

CORUS GROUP plc  
PRELIMINARY RESULTS TO DECEMBER 2000  
SLIDE COPIES

## **AGENDA FOR TODAY**

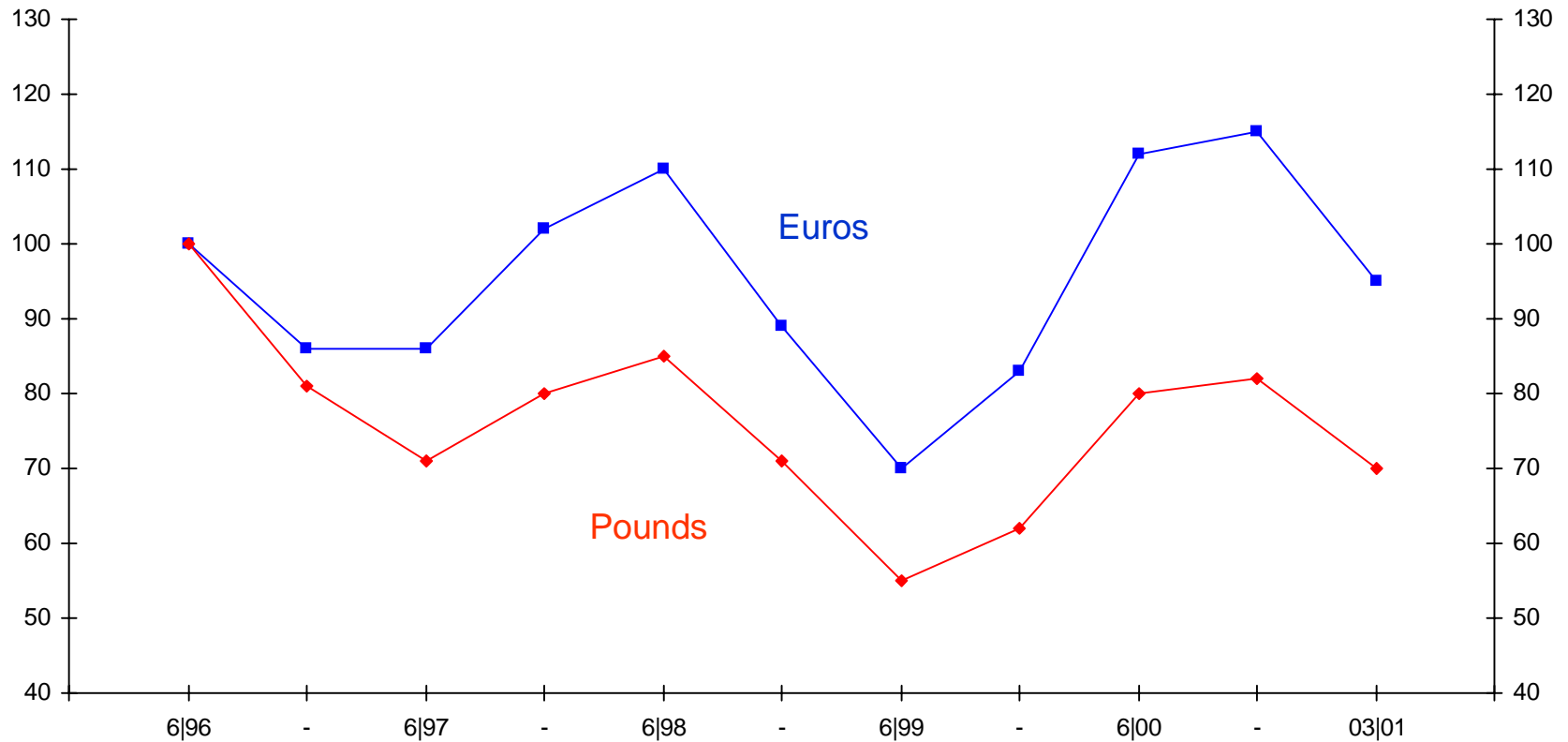
- Introduction
- Results & Cash Flow
- Underlying Factors
- Trading Scene & Outlook
- Q & A Forum

PROFIT & LOSS ACCOUNT £ million	15 mths to 30 Dec '00
<b>Loss before exceptional items</b>	<b>(114)</b>
Restructuring & related costs	(1,033)
<b>Result before interest</b>	<b>(1,147)</b>
Net interest	(124)
<b>Loss before tax</b>	<b>(1,271)</b>
Tax	(8)
Minority interests	(70)
<b>Loss for the period</b>	<b>(1,349)</b>

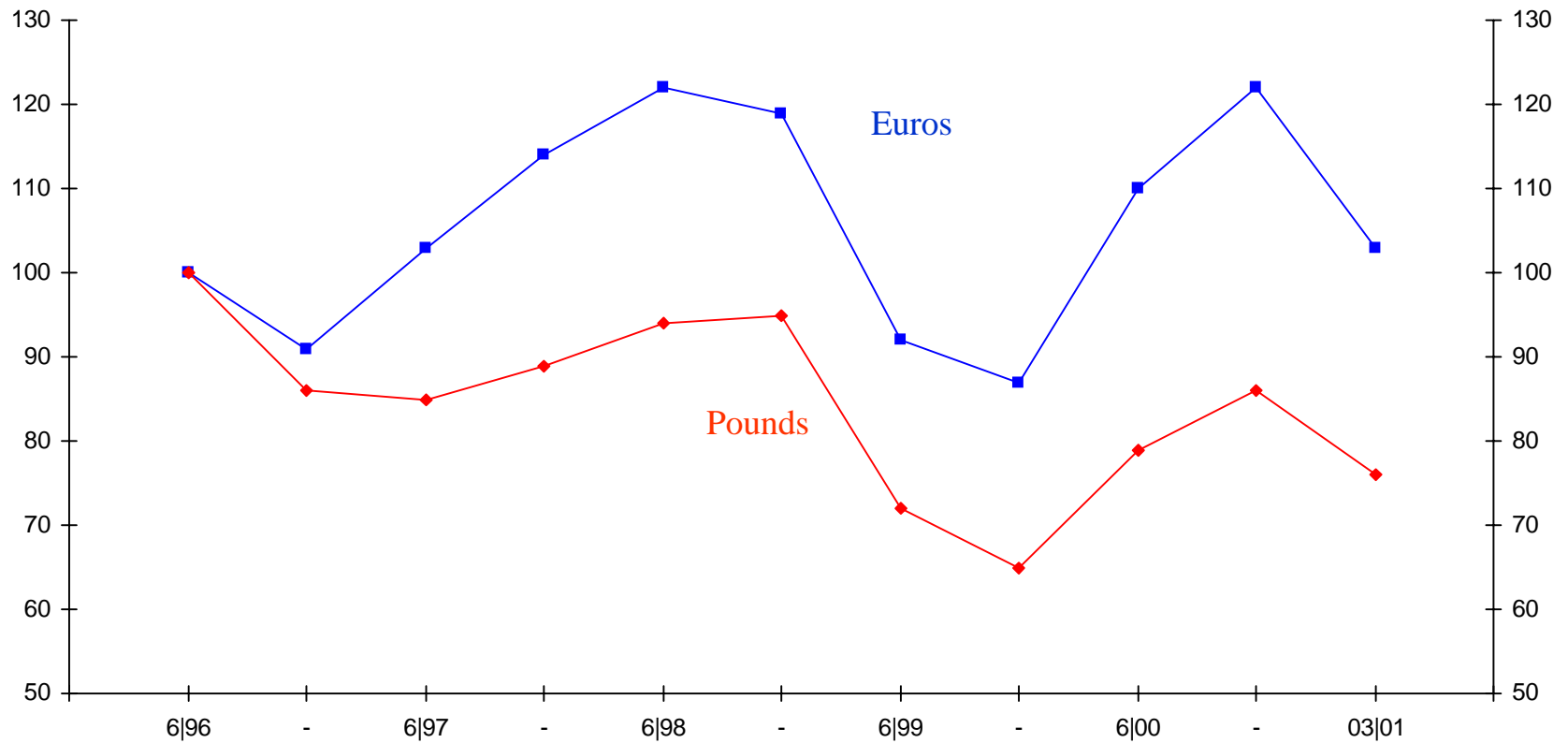
TURNOVER £ million	6 mths to 30 Dec '00	6 mths to 1 July '00	<i>15 mths to 30 Dec '00</i>
Group turnover	4,668	4,841	11,698
Distribution/other	(913)	(764)	(2,156)
Product turnover	3,755	4,077	9,542
<b>comprising:</b>			
Carbon steel	2,563	2,776	6,569
Aluminium	513	513	1,227
Stainless steel	679	788	1,746

CARBON STEEL	6 mths to 30 Dec '00	6 mths to 1 July '00	<i>15 mths to 30 Dec '00</i>
Turnover - £m	2,563	2,776	6,569
Sales - m. tonnes	8.729	9.779	23.061
Average revenue - £pt	294	284	285

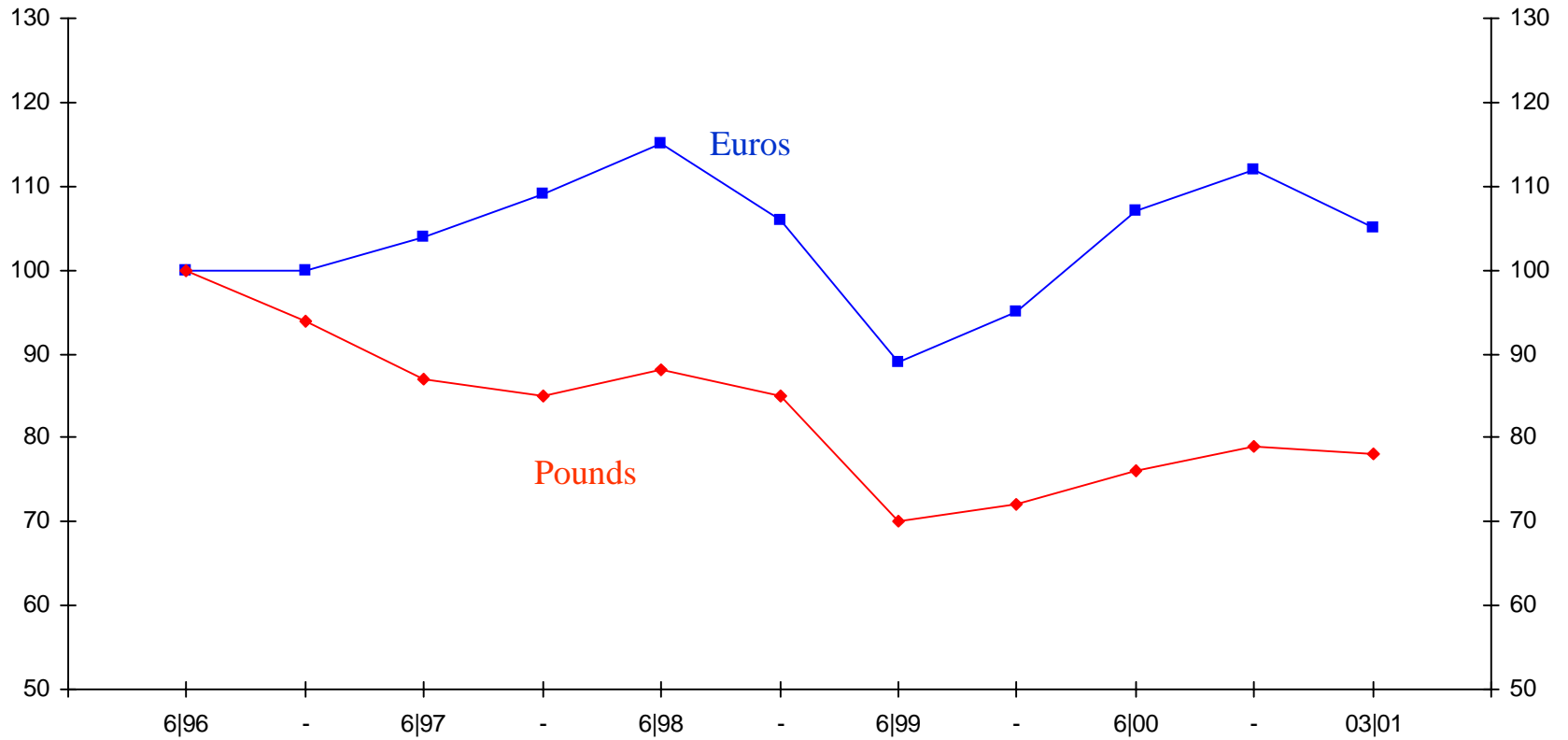
## HOT ROLLED COIL - EURO SELLING PRICES INDEX



## HOT DIPPED GALVANISED - EURO SELLING PRICES INDEX



## BEAMS - EURO SELLING PRICES INDEX



ALUMINIUM	6 mths to 30 Dec '00	6 mths to 1 July '00	<i>15 mths to 30 Dec '00</i>
Turnover - £m	513	513	1,227
Sales - m. tonnes	0.291	0.292	0.705
Average revenue - £pt	1,763	1,757	1,740

STAINLESS STEEL	6 mths to 30 Dec '00	6 mths to 1 July '00	<i>15 mths to 30 Dec '00</i>
Turnover - £m	679	788	1,746
Sales - m. tonnes	0.416	0.547	1.186
Average revenue - £pt	1,632	1,441	1,472

## RESTRUCTURING AND RELATED PROVISIONS

15 months to 30 December 2000	£ million
Accelerated depreciation	590
Other asset write-downs	111
Cash costs:	
- Redundancy costs (*)	202
- Other costs	130
	<b>1,033</b>

(\*): a further provision of ca. £50m will be made in first half of 2001.

OPERATING COSTS £ million	6 mths to 30 Dec '00	6 mths to 1 July '00	<i>15 mths to 30 Dec '00</i>
Total as reported	5,724	4,815	12,850
Restructuring & related	(966)	(52)	(1,033)
	<b>4,758</b>	<b>4,763</b>	<b>11,817</b>

MATERIAL COSTS £ million	6 mths to 30 Dec '00	6 mths to 1 July '00	15 mths to 30 Dec '00
Raw materials	2,064	2,206	5,153
Changes in stock	134	(149)	111
	<b>2,198</b>	<b>2,057</b>	<b>5,276</b>
<i>Distribution, further processing &amp; other turnover</i>	913	764	2,156

EMPLOYMENT COSTS £ million	6 mths to 30 Dec '00	6 mths to 1 July '00	<i>15 mths to 30 Dec '00</i>
Total as reported	1,103	1,032	2,606
Restructuring & related	(149)	(45)	(202)
	<b>954</b>	<b>987</b>	<b>2,404</b>
Average no. of employees	<b>64,800</b>	<b>64,600</b>	<b>64,700</b>
Annual cost - £000/employee	29	31	30

DEPRECIATION £ million	6 mths to 30 Dec '00	6 mths to 1 July '00	<i>15 mths to 30 Dec '00</i>
Total as reported	810	233	1,157
Restructuring & related	(580)	(5)	(590)
	<b>230</b>	<b>228</b>	<b>567</b>

OTHER COSTS £ million	6 mths to 30 Dec '00	6 mths to 1 July '00	<i>15 mths to 30 Dec '00</i>
Total as reported	1,613	1,493	3,824
Restructuring & related	(237)	(2)	(241)
	<b>1,376</b>	<b>1,491</b>	<b>3,583</b>

CARBON STEEL £ million	6 mths to 30 Dec '00	6 mths to 1 July '00	15 mths to 30 Dec '00
Operating loss as reported	(1,110)	(152)	(1,411)
Restructuring & related	965	51	1,030
	<b>(145)</b>	<b>(101)</b>	<b>(381)</b>
<b>comprising:</b>			
- Former BS	(154)	(183)	(449)
- Former KH	9	82	68

ALUMINIUM £ million	6 mths to 30 Dec '00	6 mths to 1 July '00	<i>15 mths to 30 Dec '00</i>
<b>Operating profit</b>	<b>29</b>	<b>65</b>	<b>109</b>

- Benefit of rising LME prices in first half.
- Higher raw material and power costs in second half.

STAINLESS STEEL £ million	6 mths to 30 Dec '00	6 mths to 1 July '00	<i>15 mths to 30 Dec '00</i>
Operating profit as reported	25	113	150
Rationalisation provisions	1	1	3
	<b>26</b>	<b>114</b>	<b>153</b>

- First half benefit of one-off pension credit of £26m.
- Lower demand and destocking led to sharp reduction in sales volumes and margins in Q4, 2000.

E.B.I.T.D.A. £ million	6 mths to 30 Dec '00	6 mths to 1 July '00	15 mths to 30 Dec '00
Carbon steel	44	89	88
Aluminium	52	85	162
Stainless steel	44	132	198
	<b>140</b>	<b>306</b>	<b>448</b>

*Excluding restructuring and related provisions*

PROFIT & LOSS A/C £ million	6 mths to 30 Dec '00	6 mths to 1 July '00	15 mths to 30 Dec' 00
<b>Result before exceptional items</b>	<b>(85)</b>	<b>77</b>	<b>(114)</b>
Restructuring & related costs	(966)	(52)	(1,033)
<b>Result before interest</b>	<b>(1,051)</b>	<b>25</b>	<b>(1,147)</b>
Net interest	(55)	(51)	(124)
<b>Loss before tax</b>	<b>(1,106)</b>	<b>(26)</b>	<b>(1,271)</b>
Tax	20	(47)	(8)
Minority interests	(14)	(51)	(70)
<b>Loss for the period</b>	<b>(1,100)</b>	<b>(124)</b>	<b>(1,349)</b>

OPERATING CASH FLOW £ million	6 mths to 30 Dec '00	6 mths to 1 July '00
Operating result	(1,056)	26
Restructuring & related	966	52
Utilisation of provisions	(7)	(60)
Depreciation	230	228
Working capital	153	(186)
Other movements (net)	(35)	5
<b>Operating cash inflow</b>	<b>251</b>	<b>65</b>

NET DEBT MOVEMENTS - Calendar Year 2000	£ million
Opening net debt	(1,558)
Operating cash flow	316
Capital expenditure	(308)
Acquisitions & disposals	(101)
Dividend payment	(31)
Other movements (net)	6
<b>Closing net debt</b>	<b>(1,676)</b>

## DE-CONSOLIDATION OF AVESTA SHEFFIELD

Proforma impact on Corus balance sheet at 30 December 2000:

	£ million
Net fixed assets	(442)
Net current assets	(434)
Creditors, provisions, etc	187
Minority interests	340
<b>Equity interests</b>	<b>(349)</b>

- Notes:
1. Above figure include net debt of £135m.
  2. Carrying value and goodwill adjustment for AvestaPolarit still to be finalised.

## **NEW FINANCING STRUCTURE**

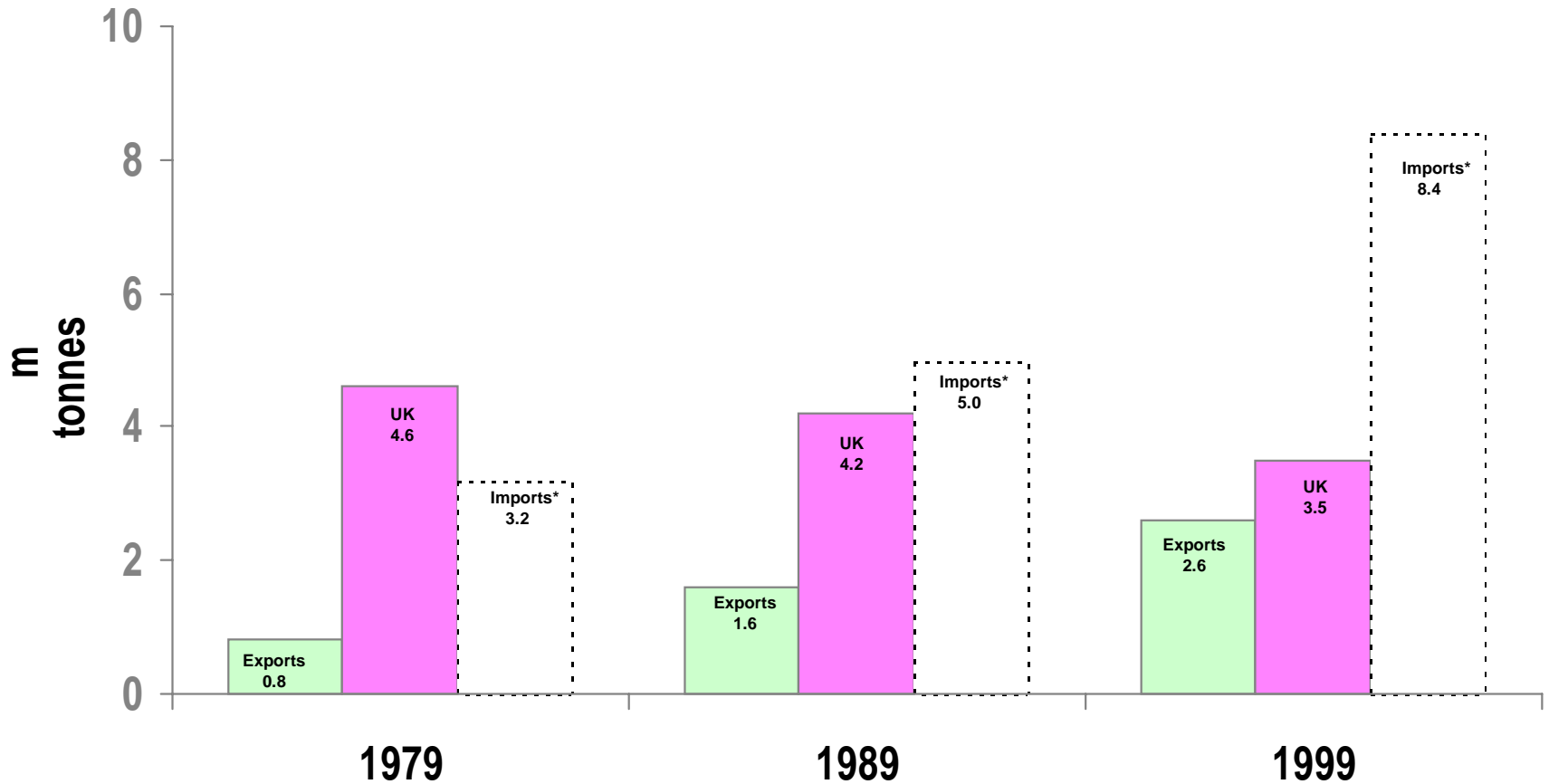
- New 'umbrella' facility of EUR 2.4 billion.
- Replaces inefficient and complex facilities of former companies.
- Enhancement of Group's financial flexibility.

## **BACKGROUND TO UK RESTRUCTURING**

- Weak domestic market, particularly for flat products.
- Increasing dependence on exports of basic flat products.
- High transport costs and aggressive price competition in export markets.
- Adverse market influences exacerbated by exchange rate factors.

**Losses of over £1m per day**

## UK FLAT PRODUCTS - SALES MIX



(\*): steel content of imported manufactured goods

## CONFIGURATION CHANGES - UK FLAT PRODUCTS

- |                                       |   |
|---------------------------------------|---|
| 3mtpa reduction in steel capacity     | - <i>Closure of Llanwern upstream operations.</i>   |
| 3mtpa reduction in hot mill capacity  | - <i>Closure of Teesside coil plate mill and reduction at Llanwern hot mill from 3.5 to 2mtpa.</i>              |
| 2mtpa reduction in cold mill capacity | - <i>Closure of Shotton and Ebbw Vale cold mills and Llanwern cold mill is reduced from 1.5 to 1mtpa.</i>       |
| 1mtpa reduction in coated capacity    | - <i>Closure of one Shotton EZ line, Port Talbot HDG line and works closure at both Ebbw Vale and Bryngwyn.</i> |
| Change in Teesside process flow       | - <i>Low cost slabs formerly for coil plate will be used to supply Llanwern hot mill.</i>                       |

## **IMPACT ON SALES MIX**

- Reduction of 3mtpa in sales with reductions of:
  - some 2mtpa in sales of basic uncoated flat products; and
  - some 1mtpa in sales of coated flat products.
- Radical reduction in exports of flat products.
- Improved sales margins.

## ACTIONS TO REGAIN UK COMPETITIVENESS

- Post-merger : Programme to improve manpower productivity and efficiency. *ca. 5,000 jobs*
- Strategic review : Restructuring of flat products operations and further efficiency drive across UK businesses. *ca. 6,000 jobs  
3mtpa capacity reductions*

## MANPOWER

	UK	Netherlands	Other	Total
<b>Manning @ 9/99</b>	<b>34,600</b>	<b>13,400</b>	<b>16,000</b>	<b>64,000</b>
Acquisitions/disposals	1,000	(300)	3,000	3,700
Efficiency/other movements	(2,800)	(200)	200	(2,800)
<b>Manning @ 12/00</b>	<b>32,800</b>	<b>12,900</b>	<b>19,200</b>	<b>64,900</b>

- Further reductions in the UK of over 9,000 through to 2003 in respect of measures already announced.

## **CARBON STEEL - NETHERLANDS**

- Unsatisfactory operational performance at IJmuiden through 2000.
- Commissioning of Direct Sheet Plant commenced Spring 2000.
- At a cost of ca. £200m, now progressing more satisfactorily.
- Expected to be operating at close to capacity by end-2001.

## **TRADING SCENE - CARBON STEEL**

- Reduction in U.S. demand during first quarter.
- Demand remains firm in Western Europe.
- Production cutbacks to address over-supply.
- Prospects for some price recovery in H2 2001.