

# PRELIMINARY RESULTS - 2002

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# Introduction

- Operating loss of £393m before exceptional items and in line with market expectations
- Underlying level of carbon steel operating loss for second half year of £126m, less than half the level of the first half
- Net borrowings reduced by £324m during the year, to £1,236m at the end of 2002

# Agenda

- Introduction
- Results & cash flow
- Financing
- Aluminium sale
- U.K. carbon steel assets
- Market scene & outlook
- Q & A forum

# Key financials

£ million	H2 2002	H1 2002	Year 2001
<b>Group operating loss pre-exceptional items</b>	<b>*(141)</b>	<b>(252)</b>	<b>(377)</b>
Exceptional items	(98)	45	(8)
J/Vs, associates & disposals	111	25	31
Interest, tax & minority interests	(93)	(55)	(65)
<b>Net loss</b>	<b>(221)</b>	<b>(237)</b>	<b>(419)</b>
<i>Net borrowings</i>	<i>(1,236)</i>	<i>(1,680)</i>	<i>(1,560)</i>

(\*): including one-off transaction costs of £23m

# Analysis of EBITDA

£ million	H2 2002	H1 2002	Year 2001
Carbon steel:			
- UK	(103)	(148)	(237)
- Netherlands	103	27	133
	-	<b>(121)</b>	<b>(104)</b>
Aluminium	27	41	96
Discontinued operations	-	-	2
<b>Pre-exceptional items</b>	<b>27</b>	<b>(80)</b>	<b>(6)</b>

# Exceptional items

<b>£ million</b>	<b>H2 2002</b>	<b>H1 2002</b>	<b>Year 2001</b>
Impairment of U.K. fixed assets	(89)	-	-
Goodwill written-off	(20)	-	-
Other non-cash movements	(5)	12	24
Net movement on provisions	16	33	(16)
<b>Net (charge)/credit</b>	<b>(98)</b>	<b>45</b>	<b>(8)</b>

# Turnover

£ million	H2 2002	H1 2002	Year 2001
Group turnover	3,612	3,576	7,699
Distribution/other	(774)	(715)	(1,742)
Discontinued operations	-	-	(80)
<b>Product turnover:</b>	<b>2,838</b>	<b>2,861</b>	<b>6,877</b>
Carbon steel products	2,381	2,361	4,792
Aluminium	457	500	1,085

# Carbon steel products

	<b>H2 2002</b>	<b>H1 2002</b>	<b>Year 2001</b>
Turnover - £ million	2,381	2,361	4,792
Sales – k tonnes	8,234	8,387	16,876
Average revenue - £/tonne	289	282	284

- Seasonal bias towards H1 on sales volume
- Average revenue £7/tonne higher in second half
- Average revenue virtually unchanged on a full year basis

# Average prices

£/tonne – European market	2002	2001	Y-O-Y	H2 '02	H1 '02	H2: H1
<b>Spot prices:</b>						
- hot rolled coil	159	156	+2%	178	141	+26%
- beams	204	197	+4%	205	203	+1%
<b>Corus' average revenue:</b>						
- uncoated flat products	232	225	+3%	238	226	+5%
- coated flat products	368	377	-2%	374	362	+3%
- tubular products	348	339	+3%	356	342	+4%
- sections & plates	276	279	-1%	281	270	+4%
- engineering steels	346	365	-5%	337	357	-6%
- wire rod & semis	173	154	+12%	176	169	+4%

# Aluminium

	<b>H2 2002</b>	<b>H1 2002</b>	<b>Year 2001</b>
Turnover - £ million	457	500	1,085
Sales – k tonnes	269	291	621
Average revenue - £/tonne	1,699	1,718	1,747

# Operating costs

£ million	H2 2002	H1 2002	Year 2001
Total as reported	3,851	3,783	8,084
Exceptional items	(98)	45	(8)
Discontinued operations	-	-	(77)
<b>Underlying costs:</b>	<b>3,753</b>	<b>3,828</b>	<b>7,999</b>
Carbon steel	3,304	3,349	6,970
Aluminium	449	479	1,029

# Carbon steel operating costs

<b>£ million</b>	<b>Year 2002</b>	<b>Year 2001</b>
Materials	2,868	2,956
Employment costs *	1,389	1,449
Depreciation	301	332
Other costs	2,095	2,233
<b>Pre-exceptional items</b>	<b>6,653</b>	<b>6,970</b>

(\*) : Down 4% year-on-year, with a 8% fall in U.K.

# Profit & loss account

<b>£ million</b>	<b>H2 2002</b>	<b>H1 2002</b>	<b>Year 2001</b>
Group operating result pre-exceptional items	(141)	(252)	(377)
J/Vs & associates	2	19	12
Disposals of fixed assets	78	18	17
Disposals of businesses	31	(12)	2
<b>EBIT pre-exceptional items</b>	<b>(30)</b>	<b>(227)</b>	<b>(346)</b>

# Profit & loss account

<b>£ million</b>	<b>H2 2002</b>	<b>H1 2002</b>	<b>Year 2001</b>
EBIT pre-exceptional items	(30)	(277)	(346)
Net interest payable	(42)	(52)	(108)
Tax & minority interests	(51)	(3)	43
<b>Loss pre-exceptional items</b>	<b>(123)</b>	<b>(282)</b>	<b>(411)</b>
Exceptional items	(98)	45	(8)
<b>Net loss for the period</b>	<b>(221)</b>	<b>(237)</b>	<b>(419)</b>

# Operating cash flow

<b>£ million</b>	<b>H2 2002</b>	<b>H1 2002</b>	<b>Year 2001</b>
Group operating loss	(239)	(207)	(385)
Depreciation	284	161	376
Rationalisation provisions	(18)	(34)	3
Utilisation of provisions	(30)	(27)	(137)
Working capital	61	101	309
Other movements (net)	(11)	-	6
	<b>47</b>	<b>(6)</b>	<b>172</b>

# Working capital

<b>£ million</b>	<b>H2 2002</b>	<b>H1 2002</b>	<b>Year 2001</b>
Debtors:			
- securitisation	(4)	185	-
- other movements	141	(104)	177
Creditors	(81)	(2)	91
<b>Net debtors/creditors</b>	<b>56</b>	<b>79</b>	<b>268</b>
Stocks	5	22	41
<b>Net cash flow</b>	<b>61</b>	<b>101</b>	<b>309</b>

# Net borrowings

£ million	H2 2002	H1 2002	Year 2001
<b>At December 2001</b>	<b>(1,680)</b>	<b>(1,560)</b>	<b>(1,676)</b>
Operating cash flow	47	(6)	172
Interest & tax	(56)	(45)	(97)
Capex & financial investment	(16)	(41)	(130)
Acquisitions & disposals	447	(2)	152
Other movements	22	(26)	19
<b>At December 2002</b>	<b>(1,236)</b>	<b>(1,680)</b>	<b>(1,560)</b>

# Pensions - FRS 17

<b>£ million</b>	<b>28 Dec 2002</b>	<b>29 Dec 2001</b>
Market value of assets	10,395	11,255
Present value of liabilities	<u>(10,307)</u>	<u>(9,502)</u>
Surplus	88	1753
Non-recoverable	<u>-</u>	<u>(503)</u>
	88	1250
Deferred tax liability	<u>(20)</u>	<u>(385)</u>
Net pension asset	<u>68</u>	<u>865</u>

# Balance sheet

<b>£ million</b>	<b>H2 2002</b>	<b>H1 2002</b>	<b>Year 2001</b>
Net fixed assets	3,126	3,729	3,750
Working capital	1,477	1,577	1,587
Net debt	(1,236)	(1,680)	(1,560)
Provisions, etc	(598)	(652)	(656)
<b>Net assets</b>	<b>2,769</b>	<b>2,974</b>	<b>3,121</b>
<b>Gearing*</b>	<b>46%</b>	<b>59%</b>	<b>52%</b>

**Gearing remains well below industry average**

(\*) Net debt/net tangible assets

# Group financing

- Committed bank facilities of EUR1.4 billion through to end of January 2004
- Some EUR455m drawn at end of 2002
- Priority is to agree a new three year facility, but further sources of finance will be sought to fund the measures needed in the U.K. to improve competitiveness
- Timing and extent of further actions to improve U.K. competitiveness will be largely dependent upon availability of further financing.

**Details on pages 9 & 10 of earnings release**

# Issues to be covered

- Proposed aluminium sale
- U.K. carbon steel assets
- Market scene & trading outlook

# Proposed sale of aluminium

- Sale agreed in principle for consideration of ca. £543m
- Sale blocked by Supervisory Board of Corus Nederland
- Alternative source of financing required for measures to improve U.K. competitiveness

# U.K. carbon steel assets

- Board has been considering Group's broader strategy for carbon steels
- Strategy focused on eliminating losses in U.K., which continue despite steps taken in recent years to reduce capacity and to improve competitiveness.

**Losses have got to be reversed**

# U.K. carbon steel assets

- Measures to reverse the losses will inevitably lead to further significant capacity reductions and the concentration of operations on to fewer sites
- Selective investment will be required in those sites which are capable of becoming internationally competitive
- Timing and extent of actions to be taken will be dependent upon availability of finance
- Board review in progress and consultation process has begun.

**Announcement on Board's findings as soon as possible**

# Market scene & outlook

- Corus faces challenges of 2003 with a much more stable plant configuration:
  - following resumption, in January, of two blast furnace operations at Port Talbot; and
  - given absence of planned furnace outages through rest of year
- Start to current year as expected, with demand subdued in the U.K. and flat in Europe
- Nevertheless, prices continue to improve and recent weakening of sterling against euro should benefit U.K. businesses