CORUS GROUP plc

INTERIM REPORT FOR THE NINE MONTHS TO 1 JULY 2000

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This Second Interim Report sets out the results for the nine months to 1 July 2000 and, unless otherwise stated, comparisons are to the nine months to 3 July 1999. 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.

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, which was announced on 26 June; and, the nine months to 1 July, as announced today.

CHAIRMAN'S STATEMENT

The Group incurred an operating loss of £96m for the nine months to 1 July 2000 which after tax and minority interests amounted to £249m. As in the first six months period all the losses were incurred in carbon steel as the stainless steel and aluminium businesses made operating profits of £125m and £80m respectively.

The carbon steel businesses were adversely affected by the continuing strength of the Pound against the Euro, subdued UK demand and operational problems. In addition however the results included provisions of £44m relating to manpower productivity measures announced in June. In July, further measures were announced in several businesses in the UK which will necessitate further provisions in excess of £40m being required in the final six months of the year.

Given the difficult trading situation in the carbon steel businesses the Board has decided to pay an interim dividend of 1p per share.

The outlook for carbon steel demand for the rest of the year remains strong in the US and Asia Pacific although prices have recently eased as steel has become more plentiful in both markets. To date Europe has not yet been affected and with the exception of the UK demand remains strong. The outlook for stainless and aluminium products is firm.

Mr. Aad van der Velden has decided to retire when he reaches sixty years of age in September. We thank him for his contribution to Corus Group and to the steel industry over 25 years and wish him well in his retirement.

Sir Brian Moffat

CHIEF EXECUTIVES' REVIEW

The three months to 1 July 2000, subsequent to the period covered by our First Interim Report, resulted in a Group operating loss of £21m after taking account of provisions of £44m mainly relating to manpower productivity and efficiency improvement measures announced in June 2000 including the major restructuring of our engineering steels business.

The operating result for the three months comprised losses of £97m in our carbon steel activities, which more than offset operating profits of £41m in stainless and of £35m in aluminium.

For the nine months period to 1 July, therefore, the Group operating loss of £96m comprised losses in carbon steel of £301m and profits of £125m in stainless steel and of £80m in aluminium.

Further significant provisions of over £40m are required in respect of those measures announced since the end of June, including the efficiency improvement measures at the UK locations of our two main businesses, Construction & Industrial and Strip Products.

The other significant factor that adversely impacted on our results for the nine months was the relatively high incidence of operational problems which occurred at a number of our integrated steelmaking operations and resulted in production being some 1mt below our expectations. The majority of these problems were resolved by the end of June but had an adverse impact on the operating result for the nine months estimated at some £60m.

Capital expenditure during the nine months to 1 July 2000 amounted to £244m and projected levels in the near term will be considerably below depreciation.

In June, in line with our downstream strategy, European Electrical Steels our 75%-owned subsidiary reached agreement to acquire Kienle & Spiess which is Europe's largest laminator of electrical steels. This follows a number of other downstream acquisitions since October 1999 including Sogerail, the French rail manufacturer, and Reycan, the Canadian aluminium products supplier.

Net debt amounted to £1,710m at 1 July following a net funds outflow of £166m during the three months. This mainly reflected an increase in stocks of £113m part of which relates to the impact of a major stockbuild at Teesside ahead of the blast furnace reline, due for completion in October.

Good progress has been achieved in the implementation of plans to secure synergy benefits which was one of the key objectives of the merger. An annual level of synergy-related savings of around £200m, by the end of 2002, was anticipated at the time of the merger but we are pleased to be able to report that our revised target is in excess of £300m. It should be noted, however, that net benefits will not be apparent until next year due to the one-off costs being incurred this year in order to realise the synergies. We will give a more detailed progress report on synergies when we release our results to December 2000.

CHIEF EXECUTIVES' REVIEW, continued

Looking ahead, underlying demand for carbon steel remains strong in our markets excluding the UK although prices have recently weakened in the US and Asia for some products. Prices in Europe remain generally firm. Despite the recent easing in demand for stainless steel, strong market conditions are expected to continue. For rolled and extruded aluminium products demand remains robust across most sectors.

The trading situation for carbon steel, particularly in the UK, is very difficult and accordingly the focus of management has been directed towards efficiency improvements and cost reductions, while maximising cash flow across the Group. This initiative in conjunction with the drive for synergy benefits will improve our cost base considerably during the next 12-18 months.

Fokko van Duyne
John Bryant

DIVIDEND PAYMENT

For ordinary shareholders, the interim dividend of 1p per share is payable on 13 October 2000 to shareholders on the register at close of business on 15 September 2000.

For American Depositary Receipt holders, the interim dividend of 10p per ADR is payable in US dollars on October 23, 2000 by the Depositary, the Bank of New York, to the ADR holders of record on September 15, 2000.

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 Report also provides a similar segmental analysis. Corus is the successor company to British Steel and, therefore, the comparative data included in the Second Interim Report for the equivalent nine 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 1999. References to 1999 and 2000 are to the nine month periods to 3 July 1999 and 1 July 2000 respectively unless otherwise indicated.

Group turnover increased by £2,755m to £7,030m (1999: £4,275m). However, 2000 figures include a first time contribution of sales of £2,501m from Hoogovens, excluding which turnover totalled £4,529m up 6% from last year. On a like for like basis, sales volume increased by 1% and average revenue per tonne increased by 7%, principally due to the improvement in the stainless steel sector which is discussed below. Excluding stainless steel, sales volume was little changed from the equivalent period in 1999 but average revenue per tonne increased by 2%. Prices have improved since 1999 but the benefit of the increases has been partially eroded by the weakness of the Euro relative to the Pound. The average spot rate for the nine months was Euro1.61 compared with Euro1.47 in the equivalent period in 1999.

Group operating loss for the nine months amounted to £96m (1999: loss of £354m). The improvement from 1999 included a first time profit contribution from Hoogovens of £128m before which the result improved by £130m. Selling price improvements contributed significantly to the better result although this was, with the exception of stainless steel, partially offset by the impact of exchange rates. The result also benefited from continuing cost and efficiency improvement measures. Provision for the restructuring of the engineering steels business was included in the result but not for those restructuring and efficiency measures announced since the end of June 2000.

Operating costs totalled £7,126m (1999: £4,629m) but, after adjustment for Hoogovens, costs were 3% above the level of the previous year. Raw material price increases accounted for a significant proportion of the increase, notably on nickel at Avesta Sheffield, although this was offset in selling prices as indicated above. The balance of the increase was mainly attributable to higher sales volume and rising energy prices. The increase was in spite of a fall of 1% in employment costs, cost and efficiency improvement measures, and a surplus received from the Swedish Staff Pension Insurance at Avesta Sheffield.

Group net interest payable of £66m (1999: interest receivable £10m) 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 Sogerail and Reycan. During the period there was a move from net funds of £161m to net debt of £1,710m reflecting the above, an operating cash outflow of £151m, net expenditure on capital and financial investments of £221m and acquired debt of £615m.

FINANCIAL REVIEW, continued

Carbon steel

Turnover increased by £1,819m from 1999 to £5,249m but, excluding the contribution from Hoogovens, the increase amounted to only 1%. Similarly, an operating loss of £301m was little changed from the loss of £308m in 1999 in spite of a profit contribution of £48m from Hoogovens. The loss in 2000 included provision for the restructuring of the engineering steels business and other smaller rationalisation measures announced prior to the end of June 2000. The period from October 1999 to June 2000 was uncharacteristically affected by a number of operational problems in integrated steelmaking works. Demand for carbon steel has risen in Western Europe and Asia while demand in North America has remained at high levels. In the UK, however, the adverse effects of the strong Pound have continued to subdue demand. Steel prices, having recovered from the low levels seen in 1998, levelled off as excess inventories built up. Indeed, some price falls have been recorded in North America and Asia while in the EU the pace of increase has slowed. In the UK, price increases have been constrained by the strength of the Pound.

Stainless steel

Turnover at Avesta Sheffield, the company's 51% owned stainless steel subsidiary, increased by 26% to £1,067m as a result of increased demand and improved selling prices, principally for coil products. The operating profit for the nine months was £125m (1999: loss of £46m). The significant improvement in profitability was the result of sales volume up 17%, improved selling prices, ongoing cost reductions and the positive effect of price changes in inventory values from higher 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 the benefits. A recovering manufacturing sector and tightening supply have supported demand growth and base prices significantly improved across the product range.

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 £95m from 1999 to £714m and the operating profit of £80m was an improvement of £44m on 1999. The increase in turnover reflected the acquisition in January 2000 of Reycan, a Canadian rolling operation, together with improved volumes and higher prices for rolled and extruded products primarily related to the increased London Metal Exchange price for aluminium and buoyant demand, but also to improvements in product mix. Demand has been very strong across all of the product groups in the last nine months, with plants working at or near to available 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.

FINANCIAL REVIEW, continued

Acquisitions and investments

In addition to the merger of British Steel and Hoogovens and in line with the Group's downstream strategy, there were several acquisitions during the period. The most significant were: the acquisition of the rail manufacturing business, Sogerail, 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, in agreement with Reynolds Metals and SGF Mineral for £43m; in January, subsidiaries of Corus and the Italian equipment producer Danieli completed the formation of a 50:50 joint venture, Danieli Corus Technical Services, 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; and, in June, the 75%-owned subsidiary, European Electrical Steels reached agreement to acquire Kienle & Spiess, Europe's largest laminator of electrical steels.

The principal capital investment scheme in the period was the new direct sheet plant, built at IJmuiden in the Netherlands. This "state of the art" production facility which has an annual capacity of some 1.3mt. 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.

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 the shareholders of Corus are the same as the former shareholders of British Steel and the relative rights of each shareholder are 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 nine 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 Limited for the financial period of six months ended 2 October 1999.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Unaudited nine months to 1 July 2000 £m	Unaudited nine months to 3 July '99 £m	Audited six months to 2 October '99 £m
TURNOVER: GROUP AND SHARE OF JOINT VENTURES	7,298	4,426	2,790
Less: share of joint ventures' turnover	(268)	(151)	(81)
GROUP TURNOVER			
Continuing operations	4,529	4,275	2,709
Acquisitions	2,501	-	-
	7,030	4,275	2,709
OPERATING COSTS	(7,126)	(4,629)	(2,898)
GROUP OPERATING LOSS			
Continuing operations	(224)	(354)	(189)
Acquisitions	128	-	-
	(96)	(354)	(189)
SHARE OF OPERATING RESULTS OF JOINT VENTURES AND ASSOCIATED UNDERTAKINGS			
Continuing operations	8	(3)	-
Acquisitions	(7)	-	-
TOTAL OPERATING LOSS	(95)	(357)	(189)
Profit on sale of fixed assets	4	7	9
Net (loss)/profit on disposal of business, subsidiaries and associated undertakings	(5)	1	1
LOSS BEFORE INTEREST	(96)	(349)	(179)
NET INTEREST AND INVESTMENT INCOME			
Group	(66)	10	14
Joint ventures and associated undertakings	(3)	(3)	(2)
LOSS BEFORE TAXATION	(165)	(342)	(167)
Taxation	(28)	63	8
LOSS AFTER TAXATION	(193)	(279)	(159)
Minority Interests	(56)	23	(4)
LOSS FOR THE PERIOD	(249)	(256)	(163)
Dividends	(31)	(139)	-
LOSS RETAINED FOR THE PERIOD	(280)	(395)	(163)
BASIC LOSS PER ORDINARY SHARE	(8.02)p	(12.92)p	(8.22)p
DILUTED LOSS PER ORDINARY SHARE	(8.02)p	(12.92)p	(8.22)p

Note: 'Acquisitions' relate to the former Hoogovens

CONSOLIDATED BALANCE SHEET

	Unaudited at 1 July 2000 £m	Unaudited at 3 July '99 £m	Audited at 2 October '99 £m
FIXED ASSETS			
Intangible assets	67	-	10
Tangible assets	4,488	3,171	3,116
Investments in joint ventures	173	80	73
Investments in associated undertakings	13	10	6
Other investments and loans	172	141	139
	4,913	3,402	3,344
CURRENT ASSETS			
Stocks	1,880	1,044	1,061
Debtors	2,291	1,338	1,301
Short term investments	15	1,090	1,132
Cash at bank and in hand	179	100	141
	4,365	3,572	3,635
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	(2,045)	(1,282)	(1,177)
NET CURRENT ASSETS	2,320	2,290	2,458
TOTAL ASSETS LESS CURRENT LIABILITIES	7,233	5,692	5,802
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	(1,734)	(856)	(1,063)
PROVISIONS FOR LIABILITIES AND CHARGES	(477)	(235)	(210)
ACCRUALS AND DEFERRED INCOME			
Regional development and other grants	(62)	(48)	(46)
	4,960	4,553	4,483
CAPITAL AND RESERVES			
Called up share capital	1,561	991	991
Share premium account	2	51	52
Capital redemption reserve	-	47	47
Statutory reserve	2,338	2,338	2,338
Merger reserve	204	-	-
Profit and loss account	463	817	746
SHAREHOLDERS' FUNDS – EQUITY INTERESTS	4,568	4,244	4,174
MINORITY INTERESTS			
Equity interests in subsidiary undertakings	392	309	309
	4,960	4,553	4,483

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Unaudited nine months to 1 July 2000 £m	Unaudited nine months to 3 July '99 £m	Audited six months to 2 October '99 £m
Loss for the period	(249)	(256)	(163)
Exchange translation differences on foreign currency net investments	(3)	(3)	(10)
Total recognised losses for the period	(252)	(259)	(173)

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Loss for the period	(249)	(256)	(163)
Dividends	(31)	(139)	-
	(280)	(395)	(163)
Exchange translation differences on foreign currency net investments	(3)	(3)	(10)
New shares issued	1,371	-	1
Cash and loan notes to shareholders	(694)	-	-
Net increase/(decrease) in shareholders' funds	394	(398)	(172)
Shareholders' funds at beginning of the period	4,174	4,642	4,346
Shareholders' funds at end of the period	4,568	4,244	4,174

CONSOLIDATED CASH FLOW STATEMENT

	Unaudited nine months to 1 July 2000 £m	Unaudited nine months to 3 July '99 £m	Audited six months to 2 October '99 £m
Net cash (outflow)/inflow from operating activities	(151)	18	(100)
Dividends from joint ventures and associated undertakings	3	19	12
Returns on investments and servicing of finance	(46)	8	15
Tax received/(paid)	68	(58)	(16)
Capital expenditure and financial investment	(221)	(41)	(58)
Acquisitions and disposals	(202)	(9)	(27)
Equity dividends paid	-	(61)	(138)
CASH (OUTFLOW) BEFORE USE OF LIQUID RESOURCES AND FINANCING	(549)	(124)	(312)
MANAGEMENT OF LIQUID RESOURCES			
Net sale of short term investments	1,117	140	69
FINANCING			
Issue of ordinary shares	6	-	1
Cash to shareholders	(686)	-	-
Share issue expenses	(6)	-	-
Increase/(decrease) in debt	131	(56)	225
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES	(555)	(56)	226
INCREASE/(DECREASE) IN CASH IN THE PERIOD	13	(40)	(17)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

Increase/(decrease) in cash	13	(40)	(17)
(Decrease)/increase in liquid resources	(1,117)	(140)	(69)
(Increase)/decrease in debt	(131)	56	(225)
Change in net funds resulting from cash flows	(1,235)	(124)	(311)
Effect of foreign exchange rate changes	(21)	(24)	6
Debt (acquired)/disposed of	(615)	-	3
Movement in net funds	(1,871)	(148)	(302)
Net funds at beginning of the period	161	432	463
Net (debt)/funds at end of the period	(1,710)	284	161

NOTES TO THE ACCOUNTS

1. ANALYSIS OF TURNOVER AND OPERATING RESULT

	Unaudited nine months to 1 July 2000 £m	Unaudited nine months to 3 July '99 £m	Audited six months to 2 October '99 £m
a. GROUP TURNOVER BY SEGMENT			
Carbon steel products	4,006	2,696	1,692
Distribution and further processing	921	660	429
Other turnover	322	74	55
Carbon steel	5,249	3,430	2,176
Stainless steel	1,067	845	533
Aluminium	714	-	-
	7,030	4,275	2,709
b. GROUP TURNOVER BY DESTINATION			
United Kingdom	2,010	1,749	1,119
Europe (excluding UK)	3,616	1,791	1,085
North America	986	437	327
Other areas	418	298	178
	7,030	4,275	2,709
c. PRODUCT TURNOVER			
i) Carbon steel products:			
United Kingdom	1,514	1,380	878
Europe (excluding UK)	1,850	1,007	604
North America	487	172	136
Other areas	155	137	74
	4,006	2,696	1,692
ii) Stainless steel:			
United Kingdom	123	111	71
Europe (excluding UK)	697	546	334
North America	157	138	96
Other areas	90	50	32
	1,067	845	533

NOTES TO THE ACCOUNTS

	Unaudited nine months to 1 July 2000 £m	Unaudited nine months to 3 July '99 £m	Audited six months to 2 October '99 £m
iii) Aluminium:			
United Kingdom	78	-	-
Europe (excluding UK)	472	-	-
North America	118	-	-
Other areas	46	-	-
	714	-	-

d. OPERATING RESULT BY SEGMENT			
Carbon steel	(301)	(308)	(199)
Stainless steel	125	(46)	10
Aluminium	80	-	-
	(96)	(354)	(189)

2. SALES VOLUME	**mt**	**mt**	**mt**
a. Carbon steel products:			
United Kingdom	5.347	4.908	3.231
Europe (excluding UK)	6.743	3.641	2.299
North America	1.594	0.712	0.538
Other areas	0.648	0.607	0.339
	14.332	9.868	6.407
b. Stainless steel:			
United Kingdom	0.096	0.099	0.064
Europe (excluding UK)	0.495	0.425	0.264
North America	0.096	0.086	0.062
Other areas	0.083	0.048	0.032
	0.770	0.658	0.422
c. Aluminium:			
United Kingdom	0.048	-	-
Europe (excluding UK)	0.285	-	-
North America	0.059	-	-
Other areas	0.022	-	-
	0.414	-	-

NOTES TO THE ACCOUNTS

	Unaudited nine months to 1 July 2000 £m	Unaudited nine months to 3 July '99 £m	Audited six months to 2 October '99 £m
3. OPERATING COSTS			
Raw materials and consumables	3,089	1,790	1,236
Maintenance costs (excluding own labour)	663	389	258
Other external charges	1,092	738	483
Employment costs	1,503	993	612
Depreciation (net of grants released)	347	216	146
Other operating costs	479	279	213
Changes in stock of finished goods and work in progress	(24)	228	(48)
Own work capitalised	(23)	(4)	(2)
	7,126	4,629	2,898
The above costs include:			
Redundancy and related costs	53	62	11
Accelerated depreciation	10	-	-
Other rationalisation costs	4	(3)	1
Costs incurred in rendering existing software year 2000 compliant	3	26	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	23	59	46
Interest payable	(88)	(47)	(30)
Finance leases	(2)	(3)	(2)
Group	(66)	10	14
Joint ventures and associated undertakings	(3)	(3)	(2)
	(69)	7	12
5. TAXATION			
Corporation tax:			
United Kingdom	1	(34)	1
Other countries	20	3	4
Double tax relief	-	(13)	(1)
Prior year credit	(1)	(5)	-
ACT written off	-	3	-
Deferred tax	7	(20)	(13)
Joint ventures	1	3	1
	28	(63)	(8)

NOTES TO THE ACCOUNTS

	Unaudited nine months to 1 July 2000	Unaudited nine months to 3 July '99	Audited six months to 2 October '99
6. RECONCILIATION OF OPERATING LOSS TO NET CASH FLOW FROM OPERATING ACTIVITIES	**£m**	**£m**	**£m**
Operating loss	(96)	(354)	(189)
Depreciation (net of grants released)	347	216	146
(Increase)/decrease in stocks	(229)	249	(68)
(Increase)/decrease in debtors	(262)	13	54
Increase/(decrease) in creditors	74	(79)	(22)
Rationalisation costs provided	57	59	12
Utilisation of rationalisation provisions	(87)	(55)	(42)
Other movements (net)	45	(31)	9
	(151)	18	(100)

7. EMPLOYEES	**numbers**	**numbers**	**numbers**
Average weekly numbers employed:			
United Kingdom	34,200	36,300	34,800
Netherlands	13,200	600	600
Other countries	17,100	8,500	8,300
	64,500	45,400	43,700
Numbers employed at end of period:			
United Kingdom	33,200	34,800	34,200
Netherlands	13,000	600	600
Other countries	17,700	8,200	8,000
	63,900	43,600	42,800

8. ANALYSIS OF NET (DEBT)/FUNDS	**£m**	**£m**	**£m**
Cash at bank and in hand	179	100	141
Bank overdrafts	(74)	(53)	(53)
Short term investments	15	1,090	1,132
Long term borrowings	(1,690)	(790)	(998)
Other loans	(118)	(17)	(16)
Obligations under finance leases	(22)	(46)	(45)
	(1,710)	284	161

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		542	14	(14)	542
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)
		1,278	78	63	1,419
Cost of investment:					
Ordinary shares issued					(1,370)
Cash					(79)
					(1,449)
Goodwill					(30)

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.

NOTES TO THE ACCOUNTS

9. ACQUISITIONS, continued

Other acquisitions during the period were: in October, Sogerail for £83m; in November Avesta Sheffield acquired Lee Steel Strip for £18m; in January, Reycan for £43m; and, in April, Avesta Sheffield acquired the balance of 80% in Smidesbolaget L. Perrson, its former associated undertaking for £2m. There were no material differences between book values and fair values. The net assets acquired were:

	£m
Intangible fixed assets	4
Tangible fixed assets	118
Stocks	39
Debtors	55
Cash at bank	2
Current liabilities	(59)
Long term liabilities	(11)
Minority interests	(27)
Net assets	121
Cash cost of investment	(146)
Goodwill	(25)

NOTES TO THE ACCOUNTS

10. US GAAP	Unaudited nine months to 1 July 2000 £m	Unaudited nine months to 3 July '99 £m	Audited six months to 2 October '99 £m
Loss for the period – UK GAAP	(249)	(256)	(163)
Adjustments:			
Amortisation of goodwill	(14)	(11)	(7)
Interest costs capitalised	22	14	4
Depreciation of capitalised interest	(16)	(9)	(5)
Pension costs	10	31	(5)
Stock-based employee compensation awards	(5)	(7)	(3)
Rationalisation costs	-	(3)	-
Deferred taxation	69	53	21
Minority interests	10	(18)	(2)
Loss for the period – US GAAP	(173)	(206)	(160)
Basic loss per ADS – US GAAP	£(0.56)	£(1.04)	£(0.81)
Diluted loss per ADS – US GAAP	£(0.56)	£(1.04)	£(0.81)

Shareholders' equity – UK GAAP	4,568	4,244	4,174
Adjustments:			
Goodwill	172	189	186
Purchase consideration	(28)	-	-
Interest costs capitalised (net of depreciation)	153	150	147
Pension costs	142	134	132
Stock-based employee compensation awards	-	(21)	(22)
Deferred taxation	(358)	(438)	(427)
Investment in equity securities	-	2	-
Proposed dividend	31	139	-
Minority interests	11	2	1
Shareholders' equity – US GAAP	4,691	4,401	4,191

Independent Review Report to Corus Group plc

Introduction

We have been instructed by the Company to review the financial information set out on pages 8 to 18 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 enquiries 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 nine months ended 1 July 2000.

PricewaterhouseCoopers
Chartered Accountants
London
5 September 2000

APPENDIX

QUARTERLY ANALYSIS OF THE SIX MONTHS TO 1 JULY 2000

Given the adoption of the new accounting year end of December, this appendix sets out, for the six months to
1 July 2000, unaudited figures for each of the two quarters contained therein.

Future reporting will be on a half year and a full year basis.

QUARTERLY ANALYSIS

1. PROFIT AND LOSS ACCOUNT

	3 months to 1 July 2000 £m	3 months to 1 April 2000 £m
Group turnover		
Continuing operations	1,573	1,599
Acquisitions	846	823
	2,419	2,422
Operating costs	(2,440)	(2,375)
Group operating result		
Continuing operations	(92)	(21)
Acquisitions	71	68
	(21)	47
Joint ventures and associated undertakings	(1)	4
Sales and disposals	(8)	4
Result before interest	(30)	55
Net interest payable	(22)	(29)
Result before taxation	(52)	26
Taxation	(25)	(22)
Minority interests	(16)	(35)
Net loss	(93)	(31)
Dividends	(31)	-
Loss retained	(124)	(31)

2. BALANCE SHEET

	3 months to 1 July 2000 £m	3 months to 1 April 2000 £m
Fixed assets	4,913	4,859
Net current assets	2,320	2,276
Creditors: due after more than one year	(1,734)	(1,663)
Provisions	(477)	(443)
Accruals and deferred income	(62)	(64)
	4,960	4,965
Called up share capital	1,561	1,556
Reserves	3,007	3,042
Shareholders' funds	4,568	4,598
Minority interests	392	367
	4,960	4,965

QUARTERLY ANALYSIS

3. CASH FLOW	3 months to 1 July 2000 £m	3 months to 1 April 2000 £m
Operating (loss)/profit	(21)	47
Depreciation	117	116
(Increase) in stocks	(113)	(48)
Decrease/(increase) in debtors	6	(157)
(Decrease)/increase in creditors	(9)	135
Rationalisation costs provided	39	8
Utilisation of rationalisation provisions	(35)	(25)
Other movements (net)	(2)	7
Operating cash (outflow)/inflow	(18)	83
Dividends received	2	-
Returns on investments and servicing of finance	(30)	(21)
Tax received	21	46
Capital expenditure and financial investment	(60)	(86)
Acquisitions and disposals	-	(44)
Net sale of short term investments	70	23
Issue of shares	6	-
(Decrease)/increase in debt	(10)	102
(Decrease)/increase in cash	(19)	103

4. ANALYSIS OF NET DEBT

Cash at bank and in hand	179	190
Bank overdrafts	(74)	(60)
Short term investments	15	84
Long term borrowings	(1,690)	(1,602)
Other loans	(118)	(113)
Obligations under finance leases	(22)	(43)
	(1,710)	(1,544)

QUARTERLY ANALYSIS

5. ANALYSIS OF TURNOVER AND OPERATING RESULT	3 months to 1 July 2000 £m	3 months to 1 April 2000 £m
a. GROUP TURNOVER BY SEGMENT		
Carbon steel products	1,368	1,408
Distribution and further processing	314	311
Other turnover	80	59
Carbon steel	1,762	1,778
Stainless steel	403	385
Aluminium	254	259
	2,419	2,422
b. GROUP TURNOVER BY DESTINATION		
United Kingdom	658	713
Europe (excluding UK)	1,266	1,256
North America	351	316
Other areas	144	137
	2,419	2,422
c. PRODUCT TURNOVER		
i) Carbon steel:		
United Kingdom	497	544
Europe (excluding UK)	654	645
North America	165	168
Other areas	52	51
	1,368	1,408
ii) Stainless steel:		
United Kingdom	44	44
Europe (excluding UK)	269	254
North America	61	52
Other areas	29	35
	403	385

QUARTERLY ANALYSIS

	3 months to 1 July 2000 £m	3 months to 1 April 2000 £m
iii) Aluminium:		
United Kingdom	27	23
Europe (excluding UK)	152	179
North America	56	47
Other areas	19	10
	254	259

d. OPERATING RESULT BY SEGMENT

Carbon steel	(97)	(55)
Stainless steel	41	72
Aluminium	35	30
	(21)	47

6. SALES VOLUME

	mt	mt
a. Carbon steel:		
United Kingdom	1.719	1.893
Europe (excluding UK)	2.233	2.403
North America	0.522	0.555
Other areas	0.201	0.253
	4.675	5.104
b. Stainless steel:		
United Kingdom	0.033	0.033
Europe (excluding UK)	0.172	0.187
North America	0.033	0.032
Other areas	0.022	0.035
	0.260	0.287
c. Aluminium:		
United Kingdom	0.017	0.014
Europe (excluding UK)	0.090	0.105
North America	0.028	0.023
Other areas	0.010	0.005
	0.145	0.147

QUARTERLY ANALYSIS

	3 months to 1 July 2000	3 months to 1 April 2000
7. OPERATING COSTS	**£m**	**£m**
Raw materials and consumables	1,102	1,104
Maintenance costs (excluding own labour)	220	215
Other external charges	361	389
Employment costs	530	502
Depreciation (net of grants released)	117	116
Other operating costs	175	149
Changes in stock of finished goods and work in progress	(58)	(91)
Own work capitalised	(7)	(9)
	2,440	2,375

The above costs include:

Redundancy and related costs	38	7
Accelerated depreciation	5	-
Other rationalisation costs	1	1
Costs incurred in rendering existing software year 2000 compliant	-	1
Pension refund – Avesta Sheffield	-	(26)

8. EMPLOYEES	**numbers**	**numbers**
Average weekly numbers employed:		
United Kingdom	33,400	34,300
Netherlands	13,100	13,300
Other countries	17,600	17,400
	64,100	65,000
Numbers employed at end of period:		
United Kingdom	33,200	33,800
Netherlands	13,000	13,300
Other countries	17,700	17,500
	63,900	64,600