

Use of proceeds

Assuming no exercise of the Over-allotment Option, the net proceeds from the Global Offer receivable by the Company will be approximately £1,280.0 million (approximately US\$2,592.1 million), after deduction of estimated expenses payable by the Company of £83.5 million (approximately US\$169.0 million).

The principal use of the proceeds of the Global Offer, supplemented by the cash resources generated by the Group and, if appropriate, external, or project or other financing, is to grow the Group both organically and through strategic acquisitions and, in particular, to provide funding for the following:

- approximately US\$1.7 billion will be allocated to the Group's US\$2.8 billion short- to medium-term investment programme. The Directors anticipate that the cash resources generated by the Group (and, if appropriate, external or project or other financing) will provide the balance of the funding required to fulfil the Group's short- to medium-term investment programme. This US\$2.8 billion investment programme includes the following projects:
 - within the Ferroalloy Division, the construction of a second pelletiser and other capital improvements and the expansion of production capacity by up to approximately 200,000 tonnes per annum through the construction of two new furnaces (*approximately US\$270 million*).
 - the expansion of the Group's iron ore concentrate production capacity by up to approximately 4 million tonnes per annum (*approximately US\$320 million*).
 - the construction of a DRI plant at the Iron Ore Division with an estimated annual capacity of up to 1.8 million tonnes per annum and the expansion of the Group's iron ore pelletiser capacity by up to 5 million tonnes per annum (*approximately US\$800 to US\$900 million*).
 - the expansion of the Group's alumina production capacity by up to approximately 300,000 tonnes per annum and an upgrade to sandy alumina production quality (*approximately US\$240 million*).
 - the ongoing construction of the Group's new aluminium smelter which is expected to have a maximum annual capacity of 250,000 tonnes by 2011 (*approximately US\$410 million*).
 - within the Energy Division, the refurbishment of certain existing generator blocks and the installation of 300 MWh of additional capacity through the construction of a new generator and turbine and the installation of a new stripping complex (*approximately US\$295 million*).
 - additional growth and improvement projects across the Group's divisions.
- approximately US\$110 million will be used to satisfy the balance of the consideration payable in respect of the Group's acquisition of a controlling interest in the Serov Group and certain related entities (further details of which are set out in "Part X: Related party transactions").
- US\$500 million will be used to fund the pre-IPO dividend.
- the balance will be used to reduce the Group's leverage and/or to fund acquisition opportunities which may arise.

Pending investment, the net proceeds will be placed on deposit.