

Corus Group plc 2005 Third Quarter Results

Highlights

- Third quarter operating profit of £103m and profit after tax of £50m in challenging market conditions
- Underlying operating profit\* for the nine months of £603m, an improvement of £217m over 2004
- 'Restoring Success' delivered approximately 75% of this improvement
- Nine months profit after tax of £387m and earnings per share of 8.66p
- Net debt\*\* reduced by £170m in the third quarter to £961m

3 months to 1 October 2005	3 months to 2 October 2004	£ millions unless stated	9 months to 1 October 2005	9 months to 2 October 2004
2,383	2,356	Turnover	7,716	6,833
103	247	Group operating profit	586	442
176	305	EBITDA*	834	612

100	231	Underlying operating profit*	603	386
80	227	Pre-tax profit	515	383
50	188	Profit after tax	387	275
1.10p	4.28p	Earnings per share (pence)	8.66p	6.22p
(961)	(1,034)	Net debt at end of period**	(961)	(1,034)

\* Before restructuring, impairment and disposals. Refer to supplementary information note 10 for reconciliation to the Group's operating profit.

\*\* Includes £268m impact of adopting IAS 32 and 39 from January 2005

#### Outlook

Reduced steel production throughout Europe during the third quarter, combined with lower imports, has gradually restored the balance between supply and demand. European stock levels have returned to normal and apparent demand has improved during the fourth quarter. Selling prices have therefore stabilised and are beginning to recover. This improvement is expected to continue into the first quarter of 2006. Restoring Success benefits will continue to be progressively delivered in line with plan.

From 2 January 2005, in line with all companies listed in the European Union, Corus adopted International Financial Reporting Standards (IFRS) having

previously reported its financial results under UK Generally Accepted Accounting Principles (GAAP). Further details of this change in accounting policy are provided in Appendix 1 of the Interim Report for the six months to 2 July 2005, that is available on the Corus website at

[www.corusgroup.com](http://www.corusgroup.com)

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#### Financial highlights

In challenging market conditions, Corus generated a profit after tax of £50m during the third quarter of 2005. This increased the profit after tax for the nine months of 2005 to £387m and earnings per share to 8.66p. This compared to £275m and 6.22p per share for the same period of 2004.

The downward pressure on selling prices that began during the first half of 2005 accelerated during the third quarter. To align production with demand, steel production was reduced by 7% in the quarter, compared to the same period of 2004. This reduction was in addition to the seasonal production breaks normally taken during this period. The full impact of the significant increases in raw material costs was also experienced in the third quarter. In this environment, the Group operating profit for the third quarter 2005 was £103m, compared to £247m in 2004 when market conditions were significantly more favourable.

The Group operating profit for the first nine months of 2005 increased by 33% to £586m, compared to £442m in 2004. The underlying operating profit, excluding restructuring and impairment costs and profit on disposals, was £603m (2004: £386m). An overall increase of 21% in average steel selling prices compared to 2004 has more than offset a 6% reduction in steel deliveries and the progressive impact of higher raw material and energy costs. As 2005 has progressed and market conditions weakened, management actions as part of Restoring Success

played an increasingly important role in underpinning the financial performance of the Group. Restoring Success is estimated to have accounted for some £160m or 75% of the increase in underlying operating profit in the first nine months of 2005, compared to the equivalent period in 2004.

At the end of the period, net debt was £961m; a reduction of £170m compared to 2 July 2005. The strong cash generation during the quarter was attributable to both the operating performance and a significant release in working capital requirements. Working capital management remained a key area of focus and the ratio of working capital to turnover was unchanged at 18%.

#### Restoring Success

Restoring Success, launched in June 2003, is designed to deliver EBITDA benefits of £680m per annum by the end of 2006. Annualised exit rate benefits of £520m were secured by the end of September 2005. Progress against the three separate initiatives is outlined below:

##### Progress to date - Annualised Exit Rates (from June 2003)

Initiative	End 2006 targets	Progress to September 2005
Existing initiatives	£210m	£216m
UK restructuring	£120m	£19m
New initiatives	£350m	£285m
Gross target	£680m	£520m

- Existing initiatives - completed in June 2005, 6 months ahead of plan. These initiatives have delivered EBITDA improvements of £216m on an annualised basis.
- UK restructuring - the capital expenditure, to improve the efficiency of the UK steel making assets, was completed in the first half of the year. The new assets at Engineering Steels in Rotherham will not fully achieve planned

production volumes until the second half of 2006, due to the complexity of the Stocksbridge order book that is being transferred. Annualised benefits of £19m have been realised by the end of the third quarter. The target benefits of £120m remain on track to be delivered in full by the end of 2006.

- New initiatives - Excellent progress continues to be made with new initiatives. These relate to the sharing and implementation of best practice across the Group, combined with the enrichment of product and customer mix towards premium end markets. Target benefits of £350m by the end of 2006 also remain on track, with £285m of these benefits secured by end September 2005.

#### The Corus Way

Longer-term, 'The Corus Way' is designed to differentiate Corus from its competitors and allow the Group to deliver value for its shareholders, building on three business objectives: best supplier to best customers, world-class processes and selective growth. Today, the Group has announced a major investment of £153m, to be completed over the next four years, at IJmuiden, in the Netherlands, to further enrich the product mix of its existing asset base in Western Europe. This investment at the Group's lowest cost facility, will expand Corus' product range capabilities for the automotive and construction markets, including new Advanced High Strength Steels (AHSS).

Commenting on the interim results, Philippe Varin, Chief Executive said:

'Corus has delivered a robust financial performance in the third quarter, in challenging market conditions. The firm foundations laid by our Restoring Success programme have underpinned this result. The programme remains on track to be delivered in full by the end of 2006 and will further demonstrate the structural changes taking place in Corus.'

## Outlook

Reduced steel production throughout Europe during the third quarter, combined with lower imports, has gradually restored the balance between supply and demand. European stock levels have returned to normal and apparent demand has improved during the fourth quarter. Selling prices have therefore stabilised and are beginning to recover. This improvement is expected to continue into the first quarter of 2006. Restoring Success benefits will continue to be progressively delivered in line with plan.

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Corus Group Plc (LSE/AEX: CS; NYSE: CGA) is one of the world's largest metal producers with annual turnover of over £9 billion and major operating facilities in the U.K., the Netherlands, Germany, France, Norway and Belgium. Corus' four divisions comprising Strip Products, Long Products, Distribution & Building Systems and Aluminium provide innovative solutions to the construction, automotive, rail, general engineering and packaging markets worldwide. Corus has 48,300 employees in over 40 countries and sales offices and service centres worldwide. Combining international expertise with local customer service, the Corus brand represents quality and strength.

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The full third quarter report is attached to this press release. Copies of today's announcement are available on the Corus website:

[www.corusgroup.com](http://www.corusgroup.com)

Philippe Varin, Chief Executive Officer and David Lloyd, Chief Financial Officer, will host a conference call and webcast for the investment community, to discuss the Group's third quarter results at 10am London time on Wednesday,

30 November 2005. The conference call telephone number is +44 (0) 207 3651 855.  
The webcast can be viewed at

[www.corusgroup.com/investor](http://www.corusgroup.com/investor)

or

[www.cantos.com](http://www.cantos.com)

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For individuals unable to participate in the conference call, a telephone replay will be available from midday on Wednesday, 30 November 2005 until Thursday 8 December. The telephone number for the replay service is +44 (0) 207 7841 024. The password is 7999004#.

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Corus Group plc

## Interim Report for the 9 months to 1 October 2005

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This Interim Report sets out the results for the nine months to 1 October 2005 and unless otherwise stated, comparisons are to the nine months ending 2 October 2004. All balances are presented under IFRS.

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments of a normal recurring nature considered necessary to present fairly the consolidated financial position of the Group and its consolidated results of operations and cash flows.

### Review of the Period

These interim results are prepared in accordance with International Financial Reporting Standards (IFRS). Further details of the IFRS accounting policies are provided in Appendix 1 of the Interim Report for the six months to 2 July 2005. This report is available on the Corus website at

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#### Income statement

In challenging market conditions, the Group generated a profit after tax of £50m in the third quarter of 2005 (2004: £188m). This increased the profit after tax for the nine months ending 1 October 2005 to £387m (2004: £275m) and earnings per share to 8.66p, an increase of 2.44p when compared to the same period in 2004.

Group turnover in the quarter of £2,383m remained largely unchanged when compared to the previous year (2004: £2,356m). Total deliveries were 4.9mt (2004: 5.0mt).

For the steel businesses, deliveries reduced to 4.8mt (2004: 4.9mt) and included 0.3mt of slab supplied from Teesside under the off-take contract completed in January 2005. The slowdown in demand that started during the first half of the year, due to a combination of high stocks through the supply chain and weak consumption in some of Corus' key European markets, created significant downward pressure on selling prices throughout the third quarter. Average revenue per tonne of £439 was 8% lower than the first half of 2005, although it remained 2% higher than the third quarter of 2004. To align production with demand, the Group reduced steel production by 7% in the third quarter, compared to the same period in 2004. This reduction was in addition to the seasonal production breaks normally taken during this period.

The full impact of further increases in input costs in 2005, particularly iron

ore, coking coal and energy, was also felt during the third quarter. The Group, however, continued to deliver benefits from its Restoring Success programme and generated an operating profit for the quarter of £103m, compared to £247m for the equivalent period of 2004 when market conditions were significantly more favourable. Excluding restructuring and impairment costs and disposal profits, the underlying operating profit was £100m (2004: £231m). The operating result for the third quarter included the benefit from the settlement of a long standing legal claim of £16m and commissioning costs of £10m associated with the UK Restructuring programme at Engineering Steels.

For the nine month period, Group turnover increased by 13% to £7,716m (2004: £6,833m). Average revenue per tonne in this period remained 20% higher than 2004, which offset a 6% reduction in sales volumes to 15.3mt (2004: 16.2mt). Total operating costs increased by 12% to £7,130m (2004: £6,391m), principally as a result of the significant increase in raw material and energy costs. For the nine month period, the Group operating profit of £586m remained significantly better than last year (2004: £442m). Higher average steel prices in the period have continued to offset higher operating costs, combined with further benefits from the Group's Restoring Success programme.

The nine month operating profit included net restructuring and impairment costs of £35m (2004: £17m), mainly in respect of job losses related to new investment in the Long Products division announced during the first half of 2005, that will transfer UK rail production to Scunthorpe. Operating profit also included profit on the sale of fixed assets and group undertakings of £18m (2004: £73m), particularly the sale of non-core assets and businesses. The underlying operating profit, excluding restructuring and impairment costs and disposal profits, was £603m compared to £386m for the nine months ending 2 October 2004.

Net finance costs were £22m in the third quarter (2004: £26m), taking the nine months total to £71m, compared to £73m in 2004. Average net debt, excluding the

impact of IAS 32 and 39 explained in further detail below, decreased in the period, but the beneficial effect of this was offset by generally higher interest rates in 2005.

The Group's net tax charge for both the third quarter of £30m (2004: £39m) and the nine month period of £128m (2004: £108m) related entirely to the Group's overseas operations.

#### Cash flow and net debt

In addition to the third quarter operating profit of £103m and depreciation of £76m, working capital requirements reduced by £187m as debtors decreased in line with selling prices. Stock levels also reduced, despite the continued build of slab stock ahead of next year's blast furnace reline at IJmuiden. Interest payments in the quarter were £16m, significantly lower than 2004, which included non-recurring payments related to the issue of the new 2011 7.5% bond. Taxation paid in the quarter was £67m (2004: £18m), which reflected an interim tax payment to the Dutch Authorities in respect of 2005. Overall, the net cash inflow from operating activities in the quarter was £265m.

For the nine month period, there was a net cash inflow from operating activities of £384m. The improved operating profit of £586m and depreciation of £238m were partially offset by an increase in working capital requirements during this period of £146m. This increase reflected the rise in average revenue and the increase in slab stock outlined above.

The outflow on investing activities in the quarter was £84m, increasing the outflow for the nine month period to £254m. This outflow largely related to capital expenditure of £88m in the quarter, £269m for the nine month period, as the Group continued with its investment programme.

After financing activities, cash and cash equivalents increased by £181m in the quarter and £127m in the nine month period to £680m (2004: £597m).

At the end of the period, net debt was £961m, including the £268m impact arising from the first time adoption of IAS 32 and 39. These standards require drawings under the Group's debtor securitisation programme to be treated as debt, where previously the programme was shown as a reduction to debtors on the face of the balance sheet.

#### Balance sheet

Net assets as at 1 October 2005 were £3,435m, compared to £2,882m at 2 October 2004, reflected the Group's investment programme and increased net working capital, as outlined above. At the end of the period, the balance sheet reflected a net retirement benefit liability of £219m, including other post retirement benefits of £18m and pension liabilities of £201m. Within net pension liabilities, the Group's main funded schemes reflected a surplus of £53m at the end of period, compared to a deficit of £63m at the end of the first half of 2005.

#### Group structure

The Group structure comprises four main operating divisions - Strip Products, Long Products, Distribution & Building Systems and Aluminium. The main component parts of these divisions are noted in Appendix 1 to this release on page 18.

#### Strip Products Division

3 months to 1 October 2005	3 months to 2 October 2004	£ millions unless stated	9 months to 1 October 2005	9 months to 2 October 2004
1,195	1,198	Turnover	3,919	3,420
2,715	2,894	Deliveries (kt)	8,441	9,058
93	140	Operating profit	500	282
97	141	Operating profit (before restructuring, impairment and disposals)	507	258

- Although turnover in the third quarter remained unchanged from 2004, gross turnover for the nine months increased by 15% to £3,919m (2004: £3,420m). Third quarter deliveries reduced by 6% compared to the same period in 2004, against the background of high stock levels through the supply chain and weak demand, particularly in the UK and northern mainland Europe.

- These market conditions created downward pressure on selling prices. Compared to the first half of 2005, average revenue per tonne reduced by 7%, although it still remained 6% higher than the third quarter of 2004. Spot prices for strip products reached their lowest point at the end of the quarter.

- The third quarter operating profit of £93m (2004: £140m) was affected by reduced steel production and the full impact of increases in raw material and energy prices, partially offset by further benefits from Restoring Success initiatives. The result also benefited from the settlement of a long-standing legal claim (£16m).

- Operating profit for the nine month period amounted to £500m, compared

to £282m in 2004. Excluding restructuring and impairment costs and disposal profits, the underlying result improved by £249m due to higher average selling prices in the period and further benefits from the Restoring Success initiatives, which offset increased raw material and energy costs and the reduction in deliveries.

#### Long Products Division

3 months to 1 October 2005	3 months to 2 October 2004	£ millions unless stated	9 months to 1 October 2005	9 months to 2 October 2004
597	613	Turnover	2,041	1,888
1,659	1,821	Deliveries (kt)	5,387	6,002
5	70	Operating profit	96	111
3	52	Operating profit (before restructuring, impairment and disposals)	108	72

- Gross turnover of Long Products in the third quarter reduced to £597m, from £613m in 2004, reflecting a 9% reduction in deliveries. The division continued to restrict output during the period in response to weaker demand. The reduction in deliveries to 1.7mt (2004: 1.8mt) was offset by an increase in average revenue per tonne of 7%, when compared to the third quarter of 2004.

- Average revenue per tonne of £360 was however 7% lower than the first half of 2005. The weakness in scrap prices during the first half of the year led to lower price surcharges across a range of Long Products' markets. Against this background, margins could not be protected for products manufactured in the

division's integrated process route.

- For the nine month period, turnover increased by 8% to £2,041m (2004: £1,888m). Average revenue per tonne during this period increased 20%, partially offset by a 10% reduction in deliveries that arose from a combination of the sale of Tuscaloosa in July 2004 and restricted output.

- Operating profit in the third quarter was £5m (2004: £70m including a profit from the sale of Tuscaloosa). Excluding restructuring and impairment costs and disposal profits, the underlying operating profit reduced to £3m, compared to £52m in 2004. This reflected a combination of reduced steel production in the third quarter, higher raw material and energy costs and commissioning costs of £10m associated with Engineering Steels. The new assets at Rotherham will not fully achieve planned production volumes until the second half of 2006, due to the complexity of the Stocksbridge order book that is being transferred.

- For the nine month period, the underlying result, excluding restructuring and impairment costs and disposal profits, improved by £36m to £108m (2004: £72m). This result reflected improved margins achieved through higher selling prices in the first half of the year and Restoring Success benefits, that have offset the effect of higher raw material and energy costs and reduced output.

#### Distribution & Building Systems Division

3 months to 1 October 2005	3 months to 2 October 2004	£ millions unless stated	9 months to 1 October 2005	9 months to 2 October 2004
696	680	Turnover	2,281	1,905

1,600	1,583	Deliveries (kt)	4,937	4,793
6	35	Operating profit	34	44
1	35	Operating profit (before restructuring, impairment and disposals)	31	47

- Gross turnover of Distribution & Building Systems for the third quarter was £696m (2004: £680m) increasing the nine months turnover to £2,281m (2004: £1,905m). There was little change year on year in third quarter average revenue per tonne, however average revenue per tonne for the nine month period increased 16%, reflecting higher selling prices in the first half of 2005.

- Higher deliveries in the International business have continued to offset lower deliveries in the distribution businesses that arose as a result of the less favourable market conditions in Western European markets.

- Third quarter operating profit was £6m, compared to £35m in the previous year, when the result positively benefited from price changes on inventory.

- The nine month operating profit was £34m, compared to £44m in 2004, reflecting lower volumes and margins in the distribution businesses.

#### Aluminium Division

3 months to 1 October 2005	3 months to 2 October 2004	£ millions unless stated	9 months to 1 October 2005	9 months to 2 October 2004
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289	278	Turnover	853	815
146	156	Deliveries (kt)	476	486
5	9	Operating profit	17	36
5	10	Operating profit (before restructuring, impairment and disposals)	22	38

- Gross turnover of Aluminium in the third quarter was £289m (2004: £278m), increasing the nine months turnover by 5% to £853m (2004: £815m). Average revenue per tonne increased by 7%, partially offset by a 2% reduction in sales volume.

- The operating profit for the third quarter was £5m, increasing the nine month profit to £17m (2004: £36m). Higher energy and raw material costs continued to adversely affect the smelter operations, while demand and pricing for the extrusions business remained weak.

- Since the period-end, the electricity supply contract for one of the Group's two smelter operations has been re-negotiated to improve the competitive position of this asset. The new contract will commence in January 2006. The Extrusion business in Germany is currently being restructured in response to the weaker market conditions.

#### Central and other

Certain other costs are not allocated to divisions, including stewardship, corporate governance and country holdings; consolidation and statutory adjustments; and certain non-recurring costs. For the nine month period these costs were £61m, £30m higher than 2004 due to higher self-insured losses, the

impact of foreign exchange rate changes and refinancing charges.

#### Accounting policies

These interim consolidated financial statements are for the nine months ended 1 October 2005. They have been prepared on the basis of International Financial Reporting Standards (IFRS) since they are part of the period covered by the Group's first financial statements to be prepared under IFRS, which will be for the year ended 31 December 2005. Corus has amended its accounting policies to comply with standards issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that have been issued and are effective, or issued and early adopted, as at the time of preparing these statements. In particular, Corus has applied the amended approach to IAS 19 'Employee Benefits' in December 2004, which allows actuarial gains and losses on retirement benefit plans to be recognised in retained earnings and presented in the statement of recognised income and expense. The IFRS standards and IFRIC interpretations that will be applicable at 31 December 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these interim financial statements.

Corus Group financial statements were previously prepared under UK Generally Accepted Accounting Principles (UK GAAP), until 1 January 2005, which differs in some areas from IFRS. In preparing these interim financial statements it has been necessary to amend certain presentation, accounting, valuation and consolidation methods previously applied under UK GAAP, in order to comply with IFRS. The comparative figures in respect of 2004 have been restated to reflect these changes, except for the adoption of IAS 32 and 39, which only applied from 2 January 2005.

#### Consolidated income statement

Unaudited 3 months to 1 October 2005 £m	Unaudited 3 months to 2 October 2004 £m		Note	Unaudited 9 months to 1 October 2005 £m	Unaudited 9 months to 2 October 2004 £m
2,383	2,356	Group turnover	1	7,716	6,833
(2,280)	(2,109)	Total operating costs	3	(7,130)	(6,391)
-----	-----			-----	-----
103	247	Group operating profit	5	586	442
(32)	(29)	Finance costs	6	(95)	(80)
10	3	Finance income	6	24	7
(1)	6	Share of post-tax (losses)/profits of joint ventures and associated undertakings		-	14
80	227	Profit before taxation		515	383
(30)	(39)	Taxation	7	(128)	(108)
-----	-----			-----	-----
50	188	Profit after taxation		387	275
=====	=====			=====	=====
50	190	Attributable to: Equity holders of the parent		385	276
-	(2)	Minority interests		2	(1)
-----	-----			-----	-----
50	188			387	275
=====	=====			=====	=====

1.10p	4.28p	Earnings per share		
		Basic earnings per ordinary share	8.66p	6.22p
=====	=====		=====	=====
1.06p	4.02p	Diluted earnings per ordinary share	8.06p	5.89p
=====	=====		=====	=====

Consolidated balance sheet

	Note	Unaudited 1 October 2005 £m	Unaudited 2 October 2004 £m
Non-current assets			
Goodwill		82	99
Intangible assets		47	35
Property, plant and equipment		2,781	2,676
Equity accounted investments		99	114
Other financial assets		118	66
Retirement benefit assets		284	317
Deferred tax assets		177	166
		-----	-----
		3,588	3,473
		-----	-----
Current assets			
Inventories		1,903	1,599
Trade and other receivables		1,625	1,401
Other financial assets		78	-
Short term investments		-	1
Cash and cash equivalents		917	622
		-----	-----

		4,523	3,623
TOTAL ASSETS		<u>8,111</u>	<u>7,096</u>
Current liabilities			
Short term borrowings		(248)	(104)
Trade and other payables		(1,735)	(1,557)
Current tax liabilities		(44)	(98)
Other financial liabilities		(13)	-
Short term provisions and other liabilities		(135)	(127)
		<u>(2,175)</u>	<u>(1,886)</u>
Non-current liabilities			
Long term borrowings		(1,630)	(1,553)
Deferred tax liabilities		(154)	(147)
Retirement benefit obligations		(503)	(438)
Provisions for liabilities and charges		(119)	(128)
Other non-current liabilities		(29)	(27)
Accruals and deferred income		(66)	(35)
		<u>(2,501)</u>	<u>(2,328)</u>
TOTAL LIABILITIES		<u>(4,676)</u>	<u>(4,214)</u>
NET ASSETS		<u>3,435</u>	<u>2,882</u>
Equity			
Called up share capital		1,697	1,696
Share premium account		172	167
Statutory reserve	12	-	2,338
Other reserves		255	201

Profit and loss account	1,283	(1,559)
Equity attributable to equity holders of parent	3,407	2,843
Minority interests	28	39
TOTAL EQUITY	3,435	2,882

Statement of recognised income and expense

Unaudited 3 months to 1 October 2005 £m	Unaudited 3 months to 2 October 2004 £m		Unaudited 9 months to 1 October 2005 £m	Unaudited 9 months to 2 October 2004 £m
50	188	Profit after taxation	387	275
87	35	Actuarial gains/(losses) on defined benefit plans	(63)	(29)
-	-	Net movement on fair values of cash flow hedges	37	-
4	-	Revaluation of available for sale investments	6	-
(23)	(21)	Deferred tax on items taken directly to reserves	9	(2)
-	(1)	Revaluation of goodwill due to exchange	(3)	(1)

12	34	Exchange movements on currency net investments	(26)	(23)
-----	-----		-----	-----
130	235	Total recognised income relating to the period	347	220
=====	=====		=====	=====
130	237	Attributable to: Equity holders of the parent	345	221
-	(2)	Minority interests	2	(1)
-----	-----		-----	-----
130	235		347	220
=====	=====		=====	=====

Reconciliation of movements in equity

	Unaudited 1 October 2005 £m	Unaudited 2 October 2004 £m
Total equity at beginning of period	3,058	2,658
Adoption of IAS 32 and IAS 39	16	-
	-----	-----
Total equity at beginning of period - restated	3,074	2,658
Total recognised income and expense attributable to equity holders of the parent	345	221
Issue of conditional share awards	8	2
New shares issued	5	-
Dividends declared	-	-
Minority interests	3	1
	-----	-----

Total equity at end of period

3,435  
=====

2,882  
=====

Consolidated cash flow statement

Unaudited 3 months to 1 October 2005 £m	Unaudited 3 months to 2 October 2004 £m		Unaudited 9 months to 1 October 2005 £m	Unaudited 9 months to 2 October 2004 £m
		Operating activities		
348	260	Cash generated from operations	648	227
(16)	(42)	Interest paid	(87)	(99)
-	(12)	Issue costs of new loans	-	(12)
-	(1)	Interest element of finance lease rental payments	(1)	(2)
-	-	UK corporation tax received	4	-
(67)	(18)	Taxation paid	(180)	(69)
-----	-----	Net cash flow from operating activities	-----	-----
265	187		384	45
-----	-----		-----	-----
		Investing activities		
(88)	(97)	Purchase of property, plant and equipment	(269)	(222)
7	2	Proceeds from sale of property, plant and equipment	16	30
(4)	(2)	Purchase of intangible	(18)	(4)

		assets		
(10)	-	Purchase of other fixed asset investments	(42)	(12)
-	-	Loans to joint ventures and associated undertakings	-	(1)
-	5	Repayment of loans by joint ventures and associated undertakings	-	6
2	65	Sale of subsidiary undertakings and businesses	21	95
8	3	Interest received	20	7
-	1	Dividends received	7	3
1	3	Sale of short term investments	11	5
-----	-----		-----	-----
(84)	(20)	Net cash flow from investing activities	(254)	(93)
-----	-----		-----	-----
		Financing activities		
1	-	Issue of new shares	5	-
1	281	Proceeds from borrowings	3	427
(2)	(64)	Repayments of borrowings	(10)	(117)
-	(1)	Capital element of finance lease rental payments	(1)	(1)
-	-	Dividends paid	-	-
-----	-----		-----	-----
-	216	Net cash flow from financing activities	(3)	309
-----	-----		-----	-----
181	383	Net increase in cash and bank overdrafts	127	261
499	209	Cash and bank overdrafts at beginning of period	557	340

-	5	Effect of foreign exchange rate changes	(4)	(4)
=====	=====		=====	=====
680	597	Cash and bank overdrafts at end of period	680	597
=====	=====		=====	=====
		Cash and bank overdrafts comprise:		
917	622	Cash and cash equivalents	917	622
(237)	(25)	Bank overdrafts	(237)	(25)
-----	-----		-----	-----
680	597		680	597
=====	=====		=====	=====

Reconciliation of net cash flow to movement in net debt

Unaudited 3 months to 1 October 2005 £m	Unaudited 3 months to 2 October 2004 £m		Unaudited 9 months to 1 October 2005 £m	Unaudited 9 months to 2 October 2004 £m
181	383	Movement in cash and bank overdrafts	127	261
(1)	(3)	Movement in short term investments	(11)	(5)
1	(216)	Movement in debt	8	(309)
-	12	Issue costs of new loan	-	12
-----	-----		-----	-----
181	176	Change in net debt resulting from cash flows in period	124	(41)
(10)	(22)	Effect of foreign exchange rate	33	7

(1)	3	changes Other non-cash changes	(8)	1
-----	-----		-----	-----
170	157	Movement in net debt during the period	149	(33)
(1,131)	(1,191)	Net debt at beginning of the period	(842)	(1,001)
-	-	Adoption of IAS 32 and IAS 39	(268)	-
-----	-----		-----	-----
(961)	(1,034)	Net debt at end of the period	(961)	(1,034)
=====	=====		=====	=====

Analysis of net debt

	Unaudited 1 October 2005 £m	Unaudited 2 October 2004 £m
Cash and cash equivalents (excluding bank overdrafts)	917	622
Bank overdrafts	(237)	(25)
Short term investments	-	1
Long term borrowings	(1,601)	(1,525)
Other loans	(9)	(78)
Obligations under finance leases	(31)	(29)
	-----	-----
	(961)	(1,034)
	=====	=====

Supplementary information

Unaudited 3 months to 1 October 2005 £m	Unaudited 3 months to 2 October 2004 £m		Unaudited 9 months to 1 October 2005 £m	Unaudited 9 months to 2 October 2004 £m
		1.a Turnover by division		
1,195	1,198	Strip Products	3,919	3,420
597	613	Long Products	2,041	1,888
696	680	Distribution & Building Systems	2,281	1,905
289	278	Aluminium	853	815
22	15	Central & other	56	47
-----	-----		-----	-----
2,799	2,784	Gross turnover	9,150	8,075
(416)	(428)	Less: intra-group turnover	(1,434)	(1,242)
-----	-----		-----	-----
2,383	2,356	Group turnover	7,716	6,833
=====	=====		=====	=====
		comprising:		
946	988	Strip Products	3,135	2,808
470	437	Long Products	1,513	1,385
690	663	Distribution & Building Systems	2,238	1,847
276	267	Aluminium	818	787
1	1	Central & other	12	6
-----	-----		-----	-----
2,383	2,356	Group turnover	7,716	6,833



4,945	5,016	Group sales volume	15,252	16,236
=====	=====		=====	=====
		2.b Group sales volume by destination		
1,300	1,440	UK	4,169	4,831
2,435	2,507	Europe (excluding UK)	7,855	8,155
374	526	North America	1,169	1,624
836	543	Other areas	2,059	1,626
-----	-----		-----	-----
4,945	5,016	Group sales volume	15,252	16,236
=====	=====		=====	=====

Unaudited 3 months to 1 October 2005 £m	Unaudited 3 months to 2 October 2004 £m		Unaudited 9 months to 1 October 2005 £m	Unaudited 9 months to 2 October 2004 £m
		3. Total operating costs		
1,043	1,109	Raw materials & consumables	3,434	3,073
228	194	Maintenance costs (excluding own labour)	634	582
358	318	Other external charges	1,120	1,011
437	414	Employment costs	1,397	1,301
76	74	Depreciation & amortisation (net of grants released)	238	217
102	117	Other operating costs	411	428
53	(92)	Changes in stock	(66)	(136)
(8)	(5)	Own work capitalised	(20)	(12)
(9)	(2)	Profit on disposal	(17)	(29)

-	(18)	of fixed assets Profit on disposal of group undertakings	(1)	(44)
-----	-----		-----	-----
2,280	2,109		7,130	6,391
=====	=====		=====	=====
		4. Restructuring, impairment and disposals		
		As included in total operating costs:		
6	2	Redundancy and related costs	23	15
-	-	Accelerated depreciation	7	(9)
-	-	Accelerated amortisation	-	-
-	-	Other asset write-downs	1	9
-	2	Other rationalisation costs	4	2
-----	-----		-----	-----
6	4		35	17
(9)	(2)	Profit on disposal of fixed assets	(17)	(29)
-	(18)	Profit on disposal of group undertakings	(1)	(44)
-----	-----		-----	-----
(3)	(16)		17	(56)
=====	=====		=====	=====
		comprising:		
4	1	Strip Products	7	(24)
(2)	(18)	Long Products	12	(39)
(5)	-	Distribution &	(3)	3

		Building Systems		
-	1	Aluminium	5	2
-	-	Central & other	(4)	2
-----	-----		-----	-----
(3)	(16)		17	(56)
=====	=====		=====	=====

Unaudited	Unaudited	Unaudited	Unaudited
3 months to	3 months to	9 months to	9 months to
1 October	2 October	1 October	2 October
2005	2004	2005	2004
£m	£m	£m	£m

		5. Group operating result		
		After restructuring, impairment and disposals:		
93	140	Strip Products	500	282
5	70	Long Products	96	111
6	35	Distribution & Building Systems	34	44
5	9	Aluminium	17	36
(6)	(7)	Central & other	(61)	(31)
-----	-----	other	-----	-----
103	247		586	442
=====	=====		=====	=====

		Before restructuring, impairment and disposals:		
97	141	Strip Products	507	258

3	52	Long Products	108	72
1	35	Distribution & Building Systems	31	47
5	10	Aluminium	22	38
(6)	(7)	Central & other	(65)	(29)
-----	-----		-----	-----
100	231		603	386
=====	=====		=====	=====
		6. Financing items		
		Interest payable:		
(30)	(29)	Bank and other borrowings	(88)	(79)
(2)	-	Accretion of convertible bonds	(6)	-
-	-	Finance leases	(1)	(1)
-----	-----		-----	-----
(32)	(29)	Finance costs	(95)	(80)
-----	-----		-----	-----
10	3	Interest receivable	21	7
-	-	Fair value gains - convertible bond equity options	3	-
-----	-----		-----	-----
10	3	Finance income	24	7
-----	-----		-----	-----
(22)	(26)		(71)	(73)
=====	=====		=====	=====
		7. Taxation		
-	-	UK corporation tx	77	9
-	-	Double tax relief	(77)	(9)
1	-	Overseas prior year (credit)/charge	(6)	1

39	29	Overseas taxes	128	85
-----	-----		-----	-----
40	29	Current tax	122	86
-	4	UK deferred tax	-	9
(10)	6	Overseas deferred tax	6	13
-----	-----		-----	-----
30	39		128	108
=====	=====		=====	=====

Deferred tax assets amounting to £177m have been recognised at 1 October 2005 (1 January 2005: £174m). The deferred tax assets in respect of tax losses are recoverable against future forecast taxable profits within a time horizon that the directors consider to be more likely than not to occur. Deferred tax assets have not been recognised in respect of losses with a value of £1,617m (1 January 2005: £1,706m) of which £1,080m (1 January 2005: £1,218m) are UK losses.

Unaudited 3 months to 1 October 2005 £m	Unaudited 3 months to 2 October 2004 £m		Unaudited 9 months to 1 October 2005 £m	Unaudited 9 months to 2 October 2004 £m
		8.Reconciliation of cash generated from operations		
50	188	Profit after taxation	387	275
		Adjustments for:		
30	39	Tax	128	108
76	74	Depreciation and amortisation (net of grants released)	238	217
(9)	(20)	Profit on disposals	(18)	(73)

(10)	(3)	Interest income	(24)	(7)
32	29	Interest expense	95	80
1	(6)	Share of results of joint ventures and associated undertakings	-	(14)
6	4	Restructuring costs (excluding accelerated depreciation & amortisation)	28	26
(13)	(10)	Utilisation of rationalisation provisions	(39)	(35)
79	(96)	Movement in stocks	(201)	(245)
193	48	Movement in debtors	6	(312)
(85)	9	Movement in creditors	49	191
(2)	4	Other movements (net)	(1)	16
-----	-----		-----	-----
348	260	Net cash flow generated from operations	648	227
=====	=====		=====	=====
		9. Capital expenditure		
88	97	Purchase of tangible fixed assets	269	222
5	9	Movement in capital creditors	(9)	23
-----	-----		-----	-----
93	106		260	245
=====	=====		=====	=====
		10. Reconciliation of Group operating profit to EBITDA before restructuring, impairment and disposals		
103	247	Group operating profit	586	442
6	4	Restructuring costs	35	17

(9)	(20)	Profit on disposals	(18)	(73)
-----	-----		-----	-----
100	231	Underlying operating profit	603	386
-----	-----		-----	-----
76	74	Depreciation & amortisation (net of grants released and excluding accelerated depreciation & amortisation)	231	226
=====	=====		=====	=====
176	305	EBITDA before restructuring, impairment and disposals	834	612
=====	=====		=====	=====
		comprising:		
139	185	Strip Products	639	392
19	65	Long Products	157	119
6	40	Distribution & Building Systems	46	63
15	20	Aluminium	51	68
(3)	(5)	Central & other	(59)	(30)
=====	=====		=====	=====
176	305	EBITDA before restructuring, impairment and disposals	834	612
=====	=====		=====	=====

	Unaudited 9 months to 1 October 2005 Number	Unaudited 9 months to 2 October 2004 Number
11. Employees		
Average weekly numbers employed:		
UK	24,300	24,500
Netherlands	11,300	11,300
Germany	5,700	5,900
Other countries	6,900	7,000
	-----	-----
	48,200	48,700
	=====	=====
Numbers employed at end of the period:		
UK	24,200	24,600
Netherlands	11,400	11,200
Germany	5,700	5,800
Other countries	7,000	6,800
	-----	-----
	48,300	48,400
	=====	=====
comprising:		
Strip Products	22,600	22,600
Long Products	12,800	12,900
Distribution & Building Systems	5,900	5,800
Aluminium	5,700	5,700
Central & other	1,300	1,400
	-----	-----
	48,300	48,400
	=====	=====

## 12. Statutory Reserve

The statutory reserve of £2,338m, as disclosed in the balance sheet as at 2 October 2004, arose in Corus UK Limited under section 7(1) of the British Steel Act 1988. Of the total balance £381m was originally set aside as available for distribution; the balance of £1,957m were restricted reserves which could only be applied in paying up unissued shares to be allotted to its parent Company as fully paid bonus shares. On 17 June 2005, after issuing these bonus shares, Corus UK Limited made a court application for a capital reduction to effectively cancel the statutory reserve to the extent of any cumulative profit and loss deficit arising in that company. This application was successful and became effective as from 15 July 2005.

### Principal divisional activities

-----  
Strip Products Division

Corus Strip Products  
IJmuiden and Corus  
Strip Products UK  
Hot rolled steel strip  
and cold rolled  
and metallic coated  
steel

-----  
Corus Tubes  
Steel tubes, hollow  
sections, line pipe and  
pipeline project  
management

-----  
Corus Special Strip  
Plated precision strip  
products with specialist  
finishes

Corus Packaging Plus  
Light gauge coated  
steel for packaging and  
non-packaging  
applications  
-----

Corus Colors  
Pre-finished steels  
-----

Cogent Power  
Electrical steels,  
transformer cores,  
generator and motor  
laminations  
-----

Long Products Division

Corus Construction &  
Industrial  
Plate, sections, wire  
rod and semi-finished  
steel

Corus Rail  
Railway products, design  
and consultancy, rail  
infrastructure  
contracting

Downstream businesses  
Custom designed hot  
rolled special steel  
profiles, hot and cold  
narrow strip

Corus Engineering Steels  
Engineering billet,  
rolled and bright bar  
-----

Teesside Cast Products  
Slab and bloom  
-----

Distribution and Building  
Systems Division

Corus Distribution  
and Building Systems  
Service centres,  
further material  
processing and building  
systems  
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Corus International  
Tailored product and  
service solutions for  
international projects  
and international trade  
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Corus Consulting  
Consultancy, technology,  
training and operational  
assistance to the steel  
and aluminium industries  
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Aluminium Division

Corus Primary  
Aluminium  
Extrusion billets,  
slabs and ingots

Corus Aluminium Rolled  
Products  
Rolled plate, sheet and  
coil

Corus Aluminium  
Extrusions  
Soft and hard extruded  
profiles, rod and bars