alcan, Inc. References herein to “Alcan” refer to Rio Tinto Alcan Inc.

Organization and Description of Business

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 for the beverage and food can, transportation, construction and industrial, and foil products markets. As of March 31, 2011, we had operations in eleven countries on four continents: North America, South America, Asia and Europe, 30 operating plants and seven research and development facilities in eleven countries. In addition to aluminum rolled products plants, our South American businesses include bauxite mining, primary aluminum smelting and power generation facilities.

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.

Amalgamation of AV Aluminum Inc. and Novelis Inc.

Effective September 29, 2010, in connection with an internal restructuring transaction, pursuant to articles of amalgamation under the Canadian Business Corporations Act, we were amalgamated (the Amalgamation) with our direct parent AV Aluminum Inc., a Canadian corporation (AV Aluminum), to form an amalgamated corporation named Novelis Inc., also a Canadian corporation.

As a result of the Amalgamation, we and AV Aluminum continue our corporate existence, the amalgamated Novelis Inc. remains liable for all of our and AV Aluminum’s obligations and we continue to own all of our respective property. Since AV Aluminum was a holding company whose sole asset was the shares of the pre amalgamated Novelis, our business, management, board of directors and corporate governance procedures following the Amalgamation are identical to those of Novelis immediately prior to the Amalgamation. Novelis Inc., like AV Aluminum, remains an indirect, wholly-owned subsidiary of Hindalco. We have retrospectively recast all periods presented to reflect the amalgamated companies.

As of March 31, 2010, the Amalgamation increased the Company’s previously reported Additional paid-in capital by $33 million, and reduced Accumulated deficit by $33 million. The Amalgamation had no impact on our consolidated statements of operations or our consolidated statements of cash flows for the years ended March 31, 2010 and 2009.

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.

We use the equity method to account for our investments in entities that we do not control, but where we have the ability to exercise significant influence over operating and financial policies. Consolidated net income (loss) attributable to our common shareholder includes our share of the net earnings (losses) of these entities. The difference between consolidation and the equity method impacts certain of our financial ratios because of the presentation of the detailed line items reported in the consolidated financial statements for consolidated entities, compared to a two-line presentation of equity method investments and net losses.

We use the cost method to account for our investments in entities that we do not control and for which we do not have the ability to exercise significant influence over operating and financial policies. These investments are recorded at the lower of their cost or fair value.

Use of Estimates and Assumptions

The preparation of our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires us to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. The principal areas of judgment relate to (1) the fair value of derivative financial instruments; (2) impairment of goodwill; (3) 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 and litigation reserves. Future events and their effects cannot be predicted with certainty, and accordingly, our accounting estimates require the exercise of judgment. The accounting estimates used in the preparation of our consolidated financial statements will change as new events occur, as more experience is acquired, as additional information is obtained and as our operating environment changes. We evaluate and update our assumptions and estimates on an ongoing basis and may employ outside experts to assist in our evaluations. Actual results could differ from the estimates we have used.

Risks and Uncertainties

We are exposed to a number of risks in the normal course of our operations that could potentially affect our financial position, results of operations, and cash flows.

Laws and regulations

We operate in an industry that is subject to a broad range of environmental, health and safety laws and regulations in the jurisdictions in which we operate. These laws and regulations impose increasingly stringent environmental, health and safety protection standards and permitting requirements regarding, among other things, air emissions, wastewater storage, treatment and discharges, the use and handling of hazardous or toxic materials, waste disposal practices, the remediation of environmental contamination, post-mining reclamation and working conditions for our employees. Some environmental laws, such as the U.S. Comprehensive Environmental Response, Compensation, and Liability Act, also known as CERCLA or Superfund, and comparable state laws, impose joint and several liability for the cost of environmental remediation, natural resource damages, third party claims, and other expenses, without regard to the fault or the legality of the original conduct.

The costs of complying with these laws and regulations, including participation in assessments and remediation of contaminated sites and installation of pollution control facilities, have been, and in the future could be, significant. In addition, these laws and regulations may also result in substantial environmental liabilities associated with divested assets, third party locations and past activities. In certain instances, these costs and liabilities, as well as related action to be taken by us, could be accelerated or increased if we were to close, divest of or change the principal use of certain facilities with respect to which we may have environmental liabilities or remediation obligations. Currently, we are involved in a number of compliance efforts, remediation activities and legal proceedings concerning environmental matters, including certain activities and proceedings arising under U.S. Superfund and comparable laws in other jurisdictions where we have operations.

We have established reserves for environmental remediation activities and liabilities where appropriate. However, the cost of addressing environmental matters (including the timing of any charges related thereto) cannot be predicted with certainty, and these reserves may not ultimately be adequate, especially in light of potential changes in environmental conditions, changing interpretations of laws and regulations by regulators and courts, the discovery of previously unknown environmental conditions, the risk of governmental orders to carry out additional compliance on certain sites not initially included in remediation in progress, our potential liability to remediate sites for which provisions have not been previously established and the adoption of more stringent environmental laws. Such future developments could result in increased environmental costs and liabilities and could require significant capital expenditures, any of which could have a material adverse effect on our financial position or results of operations or cash flows. Furthermore, the failure to comply with our obligations under the environmental laws and regulations could subject us to administrative, civil or criminal penalties, obligations to pay damages or other costs, and injunctions or other orders, including orders to cease operations. In addition, the presence of environmental contamination at our properties could adversely affect our ability to sell a property, receive full value for a property or use a property as collateral for a loan.

Some of our current and potential operations are located or could be located in or near communities that may regard such operations as having a detrimental effect on their social and economic circumstances. Environmental laws typically provide for participation in permitting decisions, site remediation decisions and other matters. Concern about environmental justice issues may affect our operations. Should such community objections be presented to government officials, the consequences of such a development may have a material adverse impact upon the profitability or, in extreme cases, the viability of an operation. In addition, such developments may adversely affect our ability to expand or enter into new operations in such location or elsewhere and may also have an effect on the cost of our environmental remediation projects.

We use a variety of hazardous materials and chemicals in our rolling processes, as well as in our smelting operations in Brazil and in connection with maintenance work on our manufacturing facilities. Because of the nature of these substances or related residues, we may be liable for certain costs, including, among others, costs for health-related claims or removal or re-treatment of such substances. Certain of our current and former facilities incorporate asbestos-containing materials, a hazardous substance that has been the subject of health-related claims for occupation exposure. In addition, although we have developed environmental, health and safety programs for our employees, including measures to reduce employee exposure to hazardous substances, and conduct regular assessments at our facilities, we are currently, and in the future may be, involved in claims and litigation filed on behalf of persons alleging injury predominantly as a result of occupational exposure to substances at our current or former facilities. It is not possible to predict the ultimate outcome of these claims and lawsuits due to the unpredictable nature of personal injury litigation. If these claims and lawsuits, individually or in the aggregate, were finally resolved against us, our financial position, results of operations and cash flows could be adversely affected.

Materials and labor

In the aluminum rolled products industry, our raw materials are subject to continuous price volatility. We may not be able to pass on the entire cost of the increases to our customers or offset fully the effects of higher raw material costs, other than metal, through productivity improvements, which may cause our profitability to decline. In addition, there is a potential time lag between changes in prices under our purchase contracts and the point when we can implement a corresponding change under our sales contracts with our customers. As a result, we could be exposed to fluctuations in raw materials prices, including metal, since, during the time lag period, we may have to temporarily bear the additional cost of the change under our purchase contracts, which could have a material adverse effect on our financial position, results of operations and cash flows. Significant price increases may result in our customers' substituting other materials, such as plastic or glass, for aluminum or switch to another aluminum rolled products producer, which could have a material adverse effect on our financial position, results of operations and cash flows.

We consume substantial amounts of energy in our rolling operations, our cast house operations and our Brazilian smelting operations. The factors that affect our energy costs and supply reliability tend to be specific to each of our facilities. A number of factors could materially adversely affect our energy position including, but not limited to: (a) increases in the cost of natural gas; (b) increases in the cost of supplied electricity or fuel oil related to transportation; (c) interruptions in energy supply due to equipment failure or other causes and (d) the inability to extend energy supply contracts upon expiration on economical terms. A significant

Novelis Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

increase in energy costs or disruption of energy supplies or supply arrangements could have a material adverse impact on our financial position, results of operations and cash flows.

Approximately 63% of our employees are represented by labor unions under a large number of collective bargaining agreements with varying durations and expiration dates. We may not be able to satisfactorily renegotiate our collective bargaining agreements when they expire. In addition, existing collective bargaining agreements may not prevent a strike or work stoppage at our facilities in the future, and any such work stoppage could have a material adverse effect on our financial position, results of operations and cash flows.

Geographic markets

We are, and will continue to be, subject to financial, political, economic and business risks in connection with our global operations. We have made investments and carry on production activities in various emerging markets, including Brazil, Korea and Malaysia, and we market our products in these countries, as well as China and certain other countries in Asia. While we anticipate higher growth or attractive production opportunities from these emerging markets, they also present a higher degree of risk than more developed markets. In addition to the business risks inherent in developing and servicing new markets, economic conditions may be more volatile, legal and regulatory systems less developed and predictable, and the possibility of various types of adverse governmental action more pronounced. In addition, inflation, fluctuations in currency and interest rates, competitive factors, civil unrest and labor problems could affect our revenues, expenses and results of operations. Our operations could also be adversely affected by acts of war, terrorism or the threat of any of these events as well as government actions such as controls on imports, exports and prices, tariffs, new forms of taxation, or changes in fiscal regimes and increased government regulation in the countries in which we operate or service customers. Unexpected or uncontrollable events or circumstances in any of these markets could have a material adverse effect on our financial position, results of operations and cash flows.

Other risks and uncertainties

In addition, refer to Note 15 — Fair Value of Assets and Liabilities and Note 18 — Commitments and Contingencies for a discussion of financial instruments and commitments and contingencies.

Reclassifications and adjustments

Certain reclassifications of the prior period amounts and presentation have been made to conform to the presentation adopted for the current period.

For the years ended March 31, 2010 and 2009, we reclassified $23 million and $25 million, respectively, from Selling, general and administrative expenses to Costs of goods sold (exclusive of depreciation and amortization).

In the 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.

In order to present the impact of all customer-directed derivatives and associated trading activities as operating activities on the consolidated statements 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 $16 million for the year ended March 31, 2009. This reclassification did not have any impact on total cash or on the balance sheet, income statement or related disclosures.

Revenue recognition

We recognize sales when the revenue is realized or realizable, and has been earned. We record sales when a firm sales agreement is in place, delivery has occurred and collectability of the fixed or determinable sales price is reasonably assured.

We recognize product revenue, net of trade discounts and allowances, in the reporting period in which the products are shipped and the title and risk of ownership pass to the customer. We generally ship our product to our customers FOB (free on board) destination point. Our standard terms of delivery are included in our contracts of sale, order confirmation documents and invoices. We sell most of our products under contracts based on a "conversion premium," which is subject to periodic adjustments based on market factors. As a result, the aluminum price risk is largely absorbed by the customer. In situations where we offer customers fixed prices for future delivery of our products, we may enter into derivative instruments for all or a portion of the cost of metal inputs to protect our profit on the conversion of the product. In addition, through December 31, 2009, certain of our sales contracts provided for a ceiling over which metal prices could not be contractually passed through to the customer. We partially mitigated the risk of this metal price exposure through the purchase of derivative instruments.

We record tolling revenue when the revenue is realized or realizable, and has been earned. Tolling refers to the process by which certain customers provide metal to us for conversion to rolled product. We do not take title to the metal and, after the conversion and return shipment of the rolled product to the customer, we charge them for the value-added conversion cost and record these amounts in Net sales.

Shipping and handling amounts we bill to our customers are included in Net sales and the related shipping and handling costs we incur are included in Cost of goods sold (exclusive of depreciation and amortization).

Cost of goods sold (exclusive of depreciation and amortization)

Cost of goods sold (exclusive of depreciation and amortization) includes all costs associated with inventories, including the procurement of materials, the conversion of such materials into finished product, and the costs of warehousing and distributing finished goods to customers. Material procurement costs include inbound freight charges as well as purchasing, receiving, inspection and storage costs. Conversion costs include the costs of direct production inputs such as labor and energy, as well as allocated overheads from indirect production centers and plant administrative support areas. Warehousing and distribution expenses include inside and outside storage costs, outbound freight charges and the costs of internal transfers.

Selling, general and administrative expenses

Selling, general and administrative expenses include selling, marketing and advertising expenses; salaries, travel and office expenses of administrative employees and contractors; legal and professional fees; software license fees; and bad debt expenses.

Cash and cash equivalents

Cash and cash equivalents includes investments that are highly liquid and have maturities of three months or less when purchased. The carrying values of cash and cash equivalents approximate their fair value due to the short-term nature of these instruments.

We maintain amounts on deposit with various financial institutions, which may, at times, exceed federally insured limits. However, management periodically evaluates the credit-worthiness of those institutions, and we have not experienced any losses on such deposits.

Accounts receivable

Our accounts receivable are geographically dispersed. We do not obtain collateral relating to our accounts receivable. We do not believe there are any significant concentrations of revenues from any particular customer or group of customers that would subject us to any significant credit risks in the collection of our accounts receivable. We report accounts receivable at the estimated net realizable amount we expect to collect from our customers.

Additions to the allowance for doubtful accounts are made by means of the provision for doubtful accounts. We write-off uncollectible accounts receivable against the allowance for doubtful accounts after exhausting collection efforts.

For each of the periods presented, we performed an analysis of our historical cash collection patterns and considered the impact of any known material events in determining the allowance for doubtful accounts. In performing the analysis, the impact of any adverse changes in general economic conditions was considered, and for certain customers we reviewed a variety of factors including: past due receivables; macro-economic conditions; significant one-time events and historical experience. Specific reserves for individual accounts may be established due to a customer's inability to meet their financial obligations, such as in the case of bankruptcy filings or the deterioration in a customer's operating results or financial position. As circumstances related to customers change, we adjust our estimates of the recoverability of the accounts receivable.

Derivative Instruments

We hold derivatives for risk management purposes and not for trading. We use derivatives to mitigate uncertainty and volatility caused by underlying exposures to aluminum prices, foreign exchange rates, interest rate, and energy prices. The fair values of all derivative instruments are recognized as assets or liabilities at the balance sheet date and are reported gross.

We may be exposed to losses in the future if the counterparties to our derivative contracts fail to perform. We are satisfied that the risk of such non-performance is remote due to our monitoring of credit exposures. Additionally, we enter into master netting agreements with contractual provisions that allow for netting of counterparty positions in case of default, and we do not face credit contingent provisions that would result in the posting of collateral.

For derivatives designated as fair value hedges, we assess hedge effectiveness by formally evaluating the high correlation of changes in the fair value of the hedged item and the derivative hedging instrument. The changes in the fair values of the underlying hedged items are reported in other current and noncurrent assets and liabilities in the consolidated balance sheet. Changes in the fair values of these derivatives and underlying hedged items generally offset and are recorded each period in revenue, consistent with the underlying hedged item.

For derivatives designated as cash flow hedges or net investment hedges, we assess hedge effectiveness by formally evaluating the high correlation of the expected future cash flows of the hedged item and the derivative hedging instrument. The effective portion of gain or loss on the derivative is included in OCI and reclassified to earnings in the period in which earnings are impacted by the hedged items or in the period that the transaction becomes probable of not occurring. We exclude the time value component of foreign currency capital expenditure hedges when measuring and assessing ineffectiveness. 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 and future gains or losses on the derivative will be recognized in (Gain) loss on change in fair value of derivative instruments.

For all derivatives designated in hedging relationships, gains or losses representing hedge ineffectiveness or amounts excluded from effectiveness testing are recognized in (Gain) loss on change in fair value of derivative instruments, net in our current period earnings.

If no hedging relationship is designated, the gains or losses are recognized in (Gain) loss on change in fair value of derivative instruments, net in our current period earnings. We classify cash settlement amounts associated with these derivatives and designated derivatives as part of investing activities in the consolidated statements of cash flows.

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 forward market prices for foreign exchange rates. See Note 14 — Financial Instruments and Commodity Contracts and Note 15 — Fair Value of Assets and Liabilities to our accompanying consolidated audited financial statements for discussion on fair value of derivative instruments.

Inventories

We carry our inventories at the lower of their cost or market value, reduced by reserves for excess and obsolete items. We use the "average cost" method to determine cost.

Property, plant and equipment

We record land, buildings, leasehold improvements and machinery and equipment at cost. We record assets under capital lease obligations at the lower of their fair value or the present value of the aggregate future minimum lease payments as of the beginning of the lease term. We depreciate our assets using the straight-line method over the shorter of the estimated useful life of the assets or the lease term, excluding any lease renewals, unless the lease renewals are reasonably assured.

The ranges of estimated useful lives are as follows:

	Years
Buildings	30 to 40
Leasehold improvements	7 to 20
Machinery and equipment	2 to 25
Furniture, fixtures and equipment	3 to 10
Equipment under capital lease obligations	6 to 15

As noted above, our machinery and equipment have useful lives of 2 to 25 years. Most of our large scale machinery, including hot mills, cold mills, continuous casting mills, furnaces and finishing mills have useful lives of 15-25 years. Supporting machinery and equipment, including automation and work rolls, have useful lives of 2-15 years.

Maintenance and repairs of property and equipment are expensed as incurred. We capitalize replacements and improvements that increase the estimated useful life of an asset, and when material, we capitalize interest on major construction and development projects while in progress.

We retain fully depreciated assets in property and accumulated depreciation accounts until we remove them from service. In the case of sale, retirement or disposal, the asset cost and related accumulated depreciation balances are removed from the respective accounts, and the resulting net amount, after consideration of any proceeds, is included as a gain or loss in Other (income) expenses, net in our consolidated statements of operations.

We account for operating leases under the provisions of ASC 840, *Leases.* These pronouncements require us to recognize escalating rents, including any rent holidays, on a straight-line basis over the term of the lease for those lease agreements where we receive the right to control the use of the entire leased property at the beginning of the lease term.

Goodwill

We test goodwill for impairment using a fair value approach at the reporting unit level. We use our operating segments as our reporting units. We test for impairment at least annually during the fourth quarter of each fiscal year, unless some triggering event occurs that would require an impairment assessment.

We use the present value of estimated future cash flows to establish the estimated fair value of our reporting units as of the testing dates. This approach includes many assumptions related to future growth rates, discount factors and tax rates, among other considerations. Changes in economic and operating conditions impacting these assumptions could result in goodwill impairment in future periods. When available and as appropriate, we use comparative market multiples to corroborate the estimated fair value. If the carrying amount of a reporting unit's goodwill were to exceed its estimated fair value, the second step of the impairment test must be performed in order to determine the amount of impairment loss, if any. The second step compares the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds its implied fair value we would recognize, an impairment charge in an amount equal to that excess in Impairment of goodwill in our consolidated statements of operations.

When a business within a reporting unit is disposed of, goodwill is allocated to the gain or loss on disposition using the relative fair value methodology.

Long-Lived Assets and Other Intangible Assets

We amortize the cost of intangible assets over their respective estimated useful lives to their estimated residual value.

We assess the recoverability of long-lived assets (excluding goodwill) and definite-lived intangible assets, whenever events or changes in circumstances indicate that we may not be able to recover the asset's carrying amount. We measure the recoverability of assets to be held and used by a comparison of the carrying amount of the asset (groups) to the expected, undiscounted future net cash flows to be generated by that asset (groups), or, for identifiable intangible assets, by determining whether the amortization of the intangible asset balance over its remaining life can be recovered through undiscounted future cash flows. The amount of impairment of identifiable intangible assets is based on the present value of estimated future cash flows. We measure the amount of impairment of other long-lived assets (excluding goodwill) as the amount by which the carrying value of the asset exceeds the fair value of the asset, which is generally determined as the present value of estimated future cash flows or as the appraised value. Impairments of long-lived assets have been included in Restructuring charges, net and Other income (expense), net in the consolidated statement of operations.

If the carrying amount of an intangible asset were to exceed its fair value, we would recognize an impairment charge in Other (income) expenses, net in our consolidated statements of operations. No impairments of other intangible assets have been identified during any of the periods presented.

We continue to amortize long-lived assets to be disposed of other than by sale. We carry long-lived assets to be disposed of by sale in our consolidated balance sheets at the lower of net book value or the fair value less cost to sell, and we cease depreciation.

Investment in and Advances to Non-Consolidated Affiliates

Management assesses the potential for other-than-temporary impairment of our equity method and cost method investments. We consider all available information, including the recoverability of the investment, the earnings and near-term prospects of the affiliate, factors related to the industry, conditions of the affiliate, and our ability, if any, to influence the management of the affiliate. We assess fair value based on valuation methodologies, as appropriate, including the present value of estimated future cash flows, estimates of sales proceeds, and external appraisals. If an investment is considered to be impaired and the decline in value is other than temporary, we record an appropriate write-down.

Guarantees

We recognize a liability for the fair value of obligations undertaken at the inception of a guarantee.

Financing Costs and Interest Income

We amortize financing costs and premiums, and accrete discounts, over the remaining life of the related debt using the "effective interest amortization" method. The related income or expense is included in Interest expense and amortization of debt issuance costs in our consolidated statements of operations. We record discounts or premiums as a direct deduction from, or addition to, the face amount of the financing.

Fair Value of Financial Instruments

ASC 820, *Fair Value Measurements and Disclosures* (ASC 820), defines fair value, establishes a framework for measuring fair value under GAAP, and expands disclosures about fair value measurements. ASC 820 also applies to measurements under other accounting pronouncements, such as ASC 825, *Financial Instruments* (ASC 825) that require or permit fair value measurements. ASC 825 requires disclosures of the fair value of financial instruments. Our financial instruments include: cash and cash equivalents; certificates of deposit; accounts receivable; accounts payable; foreign currency, energy and interest rate derivative instruments; cross-currency swaps; metal option and forward contracts; related party notes receivable and payable; letters of credit; short-term borrowings and long-term debt.

The carrying amounts of cash and cash equivalents, certificates of deposit, accounts receivable, accounts payable and current related party notes receivable and payable approximate their fair value because of the short-term maturity and highly liquid nature of these instruments. The fair value of our letters of credit is deemed to be the amount of payment guaranteed on our behalf by third party financial institutions. We determine the fair value of our short-term borrowings and long-term debt based on various factors including maturity schedules, call features and current market rates. We also use quoted market prices, when available, or the present value of estimated future cash flows to determine fair value of short-term borrowings and long-term debt. When quoted market prices are not available for various types of financial instruments (such as currency, energy and interest rate derivative instruments, swaps, options and forward contracts), we use standard pricing models with market-based inputs, which take into account the present value of estimated future cash flows.

Pensions and Postretirement Benefits

We recognize the funded status of our benefit plans as a net asset or liability, with an offsetting adjustment to AOCI in shareholder's equity. The funded status is calculated as the difference between the fair value of plan assets and the benefit obligation. For the years ended March 31, 2011 and 2010, we used March 31 as the measurement date.

We use standard actuarial methods and assumptions to account for our pension and other postretirement benefit plans. Pension and postretirement benefit obligations are actuarially calculated using management's best estimates of expected service periods, salary increases and retirement ages of employees. Pension and postretirement benefit expense includes the actuarially computed cost of benefits earned during the current service period, the interest cost on accrued obligations, the expected return on plan assets based on fair market value and the straight-line amortization of net actuarial gains and losses and adjustments due to plan amendments. Generally, all net actuarial gains and losses are amortized over the expected average remaining service lives of plan participants.

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, and unfunded lump sum indemnities in France, South Korea, Malaysia and Italy. Our other postretirement obligations include unfunded healthcare and life insurance benefits provided to retired employees in Canada, the U.S. and Brazil.

Noncontrolling Interests in Consolidated Affiliates

These financial statements reflect the retrospective application of ASC 810, *Consolidations* (ASC 810), subparagraph 10-65-1, *Transition Related to FASB Statement No. 160, Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No. 51, and No. 164, Not-for-Profit Entities: Mergers and Acquisitions* for all periods presented. ASC 810 establishes accounting and reporting standards that require: (i) the ownership interest in subsidiaries held by parties other than the parent to be clearly identified and presented in the consolidated balance sheet within shareholder's equity, but separate from the parent's equity; (ii) the amount of consolidated net income attributable to the parent and the noncontrolling interest to be clearly identified and presented on the face of the consolidated statement of operations and (iii) changes in a parent's ownership interest while the parent retains its controlling financial interest in its subsidiary to be accounted for consistently.

Our consolidated financial statements include all assets, liabilities, revenues and expenses of less-than-100%-owned affiliates that we control or for which we are the primary beneficiary. We record a noncontrolling interest for the allocable portion of income or loss to which the noncontrolling interest holders are entitled based upon their ownership share of the affiliate. Distributions made to the holders of noncontrolling interests are charged to the respective noncontrolling interest balance.

Losses attributable to the noncontrolling interest in an affiliate may exceed our interest in the affiliate's equity. The excess, and any further losses attributable to the noncontrolling interest, shall be attributed to those interests. The noncontrolling interest shall continue to be attributed its share of losses even if that attribution results in a deficit noncontrolling interest balance. As of March 31, 2011, we have no such losses.

Environmental Liabilities

We record accruals for environmental matters when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated, based on current law and existing technologies. We adjust these accruals periodically as assessment and remediation efforts progress or as additional technical or legal information become available. Accruals for environmental liabilities are stated at undiscounted amounts. Environmental liabilities are included in our consolidated balance sheets in Accrued expenses and other current liabilities and Other long-term liabilities, depending on their short- or long-term nature. Any receivables for related insurance or other third party recoveries for environmental liabilities are recorded when it is probable that a recovery will be realized and are included in our consolidated balance sheets in Prepaid expenses and other current assets.

Costs related to environmental contamination treatment and clean-up are charged to expense. Estimated future incremental operations, maintenance and management costs directly related to remediation are accrued in the period in which such costs are determined to be probable and estimable.

Litigation Reserves

We accrue for loss contingencies associated with outstanding litigation, claims and assessments for which management has determined it is probable that a loss contingency exists and the amount of loss can be reasonably estimated. We expense professional fees associated with litigation claims and assessments as incurred.

Income Taxes

We provide for income taxes using the asset and liability method. This approach recognizes the amount of income taxes payable or refundable for the current year, as well as deferred tax assets and liabilities for the future tax consequence of events recognized in the consolidated financial statements and income tax returns. Deferred income tax assets and liabilities are adjusted to recognize the effects of changes in tax laws or enacted tax rates. Under ASC 740, a valuation allowance is required when it is more likely than not that some portion of the deferred tax assets will not be realized. Realization is dependent on generating sufficient taxable income through various sources.

We record tax benefits related to uncertain tax positions taken or expected to be taken on a tax return when such benefits meet a more than likely than not threshold. Otherwise, these tax benefits are recorded when a tax position has been effectively settled, the statute of limitation has expired or the appropriate taxing authority has completed their examination. Interest and penalties related to uncertain tax positions are recognized as part of the provision for income taxes and are accrued beginning in the period that such interest and penalties would be applicable under relevant tax law until such time that the related tax benefits are recognized. See Note 17 —Income Taxes for additional discussion.

Share-Based Compensation

In accordance with ASC 718, *Compensation — Stock Compensation* (ASC 718), we recognize compensation expense for a share-based award over an employee’s requisite service period based on the award’s grant date fair value, subject to adjustment.

We adopted ASC 718 using the modified prospective method, which requires companies to record compensation cost beginning with the effective date based on the requirements of ASC 718 for all share-based payments granted after the effective date of ASC 718. All awards granted to employees prior to the effective date of ASC 718 that remained unvested at the adoption date continued to be expensed over the remaining service period. Additionally, we determined that all of our compensation plans settled in cash are considered liability based awards. As such, liabilities for awards under these plans are required to be measured at each reporting date until the date of settlement. The Black-Scholes model was used to determine the fair value of these awards.

Cash flows resulting from tax benefits for deductions in excess of compensation cost recognized are classified within financing cash flows.

Foreign Currency Translation

The assets and liabilities of foreign operations, whose functional currency is other than the U.S. dollar (located in Europe and Asia), are translated to U.S. dollars at the period end exchange rates and revenues and expenses are translated at average exchange rates for the period. Differences arising from the translation of assets and liabilities are included in the currency translation adjustment (CTA) component of AOCI. If there is a reduction in our ownership in a foreign operation, the relevant portion of the CTA is recognized in Other (income) expenses, net.

For all operations, the monetary items denominated in currencies other than the functional currency are remeasured at period-end exchange rates and transaction gains and losses are included in Other (income) expenses, net in our consolidated statements of operations. Non-monetary items are remeasured at historical rates.

Research and Development

We incur costs in connection with research and development programs that are expected to contribute to future earnings, and charge such costs against income as incurred. Research and development costs consist primarily of salaries and administrative costs.

Restructuring Activities

Restructuring charges, net include employee severance and benefit costs, impairments of assets, and other costs associated with exit activities. We apply the provisions of ASC 420, *Exit or Disposal Cost Obligations* (ASC 420) relating to one-time termination benefits. Severance costs accounted for under ASC 420 are recognized when management with the proper level of authority has committed to a restructuring plan and communicated those actions to employees. Impairment losses are based upon the estimated fair value less costs to sell, with fair value estimated based on existing market prices for similar assets. Other exit costs include environmental remediation costs and contract termination costs, primarily related to equipment and facility lease obligations. At each reporting date, we evaluate the accruals for restructuring costs to ensure the accruals are still appropriate.

Customer Directed Derivatives

We classify all customer directed derivatives and associated trading activities as operating activities in our consolidated statement of cash flows. Cash flows provided by (used in), from such derivatives, totaled $19 million, $75 million and ($81) million in the years ended March 31, 2011, 2010 and 2009, respectively. There were no customer directed derivatives outstanding for the year ended March 31, 2011.

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 7 — Consolidation of Variable Interest Entities.

Recently Issued Accounting Standards

We have determined that all other recently issued accounting standards will not have a material impact on our consolidated financial position, results of operations or cash flows, or do not apply to our operations.

2. RESTRUCTURING PROGRAMS

Restructuring charges, net for the year ended March 31, 2011, 2010 and 2009 of $34 million, $14 million and $95 million, respectively, includes $5 million, $2 million and $22 million, respectively, of non-cash charges discussed in greater detail below. Restructuring charges, net for the year ended March 31, 2011 includes a $10 million gain from the sale of assets to Hindalco further discussed below. 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, 2008	$ 20	$ 4	$ —	$ —	$ —	$ 24
Fiscal 2009 Activity:						
Provisions, net	53	16	1	2	1	73
Cash payments	(8)	(5)	(1)	—	—	(14)
Impact of exchange rate changes	(4)	1	—	—	—	(3)
Balance as of March 31, 2009	61	16	—	2	1	80
Fiscal 2010 Activity:						
Provisions, net	8	5	—	(1)	—	12
Cash payments	(46)	(11)	—	(2)	(1)	(60)
Impact of exchange rate changes	5	—	—	1	—	6
Balance as of March 31, 2010	28	10	—	—	—	38
Fiscal 2011 Activity:						
Provisions, net	17	13	—	5	5	40
Cash payments	(10)	(17)	—	(1)	(2)	(30)
Impact of exchange rate changes	2	—	—	—	—	2
Balance as of March 31, 2011	$ 37	$ 6	$ —	$ 4	$ 3	$ 50

As of March 31, 2011, $30 million of restructuring reserves is classified as short-term and is included in Accrued expenses and other current liabilities on our consolidated balance sheets.

Europe

On March 1, 2011, we announced the sale of our printed confectionery foil packaging business at Bridgnorth, UK to Discovery Foils for $1 million, effective immediately. Approximately 105 employees transferred to Discovery Foils along with the assets of the business. We will continue to provide aluminum foil to the operation under a supply agreement. The business produces multi-colored printed foil used as packaging for confectionery products. The operation is associated with the Bridgnorth aluminum foil rolling and laminating activities that ceased operations at the end of April 2011.

Consolidating Bridgnorth foil rolling and laminating operations into our other European operations will improve the competitiveness of our European foil and packaging production systems in response to overcapacity and increased competition from manufacturers in low-cost countries. The Bridgnorth closure impacted approximately 200 employees. For the year ended March 31, 2011, we recorded $15 million of restructuring costs consisting of the following: $8 million in severance and environmental costs; $2 million in contract termination and other expenses and $5 million in asset impairment costs related to the write down of land and building to fair value.

In fiscal 2011, we recorded a $10 million gain on the sale of assets to Hindalco and $1 million in other restructuring related costs related to the previously announced closure of our Rogerstone facility.

Also, we recorded an additional $3 million of restructuring expense for severance and environmental costs and $2 million of contract termination and other costs related to restructuring actions initiated in prior years at other European plants. For fiscal 2011, we made $6 million in severance payments and $4 million in payments for environmental remediation and other costs.

For the year ended March 31, 2010, we made the following payments relating to restructuring programs in Europe: $30 million in severance payments, $10 million in payments for environmental remediation and $6 million of other payments. We made additional staff reductions at plants in Italy, Switzerland and Germany, resulting in additional one-time terminations charges of $4 million. We also incurred $4 million of environmental and other costs at our Borgofranco facility, which was closed in March 2006.

In fiscal 2009, we initiated a number of restructuring actions throughout Europe to reduce labor and overhead costs through capacity and staff reductions. Most significantly, in March 2009, we announced the closure of our aluminum sheet mill in Rogerstone, South Wales, U.K. Operations ceased in April 2009, resulting in the elimination of 440 positions. The total amount expected to be incurred in connection with this closure is $63 million, of which $60 million was recorded in fiscal 2009. We recorded an additional $3 million of net costs related to on-going maintenance of the Rogerstone facility, write-down of additional plant assets and adjustments of reserves established in fiscal 2009. The components of restructuring charges related to Rogerstone for the year ended March 31, 2010 and 2009 are as follows (in millions):

	Year Ended March 31,	
	2010	2009
Severance related costs	$ (2)	$ 20
Environmental remediation expense	1	20
Fixed asset impairments(A)	—	12
Write-down of parts, supplies and scrap(A)	2	8
Reduction of reserve associated with unfavorable contract(A)	—	(3)
Other exit costs	2	3
	$ 3	$ 60

(A) These non-cash items are not included in the restructuring provision table above but have been reflected as reductions to the respective balance sheet accounts.

Also in March 2009, we announced plans to streamline operations at plants in France and Germany. At our facility in Rugles, located in Upper Normandy, France, we eliminated approximately 80 positions. The facility continues the operation of its three major processes, including continuous casting, foil rolling, and finishing. For the year ended March 31, 2009, we recorded $9 million in severance-related costs. We also recorded $1 million in severance costs at our Ohle, Germany facility related to the elimination of 13 positions.

North America

We recorded $13 million and $4 million of restructuring expense for the year ended March 31, 2011 and 2010, respectively, related to the relocation of our North American headquarters from Cleveland to Atlanta, and made $17 million in payments related to this move.

In November 2008, we announced a Voluntary Separation Program (VSP) available to salaried employees in North America and the Corporate office aimed at reducing staff levels. This VSP supplemented a pre-existing Involuntary Severance Program (ISP). We eliminated approximately 120 positions and recorded $16 million in severance-related costs for the VSP and ISP programs for the year ended March 31, 2009. This program continued into fiscal 2010, with an additional $1 million in severance costs recorded under the voluntary and involuntary separation programs. We made $11 million in severance payments related to this plan in the year ended March 31, 2010.

South America

We recorded $7 million of restructuring expense for the year ended March 31, 2011 for employee termination and certain environmental remediation costs related to the closure of our primary aluminum smelter at Aratu, Brazil, of which $2 million were expensed as incurred; therefore, these costs were not reflected in the table above. The closure was in response to high operating costs and lack of competitively priced energy supply. The closure affected approximately 300 workers and was completed by December 31, 2010. For fiscal 2011, we made $1 million in severance payments. In December 2009, we completed all restructuring actions initiated in fiscal 2009.

In January 2009, we announced that we would cease production of alumina at our Ouro Preto facility in Brazil effective May 2009. The global economic crisis and the dramatic drop in alumina prices made alumina production at Ouro Preto economically unfeasible. For the foreseeable future, the Ouro Preto facility will purchase alumina through third-parties. Approximately 290 positions were eliminated at Ouro Preto, including 150 employees and 140 contractors. For the year ended March 31, 2009, we recorded approximately $2 million in severance-related costs. Other exit costs include less than $1 million related to the idling of the refinery. Other activities related to the facility, including electric power generation and the production of primary aluminum, will continue unaffected.

Asia

In February 2009, we recorded approximately $1 million in severance-related costs related to a voluntary retirement program in Asia which eliminated 34 positions. Also, during the year ended March 31, 2009, we recorded an impairment charge of approximately $5 million related to the obsolescence of certain production related fixed assets. These impairment charges are not included in the restructuring provision table above but were reflected as reductions to the respective balance sheet account.

Corporate

We recorded $3 million of restructuring expense for the year ended March 31, 2011, related to lease termination costs incurred in the relocation of our Corporate headquarters to a new facility in Atlanta and other contract termination fees. The lease termination costs include a $2 million deferred credit on the former facility.

3. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following (in millions).

	March 31, 2011	March 31, 2010
Trade accounts receivable	$ 1,413	$ 1,080
Other accounts receivable	74	67
Accounts receivable — third parties	1,487	1,147
Allowance for doubtful accounts — third parties	(7)	(4)
	1,480	1,143
Other accounts receivable — related parties	28	24
Accounts receivable, net	$ 1,508	$ 1,167

Allowance for Doubtful Accounts

As of March 31, 2011 and 2010, our allowance for doubtful accounts represented approximately 0.5% and 0.4%, respectively, of gross accounts receivable.

Activity in the allowance for doubtful accounts is as follows (in millions).

	Balance at Beginning of Period	Additions Charged to Expense	Accounts Recovered/ (Written-Off)	Foreign Exchange and Other	Balance at End of Period
Year Ended March 31, 2009	$ 1	$ 2	$ (1)	$—	$ 2
Year Ended March 31, 2010	$ 2	$ 2	$ (1)	$ 1	$ 4
Year Ended March 31, 2011	$ 4	$ 2	$ (1)	$ 2	$ 7

Forfaiting and Factoring of Trade Receivables

Novelis Korea Ltd. forfaits trade receivables in the ordinary course of business. These trade receivables are typically outstanding for 60 to 120 days. Forfaiting is a non-recourse method to manage credit and interest rate risks. Under this method, customers contract to pay a financial institution. The institution assumes the risk of non-payment and remits the invoice value (net of a fee) to us after presentation of a proof of delivery of goods to the customer. We do not retain a financial or legal interest in these receivables, and they are excluded from the accompanying consolidated balance sheets. Forfaiting expenses are included in Selling, general and administrative expenses in our consolidated statements of operations.

Our Brazilian operations factor, without recourse, certain trade receivables that are unencumbered by pledge restrictions. Under this method, customers are directed to make payments on invoices to a financial institution, but are not contractually required to do so. The financial institution pays us for invoices it has approved for payment (net of a fee). We do not retain financial or legal interest in these receivables, and they are excluded from the accompanying consolidated balance sheets. Factoring expenses are included in Selling, general and administrative expenses in our consolidated statements of operations.

Summary Disclosures of Financial Amounts

The following tables summarize amounts relating to our forfaiting and factoring activities (in millions).

	Year Ended March 31,		
	2011	2010	2009
Receivables forfaited	$396	$ 423	$570
Receivables factored	$ 77	$ 149	$ 70
Forfaiting expense	$ 1	$ 2	$ 5
Factoring expense	$ 1	$ 1	$ 1

	March 31,	
	2011	2010
Forfaited receivables outstanding	$52	$83
Factored receivables outstanding	$ 8	$34

4. INVENTORIES

Inventories consist of the following (in millions).

	March 31,	
	2011	2010
Finished goods	$ 293	$ 270
Work in process	529	431
Raw materials	414	295
Supplies	109	93
	1,345	1,089
Allowances	(7)	(6)
Inventories	$ 1,338	$ 1,083

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, net, consists of the following (in millions).

	March 31,	
	2011	2010
Land and property rights	$ 228	$ 227
Buildings	816	781
Machinery and equipment	2,787	2,645
	3,831	3,653
Accumulated depreciation and amortization	(1,441)	(1,074)
	2,390	2,579
Construction in progress	153	53
Property, plant and equipment, net	$ 2,543	$ 2,632

As of March 31, 2011 and 2010, there were $328 million and $242 million, respectively, of fully depreciated assets included in our consolidated balance sheet.

Total depreciation expense is shown in the table below (in millions). Capitalized interest related to construction of property, plant and equipment was immaterial in the periods presented.

	Year Ended March 31, 2011	Year Ended March 31, 2010	Year Ended March 31, 2009
Depreciation expense related to property, plant and equipment	$ 357	$ 336	$ 398

Asset impairments

During the year ended March 31, 2011, we recorded no asset impairment charges that were included in Other (income) expense, net on the consolidated statement of operations. However, during the year ended March 31, 2011, we recorded impairment charges of approximately $5 million related to the write down to fair value land and building at our Bridgnorth facility which has been included in Restructuring charges, net on the consolidated statement of operations (see Note 2 — Restructuring Programs). During the years ended March 31, 2010 and 2009, we recorded $1 million of impairment charges in each period, which is included in Other (income) expense, net on the consolidated statement of operations. During the year ended March 31, 2009, we also recorded impairment charges totaling $17 million related to assets in Europe and Asia which have been included in Restructuring charges, net on the consolidated statement of operations (see Note 2 — Restructuring Programs).

Leases

We lease certain land, buildings and equipment under non-cancelable operating leases expiring at various dates through 2015, and we lease assets in Sierre, Switzerland including a 15-year capital lease through 2020 from Alcan. Operating leases generally have five to ten-year terms, with one or more renewal options, with terms to be negotiated at the time of renewal. Various facility leases include provisions for rent escalation to recognize increased operating costs or require us to pay certain maintenance and utility costs.

The following table summarizes rent expense included in our consolidated statements of operations (in millions):

	Year Ended March 31, 2011	Year Ended March 31, 2010	Year Ended March 31, 2009
Rent expense	$ 26	$ 24	$ 25

Future minimum lease payments as of March 31, 2011, for our operating and capital leases having an initial or remaining non-cancelable lease term in excess of one year are as follows (in millions).

Year Ending March 31,	Operating Leases	Capital Lease Obligations
2012	$ 24	$ 8
2013	20	7
2014	18	7
2015	17	7
2016	15	7
Thereafter	44	28
Total minimum lease payments	$ 138	64
Less: interest portion on capital lease		15
Principal obligation on capital leases		$ 49

Novelis Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The future minimum lease payments for capital lease obligations exclude $3 million of unamortized fair value adjustments recorded as a result of the Arrangement (see Note 10 — Debt).

Assets and related accumulated amortization under capital lease obligations as of March 31, 2011 and 2010 are as follows (in millions).

	March 31, 2011	March 31, 2010
Assets under capital lease obligations:		
Buildings	$ 11	$ 10
Machinery and equipment	78	67
	89	77
Accumulated amortization	(44)	(29)
	$ 45	$ 48

Sale of assets

For the year ended March 31, 2011, we recorded a $10 million gain on sale of assets to Hindalco related to the previously announced closure of our Rogerstone facility (see Note 2 — Restructuring). There were no material sales of fixed assets during the years March 31, 2010 and 2009.

Asset Retirement Obligations

The following is a summary of our asset retirement obligation activity. The period-end balances are included in Other long-term liabilities in our consolidated balance sheets (in millions).

	Balance at Beginning of Period	Accretion	Other	Balance at End of Period
Year Ended March 31, 2009	$ 16	$ 1	$ (1)	$ 16
Year Ended March 31, 2010	$ 16	$ 1	$ —	$ 17
Year Ended March 31, 2011	$ 17	$ 1	$ (2)	$ 16

6. GOODWILL AND INTANGIBLE ASSETS

The following tables summarize the changes in our goodwill (in millions).

	March 31, 2011 Gross Carrying Amount(A)	Accumulated Impairment	Net Carrying Value
North America	$ 1,148	$ (860)	$ 288
Europe	511	(330)	181
South America	292	(150)	142
	$ 1,951	$ (1,340)	$ 611

	March 31, 2010 Gross Carrying Amount(A)	Adjustments(B)	Accumulated Impairment	Net Carrying Value
North America	$ 1,148	$ —	$ (860)	$ 288
Europe	511	—	(330)	181
South America	263	29	(150)	142
	$ 1,922	$ 29	$ (1,340)	$ 611

(A) Represents goodwill balance, net of prior period accumulated adjustments and excluding accumulated impairments.

(B) During the second quarter of fiscal 2010, we identified an immaterial error in our consolidated annual and interim financial statements included in previously filed Forms 10-Q and Forms 10-K for fiscal 2009. The error related to deferred income taxes recorded in connection with purchase accounting in South America. As of and for the year ended March 31, 2010, the impact of the correction was an increase to goodwill of $29 million, an increase to deferred tax liabilities of $25 million and a reduction of our income tax expense of $4 million.

The components of intangible assets were as follows (in millions).

	March 31, 2011				March 31, 2010		
	Weighted Average Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Tradenames	20 years	$ 145	$ (28)	$ 117	$ 140	$ (20)	$ 120
Technology and software	13 years	210	(72)	138	206	(57)	149
Customer-related intangible assets	20 years	475	(92)	383	464	(67)	397
Favorable energy supply contract	9.5 years	123	(54)	69	124	(42)	82
Other favorable contracts	3.3 years	16	(16)	—	15	(14)	1
	16.9 years	$ 969	$ (262)	$ 707	$ 949	$ (200)	$ 749

Our favorable energy supply contract and other favorable contracts are amortized over their estimated useful lives using methods that reflect the pattern in which the economic benefits are expected to be consumed. All other intangible assets are amortized using the straight-line method.

Amortization expense related to intangible assets is as follows (in millions):

	Year Ended March 31,		
	2011	2010	2009
Total Amortization expense related to intangible assets	$ 60	$ 66	$ 59
Less: Amortization expense related to intangible assets included in Cost of goods sold (exclusive of depreciation and amortization)(A)	(13)	(18)	(18)
Amortization expense related to intangible assets included in Depreciation and amortization	$ 47	$ 48	$ 41

(A) Relates to amortization of favorable energy and other supply contracts.

Estimated total amortization expense related to intangible assets for each of the five succeeding fiscal years is as follows (in millions). Actual amounts may differ from these estimates due to such factors as customer turnover, raw material consumption patterns, impairments, additional intangible asset acquisitions and other events.

Fiscal Year Ending March 31,	
2012	$61
2013	60
2014	59
2015	59
2016	59

7. CONSOLIDATION OF VARIABLE INTEREST ENTITIES

The entity that has a controlling financial interest in a variable interest entity (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.

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.

On April 4, 2011, a consortium of Japanese companies, agreed to purchase ARCO's share of Logan. The transaction does not impact Novelis' interest in Logan.

	March 31, 2011	March 31, 2010
Assets		
Current assets		
Cash and cash equivalents	$ 1	$ 3
Accounts receivable	27	29
Inventories, net	36	31
Prepaid expenses and other current assets	—	1
Total current assets	64	64
Property, plant and equipment, net	13	10
Goodwill	12	12
Deferred income taxes	52	41
Other long-term assets	3	3
Total assets	$ 144	$ 130
Liabilities		
Current liabilities		
Accounts payable	$ 26	$ 23
Accrued expenses and other current liabilities	11	12
Total current liabilities	37	35
Accrued postretirement benefits	120	97
Other long-term liabilities	2	3
Total liabilities	$ 159	$ 135

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

The following table summarizes the ownership structure and our ownership percentage of the non-consolidated affiliates in which we have an investment as of March 31, 2011, and which we account for using the equity method. We do not control our non-consolidated affiliates, but have the ability to exercise significant influence over their operating and financial policies. We have no material investments that we account for using the cost method.

Affiliate Name	Ownership Structure	Ownership Percentage
Aluminium Norf GmbH	Corporation	50%
Consorcio Candonga	Unincorporated Joint Venture	50%
MiniMRF LLC	Limited Liability Company	50%

The following table summarizes our share of the condensed assets, liabilities and equity of our equity method affiliates. The results include the unamortized fair value adjustments relating to our non-consolidated affiliates due to the Arrangement.

	March 31, 2011	March 31, 2010
Assets:		
Current assets	$ 80	$ 82
Non-current assets	889	856
Total assets	$ 969	$ 938
Liabilities:		
Current liabilities	$ 63	$ 61
Non-current liabilities	163	168
Total liabilities	226	229
Equity:		
Novelis equity investment	743	709
Total liabilities and equity	$ 969	$ 938

Included in the accompanying consolidated financial statements are transactions and balances arising from businesses we conduct with these non-consolidated affiliates, which we classify as related party transactions and balances. The following table also describes the nature and amounts of significant transactions that we had with our non-consolidated affiliates (in millions). These results include the incremental depreciation and amortization expense that we record in our equity method accounting as a result of fair value adjustments we made to our investments in non-consolidated affiliates due to the Arrangement. These results also include the $160 million impairment charge to reduce the carrying value of our investment in Aluminium Norf GmbH for the year ended March 31, 2009. The results for the year ended March 31, 2010 also include a $10 million after tax benefit from the refinement of our methodology for recording depreciation and amortization on the step-up in our basis in the underlying assets of an investee.

	Year Ended March 31, 2011	2010	2009
Net sales	$ 229	$ 242	$ 277
Costs, expenses and provision for taxes on income	241	257	289
Impairment charge	—	—	160
Net income (loss)	$ (12)	$ (15)	$ (172)
Purchase of tolling services from Aluminium Norf GmbH (Norf)	$ 229	$ 241	$ 257

During the year ended March 31, 2011, Norf borrowed $15 million in a related party loan and repaid $14 million throughout the year in prior loans. We earned less than $1 million of interest income these loan due from Norf during each of the periods presented in the table above. We estimate the probability of receiving the full amount of the loan payments from Norf as high; thus, no allowance for loan loss was provided for this loan as of March 31, 2011 and 2010.

Novelis Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 consolidated balance sheets (in millions). We had no other material related party balances.

	March 31, 2011	March 31, 2010
Accounts receivable	$ 28	$ 24
Other long-term receivables	$ 19	$ 21
Accounts payable	$ 50	$ 53

On December 17, 2010, we paid $1.7 billion to our shareholder as a return of capital.

9. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consists of the following (in millions).

	March 31, 2011	March 31, 2010
Accrued compensation and benefits	$ 199	$ 165
Accrued interest payable	64	15
Accrued income taxes	35	25
Other current liabilities	270	231
Accrued expenses and other current liabilities	$ 568	$ 436

Novelis Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

10. DEBT

Debt consists of the following (in millions).

	March 31, 2011				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	2.43%	$ 17	$ —	$ 17	$ 75	$ —	$ 75
Novelis Inc.							
Floating rate Term Loan Facility, due March 2017	4.00%	1,496	(38)	1,458	—	—	—
Floating rate Term Loan Facility, due July 2014	—%(C)	—	—	—	292	—	292
8.375% Senior Notes, due December 2017	8.375%	1,100	—	1,100	—	—	—
8.75% Senior Notes, due December 2020	8.75%	1,400	(1)	1,399	—	—	—
11.5% Senior Notes, due February 2015	—%(C)	—	—	—	185	(3)	182
7.25% Senior Notes, due February 2015	7.25%(C)	74	3	77	1,124	41	1,165
Novelis Corporation							
Floating rate Term Loan Facility, due July 2014	—%(C)	—	—	—	859	(46)	813
Novelis Switzerland S.A.							
Capital lease obligation, due December 2019 (Swiss francs (CHF) 46 million)	7.50%	48	(3)	45	45	(3)	42
Capital lease obligation, due August 2011 (CHF 1 million)	2.49%	1	—	1	1	—	1
Novelis Brazil							
BNDES loans, due December 2018 through March 2019	5.50%	5	(2)	3	—	—	—
Novelis Korea Limited							
Bank loan, due October 2010	—%	—	—	—	100	—	100
Other							
Other debt, due December 2011 through November 2015	4.16%	3	—	3	1	—	1
Total debt — third parties		4,144	(41)	4,103	2,682	(11)	2,671
Less: Short term borrowings		(17)	—	(17)	(75)	—	(75)
Current portion of long term debt		(21)	—	(21)	(116)	—	(116)
Long-term debt, net of current portion — third parties:		$ 4,106	$ (41)	$ 4,065	$ 2,491	$ (11)	$ 2,480

(A) Interest rates are as of March 31, 2011 and exclude the effects of related interest rate swaps and accretion/amortization of fair value adjustments as a result of the Arrangement, the debt exchange completed in fiscal 2009 and the Refinancing completed in December 2010.

(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. 11.5% Senior Notes with a face value of $185 million issued in August 2009 were recorded at a fair value of $181 million. In connection with the refinancing transaction of our prior secured term loan with the 2010 Term Loan Facility, a portion of these historical fair value adjustments were allocated to the 2010 Term Loan Facility, and subsequently to the amended 2011 Term Loan Facility.

(C) On December 17, 2010, we completed a series of refinancing transactions which resulted in the repayment of the total principal amount of the floating rate Term Loan Facility due July 2014, the total outstanding principal amount of the 11.5% Senior Notes due February 2015 and $1.05 billion of aggregate principal amount of 7.25% Senior Notes due 2015. See "Refinancing" below for additional discussion.

Principal repayment requirements for our total debt over the next five years and thereafter (excluding unamortized fair value adjustments and using exchange rates as of March 31, 2011 for our debt denominated in foreign currencies) are as follows (in millions).

	Amount
Within one year	$ 38
2 years	20
3 years	21
4 years	96
5 years	21
Thereafter	3,948
Total	$ 4,144

Refinancing

On December 17, 2010 we completed a series of refinancing transactions. The refinancing transactions consisted of the sale of $1.1 billion in aggregate principal amount of 8.375% Senior Notes Due 2017 (the 2017 Notes) and $1.4 billion in aggregate principal amount of 8.75% Senior Notes Due 2020 (the 2020 Notes and together with the 2017 Notes, the Notes) and a new $1.5 billion secured term loan credit facility (the 2010 Term Loan Facility).

The proceeds from the refinancing transactions were used to repay our prior secured term loan credit facility, to fund our tender offers and related consent solicitations for our 7.25% Senior Notes and our 11.5% Senior Notes and to pay premiums, fees and expenses associated with the refinancing. In addition, a portion of the proceeds were used to fund a distribution of $1.7 billion as a return of capital to our shareholder.

In addition, we replaced our existing $800 million asset based loan (ABL) facility with a new $800 million ABL facility (the 2010 ABL Facility). We refer to the 2010 Term Loan Facility and the 2010 ABL Facility collectively as our "new senior secured credit facilities."

We also commenced a cash tender offer and consent solicitation for our 7.25% Senior Notes due 2015 (the 7.25% Notes) and our 11.5% Senior Notes due 2015 (the 11.5% Notes). The entire $185 million aggregate outstanding principal amount of the 11.5% Notes was tendered and redeemed. Of the $1.1 billion aggregate principal amount of the 7.25% Notes, $74 million was not redeemed and is expected to remain outstanding through maturity in February 2015. The 7.25% Notes that remain outstanding are no longer subject to substantially all of the restrictive covenants and certain events of default originally included in the indenture for the 7.25% Notes.

We paid tender premiums, fees and other costs of $174 million associated with the refinancing transactions, including fees paid to lenders, arrangers, and outside professionals such as attorneys and rating agencies. In accordance with FASB ASC 470 — *Debt*, we performed an analysis to determine whether the old debt had been extinguished or modified. This analysis determines the treatment of fees paid in connection with the transaction and any existing unamortized fees, discounts and fair value adjustments associated with the old debt. As a result of that analysis, we recorded a Loss on early extinguishment of debt of $74 million. The remaining new fees and existing unamortized fees, discounts and fair value adjustments associated with the old debt of $125 million were capitalized and will be amortized as an increase to interest expense over the term of the related debt.

On March 10, 2011 we amended the 2010 Term Loan Facility originally entered into on December 17, 2010, and entered into an amended agreement (the 2011 Term Loan Facility) due March 2017. We paid an additional $19 million in fees and other costs associated with the amendment. We recorded an additional Loss on early extinguishment of debt of $10 million. The remaining new fees and existing unamortized fees, discounts and fair value adjustments of $9 million were capitalized and will be amortized as an increase to interest expense over the term of the 2011 Term Loan Facility. The amended term loan resulted in a reduction of interest rate from a spread of 3.75% and LIBOR floor of 150 basis points to a spread of 3.00% and LIBOR floor of 100 basis points.

2017 Notes and 2020 Notes

Interest on the Notes is payable on June 15 and December 15 of each year, commencing on June 15, 2011. The Notes will mature on December 15, 2017 and 2020, respectively. Upon a change of control, we must offer to purchase the Notes at 101% of the principal amount, plus accrued and unpaid interest to the purchase date.

The Notes are our senior unsecured obligations and rank equally with all of our existing and future unsecured senior indebtedness. The Notes are guaranteed, jointly and severally, on a senior unsecured basis, by all of our existing and future Canadian and U.S. restricted subsidiaries, certain of our existing foreign restricted subsidiaries and our other restricted subsidiaries that guarantee debt in the future under any credit facilities, provided that the borrower of such debt is a Canadian or a U.S. subsidiary (the "Guarantors"). The Notes and the guarantees effectively rank junior to our secured debt and the secured debt of the guarantors (including debt under our new senior secured credit facilities), to the extent of the value of the assets securing that debt.

Prior to December 15, 2013 in the case of the 2017 Notes and prior to December 15, 2015 in the case of the 2020 Notes, the Company, at its option and from time to time, may redeem all or a portion of the Notes by paying a "make-whole" premium calculated under the Indenture. At any time on or after December 15, 2013 in the case of the 2017 Notes and on or after December 15, 2015 in the case of the 2020 Notes, the Company, at its option and from time to time, may redeem all or a portion of the applicable Notes. The redemption prices for the Notes are calculated based on a percentage of the principal amount of the Notes being redeemed, plus accrued and unpaid interest, if any, to the redemption date, and are dependent on the date on which the Notes are redeemed. These percentages range from between 100.000% and 106.281% in the case of the 2017 Notes and from between 100.000% and 104.375% in the case of the 2020 Notes. At any time prior to December 15, 2013, the Company may also redeem up to 35% of the original aggregate principal amount of each series of the Notes with the proceeds of certain equity offerings, at a redemption price equal to 108.375% of the principal amount of the Notes being redeemed (in the case of the 2017 Notes) and 108.75% of the principal amount of the Notes being redeemed (in the case of the 2020 Notes), plus, in each case, accrued and unpaid interest, if any, to the redemption date, provided that at least 65% of the original aggregate principal amount of the applicable series of Notes issued remains outstanding after the redemption.

The Notes contain customary covenants and events of default that will limit our ability and, in certain instances, the ability of certain of our subsidiaries to (1) incur additional debt and provide additional guarantees, (2) pay dividends beyond certain amounts and make other restricted payments, (3) create or permit certain liens, (4) make certain asset sales, (5) use the proceeds from the sales of assets and subsidiary stock, (6) create or permit restrictions on the ability of certain of the Company's subsidiaries to pay dividends or make other distributions to the Company, (7) engage in certain transactions with affiliates, (8) enter into sale and leaseback transactions, (9) designate subsidiaries as unrestricted subsidiaries and (10) consolidate, merge or transfer all or substantially all of the our assets and the assets of certain of our subsidiaries. During any future period in which either Standard & Poor's Ratings Group, Inc., a division of the McGraw-Hill Companies, Inc. or Moody's Investors Service, Inc. have assigned an investment grade credit rating to the Notes and no default or event of default under the Indenture has occurred and is continuing, most of the covenants will be suspended.

The Notes were registered under the Securities Act of 1933, as amended (the Securities Act) effective April 14, 2011, pursuant to Regulation S of the Securities Act.

New Senior Secured Credit Facilities

Our new senior secured credit facilities consist of (1) the $1.5 billion six-year 2011 Term Loan Facility that may be increased in minimum amounts of $50 million per increase provided that the senior secured net leverage ratio shall not, on a proforma basis, exceed 2.5 to 1 and (2) the $800 million five-year New ABL Facility that may be increased by an additional $200 million. Scheduled principal amortization payments under the 2011 Term Loan Facility are $3.75 million per calendar quarter. Any unpaid principal will be due in full in March 2017. Borrowings under the 2010 ABL Facility are subject to certain limitations, generally based on 85% of the book value of eligible North American and certain eligible European accounts receivable; plus up to the lesser of (i) 75% of the net book value of all eligible North American and U.K. inventory or (ii) 85% of the appraised net orderly liquidation value of all eligible North American and U.K. inventory; minus such reserves as the agent bank may establish in good faith in accordance with such agent banks' permitted discretion. Substantially all of our assets are pledged as collateral under the new senior secured credit facilities. The new senior secured credit facilities are guaranteed by substantially all of our restricted subsidiaries that guarantee the Notes. Generally, for both the 2011 Term Loan Facility and 2010 ABL Facility, interest rates reset periodically and interest is payable on a periodic basis depending on the type of loan. We may prepay borrowings under the new senior secured credit facilities, if certain minimum prepayment amounts and breakage costs are satisfied.

The new senior secured credit facilities include various customary covenants and events of default, including limitations on our ability to 1) make certain restricted payments, 2) incur additional indebtedness, 3) sell certain assets, 4) enter into sale and leaseback transactions, 5) make investments, loans and advances, 6) pay dividends and distributions beyond certain amounts, 7) engage in mergers, amalgamations or consolidations, 8) engage in certain transactions with affiliates, and 9) prepay certain indebtedness. In addition, under the New ABL Facility, if (a) our excess availability under the New ABL Facility is less than the greater of (i) 12.5% of the lesser of (x) the total New ABL Facility commitment at any time and (y) the then applicable borrowing base and (ii) $90 million, at any time or (b) any event of default has occurred and is continuing, we are required to maintain a minimum fixed charge coverage ratio of at least 1.1 to 1 until (1) such excess availability has subsequently been at least the greater of (i) 12.5% of the lesser of (x) the total New ABL Facility commitments at such time and (y) the then applicable borrowing base for 30 consecutive days and (ii) $90 million and (2) no default is outstanding during such 30 day period. As of March 31, 2011 our excess availability under the New ABL Facility was $767 million, or 96% of the lender commitments.

Further, under the New Term Loan Facility we may not permit our total net leverage ratio as of the last day of our four consecutive quarters ending with any fiscal quarter to be greater than the ratio set forth below opposite the period in the table below during which the last day of such period occurs:

Period	Total Net Leverage Ratio
March 30, 2011 through March 31, 2012	4.75 to 1.0
April 1, 2012 through March 31, 2013	4.50 to 1.0
April 1, 2013 through March 31, 2014	4.375 to 1.0
April 1, 2014 through March 31, 2015	4.25 to 1.0
April 1, 2015 and thereafter	4.0 to 1.0

The new senior secured credit facilities also contains various affirmative covenants, including covenants with respect to our financial statements, litigation and other reporting requirements, insurance, payment of taxes, employee benefits and (subject to certain limitations) causing new subsidiaries to pledge collateral and guaranty our obligations. As of March 31, 2011, we were compliant with these covenants.

BNDES Loans

In the fourth quarter of fiscal 2011, Novelis Brazil entered into two new loan agreements (the BNDES loans) with Brazil's National Bank for Economic and Social Development (BNDES) related to the plant expansion in Pindamonhangaba, Brazil (Pinda). The agreements provided for a commitment of borrowings at a fixed Brazilian Real (R$) rate of 5.5% up to $4 million (R$7 million) and $15 million (R$25 million) entered into in February and March of 2011, respectively. As of March 31, 2011, we had borrowed $1 million (R$2 million) and $4 million (R$7 million) under the BNDES loan agreements with maturity dates of December 2018 and March 2019, respectively. Since the BNDES loans bear sub-market interest rates, we have calculated the fair value of the loans at inception and will amortize the discount over the life of the loans using the effective interest method. As of March 31, 2011, the total unamortized discount on the BNDES loans was $2 million.

Short-Term Borrowings and Lines of Credit

As of March 31, 2011, our short-term borrowings were $17 million consisting of bank overdrafts. As of March 31, 2011, $33 million of the ABL Facility was utilized for letters of credit, and we had $767 million in remaining availability under this revolving credit facility. The weighted average interest rate on our total short-term borrowings was 2.43% and 1.71% as of March 31, 2011 and 2010, respectively.

As of March 31, 2011, we had $151 million of outstanding letters of credit in Korea which are not related to the ABL Facility.

Interest Rate Swaps

We use interest rate swaps to manage our exposure to changes in the benchmark LIBOR interest rate which impacts our variable-rate debt. Prior to the completion of the December 17, 2010 refinancing transactions, these swaps were designated as cash flow hedges. Upon completion of the refinancing transaction, our exposure to changes in the benchmark LIBOR interest rate was limited. The 2011 Term Loan Facility contains a floor feature of the higher of LIBOR or 100 basis points applied to a spread of 3.00%. As of March 31, 2011, this floor feature was in effect, changing our variable rate debt to fixed rate debt. We ceased hedge accounting for these swaps on December 17, 2010. As of March 31, 2010, we had $520 million of interest rate swaps, of which $510 million were designated as cash flow hedges. No interest rate swaps were designated as of March 31, 2011.

We had 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%. On October 25, 2010, at maturity, we repaid this $100 million loan. The swap expired concurrent with the maturity of the loan.

Capital Lease Obligations

In December 2004, we entered into a fifteen-year capital lease obligation with Alcan for assets in Sierre, Switzerland, which has an interest rate of 7.5% and fixed quarterly payments of CHF 1.7 million, which is equivalent to $2 million at the exchange rate as of March 31, 2011.

In September 2005, we entered into a six-year capital lease obligation for equipment in Switzerland which has an interest rate of 2.49% and fixed quarterly payments of CHF 0.2 million, which is equivalent to less than $1 million at the exchange rate as of March 31, 2011.

11. SHARE-BASED COMPENSATION

The board of directors has authorized three long term incentive plans as follows:

- The Novelis Long-Term Incentive Plan FY 2009 — FY 2012 (2009 LTIP) was authorized in June 2008. Under the 2009 LTIP, phantom stock appreciation rights (SARs) were granted to certain of our executive officers and key employees.
- The Novelis Long-Term Incentive Plan FY 2010 — FY 2013 (2010 LTIP) was authorized in June 2009. Under the 2010 LTIP, SARs were granted to certain of our executive officers and key employees.
- The Novelis Long-Term Incentive Plan FY 2011- FY 2014 (2011 LTIP) was authorized in May 2010. The 2011 LTIP provides for SARs and phantom restricted stock units (RSUs).

Under all three plans, 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, where market values are denominated in Indian rupees and converted to the participant's payroll currency at the time of exercise. The amount of cash paid is limited to (i) 2.5 times the target payout if exercised within one year of vesting or (ii) 3 times the target payout if exercised after one year of vesting. The SARs do not transfer any shareholder rights in Hindalco to a participant. The SARs are classified as liability awards and are remeasured at fair value each reporting period until the SARs are settled.

The performance criterion for vesting is based on the actual overall Novelis operating earnings before interest, taxes, depreciation and amortization, as adjusted (adjusted Operating EBITDA) compared to the target adjusted Operating EBITDA established and approved each fiscal year. The minimum threshold for vesting each year is 75% of each annual target adjusted Operating EBITDA, at which point 75% of the SARs for that period would vest, with an equal pro rata amount of SARs vesting through 100% achievement of the target. Given that the performance criterion is based on an earnings target in a future period for each fiscal year, the grant date of the awards for accounting purposes is generally not established until the performance criterion has been defined.

The RSUs under the 2011 LTIP vest in full three years from the grant date and are not subject to performance criteria. The payout on the RSUs is limited to three times the grant price.

Total compensation expense related to the long term incentive 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 consolidated statements of operations. As the performance criteria for fiscal years 2012, 2013 and 2014 have not yet been established, measurement periods for SARs relating to those periods have not yet commenced. As a result, only compensation expense for vested and current year SARs has been recorded for the years ended March 31, 2011 and 2010.

	Year Ended March 31, 2011	2010	2009
Novelis Long-Term Incentive Plan 2009	$ 4	$ 6	$ —
Novelis Long-Term Incentive Plan 2010	9	3	—
Novelis Long-Term Incentive Plan 2011	5	—	—
	$ 18	$ 9	$ —

The tables below show the RSUs activity under our 2011 LTIP and the SARs activity under our 2011 LTIP, 2010 LTIP and 2009 LTIP.

2011 LTIP	Number of RSUs	Grant Date Fair Value (in Indian Rupees)	Aggregate Intrinsic Value (USD in millions)
RSUs outstanding as of March 31, 2010	—	—	$ —
Granted	918,301	148.77	3
Forfeited/Cancelled	(12,244)	147.10	
RSUs outstanding as of March 31, 2011	906,057	148.79	$ 4

2011 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	—	—	—	$ —
Granted	7,213,839	148.77		
Forfeited/Cancelled	(96,187)	147.10		
SARs outstanding as of March 31, 2011	7,117,652	148.79	6.15	$ 10

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
Granted	32,278	125.33		
Exercised	(2,002,387)	86.18		
Forfeited/Cancelled	(657,831)	85.79		
SARs outstanding as of March 31, 2011	11,052,491	88.46	5.24	$ 25

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	(1,690,380)	60.50		
Forfeited/Cancelled	(736,197)	60.50		
SARs outstanding as of March 31, 2011	8,944,822	60.50	4.22	$ 14

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 National Stock Exchange of India to determine expected volatility assumptions. The fair value of each SAR under the 2011 LTIP, 2010 LTIP and 2009 LTIP was estimated as of March 31, 2011 using the following assumptions:

	2011 LTIP	2010 LTIP	2009 LTIP
Risk-free interest rate	7.61 - 7.91%	7.63 - 7.93%	7.65 - 7.95%
Dividend yield	0.65%	0.65%	0.65%
Volatility	49.43%	52.31%	54.34%
Time interval (in years)	0.004	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. As of March 31, 2011, 3,480,536 SARs were exercisable.

Unrecognized compensation expense related to the non-vested SARs (assuming all future performance criteria are met) is $28 million which is expected to be realized over a weighted average period of 1.6 years. Unrecognized compensation expense related to the RSU's is $3 million and will be recognized over the vesting period of three years.

12. POSTRETIREMENT BENEFIT PLANS

Our pension obligations relate to funded defined benefit pension plans in the U.S., Canada, Switzerland and the U.K.; unfunded defined benefit 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.

Some of our employees participated in defined benefit plans that were previously managed by Alcan in Canada and the U.K. In Switzerland, we continue to participate in the Rio Tinto Alcan defined benefit and defined contribution plans. The pension asset transfers of $49 million and the pension liability transfers of $48 million for fiscal year 2009, relate to pension transfers from Alcan.

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).

	Year Ended March 31,		
	2011	2010	2009
Funded pension plans	$ 41	$ 50	$ 29
Unfunded pension plans	13	11	16
Savings and defined contribution pension plans	18	16	16
Total contributions	$ 72	$ 77	$ 61

During fiscal year 2012, we expect to contribute $49 million to our funded pension plans, $13 million to our unfunded pension plans and $20 million to our savings and defined contribution plans.

Investment Policy and Asset Allocation

The company's overall investment strategy is to achieve a mix of approximately 50% of investments for long-term growth (equities, real estate) and 50% for near-term benefit payments (debt securities, other) with a wide diversification of asset categories, investment styles, fund strategies and fund managers. Since most of the defined benefit plans are closed to new entrants, we expect this strategy to gradually shift more investments toward near-term benefit payments.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Each of our funded pension plans is governed by an Investment Fiduciary, who establishes an investment policy appropriate for the pension plan. The Investment Fiduciary is responsible for selecting the asset allocation for each plan, monitoring investment managers, monitoring returns versus benchmarks and monitoring compliance with the investment policy. The targeted allocation ranges by asset class, and the actual allocation percentages for each class are listed in the table below.

Asset Category	Target Allocation Ranges	Allocation in Aggregate as of March 31, 2011	2010
Equity securities	35 - 60%	50%	51%
Debt securities	35 - 55%	39%	40%
Real estate	0 - 25%	4%	4%
Other	0 - 15%	7%	5%

Benefit Obligations, Fair Value of Plan Assets, Funded Status and Amounts Recognized in Financial Statements

The following tables present the change in benefit obligation, change in fair value of plan assets and the funded status for pension and other benefits (in millions), including the Swiss Pension Plan. Other Benefits in the tables below include unfunded healthcare and life insurance benefits provided to retired employees in Canada, Brazil and the U.S.

	Pension Benefits Year Ended March 31, 2011	2010	2009
Benefit obligation at beginning of period	$ 1,154	$ 945	$ 991
Service cost	36	35	38
Interest cost	64	61	57
Members' contributions	5	5	9
Benefits paid	(45)	(40)	(39)
Amendments	1	1	—
Transfers/mergers	(6)	4	48
Curtailments/termination benefits	—	1	(2)
Actuarial (gains) losses	23	107	(33)
Currency (gains) losses	43	35	(124)
Benefit obligation at end of period	$ 1,275	$ 1,154	$ 945
Benefit obligation of funded plans	$ 1,101	$ 976	$ 787
Benefit obligation of unfunded plans	174	178	158
Benefit obligation at end of period	$ 1,275	$ 1,154	$ 945

	Other Benefits Year Ended March 31, 2011	2010	2009
Benefit obligation at beginning of period	$ 167	$ 162	$ 171
Service cost	7	6	7
Interest cost	10	10	10
Benefits paid	(7)	(7)	(7)
Curtailments/termination benefits	—	—	(3)
Actuarial (gains) losses	18	(6)	(14)
Currency (gains) losses	1	2	(2)
Benefit obligation at end of period	$ 196	$ 167	$ 162
Benefit obligation of funded plans	$ —	$ —	$ —
Benefit obligation of unfunded plans	196	167	162
Benefit obligation at end of period	$ 196	$ 167	$ 162

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Pension Benefits Year Ended March 31,		
	2011	2010	2009
Change in fair value of plan assets			
Fair value of plan assets at beginning of period	$ 805	$ 598	$ 724
Actual return on plan assets	81	147	(102)
Members' contributions	5	5	9
Benefits paid	(45)	(40)	(39)
Company contributions	54	62	45
Transfers/mergers	(6)	4	49
Currency gains (losses)	33	29	(88)
Fair value of plan assets at end of period	$ 927	$ 805	$ 598

	March 31, 2011		March 31, 2010	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Funded status				
Funded Status at end of period:				
Assets less the benefit obligation of funded plans	$ (174)	$ —	$ (171)	$ —
Benefit obligation of unfunded plans	(174)	(196)	(178)	(167)
	$ (348)	$ (196)	$ (349)	$ (167)
As included on consolidated balance sheet				
Accrued expenses and other current liabilities	$ 11	$ 8	$ (12)	$ (7)
Accrued postretirement benefits	337	188	(337)	(160)
	$ 348	$ 196	$ (349)	$ (167)

The postretirement amounts recognized in Accumulated other comprehensive income (loss), before tax effects, are presented in the table below (in millions).

	March 31, 2011		March 31, 2010	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Net actuarial loss	$ 100	$ 19	$ 111	$ 1
Prior service cost (credit)	(5)	—	(6)	—
Total postretirement amounts recognized in Accumulated other comprehensive loss (income)	$ 95	$ 19	$ 105	$ 1

The estimated amounts that will be amortized from Accumulated other comprehensive income (loss) into net periodic benefit cost in fiscal 2012 are $10 million for pension benefits and $1 million for other postretirement benefits, primarily related to net actuarial losses.

Accumulated Benefit Obligation in Excess of Plan Assets

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for pension plans with an accumulated benefit obligation in excess of plan assets as of March 31, 2011 and 2010 are presented in the table below (in millions).

	March 31, 2011	March 31, 2010
Projected benefit obligation	$ 1,014	$ 940
Accumulated benefit obligation	$ 918	$ 847
Fair value of plan assets	$ 698	$ 615

Future Benefit Payments

Expected benefit payments to be made during the next ten fiscal years are listed in the table below (in millions).

	Pension Benefits	Other Benefits
2012	$ 42	$ 8
2013	48	9
2014	53	9
2015	58	11
2016	63	12
2017 through 2020	399	76
Total	$ 663	$ 125

Components of Net Periodic Benefit Cost

The components of net periodic benefit cost for the respective periods are listed in the table below (in millions).

Pension Benefits	Year Ended March 31, 2011	2010	2009
Net periodic benefit cost			
Service cost	$ 36	$ 35	$ 38
Interest cost	64	61	57
Expected return on assets	(56)	(43)	(50)
Amortization			
— actuarial losses	11	12	—
— prior service cost	(1)	(1)	(1)
Curtailment/settlement losses	—	1	(1)
Net periodic benefit cost	54	65	43
Proportionate share of non-consolidated affiliates’ deferred pension costs, net of tax	3	1	4
Total net periodic benefit costs recognized	$ 57	$ 66	$ 47

Novelis Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Other Benefits	Year Ended March 31, 2011	2010	2009
Net periodic benefit cost			
Service cost	$ 7	$ 6	$ 7
Interest cost	9	10	10
Amortization			
— actuarial losses	—	1	2
Curtailment/termination benefits	—	—	(3)
Total net periodic benefit costs recognized	$ 16	$ 17	$ 16

Actuarial Assumptions and Sensitivity Analysis

The weighted average assumptions used to determine benefit obligations and net periodic benefit costs for the respective periods are listed in the table below.

Pension Benefits	Year Ended March 31, 2011	2010	2009
Weighted average assumptions used to determine benefit obligations			
Discount rate	5.3%	5.5%	6.0%
Average compensation growth	3.3%	3.6%	3.6%
Weighted average assumptions used to determine net periodic benefit cost			
Discount rate	5.5%	6.1%	5.9%
Average compensation growth	3.6%	3.4%	3.6%
Expected return on plan assets	6.8%	6.7%	6.9%

Other Benefits	Year Ended March 31, 2011	2010	2009
Weighted average assumptions used to determine benefit obligations			
Discount rate	5.2%	5.6%	6.2%
Average compensation growth	3.9%	3.9%	3.9%
Weighted average assumptions used to determine net periodic benefit cost			
Discount rate	5.6%	6.2%	6.1%
Average compensation growth	3.9%	4.0%	3.9%

In selecting the appropriate discount rate for each plan, we generally used a country-specific, high-quality corporate bond index, adjusted to reflect the duration of the particular plan. In the U.S. and Canada, the discount rate was calculated by matching the plan's projected cash flows with similar duration high-quality corporate bonds to develop a present value, which was then interpolated to develop a single equivalent discount rate.

In estimating the expected return on assets of a pension plan, consideration is given primarily to its target allocation, the current yield on long-term bonds in the country where the plan is established, and the historical risk premium of equity or real estate over long-term bond yields in each relevant country. The approach is consistent with the principle that assets with higher risk provide a greater return over the long-term. The expected long-term rate of return on plan assets is 6.7% in fiscal 2012.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

We provide unfunded healthcare and life insurance benefits to our retired employees in Canada, the U.S. and Brazil, for which we paid $7 million and $7 million for the years ended March 31, 2011 and 2010, respectively. The assumed healthcare cost trend used for measurement purposes is 8% for fiscal 2012, decreasing gradually to 5% in 2019 and remaining at that level thereafter.

A change of one percentage point in the assumed healthcare cost trend rates would have the following effects on our other benefits (in millions).

	1% Increase	1% Decrease
Sensitivity Analysis		
Effect on service and interest costs	$ 2	$ (2)
Effect on benefit obligation	$ 17	$ (15)

In addition, we provide post-employment benefits, including disability, early retirement and continuation of benefits (medical, dental, and life insurance) to our former or inactive employees, which are accounted for on the accrual basis in accordance ASC No. 712, Compensation — Retirement Benefits. Other long-term liabilities on our consolidated balance sheets includes $19 million and $19 million as of March 31, 2011 and 2010, respectively, for these benefits.

Fair Value of Plan Assets

The following pension plan assets are measured and recognized at fair value on a recurring basis (in millions). Please see Note 15 — Fair Value of Assets and Liabilities for description of the fair value hierarchy. The US pension plan assets are invested exclusively in commingled funds and classified in Level 2. The foreign pension plan assets are invested in both direct investments (Levels 1 and 2) and commingled funds (Level 2).

US Pension Plan Assets

	March 31, 2011 Fair Value Measurements Using				March 31, 2010 Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Large Cap Equity	$ —	$ 149	$ —	$ 149	$ —	$ 127	$ —	$ 127
Small/Mid Cap Equity	—	41	—	41	—	35	—	35
International Equity	—	86	—	86	—	77	—	77
Fixed Income	—	186	—	186	—	166	—	166
Total	$ —	$ 462	$ —	$ 462	$ —	$ 405	$ —	$ 405

Foreign Pension Plan Assets

	March 31, 2011 Fair Value Measurements Using				March 31, 2010 Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Equity	$ 138	$ 53	$ —	$ 191	$ 119	$ 47	$ —	$ 166
Fixed Income	16	156	—	172	15	146	—	161
Real Estate	5	31	—	36	3	27	—	30
Cash	34	—	—	34	13	—	—	13
Other	8	24	—	32	9	21	—	30
Total	$ 201	$ 264	$ —	$ 465	$ 159	$ 241	$ —	$ 400

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

13. CURRENCY LOSSES (GAINS)

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

	Year Ended March 31, 2011	2010	2009
Net gain on change in fair value of currency derivative instruments(A)	$ (40)	$ (72)	$ (21)
Net (gain) loss on remeasurement and transaction gains or losses(B)	(1)	(15)	98
Net currency (gain) loss	$ (41)	$ (87)	$ 77

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

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

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

	Year Ended March 31, 2011	2010	2009
Cumulative currency translation adjustment — beginning of period	$ (3)	$ (78)	$ 85
Effect of changes in exchange rates	117	75	(163)
Cumulative currency translation adjustment — end of period	$ 114	$ (3)	$ (78)

14. FINANCIAL INSTRUMENTS AND COMMODITY CONTRACTS

The gross fair values of our financial instruments and commodity contracts as of March 31, 2011 and 2010 are as follows (in millions):

	March 31, 2011				
	Assets		Liabilities		Net Fair Value
	Current	Noncurrent	Current	Noncurrent(A)	Assets/(Liabilities)
Derivatives designated as hedging instruments:					
Cash flow hedges					
Currency exchange contracts	$ 43	$ 10	$ (1)	$ —	$ 52
Interest rate swaps	—	—	—	—	—
Aluminum contracts	44	—	—	—	44
Fair value hedge					
Aluminum contracts	9	—	—	—	9
Total derivatives designated as hedging instruments	96	10	(1)	—	105
Derivatives not designated as hedging instruments:					
Aluminum contracts	54	5	(49)	—	10
Currency exchange contracts	15	2	(19)	(1)	(3)
Interest rate swaps	—	—	(4)	—	(4)
Electricity swap	—	—	(6)	(23)	(29)
Energy contracts	—	—	(3)	—	(3)
Total derivatives not designated as hedging instruments	69	7	(81)	(24)	(29)
Total derivative fair value	$ 165	$ 17	$ (82)	$ (24)	$ 76

	March 31, 2010				
	Assets		Liabilities		Net Fair Value
	Current	Noncurrent	Current	Noncurrent(A)	Assets/(Liabilities)
Derivatives designated as hedging instruments:					
Cash flow hedges					
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 consolidated balance sheets.

Aluminum

We use aluminum forward contracts and options to hedge our exposure to changes aluminum prices. 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 aluminum sales in future periods at prices based on the LME.

We identify and designate certain aluminum forward contracts as fair value hedges of the metal price risk associated with fixed price sales commitments that qualify as firm commitments. Price risk arises due to fluctuating aluminum prices between the time the sales order is committed and the time the order is shipped. We recognized gains on changes in fair value of derivative contracts of $4 million and losses on changes in the fair value of designated hedged items of $4 million in sales revenue for the year ended March 31, 2011. We had 25 kt of outstanding aluminum forward contracts through December 2012 designated as fair value hedges as of March 31, 2011. No aluminum forward contracts were designated as fair value hedges as of March 31, 2010.

We identify and designate certain aluminum forward purchase contracts as cash flow hedges of the metal price risk associated with our future metal purchases that vary based on changes in the LME price of aluminum. Price risk exposure arises from commitments to sell aluminum in future periods at fixed price. We had 183 kt of outstanding aluminum forward contracts through December 2011 designated as cash flow hedges as of March 31, 2011. No aluminum forward contracts were designated as cash flow hedges as of March 31, 2010.

The remainder of our aluminum derivative contracts has not been designated as accounting hedges. As of March 31, 2011 and 2010, we had short positions of 146 kt and long positions of 55 kt, respectively, of outstanding aluminum contracts not designated as hedges. The following table summarizes our notional amount (in kt).

	March 31,	
	2011	2010
Hedge Type		
Long (Short)		
Cash Flow	183	—
Fair Value	25	—
Not Designated	(146)	55
Total	62	55

Energy

We own an interest in an electricity swap which we designated as a cash flow hedge of our exposure to fluctuating electricity prices. As of March 31, 2011, due to significant credit deterioration of our counterparty, we discontinued hedge accounting for this electricity swap. The outstanding portion of this swap includes a total of 1.4 million megawatt hours through 2017.

We use natural gas swaps to manage our exposure to fluctuating energy prices in North America. As of March 31, 2011 and 2010, we had 6.7 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.

Interest Rate

We use interest rate swaps to manage our exposure to changes in the benchmark LIBOR interest rate which impacts our variable-rate debt. Prior to the completion of the December 17, 2010 refinancing transactions (see Note 10 — Debt), these swaps were designated as cash flow hedges. Upon completion of the refinancing transaction, our exposure to changes in the benchmark LIBOR interest rate was limited. We ceased hedge accounting for these swaps and released all Accumulated Other Comprehensive Income (AOCI) into current period earnings. We had $510 million of outstanding interest rate swaps designated as cash flow hedges as of March 31, 2010. No interest rate swaps were designated as cash flow hedges as of March 31, 2011.

We had $220 million and $10 million of outstanding interest rate swaps that were not designated in hedging relationships as of March 31, 2011 and 2010, respectively.

Foreign Currency

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.

We use foreign currency contracts to hedge expected future foreign currency transactions, which include capital expenditures. These contracts cover the same periods as known or expected exposures. We had $644 million of outstanding foreign currency forwards through December 2013 designated as cash flow hedges as of March 31, 2011. No foreign currency contracts were designated as cash flow hedges as of March 31, 2010.

We use foreign currency contracts to hedge our foreign currency exposure to net investment in foreign subsidiaries. In May 2010, we terminated all such hedges. Prior to termination, we recognized a gain of $18 million in OCI for the year ended March 31, 2011. A realized net loss of $3 million remains in AOCI. We recognized losses of $11 million and $169 million in OCI for the years ended March 31, 2010 and 2009, respectively.

We use foreign currency cross-currency swaps to hedge our cash flow exposure arising from foreign currency denominated debt. During February and March of 2011, we obtained fixed rate Brazilian Real denominated government subsidized loans and entered into fixed-for-fixed cross-currency swaps and designated these swaps as cash flow hedges to effectively convert this financing into US Dollars. As of March 31, 2011, we had cross currency swaps with $5 million of outstanding notional.

As of March 31, 2011 and 2010, we had outstanding currency exchange contracts with a total notional amount of $1.6 billion and $1.4 billion, respectively, which were not designated as hedges.

Other

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. These derivatives expired in February 2010 with the last cash settlement occurring in October 2010.

We may be exposed to losses in the future if the counterparties to our derivative contracts fail to perform. We are satisfied that the risk of such non-performance is remote due to our monitoring of credit exposures. Additionally, we enter into master netting agreements with contractual provisions that allow for netting of counterparty positions in case of default, and we do not face credit contingent provisions that would result in the posting of collateral.

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

	Year Ended March 31,		
	2011	2010	2009
Derivative Instruments Not Designated as Hedges			
Aluminum contracts	$ 5	$ 123	$ (561)
Currency exchange contracts	34	72	21
Interest Rate swaps	(5)	—	—
Electricity swap	7	6	13
Energy contracts	(4)	(7)	(29)
Gain (loss) recognized	37	194	(556)
Derivative Instruments Designated as Hedges			
Cash flow hedges			
Aluminum contracts(A)	—	—	—
Currency exchange contracts (B)	6	—	—
Interest Rate Swaps	—	—	—
Fair Value hedges			
Aluminum contracts	4	—	—
Fixed priced firm sales commitments (A)	(4)	—	—
Gain recognized	6	—	—
Gain (loss) on change in fair value of derivative instruments, net	$ 43	$ 194	$ (556)

(A) Less than $1 million of ineffectiveness exists in both cash flow and fair value hedging relationships involving aluminum derivatives.

(B) Amount represents excluded forward market premium/discount and hedging relationship ineffectiveness.

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

	Year Ended March 31, 2011	2010	2009
Realized gains (losses) included in segment income	$ 102	$ (385)	$ (41)
Realized gain on other derivatives not in segment income	5	1	4
Unrealized gains (losses)	(64)	578	(519)
Gain (loss) on change in fair value of derivative instruments, net	$ 43	$ 194	$ (556)

The following table summarizes the impact on AOCI and earnings of derivative instruments designated as cash flow hedges (in millions). During the next twelve months, we expect to reclassify $70 million in effective net gains from our cash flow hedges from AOCI into Net income (loss). The maximum period over which we have hedged our exposure to cash flow variability is through 2017.

Derivatives in Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion) Year Ended March 31, 2011	2010	2009	Location of Gain or (Loss) Reclassified from Accumulated OCI into Earnings (Effective Portion)	Amount of Gain or (Loss) Reclassified from AOCI into Income/(Expense) (Effective Portion) Year Ended March 31, 2011	2010	2009	Amount of Gain or (Loss) Recognized in Income/(Expense) on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) Year Ended March 31, 2011	2010	2009
Electricity swap	$ 12	$ (13)	$ (20)	(Gain) loss on derivative instruments, net	$ 7	$ 5	$ 13	$ —	$ 1	$ —
Aluminum contracts	41	—	—	Cost of goods sold	—	—	—	—	—	—
Interest rate swaps	1	5	3	Interest expense and amortization of debt issuance costs(A)	(5)	—	—	(5)	—	—
Currency exchange contracts	24	—	—	Depreciation and amortization; Cost of goods sold; Selling, general and administrative expense	—	—	—	6	—	—
Total	$ 78	$ (8)	$ (17)		$ 2	$ 5	$ 13	$ 1	$ 1	$ —

(A) All AOCI related to interest rate swaps was released upon refinancing and de-designation. Gains or losses are released through (Gain) loss on derivative instruments, net.

15. FAIR VALUE OF ASSETS AND LIABILITIES

We record certain assets and liabilities, primarily derivative instruments on our 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 the price that would be received to sell an asset or paid to transfer a liability 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 use. We grade the level of our fair value measures 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 — Assets and liabilities valued based on inputs other than quoted prices included within Level 1 that are observable for similar instruments, either directly or indirectly.

Level 3 — Assets and liabilities valued based on significant 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

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 forward market prices. Valuation model inputs can generally be verified and valuation techniques do not involve significant judgment. 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, aluminum forward contracts and options, 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) 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 March 31, 2011 and 2010, we did not have any Level 1 derivative contracts. No amounts were transferred from Level 1 to Level 2 or to Level 3. Additionally, no amounts were transferred from Level 2 to Level 1 or to Level 3.

The following table presents 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 (in millions).

	March 31,			
	2011		2010	
	Assets	Liabilities	Assets	Liabilities
Level 2				
Aluminum contracts	$ 111	$ (48)	$ 151	$ (76)
Currency exchange contracts	70	(21)	49	(32)
Electricity swap	—	—	—	—
Energy contracts	—	(3)	—	(6)
Interest rate swaps	—	(4)	—	(7)
Total Level 2 Instruments	181	(76)	200	(121)
Level 3				
Aluminum contracts	1	(1)	4	(4)
Currency exchange contracts	—	—	—	—
Electricity swap	—	(29)	—	(35)
Total Level 3 Instruments	1	(30)	4	(39)
Total	$ 182	$ (106)	$ 204	$ (160)

We recognized less than $1 million of unrealized losses related to Level 3 financial instruments that were still held as of March 31, 2011. These unrealized gains are included in (Gain) loss on change in fair value of derivative instruments, net.

Novelis Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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, 2009	$ (44)
Net realized/unrealized (losses) included in earnings(B)	5
Net realized/unrealized (losses) included in Other comprehensive income (loss)(C)	(17)
Net purchases, issuances and settlements	(5)
Net transfers from Level 3 to Level 2	26
Balance as of March 31, 2010	(35)
Net realized/unrealized (losses) included in earnings(B)	7
Net realized/unrealized (losses) included in Other comprehensive income (loss)(C)	6
Net purchases, issuances and settlements	(7)
Net transfers from Level 3 to Level 2	—
Balance as of March 31, 2011	$ (29)

(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. We value long-term debt using market and/or broker ask prices when available. When not available, we use a standard credit adjusted discounted cash flow model.

	March 31,			
	2011		2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Long-term receivables from related parties	$ 19	$ 19	$ 21	$ 21
Liabilities				
Total debt — third parties (excluding short term borrowings)	$ 4,086	$ 4,370	$ 2,596	$ 2,432

Novelis Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

16. OTHER (INCOME) EXPENSES, NET

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

	Year Ended March 31, 2011	2010	2009
Net (gain) loss on currency remeasurement and transaction gains or losses	$ (1)	$ (15)	$ 98
Gain on reversal of accrued legal claims(A)	—	(3)	(26)
(Gain) loss on Brazilian tax litigation	3	(6)	9
(Gain) loss on sale of assets, net	(4)	1	—
Other, net	9	(2)	5
Other (income) expenses, net	$ 7	$ (25)	$ 86

(A) We recognized a $26 million gain on the reversal of a previously recorded legal accrual upon settlement during the year ended March 31, 2009.

17. INCOME TAXES

We are subject to Canadian and United States federal, state, and local income taxes as well as other foreign income taxes. The domestic (Canada) and foreign components of our Income (loss) before income taxes (and after removing our Equity in net (income) loss of non-consolidated affiliates) are as follows (in millions).

	Year Ended March 31, 2011	2010	2009
Domestic (Canada)	$ (181)	$ (38)	$ (15)
Foreign (all other countries)	436	780	(1,981)
Pre-tax income (loss) before equity in net (income) loss of non-consolidated affiliates	$ 255	$ 742	$ (1,996)

The components of the Income tax provision (benefit) are as follows (in millions).

	Year Ended March 31, 2011	2010	2009
Current provision (benefit):			
Domestic (Canada)	$ 16	$ (24)	$ 7
Foreign (all other countries)	112	58	78
Total current	128	34	85
Deferred provision (benefit):			
Domestic (Canada)	(6)	—	—
Foreign (all other countries)	(39)	228	(331)
Total deferred	(45)	228	(331)
Income tax provision (benefit)	$ 83	$ 262	$ (246)

The reconciliation of the Canadian statutory tax rates to our effective tax rates are shown below (in millions, except percentages).

	Year Ended March 31, 2011	2010	2009
Pre-tax income (loss) before equity in net (income) loss on non-consolidated affiliates	$ 255	$ 742	$ (1,996)
Canadian Statutory tax rate	29%	30%	31%
Provision (benefit) at the Canadian statutory rate	$ 74	$ 223	$ (619)
Increase (decrease) for taxes on income (loss) resulting from:			
Non-deductible goodwill impairment	—	—	415
Exchange translation items	—	19	(4)
Exchange remeasurement of deferred income taxes	20	38	(48)
Change in valuation allowances	1	(3)	61
Tax credits and other allowances	(5)	(4)	(8)
Expense (income) items not subject to tax	(9)	1	3
Dividends not subject to tax	(15)	—	—
Enacted tax rate changes	8	7	(7)
Tax rate differences on foreign earnings	(6)	(9)	(33)
Uncertain tax positions	6	(10)	2
Other, net	9	—	(8)
Income tax provision (benefit)	$ 83	$ 262	$ (246)
Effective tax rate	33%	35%	12%

Our effective tax rate differs from the Canadian statutory rate primarily due to the following factors: (1) non-deductible impairment of goodwill; (2) pre-tax foreign currency gains or losses with no tax effect and the tax effect of U.S. dollar denominated currency gains or losses with no pre-tax effect, which is shown above as exchange translation items; (3) the remeasurement of deferred income taxes due to foreign currency changes, which is shown above as exchange remeasurement of deferred income taxes; (4) changes 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; (5) non-taxable dividends; (6) the effects of enacted tax rate changes on cumulative taxable temporary differences; and (7) differences between the Canadian statutory and foreign effective tax rates applied to entities in different jurisdictions shown above as tax rate differences on foreign earnings and (7) increases or decreases in uncertain tax positions recorded under the provisions of ASC 740, *Income Taxes* (ASC 740).

In 2005, we entered into a tax sharing and disaffiliation agreement with Alcan that provides indemnification if certain factual representations are breached or if certain transactions are undertaken or certain actions are taken that have the effect of negatively affecting the tax treatment of our spin-off from Alcan. It further governs the disaffiliation of the tax matters of Alcan and its subsidiaries or affiliates other than us, on the one hand, and us and our subsidiaries or affiliates, on the other hand. In this respect it allocates taxes accrued prior to the spin-off and after the spin-off as well as transfer taxes resulting there from. It also allocates obligations for filing tax returns and the management of certain pending or future tax contests and creates mutual collaboration obligations with respect to tax matters.

We enjoy the benefits of favorable tax holidays in various jurisdictions, which resulted in an $11 million reduction to tax expense for the year ended March 31, 2011, and will phase out between December 31, 2013 and March 31, 2020.

Deferred Income Taxes

Deferred income taxes recognize the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the carrying amounts used for income tax purposes, and the impact of available net operating loss (NOL) and tax credit carryforwards. These items are stated at the enacted tax rates that are expected to be in effect when taxes are actually paid or recovered.

Our deferred income tax assets and deferred income tax liabilities are as follows (in millions).

	March 31, 2011	March 31, 2010
Deferred income tax assets:		
Provisions not currently deductible for tax purposes	$ 216	$ 221
Tax losses/benefit carryforwards, net	355	404
Depreciation and amortization	93	86
Other assets	35	21
Total deferred income tax assets	699	732
Less: valuation allowance	(239)	(223)
Net deferred income tax assets	$ 460	$ 509
Deferred income tax liabilities:		
Depreciation and amortization	$ 727	$ 824
Inventory valuation reserves	119	97
Monetary exchange gains, net	85	73
Other liabilities	33	29
Total deferred income tax liabilities	$ 964	$ 1,023
Net deferred income tax liabilities	$ 504	$ 514

ASC 740 requires that we reduce our deferred income tax assets by a valuation allowance if, based on the weight of the available evidence, it is more likely than not that all or a portion of a deferred tax asset will not be realized. After consideration of all evidence, both positive and negative, management concluded that it is more likely than not that we will not realize a portion of our deferred tax assets and that valuation allowances of $239 million and $223 million were necessary as of March 31, 2011 and 2010, respectively.

We considered the announced closure of our Bridgnorth operations in our analysis of positive and negative evidence surrounding expected future taxable income in the U.K. and determined that it is more likely than not that we will realize our net deferred tax asset. Therefore, in fiscal 2011, we reversed the valuation allowance, resulting in a decrease to income tax expense of $49 million.

As of March 31, 2011, we had net operating loss carryforwards of approximately $309 million (tax effected) and tax credit carryforwards of $46 million, which will be available to offset future taxable income and tax liabilities, respectively. The carryforwards begin expiring in fiscal 2012 with some amounts being carried forward indefinitely. As of March 31, 2011, valuation allowances of $112 million and $24 million had been recorded against net operating loss carryforwards and tax credit carryforwards, respectively, where it appeared more likely than not that such benefits will not be realized. The net operating loss carryforwards are predominantly in the U.S., the U.K., Canada, France, Italy, and Luxembourg.

As of March 31, 2010, we had net operating loss carryforwards of approximately $368 million (tax effected) and tax credit carryforwards of $36 million, which would have been available to offset future taxable income and tax liabilities, respectively. The carryforwards began expiring in fiscal 2011 with some amounts being carried forward indefinitely. As of March 31, 2010, valuation allowances of $88 million and $17 million had been recorded against net operating loss carryforwards and tax credit carryforwards, respectively, where it appeared more likely than not that such benefits would not be realized. The net operating loss carryforwards were predominantly in the U.S., the U.K., Canada, France, Italy, Luxembourg, and Brazil.

Although realization is not assured, management believes it is more likely than not that all the remaining net deferred tax assets will be realized. In the near term, the amount of deferred tax assets considered realizable could be reduced if we do not generate sufficient taxable income in certain jurisdictions.

We have undistributed earnings in our foreign subsidiaries. For those subsidiaries where the earnings are considered to be permanently reinvested, no provision for Canadian income taxes has been recorded. Upon repatriation of those earnings, in the form of dividends or otherwise, we would be subject to both Canadian income taxes (subject to an adjustment for foreign taxes paid) and withholding taxes payable to the various foreign countries. For those subsidiaries where the earnings are not considered permanently reinvested, taxes have been provided as required. The determination of the unrecorded deferred income tax liability for temporary differences related to investments in foreign subsidiaries and foreign corporate joint ventures that are considered to be permanently reinvested is not considered practicable.

Tax Uncertainties

As of March 31, 2011 and 2010, the total amount of unrecognized benefits that, if recognized, would affect the effective income tax rate in future periods based on anticipated settlement dates is $45 million and $39 million, respectively.

We are awaiting a court ruling regarding the utilization of certain operating losses. We anticipate that it is reasonably possible that this ruling will result in a $16 million decrease in unrecognized tax benefits by March 31, 2012 related to this matter. We have fully funded this contingent liability through a judicial deposit, which is included in Other long-term assets — third parties since January 2007.

Tax authorities are currently examining certain of our tax returns for fiscal years 2004 through 2008. We are evaluating potential adjustments and we do not anticipate that settlement of the examinations will materially affect our financial statements. With few exceptions, tax returns for all jurisdictions for all tax years before 2003 are no longer subject to examination by taxing authorities.

During the year ended March 31, 2011, the statute of limitations lapsed with respect to unrecognized tax benefits related to utilization of operating losses and cross-border intercompany pricing of services. As a result, we recognized a reduction in unrecognized tax benefits of $5 million, including a decrease in accrued interest of $2 million, recorded as a reduction to the income tax provisions in the consolidated statement of operations and comprehensive income (loss).

Our policy is to record interest and penalties related to unrecognized tax benefits in the income tax provision (benefit). As of March 31, 2011, 2010 and 2009, we had $16 million, $14 million and $12 million accrued, respectively, for interest and penalties. For the years ended March 31, 2011, and 2010, we recognized $2 million in interest and penalty expense in each period. For the year ended March 31, 2009, we recognized a $2 million tax benefit.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in millions):

	Year Ended March 31,		
	2011	2010	2009
Beginning balance	$ 39	$ 51	$ 61
Additions based on tax positions related to the current period	4	4	1
Additions based on tax positions of prior years	3	7	3
Reductions based on tax positions of prior years	—	—	(3)
Settlements	—	(1)	(4)
Statute lapses	(3)	(23)	(1)
Foreign exchange	2	1	(6)
Ending Balance	$ 45	$ 39	$ 51

Income Taxes Payable

Our consolidated balance sheets include income taxes payable (net) of $87 million and $70 million as of March 31, 2011 and 2010, respectively. Of these amounts, $35 million and $25 million are reflected in Accrued expenses and other current liabilities as of March 31, 2011 and 2010, respectively.

18. 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, and on August 20, 2010, we filed a cross notice of appeal. We and CCBSS have each filed appellate briefs in the case, and on February 9, 2011, the appellate court heard oral arguments on the briefs. We expect a ruling from the appellate court within six months after the date oral arguments were heard. 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 March 31, 2011 will be approximately $57 million. Of this amount, $24 million is included in Other long-term liabilities, with the remaining $33 million included in Accrued expenses and other current liabilities in our consolidated balance sheet as of March 31, 2011. 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 March 31, 2011 and 2010, we had cash deposits aggregating approximately $54 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 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 $6 million to $145 million as of March 31, 2011. In total, these reserves approximate $168 million and $149 million as of March 31, 2011 and 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 has made 18 minimum payments under the installment program beginning in fiscal year 2009. We expect to pay the remaining balance over a period of 162 months beginning in the first quarter of fiscal year 2012.

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 March 31, 2011 (in millions).

Type of Entity	Maximum Potential Future Payment	Liability Carrying Value
Wholly-owned subsidiaries	$ 134	$ 63

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.

19. SEGMENT, GEOGRAPHICAL AREA, 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.

The following is a description of our operating segments:

- *North America.* Headquartered in Atlanta, Georgia, this segment manufactures aluminum sheet and light gauge products and operates eleven plants, including two fully dedicated recycling facilities, in two countries.
- *Europe.* Headquartered in Zurich, Switzerland, this segment manufactures aluminum sheet and light gauge products and operates 13 plants, including one recycling facility, in six countries.
- *Asia.* Headquartered in Seoul, South Korea, this segment manufactures aluminum sheet and light gauge products and operates three plants in two countries.
- *South America.* Headquartered in Sao Paulo, Brazil, this segment comprises bauxite mining, smelting operations, power generation, carbon products, aluminum sheet and light gauge products and operates three plants in Brazil.

Net sales and expenses are measured in accordance with the policies and procedures described in Note 1 — Business and Summary of Significant Accounting Policies. For Segment income purposes we only include the impact of the derivative gains or losses to the extent they are settled in cash (i.e., realized) during that period.

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 (described below); (k) 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 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 GAAP-based measure, we must remove our proportional share of each line item that we included in the segment amounts. See Note 8 — Investment in and Advances to Non-Consolidated Affiliates and Related Party Transactions for further information about these non-consolidated affiliates.

During the fourth quarter of fiscal 2011, we made a decision to change the manner in which we evaluate and report the company's business segments, allocating the costs of our corporate center to our regional businesses in North America, Europe, Asia and South America. Corporate center costs were allocated to each region based on a blended weighting of scale, capital intensity and human capital. We have recast all of our historical segment disclosures, including segment income, for all periods presented in this Form 10-K.

The tables below show selected segment financial information (in millions). The "Other and Eliminations" column in the table below include eliminations and functions that are managed directly from our corporate office that have not been allocated to our operating segments.

Selected Segment Financial Information

Selected Operating Results Year Ended March 31, 2011	North America	Europe	Asia	South America	Other and Eliminations	Total
Net sales	$ 3,922	$ 3,589	$ 1,866	$ 1,214	$ (14)	$ 10,577
Write-off and amortization of fair value adjustments	(7)	1	—	—	(3)	(9)
Depreciation and amortization	168	141	56	80	(41)	404
Income tax provision (benefit)	3	1	27	44	8	83
Capital expenditures	61	73	37	81	(18)	234
Total assets as of March 31, 2011	$ 2,683	$ 3,170	$ 1,015	$ 1,481	$ (53)	$ 8,296

Selected Operating Results Year Ended March 31, 2010	North America	Europe	Asia	South America	Other and Eliminations	Total
Net sales	$ 3,292	$ 2,975	$ 1,501	$ 948	$ (43)	$ 8,673
Write-off and amortization of fair value adjustments	128	(1)	—	—	7	134
Depreciation and amortization	162	153	48	64	(43)	384
Income tax provision (benefit)	116	73	31	69	(27)	262
Capital expenditures	38	48	15	18	(18)	101
Total assets as of March 31, 2010	$ 2,726	$ 2,870	$ 965	$ 1,344	$ (143)	$ 7,762

Selected Operating Results Year Ended March 31, 2009	North America	Europe	Asia	South America	Other and Eliminations	Total
Net sales	$ 3,930	$ 3,718	$ 1,536	$ 1,007	$ (14)	$ 10,177
Write-off and amortization of fair value adjustments	218	7	—	—	8	233
Depreciation and amortization	166	226	50	72	(75)	439
Income tax provision (benefit)	(156)	(13)	(8)	(62)	(7)	(246)
Capital expenditures	42	76	20	25	(18)	145
Total assets as of March 31, 2009	$ 2,973	$ 2,750	$ 732	$ 1,296	$ (184)	$ 7,567

Novelis Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

	Year Ended March 31, 2011	2010	2009
North America	$ 382	$ 292	$ 60
Europe	313	212	214
Asia	225	154	79
South America	152	97	132
Depreciation and amortization	(404)	(384)	(439)
Interest expense and amortization of debt issuance costs	(207)	(175)	(182)
Interest income	13	11	14
Unrealized gains on change in fair value of derivative instruments, net	(64)	578	(519)
Realized gains (losses) on derivative instruments not included in segment income(A)	5	—	—
Adjustment to eliminate proportional consolidation(B)	(45)	(52)	(225)
Impairment of goodwill	—	—	(1,340)
Gain (loss) on extinguishment of debt	(84)	—	122
Restructuring charges, net	(34)	(14)	(95)
Other costs, net	(9)	8	11
Income (loss) before income taxes	243	727	(2,168)
Income tax provision (benefit)	83	262	(246)
Net income (loss)	160	465	(1,922)
Net income (loss) attributable to noncontrolling interests	44	60	(12)
Net income (loss) attributable to our common shareholder	$ 116	$ 405	$ (1,910)

(A) Realized gains on derivative instruments not included in segment income represents realized gains on foreign currency derivatives related to capital expenditures for our previously announced expansion in South America.

(B) The financial information for our segments includes the segment income 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 above to the relevant US GAAP-based measures, we must include our proportion of the remaining income statement items that are not included in segment income above. See Note 8 — Investment in and Advances to Non-Consolidated Affiliates and Related Party Transactions for further information about these non-consolidated affiliates.

Novelis Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Geographical Area Information

We had 30 operating facilities in eleven countries as of March 31, 2011. The tables below present Net sales and Long-lived assets by geographical area (in millions). Net sales are attributed to geographical areas based on the origin of the sale. Long-lived assets are attributed to geographical areas based on asset location and exclude investments in and advances to our non-consolidated affiliates and goodwill.

	Year Ended March 31,		
	2011	2010	2009
Net sales:			
United States	$ 3,737	$ 3,134	$ 3,685
Asia and Other Pacific	1,866	1,481	1,536
Brazil	1,214	947	1,006
Canada	182	152	243
Germany	2,483	2,041	2,439
United Kingdom	178	165	347
Other Europe	917	753	921
Total Net sales	$ 10,577	$ 8,673	$ 10,177

	March 31,	
	2011	2010
Long-lived assets:		
United States	$ 1,341	$ 1,449
Asia and Other Pacific	411	421
Brazil	630	625
Canada	126	135
Germany	364	384
United Kingdom	45	52
Other Europe	332	315
Total long-lived assets	$ 3,249	$ 3,381

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.

	Year Ended March 31,		
	2011	2010	2009
Rexam	15%	16%	17%
Anheuser-Busch	13%	11%	7%

Novelis Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

	Year Ended March 31,		
	2011	2010	2009
Purchases from Alcan as a percentage of total combined metal purchases in kt(A)(B)	33%	38%	37%

(A) One kilotonne (kt) is 1,000 metric tonnes. One metric tonne is equivalent to 2,204.6 pounds.

20. SUPPLEMENTAL INFORMATION

AOCI consists of the following (in millions).

	March 31,	
	2011	2010
Currency translation adjustment	$ 102	$ (8)
Fair value of effective portion of hedges	22	(27)
Pension and other benefits	(67)	(68)
AOCI	$ 57	$ (103)

	Year Ended March 31,		
	2011	2010	2009
Supplemental disclosures of cash flow information:			
Interest paid	$ 134	$158	$169
Income taxes paid	115	50	65
Return of capital	1,700	—	—

Novelis Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

21. QUARTERLY RESULTS

The table below presents select operating results (in millions) by period.

	(Unaudited) Quarter Ended June 30, 2010	September 30, 2010	December 31, 2010	March 31, 2011
Net sales	$ 2,533	$ 2,524	$ 2,560	$ 2,960
Cost of goods sold (exclusive of depreciation and amortization)	2,208	2,188	2,232	2,599
Selling, general and administrative expenses	81	97	94	103
Depreciation and amortization	103	104	100	97
Research and development expenses	9	9	9	13
Interest expense and amortization of debt issuance costs	39	40	46	82
Interest income	(3)	(3)	(4)	(3)
(Gain) loss on change in fair value of derivative instruments, net	6	(34)	(30)	15
Loss on early extinguishment of debt	—	—	74	10
Restructuring charges, net	6	9	20	(1)
Equity in net loss of non-consolidated affiliates	3	3	5	1
Other (income) expenses, net	7	(18)	16	2
Income tax provision (benefit)	15	56	33	(21)
Net income (loss)	59	73	(35)	63
Net income attributable to noncontrolling interests	9	11	11	13
Net income (loss) attributable to our common shareholder	$ 50	$ 62	$ (46)	$ 50

	(Unaudited) Quarter Ended June 30, 2009	September 30, 2009	December 31, 2009	March 31, 2010
Net sales	$ 1,960	$ 2,181	$ 2,112	$ 2,420
Cost of goods sold (exclusive of depreciation and amortization)	1,537	1,734	1,795	2,147
Selling, general and administrative expenses	74	77	92	94
Depreciation and amortization	100	92	93	99
Research and development expenses	8	9	10	11
Interest expense and amortization of debt issuance costs	43	44	44	44
Interest income	(3)	(3)	(2)	(3)
Gain on change in fair value of derivative instruments, net	(72)	(80)	(40)	(2)
Restructuring charges, net	3	3	1	7
Equity in net (income) loss of non-consolidated affiliates	10	10	(8)	3
Other (income) expenses, net	(13)	(6)	(2)	(4)
Income tax provision (benefit)	112	87	48	15
Net income	161	214	81	9
Net income attributable to noncontrolling interests	18	19	13	10
Net income (loss) attributable to our common shareholder	$ 143	$ 195	$ 68	$ (1)

22. SUPPLEMENTAL GUARANTOR INFORMATION

In connection with the issuance of our 7.25% Notes, 2017 Notes and 2020 Notes, certain of our wholly-owned subsidiaries, which are 100% owned within the meaning of Rule 3-10(h)(1) of Regulation S-X, provided guarantees. These guarantees are full and unconditional as well as joint and several. The guarantor subsidiaries (the Guarantors) are comprised of the majority of our businesses in Canada, the U.S., the U.K., Brazil, Portugal, Luxembourg and Switzerland, as well as certain businesses in Germany and France. 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 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.

CONSOLIDATING STATEMENT OF OPERATIONS
(In millions)

	Year Ended March 31, 2011				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net sales	$ 1,048	$ 8,515	$ 3,118	$ (2,104)	$ 10,577
Cost of goods sold (exclusive of depreciation and amortization)	1,006	7,512	2,813	(2,104)	9,227
Selling, general and administrative expenses	40	272	63	—	375
Depreciation and amortization	5	306	93	—	404
Research and development expenses	28	10	2	—	40
Interest expense and amortization of debt issuance costs	177	85	4	(59)	207
Interest income	(58)	(13)	(1)	59	(13)
Gain on change in fair value of derivative instruments, net	1	(49)	5	—	(43)
Loss on extinguishment of debt	33	51	—	—	84
Restructuring charges, net	3	28	3	—	34
Equity in net (income) loss of non-consolidated affiliates	(289)	12	—	289	12
Other (income) expenses, net	(24)	50	(19)	—	7
	922	8,264	2,963	(1,815)	10,334
Income (loss) before income taxes	126	251	155	(289)	243
Income tax provision	10	41	32	—	83
Net income (loss)	116	210	123	(289)	160
Net income attributable to noncontrolling interests	—	—	44	—	44
Net income (loss) attributable to our common shareholder	$ 116	$ 210	$ 79	$ (289)	$ 116

Novelis Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOVELIS INC.

CONSOLIDATING STATEMENT OF OPERATIONS
(In millions)

	Year Ended March 31, 2010				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net sales	$ 849	$ 6,906	$ 2,468	$ (1,550)	$ 8,673
Cost of goods sold (exclusive of depreciation and amortization)	772	5,850	2,141	(1,550)	7,213
Selling, general and administrative expenses	51	226	60	—	337
Depreciation and amortization	4	289	91	—	384
Research and development expenses	26	11	1	—	38
Interest expense and amortization of debt issuance costs	114	117	8	(64)	175
Interest income	(63)	(10)	(2)	64	(11)
Gain on change in fair value of derivative instruments, net	(5)	(165)	(24)	—	(194)
Restructuring charges, net	—	8	6	—	14
Equity in net (income) loss of non-consolidated affiliates	(396)	15	—	396	15
Other (income) expenses, net	(34)	46	(37)	—	(25)
	469	6,387	2,244	(1,154)	7,946
Income (loss) before income taxes	380	519	224	(396)	727
Income tax provision (benefit)	(25)	249	38	—	262
Net income (loss)	405	270	186	(396)	465
Net income attributable to noncontrolling interests	—	—	60	—	60
Net income (loss) attributable to our common shareholder	$ 405	$ 270	$ 126	$ (396)	$ 405

Novelis Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOVELIS INC.

CONSOLIDATING STATEMENT OF OPERATIONS
(In millions)

	Year Ended March 31, 2009				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net sales	$ 1,186	$ 8,421	$ 2,647	$ (2,077)	$ 10,177
Cost of goods sold (exclusive of depreciation and amortization)	1,182	7,704	2,467	(2,077)	9,276
Selling, general and administrative expenses	9	217	68	—	294
Depreciation and amortization	16	328	95	—	439
Research and development expenses	29	10	2	—	41
Interest expense and amortization of debt issuance costs	114	134	23	(89)	182
Interest income	(78)	(15)	(10)	89	(14)
Loss on change in fair value of derivative instruments, net	5	511	40	—	556
Impairment of goodwill	—	1,340	—	—	1,340
Gain on extinguishment of debt, net	(67)	(55)	—	—	(122)
Restructuring charges, net	5	74	16	—	95
Equity in net (income) loss of non-consolidated affiliates	1,890	172	—	(1,890)	172
Other (income) expenses, net	(14)	11	89	—	86
	3,091	10,431	2,790	(3,967)	12,345
Income (loss) before income taxes	(1,905)	(2,010)	(143)	1,890	(2,168)
Income tax provision (benefit)	5	(237)	(14)	—	(246)
Net income (loss)	(1,910)	(1,773)	(129)	1,890	(1,922)
Net loss attributable to noncontrolling interests	—	—	(12)	—	(12)
Net loss attributable to our common shareholder	$ (1,910)	$ (1,773)	$ (117)	$ 1,890	$ (1,910)

Novelis Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

CONSOLIDATING BALANCE SHEET
(In millions)

	As of March 31, 2011				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
ASSETS					
Current assets					
Cash and cash equivalents	$ 1	$ 225	$ 85	$ —	$ 311
Accounts receivable, net of allowances					
— third parties	31	920	529	—	1,480
— related parties	640	319	89	(1,020)	28
Inventories	60	961	317	—	1,338
Prepaid expenses and other current assets	2	40	8	—	50
Fair value of derivative instruments	5	140	30	(10)	165
Deferred income tax assets	—	37	2	—	39
Total current assets	739	2,642	1,060	(1,030)	3,411
Property, plant and equipment, net	136	1,898	509	—	2,543
Goodwill	—	600	11	—	611
Intangible assets, net	15	699	(7)	—	707
Investments in and advances to non-consolidated affiliates	1,273	743	—	(1,273)	743
Fair value of derivative instruments, net of current portion	—	16	3	(2)	17
Deferred income tax assets	—	39	13	—	52
Other long-term assets	2,768	195	68	(2,819)	212
Total assets	$ 4,931	$ 6,832	$ 1,657	$ (5,124)	$ 8,296
LIABILITIES AND SHAREHOLDER'S EQUITY					
Current liabilities					
Current portion of long-term debt	$ 15	$ 5	$ 1	$ —	$ 21
Short-term borrowings					
— third parties	—	—	17	—	17
— related parties	22	334	20	(376)	—
Accounts payable					
— third parties	73	812	493	—	1,378
— related parties	78	438	175	(641)	50
Fair value of derivative instruments	4	73	17	(12)	82
Accrued expenses and other current liabilities	119	332	119	(2)	568
Deferred income tax liabilities	—	43	—	—	43
Total current liabilities	311	2,037	842	(1,031)	2,159
Long-term debt, net of current portion					
— third parties	4,019	46	—	—	4,065
— related parties	97	2,644	77	(2,818)	—
Deferred income tax liabilities	—	542	10	—	552
Accrued postretirement benefits	40	344	142	—	526
Other long-term liabilities	19	336	6	(2)	359
	4,486	5,949	1,077	(3,851)	7,661
Commitments and contingencies					
Shareholder's equity					
Common stock	—	—	—	—	—
Additional paid-in capital	1,830	—	—	—	1,830
Retained earnings (accumulated deficit)	(1,442)	892	434	(1,326)	(1,442)
Accumulated other comprehensive income (loss)	57	(9)	(44)	53	57
Total equity of our common shareholder	445	883	390	(1,273)	445
Noncontrolling interests	—	—	190	—	190
Total equity	445	883	580	(1,273)	635
Total liabilities and equity	$ 4,931	$ 6,832	$ 1,657	$ (5,124)	$ 8,296

Novelis Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOVELIS INC.

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	$ 13	$ 100	$ —	$ 116
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	1,895	839	(1,057)	1,900
Long-term debt, net of current portion					
— third parties	1,635	844	1	—	2,480
— 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	3,530	—	—	—	3,530
Retained earnings (accumulated deficit)	(1,558)	1,818	349	(2,167)	(1,558)
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 CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOVELIS INC.

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
(In millions)

	Year Ended March 31, 2011				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
OPERATING ACTIVITIES					
Net cash provided by (used in) operating activities	$ (520)	$ (626)	$ 99	$ 1,501	$ 454
INVESTING ACTIVITIES					
Capital expenditures	(21)	(162)	(51)	—	(234)
Proceeds from sales of assets	—	29	2	—	31
Changes to investment in and advances to non-consolidated affiliates	—	—	—	—	—
Proceeds from loans receivable, net — related parties	—	(1)	—	—	(1)
Net proceeds from settlement of derivative instruments	(5)	80	16	—	91
Net cash provided by (used in) investing activities	(26)	(54)	(33)	—	(113)
FINANCING ACTIVITIES					
Proceeds from issuance of debt					
— third parties	3,985	—	—	—	3,985
— related parties	—	1,681	—	(1,681)	—
Principal repayments					
— third parties	(1,530)	(859)	(100)	—	(2,489)
— related parties	(18)	—	(18)	36	—
Short-term borrowings, net					
— third parties	—	(58)	2	—	(56)
— related parties	(19)	(124)	(1)	144	—
Return of capital	(1,700)	—	—	—	(1,700)
Dividends					
— noncontrolling interests	—	—	(18)	—	(18)
Debt issuance costs	(193)	—	—	—	(193)
Net cash provided by (used in) financing activities	525	640	(135)	(1,501)	(471)
Net increase in cash and cash equivalents	(21)	(40)	(69)	—	(130)
Effect of exchange rate changes on cash balances held in foreign currencies	—	(1)	5	—	4
Cash and cash equivalents — beginning of period	22	266	149	—	437
Cash and cash equivalents — end of period	$ 1	$ 225	$ 85	$ —	$ 311

Novelis Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOVELIS INC.

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
(In millions)

	Year Ended March 31, 2010				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
OPERATING ACTIVITIES					
Net cash provided by (used in) operating activities	$ (16)	$ 564	$ 296	$ —	$ 844
INVESTING ACTIVITIES					
Capital expenditures	(7)	(66)	(28)	—	(101)
Proceeds from sales of assets	—	1	4	—	5
Changes to investment in and advances to non-consolidated affiliates	—	3	—	—	3
Proceeds from loans receivable, net — related parties	—	4	—	—	4
Net proceeds from settlement of derivative instruments	(3)	(285)	(107)	—	(395)
Net cash provided by (used in) investing activities	(10)	(343)	(131)	—	(484)
FINANCING ACTIVITIES					
Proceeds from issuance of debt					
— third parties	177	—	—	—	177
— related parties	4	—	—	—	4
Principal repayments					
— third parties	(3)	(13)	(51)	—	(67)
— related parties	(166)	(76)	(12)	159	(95)
Short-term borrowings, net					
— third parties	—	(172)	(21)	—	(193)
— related parties	34	127	(2)	(159)	—
Dividends					
— noncontrolling interests	—	—	(13)	—	(13)
Debt issuance costs	(1)	—	—	—	(1)
Net cash provided by (used in) financing activities	45	(134)	(99)	—	(188)
Net increase in cash and cash equivalents	19	87	66	—	172
Effect of exchange rate changes on cash balances held in foreign currencies	—	4	13	—	17
Cash and cash equivalents — beginning of period	3	175	70	—	248
Cash and cash equivalents — end of period	$ 22	$ 266	$ 149	$ —	$ 437

Item 9. ***Changes In and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

Item 9A(T). ***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.

As required by Securities and Exchange Commission rules, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. This evaluation was carried out under the supervision and with the participation of our management, including our Principal Executive Officer and Principal Financial Officer. Based on this evaluation, our management, including our Principal Executive Officer and Principal Financial Officer have concluded that our disclosure controls and procedures were effective as of March 31, 2011.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act, as amended. The Company's internal control over financial reporting is designed to provide reasonable assurance as to the reliability of the Company's financial reporting and the preparation of financial statements in accordance with GAAP. Our internal control over financial reporting includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the effectiveness of the Company's internal control over financial reporting as of March 31, 2011. In making this assessment, management used the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *"Internal Control — Integrated Framework."* Based on its assessment, management has concluded that, as of March 31, 2011, the Company's internal control over financial reporting was effective based on those criteria.

The effectiveness of the Company's internal control over financial reporting as of March 31, 2011 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

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.

Item 9B. ***Other Information***

None.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance*

Our Directors

Our Board of Directors is currently comprised of 5 directors. All of our directors were appointed by our sole shareholder, Hindalco. Our directors' terms will expire at each annual shareholders meeting provided that if an election of directors is not held at an annual meeting of the shareholders, the directors then in office shall continue in office or until their successors shall be elected. Biographical details for each of our directors are set forth below.

Name	Director Since	Age	Position
Kumar Mangalam Birla	May 15, 2007	43	Chairman of the Board
Askaran Agarwala(B)	May 15, 2007	77	Director
D. Bhattacharya(A)(B)	May 15, 2007	62	Director and Vice Chairman of the Board
Clarence J. Chandran(A)(B)	January 6, 2005	62	Director
Donald A. Stewart(A)	May 15, 2007	64	Director

(A) Member of our Audit Committee.

(B) Member of our Compensation Committee.

Mr. Kumar Mangalam Birla was elected as the Chairman of the Board of Directors of Novelis on May 15, 2007. Mr. Birla is the Chairman of Hindalco Industries Limited which is an industry leader in aluminum and copper. He is also the Chairman of Aditya Birla Group's leading blue-chip companies: Grasim, UltraTech Cement, Aditya Birla Nuvo and Idea Cellular and globally — Novelis, Aditya Birla Chemicals (Thailand) Limited, Indo Phil Textile Mills Inc. Philippines, ect. Mr. Birla also serves as director on the board of the Group's international companies spanning Thailand, Indonesia, Philippines, Egypt, and Canada. Additionally, Mr. Birla serves on the board of the G.D. Birla Medical Research & Education Foundation, and is a Chancellor of the Birla Institute of Technology & Science, Pilani. He is a member of the London Business School's Asia Pacific Advisory Board. He is a part time nonofficial director on Central Board of Reserve Bank of India. Mr. Birla's past affiliations include service on the boards of Indian Aluminum Company Limited, Maruti Udyog Limited, Indo Gulf Fertilisers Limited and Tata Iron and Steel Limited. Mr. Birla brings to the board significant global leadership experience acquired through his service as a director of numerous corporate, professional and regulatory entities in various regions of the world. Mr. Birla provides valuable insight into the business and political conditions in which we conduct our global operations.

Askaran Agarwala has served as a Director of Hindalco since July 2004. He was Chairman of the Business Review Council of the Aditya Birla Group from October 2003 to March 2010. From 1982 to October 2003, he was President and full time director of Hindalco. Mr. Agarwala serves on the Compensation Committee of the Novelis Board of Directors. Mr. Agarwala also serves as a director of several other companies including Udyog Services Ltd., Aditya Birla Chemicals (India) Limited formerly known as Bihar Caustic & Chemicals Ltd., Tanfac Industries Ltd., and Aditya Birla Insurance Brokers Ltd. (formerly know an Birla Insurance Advisory Services Limited). He is a Trustee of G.D. Birla Medical Research and Education Foundation, Vaibhav Medical and Education Foundation, Sarla Basant Birla Memorial Trust and Aditya Vikram Birla Memorial Trust. Mr. Agarwala has served as a director of Renusagar Engineering & Power Services Limited, Rosa Power Supply Company Ltd., Aditya Birla Science & Technology Company Limited and Bina Power Supply Company Limited. Mr. Agarwala's past and current service as a director of several companies and industry associations in the metals and manufacturing industries adds a valuable perspective to the board. Having served as president of our parent company, Hindalco Industries, Mr. Agarwala also brings a depth of understanding of our business and operations.

Mr. Debnaryan Bhattacharya has served as Managing Director of Hindalco since 2004 and has served as a Director of Hindalco since April 2004. Mr. Bhattacharya is Vice Chairman of Novelis and serves on the Audit and Compensation Committees of the Novelis Board of Directors. He is the Chairman of Utkal Alumina International Limited and of Aditya Birla Minerals Limited in Australia. Mr. Bhattacharya also serves as a Director of Hindalco Almex-Aerospace Limited, Aditya Birla Management Corporation Private Ltd., and Pidilite Industries Limited. In addition, he has served as a director of Aditya Birla Science & Technology Company Limited. Mr. Bhattacharya's extensive knowledge of the aluminum and metals industries provides a valuable resource to the company in the setting and implementation of its operating business plans as the company considers various strategic alternatives. Mr. Bhattacharya brings to the board a high degree of financial literacy.

Clarence J. Chandran has been a director of the Company since 2005. Mr. Chandran serves on the Compensation and Audit Committees of the Novelis Board of Directors, and acts as the Chairman of the Compensation Committee. Mr. Chandran is Executive Chairman of 4Front Capital Partners Inc. and GreenEdge Capital Partners. Mr. Chandran serves as Venture Partner of The Walsingham Fund. He is a director of Marfort Deep Sea Technologies Inc. and is a past director of Alcan Inc. and MDS Inc. He retired as Chief Operating Officer of Nortel Networks Corporation (communications) in 2001. Mr. Chandran is a member of the Board of Visitors of the Pratt School of Engineering at Duke University. Mr. Chandran has acquired years of significant experience through his leadership and management of companies with international business operations. Mr. Chandran brings to the board his deep knowledge in the areas of technology, sales and global operations.

Donald A. Stewart is Chief Executive Officer and a Director of Sun Life Financial Inc. and Sun Life Assurance Company of Canada. Mr. Stewart serves on the Audit Committee of the Novelis Board of Directors and serves as its Chairman. Mr. Stewart also serves a director of the Canadian Life and Health Insurance Association, a director of the American Council of Life Insurers, and is a member of The Geneva Association. His past affiliations include service as a director of CI Financial Corp. Mr. Stewart brings extensive financial management and operating experience to the board. He is the current CEO of Sun Life, a large public company in the insurance and financial services sector, and has held positions of increasing responsibility in his 35 years of service at Sun Life and its related companies.

Our Executive Officers

The following table sets forth information for persons currently serving as executive officers of our company. Biographical details for each of our executive officers are also set forth below.

Name	Age	Position
Philip Martens	51	President and Chief Executive Officer
Steven Fisher	40	Senior Vice President and Chief Financial Officer
Alexandre Almeida	47	Senior Vice President and President, Novelis South America
Jean-Marc Germain	45	Senior Vice President and President, Novelis North America
Antonio Tadeu Coelho Nardocci	53	Senior Vice President and President, Novelis Europe
Thomas Walpole	56	Senior Vice President, Global Manufacturing Excellence, and President, Novelis Asia
Eric Drummond	51	Senior Vice President and Chief People Officer
Nicholas Madden	54	Vice President and Chief Procurement Officer
Erwin Mayr	41	Senior Vice President and Chief Strategy and Commercial Officer
Randal Miller	48	Vice President, Treasurer
Robert Nelson	54	Vice President, Controller and Chief Accounting Officer
Leslie J. Parrette, Jr.	49	Senior Vice President, General Counsel, Compliance Officer and Corporate Secretary

Philip Martens was appointed President and Chief Executive Officer effective February 3, 2011, and previously served as President and Chief Operating Officer since May 8, 2009. Mr. Martens most recently served as Senior Vice President and President, Light Vehicle Systems, ArvinMeritor Inc. from September 2006 to January 2009. He was also President and CEO designate, Arvin Innovation. Prior to that, he served as President and Chief Operating Officer of Plastech Engineered Products from 2005 to 2006. From 1987 to 2005, he held various engineering and leadership positions at Ford Motor Company, most recently serving as Group Vice President of Product Creation. He is also a member of the board of directors of Plexus Corp. since September 2010. Mr. Martens holds a degree in mechanical engineering from Virginia Polytechnic Institute and State University and an M.B.A. from the University of Michigan. In 2003, Mr. Martens received a Doctorate in Automotive Engineering from Lawrence Technological University for his extensive contributions to the global automotive industry.

Steven Fisher is our Senior Vice President and Chief Financial Officer. Mr. Fisher joined Novelis in February 2006 as Vice President, Strategic Planning and Corporate Development. He was appointed Chief Financial Officer in May 2007 following the acquisition of Novelis by Hindalco. Mr. Fisher served as Vice President and Controller for TXU Energy, the non-regulated subsidiary of TXU Corp. from July 2005 to February 2006. Prior to joining TXU Energy, Mr. Fisher served in various senior finance roles at Aquila, Inc., an international electric and gas utility and energy trading company, including Vice President, Controller and Strategic Planning, from 2001 to 2005. He is also a member of the board of directors of Lionbridge Technologies, Inc. since 2009. Mr. Fisher is a graduate of the University of Iowa in 1993, where he earned a B.B.A. in Finance and Accounting. He is a Certified Public Accountant.

Alexandre Almeida is a Senior Vice President and President, Novelis South America. Prior to this appointment in August 2008, Mr. Almeida had served as Chief Financial Officer of Novelis South America beginning in January 2005. Formerly, he was Managing Director of Alcan Composites Brasil Ltda. from 2003 to 2005 and was previously Chief Operating Officer and Chief Financial Officer for Líder Aviacao (formerly Linder Taxi Aereo S.A). Mr. Almeida holds a degree in Metallurgical Engineering and a Masters Degree in Computer Science from Universidade Federal de Minas Gerais, and also a postgraduate degree in Finance Administration from João Pinheiro Foundation.

Jean-Marc Germain is a Senior Vice President and President Novelis North America. Mr. Germain was Vice President Global Can for Novelis Inc. from January 2007 until May 2008 when he was appointed Senior Vice President and the President of our North American operations. He was previously Vice President and General Manager of Light Gauge Products for Novelis North America from September 2004 to December 2006, and prior to that Mr. Germain held a number of senior positions with Alcan Inc. and Pechiney S.A. From January 2004 to August 2004 he served as co-lead of the Integration Leadership Team for the Alcan and Pechiney merger, which occurred in 2004. Prior to that, he served as Senior Vice President & General Manager Foil, Strip and Specialties Division for Pechiney from September 2001 to December 2003. Before his time at Alcan and Pechiney, Mr. Germain worked for GE Capital and Bain & Company. Mr. Germain is a graduate from École Polytechnique in Paris, France.

Antonio Tadeu Coelho Nardocci has served as our Senior Vice President and President, Novelis Europe since June 2009. He previously served as our Senior Vice President, Strategy, Innovation and Technology from August 2008 to June 2009, and as Senior Vice President and President of our South American operations from February 2005 to August 2008. Prior to our spin-off from Alcan, Mr. Nardocci held a number of leadership positions with Alcan, most recently serving as President of Rolled Products South America from March 2002 until January 2005. Mr. Nardocci graduated from the University of São Paulo in Brazil with a degree in metallurgy. Mr. Nardocci is the Chairman of the Executive Committee of the European Aluminium Association.

Thomas Walpole has served as our Senior Vice President, Global Manufacturing Excellence, and President, Novelis Asia effective April 20, 2011, and previous as Senior Vice President and the President, Novelis Asia since June 25, 2009. Mr. Walpole was our Vice President and General Manager, Can Products Business Unit from January 2005 until February 2006. Mr. Walpole joined Alcan in 1979 and has held various senior management roles. Mr. Walpole held international positions within Alcan in Europe and Asia until 2004. He began as Vice President, Sales, Marketing & Business Development for Alcan Taihan Aluminum Ltd. and most recently was President of the Litho/Can and Painted Products for the European region. Mr. Walpole graduated from State University of New York at Oswego with a B.S. in Accounting, and holds an M.B.A. from Case Western Reserve University.

Eric Drummond has served as our Chief People and Communications Officer since November 2009. Prior to joining our company, he served as Vice President, Global Human Resources for the National Basketball Association from April 2007 to November 2009. Before that, Mr. Drummond served in various leadership positions with BOC Linde Gases from November 2003 to March 2007. Mr. Drummond holds a B.S., Employee and International Relations and a Masters degree in Labor and Industrial Relations, both from Michigan State University.

Nicholas Madden is our Vice President and Chief Procurement Officer. Prior to this role, which he assumed in October 2006, Mr. Madden served as President of Novelis Europe's Can, Litho and Recycling business unit beginning in October 2004. He was Vice President of Metal Management and Procurement for Rio Tinto Alcan's Rolled Products division in Europe from December 2000 until September 2004 and was also responsible for the secondary recycling business. Mr. Madden holds a B.Sc. (Hons) degree in Economics and Social Studies from University College in Cardiff, Wales.

Erwin Mayr has served as our Senior Vice President and Chief Strategy and Commercial Officer effective April 20, 2011, and previously served as our Senior Vice President and Chief Strategy Officer since October 2009. He previously held a number of leadership positions within our European operations, including Business Unit President, Advanced Rolled Products, from 2002 until 2009. Prior to joining our company in 2002, Mr. Mayr was an associate partner with the consulting firm Monitor Group. Mr. Mayr earned his Ph.D., Physics from Ulm University (Germany).

Randal P. Miller is our Vice President, Treasurer. Prior to joining Novelis in July 2008, Mr. Miller served as Vice President and Treasurer of Transocean Offshore Deepwater Drilling from May 2006 to November 2007 where he was responsible for all treasury, banking, and capital markets activities for Transocean and its subsidiaries. From 2001 to 2006, Mr. Miller served as Vice President Finance, Treasurer of Aquila, Inc. Mr. Miller earned his B.S.B.A. from Iowa State University and M.B.A from the University of Missouri — Kansas City.

Robert Nelson is our Vice President, Controller and Chief Accounting Officer. Mr. Nelson served as the Acting Controller of Novelis Inc. beginning in July 2008 and was appointed Vice President, Controller and Chief Accounting Officer in November 2008. Previously, he worked for 22 years at Georgia Pacific, one of the world's leading manufacturers of tissue, pulp, paper, packaging, and building products. Mr. Nelson served in a variety of corporate and operational financial roles at Georgia Pacific, most recently as Vice President and Controller from 2004 to 2006. Prior to that, he was Vice President Finance, Consumer Products & Packaging. Mr. Nelson earned a degree in Accountancy from the University of Illinois — Urbana — Champaign and is a Certified Public Accountant in the State of Georgia.

Leslie J. Parrette, Jr. rejoined our company in October 2009 to serve as our Senior Vice President, General Counsel and Compliance Officer, and he was appointed Corporate Secretary in February 2010. Before rejoining our company, Mr. Parrette served as Senior Vice President, Legal Affairs and General Counsel for WESCO International, Inc. (formerly Westinghouse Electric Supply Co.) (electrical product distribution) from March 2009 until October 2009. From March 2005 until March 2009, he served as our Senior Vice President, General Counsel, Secretary and Compliance Officer. Prior to that, Mr. Parrette served as Senior Vice President, General Counsel and Secretary for Aquila, Inc. (gas and electric utility; energy trading) from July 2000 until February 2005. Mr. Parrette holds an A.B. in Sociology from Harvard College and received his J.D. from Harvard Law School.

Karen Renner has served as our Vice President and Chief Information Officer since October 2010, and is a member of the Executive Committee. Prior to joining Novelis, Ms. Renner worked at General Electric Company where she spent the last 18 years in progressively senior IT leadership roles, including CIO of GE Digital Energy, GE Security and GE Share Services/Quality. Ms. Renner earned both her undergraduate and Master's degree in Industrial Engineering from Auburn University as well as an M.B.A. from Georgia State University.

Board of Directors and Corporate Governance Matters

We are committed to our corporate governance practices, which we believe are essential to our success and to the enhancement of shareholder value. Our Senior Notes are publicly traded in the U.S., and, accordingly, we make required filings with U.S. securities regulators. We make these filings available on our website at www.novelis.com as soon as reasonably practicable after they are electronically filed. We are subject to a variety of corporate governance and disclosure requirements. Our corporate governance practices meet applicable regulatory requirements to ensure transparency and effective governance of the Company.

Our Board of Directors annually reviews corporate governance practices in light of developing requirements in this field. As new provisions come into effect, our Board of Directors will reassess our corporate governance practices and implement changes as and when appropriate. The following is an overview of our corporate governance practices.

Novelis Board of Directors

Our Board of Directors currently has five members, all of whom are appointed by our sole shareholder. Our Board of Directors has the responsibility for stewardship of Novelis Inc., including the responsibility to ensure that we are managed in the interest of our sole shareholder, while taking into account the interests of other stakeholders. Our Board of Directors supervises the management of our business and affairs and discharges its duties and obligations in accordance with the provisions of: (1) our articles of incorporation and bylaws; (2) the charters of its committees and (3) other applicable legislation and company policies.

Our corporate governance practices require that, in addition to certain statutory duties, the following matters be subject to our Board of Directors' approval: (1) capital expenditure budgets and significant investments and divestments; (2) our strategic and value-maximizing plans; (3) the number of directors within the limits provided by our by-laws and (4) any matter which may have the potential for substantial impact on our Company. Our Board of Directors reviews the composition and size of our Board of Directors once a year. Senior management makes regular presentations to our Board of Directors on the main areas of our business.

Corporate Governance

Holders of our Senior Notes and other interested parties may communicate with the Board of Directors, a committee or an individual director by writing to Novelis Inc., Two Alliance Center, 3560 Lenox Road N.E., Suite 2000, Atlanta, GA 30326, Attention: Corporate Secretary — Board Communication. All such communications will be compiled by the Corporate Secretary and submitted to the appropriate director or board committee. The Corporate Secretary will reply or take other actions in accordance with instructions from the applicable board contact.

Committees of Our Board of Directors

Our Board of Directors has established two standing committees: the Audit Committee and the Compensation Committee. Each committee is governed by its own charter.

According to their authority as set out in their charters, our Board of Directors and each of its committees may engage outside advisors at the expense of Novelis.

Audit Committee and Financial Experts

Our Board of Directors has established an Audit Committee. Messrs. Stewart, Bhattacharya and Chandran are the members of the Audit Committee. Mr. Stewart, an independent director, has been identified as an "audit committee financial expert" as that term is defined in the rules and regulations of the SEC.

Our Audit Committee's main objective is to assist our Board of Directors in fulfilling its oversight responsibilities for the integrity of our financial statements, our compliance with legal and regulatory requirements, the qualifications and independence of our independent registered public accounting firm and the performance of both our internal audit function and our independent registered public accounting firm. Under the Audit Committee charter, the Audit Committee is responsible for, among other matters:

- evaluating and compensating our independent registered public accounting firm;
- making recommendations to the Board of Directors and shareholders relating to the appointment, retention and termination of our independent registered public accounting firm;
- discussing with our independent registered public accounting firm their qualifications and independence from management;
- reviewing with our independent registered public accounting firm the scope and results of their audit;
- pre-approving all audit and permissible non-audit services to be performed by our independent registered public accounting firm;
- reviewing areas of potential significant financial risk and the steps taken to monitor and manage such exposures;
- overseeing the financial reporting process and discussing with management and our independent registered public accounting firm the interim and annual financial statements that we file with the SEC; and
- reviewing and monitoring our accounting principles, accounting policies and disclosure, internal control over financial reporting and disclosure controls and procedures.

Compensation Committee

Our Compensation Committee establishes our general compensation philosophy and oversees the development and implementation of compensation policies and programs. It also reviews and approves the level of and/or changes in the compensation of individual executive officers taking into consideration individual performance and competitive compensation practices. The committee's specific roles and responsibilities are set out in its charter. Our Compensation Committee periodically reviews the effectiveness of our overall management organization structure and succession planning for senior management, reviews recommendations for the appointment of executive officers, and reviews annually the development process for high potential employees.

Code of Conduct and Guidelines for Ethical Behavior

Novelis has adopted a Code of Conduct for the Board of Directors and Senior Managers and maintains a Code of Ethics for Senior Financial Officers that applies to our senior financial officers including our principal executive officer, principal financial officer, principal accounting officer, or persons performing similar functions. We also maintain a Code of Conduct that governs all of our employees. Copies of the Code of Conduct for the Board of Directors and Senior Managers and the Code of Ethics for Senior Financial Officers are available on our website at www.novelis.com. We will promptly disclose any future amendments to these codes on our website as well as any waivers from these codes for executive officers and directors. Copies of these codes are also available in print from our Corporate Secretary upon request.

Item 11. *Executive Compensation*

This section provides a discussion of the background and objectives of our compensation programs for senior management, as well as a discussion of all material elements of the compensation of each of the named executive officers for fiscal 2011 identified in the following table. The named executive officers are determined in accordance with SEC rules and include our principal executive officer, our principal financial officer, and the three other highest paid executive officers that were employed on March 31, 2011.

Named Executive Officer	Title
Philip Martens	President and Chief Executive Officer
Steven Fisher	Senior Vice President and Chief Financial Officer
Tadeu Nardocci	Senior Vice President and President of Novelis Europe
Erwin Mayr	Senior Vice President and Chief Strategy and Commercial Officer
Jean-Marc Germain	Senior Vice President and President of Novelis North America

Compensation Committee and Role of Management

The Compensation Committee of our board of directors (the Committee) is responsible for approving the compensation programs for our named executive officers and making decisions regarding specific compensation to be paid or awarded to them. The Committee acts pursuant to a charter approved by our board.

Our Chief People Officer serves as the management liaison officer for the Committee. Our human resources and legal departments provide assistance to the Committee in the administration of the Committee's responsibilities.

Our named executive officers have no direct role in setting their own compensation. The Committee, however, normally meets with our management team to evaluate performance against pre-established goals, and management makes recommendations to the board regarding budgets, which affect certain goals. Our President and Chief Executive Officer also makes recommendations regarding compensation matters related to other named executive officers and provides input regarding executive compensation programs and policies generally.

Management also assists the Committee by providing information needed or requested by the Committee (such as our performance against budget and objectives, historic compensation, compensation expense, policies and programs, and peer company metrics) and by providing input and advice regarding compensation programs and policies and their impact on the Company and its executives.

With the assistance of management, the Committee develops an annual agenda to assist it in fulfilling its responsibilities. In the first quarter of each fiscal year, the Committee (1) reviews prior year performance and authorizes the distribution of short-term incentive and long-term incentive pay-outs, if any, for the prior year, (2) reviews base pay and short-term incentive targets for executives for the current year, and (3) recommends to the board of directors the form of award and performance criteria for the current cycle of the long-term incentive program. The Committee may deviate from the above practice when appropriate under the circumstances.

The Committee did not engage a third party compensation consultant to assist in developing our fiscal 2011 compensation program. However, management worked with Mercer LLC (a global human resource consulting firm) to evaluate and benchmark our compensation programs generally, and management provided the Committee with the outcome of management's analysis. Management also routinely reviews compensation surveys published by other leading global human resources consulting firms. For benchmarking purposes, management focuses on the compensation programs of other companies in the manufacturing and materials sectors having revenues in excess of $4 billion. Peer group companies considered in management's compensation analysis included: Arcelormittal SA, Saint-Gobain, BHP Billiton Limited, Dow Chemical, Bayer AG, Catepillar, Alcoa, Altria Group, Sabmiller PLC, Ingersoll- Rand PLC, PPG Industries, Norsk Hydro ASA, Air Products & Chemicals Inc, Ashland, Eastman Chemical, Kennametal, Noranda Aluminum Holding, Coca-Cola Enterprises, Southern, Genuine Parts, First Data, Praxair, AGCO and Newell Rubbermaid.

Objectives and Design of Our Compensation Program

Our executive compensation program is designed to attract, retain, and reward talented executives who will contribute to our long-term success and thereby build value for our shareholder. The program is organized around three fundamental principles:

- *Provide Total Cash and Total Direct Compensation Opportunities That Are Competitive with Similar Positions at Comparable Companies*: To enable us to attract, motivate and retain qualified executives, total cash compensation (base pay and annual short-term incentives) and total direct compensation opportunities for each executive (base pay, annual short-term incentives and long-term incentives) are targeted at levels to be competitive with similar positions at comparable companies.
- *A Substantial Portion of Total Direct Compensation Should Be at Risk Because It Is Performance-Based*: We believe executives should be rewarded for their performance. Consequently, a substantial portion of an executive's total direct compensation should be at risk, with amounts actually paid dependent on performance against pre-established objectives for the individual and the Company. The portion of an individual's total direct compensation that is based upon these performance objectives should increase as the individual's business responsibilities increase.
- *A Substantial Portion of Total Direct Compensation Should be Delivered in the Form of Long-Term Performance Based Awards*: We believe a long-term stake in the sustained performance of Novelis effectively aligns executive and shareholder interests and provides motivation for enhancing shareholder value.

The Committee recognizes that the engagement of strong talent in critical functions may entail recruiting new executives and involve negotiations with individual candidates. As a result, the Committee may determine in a particular situation that it is in our best interests to negotiate a compensation package that deviates from the principles set forth above.

Key Elements of Our Compensation Program

Our compensation program consists of four key elements: base pay, short-term (annual) incentives, long-term incentives, and employee benefits. The Committee, at least annually, compares the competitiveness of these key elements to that of companies in our peer group and to publicly available market data. Our general goal is to be at or near the 50th percentile among our peer group for total cash compensation and the 50^{th} percentile for total direct compensation. In fiscal 2011, this review revealed that, in the aggregate, total cash compensation for our executive officers was at our target and total direct compensation opportunity for our executive officers was below our target.

Base Pay. Based on market practices, the Committee believes it is appropriate that some portion of total direct compensation be provided in a form that is fixed and liquid. Base salary for our named executive officers is generally reviewed by the Committee in the first quarter of each fiscal year and any increases are generally effective on July 1. In setting base salary, the Committee is mindful of its overall goal for allocation of total compensation to base pay and considers the median base salary for comparable positions at companies in our peer group.

Short-Term (Annual) Incentives. We believe having an annual incentive opportunity is necessary to attract, retain and reward key employees. Our general philosophy is that annual cash incentives should be primarily based on achievement of Company-wide business goals. The Committee also retains the discretion to adjust, up or down, annual cash incentives earned based on the Committee's subjective assessment of individual performance. Annual incentives should be consistent with the strategic goals set by the board, and performance benchmarks should be sufficiently ambitious so as to provide meaningful incentive to our executive officers.

Our Committee and board, after input from management, approved the 2011 AIP on May 25, 2010. The performance benchmarks for the year were tied to four key components: (1) normalized operating earnings before interest, taxes, depreciation and amortization (EBITDA) performance; (2) operating free cash flow performance; (3) satisfaction of targeted environmental, health and safety (EHS) objectives; and (4) individual performance in recognition of each individual's unique job responsibilities and objectives. The potential payout attributable to each component may range from 0% to 200% of target as measured against actual performance.

The table below shows for each named executive officer, the target AIP bonus amount, the applicable performance objectives and relevant weightings, target and actual performance for each goal and the amount earned based on actual performance.

2011 AIP

Name	Target Bonus as Percentage of Salary	Performance Objective	Performance Weighting	Targeted Performance (A)	Actual Performance (A)	Actual Performance As a Percentage of Target Performance
Philip Martens	120%(E)	EBITDA(B)	40%	369,000	468,000	126.8%
		Cash Flow (C)	40%	369,000	621,188	168.3%
		EHS (D)	10%	92,250	92,035	99.8%
		Individual	10%	92,250	184,500	200.0%
Steven Fisher	75%	EBITDA(B)	40%	140,400	178,068	126.8%
		Cash Flow (C)	40%	140,400	236,355	168.3%
		EHS (D)	10%	35,100	35,018	99.8%
		Individual	10%	35,100	42,120	120.0%
Tadeau Nardocci	65%	EBITDA(B)	40%	109,100	138,371	126.8%
		Cash Flow (C)	40%	109,100	183,663	168.3%
		EHS (D)	10%	27,275	27,211	99.8%
		Individual	10%	27,275	27,275	100.0%
Erwin Mayr	50%	EBITDA (B)	40%	94,182	119,450	126.8%
		Cash Flow (C)	40%	94,182	158,549	168.3%
		EHS (D)	10%	23,546	23,491	99.8%
		Individual	10%	23,546	28,255	120.0%
Jean-Marc Germain	65%	EBITDA (B)	40%	104,098	132,026	126.8%
		Cash Flow (C)	40%	104,098	175,241	168.3%
		EHS (D)	10%	26,024	25,964	99.8%
		Individual	10%	26,024	52,049	200.0%

(A) All amounts earned in currencies other than U.S dollars are reflected in this table and in the entire Compensation Discussion and Analysis as U.S. Dollars as adjusted by the average of all month-end exchange rates for the period April 1, 2010 — March 31, 2011.

(B) "EBITDA" refers to our normalized operating EBITDA and is calculated by removing the following three items from Operating EBITDA (or Segment Income as reported in our external US GAAP financial statements): the impact from timing differences in the pass-through of metal price changes to our customers, net of realized derivative instruments; the impact from re-measuring to current exchange rates any monetary assets and liabilities which are denominated in a currency other than the functional currency of the reporting unit, net of realized derivative instruments; and the impact from purchase accounting amortizations, primarily related to the asset basis step-up and contracts which were adjusted to fair value on the date Novelis was acquired by Hindalco.

(C) "Cash Flow" refers to our operating free cash flow and is defined as (1) operating EBITDA (2) minus capital expenditures (3) plus (minus) net cash inflows (outflows) for working capital and other assets/liabilities. For the Company-wide metric, we also include net cash inflows (outflows) for (4) interest, (5) taxes, (6) dividends, (7) corporate expenses, (8) restructuring charges and (9) proceeds from asset sales.

(D) "EHS" refers to our recordable case rates, lost time injury and illness case rates and certain strategic EHS initiatives. The recordable case rate establishes targets for reducing the level of workplace accidents resulting in an injury requiring more than first aid treatment. The lost time injury and illness case rate establishes targets for reducing the level of workplace injuries or illnesses resulting in lost time of one shift or more. The strategic EHS initiatives establish targets for the completion of environmental initiatives that lead to significant reductions in water emissions, energy or waste aligned with site specific issues, and, establish targets for the completion of occupational health and safety initiatives that reduce site specific risks and exposures.

(E) Mr. Martens received an AIP bonus for 9 months at 110% of target and 3 months at 120% of target. The change coincided with his promotion from Chief Operating Officer to Chief Executive Officer.

Long-Term Incentives. The Committee believes that a substantial portion of each executive's total direct compensation opportunity should be based on long-term performance. The awards should align the interests of our executives and our shareholder. As noted above, the opportunity to receive long-term incentive compensation by an executive in a given year is generally determined by reference to the market for long-term incentive compensation among our peer group companies.

On May 25, 2010, our board of directors authorized the long term incentive plan covering fiscal years 2011 through 2014 ("2011 LTIP"). Under the 2011 LTIP, 80% of a participant's total long term incentive opportunity consists of performance-based stock appreciation rights ("SARs") and the remaining 20% consists of restricted stock units ("RSUs"). For fiscal 2009 and 2010, the long term incentives were granted entirely in the form of SARs. For fiscal 2011, the Committee decided to incorporate RSUs into the long term incentive program to ensure that our executives have the opportunity to retain some intrinsic value with respect to the underlying award over the entire incentive cycle.

SARs vest at a rate of 25% per year, subject to performance criteria (see below) 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, where market values are denominated in Indian rupees and converted to the participant's payroll currency at the time of exercise. The amount of cash paid is limited to (i) 2.5 times the target payout if exercised within one year of vesting or (ii) three times the target payout if exercised after one year of vesting. SARs do not transfer any shareholder rights in Hindalco to a participant.

The performance criterion for vesting is based on the actual overall Novelis normalized operating earnings before interest, taxes, depreciation and amortization, as adjusted (adjusted Operating EBITDA) compared to the target adjusted Operating EBITDA established and approved each fiscal year. The minimum threshold for vesting each year is 75% of each annual target adjusted Operating EBITDA, at which point 75% of the SARs for that period would vest, with an equal pro rata amount of SARs vesting through 100% achievement of the target.

In the event a participant resigns, unvested SARs will lapse and vested SARs must be exercised within 90 days. If a participant retires more than one year from the date of grant, SARs will continue to vest and must be exercised no later than the third anniversary of retirement. In the event of death or disability, there will be immediate vesting of all SARs with one year to exercise. Upon a change in control, there would be immediate vesting and cash-out of SARs.

The RSUs under the 2011 LTIP vest in full three years from the grant date and are not subject to performance criteria. The payout on the RSUs is limited to three times the grant price. Except in the case of death or disability, if a participant's employment ends before the RSUs are fully vested, the RSUs will be forfeited. In the case of a change of control, death or disability, the RSUs would be vested and paid out.

The following long term incentive grants were made to our named executive officers under the 2011 LTIP.

2011 LTIP

Name	2011 LTIP Approved Grant ($)	Number of SARs Granted (A)	Number of RSUs Granted
Philip Martens	2,500,000	1,253,082	159,517
Steven Fisher	577,500	289,462	36,849
Tadeu Nardocci	577,500	289,462	36,849
Erwin Mayr	300,000	150,370	19,142
Jean-Marc Germain	577,500	289,462	36,849

(A) Target Operating EBITDA for fiscal 2011 was exceeded and 25% of the SARs will fully vest on May 25, 2011 for fiscal 2011.

Employee Benefits. Our named executive officers are eligible to participate in our broad-based retirement, health and welfare, and other employee benefit plans on the same basis as other employees. In addition to these broad-based plans, our U.S. and Swiss based executives may be eligible for certain non-qualified retirement plan benefits, which are designed to provide the executives with retirement benefits which they are restricted from receiving under the broad-based retirement plans due to certain restrictions. Our named executive officers are also eligible for certain perquisites consistent with market practice. We do not view our executive perquisites as a significant element of our comprehensive compensation structure.

Employment-Related Agreements

Employment Agreements. Each of our named executive officers was subject to an employment agreement during fiscal 2011. The terms of each such agreement generally provides for a minimum base salary, short and long term incentive opportunity and benefits and perquisites customarily provided to our executives. Certain of our named executives are also eligible for an expatriate premium and certain other related payments. *See "Summary Compensation Table" below for details.*

Change in Control Agreements. Each of our named executive officers was subject to a Change in Control Agreement during fiscal 2011, which provides that the executive will be entitled to certain payments and benefits if the executive's employment is terminated by the Company without cause, or by the executive for good reason, within 24 months of a change in control of the Company. The change in control severance payment is equal to 2.0 (or 1.5 in the case of Mr. Mayr) times the sum the executive's annual base salary plus target short-term incentive for the year and is payable in a lump sum. The executive may also receive a (i) a special one-time payment to assist with post-employment medical coverage; (ii) continuation of coverage under the Company's group life insurance plan for a period of 12 months; (iii) 12 months of additional credit for benefit accrual or contribution purposes under our retirement plans; and (iv) accelerated vesting, if applicable, under our retirement plans. If the payment to Mr. Martens would cause him to be subject to an excise tax under Section 4999 of the U.S. Internal Revenue Code, then he would also be entitled to receive a tax gross-up payment. *See "Potential Payments Upon Termination or Change in Control" below for details.*

Severance Compensation Agreements. Each named executive officer (other than Mr. Martens) is a party to a Severance Agreement, which provides that the executive will be entitled to certain payments and benefits if his employment is terminated by the Company without cause. The severance provisions for Mr. Martens are set forth in his employment agreement. The severance payment is equal to 1.5 times the executive's annual base salary (or, in the case of Mr. Mayr, 1.0 times annual base salary, and in the case of Mr. Martens, 2.0 times the sum of annual base salary plus target short-term incentive for the year) in effect at termination and is payable in a lump sum. The executive may also receive a (i) a special one-time payment to assist with post-employment medical coverage; (ii) continuation of coverage under the Company's group life insurance plan for a period of 12 months; (iii) 12 months of additional credit for benefit accrual or contribution purposes under our retirement plans; and (iv) accelerated vesting, if applicable, under our retirement plans. Each agreement also contains a non-competition and non-solicitation provision which prohibits the executive from competing with us or soliciting our customers, suppliers or employees for a period of 18 months (or, 12 months in the case of Mr. Mayr, and 24 months in the case of Mr. Martens) following termination. *See "Potential Payments Upon Termination or Change in Control" below for details.*

Retention Agreements. On July 1, 2009, we entered into individual retention agreements with our named executive officers employed at that time. The agreements provide for cash payments to the named executive officers on July 1, 2010, July 1 2011 and July 1, 2012, unless the named executive officer voluntarily terminates employment or is terminated by the Company for cause prior to those dates. The remaining cash amounts payable under the retention agreements are as follows:

	July 1, 2011 ($)	July 1, 2012 ($)
Steven Fisher	75,000	75,000
Tadeu Nardocci	72,847	72,847(A)
Erwin Mayr	73,199	73,199(A)
Jean-Marc Germain	54,000	54,000

(A) These amounts represent BRL 125,000 for Mr. Nardocci and CHF 73,250 for Mr. Mayr, converted to USD.

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The retention agreements also provide for the grant of phantom restricted shares, with one share equal to the value of one Hindalco share. The phantom restricted shares will vest on July 1, 2012, unless the named executive officer voluntarily terminates employment or is terminated by the Company for cause prior to that date; provided that the maximum payout may not exceed two times the original value of the phantom restricted shares. *See "Outstanding Equity Awards as of March 31, 2011 Table" below for details.*

Compensation Risk Assessment

In fiscal 2011, the Committee reviewed the Company's executive compensation policies and practices, and determined that the Company's executive compensation programs are not reasonably likely to have a material adverse effect on the Company. The Committee also reviewed the Company's compensation programs for certain design features which have been identified by experts as having the potential to encourage excessive risk-taking, including: (i) too much focus on equity; (ii) compensation mix overly weighted toward annual incentives; (iii) uncapped payouts; (iv) unreasonable goals or thresholds; or (v) steep payout cliffs at certain performance levels that may encourage short-term decisions to meet payout thresholds. Based on its review, the Committee determined that, for all employees, the Company's compensation programs do not encourage excessive risk and instead encourage behaviors that support sustainable value creation.

Compensation Committee Report

The Committee has reviewed and discussed the foregoing Compensation Discussion and Analysis with management. Based on the Committee's review of and discussions with management, the Committee recommended to the board of directors that the Compensation Discussion and Analysis be included in the Company's Annual Report on Form 10-K for fiscal 2011.

The foregoing report is provided by the following directors, who constitute the Committee:

- Mr. Clarence J. Chandran, Chairman
- Mr. Debnarayan Bhattacharya
- Mr. Askaran Agarwala

Summary Compensation Table

The table below sets forth information regarding compensation for our named executive officers for fiscal 2009 through 2011, as applicable.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value ($)	All Other Compensation ($)	Total ($)
Philip Martens,	2011	755,000	—	500,000(A)	2,000,000(B)	1,365,723(C)	—	128,802(D)	4,749,525
President and	2010	670,833	—	—	2,000,000	1,123,775	—	338,350	4,132,958
Chief Executive Officer									
Steven Fisher,	2011	463,500	—	115,500(A)	462,000(B)	491,561(C)	—	160,555(D)	1,693,116
Senior Vice President and	2010	450,000	—	180,000	525,000	911,982	—	75,428	2,142,410
Chief Financial Officer	2009	425,000	—	42,370	500,000	46,575	—	67,657	1,081,602
Tadeu Nardocci,	2011	417,558	—	115,500(A)	462,000(B)	376,520(C)	—	1,064,622(D)	2,436,200
Senior Vice President and	2010	457,779(E)	—	154,020	525,000	611,149	—	353,327	2,101,275
President of Novelis Europe									
Erwin Mayr, Senior Vice	2011	468,602	—	60,000(A)	240,000(B)	329,745(C)	46,836(F)	737,805(D)	1,882,988
President and Chief Strategy and Commercial Officer									
Jean-Marc Germain, Senior Vice	2011	381,531	—	115,500(A)	462,000(B)	385,280(C)	88,297(G)	433,836(D)	1,866,444
President and President of	2010	325,044	—	130,000	525,000	542,142	40,886	86,333	1,649,405
Novelis North America	2009	318,625	—	40,140	500,000	15,422	24,847	126,681	1,025,715

(A) This amount reflects the grant date fair value of the RSUs granted under the 2011 LTIP.

(B) This amount reflects the grant date fair value of the SARs granted under the 2011 LTIP. Fair value is calculated using the Black-Scholes value on the date of grant of $1.596 per SAR.

(C) This amount reflects the cash award earned under the 2011 AIP.

(D) The amounts shown in the All Other Compensation Column reflect the values from the table below.

(E) This amount represents base salary and a cash payout of vacation days not utilized at the end of Mr. Nardocci's Brazilian employment contract.

(F) Since our spin-off from Alcan in 2005, we have continued to participate in Alcan's two pension plans in Switzerland: (1) Pensionskasse Alcan Schweiz (defined benefit plan) and (2) Erganzungskasse Alcan Schweiz (supplemental defined contribution plan). The defined benefit plan is computed based on a participant's final earnings (up to a limit and less a coordination amount) and service up to 45 years. The defined contribution plan only recognized earnings in excess of the defined benefit plan earnings limit. The amount shown in the Summary Compensation Table represents the aggregate change in actuarial present value of the named executive officer's accumulated benefit under the defined benefit plan during fiscal year 2011. Assumptions used in the calculation of these amounts are included in Note 12 to our audited consolidated financial statements for the year ended March 31, 2011.

(G) U.S. based executives hired before January 1, 2005 participate in the Novelis Pension Plan and the Novelis Supplemental Executive Retirement Plan (Novelis SERP). The Novelis Pension Plan is a defined benefit pension plan based on the participant's final earning (up to the IRS limit) and service up to 35 years. The Novelis SERP has the same formula as the Novelis Penson Plan, but only covers earnings in excess of the IRS compensation limit. Mr. Germain is a participant in both the Novelis Pension Plan and the Novelis SERP. The amount shown in the Summary Compensation Table represents the aggregate change in actuarial present value of the named executive officer's accumulated benefit under these plans during fiscal year 2011. Assumptions used in the calculation of these amounts are included in Note 12 to our audited consolidated financial statements for the year ended March 31, 2011.

Name	Company Contribution to Defined Contribution Plans ($)	Group Life Insurance ($) (B)	Retention Payments ($)	Relocation and Housing Related Payments ($)	Other Perquisites and Personal Benefits ($)	Total ($)
Philip Martens	81,625(A)	3,233	—	5,519(C)	38,425(D)	128,802
Steven Fisher	51,278(A)	1,423	75,000(E)	—	32,854(F)	160,555
Tadeu Nardocci	101,590(G)	2,280	74,731(H)	874,102(I)	11,919(J)	1,064,622
Erwin Mayr	51,775(K)	389	73,199(L)	556,277(M)	56,165(N)	737,805
Jean-Marc Germain	11,873(A)	1,081	54,000(E)	343,520(O)	23,362(P)	433,836

(A) All U.S. based executives are eligible to participate in our qualified and non-qualified savings plans. We match up to 4.5% of pay to our qualified plan (up to the IRS compensation limit; $245,000 for calendar year 2011) for participants who contribute 6% of pay or more to the plan. U.S. based executives hired on or after January 1, 2005 are also eligible to share in our discretionary contributions. Discretionary contributions are first made to the qualified plan (up to the IRS compensation limit) and any excess amounts are made to our non-qualified supplemental defined contribution plan. For fiscal 2011, we made a discretionary contribution equal to 5% of pay. Mr. Martens and Mr. Fisher are the only named executive officers eligible for a discretionary contribution for the period. See the "Non-Qualified Deferred Compensation" table below for more information.

(B) Executives are entitled to participate in life insurance benefits on the same basis as other employees. Our named executive officers are entitled to additional Company-paid life insurance of 1.5 times salary.

(C) This amount represents taxable moving expenses.

(D) This amount includes executive flex allowance, tax assistance and car allowance, each of which individually had an aggregate incremental cost less than $25,000.

(E) This amount represents first payment under the July 1, 2009 retention arrangement.

(F) This amount includes executive flex allowance and car allowance, each of which individually had an aggregate incremental cost less than $25,000.

(G) All Brazil employees are eligible to participate in a defined contribution pension plan. Employees may voluntarily contribute from 0-12% of base salary. Independent of any employee contribution, the Company will contribute 0.7% of base pay up to 1 plan unit ($1,735 in 2011) and 14% (10% if hired on or after July 1, 2003) of pay in excess of 1 plan unit. Mr. Nardocci was the only named executive eligible for the Brazil Pension Plan.

(H) This amount represents the first payment under the July 1, 2009 retention arrangement (BRL 125,000 paid on Swiss payroll using exchange rate 1BRL=CHF 0.5982672).

(I) This amount includes $92,935 housing allowance, $11,656 vacation premium, $38,326 expatriate premium, $160,915 goods and services adjustment, $14,195 Brazilian taxes on home sale and $556,075 relating to estimated tax gross up payments. The tax gross up payments include personal income tax and are not final. The final actual balance of the tax gross up amount, adjusted against his tax at source, will be equalized by the Swiss tax authorities at a later time. The amount of Mr. Nardocci's tax obligation is currently under consideration before the Swiss tax authorities.

(J) This amount includes car allowance, health care expenses, lunch premium, accident insurance and home security, each of which individually had an aggregate incremental cost less than $25,000.

(K) This amount represents the Company's contribution to our Swiss supplemental defined contribution plan (Erganzungskasse Alcan Schweiz).

(L) This amount represents the first payment under the July 1, 2009 retention arrangement (CHF 73,250 paid on Swiss payroll).

(M) This amount includes $88,819 housing and temporary housing allowance, $315,596 tax gross up payment adjusted against hypothetical tax, $86,221 relocation allowance and $65,642 expat premium.

(N) This amount represents child tuition reimbursement.

(O) This amount includes $200,188 relocation bonus and $143,332 in relocation expenses.

(P) This amount includes executive flex allowance and car allowance, each of which individually had an aggregate incremental cost less than $25,000.

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Grants of Plan-Based Awards in Fiscal 2011

The table below sets forth information regarding grants of plan-based awards made to our named executive officers for the year ended March 31, 2011.

Name	Grant Date	Estimated Future Payout Under Non-Equity Incentive Plan Awards (A) Threshold ($)	Target ($)	Maximum ($)	All Other Stock Awards: Number of Shares of Stock or Units (#) (B)	All Other Option Awards: Number of Securities Underlying Options (#) (C)	Exercise or Base Price of Option Awards ($/Sh) (D)	Grant Date Fair Value of Stock and Option Awards (E)
Philip Martens	5/25/2010	—	922,500	1,845,000	—	—	—	—
	5/25/2010	—	—	—	—	1,253,082	3.13	2,000,000
	5/25/2010	—	—	—	159,517	—	3.13	500,000
Steven Fisher	5/25/2010	—	351,000	702,000	—	—	—	—
	5/25/2010	—	—	—	—	289,462	3.13	462,000
	5/25/2010	—	—	—	36,849	—	3.13	115,500
Tadeu Nardocci	5/25/2010	—	272,750	545,500	—	—	—	—
	5/25/2010	—	—	—	—	289,462	3.13	462,000
	5/25/2010	—	—	—	36,849	—	3.13	115,500
Erwin Mayr	5/25/2010	—	235,455	470,910	—	—	—	—
	5/25/2010	—	—	—	—	150,370	3.13	240,000
	5/25/2010	—	—	—	19,142	—	3.13	60,000
Jean-Marc Germain	5/25/2010	—	260,244	520,488	—	—	—	—
	5/25/2010	—	—	—	—	289,462	3.13	462,000
	5/25/2010	—	—	—	36,849	—	3.13	115,500

(A) These amounts reflect the cash awards under our 2011 AIP. See the Summary Compensation Table for actual results.

(B) These amounts represent the number of RSUs granted under the 2011 LTIP.

(C) These amounts represent the number of SARs granted under the 2011 LTIP.

(D) As of grant date INR 147.10, exchange rate 1USD=INR 46.93. Per plan rules based on 5 day average of closing price of Hindalco shares on NSE and 5 day average RBI FX rate.

(E) These amounts are reflected in the Summary Compensation Table.

Outstanding Equity Awards as of March 31, 2011

Name	OPTION AWARDS: Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($) (A)	Option Expiration Date	STOCK AWARDS: Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)
Philip Martens	—	1,253,082	3.13	May 25, 2017(B)	159,517(E)	749,393
	—	1,755,004	1.79	June 25, 2016(C)	—	—
Steven Fisher	—	289,462	3.13	May 25, 2017(B)	140,516(F)	533,112
	—	460,688	1.79	June 25, 2016(C)	—	—
	219,629	439,258	1.24	June 25, 2015(D)	—	—
Tadeu Nardocci	—	289,462	3.13	May 25, 2017(B)	125,553(G)	481,152
	53,563	460,688	1.79	June 25, 2016(C)	—	—
	—	307,481	1.24	June 25, 2015(D)	—	—
Erwin Mayr	—	150,370	3.13	May 25, 2017(B)	111,642(H)	411,149
	52,650	157,950	1.79	June 25, 2016(C)	—	—
	83,459	166,918	1.24	June 25, 2015(D)	—	—
Jean-Marc Germain	—	289,462	3.13	May 25, 2017(B)	111,720(I)	433,112
	153,563	460,688	1.79	June 25, 2016(C)	—	—
	219,629	439,258	1.24	June 25, 2015(D)	—	—

(A) The exercise price is based on the market value of one Hindalco share on the date of grant, converted to US$.

(B) SARs granted under the 2011 LTIP.

(C) SARs granted under the 2010 LTIP.

(D) SARs granted under the 2009 LTIP.

(E) RSUs granted under the 2011 LTIP.

(F) Consists of 36,849 RSUs granted under the 2011 LTIP and 103,667 phantom restricted shares (payable in cash) under the executive's retention agreement.

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(G) Consists of 36,849 RSUs granted under the 2011 LTIP and 88,704 phantom restricted shares (payable in cash) under the executive's retention agreement.

(H) Consists of 19,142 RSUs granted under the 2011 LTIP and 92,500 phantom restricted shares (payable in cash) under the executive's retention agreement.

(I) Consists of 36,849 RSUs granted under the 2011 LTIP and 74,871 phantom restricted shares (payable in cash) under the executive's retention agreement.

Option Exercises and Stock Vested in Fiscal Year 2011

The table below sets forth the information regarding stock options that were exercised or were cancelled and paid out during fiscal 2011 and stock awards that vested and were paid out during fiscal 2011.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise or Cancellation	Value Realized on Exercise or Cancellation ($)	Number of Shares Acquired on Vesting or Cancellation	Value Realized on Vesting or Cancellation ($)
Philip Martens	585,001	910,853	—	—
Steven Fisher	153,563	341,811	—	—
Tadeu Nardocci	253,740	435,037	—	—
Erwin Mayr	—	—	—	—
Jean-Marc Germain	—	—	—	—

Pension Benefits in Fiscal 2011

The table below sets forth information regarding the present value as of March 31, 2011 of the accumulated benefits of our named executive officers under our defined benefit pension plans (both qualified and non-qualified). U.S. executives who were hired on or after January 1, 2005 are not eligible to participate in our defined benefit pension plans.

Name	Plan Name (A)	Number of Years of Credited Service	Present Value of Accumulated Benefit ($)(B)	Payments During Last Fiscal Year
Erwin Mayr	Pensionskasse Alcan Schweiz	9.000	184,321	—
Jean-Marc Germain	Novelis Pension Plan	4.250	81,190	—
	Novelis SERP	4.250	95,533	—

(A) See the footnotes to the Summary Compensation Table for a description of these plans.

(B) See Note 12 to our audited consolidated financial statements for the year ended March 31, 2011, for a discussion of the assumptions used in the calculation of these amounts.

The following table shows estimated retirement benefits, expressed as a percentage of eligible earnings, payable upon normal retirement at age 65:

	Years of Service					
	10	15	20	25	30	35
U.S. Pension Plan	17%	25%	34%	42%	51%	59%
Swiss Pension Plan	16%	24%	32%	40%	48%	56%

Non-Qualified Deferred Compensation

This table summarizes the Novelis contributions and earnings for Messrs. Martens and Fisher under our Defined Contribution Supplemental Executive Retirement Plan for fiscal year 2011. This plan is a non-qualified defined contribution plan for U.S. based executives. The plan provides eligible executives with the Company discretionary contributions they are restricted from receiving under our tax-qualified savings plan due to limitations under the U.S. Internal Revenue Code. For fiscal 2011, we made a discretionary contribution equal to 5% of pay.

Name	Elective Contributions in Last Fiscal Year ($)	Registrant Contributions in Last Fiscal Year ($) (A)	Aggregate Earnings in Last Fiscal Year ($) (A)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last Fiscal Year End ($) (B)
Philip Martens	—	55,500	812	—	68,942
Steven Fisher	—	27,575	1,689	—	76,894

(A) Contributions, but not Earnings are included in the Summary Compensation Table above.

(B) Of the balance at the end of the fiscal year, $68,042 for Mr. Martens and $73,243 for Mr. Fisher was previously reported as compensation in previous years.

Potential Payments Upon Termination or Change in Control

This section provides an estimate of the payments and benefits that would be paid to certain of our named executive officers, at March 31, 2011, upon voluntary or involuntary termination of employment without cause. This section, however, does not reflect any payments or benefits that would be paid to our salaried employees generally, including for example accrued salary and vacation pay; regular pension benefits under our qualified and non-qualified defined benefit plans; normal distribution of account balances under our qualified and non-qualified defined contribution plans; or normal retirement, death or disability benefits.

Name	Type of Payment	Voluntary Termination by Executive ($)	Termination by Us without Cause ($) (C) (D)	Termination by Us without Cause or by Executive for Good Reason in Connection with Change in Control ($) (E) (F)	Death or Disability($)
Philip Martens	Short-Term Incentive Pay (A)	922,500	922,500	922,500	922,500
	Long-Term Incentive Plan (B)	—	—	7,358,805	7,358,805
	Severance	—	3,485,000	3,485,000	—
	Retirement plans	—	88,925	88,925	—
	Lump sum cash payment for continuation of health coverage (G)	—	29,348	29,348	—
	Continued group life insurance coverage (H)	—	7,135	7,135	—
	Tax Gross Up	—	—	—(I)	—
	Total	922,500	4,532,908	11,891,713	8,281,305
Steven Fisher	Short-Term Incentive Pay (A)	351,000	351,000	351,000	351,000
	Long-Term Incentive Plan (B)	410,714	410,714	3,445,210	3,445,210
	Severance	—	702,000	1,638,000	—
	Retirement plans	—	51,975	51,975	—
	Lump sum cash payment for continuation of health coverage (G)	—	29,348	29,348	—
	Continued group life insurance coverage (H)	—	3,544	3,544	—
	Total	761,714	1,548,581	5,519,077	3,796,210
Tadeu Nardocci	Short-Term Incentive Pay (A)	272,750	272,750	272,750	272,750
	Long-Term Incentive Plan (B)	148,417	148,417	2,884,525	2,884,525
	Severance	—	629,423	1,384,730	—
	Retirement plans	—	101,590	101,590	—
	Lump sum cash payment for continuation of health coverage (G)	—	—	—	—
	Continued group life insurance coverage (H)	—	2,280	2,280	—
	Total	421,167	1,154,460	4,645,875	3,157,275

Name	Type of Payment	Voluntary Termination by Executive ($)	Termination by Us without Cause ($) (C) (D)	Termination by Us without Cause or by Executive for Good Reason in Connection with Change in Control ($) (E) (F)	Death or Disability($)
Erwin Mayr	Short-Term Incentive Pay (A)	235,455	235,455	235,455	235,455
	Long-Term Incentive Plan (B)	301,959	301,959	1,672,492	1,672,492
	Severance	—	470,910	1,059,548	—
	Retirement plans	—	87,272	87,272	—
	Lump sum cash payment for continuation of health coverage (G)	—	—	—	—
	Continued group life insurance coverage (H)	—	1,556	1,556	—
	Total	537,414	1,097,152	3,056,323	1,907,947
Jean-Marc Germain	Short-Term Incentive Pay (A)	260,244	260,244	260,244	260,244
	Long-Term Incentive Plan (B)	836,220	836,220	3,770,717	3,770,717
	Severance	—	600,563	1,321,238	—
	Retirement plans	—	86,741	86,741	—
	Lump sum cash payment for continuation of health coverage (G)	—	29,348	29,348	—
	Continued group life insurance coverage (H)	—	2,778	2,778	—
	Total	1,096,464	1,815,894	5,471,066	4,030,960

(A) These amounts represent 100% of the executive’s AIP opportunity for the fiscal year.

(B) These amounts reflect the estimated value of the SARs and RSUs granted pursuant to our long-term incentive plans. In the case of a change in control of the Company, death or disability, any outstanding unvested SARs and RSUs would be fully vested.

(C) These amounts would be paid pursuant to the executive’s severance compensation agreement (or employment agreement in the case of Mr. Martens). Except for the retirement and life insurance benefits, these amounts would be paid in a single lump sum following termination of employment. The retirement benefit represents one additional year of benefit accrual or contribution credit, as applicable. The life insurance benefit represents the estimate value of coverage for one additional year.

(D) Termination for “cause” means (i) the executive’s conviction of any crime (whether or not involving the Company) constituting a felony in the applicable jurisdiction; (ii) willful and material violation of the Company’s policies, including, but not limited to, those relating to sexual harassment and confidential information; (iii) willful misconduct in the performance of the executive’s duties for the Company; or (iv) willful failure or refusal to perform the executive’s material duties and responsibilities which is not remedied within ten days after written demand from the board of directors to remedy such failure or refusal.

(E) Under the executive’s change in control agreement, these amounts would be paid to the executive if his employment is terminated without cause, or he resigns for good reason, within 24 months of a change of control. Except for the retirement and life insurance benefits, these amounts would be paid in a single lump sum following termination of employment. The retirement benefit represents one additional year of benefit accrual or contribution credit, as applicable. The life insurance benefit represents the estimate value of coverage for one additional year.

(F) See footnote (D) above for definition of “cause.” Termination for “good reason” means (i) a material reduction in the executive’s position, duties, reporting relationships, responsibilities, authority, or status with the Company; (ii) a reduction in the executive’s base salary and target short term and long term incentive opportunities in effect on the date hereof or as the same may be increased from time to time ; or (iii) a failure of the Company to comply with its obligations under the change in control agreement. A “change in control” means the first to occur of any of the following events: (i) any person or entity (excluding any person or entity affiliated with the Aditya Birla Group) is or becomes the beneficial owner, directly or indirectly through any parent entity of the Company or otherwise, of securities of the Company (not including in the securities beneficially owned by such person or entity any securities acquired directly from the Company or its affiliates, other than in connection with the acquisition by the Company or its affiliates of a business) representing 35% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company’s then outstanding securities; or (ii) the majority of the members of the Board of Directors of the Company is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election; or (iii) the consummation of a merger or consolidation of the Company with any other entity not affiliated with the Aditya Birla Group, other than (a) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company, 50% or more of the combined voting power of the voting securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (b) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no person or entity is or becomes the beneficial owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such person or entity any securities acquired directly from the Company or its affiliates, other than in connection with the acquisition by the Company or its affiliates of a business) representing 50% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company’s then outstanding securities; or (iv) the stockholders of the Company approve a plan of complete liquidation or dissolution; or (v) the sale or disposition of all or substantially all of the Company’s assets, other than a sale or disposition by the Company of all or substantially all of its assets to a member of the Aditya Birla Group.

(G) This amount is intended to assist the executive in paying post-employment health coverage and is equal to 12 months times the COBRA premium rate, grossed up for applicable taxes using an assumed tax rate of 40%. This amount would be paid in a single lump sum following termination of employment.

(H) This amount represents the estimated value of one additional year of coverage under our group life insurance plan.

(I) Under Mr. Marten's change in control agreement, the Company is required to reimburse him for any excise tax liability under Section 4999 of the U.S. Internal Revenue Code. We do not believe any such excise tax liability would have been imposed under Section 4999 had a change in control occurred on March 31, 2011.

(J) In the event of a Company initiated Termination for Cause, unvested SARs will lapse and employee will forfeit any vested SARs. All RSUs and Short-Term Incentive awards will be forfeited.

Director Compensation for Fiscal 2011

The Chairman of our board of directors is entitled to receive cash compensation equal to $250,000 per year, and the Chair of our Audit Committee is entitled to receive $175,000 per year. Each of our other directors is entitled to receive compensation equal to $150,000 per year, plus an additional $5,000 if he is a member of our Audit Committee. Directors' fees are paid in quarterly installments.

Since July 2008, two of our directors, Messrs. Birla and Stewart, have declined to receive the director compensation to which they are entitled. All directors, however, continue to receive reimbursement for out-of-pocket expenses associated with attending board and Committee meetings. The table below sets forth the total compensation received by our non-employee directors for fiscal 2011.

Name	Fees Earned or Paid in Cash ($)
Kumar Mangalam Birla	—
D. Bhattacharya	155,000
Askaran K. Agarwala	150,000
Clarence J. Chandran	155,000
Donald A. Stewart	—

Compensation Committee Interlocks and Insider Participation

In fiscal 2011, only Independent Directors served on the Committee. Clarence J. Chandran was the Chairman of the Committee. The other Committee members during all or part of the year were Mr. D. Bhattacharya and Mr. Askaran Agarwala. During fiscal 2011, none of our executive officers served as:

- a member of the Committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served on our Committee;
- a director of another entity, one of whose executive officers served on our Committee; or
- a member of the Committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served as one of our directors.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters***

On May 15, 2007, the Company was acquired by Hindalco through its indirect wholly-owned subsidiary AV Metals Inc. (Acquisition Sub) pursuant to a plan of arrangement (the Arrangement) entered into on February 10, 2007 and approved by the Ontario Superior Court of Justice on May 14, 2007.

Subsequent to completion of the Arrangement on May 15, 2007, all of our common shares were indirectly held by Hindalco.

Item 13. ***Certain Relationships and Related Transactions and Director Independence***

In accordance with our Audit Committee charter, we maintain various policies and procedures that govern related party transactions. Pursuant to our Code of Conduct for the Board of Directors and Senior Managers, senior managers and directors of the company (a) must avoid any action that creates or appears to create, a conflict of interest between their own interest and the interest of the company, (b) cannot usurp corporate opportunities, and (c) must deal fairly with third parties. This policy is available on our website at www.novelis.com. In addition, we have enacted procedures to monitor related party transactions by (x) identifying possible related parties through questions in our director and officer questionnaires, (y) determining whether we receive payments from or make payments to any of the identified related parties, and (z) if we determine payments are made or received, researching the nature of the interactions between the company and the related parties and ensuring that the related person does not have an interest in the transaction with the company. The Audit Committee is responsible for reviewing and approving the terms and conditions of all potential related party transactions that involve the company, one of our directors or executive officers or any of their immediate family members.

On December 11, 2009, our wholly-owned subsidiary, Novelis U.K. Limited, entered into an agreement with Hindalco to sell certain equipment previously used in the operation of our aluminum sheet mill in Rogerstone, South Wales, U.K., which ceased operations in April 2009. Under the equipment purchase agreement, Hindalco paid Novelis U.K. Limited a purchase price of $17 million, and the transaction closed in December 2010. The purchase price for the equipment was based on a third-party valuation, and we believe the terms of this transaction are comparable to the terms that would have been reached with a third party on an arms-length basis.

On November 5, 2010, Novelis U.K. Limited entered into an agreement with Hindalco to sell certain aluminum rolling equipment previously used in the operation of our plant located at Bridgnorth, England. Under the arrangement, Hindalco is to pay Novelis U.K. Limited a purchase price of $3 million, plus certain additional dismantling costs. The purchase price for the equipment was based on a third-party valuation, and we believe the terms of this transaction are comparable to the terms that would have been reached with a third party on an arms-length basis. We expect the transaction to be completed in the second quarter of fiscal year 2012.

Because of the relationship three of our directors have with Hindalco, we consider the Rogerstone and Bridgnorth equipment sales to be related party transactions.

On December 17, 2010, we completed certain refinancing activities and paid $1.7 billion to our shareholder as a return of capital.

Item 14. *Principal Accountant Fees and Services*

PricewaterhouseCoopers LLP has served as our independent registered public accounting firm since our spin-off from Alcan on January 6, 2005. The following table shows fees and expenses paid to PricewaterhouseCoopers LLP for services rendered for the years ended March 31, 2011 and 2010:

	Year Ended March 31, 2011	Year Ended March 31, 2010
Audit fees(1)	$ 7,285,374	$ 5,304,000
Audit-Related Fees(2)	5,000	209,500
Tax Fees(3)	222,200	529,300
All Other Fees	59,500	71,500
Total	$ 7,572,074	$ 6,114,300

(1) Represent fees for professional services rendered and expenses incurred for the audit of the Company's annual financial statements, review of financial statements included in the Company's Form 10-Qs and services that are normally provided by PricewaterhouseCoopers LLP in connection with statutory and regulatory filings or engagements for those fiscal periods. In FY 2011 this fee also included services rendered in connection with hedge accounting and the debt refinancing.

(2) Represent fees for assurance related services that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported under "Audit Fees." These services include certain advisory services related to internal controls in FY 2010.

(3) Represent fees for services related to transfer pricing studies and review of our U.S. tax returns.

Pre-Approval of Audit and Permissible Non-Audit Services

The charter of the Audit Committee provides that the Committee is responsible for the pre-approval of all audit and permissible non-audit services to be performed by the independent auditors. The Audit Committee has adopted a policy for the pre-approval of services provided by the independent auditors. The policy gives detailed guidance to management as to the specific services that are eligible for general pre-approval and provides specific cost limits for certain services on an annual basis. Pursuant to the policy and the Audit Committee charter, the Audit Committee has granted to its chairman the authority to address any requests for pre-approval of individual services.

PART IV

Item 15. *Exhibits and Financial Statement Schedules*

1. Financial Statement Schedules

None.

2. 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	Restated Certificate and Articles of Amalgamation of Novelis Inc. (incorporated by reference to Exhibit 3.1 to our Quarterly Report on Form 10-Q filed on November 10, 2010 (File No. 001-32312))
3.3	Novelis Inc. Amended and Restated Bylaws, adopted as of July 24, 2008 (incorporated by reference to Exhibit 3.2 to our Current Report on Form 8-K filed on July 25, 2008 (File No. 001-32312))
4.1	Specimen Certificate of Novelis Inc. Common Shares (incorporated by reference to Exhibit 4.2 to our Registration Statement on Form 10-12B filed on December 27, 2004 (File No. 001-32312))
4.2	Indenture, relating to the 7.25% Senior Notes due 2015, dated as of February 3, 2005, between the Company, the guarantors named on the signature pages thereto and The Bank of New York Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed on February 3, 2005 (File No. 001-32312))
4.3	Form of Note for 7.25% Senior Notes due 2015 (incorporated by reference to Exhibit 4.1 to our Registration Statement on Form S-4 filed on August 3, 2005 (File No. 333-127139))
4.4	Supplemental Indenture, relating to the 7.25% Senior Notes due 2015, between the Company, Novelis Finances USA LLC, Novelis South America Holdings LLC, Aluminum Upstream Holdings LLC and the Bank of New York Trust Company, N.A., as trustee, dated as of November 29, 2006 (incorporated by reference to Exhibit 4.6 to our Post-Effective Amendment No. 1 to our Registration Statement on Form S-4 Registration Statement filed on December 1, 2006 (File No. 333-127139))
4.5	Supplemental Indenture, relating to the 7.25% Senior Notes due 2015, among the Company, Novelis No. 1 Limited Partnership, and the Bank of New York Trust Company, N.A., as trustee, dated as of May 14, 2007 (incorporated by reference to Exhibit 4.7 to our Annual Report on Form 10-K filed on June 29, 2009 (File No. 001-32312))
4.6	Supplemental Indenture, relating to the 7.25% Senior Notes due 2015, among the Company, Novelis Luxembourg SA, and The Bank of New York Mellon Trust Company, N.A., as trustee, dated as of January 29, 2008 (incorporated by reference to Exhibit 4.8 to our Annual Report on Form 10-K filed on June 29, 2009 (File No. 001-32312))
4.7	Supplemental Indenture, relating to the 7.25% Senior Notes due 2015, among the Company, Bellona-Trading Internacional, Sociedade Unipessoal, LDA, and The Bank of New York Mellon Trust Company, N.A., as trustee, dated as of June 26, 2008 (incorporated by reference to Exhibit 4.9 to our Annual Report on Form 10-K filed on June 29, 2009 (File No. 001-32312))
4.8	Supplemental Indenture, relating to the 7.25% Senior Notes due 2015, among the Company, Novelis Services Limited, and The Bank of New York Mellon Trust Company N.A., as trustee, dated as of July 10, 2008 (incorporated by reference to Exhibit 4.10 to our Annual Report on Form 10-K filed on June 29, 2009 (File No. 001-32312))
4.9	Supplemental Indenture, relating to the 7.25% Senior Notes due 2015, among the Company, Novelis PAE SAS, and The Bank of New York Mellon Trust Company N.A., as trustee, dated as of September 16, 2008 (incorporated by reference to Exhibit 4.11 to our Annual Report on Form 10-K filed on June 29, 2009 (File No. 001-32312))
4.10	Supplemental Indenture, relating to the 7.25% Senior Notes due 2015, among the Company and The Bank of New York Trust Company N.A., as trustee, dated as of September 28, 2010 (incorporated by reference to Exhibit 4.1 to our Quarterly Report on Form 10-Q filed on November 10, 2010 (File No. 001-32312))
4.11	Supplemental Indenture, relating to the 7.25% Senior Notes due 2015, among the Company and The Bank of New York Trust Company N.A., as trustee, dated as of September 29, 2010 (incorporated by reference to Exhibit 4.3 to our Quarterly Report on Form 10-Q filed on November 10, 2010 (File No. 001-32312))
4.12	Supplemental Indenture, relating to the 7.25% Senior Notes due 2015, among the Company, Novelis North America Holdings Inc., Novelis Acquisitions LLC and The Bank of New York Mellon Trust Company, N.A., as trustee, dated as of December 14, 2010 (incorporated by reference to Exhibit 4.5 to our Quarterly Report on Form 10-Q filed on February 8, 2011 (File No. 001-32312))
4.13	Supplemental Indenture, relating to the 7.25% Senior Notes due 2015, among the Company and the Bank of New York

Exhibit No.	Description
	Mellon Trust Company, as trustee, dated as of December 17, 2010 (incorporated by reference to Exhibit 4.6 to our Current Report on Form 8-K filed on December 17, 2010 (File No. 001-32312))
4.14	Indenture, relating to the 8.375% Senior Notes due 2017, dated as of December 17, 2010, between Novelis Inc., the guarantors named on the signature pages thereto and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed on December 17, 2010 (File No. 001-32312))
4.15	Indenture, relating to the 8.75% Senior Notes due 2020, dated as of December 17, 2010, between Novelis Inc., the guarantors named on the signature pages thereto and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed on December 17, 2010 (File No. 001-32312))
4.16	Form of 8.375% Senior Note due 2017 (incorporated by reference to Exhibit 4.3 to our Current Report on Form 8-K filed on December 17, 2010 (File No. 001-32312))
4.17	Form of 8.75% Senior Note due 2020 (incorporated by reference to Exhibit 4.4 to our Current Report on Form 8-K filed on December 17, 2010 (File No. 001-32312))
10.1	$800 million asset-based lending credit facility dated as of December 17, 2010 among Novelis Inc., as Parent Borrower, Novelis Corporation, Novelis PAE Corporation, Novelis Brand LLC, Novelis South America Holdings LLC, Aluminum Upstream Holdings LLC, as U.S. Borrowers, Novelis UK Limited, AV Metals Inc., and the other loan parties from time to time party thereto, the lenders from time to time party thereto, the Collateral Agent, Bank of America, N.A., as Issuing Bank, U.S. Swingline Lender and Administrative Agent, The Royal Bank of Scotland plc, as European Swingline Lender, and the other parties from time to time party thereto (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on February 8, 2011 (File No. 001-32312))
10.2	$1.5 billion term loan facility dated as of December 17, 2010 among Novelis Inc., as Borrower, AV Metals Inc., as Holdings, and the other guarantors party thereto, with the lenders party thereto, Bank of America, N.A., as administrative agent, JPMorgan Chase Bank, N.A., as syndication agent, Citibank, N.A., The Royal Bank of Scotland PLC and UBS AG, Stamford Branch, as co-documentation agents, and Merrill Lynch, Pierce, Fenner and Smith Incorporated and J.P. Morgan Securities LLC, as joint lead arrangers and Merrill Lynch, Pierce, Fenner and Smith Incorporated, J.P. Morgan Securities LLC, Citigroup Global Markets Inc., RBS Securities Inc. and UBS Securities LLC, as joint bookrunners (incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on February 8, 2011 (File No. 001-32312))
10.3	Amendment No. 1 to Credit Agreement, dated as of March 10, 2011, among Novelis Inc., as borrower, AV Metals Inc., as holdings, and the other loan parties party thereto, the lenders party thereto, Bank of America, N.A., as administrative agent, and Merrill Lynch, Pierce, Fenner and Smith Incorporated, Citigroup Global Markets Inc. and UBS Securities LLC, as joint lead arrangers and joint bookrunners (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on March 14, 2011 (File No. 001-32312))
10.4	Intercreditor Agreement dated as of December 17, 2010 by and among Novelis Inc., Novelis Corporation, Novelis PAE Corporation, Novelis Brand LLC, Novelis South America Holdings LLC, Aluminum Upstream Holdings LLC, Novelis UK Limited, AV Metals Inc., and the subsidiary guarantors party thereto, as grantors, Bank of America, N.A., as revolving credit administrative agent, revolving credit collateral agent, Term Loan administrative agent, and Term Loan collateral agent (incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q filed on February 8, 2011 (File No. 001-32312))
10.5	Security Agreement made by Novelis Inc., as Parent Borrower, Novelis Corporation, Novelis PAE Corporation, Novelis Brand LLC, Novelis South America Holdings LLC, Aluminum Upstream Holdings LLC, as U.S. Borrowers and the guarantors from time to time party thereto in favor of Bank of America, N.A., as collateral agent dated as of December 17, 2010 (incorporated by reference to Exhibit 10.4 to our Quarterly Report on Form 10-Q filed on February 8, 2011) (File No. 001-32312))
10.6	Security Agreement made by Novelis Inc., as the Borrower and the guarantors from time to time party thereto in favor of Bank of America, N.A., as collateral agent dated as of December 17, 2010 (incorporated by reference to Exhibit 10.5 to our Quarterly Report on Form 10-Q filed on February 8, 2011) (File No. 001-32312))
10.7**	Amended and Restated Metal Supply Agreement between Novelis Inc., as Purchaser, and Alcan Inc., as Supplier, for the supply of re-melt aluminum ingot (incorporated by reference to Exhibit 10.6 to our Annual Report on Form 10-K filed on June 19, 2008 (File No. 001-32312))
10.8**	Amended and Restated Molten Metal Supply Agreement between Novelis Inc., as Purchaser, and Alcan Inc., as Supplier, for the supply of molten metal to Purchaser's Saguenay Works facility) (incorporated by reference to Exhibit 10.7 to our Annual Report on Form 10-K filed on June 19, 2008 (File No. 001-32312))
10.9**	Amended and Restated Metal Supply Agreement between Novelis Inc., as Purchaser, and Alcan Inc., as Supplier, for the supply of sheet ingot in North America (incorporated by reference to Exhibit 10.8 to our Annual Report on Form 10-K filed on June 19, 2008) (File No. 001-32312))
10.10**	Amended and Restated Metal Supply Agreement between Novelis Inc., as Purchaser, and Alcan Inc., as Supplier, for the supply of sheet ingot in Europe (incorporated by reference to Exhibit 10.9 to our Annual Report on Form 10-K filed on June 19, 2008) (File No. 001-32312))
10.11*	Employment Arrangement between Steven Fisher and Novelis Inc. (incorporated by reference to our Current Report on Form 8-K filed on May 21, 2007 and our Current Report on Form 8-K/A filed on August 15, 2007 (File No. 001-32312))
10.12*	Letter Agreement, dated October 20, 2006, by and between Novelis Inc. and Thomas Walpole (incorporated by

Exhibit No.	Description
	reference to Exhibit 10.1 to our Current Report on Form 8-K filed on October 26, 2006 (File No. 001-32312))
10.13*	Form of Change in Control Agreement between Novelis Inc. and certain executive officers (incorporated by reference to Exhibit 99.1 to our Current Report on Form 8-K filed on September 27, 2006 (File No. 001-32312))
10.14*	Form of Change in Control Agreement between Novelis Inc. and certain executive officers and key employees (incorporated by reference to Exhibit 99.2 to our Current Report on Form 8-K filed on September 27, 2006 (File No. 001-32312))
10.15*	Form of Indemnity Agreement between Novelis Inc. and Members of the Board of Directors of Novelis Inc. (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on May 21, 2007 (File No. 001-32312))
10.16*	Form of Indemnity Agreement between Novelis Inc. and certain executive officers dated as of June 27, 2007 (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on June 28, 2007(File No. 001-32312))
10.17*	Employment Agreement of Jean-Marc Germain dated as of April 28, 2008 (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on August 14, 2008 (File No. 001-32312))
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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.

** Confidential treatment requested for certain portions of this Exhibit, which portions have been omitted and filed separately with the Securities and Exchange Commission.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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/ Philip Martens
Name: Philip Martens
Title: President and Chief Executive Officer

Date: May 26, 2011

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Philip Martens Philip Martens	(Principal Executive Officer)	Date: May 26, 2011
/s/ Steven Fisher Steven Fisher	(Principal Financial Officer)	Date: May 26, 2011
/s/ Robert Nelson Robert Nelson	(Principal Accounting Officer)	Date: May 26, 2011
/s/ Kumar Mangalam Birla Kumar Mangalam Birla	(Chairman of the Board of Directors)	Date: May 26, 2011
/s/ Askaran Agarwala Askaran Agarwala	(Director)	Date: May 26, 2011
/s/ Debnarayan Bhattacharya Debnarayan Bhattacharya	(Director)	Date: May 26, 2011
/s/ Clarence J. Chandran Clarence J. Chandran	(Director)	Date: May 26, 2011
/s/ Donald A. Stewart Donald A. Stewart	(Director)	Date: May 26, 2011

EXHIBIT INDEX

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	Restated Certificate and Articles of Amalgamation of Novelis Inc. (incorporated by reference to Exhibit 3.1 to our Quarterly Report on Form 10-Q filed on November 10, 2010 (File No. 001-32312))
3.3	Novelis Inc. Amended and Restated Bylaws, adopted as of July 24, 2008 (incorporated by reference to Exhibit 3.2 to our Current Report on Form 8-K filed on July 25, 2008 (File No. 001-32312))
4.1	Specimen Certificate of Novelis Inc. Common Shares (incorporated by reference to Exhibit 4.2 to our Registration Statement on Form 10-12B filed on December 27, 2004 (File No. 001-32312))
4.2	Indenture, relating to the 7.25% Senior Notes due 2015, dated as of February 3, 2005, between the Company, the guarantors named on the signature pages thereto and The Bank of New York Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed on February 3, 2005 (File No. 001-32312))
4.3	Form of Note for 7.25% Senior Notes due 2015 (incorporated by reference to Exhibit 4.1 to our Registration Statement on Form S-4 filed on August 3, 2005 (File No. 333-127139))
4.4	Supplemental Indenture, relating to the 7.25% Senior Notes due 2015, between the Company, Novelis Finances USA LLC, Novelis South America Holdings LLC, Aluminum Upstream Holdings LLC and the Bank of New York Trust Company, N.A., as trustee, dated as of November 29, 2006 (incorporated by reference to Exhibit 4.6 to our Post-Effective Amendment No. 1 to our Registration Statement on Form S-4 Registration Statement filed on December 1, 2006 (File No. 333-127139))
4.5	Supplemental Indenture, relating to the 7.25% Senior Notes due 2015, among the Company, Novelis No. 1 Limited Partnership, and the Bank of New York Trust Company, N.A., as trustee, dated as of May 14, 2007 (incorporated by reference to Exhibit 4.7 to our Annual Report on Form 10-K filed on June 29, 2009 (File No. 001-32312))
4.6	Supplemental Indenture, relating to the 7.25% Senior Notes due 2015, among the Company, Novelis Luxembourg SA, and The Bank of New York Mellon Trust Company, N.A., as trustee, dated as of January 29, 2008 (incorporated by reference to Exhibit 4.8 to our Annual Report on Form 10-K filed on June 29, 2009 (File No. 001-32312))
4.7	Supplemental Indenture, relating to the 7.25% Senior Notes due 2015, among the Company, Bellona-Trading Internacional, Sociedade Unipessoal, LDA, and The Bank of New York Mellon Trust Company, N.A., as trustee, dated as of June 26, 2008 (incorporated by reference to Exhibit 4.9 to our Annual Report on Form 10-K filed on June 29, 2009 (File No. 001-32312))
4.8	Supplemental Indenture, relating to the 7.25% Senior Notes due 2015, among the Company, Novelis Services Limited, and The Bank of New York Mellon Trust Company N.A., as trustee, dated as of July 10, 2008 (incorporated by reference to Exhibit 4.10 to our Annual Report on Form 10-K filed on June 29, 2009 (File No. 001-32312))
4.9	Supplemental Indenture, relating to the 7.25% Senior Notes due 2015, among the Company, Novelis PAE SAS, and The Bank of New York Mellon Trust Company N.A., as trustee, dated as of September 16, 2008 (incorporated by reference to Exhibit 4.11 to our Annual Report on Form 10-K filed on June 29, 2009 (File No. 001-32312))
4.10	Supplemental Indenture, relating to the 7.25% Senior Notes due 2015, among the Company and The Bank of New York Trust Company N.A., as trustee, dated as of September 28, 2010 (incorporated by reference to Exhibit 4.1 to our Quarterly Report on Form 10-Q filed on November 10, 2010 (File No. 001-32312))
4.11	Supplemental Indenture, relating to the 7.25% Senior Notes due 2015, among the Company and The Bank of New York Trust Company N.A., as trustee, dated as of September 29, 2010 (incorporated by reference to Exhibit 4.3 to our Quarterly Report on Form 10-Q filed on November 10, 2010 (File No. 001-32312))
4.12	Supplemental Indenture, relating to the 7.25% Senior Notes due 2015, among the Company, Novelis North America Holdings Inc., Novelis Acquisitions LLC and The Bank of New York Mellon Trust Company, N.A., as trustee, dated as of December 14, 2010 (incorporated by reference to Exhibit 4.5 to our Quarterly Report on Form 10-Q filed on February 8, 2011 (File No. 001-32312))
4.13	Supplemental Indenture, relating to the 7.25% Senior Notes due 2015, among the Company and the Bank of New York Mellon Trust Company, as trustee, dated as of December 17, 2010 (incorporated by reference to Exhibit 4.6 to our Current Report on Form 8-K filed on December 17, 2010 (File No. 001-32312))
4.14	Indenture, relating to the 8.375% Senior Notes due 2017, dated as of December 17, 2010, between Novelis Inc., the guarantors named on the signature pages thereto and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed on December 17, 2010 (File No. 001-32312))
4.15	Indenture, relating to the 8.75% Senior Notes due 2020, dated as of December 17, 2010, between Novelis Inc., the guarantors named on the signature pages thereto and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed on December 17, 2010 (File No. 001-32312))

Exhibit No.	Description
4.16	Form of 8.375% Senior Note due 2017 (incorporated by reference to Exhibit 4.3 to our Current Report on Form 8-K filed on December 17, 2010 (File No. 001-32312))
4.17	Form of 8.75% Senior Note due 2020 (incorporated by reference to Exhibit 4.4 to our Current Report on Form 8-K filed on December 17, 2010 (File No. 001-32312))
10.1	$800 million asset-based lending credit facility dated as of December 17, 2010 among Novelis Inc., as Parent Borrower, Novelis Corporation, Novelis PAE Corporation, Novelis Brand LLC, Novelis South America Holdings LLC, Aluminum Upstream Holdings LLC, as U.S. Borrowers, Novelis UK Limited, AV Metals Inc., and the other loan parties from time to time party thereto, the lenders from time to time party thereto, the Collateral Agent, Bank of America, N.A., as Issuing Bank, U.S. Swingline Lender and Administrative Agent, The Royal Bank of Scotland plc, as European Swingline Lender, and the other parties from time to time party thereto (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on February 8, 2011 (File No. 001-32312))
10.2	$1.5 billion term loan facility dated as of December 17, 2010 among Novelis Inc., as Borrower, AV Metals Inc., as Holdings, and the other guarantors party thereto, with the lenders party thereto, Bank of America, N.A., as administrative agent, JPMorgan Chase Bank, N.A., as syndication agent, Citibank, N.A., The Royal Bank of Scotland PLC and UBS AG, Stamford Branch, as co-documentation agents, and Merrill Lynch, Pierce, Fenner and Smith Incorporated and J.P. Morgan Securities LLC, as joint lead arrangers and Merrill Lynch, Pierce, Fenner and Smith Incorporated, J.P. Morgan Securities LLC, Citigroup Global Markets Inc., RBS Securities Inc. and UBS Securities LLC, as joint bookrunners (incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on February 8, 2011 (File No. 001-32312))
10.3	Amendment No. 1 to Credit Agreement, dated as of March 10, 2011, among Novelis Inc., as borrower, AV Metals Inc., as holdings, and the other loan parties party thereto, the lenders party thereto, Bank of America, N.A., as administrative agent, and Merrill Lynch, Pierce, Fenner and Smith Incorporated, Citigroup Global Markets Inc. and UBS Securities LLC, as joint lead arrangers and joint bookrunners (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on March 14, 2011 (File No. 001-32312))
10.4	Intercreditor Agreement dated as of December 17, 2010 by and among Novelis Inc., Novelis Corporation, Novelis PAE Corporation, Novelis Brand LLC, Novelis South America Holdings LLC, Aluminum Upstream Holdings LLC, Novelis UK Limited, AV Metals Inc., and the subsidiary guarantors party thereto, as grantors, Bank of America, N.A., as revolving credit administrative agent, revolving credit collateral agent, Term Loan administrative agent, and Term Loan collateral agent (incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q filed on February 8, 2011 (File No. 001-32312))
10.5	Security Agreement made by Novelis Inc., as Parent Borrower, Novelis Corporation, Novelis PAE Corporation, Novelis Brand LLC, Novelis South America Holdings LLC, Aluminum Upstream Holdings LLC, as U.S. Borrowers and the guarantors from time to time party thereto in favor of Bank of America, N.A., as collateral agent dated as of December 17, 2010 (incorporated by reference to Exhibit 10.4 to our Quarterly Report on Form 10-Q filed on February 8, 2011) (File No. 001-32312))
10.6	Security Agreement made by Novelis Inc., as the Borrower and the guarantors from time to time party thereto in favor of Bank of America, N.A., as collateral agent dated as of December 17, 2010 (incorporated by reference to Exhibit 10.5 to our Quarterly Report on Form 10-Q filed on February 8, 2011) (File No. 001-32312))
10.7**	Amended and Restated Metal Supply Agreement between Novelis Inc., as Purchaser, and Alcan Inc., as Supplier, for the supply of re-melt aluminum ingot (incorporated by reference to Exhibit 10.6 to our Annual Report on Form 10-K filed on June 19, 2008 (File No. 001-32312))
10.8**	Amended and Restated Molten Metal Supply Agreement between Novelis Inc., as Purchaser, and Alcan Inc., as Supplier, for the supply of molten metal to Purchaser's Saguenay Works facility) (incorporated by reference to Exhibit 10.7 to our Annual Report on Form 10-K filed on June 19, 2008 (File No. 001-32312))
10.9**	Amended and Restated Metal Supply Agreement between Novelis Inc., as Purchaser, and Alcan Inc., as Supplier, for the supply of sheet ingot in North America (incorporated by reference to Exhibit 10.8 to our Annual Report on Form 10-K filed on June 19, 2008) (File No. 001-32312))
10.10**	Amended and Restated Metal Supply Agreement between Novelis Inc., as Purchaser, and Alcan Inc., as Supplier, for the supply of sheet ingot in Europe (incorporated by reference to Exhibit 10.9 to our Annual Report on Form 10-K filed on June 19, 2008) (File No. 001-32312))
10.11*	Employment Arrangement between Steven Fisher and Novelis Inc. (incorporated by reference to our Current Report on Form 8-K filed on May 21, 2007 and our Current Report on Form 8-K/A filed on August 15, 2007 (File No. 001-32312))
10.12*	Letter Agreement, dated October 20, 2006, by and between Novelis Inc. and Thomas Walpole (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on October 26, 2006 (File No. 001-32312))
10.13*	Form of Change in Control Agreement between Novelis Inc. and certain executive officers (incorporated by reference to Exhibit 99.1 to our Current Report on Form 8-K filed on September 27, 2006 (File No. 001-32312))
10.14*	Form of Change in Control Agreement between Novelis Inc. and certain executive officers and key employees (incorporated by reference to Exhibit 99.2 to our Current Report on Form 8-K filed on September 27, 2006 (File No. 001-32312))
10.15*	Form of Indemnity Agreement between Novelis Inc. and Members of the Board of Directors of Novelis Inc. (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on May 21, 2007 (File No. 001-32312))

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* Indicates a management contract or compensatory plan or arrangement.

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Mr. Erwin Mayr

September 17, 2009

Dear Erwin:

I am pleased to offer you the position of Senior Vice President and Chief Strategy Officer, Global R&D, IT & Manufacturing Excellence based in Atlanta and reporting to Phil Martens, President & COO, Novelis Inc. This offer is contingent upon the successful completion of any U.S. immigration and work permit requirements.

1. STARTING DATE AND DURATION

   The effective date of your assignment to expected to be October 1, 2009, subject to the aforementioned requirements.

   The term of this assignment is expected to be approximately two years. Changes from this will be mutually discussed and agreed.

   Until completion of the family move (as per § 5.b.i. below), you will spend your time approximately 50/50% split between Atlanta and Zurich or other business-related locations, coordinated in close cooperation with Phil Martens. During this transition time you can also keep your office and company car in Zurich (in addition to the main office in Atlanta).

2. STATUS OF EMPLOYMENT

   Your status will be that of an expatriate in Atlanta from Zurich, Switzerland.

3. COMPENSATION

   Your base compensation and benefits package is designed to provide you with a level of income and benefits which are similar to those that you would have received in Zurich in a similar position. Compensation and benefit plans are subject to change from time to time at the Company's discretion.

   a. Method of Payment

      You will be paid on the Swiss payroll. The entire amount of net income (gross compensation less source deductions) will be disbursed and deposited to you in Swiss Francs.

   b. Position Grade

      Your position will be administered at a salary band Executive B.

c. Base Salary

Your starting base salary will be CHF 462,000. Your salary will be subject to review periodically in accordance with Novelis' salary administration practice in Atlanta, We will also review your salary each January 1 and July 1 to determine if the U.S. Dollar has strengthened by 10% or more relative to the Swiss Franc from October 1, 2009. If the U.S. dollar has strengthened by more than 10% we will adjust your base salary upwards by the amount of the change. Going forward from the time of the first adjustment, we will adjust [up or down] each review period (January 1 and July 1) comparing the average of the just completed period to the average of the previous period. We will not, however, adjust your base salary below the stated level above and as increased by any annual salary increases going forward. Your next salary review will be In July 2010.

d. Expatriate Premium

You will receive an expatriate premium of 10% of your base salary, net after tax. This annual amount, CHF 46,200, will be included with your monthly payroll.

e. Incentive Plan

i. Annual Incentive Plan (AIP)

You will participate in the Annual Incentive Plan (AIP) of Novelis Inc. The Target Bonus opportunity for your new assignment is 50%. For FY2010 you will participate in the AIP for six months in your current role and for six months in your new role.

ii. Long Term Incentive Plan (LTIP)

You are eligible to participate in the Long Term Incentive Plan (LTIP) of Novelis Corporation. For FY2010 your LTIP opportunity is $180,000. The target LTIP opportunity for Band Executive B for the FY2011 LTIP Plan is estimated to be $300,000.

f. Income Tax Liability/Tax Equalization

As a Swiss citizen working in the U.S., you may be subject to income taxes in both the U.S. and Switzerland. You will be tax equalized to the Swiss level of taxation. This means that you will not pay more taxes than you would pay if your employment related income (base salary, annual incentive compensation, long-term incentive compensation and any taxable allowances such as company car, temporary accommodation and annual leave) was taxable only in Switzerland. If you pay higher taxes in the U.S., then Novelis will pay the difference. The amount will be determined in due time. Additionally, if you hold investments in

Switzerland that are also taxable in the U.S., your tax liability will be equalized to the Swiss level of taxation.

4. BENEFITS

a. Retirement Base

Switzerland will continue to be your retirement base.

b. Pension Plan

You will remain in the Swiss pension plans [PK and EK] and continue to receive credit and service.

c. Social Security

You will continue to participate in the Swiss social security system, and if required to also participate in the U.S. social security system, the cost of participation in the U.S. will be a Novelis expense

d. Medical / Dental Plans

You and your family will be covered for medical and dental insurance under Novelis' Plan for Expatriates. Details regarding claims for reimbursement may be obtained from your host country contact. In addition, you will have available to you the services of S.O.S. international, an independent contract firm that provides emergency medical advice, referral and if necessary, medical evacuation. A detailed packet covering these services will be provided to you.

e. Life insurance

You will participate in the Novelis Life Insurance Plan of Novelis Europe during this assignment.

f. Business Travel Accident Insurance

You will be covered by the Novelis Business Travel Accident Insurance Plan of Novelis Inc. while on this assignment.

g. Long Term Disability

You will be covered under the Novelis Long-Term Disability Plan of Novelis Europe during this assignment.

5. RELOCATION

a. Final Trip Travel

Business Class travel for you and your family via the most direct route from Zurich, Switzerland to Atlanta as reasonable expenses arising from travel will be for Novelis' account.

b. Temporary Accommodation

I. On arrival

Upon your arrival in Atlanta, and for the period until your family arrives in Atlanta [a period of up to approximately six months, depending on suitable and possible school transfer for the 3 children], you may reside in appropriate temporary accommodations, The cost of this temporary accommodation will be for Novelis' account.

c. Shipping & Storing of Goods

Novelis will be responsible for the cost of shipping and/or storing your household goods and personal affects, as well as for the cost of a small air shipment of personal affects and soft furnishings from Zurich, Switzerland to Atlanta.

d. Settling-In Formalities

As part of your relocation to Atlanta, you will be provided with assistance in locating housing and completing administrative formalities, such as obtaining a driver's license and setting up a bank account. The Atlanta HR Department in will provide assistance to you with these matters.

e. Relocation Allowance

You will be entitled to a relocation allowance of 1.5 month's base salary. net of tax. Any taxes assessed on this payment will be for Novelis' account. This allowance is intended to assist with miscellaneous costs incurred in settling in. This payment will be made by Novelis Inc.

f. House Hunting

The company will provide one round trip for your spouse in business class, prior to the final trip, via the most direct route from Zurich, Switzerland to Atlanta. Costs associated with this trip will be for Novelis' account.

6. HOUSING

a. Zurich

You will be responsible for maintaining your home in Zurich while on this assignment.

b. Atlanta

As long as you are on assignment in Atlanta, you will be provided with rental accommodations up to $8,000 per month, for which the expense will be paid by the company. You will not be responsible for any taxes on this amount. Additional property expense will be for your account. This allowance will be eliminated should you decide not to continue to maintain a home in Zurich.

7. AUTOMOBILE

a. Zurich

To assist you in selling your car(s) in Zurich, Novelis will establish a guaranteed price for your personal vehicle(s) based on the market resale value, provided your car(s) are less than eight years old, Upon submission of appropriate documents, you will be reimbursed for the shortfall, if any, between the Guaranteed Sale Price and the actual sale price, up to a maximum of 15% of the Guaranteed Sale price.

b. Atlanta

You will be eligible to participate in the company leased vehicle program. The company will pay the lease cost for a vehicle of your choosing to a maximum of $37,000 capitalized cost. You may select a higher priced vehicle but the excess will be paid by you through on-going payroll deductions. Fuel, maintenance and insurance expenses are paid by the company. In accordance with IRS regulations, personal use of a company provided vehicle, including fuel, is a taxable benefit to you. The total of your self contribution, if any, and the annual tax in the U.S. will not exceed the amount of self contribution and tax for a similar vehicle in Switzerland. Any additional tax in the U.S. would be for Novelis' account.

8. LANGUAGE & CROSS CULTURAL TRAINING

Arrangements will be made for your family to undertake language lessons both prior to the move to Atlanta and after arriving in Atlanta. The cost will be for Novelis' account.

9. LEAVES

a. Vacation

Your vacation entitlement during this assignment will be governed by the Swiss Novelis AG policy. You will be entitled to 27 vacation days per year.

b. Home Leave

Zurich, Switzerland has been designated as your home leave base. You and your family [your spouse and children] will be entitled to round-trip business class airfare for travel between Atlanta and Zurich, Switzerland or Munich, Germany by the most cost-effective route. Such trips are to be scheduled no more than twice per year throughout the duration of this assignment. The cost of the airfare will be for Novelis' account. All other incidental expenses incurred during such trips will be for your own account.

c. Compassionate Leave

In addition to the trips outlined above, should a member of your immediate family not residing with you in Atlanta suffer life-threatening illness, injury or death, assistance will be provided to allow you to be with the relative or attend to necessary arrangements.

10. EDUCATION

The Company will provide for private education for your children while in the U.S. and for the first year after you return to Zurich for your two daughters. The cost will be for Novelis' account.

11. TAX PREPARATION & PLANNING

It is strongly recommended that you obtain professional tax advice, in Zurich, Switzerland and Atlanta prior to making any major financial decisions arising from this assignment. You will be provided with the services of professional tax consultants for the preparation of Swiss and U.S. income tax returns for the fiscal years affected by this assignment.

12. CHANGE IN STATUS OF EMPLOYMENT

In the event that the anticipated duration of this assignment or your position changes significantly from what is set out in this letter, then the affected terms and conditions will be reviewed with you. If, at the end of this assignment, you should accept a permanent position in Zurich, Switzerland, then the benefits provided to you as an expatriate employee will be discontinued.

13. REPATRIATION

Upon successful completion of this assignment, it is anticipated that you will move to a top Senior Vice President/Presidential role. You may receive an offer of continuing employment within the Novelis Group of Companies for your consideration at that time. If, at the end of this assignment, there should be no mutually satisfactory position or location available at that time within Novelis, you will be repatriated to Zurich under normal expatriate terms. The terms and conditions of your current individual Severance Agreement would apply.

If you agree with the above, please sign and return a copy of this letter to me. I very much look forward to you being part of the Atlanta based team.

Sincerely,

/s/ Robert D. Virtue
Robert D. Virtue
VP Human Resources

Accepted: /s/ Erwin Mayr 18.9.2009
Erwin Mayr Date

EXHIBIT 21.1

List of Subsidiaries of Novelis Inc.

Name of Entity	Jurisdiction of Organization
Novelis Corporation	Texas, United States
Novelis de Mexico, S.A. de C.V.	Mexico
Novelis Brand LLC	Delaware, United States
Novelis PAE Corporation	Delaware, United States
Evermore Recycling LLC	Delaware, United States
Logan Aluminum Inc.	Delaware, United States
Novelis South America Holdings LLC	Delaware, United States
Aluminum Upstream Holdings LLC	Delaware, United States
MiniMRF LLC	Delaware, United States
Novelis Acquisitions LLC	Delaware, United States
Novelis North America Holdings Inc.	Delaware, United States
Eurofoil Inc. (USA)	New York, United States
Novelis AG	Switzerland
Novelis Switzerland S.A.	Switzerland
Novelis Technology AG	Switzerland
Novelis Italia SpA	Italy
Novelis Europe Holdings Limited	United Kingdom
Novelis UK Ltd.	United Kingdom
Novelis Services Limited	United Kingdom
Novelis Aluminium Holding Company	Ireland
Novelis Belgique S.A.	Belgium
Novelis Deutschland GmbH	Germany
Aluminium Norf GmbH	Germany
Novelis Aluminium Beteiligungs GmbH	Germany
Deutsche Aluminium Verpackung Recycling GmbH	Germany
Novelis Luxembourg S.A.	Luxembourg
Novelis Foil France S.A.S.	France
France Aluminium Recyclage S.A.	France
Novelis Laminés France S.A.S.	France
Novelis PAE S.A.S.	France
4260848 Canada Inc.	Canada
4260856 Canada Inc.	Canada
Novelis Cast House Technology Ltd.	Ontario, Canada
Novelis No. 1 Limited Partnership	Quebec, Canada
Novelis Korea Limited	South Korea
Aluminium Company of Malaysia Berhad	Malaysia
Al Dotcom Sdn Berhad	Malaysia
Alcom Nikkei Specialty Coatings Sdn Berhad	Malaysia
Novelis do Brasil Ltda.	Brazil
Consórcio Candonga (unicoporated joint venture)	Brazil
Albrasilis — Alumínio do Brasil Indústria e Comércio Ltda.	Brazil
Novelis (India) Infotech Ltd.	India
Novelis Madeira, Unipessoal, Lda	Portugal

EXHIBIT 31.1

Certification

I, Philip Martens, certify that:

1. I have reviewed this annual report on Form 10-K of Novelis Inc. (Novelis);

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

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

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

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

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

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

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

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

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

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

/s/ Philip Martens

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

Date: May 26, 2011

EXHIBIT 31.2

Certification

I, Steven Fisher, certify that:

1. I have reviewed this annual report on Form 10-K of Novelis Inc. (Novelis);

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

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

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

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

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

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

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

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

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

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

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

Date: May 26, 2011

EXHIBIT 32.1

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

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Novelis Inc. (Novelis), hereby certifies that Novelis' Annual Report on Form 10-K for the year ended March 31, 2011 (Report) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Novelis.

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

Date: May 26, 2011

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

EXHIBIT 32.2

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

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Novelis Inc. (Novelis), hereby certifies that Novelis' Annual Report on Form 10-K for the year ended March 31, 2011 (Report) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Novelis.

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

Date: May 26, 2011

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.