

## NEWS RELEASE

18 March 2002  
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### CORUS GROUP plc

#### PRELIMINARY REPORT FOR THE 12 MONTHS TO 29 DECEMBER 2001

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*The Consolidated Profit and Loss Account, Consolidated Balance Sheet, Statement of Total Recognised Gains and Losses, Reconciliation of Movements in Shareholders' Funds and the Consolidated Cash Flow Statement have been extracted from the audited accounts, to be delivered to the Registrar of Companies and on which the auditors issued an unqualified report.*

*The Report and Audited Financial Statements will be mailed to shareholders later this month at which time copies will also be available from the Secretary's Office, Corus, 30 Millbank, London SW1P 4WY, or by telephoning 0800 484113.*

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## CORUS GROUP plc

### CHAIRMAN'S STATEMENT

"2001 was an extremely challenging and difficult year dominated by the restructuring of our carbon steel business in the UK and the increasingly hostile market environment experienced by all our businesses as the year progressed. Against this background, Corus incurred a Group operating loss of £385m.

The loss after tax and minority interests amounted to £419m and in the light of these results and the continuing weak market conditions, the Board has decided not to recommend the payment of a dividend in respect of the year ended 29 December 2001.

Our carbon steel businesses continue to dominate the Group results and were severely affected by the weak economic situation in all markets resulting in oversupply of products and sharp reductions in selling prices. Demand for aluminium rolled products and extrusions held up reasonably well until the final quarter of 2001. Average margins in these main product areas remained firm through the year. In stainless steel, demand fell in all major markets and led to over-supply and price declines, particularly during the second half year.

The major part of the restructuring of Corus' UK strip business was successfully completed by the end of the Summer and the workforce focused on the new challenges of operating the reconfigured plant. Unfortunately, however, there was a setback in November with a major explosion at one of the blast furnaces at Port Talbot. I very much regret that three men were killed and a number of men seriously injured in this incident. Thankfully, the injured have now all been discharged from hospital. As to the continuing operations, measures have been put in hand to secure additional supplies of steel for the mills in South Wales, both from within and outside the Group, while the furnace is being rebuilt.

During difficult times it is vitally important that strong cash management prevails and I am pleased to report that there was a reduction in the Group's net debt of £116m in the year. This was a highly commendable performance, particularly having regard to the cash outflow of £137m in respect of restructuring and rationalisation measures.

Earlier this month the US Government announced sanctions on imported steel, under Section 201 of the Trade Act, with tariffs of up to 30% being applied. This action will be resisted by the European Commission on behalf of EU member states and we strongly support this stance. We have also urged the European Commission to impose similar measures to defend the EU market, pending the outcome of a decision by the World Trade Organisation concerning the US sanctions.

While the Section 201 dispute continues it is important that progress is maintained on international discussions about initiatives to eliminate inefficient excess capacity and market-distorting subsidies. These initiatives, coupled with the lack of profitability and resulting financial strain in the steel industry worldwide, seem to have at long last registered with the leadership in the industry. Major producers in Europe, the US and Japan increasingly cut back production during the last quarter of 2001 to address the problem of oversupply. This trend continued into the first quarter of this year as demand, production and stocks began to move more into balance, such that some price improvements were secured in the US during the quarter. Subsequently, a number of producers in Europe, including Corus, have signalled their intent to raise selling prices in the second quarter.

**CHAIRMAN'S STATEMENT, continued**

This does not, however, signal an end to the economic slowdowns in Europe or in the US. Most commentators are of the view that a recovery will only begin to take place in the second half of this year and our plans are based on this premise.

Corus' stated strategy is to focus on the creation of shareholder value. In this connection we have concluded that the possibility of the Group taking any meaningful growth steps in aluminium, in the face of continuing consolidation in that industry, is not realistic. We have, therefore, decided to consider the sale of our aluminium businesses and this process will be put in hand immediately.

At the forthcoming Annual General Meeting, Sir Nicholas Goodison, Mr Aarnout Loudon and Mr Hendrikus de Ruyter will be retiring from the Board after many years of service. We have been fortunate to have had them on the Board and I would like to thank them for all their support and advice over the years, both as Directors of Corus and of its predecessor companies. Their replacements will be announced in due course.

Finally, I thank all who work for Corus. As I have said already, it has been a very challenging and difficult year and I hope that the year ahead will be a better one for everyone."

**Sir Brian Moffat**

**18 March 2002**

**STATEMENT BY THE CHIEF EXECUTIVE**

"As this is my first report since becoming Chief Executive I think it is an appropriate opportunity to comment on my assessment of some key aspects of Corus' performance and forward strategy.

Corus is a significant manufacturing company and, therefore, it is vital for our employees at all levels to be focused on operational excellence and consistency. This is the bedrock from which customer service, employee safety and environmental compliance are built. I believe that the Corus culture is strong in this regard but it can be improved and my management team is aware of how much emphasis I place on this.

A good example is the recent performance of the Direct Sheet Plant at IJmuiden. During the last quarter of 2001, there was a significant improvement in its performance and there are encouraging signs that it will achieve its target output in the near future. The quality of the product is also improving and customer acceptance is high.

Another example is in the vital area of health and safety where we are working with DuPont Safety Services to facilitate a further step change in our performance. Everybody across the Company is responding positively as evidenced by a 15% reduction in lost time injury frequency rates during 2001. The need for improvement was tragically underlined with seven fatalities of Corus employees in 2001.

## CORUS GROUP plc

### STATEMENT BY THE CHIEF EXECUTIVE, continued

We need to stay at the forefront of technical developments in our industry. To help facilitate the continuing enhancement of our technological and operational capability, in January of this year, Corus signed an agreement with Sumitomo Metals for collaboration in areas of mutual interest and benefit. Initial exchanges will focus on advanced steels for the automotive and engineering industries. I believe the agreement will help both companies to continue to develop the solutions that our customers expect. This relationship with Sumitomo will also give some added input to our continuing programme to improve the competitiveness of Corus' carbon steel assets. Substantial improvement in operating margins through the next two years are at the centre of a wide-ranging project at IJmuiden. In the UK, with the restructuring of our flat products operations substantially completed, we are now focusing on additional measures, similar to those being implemented in the Netherlands, to secure yet further improvements in our competitive position.

The combination of renewed emphasis on operating excellence, added technological input and world class competitiveness in our carbon steel assets will provide an even firmer base to deliver reliably to our customers. In this context, I am most appreciative of their support and loyalty during a difficult 2001.

A major element of the strategy that we have been pursuing has been the selective identification of those of our carbon steel businesses, aluminium operations and stainless steel interests, which we consider will be capable, over time, of achieving leading positions in attractive market sectors with sustainable growth. In this connection we have recently reappraised the potential for Corus to participate in the ongoing consolidation of the aluminium industry having regard to the market positions and strengths of our aluminium interests. Our judgement is that while we have very good businesses the pace of change in the industry is leaving us with fewer options to pursue a growth strategy in competition with increasingly strong industry leaders. Accordingly, we feel that we should commence the process towards divestment of our aluminium assets.

This divestment will bring to an end aspirations for a multi-metals strategy involving a major manufacturing presence in aluminium as well as carbon and stainless steel. However, Corus has gained significant broad metals knowledge and this will continue to be utilised in a number of our ongoing businesses where this brings benefits to our customers.

This has clearly been a difficult period for all employees across the Group. Change on the scale that Corus has undergone over the last year or so is never easy and presents additional challenges to all. I cannot speak too highly of the attitude and energy of those involved in facilitating these changes. It gives me a great deal of confidence for the future.

My prime objectives are to achieve excellence in our businesses, to continue to sharpen the strategic focus of the Group going forward, and thereby to deliver shareholder value. I am determined to reach this objective and am confident that I can develop the management team to deliver it."

**Tony Pedder**

**18 March 2002**

## **REVIEW OF THE PERIOD**

### **Summary**

Group turnover amounted to £7,699m in 2001. The trend through the two half years saw a fall from £4,040m in the first half to £3,659m in the second half year.

The Group operating loss of £385m comprised losses in carbon steel of £446m partially offset by operating profits of £58m in aluminium and £3m in stainless steel. The trend through the two half years was influenced by the impact of exceptional items, with a £47m charge in the first half and a £39m credit in the second half. Excluding exceptional items, the second half operating loss amounted to £228m as compared with £149m for the first half year. Underlying trends, comparisons and key features are discussed below in the context of carbon steel, aluminium and stainless steel.

### **Carbon steel**

In 2001 global economic growth decelerated from some 4.5% to around 2%, the lowest level in twenty years. Global demand for steel, excluding China, declined by around 3% during the year and, in the absence of any meaningful reductions in output, the problems of oversupply which had been increasingly apparent during late-2000 progressively worsened. In addition, the impact of depressed US demand was exacerbated by the threat of import sanctions, resulting in a sharp drop in US imports and causing steel to be diverted to other markets. The pace of falls in selling prices in markets worldwide accelerated and prices reached very low levels by the end of 2001.

Comparisons of Corus' carbon steel full and half year figures were significantly impacted by the effects of restructuring and rationalisation measures through 2000 and 2001. These measures were focused mainly on addressing the continuing high levels of losses, particularly in the Group's UK carbon steel flat products operations, against a background of weak UK demand, and a growing and unsustainable level of unremunerative exports. On 1 February 2001 Corus announced a wide range of measures aimed at restoring, over time, the competitiveness of the Group's UK assets. The major focus of these measures was the restructuring of UK flat products, which involved the closure of 3m tonnes of steelmaking and hot rolling capacity.

The restructuring was substantially completed in July 2001, at which time the consequential changes in product flows became a key area of attention for business management. Despite inevitable logistical problems, good progress was made through the rest of the year.

In the Netherlands, encouraging progress was made in the commissioning of and, during late-2001, improving the operational performance of the Direct Sheet Plant. In September, the "World Class IJmuiden" project was launched, involving a wide-ranging programme aiming to secure substantial improvements in operating margins through to the end of 2003.

**REVIEW OF THE PERIOD, continued**

Carbon steel turnover for 2001 amounted to £6,534m and was 7% below the level of the previous year. Excluding distribution and further processing (£1,433m) and other turnover (£309m), carbon steel product turnover of £4,792m was 10% lower, reflecting falls in sales volume and in average revenue per tonne. The trend through the two half years of 2001 saw falls in turnover, sales volume and average revenue during the second half, as the effects of the reduction of 3m tonnes in annual UK capacity and of weaker selling prices were reflected in the figures for the second half.

Excluding the impact of exceptional items, carbon steel operating costs in 2001 were 4% below the level of the previous year in contrast to a 9% fall in sales volume as, despite the benefits of lower employment costs and other cost improvements, the unit prices of raw materials increased significantly. In terms of 2001, the level of the second half was 6% below that of the first half, mainly reflecting the combined impact of lower sales volume, and employment and other cost improvements.

**Aluminium**

Demand for aluminium products held up reasonably well until the final quarter of the year, when there was a reduction in the level of sales of rolled products and extrusions. Total turnover (£1,085m) was 6% above the level of the previous year, with the trend through the year being a second half fall of 3% to £533m. Operating costs of £1,027m were 10% higher than the previous year, mainly as a result of LME- linked price changes on material and energy costs. In terms of the two half years, there was a 1% reduction in the second half which mainly reflected lower LME – linked material prices.

**Stainless steel**

With effect from 22 January 2001, Avesta Sheffield ceased to be a 51%-owned subsidiary of Corus. At that date, AvestaPolarit was formed by the merger of Avesta Sheffield with the stainless steel activities of Finnish producer, Outokumpu. Prior to 22 January, Avesta Sheffield made an operating profit of £3m. Despite an extremely difficult trading environment AvestaPolarit achieved an operating profit during 2001, with Corus' 23% associate share being a profit of some £10m.

**Profit and loss account**

The Group operating loss of £385m for the year translated into a loss before interest of £354m. Net interest payable of £108m was broadly unchanged from the level of the previous year and, after taking account of tax and minority interests, a net loss of £419m was incurred.

**REVIEW OF THE PERIOD, continued**

**Cash flow and financing**

Despite the operating loss of £385m there was an operating cash inflow of £172m during the year, the key features being a reduction in working capital of £309m and cash costs of £137m in respect of restructuring and rationalisation measures. There was a net outflow of £130m on capital expenditure and financial investments, and a net inflow of £49m in respect of acquisitions, disposals and the exchange of business interests in stainless steel.

Net debt reduced by £116m during 2001, and amounted to £1,560m at 29 December. Gearing was broadly unchanged from the half year position.

On 31 January 2001, Corus arranged a new EUR2,400m bank facility which replaced a EUR1,500m syndicated facility of Corus and most of the committed facilities of the former Hoogovens Group.

At 29 December 2001 the Group had £2,445m in committed borrowing facilities, of which £761m was unutilised.

On 11 January 2002, the Group issued EUR307m of unsubordinated bonds, due 2007, convertible into shares of Corus Group plc. Some EUR300m of the proceeds were used to pay down and cancel part of the EUR2,400m facility described above.

**Employees**

Numbers employed at 29 December 2001 totalled 52,700 as compared to 64,900 at 30 December 2000.

The reduction during the year of 12,200 included the transfer of some 6,600 jobs to AvestaPolarit, with the balance of 5,600 mainly relating to continuing employee productivity and improvement measures.

Further reductions of some 4,000 jobs are scheduled to be implemented through to 2004 as a result of efficiency improvement measures announced over the past two years.

**ACCOUNTING POLICIES**

There have been no new UK standards issued by the Accounting Standards Board since the last Report & Accounts. However three standards were issued in late-2000, but application was not mandatory in 2000.

FRS 17 'Retirement Benefits' requires any surplus or deficit on the Group's pension schemes to be recognised in the balance sheet. The two principal pension schemes Corus operates are in significant surplus, which will result in an additional asset being recognised. At 29 December 2001, Corus estimates this asset to be £865m after taking account of an estimated related deferred tax liability of £385m (see note 10 of this report). FRS 17 is not mandatory for the current year and has not yet been adopted, although the required transitional disclosures are being made in the Report & Accounts.

FRS 18 'Accounting Policies' sets out the principles to be followed in selecting accounting policies and related estimation techniques and measurement bases, and related disclosures. FRS 18 has been adopted by Corus in 2001 but the adoption has no effect on the results or balance sheet of the Group.

From 1 January 2001 the Group has adopted the new accounting standard FRS 19 'Deferred Tax', which requires full provision to be made for deferred tax arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in tax computations. In adopting FRS 19, the Group has chosen to discount deferred tax assets and liabilities. The comparative figures for all prior periods have been restated to reflect the impact of FRS 19. The change of accounting policy also affected amounts included in respect of subsidiary goodwill and minority interests.

**CORUS GROUP plc**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

	<b>Audited 12 months to 29 Dec 2001 £m</b>	<b>Unaudited 6 months to 30 Jun 2001 £m</b>	<b>Restated unaudited 12 months to 30 Dec 2000 £m</b>	<b>Restated audited 15 months to 30 Dec 2000 £m</b>
<b>TURNOVER</b>				
Group and share of joint ventures	7,924	4,163	9,851	12,153
Less share of joint ventures' turnover	<u>(225)</u>	<u>(123)</u>	<u>(342)</u>	<u>(455)</u>
<b>GROUP TURNOVER</b>	<u>7,699</u>	<u>4,040</u>	<u>9,509</u>	<u>11,698</u>
Operating costs before exceptional items	(8,076)	(4,189)	(9,524)	(11,821)
Restructuring and impairment exceptional items charged against operating costs	<u>(8)</u>	<u>(47)</u>	<u>(1,018)</u>	<u>(1,033)</u>
<b>TOTAL OPERATING COSTS</b>	<u>(8,084)</u>	<u>(4,236)</u>	<u>(10,542)</u>	<u>(12,854)</u>
<b>GROUP OPERATING LOSS</b>	(385)	(196)	(1,033)	(1,156)
Share of operating results of joint ventures and associated undertakings	<u>12</u>	<u>16</u>	<u>2</u>	<u>-</u>
<b>TOTAL OPERATING LOSS</b>	(373)	(180)	(1,031)	(1,156)
Profit on sale of fixed assets	17	1	2	5
Profit on disposal of businesses, subsidiaries and associated undertakings	<u>2</u>	<u>1</u>	<u>-</u>	<u>-</u>
<b>LOSS BEFORE INTEREST</b>	(354)	(178)	(1,029)	(1,151)
<b>NET INTEREST AND INVESTMENT INCOME</b>				
Group	(103)	(50)	(100)	(118)
Joint ventures and associated undertakings	<u>(5)</u>	<u>(2)</u>	<u>(6)</u>	<u>(6)</u>
<b>LOSS BEFORE TAXATION</b>	(462)	(230)	(1,135)	(1,275)
Taxation	<u>43</u>	<u>37</u>	<u>246</u>	<u>286</u>
<b>LOSS AFTER TAXATION</b>	(419)	(193)	(889)	(989)
Minority Interests	<u>-</u>	<u>(2)</u>	<u>(51)</u>	<u>(53)</u>
<b>LOSS FOR FINANCIAL PERIOD</b>	(419)	(195)	(940)	(1,042)
Dividends	<u>-</u>	<u>-</u>	<u>(31)</u>	<u>(31)</u>
<b>LOSS RETAINED FOR THE PERIOD</b>	<u>(419)</u>	<u>(195)</u>	<u>(971)</u>	<u>(1,073)</u>
Basic loss per ordinary share	<u>(13.42)p</u>	<u>(6.25)p</u>	<u>(30.19)p</u>	<u>(33.50)p</u>
Diluted loss per ordinary share	<u>(13.42)p</u>	<u>(6.25)p</u>	<u>(30.19)p</u>	<u>(33.50)p</u>

**CORUS GROUP plc**  
**CONSOLIDATED BALANCE SHEET**

	Audited at 29 Dec 2001 £m	Unaudited at 30 Jun 2001 £m	Restated audited at 30 Dec 2000 £m
<b>FIXED ASSETS</b>			
Intangible assets	135	145	152
Tangible assets	3,064	3,183	3,763
Investments in joint ventures	128	134	142
Investments in associated undertakings	358	373	11
Other investments and loans	65	75	75
	<u>3,750</u>	<u>3,910</u>	<u>4,143</u>
<b>CURRENT ASSETS</b>			
Stocks	1,320	1,434	1,719
Debtors: amounts falling due after more than one year	468	447	378
Debtors: amounts falling due within one year	1,396	1,654	1,885
Short term investments	11	62	42
Cash at bank and in hand	173	150	231
	<u>3,368</u>	<u>3,747</u>	<u>4,255</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	<u>(1,729)</u>	<u>(1,876)</u>	<u>(1,834)</u>
<b>NET CURRENT ASSETS</b>	<u>1,639</u>	<u>1,871</u>	<u>2,421</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	5,389	5,781	6,564
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>			
Convertible bonds	(109)	(110)	(115)
Other borrowings	(1,503)	(1,519)	(1,651)
Other creditors	(34)	(68)	(71)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	(576)	(684)	(795)
<b>ACCRUALS AND DEFERRED INCOME</b>			
Regional development and other grants	(46)	(51)	(57)
	<u>3,121</u>	<u>3,349</u>	<u>3,875</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	1,564	1,561	1,561
Share premium account	5	5	5
Statutory reserve	2,338	2,338	2,338
Other reserves	201	201	201
Profit and loss account	(1,047)	(816)	(610)
<b>SHAREHOLDERS' FUNDS - EQUITY INTERESTS</b>	<u>3,061</u>	<u>3,289</u>	<u>3,495</u>
<b>MINORITY INTERESTS</b>			
Equity interests in subsidiary undertakings	60	60	380
	<u>3,121</u>	<u>3,349</u>	<u>3,875</u>

**CORUS GROUP plc**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

	<b>Audited 12 months to 29 Dec 2001 £m</b>	<b>Unaudited 6 months to 30 Jun 2001 £m</b>	<b>Restated unaudited 12 months to 30 Dec 2000 £m</b>	<b>Restated audited 15 months to 30 Dec 2000 £m</b>
Loss for financial period	(419)	(195)	(940)	(1,042)
Exchange translation differences on foreign currency net investments	(58)	(51)	10	(32)
Total recognised losses relating to the period	(477)	(246)	(930)	(1,074)
Prior year adjustment	55	55		
Total losses recognised since last Report & Accounts	(422)	(191)		

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<b>Audited at 29 Dec 2001 £m</b>	<b>Unaudited at 30 Jun 2001 £m</b>	<b>Restated audited at 30 Dec 2000 £m</b>
Shareholders' funds at beginning of the period	3,440	3,440	4,174
Accounting policy change	55	55	(251)
Shareholders' funds at beginning of period restated	3,495	3,495	3,923
Loss for the period	(419)	(195)	(1,042)
Dividends	-	-	(31)
Exchange translation differences on foreign currency net investments	(58)	(51)	(32)
Transfer of goodwill	40	40	-
New shares issued	3	-	1,371
Cash and loan notes to shareholders	-	-	(694)
Shareholders' funds at end of the period	3,061	3,289	3,495

**CORUS GROUP plc**

**CONSOLIDATED CASH FLOW STATEMENT**

	<b>Audited 12 months to 29 Dec 2001 £m</b>	<b>Unaudited 6 months to 30 Jun 2001 £m</b>	<b>Restated unaudited 12 months to 30 Dec 2000 £m</b>	<b>Restated audited 15 months to 30 Dec 2000 £m</b>
Net cash inflow from operating activities	172	36	316	100
Dividends from joint ventures and associated undertakings	9	5	5	6
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>				
Interest and other dividends received	16	13	33	45
Interest paid	(124)	(70)	(127)	(132)
Interest element of finance lease rental payments	(2)	(2)	(4)	(6)
Dividends paid to minority shareholders in subsidiary undertakings	-	-	(19)	(19)
Net cash outflow from returns on investments and servicing of finance	(110)	(59)	(117)	(112)
<b>TAXATION</b>				
UK corporation tax received/(paid)	5	(10)	71	57
Overseas tax received/(paid)	8	(9)	(29)	(14)
Tax received/(paid)	13	(19)	42	43
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>				
Purchase of tangible fixed assets	(167)	(100)	(320)	(410)
Sale of tangible fixed assets	37	7	32	44
Purchase of other fixed asset investments	(3)	(3)	-	-
Sale of other fixed asset investments	-	-	73	76
Loans to joint ventures and associated undertakings	-	(1)	(4)	(6)
Repayment of loans	3	-	3	5
Net cash outflow from capital expenditure and financial investments	(130)	(97)	(216)	(291)
<b>ACQUISITIONS AND DISPOSALS</b>				
Purchase of subsidiary undertakings and businesses	-	-	(106)	(286)
Net cash acquired with subsidiary undertakings and businesses	-	-	20	41
Investments in joint ventures and associated undertakings	(12)	(3)	(17)	(18)
Sale and exchange of businesses and subsidiary undertakings	52	56	2	4
Sale of joint ventures and associated undertakings	9	3	-	-
Net cash inflow/(outflow) from acquisitions and disposals	49	56	(101)	(259)

## CORUS GROUP plc

## CONSOLIDATED CASH FLOW STATEMENT, continued

	Audited 12 months to 29 Dec 2001 £m	Unaudited 6 months to 30 Jun 2001 £m	Restated unaudited 12 months to 30 Dec 2000 £m	Restated audited 15 months to 30 Dec 2000 £m
Equity dividends paid to shareholders	-	-	(31)	(31)
Net cash inflow/(outflow) before use of liquid resources and financing	3	(78)	(102)	(544)
Management of liquid resources: Net sale/(purchase) of short term investments	27	(25)	67	1,091
<b>FINANCING</b>				
Issue of ordinary shares	-	-	11	11
Cash to shareholders	-	-	(3)	(689)
Share issue expenses	-	-	-	(6)
Cash inflow/(outflow) from issue of ordinary shares	-	-	8	(684)
New loans	282	179	226	339
Repayment of borrowings	(333)	(274)	(29)	(101)
Capital element of finance lease rental payments	(9)	(5)	(21)	(23)
(Decrease)/increase in debt	(60)	(100)	176	215
Net cash (outflow)/inflow from financing activities	(60)	(100)	184	(469)
(DECREASE)/INCREASE IN CASH IN PERIOD	(30)	(203)	149	78

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**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	<b>Audited 12 months to 29 Dec 2001 £m</b>	<b>Unaudited 6 months to 30 Jun 2001 £m</b>	<b>Unaudited 12 months to 30 Dec 2000 £m</b>	<b>Audited 15 months to 30 Dec 2000 £m</b>
(Decrease)/increase in cash	(30)	(203)	149	78
(Decrease)/increase in liquid resources	(27)	25	(67)	(1,091)
Decrease/(increase) in debt	60	100	(176)	(215)
Change in net funds resulting from cash flows in period	3	(78)	(94)	(1,228)
Debt and liquid resources exchanged/acquired/(disposed of)	103	103	(20)	(621)
Effect of foreign exchange rate changes	10	12	(4)	12
Movement during the period	116	37	(118)	(1,837)
Net (debt)/funds at beginning of the period	(1,676)	(1,676)	(1,558)	161
Net debt at end of the period	(1,560)	(1,639)	(1,676)	(1,676)

**ANALYSIS OF NET BORROWINGS**

	<b>Audited at 29 Dec 2001 £m</b>	<b>Unaudited at 30 Jun 2001 £m</b>	<b>Audited at 30 Dec 2000 £m</b>
Cash at bank and in hand	173	150	231
Bank overdrafts	(27)	(177)	(58)
Short term investments	11	62	42
Long term borrowings	(1,586)	(1,572)	(1,732)
Other long term loans	(101)	(69)	(119)
Obligations under finance leases	(30)	(33)	(40)
	(1,560)	(1,639)	(1,676)

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**SUPPLEMENTARY INFORMATION**

**1. Turnover & operating result**

	Audited 12 months to 29 Dec 2001 £m	Unaudited 6 months to 30 Jun 2001 £m	Unaudited 12 months to 30 Dec 2000 £m	Audited 15 months to 30 Dec 2000 £m
<b>SEGMENTAL TURNOVER</b>				
Carbon steel products	4,792	2,515	5,339	6,569
Distribution & further processing	1,433	772	1,374	1,670
Other turnover	309	121	303	486
	<hr/>	<hr/>	<hr/>	<hr/>
Carbon steel	6,534	3,408	7,016	8,725
Aluminium	1,085	552	1,026	1,227
Stainless steel	80	80	1,467	1,746
	<hr/>	<hr/>	<hr/>	<hr/>
Group turnover	7,699	4,040	9,509	11,698
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

*'Stainless steel' for 2001 only represents Avesta Sheffield as a subsidiary undertaking until 22 January.*

**BY DESTINATION**

UK	2,291	1,162	2,635	3,274
Europe (excluding UK)	3,899	2,107	4,924	6,018
North America	889	467	1,328	1,647
Other areas	620	304	622	759
	<hr/>	<hr/>	<hr/>	<hr/>
	7,699	4,040	9,509	11,698
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**PRODUCT TURNOVER**

<b>Carbon steel products:</b>				
UK	1,737	914	1,977	2,450
Europe (excluding UK)	2,258	1,222	2,420	2,971
North America	504	250	709	863
Other areas	293	129	233	285
	<hr/>	<hr/>	<hr/>	<hr/>
	4,792	2,515	5,339	6,569
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Aluminium (\*):**

UK	104	32	95	123
Europe (excluding UK)	737	390	676	817
North America	171	86	186	201
Other areas	73	44	69	86
	<hr/>	<hr/>	<hr/>	<hr/>
	1,085	552	1,026	1,227
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**(\*): comprising:**

Rolled products	683	367	608	715
Extrusions	213	112	213	261
Primary metal	189	73	205	251
	<hr/>	<hr/>	<hr/>	<hr/>
	1,085	552	1,026	1,227
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**CORUS GROUP plc**

**SUPPLEMENTARY INFORMATION**

	Audited 12 months to 29 Dec 2001 £m	Unaudited 6 months to 30 Jun 2001 £m	Unaudited 12 months to 30 Dec 2000 £m	Audited 15 months to 30 Dec 2000 £m
<b>GROUP OPERATING RESULT</b>				
Carbon steel	(446)	(235)	(1,265)	(1,415)
Aluminium	58	36	94	109
Stainless steel	3	3	138	150
	<u>(385)</u>	<u>(196)</u>	<u>(1,033)</u>	<u>(1,156)</u>
<b>2. Sales volume</b>				
	<b>kt</b>	<b>kt</b>	<b>kt</b>	<b>kt</b>
Carbon steel:				
UK	6,146	3,199	6,831	8,566
Europe (excluding UK)	7,994	4,151	8,771	10,878
North America	1,573	750	1,919	2,436
Other areas	1,163	542	987	1,181
	<u>16,876</u>	<u>8,642</u>	<u>18,508</u>	<u>23,061</u>
Aluminium(*):				
UK	78	16	57	74
Europe (excluding UK)	429	221	410	500
North America	78	37	79	87
Other areas	36	23	37	44
	<u>621</u>	<u>297</u>	<u>583</u>	<u>705</u>
(*): comprising:				
Rolled products	320	171	318	372
Extrusions	91	49	102	124
Primary metal	210	77	163	209
	<u>621</u>	<u>297</u>	<u>583</u>	<u>705</u>
<b>3. Total operating costs</b>				
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Raw materials & consumables	3,539	1,802	4,270	5,153
Maintenance costs (excluding own labour)	706	409	832	1,060
Other external charges	1,272	668	1,453	1,795
Employment costs	1,633	902	2,135	2,606
Depreciation & amortisation (net of grants released)	376	190	1,046	1,161
Other operating costs	543	316	849	1,004
Changes in stock	61	(24)	(15)	110
Own work capitalised	(46)	(27)	(28)	(35)
	<u>8,084</u>	<u>4,236</u>	<u>10,542</u>	<u>12,854</u>

**CORUS GROUP plc**

**SUPPLEMENTARY INFORMATION**

	Audited 12 months to 29 Dec 2001 £m	Unaudited 6 months to 30 Jun 2001 £m	Restated unaudited 12 months to 30 Dec 2000 £m	Restated audited 15 months to 30 Dec 2000 £m
<b>4. Exceptional items</b>				
As included in total operating costs:				
- Redundancy & related costs	(9)	39	194	202
- Accelerated depreciation	5	4	585	590
- Other asset write-downs	(13)	-	111	111
- Other rationalisation costs	25	4	128	130
	<u>8</u>	<u>47</u>	<u>1,018</u>	<u>1,033</u>
<b>5. Net interest &amp; investment income</b>				
Dividends from other fixed asset investments				
	-	-	1	1
Interest receivable	15	12	29	39
Interest payable	(116)	(61)	(127)	(154)
Finance leases	(2)	(1)	(3)	(4)
Group	<u>(103)</u>	<u>(50)</u>	<u>(100)</u>	<u>(118)</u>
Joint ventures & associated undertakings	(5)	(2)	(6)	(6)
	<u>(108)</u>	<u>(52)</u>	<u>(106)</u>	<u>(124)</u>
<b>6. Taxation</b>				
UK corporation tax	25	-	6	6
Double tax relief	(25)	-	(5)	(5)
Prior year credit	(6)	(3)	(27)	(27)
Overseas taxes	28	12	50	31
Current tax	<u>22</u>	<u>9</u>	<u>24</u>	<u>5</u>
UK deferred tax	(58)	(51)	(311)	(347)
Overseas deferred tax	(12)	-	39	54
Group tax	<u>(48)</u>	<u>(42)</u>	<u>(248)</u>	<u>(288)</u>
Joint ventures	3	3	1	1
Associated undertakings	2	2	1	1
	<u>(43)</u>	<u>(37)</u>	<u>(246)</u>	<u>(286)</u>

**CORUS GROUP plc**

**SUPPLEMENTARY INFORMATION**

	<b>Audited 12 months to 29 Dec 2001</b>	<b>Unaudited 6 months to 30 Jun 2001</b>	<b>Restated unaudited 12 months to 30 Dec 2000</b>	<b>Restated audited 15 months to 30 Dec 2000</b>
<b>7. Reconciliation of operating result to net cash flow from operating activities</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Operating loss	(385)	(196)	(1,033)	(1,156)
Depreciation & amortisation (net of grants released)	376	190	1,046	1,161
Exceptional items (excluding accelerated depreciation)	3	43	433	443
Utilisation of provisions	(137)	(48)	(67)	(94)
Decrease/(increase) in stocks	41	(73)	5	(63)
Decrease/(increase) in debtors	177	(87)	14	(97)
Increase/(decrease) in creditors	91	203	(52)	(104)
Other movements (net)	6	4	(30)	10
	<u>172</u>	<u>36</u>	<u>316</u>	<u>100</u>

<b>8. Employees</b>	<b>numbers</b>	<b>numbers</b>	<b>numbers</b>	<b>numbers</b>
Average weekly numbers employed:				
UK	28,800	30,100	33,600	33,800
Netherlands	12,400	12,600	13,100	13,100
Other countries	<u>14,400</u>	<u>14,900</u>	<u>18,000</u>	<u>17,800</u>
	<u>55,600</u>	<u>57,600</u>	<u>64,700</u>	<u>64,700</u>
Numbers employed at end of period:				
UK	26,700	28,500	32,800	32,800
Netherlands	12,200	12,300	12,900	12,900
Other countries	<u>13,800</u>	<u>14,100</u>	<u>19,200</u>	<u>19,200</u>
	<u>52,700</u>	<u>54,900</u>	<u>64,900</u>	<u>64,900</u>

**CORUS GROUP plc**

**SUPPLEMENTARY INFORMATION**

**9. Associate investment**

The combination between Outokumpu Steel and Avesta Sheffield was completed on 22 January 2001. Outokumpu Steel had made an Exchange Offer of one of its shares for each share in Avesta Sheffield. On completion of the combination, Outokumpu Steel was renamed AvestaPolarit and its shares were listed on the Stockholm and Helsinki Exchanges on 30 January 2001. The Group effected a transfer of its 51% subsidiary investment in Avesta Sheffield in exchange for a 23% associate interest in AvestaPolarit. The transaction has been accounted for as an exchange of shares and AvestaPolarit has become a Group associated company. The difference arising from the transaction was as follows:

	£m
Group net asset value of Avesta Sheffield	326
Transaction costs	3
Fair value of 23% interest in net assets of AvestaPolarit	(269)
Goodwill in respect of Avesta Sheffield reinstated from reserves	40
Difference arising (treated as additional goodwill) in respect of AvestaPolarit	100

An amount of goodwill arising on the acquisition of Avesta Sheffield representing the Group's current interest in AvestaPolarit remains written-off against Group reserves and amounts to £33m.

**10. Pensions – FRS 17**

The following amounts are in respect of the British Steel (BS) scheme and other Group pension schemes, and were measured in accordance with the UK requirements of FRS 17.

	BS scheme £m	Other schemes £m
<b>At 29 December 2001</b>		
Total market value of assets	8,071	3,184
Present value of scheme liabilities	(6,533)	(2,969)
Surplus in the scheme	1,538	215
Non-recoverable surplus	(503)	-
Recoverable surplus	1,035	215
Related deferred tax liability	(311)	(74)
Net pension asset	724	141

**CORUS GROUP plc**

**SUPPLEMENTARY INFORMATION**

**11. US GAAP**

	<b>Audited 12 months to 29 Dec 2001 £m</b>	<b>Unaudited 6 months to 30 Jun 2001 £m</b>	<b>Restated unaudited 12 months to 30 Dec 2000 £m</b>	<b>Restated audited 15 months to 30 Dec 2000 £m</b>
Loss for the period – UK GAAP as restated	(419)	(195)	(940)	(1,042)
Adjustments:				
Amortisation of goodwill	(5)	(2)	(15)	(19)
Depreciation of fixed assets	5	2	-	-
Loss on sale of subsidiary	(202)	(203)	-	-
Interest costs capitalised	8	8	23	30
Depreciation of capitalised interest	(16)	(9)	(32)	(37)
Pension costs	100	42	7	10
Stock-based employee compensation awards	(9)	(5)	(8)	(10)
Accelerated depreciation	(21)	(15)	327	327
Deferred taxation	18	(24)	(30)	(28)
Loss on commodity derivatives	(25)	-	-	-
Loss on foreign currency derivatives	(4)	-	-	-
Minority interests	-	-	(1)	(1)
Loss for the period – US GAAP	(570)	(401)	(669)	(770)
Basic loss per ADS – US GAAP	£(1.83)	£(1.28)	£(2.16)	£(2.48)
Diluted loss per ADS – US GAAP	£(1.83)	£(1.28)	£(2.16)	£(2.48)
Shareholders' equity – UK GAAP as restated	3,061	3,289	3,495	3,495
Adjustments:				
Additional goodwill under US GAAP	99	104	167	167
UK GAAP goodwill on AvestaPolarit	(93)	(127)	-	-
Fixed assets	(77)	(50)	-	-
Purchase consideration	(26)	(28)	(28)	(28)
Interest costs capitalised (net of depreciation)	119	127	140	140
Pension costs	242	184	142	142
Accelerated depreciation	306	312	327	327
Deferred taxation	(178)	(212)	(196)	(196)
Liabilities for derivatives	(29)	-	-	-
Minority interests	-	-	(7)	(7)
Shareholders' equity – US GAAP	3,424	3,599	4,040	4,040