

NEWS RELEASE

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CORUS GROUP plc

INTERIM REPORT FOR THE SIX MONTHS TO 1 APRIL 2000

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The interim statement reports on the results for the six months to 1 April 2000 and, unless otherwise stated, comparisons are to the second half of the financial year 1998/99. Figures for the six months ended 2 October 1999 have been extracted from the audited accounts which have been delivered to the Registrar of Companies and on which the auditors have issued an unqualified report

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CORUS GROUP plc

BACKGROUND AND FUTURE TIMETABLE

Corus Group plc ("Corus") was formed as a result of the merger between British Steel plc ("British Steel") and Koninklijke Hoogovens N.V. ("Hoogovens") which was completed on 6 October 1999.

The merger was implemented by the acquisition of British Steel by Corus, and a public offer by Corus for the ordinary shares of Hoogovens.

Following the merger, in October 1999: some £686m was paid to former shareholders of British Steel, in the form of a cash distribution of 35p per ordinary share; former shareholders of Hoogovens received a cash dividend of EUR 0.34 per ordinary share, at a cost of £8m; and Hoogovens preference shares were purchased for £67m. Corus shares are listed on the London, New York and Amsterdam Stock Exchanges.

An accounting year end of December has been adopted by Corus and, therefore, the first report and accounts will be prepared for the fifteen months ending December 2000 and issued in March 2001. This extended accounting period leads to two Interim Reports being required this year, covering: the six months to 1 April, as announced today; and, the nine months to 1 July, which is scheduled to be announced on 5 September 2000.

Given the new December year end, in future the Board will consider the interim dividend in early-September and the final dividend in late-February each year.

CHAIRMAN'S STATEMENT

The period under review saw improving trends in demand and prices for carbon steel, stainless steel and aluminium, particularly in the first quarter of 2000. However, the adverse effects of the continued strength of the Pound against the Euro, combined with the impact of a number of operational problems, meant that there was a Group loss after tax and minority interests of £156m for the six months to 1 April 2000.

All the losses were incurred in carbon steel, as stainless steel and aluminium made operating profits of £84m and £45m respectively in the period. The operating loss of £204m in carbon steel was largely due to the situation which obtained in the UK throughout the period. The continual strengthening of the Pound against the Euro dominated the commercial scene through the combined effect of demand being held back with limited scope for price increases. This situation was exacerbated by a number of operational problems at IJmuiden, Llanwern and Teesside, some of which continued into the June quarter.

Since the merger was consummated on 6 October 1999, good progress has been made in implementing plans, to establish a platform for future growth, to secure the synergy benefits and to obtain further cost and efficiency improvements for the Group. Furthermore, in January a new international business organisation was introduced which provides a sound base for enhancing the service to our customers using the strong product portfolio and extensive geographical spread, underpinned by improved logistics and technological competence.

CHAIRMAN'S STATEMENT, continued

The realisation of synergy benefits was a key reason for the merger, with an annual level of cost savings of around £200m being anticipated by the end of 2002. These have now been identified across the business areas and we are confident that they will be secured ahead of schedule. Furthermore, and in order to improve the Group's competitiveness, significant additional synergy benefits have been identified and are being built into the plans.

The ongoing programme to improve manpower productivity resulted in further measures being implemented. These included in the UK the closure of the medium section mill at Shelton, a major restructuring of our engineering steels business, together with a number of reductions in activity at downstream facilities, including the rail operations at Workington and plate operations at Dalzell. In addition the decision to close, rather than invest in, the long products operations at IJmuiden in the Netherlands was taken as a result of those facilities not being sufficiently aligned to the Company's strategic focus on downstream activities. In aggregate, these measures will lead to job reductions of over 2,200.

Job reductions and closures of plants are always matters of regret. However, the serious erosion of the competitive position of the Group and its customer base in the UK, as a result of the strength of the Pound against the Euro, inevitably means that further difficult decisions will have to be taken in order to improve our competitive position. Accordingly, the Board and the management are giving this area their urgent attention.

Capital expenditure during the period amounted to £172m, with our investment in the Direct Sheet Plant at IJmuiden at a total cost of some £176m being the most notable. This new production facility has an annual capacity of some 1.3 mt and incorporates leading-edge technology in the production of light gauge sheet steel for a wide range of applications, including car interiors, press components and precision tubing. The new plant created 140 new jobs, was commissioned in March, and is expected to be operating at full capacity in early-2001.

There were a number of acquisitions during the period, including the rail manufacturing business of Sogeraïl, based in France, which was acquired for some £83m. This acquisition enables Corus to extend its market presence and manufacturing base in mainland Europe and provides the opportunity to build an even stronger global position in rail products and services. The acquisition of a 60% interest in the Canadian company Reycon was completed in January at a cost of £43m and, with its wide range of heat exchanger products supports the growth of Corus in downstream aluminium activities. In January we also entered into a joint venture with Tianjin Non Ferrous Metal Group, a Chinese municipality-owned company, to design, produce and sell large extruded aluminium sections in the expanding and increasingly important Chinese market. Earlier this month, a further move into downstream operations was completed when our 75%-owned subsidiary, European Electrical Steels, acquired Kienle & Spiess GmbH, Europe's largest laminator of electrical steels, at a cost of £60m.

After taking account of the substantial merger-related payments in October 1999, together with acquisitions, capital expenditure and operating cash flow, net debt at 1 April 2000 amounted to £1,544m.

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CHAIRMAN'S STATEMENT, continued

The Group has closely monitored new developments in e-commerce, particularly those which might impact on and facilitate improving our relationships with our suppliers and customers. We have recently agreed to participate in detailed studies with three other major European steel companies, looking at sales and procurement. We are aiming to identify how the four companies, and possibly others in due course, can best improve supply chain efficiency by harnessing the opportunities afforded by new Internet-based technologies.

The market outlook for carbon steel for the rest of 2000 appears to be generally strong, especially in US and European markets, although concern remains about demand in the UK due to the relative strength of the Pound. Demand for stainless steel flat products is strong in all major world markets with further price increases expected to be achieved in Europe during the September quarter. The situation in aluminium is also positive for rolled and extruded products and remains firm for primary aluminium.

The first six months have been both difficult and challenging for all employed within the Group and on behalf of the Board I thank them for their efforts. The merger has brought together a team of people with the determination and skills to succeed in the new Group, which has significant potential in its businesses and downstream activities. Inevitably, to exploit this potential will mean more new challenges and changes ahead, in order to deliver the value that shareholders require.

Sir Brian Moffat
Chairman

CORUS GROUP plc

FINANCIAL REVIEW

The directors consider that the new enlarged group has three classes of business: carbon steel, stainless steel and aluminium. The accounts to end December 2000 will be prepared on this basis and, consequently, the Interim Reports will also provide a similar segmental analysis.

Corus is the successor company to British Steel and, therefore, the comparative data included in the First Interim Report for the equivalent six month period in 1999 is in respect of British Steel and does not include Hoogovens. This distorts the comparison between 2000 and 1999, particularly in respect of the carbon steel and aluminium segments. In order to provide better insight into the results, the comparison of the carbon steel segment focuses on the British Steel figures in the respective years and the comparison of the aluminium segment includes unaudited, unconsolidated management accounts information in respect of the aluminium activities of Hoogovens for 1999. References to 1999 and 2000 are to the six month periods to 3 April 1999 and 1 April 2000 respectively unless otherwise indicated.

Group turnover increased by £1,728m to £4,611m (1999: £2,883m). However, 2000 figures include a first time contribution of sales of £1,655m from Hoogovens, excluding which turnover totalled £2,956m up 3% from last year. On a like for like basis, both sales volumes and average revenue per tonne increased by 1% principally due to the improvement in the stainless steel sector which is discussed below. Excluding stainless steel, sales volumes were little changed from the equivalent period in 1999 but average revenue per tonne reduced by 2%. Prices have improved since 1999 but the benefit of the increases has been eroded by the strength of the Pound against the Euro, with the average spot rate for the six months being Euro 1.61 compared with Euro1.44 in the equivalent period in 1999.

Group operating loss for the six months amounted to £75m (1999: loss of £256m), with a first time profit contribution from Hoogovens of £57m before which the result improved by £124m. As indicated above, the benefits of higher selling prices were, with the exception of stainless steel, largely offset by the adverse impact of exchange rates. The improvement in the result was driven by the continuing cost and efficiency programme. The results for the period do not include provision for the recently announced restructuring programme at the engineering steels business.

Operating costs totalled £4,686m (1999: £3,139m) but, after adjustment for Hoogovens, costs were 2% below the level of the previous year. The reduction included the benefits of a fall of 6% in employment costs, cost and efficiency improvement measures, and a surplus of £26m received from the Swedish Staff Pension Insurance at Avesta Sheffield.

Group net interest payable of £45m (1999: interest receivable £9m) reflected the move from net funds to net debt following the capital distribution on merger to British Steel shareholders, the purchase of Hoogovens preference shares and the acquisitions of Sogeraïl and Reycan. During the period there was a move from net funds of £161m to net debt of £1,544m reflecting the above, an operating cash outflow of £133m, net expenditure on capital and financial investments of £161m and acquired long term debt of £481m.

FINANCIAL REVIEW, continued

Carbon steel

Turnover increased by £1,168m from 1999 to £3,487m but, excluding the contribution from Hoogovens, there was a reduction of 1%. The operating loss of £204m included a £12m operating profit from Hoogovens, but was unchanged from the level of 1999.

Underlying demand for carbon steel in Europe and North America remained firm and the recovery of markets in Asia strengthened. However, demand in the UK continued to be held back by the effects of the relative strength of the Pound. Third country imports of steel to the EU continued to rise above 1999 levels, such that in the first months of calendar year 2000 the UK became a net importer of steel products in contrast to its traditional position of a net exporter.

Prices in Euros continued to recover from the low levels of 12-18 months ago but the strength of the Pound both restricted the ability for UK prices to rise at the same rate and largely eradicated the benefits of Euro price increases.

The period from October 1999 to March 2000 was uncharacteristically affected by a number of operational problems at IJmuiden, Llanwern and Teesside.

Stainless steel

Turnover at Avesta Sheffield, the company's 51% owned subsidiary, increased by 18% to £664m as a result of increased demand and improved selling prices. The operating profit for the six months was £84m (1999: loss of £52m). The significant improvement in profitability was the result of higher sales volume up 18%, improved selling prices, ongoing cost reductions and the positive effect of price changes in inventory values from rising nickel prices. The result also benefited from the absence of restructuring costs and a refund of a pension surplus, with the effect of adverse exchange rate movements partially offsetting these benefits.

A recovering manufacturing sector has supported demand in Europe. European shipments of cold rolled sheet and strip rose 13% compared to last year. Demand for hot rolled plate and tubular products improved during the period and is expected to improve further as rises in commodity prices stimulate project investments. Demand for coil products continued to strengthen in South East Asia due to improved economic activity and the improving market fundamentals in North America also impacted positively on both consumption and base prices.

FINANCIAL REVIEW, continued

Aluminium

There was a general improvement in both the operating performance and commercial environment compared to 1999 which resulted in significantly better financial performance. Turnover increased by £62m from 1999 to £460m and the operating profit of £45m was an improvement of £22m on 1999. The increase in turnover was attributable to three factors: the acquisition in January of Reycan Inc., a Canadian rolling operation, higher sales volume and improved prices. The latter was primarily related to buoyant demand and the increased London Metal Exchange price for aluminium, but also to improvements in product mix being pursued by the company.

Demand has been very strong across all product groups in the last six months, with plants working at or near to capacity. This has been due to growth in the European and North American economies, and the recovering situation in the Far East, creating good downstream demand.

Acquisitions and investments

In addition to the merger of British Steel and Hoogovens there were several acquisitions during the period. The most significant of these were: the acquisition of the rail manufacturing business, Sogerrail, and its associated sales company, Materiel de Voie, from the French steel group Usinor for a price of £83m; a controlling interest of 60% was acquired in Reycan Inc., in agreement with Reynolds Metals Company and SGF Mineral Inc., for £43m; in January, subsidiaries of Corus and the Italian equipment producer Danieli & Co. Officine Meccaniche SpA, completed the formation of a 50:50 joint venture, Danieli Corus Technical Services BV; and, a joint venture was also established with Tianjin Non Ferrous Metal Group, a Chinese municipality-owned company, to design, produce and sell large extruded aluminium sections in China.

The principal capital investment scheme commissioned during the period was the new direct sheet plant, built at IJmuiden in the Netherlands. At a total cost of some £176m, this “state of the art” production facility has an annual capacity of some 1.3 mt. The plant is expected to be operating at full capacity early next year and creates 140 new jobs, in the production of light gauge sheet steel for a wide range of applications.

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Accounting policies

The acquisition of British Steel by Corus pursuant to a scheme of arrangement of British Steel under section 425 of the Companies Act 1985 has been accounted for in accordance with the principles of merger accounting, although it does not satisfy all the conditions required. However, in the opinion of the directors, the scheme of arrangement is a Group restructuring rather than an acquisition since at the time of the acquisition, the shareholders of Corus were the same as the former shareholders of British Steel and the relative rights of each shareholder were unchanged. Having regard to the overriding requirement under section 227(6) of the Companies Act 1985 for the accounts to give a true and fair view of the Group's results and financial position, the directors have adopted merger accounting principles in drawing up these accounts.

The subsequent acquisition of Hoogovens by Corus has been accounted for as an acquisition.

The six months accounts have been prepared in accordance with the accounting policies and standards expected to apply for the fifteen month period to end December 2000, including application of FRS 15 'Tangible Fixed Assets' and FRS 16 'Current Tax'. The accounting policies are consistent with those set out in the Report & Accounts of British Steel for the financial period of six months ended 2 October 1999.

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CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Unaudited six months to 1 April 2000 £m	Unaudited six months to 3 April '99 £m	Audited six months to 2 October '99 £m
TURNOVER: GROUP AND SHARE OF JOINT VENTURES	4,754	2,983	2,790
Less: share of joint ventures' turnover	<u>(143)</u>	<u>(100)</u>	<u>(81)</u>
GROUP TURNOVER			
Continuing operations	2,956	2,883	2,709
Acquisitions	<u>1,655</u>	<u>-</u>	<u>-</u>
	4,611	2,883	2,709
OPERATING COSTS	<u>(4,686)</u>	<u>(3,139)</u>	<u>(2,898)</u>
GROUP OPERATING LOSS			
Continuing operations	(132)	(256)	(189)
Acquisitions	<u>57</u>	<u>-</u>	<u>-</u>
	(75)	(256)	(189)
SHARE OF OPERATING RESULTS OF JOINT VENTURES AND ASSOCIATED UNDERTAKINGS			
Continuing operations	6	(3)	-
Acquisitions	<u>(4)</u>	<u>-</u>	<u>-</u>
TOTAL OPERATING LOSS	(73)	(259)	(189)
Profit on sale of fixed assets	5	1	9
Profit on disposal of businesses, subsidiaries and associated undertakings	<u>2</u>	<u>1</u>	<u>1</u>
LOSS BEFORE INTEREST	(66)	(257)	(179)
NET INTEREST AND INVESTMENT INCOME			
Group	(45)	9	14
Joint ventures and associated undertakings	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>
LOSS BEFORE TAXATION	(113)	(250)	(167)
Taxation	<u>(3)</u>	<u>64</u>	<u>8</u>
LOSS AFTER TAXATION	(116)	(186)	(159)
Minority Interests	<u>(40)</u>	<u>26</u>	<u>(4)</u>
LOSS FOR THE PERIOD	(156)	(160)	(163)
Dividends	<u>-</u>	<u>(139)</u>	<u>-</u>
LOSS RETAINED FOR THE PERIOD	(156)	(299)	(163)
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>
BASIC LOSS PER ORDINARY SHARE	(5.04)p	(8.08)p	(8.22)p
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>
DILUTED LOSS PER ORDINARY SHARE	(5.04)p	(8.08)p	(8.22)p
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>

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CONSOLIDATED BALANCE SHEET

	Unaudited at 1 April 2000 £m	Audited at 3 April '99 £m	Audited at 2 October '99 £m
FIXED ASSETS			
Intangible assets	56	-	10
Tangible Assets	4,454	3,240	3,116
Investments in joint ventures	112	95	73
Investments in associated undertakings	74	9	6
Other investments and loans	163	136	139
	<u>4,859</u>	<u>3,480</u>	<u>3,344</u>
CURRENT ASSETS			
Stocks	1,730	1,007	1,061
Debtors	2,244	1,315	1,301
Short term investments	84	1,206	1,132
Cash at bank and in hand	190	163	141
	<u>4,248</u>	<u>3,691</u>	<u>3,635</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	<u>(1,972)</u>	<u>(1,359)</u>	<u>(1,177)</u>
NET CURRENT ASSETS	<u>2,276</u>	<u>2,332</u>	<u>2,458</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	7,135	5,812	5,802
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	(1,663)	(852)	(1,063)
PROVISIONS FOR LIABILITIES AND CHARGES	(443)	(253)	(210)
ACCRUALS AND DEFERRED INCOME			
Regional development and other grants	(64)	(50)	(46)
	<u>4,965</u>	<u>4,657</u>	<u>4,483</u>
CAPITAL AND RESERVES			
Called up share capital	1,556	991	991
Share premium account	-	51	52
Capital redemption reserve	-	47	47
Statutory reserve	2,338	2,338	2,338
Merger reserve	203	-	-
Profit and loss account	501	919	746
	<u>4,598</u>	<u>4,346</u>	<u>4,174</u>
SHAREHOLDERS' FUNDS – EQUITY INTERESTS	<u>4,598</u>	<u>4,346</u>	<u>4,174</u>
MINORITY INTERESTS			
Equity interests in subsidiary undertakings	367	311	309
	<u>4,965</u>	<u>4,657</u>	<u>4,483</u>

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STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Unaudited six months to 1 April 2000 £m	Unaudited six months to 3 April '99 £m	Audited six months to 2 October '99 £m
Loss for the period	(156)	(160)	(163)
Exchange translation differences on foreign currency net investments	<u>(89)</u>	<u>3</u>	<u>(10)</u>
Total recognised losses for the period	<u><u>(245)</u></u>	<u><u>(157)</u></u>	<u><u>(173)</u></u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Loss for the period	(156)	(160)	(163)
Dividends	-	(139)	-
	<u>(156)</u>	<u>(299)</u>	<u>(163)</u>
Exchange translation differences on foreign currency net investments	(89)	3	(10)
New shares issued	1,363	-	1
Cash and loan notes to shareholders	<u>(694)</u>	<u>-</u>	<u>-</u>
Net increase/(decrease) in shareholders' funds	424	(296)	(172)
Shareholders' funds at beginning of the period	<u>4,174</u>	<u>4,642</u>	<u>4,346</u>
Shareholders' funds at end of the period	<u><u>4,598</u></u>	<u><u>4,346</u></u>	<u><u>4,174</u></u>

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CONSOLIDATED CASH FLOW STATEMENT

	Unaudited six months to 1 April 2000 £m	Unaudited six months to 3 April '99 £m	Audited six months to 2 October '99 £m
Net cash (outflow)/inflow from operating activities	(133)	138	(100)
Dividends from joint ventures and associated undertakings	1	9	12
Returns on investments and servicing of finance	(16)	17	15
Tax received/(paid)	47	(42)	(16)
Capital expenditure and financial investment	(161)	(13)	(58)
Acquisitions and disposals	(202)	3	(27)
Equity dividends paid	-	(61)	(138)
	(464)	51	(312)
CASH (OUTFLOW)/INFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING			
MANAGEMENT OF LIQUID RESOURCES			
Net sale of short term investments	1,047	25	69
FINANCING			
Cash to shareholders	(686)	-	1
Share issue expenses	(6)	-	-
Increase/(decrease) in debt	141	(56)	225
	(551)	(56)	226
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES			
INCREASE/(DECREASE) IN CASH IN THE PERIOD	32	20	(17)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

Increase/(decrease) in cash	32	20	(17)
(Decrease)/increase in liquid resources	(1,047)	(25)	(69)
(Increase)/decrease in debt	(141)	56	(225)
	(1,156)	51	(311)
Change in net funds resulting from cash flows			
Effect of foreign exchange rate changes	(68)	(20)	6
Long term debt (acquired)/disposed of	(481)	-	3
	(1,705)	31	(302)
Movement in net funds			
Net funds at beginning of the period	161	432	463
	(1,544)	463	161
Net (debt)/funds at end of the period			

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NOTES TO THE ACCOUNTS

	Unaudited six months to 1 April 2000 £m	Unaudited six months to 3 April '99 £m	Audited six months to 2 October '99 £m
1. ANALYSIS OF TURNOVER AND OPERATING RESULT			
a. GROUP TURNOVER BY SEGMENT			
Carbon steel products	2,638	1,806	1,692
Distribution and further processing	607	464	429
Other turnover	242	49	55
	<hr/>	<hr/>	<hr/>
Carbon steel	3,487	2,319	2,176
Stainless steel	664	564	533
Aluminium	460	-	-
	<hr/>	<hr/>	<hr/>
	4,611	2,883	2,709
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
b. GROUP TURNOVER BY DESTINATION			
United Kingdom	1,352	1,181	1,119
Europe (excluding UK)	2,350	1,199	1,085
North America	635	281	327
Other areas	274	222	178
	<hr/>	<hr/>	<hr/>
	4,611	2,883	2,709
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
c. PRODUCT TURNOVER			
i) Carbon steel:			
United Kingdom	1,017	929	878
Europe (excluding UK)	1,196	668	604
North America	322	107	136
Other areas	103	102	74
	<hr/>	<hr/>	<hr/>
	2,638	1,806	1,692
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
ii) Stainless steel:			
United Kingdom	79	74	71
Europe (excluding UK)	428	364	334
North America	96	90	96
Other areas	61	36	32
	<hr/>	<hr/>	<hr/>
	664	564	533
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CORUS GROUP plc

NOTES TO THE ACCOUNTS

	Unaudited six months to 1 April 2000 £m	Unaudited six months to 3 April '99 £m	Audited six months to 2 October '99 £m
iii) Aluminium:			
United Kingdom	51	-	-
Europe (excluding UK)	320	-	-
North America	62	-	-
Other areas	27	-	-
	460	-	-
	460	-	-
d. OPERATING RESULT BY SEGMENT			
Carbon steel	(204)	(204)	(199)
Stainless steel	84	(52)	10
Aluminium	45	-	-
	(75)	(256)	(189)
	(75)	(256)	(189)
2. SALES VOLUME			
	mt	mt	mt
a. Carbon steel:			
United Kingdom	3.628	3.248	3.231
Europe (excluding UK)	4.510	2.383	2.299
North America	1.072	0.380	0.538
Other areas	0.447	0.409	0.339
	9.657	6.420	6.407
	9.657	6.420	6.407
b. Stainless steel:			
United Kingdom	0.063	0.066	0.064
Europe (excluding UK)	0.323	0.278	0.264
North America	0.063	0.056	0.062
Other areas	0.061	0.032	0.032
	0.510	0.432	0.422
	0.510	0.432	0.422
c. Aluminium:			
United Kingdom	0.031	-	-
Europe (excluding UK)	0.184	-	-
North America	0.028	-	-
Other areas	0.026	-	-
	0.269	-	-
	0.269	-	-

CORUS GROUP plc

NOTES TO THE ACCOUNTS

	Unaudited six months to 1 April 2000 £m	Unaudited six months to 3 April '99 £m	Audited six months to 2 October '99 £m
3. OPERATING COSTS			
Raw materials and consumables	1,987	1,187	1,236
Maintenance costs (excluding own labour)	443	247	258
Other external charges	731	490	483
Employment costs	973	675	612
Depreciation (net of grants released)	230	142	146
Other operating costs	304	164	213
Changes in stock of finished goods and work in progress	34	237	(48)
Own work capitalised	(16)	(3)	(2)
	4,686	3,139	2,898
The above costs include:			
Redundancy and related costs	15	60	11
Accelerated depreciation	5	-	-
Other rationalisation costs	3	(3)	1
Costs incurred in rendering existing software year 2000 compliant	3	20	10
Pension refund – Avesta Sheffield	(26)	-	-
Realised gains on insurance-related investments	-	(2)	-
Reduction in insurance underwriting provisions	-	(16)	-
Release of provision for landfill tax	-	(2)	-
Repayment of hydrocarbon oil duty	-	-	(27)
Reduction in EC fine provided in 1993/94	-	-	(8)
Accrual for EC fine	-	-	8
4. NET INTEREST AND INVESTMENT INCOME			
Dividends from other fixed asset investments	1	1	-
Interest receivable	16	43	46
Interest payable	(60)	(33)	(30)
Finance leases	(2)	(2)	(2)
	(45)	9	14
Group	(45)	9	14
Joint ventures and associated undertakings	(2)	(2)	(2)
	(47)	7	12
5. TAXATION			
Corporation tax:			
United Kingdom	-	(34)	1
Other countries	20	1	4
Double tax relief	-	(13)	(1)
Prior year credit	(1)	(4)	-
ACT written off	-	3	-
Deferred tax	(17)	(20)	(13)
Joint ventures	1	3	1
	3	(64)	(8)

CORUS GROUP plc

NOTES TO THE ACCOUNTS

6. RECONCILIATION OF OPERATING LOSS TO NET CASH FLOW FROM OPERATING ACTIVITIES	Unaudited six months to 1 April 2000	Unaudited six months to 3 April '99	Audited six months to 2 October '99
	£m	£m	£m
Operating loss	(75)	(256)	(189)
Depreciation (net of grants released)	230	142	146
(Increase)/decrease in stocks	(116)	288	(68)
(Increase)/decrease in debtors	(268)	75	54
Increase/(decrease) in creditors	83	(111)	(22)
Rationalisation costs provided	18	57	12
Utilisation of rationalisation provisions	(52)	(35)	(42)
Other movements (net)	47	(22)	9
	<u>(133)</u>	<u>138</u>	<u>(100)</u>

7. EMPLOYEES	numbers	numbers	numbers
Average weekly numbers employed:			
United Kingdom	34,500	36,400	34,800
Netherlands	13,300	600	600
Other countries	<u>17,000</u>	<u>8,400</u>	<u>8,300</u>
	<u>64,800</u>	<u>45,400</u>	<u>43,700</u>

Numbers employed at end of period:

United Kingdom	33,800	35,300	34,200
Netherlands	13,300	600	600
Other countries	<u>17,500</u>	<u>8,300</u>	<u>8,000</u>
	<u>64,600</u>	<u>44,200</u>	<u>42,800</u>

8. ANALYSIS OF NET (DEBT)/FUNDS	Unaudited six months to 1 April 2000	Audited six months to 3 April '99	Audited six months to 2 October '99
	£m	£m	£m
Cash at bank and in hand	190	163	141
Bank overdrafts	(60)	(56)	(53)
Short term investments	84	1,206	1,132
Long term borrowings	(1,602)	(784)	(998)
Other loans	(113)	(17)	(16)
Obligations under finance leases	<u>(43)</u>	<u>(49)</u>	<u>(45)</u>
	<u>(1,544)</u>	<u>463</u>	<u>161</u>

CORUS GROUP plc

NOTES TO THE ACCOUNTS

9. ACQUISITIONS

On 6 October 1999 Corus Group plc merged its British Steel business with that of Hoogovens. The merger is being accounted for by the acquisition method of accounting. The consideration was met by the issue of 29.18 shares in Corus Group for each Hoogovens ordinary share and by cash for each preference share, the cash consideration being met from the Group's cash resources. The net assets acquired were:

	Notes	Book value	Revaluations	Consistency of accounting policies	Fair value
		£ m	£ m	£ m	£ m
Tangible fixed assets		1,410	(16)		1,394
Investments in joint ventures and associated undertakings		103			103
Other investments and loans		30			30
Stocks		553	14	(14)	553
Debtors	(i)	575	190	(9)	756
Cash at bank		54			54
Short term liabilities		(557)		(2)	(559)
Bank overdrafts		(20)			(20)
Other short term borrowings		(120)			(120)
Long term borrowings	(ii)	(453)	(28)		(481)
Rationalisation provisions		(52)		3	(49)
Deferred tax	(iii)	(104)	(58)	84	(78)
Other provisions		(99)	(24)	1	(122)
Accruals and deferred income		(29)			(29)
Minority interests		(2)			(2)
		1,289	78	63	1,430
Cost of investment:					
Ordinary shares issued					(1,370)
Cash					(79)
					(1,449)
Goodwill					(19)

Notes:

The main items of revaluation to arrive at the fair values were:

- (i) Revaluation of debtors to recognise the fair value of pension schemes for UK GAAP.
- (ii) Revaluation of long term borrowings to market value.
- (iii) Revaluation of deferred tax liability to reflect the impact of fair value adjustments.

CORUS GROUP plc

NOTES TO THE ACCOUNTS

9. ACQUISITIONS, continued

Other acquisitions during the period were: in October, Sogeraïl for £83m; in November, Lee Steel Strip for £18m; and, in January, Reycan for £43m. There were no material differences between book values and fair values. The net assets acquired were:

	£m
Intangible fixed assets	4
Tangible fixed assets	114
Stocks	39
Debtors	55
Cash at bank	2
Current liabilities	(56)
Long term liabilities	(11)
Minority interests	(27)
	<hr/>
Net assets	120
Cash cost of investment	(144)
	<hr/>
Goodwill	(24)
	<hr/> <hr/>

CORUS GROUP plc

NOTES TO THE ACCOUNTS

	Unaudited six months to 1 April 2000 £m	Unaudited six months to 3 April '99 £m	Audited six months to 2 October '99 £m
10. US GAAP			
Loss for the period – UK GAAP	(156)	(160)	(163)
Adjustments:			
Amortisation of goodwill	(7)	(7)	(7)
Interest costs capitalised	15	9	4
Depreciation of capitalised interest	(10)	(6)	(5)
Pension costs	6	34	(5)
Stock-based employee compensation awards	(3)	(5)	(3)
Rationalisation costs	-	(3)	-
Deferred taxation	22	43	21
Minority interests	11	(17)	(2)
	<hr/>	<hr/>	<hr/>
Loss for the period – US GAAP	(122)	(112)	(160)
	<hr/>	<hr/>	<hr/>
Basic loss per ADS – US GAAP	£(0.39)	£(0.57)	£(0.81)
	<hr/>	<hr/>	<hr/>
Diluted loss per ADS – US GAAP	£(0.39)	£(0.57)	£(0.81)
	<hr/>	<hr/>	<hr/>
Shareholders' equity – UK GAAP	4,598	4,346	4,174
Adjustments:			
Goodwill	179	193	186
Interest costs capitalised (net of depreciation)	205	148	147
Pension costs	59	137	132
Stock-based employee compensation awards	-	(19)	(22)
Deferred taxation	(462)	(448)	(427)
Investment in equity securities	2	2	-
Proposed dividend	-	139	-
Minority interests	12	3	1
	<hr/>	<hr/>	<hr/>
Shareholders' equity – US GAAP	4,593	4,501	4,191
	<hr/>	<hr/>	<hr/>

CORUS GROUP plc

Independent Review Report to Corus Group plc

Introduction

We have been instructed by the Company to review the financial information set out on pages 9 to 19 and we have read the other information contained in the interim report for any apparent misstatement or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board. A review consists principally of making enquires of Group management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as test of control and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modification that should be made to the financial information as presented for the six months ended 1 April 2000.

PricewaterhouseCoopers
Chartered Accountants
London
26 June 2000

QUARTERLY ANALYSIS OF THE SIX MONTHS TO 1 APRIL 2000

In order to facilitate future half year and full year comparisons on the basis of the new accounting year end of December, this appendix sets out, for the six months to 1 April 2000, unaudited figures for each of the two quarters contained therein.

CORUS GROUP plc

QUARTERLY ANALYSIS

	3 months to 1 April 2000 £m	3 months to 1 January 2000 £m
1. PROFIT AND LOSS ACCOUNT		
Group turnover		
Continuing operations	1,599	1,357
Acquisitions	823	832
	<hr/>	<hr/>
Operating costs	2,422	2,189
	(2,375)	(2,311)
	<hr/>	<hr/>
Group operating result		
Continuing operations	(21)	(111)
Acquisitions	68	(11)
	<hr/>	<hr/>
Joint ventures and associated undertakings	47	(122)
Sales and disposals	4	(2)
	<hr/>	<hr/>
Result before interest	55	(121)
Net interest payable	(29)	(18)
	<hr/>	<hr/>
Result before taxation	26	(139)
Taxation	(22)	19
Minority interests	(35)	(5)
	<hr/>	<hr/>
Net result	(31)	(125)
	<hr/> <hr/>	<hr/> <hr/>
2. BALANCE SHEET		
Fixed assets	4,859	4,902
Net current assets	2,276	2,266
Creditors: due after more than one year	(1,663)	(1,653)
Provisions	(443)	(457)
Accruals and deferred income	(64)	(70)
	<hr/>	<hr/>
	4,965	4,988
	<hr/> <hr/>	<hr/> <hr/>
Called up share capital	1,556	1,555
Reserves	3,042	3,121
	<hr/>	<hr/>
Shareholders' funds	4,598	4,676
Minority interests	367	312
	<hr/>	<hr/>
	4,965	4,988
	<hr/> <hr/>	<hr/> <hr/>

CORUS GROUP plc
QUARTERLY ANALYSIS

	3 months to 1 April 2000 £m	3 months to 1 January 2000 £m
3. CASH FLOW		
Operating profit/(loss)	47	(122)
Depreciation	116	114
(Increase) in stocks	(48)	(68)
(Increase) in debtors	(157)	(111)
Increase/(decrease) in creditors	135	(52)
Rationalisation costs provided	8	10
Utilisation of rationalisation provisions	(25)	(27)
Other movements (net)	7	40
	<hr/>	<hr/>
Operating cash inflow/(outflow)	83	(216)
Dividends received	-	1
Returns on investments and servicing of finance	(21)	5
Tax received	46	1
Capital expenditure and financial investment	(86)	(75)
Acquisitions and disposals	(44)	(158)
Net sale of short term investments	23	1,024
Cash to shareholders	-	(686)
Share issue expenses	-	(6)
Increase in debt	102	39
	<hr/>	<hr/>
Increase/(decrease) in cash	103	(71)
	<hr/> <hr/>	<hr/> <hr/>
4. NET DEBT		
Net (debt)/cash at beginning of period	(1,558)	161
Increase/(decrease) in cash	103	(71)
(Decrease) in liquid resources	(23)	(1,024)
(Increase) in debt	(102)	(39)
Effect of foreign exchange rate changes	36	(104)
Long term debt acquired	-	(481)
	<hr/>	<hr/>
Net debt at end of period	(1,544)	(1,558)
	<hr/> <hr/>	<hr/> <hr/>
5. ANALYSIS OF NET DEBT		
Cash at bank and in hand	190	147
Bank overdrafts	(60)	(127)
Short term investments	84	108
Long term borrowings	(1,602)	(1,574)
Other loans	(113)	(50)
Obligations under finance leases	(43)	(62)
	<hr/>	<hr/>
	(1,544)	(1,558)
	<hr/> <hr/>	<hr/> <hr/>

CORUS GROUP plc

QUARTERLY ANALYSIS

6. ANALYSIS OF TURNOVER AND OPERATING RESULT	3 months to 1 April 2000 £m	3 months to 1 January 2000 £m
a. GROUP TURNOVER BY SEGMENT		
Carbon steel products	1,408	1,230
Distribution and further processing	311	296
Other turnover	59	183
Carbon steel	1,778	1,709
Stainless steel	385	279
Aluminium	259	201
	2,422	2,189
b. GROUP TURNOVER BY DESTINATION		
United Kingdom	713	639
Europe (excluding UK)	1,256	1,094
North America	316	319
Other areas	137	137
	2,422	2,189
c. PRODUCT TURNOVER		
i) Carbon steel:		
United Kingdom	544	473
Europe (excluding UK)	645	551
North America	168	154
Other areas	51	52
	1,408	1,230
ii) Stainless steel:		
United Kingdom	44	35
Europe (excluding UK)	254	174
North America	52	44
Other areas	35	26
	385	279

CORUS GROUP plc

QUARTERLY ANALYSIS

	3 months to 1 April 2000 £m	3 months to 1 January 2000 £m
iii) Aluminium:		
United Kingdom	23	28
Europe (excluding UK)	179	141
North America	47	15
Other areas	10	17
	<u>259</u>	<u>201</u>
	<u><u>259</u></u>	<u><u>201</u></u>
d. OPERATING RESULT BY SEGMENT		
Carbon steel	(55)	(149)
Stainless steel	72	12
Aluminium	30	15
	<u>47</u>	<u>(122)</u>
	<u><u>47</u></u>	<u><u>(122)</u></u>
7. SALES VOLUME	mt	mt
a. Carbon steel:		
United Kingdom	1.893	1.735
Europe (excluding UK)	2.403	2.107
North America	0.555	0.517
Other areas	0.253	0.194
	<u>5.104</u>	<u>4.553</u>
	<u><u>5.104</u></u>	<u><u>4.553</u></u>
b. Stainless steel:		
United Kingdom	0.033	0.030
Europe (excluding UK)	0.187	0.136
North America	0.032	0.031
Other areas	0.035	0.026
	<u>0.287</u>	<u>0.223</u>
	<u><u>0.287</u></u>	<u><u>0.223</u></u>
c. Aluminium:		
United Kingdom	0.014	0.017
Europe (excluding UK)	0.101	0.083
North America	0.021	0.007
Other areas	0.011	0.015
	<u>0.147</u>	<u>0.122</u>
	<u><u>0.147</u></u>	<u><u>0.122</u></u>

CORUS GROUP plc
QUARTERLY ANALYSIS

	3 months to 1 April 2000	3 months to 1 January 2000
8. OPERATING COSTS	£m	£m
Raw materials and consumables	1,104	883
Maintenance costs (excluding own labour)	215	228
Other external charges	389	342
Employment costs	502	471
Depreciation (net of grants released)	116	114
Other operating costs	149	155
Changes in stock of finished goods and work in progress	(91)	125
Own work capitalised	(9)	(7)
	<hr/>	<hr/>
	2,375	2,311
	<hr/> <hr/>	<hr/> <hr/>

The above costs include:

Redundancy and related costs	7	8
Accelerated depreciation	-	5
Other rationalisation costs	1	2
Costs incurred in rendering existing software year 2000 compliant	1	2
Pension refund – Avesta Sheffield	(26)	-

9. EMPLOYEES	numbers	numbers
Average weekly numbers employed:		
United Kingdom	34,300	34,600
Netherlands	13,300	13,400
Other countries	17,400	16,600
	<hr/>	<hr/>
	65,000	64,600
	<hr/> <hr/>	<hr/> <hr/>
Numbers employed at end of period:		
United Kingdom	33,800	34,500
Netherlands	13,300	13,400
Other countries	17,500	16,800
	<hr/>	<hr/>
	64,600	64,700
	<hr/> <hr/>	<hr/> <hr/>