

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

FORM 8-K

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

Date of Report (Date of earliest event reported) October 26, 2006

NOVELIS INC.

(Exact name of registrant as specified in its charter)

Canada 001-32312 98-0442987

(State or other jurisdiction (Commission (IRS Employer
of incorporation) File Number) Identification No.)

3399 Peachtree Road NE, Suite 1500, Atlanta, GA 30326

(Address of principal executive offices) (Zip Code)

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

Not Applicable

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 1.01 ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT.

On October 26, 2006, the Novelis Inc. (the "Company") Board of Directors amended the Novelis Inc. 2006 Incentive Plan (the "Plan") approved by the shareholders at the Company's annual meeting. Pursuant to the amendment, a new section 3.7 was added to the Plan that reads as follows:

3.7 Additional Limitation on Certain Awards.
Notwithstanding any provision in this Plan to the contrary, (i) the minimum Performance Period with respect to any performance-based Award shall be one year and (ii) the minimum period with respect to any Award which vests or otherwise becomes payable based solely on the passage of time shall be three years; provided that up to five percent of the total Shares reserved for issuance under this Plan may be granted by the Committee without regard to the limitations set forth in this Section 3.7.

In all other respects, the Plan remains in effect as approved by the shareholders. The Plan, as amended, is attached hereto as Exhibit 10.1.

On October 26, 2006, the Board of Directors also authorized an aggregate grant of 543,070 non-qualified stock options and 76,180 stock appreciation rights ("SARs") to the named executive officers as defined in our proxy statement dated September 22, 2006, as amended, and certain other senior executives identified below under the Novelis Inc. 2006 Incentive Plan, as amended. The exercise price for all such stock options and SARs is \$25.53 per share.

The following named executive officers received the following awards:

Executive	Stock Options	SARs
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Martha Brooks	163,230	--
Kevin Greenawalt	43,530	--
David Godsell	33,740	--

The terms of the stock options and SARs are identical in all material respects, except that the incremental increase in the value of the SARs is paid in cash rather than shares of the Company's common stock at the time of exercise.

The option shares or SARs, as applicable, subject to the award are comprised of two equal portions: premium award shares and non-premium award shares. Both the premium award shares and non-premium award shares vest ratably in 25% increments over the four year period measured from October 26, 2006, and may be exercised, in whole or in part, once vested; provided, however, in no event may the premium award shares be exercised unless the fair market value per share on the business day preceding the exercise date equals or exceeds \$28.59.

If the participant retires on or after October 26, 2007, then the award shares will continue to vest in accordance the regular vesting schedule, but must be exercised in all events no later than the third anniversary following the participant's retirement date. If the participant retires before October 26, 2007, then the award shares will be forfeited. In the event of the participant's death or disability, all of the award shares will become immediately vested, but must be exercised in all events no later than the first anniversary following the participant's termination of employment. If the participant terminates for any reason other than retirement, death, disability, or for cause, then the participant will have ninety days to exercise any vested award shares and all unvested award shares will be forfeited.

All of the award shares will become immediately vested and exercisable, without regard to the per share price restriction on premium award shares, upon a change in control of the Company.

No stock option or SAR may be exercised later than October 25, 2013.

A form of the stock option award is attached hereto as Exhibit 10.2 and a form of SAR award is attached hereto as Exhibit 10.3.

ITEM 8.01 OTHER EVENTS.

The Board of Directors declared on October 26, 2006, a quarterly dividend of US\$0.01 per common share, payable December 20, 2006, to shareholders of record at the close of business November 20, 2006. Refer to attached Exhibit 99.1 for details.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.

(d) Exhibits

- 10.1 Novelis Inc. 2006 Incentive Plan, as amended
- 10.2 Form of Non-Qualified Stock Option Award
- 10.3 Form of SAR Award
- 99.1 Press release of Novelis Inc., issued on October 27, 2006

SIGNATURE

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

NOVELIS INC.

Date: November 1, 2006

By: /s/ Nichole Robinson

Nichole Robinson
Secretary

INDEX TO EXHIBITS

Exhibit Number	Description
10.1	Novelis Inc. 2006 Incentive Plan, as amended
10.2	Form of Non-Qualified Stock Option Award
10.3	Form of SAR Award
99.1	Press release of Novelis Inc., issued on October 27, 2006

NOVELIS INC.
2006 INCENTIVE PLAN

ARTICLE I
ESTABLISHMENT

1.1 Purpose. The purpose of Novelis Inc. 2006 Incentive Plan (the "Plan") is to enhance Company performance by motivating, attracting, and retaining key employees and directors through the issuance of equity and cash awards. This Plan is intended to supersede the Novelis Conversion Plan of 2005 and the Novelis Inc. Stock Price Appreciation Unit Plan and no new awards will be made under such prior plans after the effective date of this Plan.

1.2 Effective Date. The Plan shall be effective as of the date the stockholders of the Company approve the Plan.

ARTICLE II
DEFINITIONS

As used in this Plan, the following terms shall be defined as set forth below:

2.1 "Award" means any Short-Term Incentive, Option, SAR, Restricted Share, Restricted Share Unit, or Performance Award granted or payable under the Plan.

2.2 "Award Agreement" means an agreement, certificate, resolution or other form of writing or other evidence approved by the Committee which sets forth the terms and conditions of an Award. An Award Agreement may be in an electronic medium, may be limited to a notation on the Company's books and records and, if approved by the Committee, need not be signed by a representative of the Company or a Participant.

2.3 "Board" means the Board of Directors of the Company.

2.4 "Cause" means (a) a Participant's conviction of any crime (whether or not involving the Company) constituting a felony in the jurisdiction involved; (b) conduct of a Participant related to the Participant's employment for which either criminal or civil penalties against the Participant or the Company may be sought; (c) material violation of the Company's policies, including, but not limited to those relating to sexual harassment, the disclosure or misuse of confidential information, or those set forth in Company manuals or statements of policy; or (d) serious neglect or misconduct in the performance of a Participant's duties for the Company or willful or repeated failure or refusal to perform such duties.

Any rights the Company may have in respect of the events giving rise to Cause shall be in addition to the rights the Company may have under any other agreement with a Participant or at law or in equity. Any determination of whether a Participant's employment is (or is deemed to have been) terminated for Cause shall be made by the Committee in its sole discretion, which determination shall be final and binding on all parties. If, subsequent to a Participant's termination of employment (whether voluntary or involuntary) without Cause, it is discovered that the Participant's employment could have been terminated for Cause, such Participant's employment shall be deemed to have been terminated for Cause. A Participant's termination of employment for Cause shall be effective as of the date of the occurrence of the event giving rise to Cause, regardless of when the determination of Cause is made.

2.5 "Change in Control" means the first to occur of any of the following events:

(i) any person is or becomes the beneficial owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such person 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 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, 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 is or becomes the beneficial owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such person 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 of the Company or an agreement for the sale or disposition by the Company 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 the Company's assets to an entity, 50% or more of the combined voting power of the voting securities of which is owned by persons in substantially the same proportions as their ownership of the Company immediately prior to such sale.

Notwithstanding the foregoing, no "Change in Control" shall be deemed to have occurred if there is consummated any transaction or series of integrated transactions immediately following which the record holders of the common stock of the Company immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of the Company immediately following such transaction or series of transactions.

For purposes of this Section, "beneficial ownership" shall be determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended.

2.6 "Code" means the U.S. Internal Revenue Code of 1986, as amended from time to time.

2.7 "Committee" means the committee of the Board described in Section 4.1.

2.8 "Company" means Novelis Inc., a corporation organized under the laws of Canada, or any successor corporation.

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2.9 "Covered Employee" shall have the meaning as set forth in Code Section 162(m).

2.10 "Disability" means that a Participant is permanently and totally disabled and unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of twelve months. The existence of a Disability shall be determined by the Committee in its sole discretion.

2.11 "Employee" means any person, including an officer, employed by the Company or a Subsidiary as an employee. The Company's employment classification of an individual shall be binding and controlling for all purposes of the Plan and shall apply irrespective of any contrary employment classification of such individual by the Internal Revenue Service, a court of competent jurisdiction or any other person or entity.

2.12 "Fair Market Value" means the fair market value of the Shares as determined by the Committee from time to time. Unless otherwise determined by the Committee, the fair market value shall be the closing price for the Shares reported on the New York Stock Exchange on the relevant date or, if there were no sales on such date, the closing price on the nearest preceding date on which sales occurred.

2.13 "Grant Date" means the date specified by the Committee on which a grant of an Award shall become effective, which date shall not be earlier than the date on which the Committee takes action with respect thereto.

2.14 "Incentive Stock Option" means any Option that is intended to qualify as an "incentive stock option" under Code Section 422 or any successor provision. Only Participants who are employees of the Company or a Subsidiary may receive Incentive Stock Options.

2.15 "Non-Employee Director" means a director of the Company who is not an active employee of the Company.

2.16 "Nonqualified Stock Option" means an Option that is not

intended to qualify as an Incentive Stock Option.

2.17 "Option" means any option to purchase Shares granted under Article VI.

2.18 "Participant" means an Employee or Non-Employee Director who is selected by the Committee to receive benefits under this Plan.

2.19 "Performance Award" means an Award of "Performance Shares" or "Performance Units" granted pursuant to Article V that is contingent upon the satisfaction of one or more Performance Objectives. Each Performance Share or Performance Unit shall have an initial value equal to the Fair Market Value of one Share.

2.20 "Performance Objectives" has the meaning set for in Article XI.

2.21 "Performance Period" means a period of time established by the Committee during which the attainment of Performance Objectives relating to an Award are to be achieved.

2.22 "Qualified Performance-Based Award" means an Award or portion of an Award that is intended to satisfy the requirements for "qualified performance-based compensation" under Code Section 162(m). The Committee shall designate any Qualified Performance-Based Award as such at the time of grant.

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2.23 "Restricted Shares" means an award of Shares granted pursuant to Article VII that are subject to a substantial risk of forfeiture.

2.24 "Restricted Share Units" means an award of a contractual right granted pursuant to Article VII to receive a specified number of Shares or cash at the end of a specified deferral period. Each Restricted Share Unit shall have an initial value equal to the Fair Market Value of one Share.

2.25 "Retirement" means a Participant's termination of employment on or after (i) attaining age 65 or (ii) attaining age 55 and completing 10 years of service with the Company or Alcan Inc.

2.26 "Shares" means shares of the Common Stock of the Company, no par value.

2.27 "Short Term Incentive" means an incentive payment described in Section 8.1.

2.28 "SAR" means an award of a contractual right granted pursuant to Article VI to receive an amount equal to the appreciation in the Company's Shares over a specified period.

2.29 "Subsidiary" means a corporation or other entity in which the Company owns or controls directly or indirectly more than 50% of the total combined voting power represented by all classes of stock issued by such corporation at the time of such grant.

ARTICLE III SHARES AVAILABLE UNDER THE PLAN

3.1 Reserved Shares. Subject to adjustment as provided in Section 3.4, the maximum number of Shares that may be issued or transferred pursuant to this Plan shall not exceed 7,000,000 Shares. Such Shares may be Shares of original issuance, Shares held in treasury, or Shares that have been reacquired by the Company. Any shares of Common Stock that are subject to Awards other than Options or SARs shall be counted against such overall Plan limit as 1.75 Shares for every Share granted.

3.2 Stock Option Maximum. In no event shall the number of Shares issued upon the exercise of Incentive Stock Options exceed 3,000,000 Shares, subject to adjustment as provided in Section 3.4.

3.3 Maximum Calendar Year Award. No Employee may receive Awards representing more than 750,000 Shares or \$20,000,000 in any one calendar year, subject to adjustment as provided in Section 3.4. The maximum number of Shares that may be granted to a Non-Employee Director shall not exceed 7,500 Shares in any one calendar year, subject to adjustment as provided in Section 3.4.

3.4 Adjustments. The Committee shall make such adjustments in (a) the number of Shares covered by outstanding Awards granted hereunder, (b) prices per share applicable to outstanding Options and SARs, and (c) the kind of shares covered thereby (including shares of another issuer), as the Committee determines to be equitable in order to prevent dilution or enlargement of the rights of Participants that otherwise would result from any stock dividend, stock split, combination or exchange of Shares, reorganization, partial or complete liquidation or other distribution of assets (other than a normal cash dividend), recapitalization or other change in the capital structure of the

Company, or other corporate transaction or event having an effect similar to any of the foregoing. Adjustments under this Section 3.4 shall be made by the Committee, whose determinations with regard thereto shall be final and binding upon all persons.

3.5 Fractional Shares. The Company shall not be required to issue any fractional Shares pursuant to this Plan. The Committee may provide for the elimination of fractions or for the settlement thereof in cash.

3.6 Unused and Forfeited Shares. Shares related to Awards that are forfeited, terminated, expire unexercised, tendered by a Participant in connection with the exercise of an Award, withheld from issuance in connection with a Participant's payment of tax withholding liability, settled in cash in lieu of Shares, or settled in such other manner so that a portion or all of the Shares included in an Award are not issued to a Participant shall become automatically available for other Awards. Notwithstanding the foregoing, any Shares used for full or partial payment of the purchase price of the Shares with respect to which an Option is exercised and any Shares retained by the Company pursuant to Section 12.1 that were originally Incentive Stock Option Shares shall be considered as having been granted for purposes of determining whether the Share limitation provided for in Section 3.2 has been reached for purposes of Incentive Stock Option grants.

3.7 Additional Limitation on Certain Awards. Notwithstanding any provision in this Plan to the contrary, (i) the minimum Performance Period with respect to any performance-based Award shall be one year and (ii) the minimum period with respect to any Award which vests or otherwise becomes payable based solely on the passage of time shall be three years; provided that up to five percent of the total Shares reserved for issuance under this Plan may be granted by the Committee without regard to the limitations set forth in this Section 3.7.(1)

ARTICLE IV PLAN ADMINISTRATION

4.1 Board Committee Administration. This Plan shall be administered by the Human Resource Committee of the Board (or such other Committee appointed by the Board from among its Non-Employee Directors), provided that the full Board may act at any time as the Committee. Notwithstanding the foregoing, the full Board shall be responsible for the administration of Awards to Non-Employee Directors.

4.2 Duties and Powers. The Committee shall have the full power and discretion to administer, construe, and apply the provisions of the Plan and any Award.

4.3 Committee Delegation. The Committee may delegate to one or more officers of the Company the authority to grant Awards to Participants who are not Covered Employees of the Company, provided that the Committee shall have fixed the total number of shares of Stock subject to such grants.

4.4 Determinations Binding. All actions taken or determinations made by the Committee, in good faith, with respect to the Plan, an Award or any Award Agreement shall not be subject to review by anyone, but shall be final, binding and conclusive upon all persons interested in the Plan or any Award. No member of the Committee shall be liable to any person for any such action taken or determination made in good faith.

(1) Section 3.7 was added to the Plan pursuant to Amendment One dated October 26, 2006.

ARTICLE V PERFORMANCE AWARDS

5.1 General. The Committee may from time to time authorize grants to Participants of Performance Awards upon such terms and conditions as the Committee may determine in accordance with provisions of this Article V. Performance Awards shall be evidenced by an Award Agreement containing such terms and provisions as the Committee may determine consistent with this Plan

5.2 Incentive Opportunity. Prior to the beginning of each Performance Period, the Committee shall specify the value of the opportunity subject to the number of Performance Shares or Performance Units to which the Performance Award pertains.

5.3 Performance Period. The Performance Period with respect to each Performance Award shall commence and end as of the dates determined by the Committee under the terms of the applicable Award Agreement.

5.4 Performance Objectives. Each Performance Award shall specify

the Performance Objectives that must be achieved before such Award shall become vested and payable. The Committee may adjust such Performance Objectives if, in the sole judgment of the Committee, events or transactions have occurred after the grant that are unrelated to the performance of the Company and/or Participant and result in distortion of the Performance Objectives. The Committee also may specify a minimum acceptable level of achievement below which no payment will be made and may set forth a formula for determining the amount of any payment to be made if performance is at or above such minimum acceptable level but falls short of the maximum achievement of the specified Performance Objectives.

5.5 Payment in Cash or Shares. The amount payable upon the completion of the Performance Period and the achievement of the Performance Objectives with respect to any Performance Award may be paid by the Company in cash, Shares or any combination thereof and may either grant to the Participant or reserve to the Committee the right to elect among those alternatives. The determination of the payment in cash or Shares will be made at the beginning of the Performance Period, unless otherwise specified by the Committee.

5.6 Dividend Equivalents. Prior to the expiration of a Performance Period and payment of any Shares or cash earned with respect to a Performance Award, no dividend equivalents shall be paid or payable with respect to such Award.

5.7 Effect of Termination of Employment.

(i) Unless otherwise specified by the Committee, in the event that the employment of a Participant shall terminate for any reason other than Retirement, Cause, Disability or death prior to the payment of any Performance Award granted to such Participant, all Performance Awards that have not paid as of the date of such termination shall be forfeited.

(ii) Unless otherwise specified by the Committee, in the event that the employment of a Participant with the Company shall terminate on account of the Retirement, death, or Disability of the Participant prior to the payment of any Performance Award granted to such Participant, a pro rata portion of such Performance Award shall be payable to such Participant following the end of the applicable Performance Period. The amount payable pursuant to the preceding sentence shall be determined by assuming that 100% of such Performance Award was earned at the time of such termination of employment, and by multiplying the earned amount by a fraction, the numerator of which shall be the number of days that have elapsed in the applicable Performance Period prior to the Participant's termination of employment and the denominator of which shall be the total number of days in the Performance Period.

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(iii) In the event of the termination of a Participant's employment for Cause, all outstanding Performance Awards granted to such Participant shall be forfeited.

5.8 Effect of Change in Control. Unless otherwise specified by the Committee, a pro rata portion of a Participant's Performance Awards shall be payable to such Participant within ten days following a Change in Control. The amount payable pursuant to the preceding sentence shall be determined by assuming that 100% of such Performance Awards were earned at the time of such Change in Control, and by multiplying the earned amount by a fraction, the numerator of which shall be the number of days that have elapsed in the applicable Performance Period prior to the Change in Control and the denominator of which shall be the total number of days in the Performance Period.

ARTICLE VI
OPTIONS AND SARS

6.1 General. The Committee may from time to time authorize grants to Participants of Options and/or SARs upon such terms and conditions as the Committee may determine in accordance with provisions of this Article VI. Options and SARs shall be evidenced by an Award Agreement containing such terms and provisions as the Committee may determine consistent with this Plan.

6.2 Number of Options or SARs. Each grant shall specify the number of Shares subject to the Option.

6.3 Exercise Price. Each grant shall specify an exercise price per Option Share or SAR, provided that in no event shall the exercise price be less than the Fair Market Value per Share on the Grant Date.

6.4 Consideration for Options. The form of consideration to be paid in satisfaction of the exercise price of an Option and the manner of payment of such consideration include (i) cash in the form of currency or check or other cash equivalent acceptable to the Company, (ii) nonforfeitable, unrestricted Shares owned by the Participant which have a value at the time of

exercise that is equal to the option price, (iii) any other legal consideration that the Committee may deem appropriate, on such basis as the Committee shall determine in accordance with this Plan, or (iv) any combination of the foregoing. Notwithstanding the foregoing, to the extent permitted by applicable law, any grant may provide for payment of the exercise price of an Option from the proceeds of sale through a bank or broker on the date of exercise of some or all of the Shares to which the exercise relates.

6.5 Payment for SARs. Upon exercise of a SAR, a Participant shall be entitled to receive payment from the Company in an amount determined by multiplying (i) the difference between the Fair Market Value of a Share on the date of exercise over the exercise price, times (ii) the number of Shares with respect to which the SAR is exercised. Any grant may specify that the amount payable upon the exercise of a SAR may be paid by the Company in cash, Shares or any combination thereof and may either grant to the Participant or reserve to the Committee the right to elect among those alternatives.

6.6 Performance-Based Options and SARs. Any grant of an Option or SAR may specify Performance Objectives that must be achieved as a condition to vesting and/or exercise of the Option or SAR.

6.7 Vesting. Each Option or SAR grant may specify the conditions that must be satisfied before the Options or SARs (or installments thereof) shall become vested and exercisable.

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6.8 ISO Dollar Limitation. Options granted under this Plan may be Incentive Stock Options, Nonqualified Stock Options or a combination of the foregoing. Each grant shall specify whether (or the extent to which) the Option is an Incentive Stock Option or a Nonqualified Stock Option. Notwithstanding any such designation, to the extent that the aggregate Fair Market Value of the Shares with respect to which Options designated as Incentive Stock Options are exercisable for the first time by a Participant during any calendar year (under all plans of the Company) exceeds \$100,000, such Options shall be treated as Nonqualified Stock Options.

6.9 Exercise Period. Any grant may specify (i) a waiting period or periods before Options or SARs shall become exercisable and (ii) permissible dates or periods on or during which Options or SARs shall be exercisable. No Option or SAR granted under this Plan may be exercised more than seven years from the Grant Date. In addition, the exercise period for any Incentive Stock Option for a Participant possessing more than 10% of the voting power of all classes of stock of the Company shall not exceed five years. The Committee may not extend the exercise period of an outstanding Option or SAR beyond the time originally prescribed in the Award Agreement, except to the extent permitted under Code Section 409A and U.S. Department of Treasury regulations or other guidance issued thereunder.

6.10 Repricing and Backdating Prohibited. The Committee shall not reprice any outstanding Option or SAR including the cancellation of an existing Option or SAR and substitution of a new Option or SAR with a lower exercise price, directly or indirectly, without the approval of the stockholders of the Company, provided that nothing herein shall prevent the Committee from taking any action provided for in Section 3.4. In no event shall the Grant Date of any Option or SAR be earlier than the date on which the Committee takes action with respect thereto.

6.11 Notification of Disqualifying Disposition. If any Participant shall make any disposition of Shares issued pursuant to the exercise of an Incentive Stock Option under the circumstances described in Section 421(b) of the Code (relating to certain disqualifying dispositions), such Participant shall notify the Company of such disposition within ten (10) days thereof.

6.12 Effect of Termination of Employment.

(i) Unless otherwise provided in an applicable Award Agreement, in the event that the employment of a Participant shall terminate for any reason other than Retirement, Cause, Disability or death, (a) Options and SARs granted to such Participant, to the extent that they were exercisable at the time of such termination, shall remain exercisable until the expiration of 90 days after such termination, on which date they shall expire, and (b) Options and SARs granted to such Participant, to the extent that they were not exercisable at the time of such termination, shall expire at the close of business on the date of such termination; provided however, no Option or SAR shall be exercisable after the expiration of its term.

(ii) Unless otherwise provided in an applicable Award Agreement, in the event that the employment of a Participant shall terminate on account of the Retirement, death, or Disability of the Participant, (a) Options and SARs granted to such Participant, to the extent that they were exercisable at the time of such termination, shall remain exercisable until the expiration of one year after such termination, on which date they shall expire, and (b) Options and SARs

granted to such Participant, to the extent that they were not exercisable at the time of such termination, shall expire at the close of business on the date of such termination; provided however, no Option or SAR shall be exercisable after the expiration of its term.

(iii) In the event of the termination of a Participant's employment for Cause, all outstanding Options and SARs granted to such Participant (regardless of whether or not exercisable at the time of such termination) shall expire at the commencement of business on the effective date of such termination (or deemed termination).

6.13 Effect of Change in Control. Unless otherwise provided in an applicable Award Agreement, all Options and SARs granted to Participants who are employed by the Company or a Subsidiary at the time of such Change in Control shall become fully vested and exercisable.

ARTICLE VII RESTRICTED SHARES AND RESTRICTED SHARE UNITS

7.1 General. The Committee may from time to time authorize grants to Participants of Restricted Shares and/or Restricted Share Units upon such terms and conditions as the Committee may determine in accordance with provisions of this Article VII. Each grant of Restricted Share and Restricted Share Units shall be evidenced by an Award Agreement containing such terms and provisions as the Committee may determine consistent with this Plan.

7.2 Number of Restricted Shares or Units. Each grant shall specify the number of Restricted Shares or Restricted Share Units to which it pertains.

7.3 Transfer of Shares. Each grant of Restricted Shares shall constitute an immediate transfer of the ownership of Shares to the Participant in consideration of the performance of services, subject to the restrictions on transfer hereinafter referred to. Each grant of Restricted Stock Units shall constitute the agreement by the Company to issue or transfer Shares, cash or a combination thereof to the Participant in the future subject to the fulfillment of such conditions as the Committee may specify.

7.4 Consideration. Each grant of Restricted Shares or Restricted Share Units may be made without additional consideration from the Participant or in consideration of a payment by the Participant that is less than the Fair Market Value per share or unit on the Grant Date.

7.5 Substantial Risk of Forfeiture. Each grant of Restricted Shares shall provide that the Restricted Shares covered thereby shall be subject to a "substantial risk of forfeiture" within the meaning of Code Section 83 for a period to be determined by the Committee on the Grant Date. If any Participant makes an election under Code Section 83(b) with respect to any Restricted Shares granted hereunder, such Participant shall notify the Company with ten days of such election.

7.6 Dividends, Voting and Other Ownership Rights. Unless otherwise provided in an applicable Award Agreement, an Award of Restricted Shares shall entitle the Participant to dividend, voting and other ownership rights during the period for which such substantial risk of forfeiture is to continue. Any Award of Restricted Shares may require that any or all dividends or other distributions paid on the Restricted Shares during the period of such restrictions be automatically sequestered and reinvested on an immediate or deferred basis in additional Shares, which may be subject to the same restrictions as the underlying Award or such other restrictions as the Committee may determine. To the extent set forth in a Participant's Award Agreement with respect to Restricted Stock Units, a Participant shall be entitled to receive dividend equivalents payable in cash or additional Shares on a current, deferred or contingent basis.

7.7 Performance-Based Restricted Shares and Restricted Stock Units. Any grant of Restricted Shares or Restricted Stock Units may specify Performance Objectives that must be achieved as a condition of vesting and/or payment of such Restricted Shares or Restricted Stock Units.

7.8 Effect of Termination of Employment.

(i) Unless otherwise provided in an applicable Award Agreement, in the event that the employment of a Participant shall terminate for any reason other than Retirement, Cause, Disability or death prior to the vesting of Restricted Shares or Restricted Stock Units granted to such Participant, all Restricted Shares and Restricted Stock Units that have not vested as of the date of such termination shall be forfeited.

(ii) Unless otherwise provided in an applicable Award Agreement, in the event that the employment of a Participant shall

terminate on account of the Retirement, death or Disability of the Participant prior to the vesting of Restricted Shares or Restricted Stock Units granted to such Participant, a proportion of such Restricted Shares and Restricted Stock Units, to the extent not forfeited or canceled on or prior to such termination pursuant to any provision hereof, shall vest on the date of such termination. The proportion referred to in the preceding sentence shall be determined by multiplying the Participant's non-vested Restricted Shares or Restricted Stock Units by a fraction, the numerator of which shall be the number of days that have elapsed in the applicable vesting period prior to the Participant's termination of employment and the denominator of which shall be the total number of days in such vesting period.

(iii) In the event a Participant's employment is or is deemed to have been terminated for Cause, all Restricted Shares and Restricted Stock Units granted to such Participant that have not vested as of the effective date of such termination shall be forfeited.

7.9 Effect of Change in Control. Unless otherwise provided in an applicable Award Agreement, all Restricted Shares and Restricted Stock Units granted to Participants who are employed by the Company or a Subsidiary at the time of such Change in Control shall become fully vested and non-forfeitable.

ARTICLE VIII SHORT-TERM INCENTIVES AND OTHER AWARDS

8.1 Short-Term Incentives. For each fiscal year of the Company, the Committee may establish an incentive pool or other incentive structure or policy with respect to Participants who are not Non-Employee Directors. Any such incentive pool, structure or policy shall be subject to such terms, restrictions and conditions determined by the Committee and consistent with the terms of this Plan. Short-Term Incentives may be paid in the form of cash, Shares or a combination thereof as determined by the Committee in its discretion. Payment of such Short-Term Incentives shall be subject to the following:

(i) Unless otherwise specified by the Committee, in the event that the employment of a Participant shall terminate for any reason other than Retirement, Cause, Disability or death prior to the payment date of any Short-Term Incentive, such incentive opportunity shall be forfeited in its entirety.

(ii) Unless otherwise specified by the Committee, in the event that the employment of a Participant with the Company shall terminate on account of the Retirement, death, or Disability of the Participant prior to the payment date of any Short-Term Incentive, a pro rata portion of such Short-Term Incentive shall be payable to such Participant following the end of the applicable Performance Period. The amount payable pursuant to the preceding sentence shall be determined by assuming that 100% of such Short-Term Incentive was earned at the time of such termination of employment, and by multiplying the earned amount by a fraction, the numerator of which shall be the number of days that have elapsed in the applicable Performance Period prior to the Participant's termination of employment and the denominator of which shall be the total number of days in the Performance Period.

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(iii) In the event of the termination of a Participant's employment for Cause, such Participant's incentive opportunity shall be forfeited in its entirety.

(iv) Unless otherwise specified by the Committee, a pro rata portion of a Participant's Short-Term Incentive shall be payable to such Participant within ten days following a Change in Control. The amount payable pursuant to the preceding sentence shall be determined by assuming that 100% of such Short-Term Incentive was earned at the time of such Change in Control, and by multiplying the earned amount by a fraction, the numerator of which shall be the number of days that have elapsed in the applicable Performance Period prior to the Change in Control and the denominator of which shall be the total number of days in the Performance Period.

8.2 Other Stock Awards. The Committee may, subject to limitations under applicable law, grant to any Participant such other awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Shares or factors that may influence the value of such Shares, including, without limitation, convertible or exchangeable debt securities, other rights convertible or exchangeable into Shares, purchase rights for Shares, awards with value and payment contingent upon performance of the Company or specified Subsidiaries, affiliates or other business units thereof or any other factors designated by the Committee, and awards valued by reference to the book value of Shares or the value of securities of, or the performance of specified Subsidiaries or affiliates or other business units of the Company. The Committee shall determine the terms and conditions of such

awards. Shares delivered pursuant to an award in the nature of a purchase right granted under this Article VIII shall be purchased for such consideration, paid for at such time, by such methods, and in such forms, including, without limitation, cash, Shares, other awards, notes or other property, as the Committee shall determine.

8.3 Payment In Lieu of Other Obligations. The Committee may grant Shares as a bonus, or may grant other awards in lieu of obligations of the Company or a Subsidiary to pay cash or deliver other property under this Plan or under other plans or compensatory arrangements, subject to such terms as shall be determined by the Committee.

ARTICLE IX TRANSFERABILITY

9.1 Transfer Restrictions. No Award granted under this Plan shall be transferable by a Participant other than by will or the laws of descent and distribution, and Options and SARs shall be exercisable during a Participant's lifetime only by the Participant or, in the event of the Participant's legal incapacity, by his guardian or legal representative acting in a fiduciary capacity on behalf of the Participant under state law. Any attempt to transfer an Award in violation of this Plan shall render such Award null and void.

9.2 Restrictions on Transfer. Any Award made under this Plan may provide that all or any part of the Shares that are (i) to be issued or transferred by the Company upon the exercise of Options or SARs, upon the termination of any deferral period applicable to Restricted Share Units or upon payment of any Short-Term Incentives or Performance Awards, or (ii) no longer subject to the substantial risk of forfeiture and restrictions on transfer referred to in Article VII, shall be subject to further restrictions upon transfer.

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ARTICLE X DEFERRAL OF AWARDS

10.1 General. The Committee may permit Participants to elect to defer the issuance of Shares or the settlement of Awards in cash under the Plan pursuant to such rules, procedures or programs as it may establish for purposes of this Plan. In the case of an Award of Restricted Shares, the deferral may be effected by the Participant's agreement to forego or exchange his or her Award of Restricted Shares and to receive an Award of Restricted Share Units. The Committee also may provide that deferred settlements include the payment or crediting of interest on the deferral amounts, or the payment or crediting of dividend equivalents where the deferral amounts are denominated in Shares.

10.2 Compliance with Code Section 409A. To the extent any Award (or portion thereof) provides for the deferral of compensation and is subject to Code Section 409A, such deferred compensation shall be subject to the following limitations and conditions:

(i) In no event shall any deferred compensation be distributed earlier than separation from service, death, disability, a time (or pursuant to a fixed schedule) specified at the date of the deferral of such compensation, a change in the ownership or effective control of the Company or in the ownership of a substantial portion of the assets of the Company, or the occurrence of an unforeseeable emergency.

(ii) In the case of a Participant who is a key employee, as defined in Code Section 416(i), distribution due to separation from service may not be made before the date which is six months after the date of separation from service (or, if earlier, the date of death of such Participant).

(iii) Except to the extent provided in U.S. Department of Treasury regulations or other guidance, any deferred compensation payable to a Participant may not be accelerated.

(iv) To the extent a Participant is offered an opportunity to defer receipt of compensation for services performed during a taxable year, such Participant's deferral election must be made not later than the close of the preceding taxable year (or within 30 days of eligibility in the case of a newly eligible individuals) or at such other time as provided in U.S. Department of Treasury regulations or other guidance. Notwithstanding the foregoing, in the case of any performance-based compensation based on services performed over a period of at twelve months, such election may be made no later than six months before the end of such performance period.

(v) To the extent a Participant is offered an opportunity to delay the payment date of any deferred compensation or to change the form in which such deferred compensation shall be paid, (a) the Participant's new election may not take effect for at least twelve

months after the date on which the election is made, (b) except in the case of an election related to a payment due to disability, death or a change in ownership or effective control of the Company, the first payment with respect to which a new election is made must provide for a deferral period of not less than five years from the date such payment would otherwise have been made, and (c) any election relating to a specified time (or pursuant to a fixed schedule) may not be made less than twelve months prior to the date of the first scheduled payment.

To the extent applicable, the Plan and Award Agreements shall be interpreted in accordance with Code Section 409A and U.S. Department of Treasury regulations and other interpretative guidance issued thereunder, including without limitation any regulations or other guidance that may be issued after the effective date of this Plan. Notwithstanding any provision of the Plan to the contrary, in the event that following the effective date of this Plan any Award is subject to Code Section 409A and related U.S. Department of Treasury guidance (including such U.S. Department of Treasury guidance as may be issued after the effective date of the Plan), the Committee may adopt such amendments to the Plan and applicable Award Agreements or adopt other policies and procedures (including amendments, policies and procedures retroactive effect), or take any other actions, that the Committee determines are necessary or appropriate to exempt the Award from Code Section 409A and/or preserve the intended tax treatment of the benefits provided with respect to the Award, or comply with the requirements of Code Section 409A and related U.S. Department of Treasury guidance.

ARTICLE XI PERFORMANCE OBJECTIVES

11.1 General. Performance Objectives means the performance objectives established pursuant to this Plan for Participants who have received Awards. Performance Objectives may be described in terms of Company-wide objectives or objectives that are related to the performance of an individual Participant or the Subsidiary, division, department or function within the Company or Subsidiary in which the Participant is employed. Performance Objectives may be measured on an absolute or relative basis. Relative performance may be measured by comparison to a group of peer companies or to a financial market index. Any Performance Objectives applicable to a Qualified Performance-Based Award are intended to be "performance-based" under Code Section 162(m) and shall be limited to specified levels of or increases in one or more of the following Performance Objectives: return on equity, regional income, diluted earnings per share, net earnings, total earnings, earnings growth, return on capital, working capital turnover, return on assets, earnings before interest and taxes, sales, sales growth, gross margin return on investment, increase in the fair market value of the Shares, share price (including but not limited to, growth measures and total stockholder return), operating profit, cash flow (including, but not limited to, operating cash flow and free cash flow), cash flow return on investment (which equals net cash flow divided by total capital), inventory turns, financial return ratios, total return to stockholders, market share, earnings measures/ratios, economic value added, balance sheet measurements such as receivable turnover, internal rate of return, increase in net present value or expense targets, productivity and satisfaction of environment, health and safety targets.

11.2 Adjustments of Performance Objectives. Subject to any limitation under Code Section 162(m) with respect to Covered Employees, the Committee shall adjust Performance Objectives and the related minimum acceptable level of achievement if, in the sole judgment of the Committee, events or transactions have occurred after the Grant Date that are unrelated to the performance of the Company and/or Participant and result in distortion of the Performance Objectives or the related minimum acceptable level of achievement. Potential transactions or events giving rise to adjustment include but are not limited to (i) restructurings, discontinued operations, extraordinary items or events, and other unusual or non-recurring charges; (ii) an event either not directly related to the operations of the Company or not within the reasonable control of the Company's management; or (iii) a change in tax law or accounting standards required by generally accepted accounting principles.

ARTICLE XII MISCELLANEOUS

12.1 Withholding Taxes. To the extent that the Company is required to withhold federal, state, local or foreign taxes in connection with any payment made or benefit realized by a Participant or other person under this Plan, the Committee may withhold any amounts necessary to collect any withholding taxes upon any taxable event relating to an Award. At the discretion of the Committee, such arrangements may include relinquishment of a portion of such benefit payable in cash or Shares.

12.2 Change in Control. Notwithstanding any provision in this Plan or an Award Agreement to the contrary, in the event that the Company undergoes a

Change in Control, or in the event the Company shall become a party to any corporate merger, consolidation, major acquisition of property for stock, separation, reorganization or liquidation, the Committee (or the board of directors of any corporation assuming the obligations of the Company) shall have the sole and absolute power and discretion to prescribe and amend the terms and conditions for the exercise, or modification, of any outstanding Awards granted hereunder. Such power and discretion shall include, but shall not be limited to, the power and authority to remove restrictions on Restricted Shares, to modify the performance requirements for any Awards, and to provide that Options or SARs granted hereunder must be exercised in connection with the closing of such transaction and that if not so exercised such Options and SARs will expire. Any such determinations by the Committee may be made generally with respect to all Participants, or may be made on a case-by-case basis with respect to particular Participants. Notwithstanding the foregoing, any transaction undertaken for the purpose of reincorporating the Company under the laws of another jurisdiction, if such transaction does not materially affect the beneficial ownership of the Company's capital, shall not constitute a merger, consolidation, major acquisition of property for stock, separation, reorganization, liquidation, or Change in Control.

12.3 Certain Terminations of Employment, Hardship and Approved Leaves of Absence. Notwithstanding any other provision of this Plan to the contrary, in the event of termination of employment by reason of death, Disability, Retirement or leave of absence approved by the Company, or in the event of hardship or other special circumstances, of a Participant who holds an Option or SAR that is not immediately and fully exercisable, any Restricted Shares as to which the substantial risk of forfeiture or the prohibition or restriction on transfer has not lapsed, any Restricted Share Units as to which any deferral period is not complete, any Performance Awards that have not been fully earned, or any Shares that are subject to any transfer restriction, the Committee may in its sole discretion take any action that it deems to be equitable under the circumstances or in the best interests of the Company, including, without limitation, waiving or modifying any limitation or requirement with respect to any Award under this Plan.

12.4 Right of Recapture. If, at any time within one year after the date on which a Participant exercises an Option or SAR or on which Restricted Shares or Restricted Share Units vest or on which income is realized by a Participant in connection with any other Award (each of which events shall be a "realization event"), the Committee determines in its discretion that the Company has been materially harmed by the Participant, whether such harm (a) results in the Participant's termination or deemed termination of employment for Cause or (b) results from any activity of the Participant determined by the Committee to be in competition with any activity of the Company, or otherwise prejudicial, contrary or harmful to the interests of the Company (including, but not limited to, accepting employment with or serving as a consultant, adviser or in any other capacity to an entity that is in competition with or acting against the interests of the Company), then any gain realized by the Participant from the realization event shall be paid by the Participant to the Company upon notice from the Company. Such gain shall be determined as of the date of the realization event, without regard to any subsequent change in the Fair Market Value of the Company's Shares. The Company shall have the right to offset such gain against any amounts otherwise owed to the Participant by the Company (whether as wages, vacation pay, or pursuant to any benefit plan or other compensatory arrangement).

12.5 Foreign Participants. To facilitate the making of any Award or combination of Awards under this Plan, the Committee may provide for such special terms for Awards to Participants who are foreign nationals, or who are employed by or perform services for the Company or any Subsidiary outside of the United States of America, as the Committee may consider necessary or appropriate to accommodate differences in local law, tax policy or custom. Moreover, the Committee may approve such supplements to, or amendments, restatements or alternative versions of, this Plan as it may consider necessary or appropriate for such purposes without thereby affecting the terms of this Plan as in effect for any other purpose, provided that no such supplements, amendments, restatements or alternative versions shall include any provisions that are inconsistent with the terms of this Plan, as then in effect, unless this Plan could have been amended to eliminate such inconsistency without further approval by the stockholders of the Company.

12.6 Amendment or Termination. This Plan may be amended or terminated at any time by action of the Board; provided that (i) no amendment may increase any of the limitations specified in Article III, other than to reflect an adjustment made in accordance with Section 3.4, without the further approval of the stockholders of the Company, and (ii) subject to Section 12.2, no amendment or termination may in any manner adversely affect any Awards theretofore granted under the Plan without the consent of the Participants holding such Awards. The Board may condition any amendment or termination on the approval of the stockholders of the Company if such approval is necessary or deemed advisable with respect to the applicable listing or other requirements of a national securities exchange or other applicable laws, policies or regulations.

12.7 Conditional Awards. The Committee may condition the grant of any Award or combination of Awards under the Plan on the surrender or deferral by the Participant of his or her right to receive a cash bonus or other compensation otherwise payable by the Company or any Subsidiary to the Participant.

12.8 No Employment Right. This Plan shall not confer upon any Participant any right with respect to continuance of employment or other service with the Company or any Subsidiary and shall not interfere in any way with any right that the Company or any Subsidiary would otherwise have to terminate any Participant's employment or other service at any time.

12.9 Tax Qualification. To the extent that any provision of this Plan would prevent any Option that was intended to qualify under particular provisions of the Code from so qualifying, such provision of this Plan shall be null and void with respect to such Option, provided that such provision shall remain in effect with respect to other Options, and there shall be no further effect on any provision of this Plan.

12.10 Duration of the Plan. Unless sooner terminated in accordance with Section 12.6, this Plan shall automatically terminate on the fifth anniversary of the date upon which it is approved by the stockholders of the Company, and no Award shall be granted after such fifth anniversary.

12.11 Limitations Period. Any person who believes he or she is being denied any benefit or right under the Plan may file a written claim with the Committee. Any claim must be delivered to the Committee within forty-five (45) days of the specific event giving rise to the claim. Untimely claims will not be processed and shall be deemed denied. The Committee, or its designated agent, will notify the Participant of its decision in writing as soon as administratively practicable. Claims not responded to by the Committee in writing within ninety (90) days of the date the written claim is delivered to the Committee shall be deemed denied. The Committee's decision shall be final and conclusive and binding on all persons. No lawsuit relating to the Plan may be filed before a written claim is filed with the Committee and is denied or deemed denied and any lawsuit must be filed within one year of such denial or deemed denial or be forever barred.

12.12 Governing Law. The validity, construction and effect of this Plan and any Award hereunder will be determined in accordance the laws of state of Georgia.

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12.13 Investment Representations. As a condition to the exercise or granting of an Award, the Committee may require the person exercising or receiving such Award to represent and warrant that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

12.14 Uncertificated Shares. To the extent that the Plan provides for issuance of certificates to reflect the transfer of Shares, the transfer of such Shares may be effected on a non-certificated basis, to the extent not prohibited by applicable law or the rules of any stock exchange.

12.15 Unfunded Plan. Participants shall have no right, title, or interest whatsoever in or to any investments that the Company may make to aid it in meeting its obligations under the Plan. Nothing contained in the Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and any Participant, beneficiary, legal representative or any other person. To the extent that any person acquires a right to receive payments from the Company under the Plan, such right shall be no greater than the right of an unsecured general creditor of the Company. All payments to be made hereunder shall be paid from the general funds of the Company and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of such amounts except as expressly set forth in the Plan.

12.16 Beneficiary Designation. Each Participant under the Plan may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under the Plan is to be paid in case of his or her death before he or she receives any or all of such benefit. Each such designation shall revoke all prior designations by the same Participant, shall be in a form prescribed by the Committee, and will be effective only when filed by the Participant in writing with the Committee during the Participant's lifetime. In the absence of any such designation, benefits remaining unpaid at the Participant's death shall be paid to the Participant's estate.

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NOVELIS INC.
NON-QUALIFIED STOCK OPTION AGREEMENT

Name of Participant: _____

Grant Date: October 26, 2006

Total Option Shares: _____

Premium Option Shares: (Insert number equal to 50% of Total Option Shares)

Non-Premium Option Shares: (Insert number equal to 50% of Total Option Shares)

Exercise Price Per Option Share: \$25.53

This Agreement evidences the grant by Novelis Inc. (the "Company") of a non-qualified stock option to the above-referenced "Participant" as of the "Grant Date" hereof pursuant to the Novelis Inc. 2006 Incentive Plan (the "Plan").

1. Option. Participant shall have the option (the "Option") to

purchase the Company's Shares at a price per share (the "Exercise Price") and in the amounts set forth above. The Option Shares subject to this Agreement shall be comprised of two equal portions: the "Premium Option Shares" and "Non-Premium Option Shares". The Premium Options Shares shall be subject to the additional restrictions set forth in paragraph 2(c) below. The Option is not intended to qualify for federal income tax purposes as an "incentive stock option" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

2. Vesting and Exercise of the Option.

(a) Vesting Schedule. Subject to the remaining provisions of

this paragraph, the Option shall become vested and exercisable in accordance with the following schedule:

25% after one year on October 26, 2007
25% after two years on October 26, 2008
25% after three years on October 26, 2009
25% after four years on October 26, 2010

(b) Manner of Exercise. The Option may be exercised only by

Participant (or other proper party in the event of death), subject to the conditions of the Plan and subject to such other administrative rules as the Committee may deem advisable, by delivering a written notice of exercise to the Company or its designee. The notice shall state the number of Option Shares as to which the Option is being exercised. Premium Option Shares will be exercised first, to the extent available, before any Non-Premium Option Shares are exercised. The exercise of the Option shall be deemed effective upon receipt of such notice by the Company or its designee and upon payment that complies with the terms of the Plan and this Agreement. The Option may be exercised with respect to any number or all of the Option Shares as to which it can then be exercised and, if partially exercised, may be so exercised as to the unexercised Option Shares any number of times during the exercise period as provided herein.

(c) Restriction on Premium Options. In no event may the

Premium Option Shares be exercised unless the Fair Market Value per Share, as of the close of business of the most recent business day preceding the date of exercise, equals or exceeds \$28.59 (one hundred twelve percent (112%) of the Exercise Price Per Option Share).

(d) Effect of Termination of Employment.

(i) In the event Participant terminates employment for any reason other than Retirement, Cause, Disability or death, (A) the Option, to the extent vested and exercisable at the time of such termination, shall remain exercisable until the expiration of 90 days after such termination, on which date the Option shall expire, and (B) the Option, to the extent not vested and exercisable at the time of such termination, shall expire at the close of business on the date of such termination.

(ii) In the event Participant terminates employment due to Retirement on or after October 26, 2007, the Option shall

continue to vest in accordance with paragraph 2(a) above but in all events must be exercised no later than the third (3rd) anniversary following Participant's Retirement. In the event Participant terminates employment due to Retirement before October 26, 2007, the Option shall expire in its entirety at the close of business on the date of such Retirement.

(iii) In the event Participant terminates employment due to death or Disability, the Option shall become immediately vested and exercisable but in all events must be exercised no later than the first (1st) anniversary following Participant's termination of employment.

(iv) In the event of Participant's employment is terminated for Cause, the Option (regardless of whether or not vested and exercisable at the time of such termination) shall expire in its entirety at the close of business on the date of such termination (or deemed termination).

(v) For purposes of this Agreement, "terminates employment," "termination of employment" or any similar reference means the complete severance of Participant's employment relationship with the Company and its affiliates for any reason. Participant will be treated as continuing in the employ of the Company while he or she is on military leave, sick leave or other bona fide leave of absence; provided that Participant's inclusion on the Company's non-active payroll shall not be considered a bona fide leave of absence for purposes of this Agreement.

(e) Effect of Change in Control. Notwithstanding anything

contained herein to the contrary, if a Change in Control shall occur prior to the vesting date of the Option Shares, then one hundred percent (100%) of such Option Shares shall become immediately vested and exercisable, without regard to the restrictions under paragraph 2(c) above with respect to Premium Option Shares.

(f) Latest Date of Exercise. Notwithstanding anything

contained herein to the contrary, in no event may the Option be exercised later than October 25, 2013.

3. Waiver of Breach. The waiver by either party of a breach of any

provision of this Agreement must be in writing and shall not operate or be construed as a waiver of any other or subsequent breach.

4. Participant's Undertaking. Participant hereby agrees to take

whatever additional actions and execute whatever additional documents the Company may in its reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on Participant pursuant to the express provisions of this Agreement and the Plan. Participant further agrees that if he or she is or becomes an insider of the Company for purposes of any applicable securities or other law or the Company's insider trading policy, then the exercise of the Option and the disposal of Shares acquired pursuant to such exercise shall be subject to restrictions under such law or policy.

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5. Incorporation of Plan. The terms and provisions of the Plan are

hereby incorporated into this Agreement as if set forth herein in their entirety. In the event of a conflict between any provision of this Agreement and the Plan, the provisions of the Plan shall control. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Plan.

6. Modification of Rights. The rights of Participant under this

Agreement are subject to modification and termination in certain events as provided herein and/or the Plan.

7. Governing Law/Jurisdiction. This Agreement shall be governed

under the laws of the State of Georgia without regard to the principles of conflicts of laws. Each party hereto submits to the exclusive jurisdiction of the United States District Court for the District of Georgia (Atlanta, Georgia) and hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, trial by jury in any suit, action or proceeding relating to this Agreement.

8. Entire Agreement/Severability. This Agreement and the Plan (and

the other writings referred to herein) constitute the entire agreement between the parties with respect to the subject matter hereof and thereof and supersede all prior written or oral negotiations, commitments, representations and agreements with respect thereto. If any particular provision of this Agreement shall be adjudicated by a court of competent jurisdiction to be invalid, prohibited or unenforceable for any reason, such provision, as to such jurisdiction, shall be ineffective, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Grant Date. This Agreement may be executed in counterparts.

NOVELIS INC.

By: _____

Name: _____

Title: _____

PARTICIPANT

Date: _____

NOVELIS INC.
SARS AGREEMENT

Name of Participant: _____

Grant Date: October 26, 2006

Total Number of SARs: _____

Premium SARs: (Insert number equal to 50% of Total SARs)

Non-Premium SARs: (Insert number equal to 50% of Total SARs)

Exercise Price Per SAR: \$25.53

This Agreement evidences the grant by Novelis Inc. (the "Company") of stock appreciation rights ("SARs") to the above-referenced "Participant" as of the "Grant Date" hereof pursuant to the Novelis Inc. 2006 Incentive Plan (the "Plan").

1. SARs. The SARs subject to this Agreement shall be comprised of

two equal portions: the "Premium SARs" and "Non-Premium SARs". The Premium SARs shall be subject to the additional restrictions set forth in paragraph 2(c) below. Upon exercise, Participant shall be entitled to receive payment from the Company in an amount determined by multiplying (i) the difference between the Fair Market Value of one Share on the date of exercise over the exercise price per SAR, times (ii) the number of Shares with respect to which the SAR is exercised. The amount payable upon the exercise of such SARs shall be paid in cash.

2. Vesting and Exercise of the SARs.
-----(a) Vesting Schedule. Subject to the remaining provisions of

this paragraph, the SARs shall become vested and exercisable in accordance with the following schedule:

25% after one year on October 26, 2007
25% after two years on October 26, 2008
25% after three years on October 26, 2009
25% after four years on October 26, 2010

(b) Manner of Exercise. The SARs may be exercised only by

Participant (or other proper party in the event of death), subject to the conditions of the Plan and subject to such other administrative rules as the Committee may deem advisable, by delivering a written notice of exercise to the Company or its designee. The notice shall state the number of SARs being exercised and shall be deemed effective upon receipt of such notice by the Company or its designee. Premium SARs will be exercised first, to the extent available, before any Non-Premium SARs are exercised. The SAR may be exercised with respect to any number or all of the SARs as to which it can then be exercised and, if partially exercised, may be so exercised as to the unexercised SARs any number of times during the exercise period as provided herein.

(c) Restriction on Premium SARs. In no event may the Premium

SARs be exercised unless the Fair Market Value per Share, as of the close of business of the most recent business day preceding the date of exercise, equals or exceeds \$28.59 (one hundred twelve percent (112%) of the exercise price per SAR).

(d) Effect of Termination of Employment.

(i) In the event Participant terminates employment for any reason other than Retirement, Cause, Disability or death, (A) the SARs, to the extent vested and exercisable at the time of such termination, shall remain exercisable until the expiration of 90 days after such termination, on which date the SARs shall expire, and (B) the SARs, to the extent not vested and exercisable at the time of such termination, shall expire at the close of business on the date of such termination.

(ii) In the event Participant terminates employment due to Retirement on or after October 26, 2007, the SARs shall continue to vest in accordance with paragraph 2(a) above but in all events must be exercised no later than the third (3rd)

anniversary following Participant's Retirement. In the event Participant terminates employment due to Retirement before October 26, 2007, the SARs shall expire in their entirety at the close of business on the date of such Retirement.

(iii) In the event Participant terminates employment due to death or Disability, the SARs shall become immediately vested and exercisable but in all events must be exercised no later than the first (1st) anniversary following Participant's termination of employment.

(iv) In the event of Participant's employment is terminated for Cause, the SARs (regardless of whether or not vested and exercisable at the time of such termination) shall expire in their entirety at the close of business on the date of such termination (or deemed termination).

(v) For purposes of this Agreement, "terminates employment," "termination of employment" or any similar reference means the complete severance of Participant's employment relationship with the Company and its affiliates for any reason. Participant will be treated as continuing in the employ of the Company while he or she is on military leave, sick leave or other bona fide leave of absence; provided that Participant's inclusion on the Company's non-active payroll shall not be considered a bona fide leave of absence for purposes of this Agreement.

(e) Effect of Change in Control. Notwithstanding anything

contained herein to the contrary, if a Change in Control shall occur prior to the vesting date of the SARs, then one hundred percent (100%) of such SARs shall become immediately vested and exercisable, without regard to the restrictions under paragraph 2(c) above with respect to Premium SARs.

(f) Latest Date of Exercise. Notwithstanding anything

contained herein to the contrary in no event may the SARs be exercised later than October 25, 2013.

3. Waiver of Breach. The waiver by either party of a breach of any

provision of this Agreement must be in writing and shall not operate or be construed as a waiver of any other or subsequent breach.

4. Participant's Undertaking. Participant hereby agrees to take

whatever additional actions and execute whatever additional documents the Company may in its reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on Participant pursuant to the express provisions of this Agreement and the Plan. Participant further agrees that if he or she is or becomes an insider of the Company for purposes of any applicable securities or other law or the Company's insider trading policy, then the exercise of the SARs shall be subject to restrictions under such law or policy.

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5. Incorporation of Plan. The terms and provisions of the Plan are

hereby incorporated into this Agreement as if set forth herein in their entirety. In the event of a conflict between any provision of this Agreement and the Plan, the provisions of the Plan shall control. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Plan.

6. Modification of Rights. The rights of Participant under this

Agreement are subject to modification and termination in certain events as provided herein and/or the Plan.

7. Governing Law/Jurisdiction. This Agreement shall be governed

under the laws of the State of Georgia without regard to the principles of conflicts of laws. Each party hereto submits to the exclusive jurisdiction of the United States District Court for the District of Georgia (Atlanta, Georgia) and hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, trial by jury in any suit, action or proceeding relating to this Agreement.

8. Entire Agreement/Severability. This Agreement and the Plan (and

the other writings referred to herein) constitute the entire agreement between the parties with respect to the subject matter hereof and thereof and supersede all prior written or oral negotiations, commitments, representations and

agreements with respect thereto. If any particular provision of this Agreement shall be adjudicated by a court of competent jurisdiction to be invalid, prohibited or unenforceable for any reason, such provision, as to such jurisdiction, shall be ineffective, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Grant Date. This Agreement may be executed in counterparts.

NOVELIS INC.

By: _____

Name: _____

Title: _____

PARTICIPANT

Date: _____

NEWS RELEASE

FOR IMMEDIATE RELEASE

NOVELIS DECLARES QUARTERLY DIVIDEND

ATLANTA, Oct. 27, 2006 - The Board of Directors of Novelis Inc. (NYSE: NVL) (TSX: NVL) yesterday declared a quarterly dividend of US\$0.01 per share on its outstanding common stock, payable on December 20, 2006, to shareholders of record at the close of business on November 20, 2006.

There are approximately 74 million common shares of Novelis Inc. stock outstanding.

Novelis is the global leader in aluminum rolled products and aluminum can recycling. The company operates in 11 countries and has approximately 12,500 employees. Novelis has the unrivaled capability to provide its customers with a regional supply of technologically sophisticated rolled aluminum products throughout Asia, Europe, North America and South America. Through its advanced production capabilities, the company supplies aluminum sheet and foil to the automotive and transportation, beverage and food packaging, construction and industrial, and printing markets. For more information, visit www.novelis.com.

Statements made in this news release which describe Novelis' intentions, expectations or predictions may be forward-looking statements within the meaning of securities laws. Novelis cautions that, by their nature, forward looking statements involve risk and uncertainty and that Novelis' actual results could differ materially from those expressed or implied in such statements. Reference should be made to Novelis' Annual Report on 10-K for the year ended December 31, 2005, as amended and filed with the Securities and Exchange Commission, for a discussion of major risk factors.

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