

ANNUAL REPORT 1994

CONTENTS

Rautaruukki 1994	3
Statement by the President	4–5
Share information	6–7
Group administration	8
Group structure	9

Rautaruukki Accounts

Report of the Board	10–14
Consolidated profit and loss account	15
Consolidated balance sheet	16–17
Consolidated funds statement	18
Rautaruukki Oy's profit and loss account	19
Rautaruukki Oy's balance sheet	20–21
Rautaruukki Oy's funds statement	22
Notes to the accounts	23–31
Group accounts in accordance with IAS	32–33
Board proposal for the use of profit	34
Auditors' report	35
Statement by the Supervisory Board	35

Business Unit Reports

Steel Division	36–37
Thin Sheet Division	38–39
Metform	40–41
Steel Structure Division	42–43
Engineering Division	44–45
Other units	45
Major associated companies	45

Rautaruukki's scope of business	46–47
Group statistics 1990–94	48–49
Addresses	50–51

Annual General Meeting

The shareholders of Rautaruukki Oy are invited to the Annual General Meeting to be held on Monday 20 March 1995 at 1 p.m. at the Hotel Radisson SAS Helsinki, address Runeberginkatu 2.

Shareholders who wish to attend the meeting must give notice no later than 4 p.m. on Friday 17 March,

either in writing to
Rautaruukki Oy
P.O.Box 860, FIN-00101 Helsinki
or by phone
+358 0 680 8249 / Jaana Toikkanen.

Only those shareholders may attend who have been entered in the shareholders' register maintained by the Central Share Register of Finland Cooperative.

Proposal for Dividend

The Board of Directors of Rautaruukki Oy will propose to the Annual General Meeting that the shareholders should be paid a dividend for 1994 of FIM 1,00 per share. The Board of Directors will propose the payment of the dividend to those shareholders who were entered in the owners' register on the matching date, 24 March 1995.

Interim Reports

Rautaruukki Oy's scheduled publishing dates for the interim reports are as follows:

14 June '95 Interim Report 1 Jan – 30 Apr '95

18 October '95 Interim Report 1 Jan – 31 Aug '95

Interim reports may be ordered from Rautaruukki Oy's Oulu office

Tel. +350 81 32 77 11, Fax +358 81 32 75 06.

Investor Relations

Deputy Director Airi Sipilä

Tel +358 0 680 8246

Fax +358 0 680 8345

Corporate Communications

Vice President Esko Lukkari

Tel +358 0 680 8221

Fax + 358 0 680 8324

RAUTARUUKKI 1994

Rautaruukki manufactures steel and processes it into plates, sheets, tubes, pipes, sections and building products. The Group has also engineering operations. The production plants are in six European countries and sales units on three continents. Exports and international

operations account for 70 % of turnover. Rautaruukki has a 50 % holding in Fundia AB, a Scandinavian company manufacturing long steel products. Rautaruukki's shares are quoted on the Helsinki Stock Exchange. The State of Finland is the biggest owner.

	1994	1993	Change
Turnover, FIM Million	7 613	7 011	+ 9 %
exports and international operations %	69	74	
Operating profit, FIM Million	1 050	762	+ 38 %
% of turnover	13.8	10.9	
Profit before extraordinary items, reserves and taxes, FIM Million	658	78	+ 746 %
% of turnover	8.6	1.1	
Profit before reserves and taxes, FIM Million	440	- 42	
% of turnover	5.8	- 0.6	
Return on net assets, %	12.1	9.0	
Return on equity, %	21.6	2.6	
Equity ratio, %	31.6	21.1	
Earnings per share, FIM	5.40	0.55	+ 882 %
Equity per share, FIM	28.28	22.20	+ 27 %
Personnel at year-end	9 068	9 151	- 1 %

Figures for 1993 have been altered in line with the new Accounting Act Principles governing the calculation of key figures shown on page 49.

- The demand for products was improved and prices rose
- The Group's financing expenses decreased
- The Group's profit improved significantly
- Share issue raised the equity by FIM 792 million

STATEMENT BY THE PRESIDENT

The performance of the Rautaruukki Group improved considerably in 1994. The Group consolidated its capital structure as a result of the share issue at the beginning of the year and the reduction in net debts.

Several factors contributed to the improvement in the Group's performance. The main reason was that demand for steel products increased and prices rose steadily in domestic and export markets. Rautaruukki's deliveries of steel products grew by 2 per cent. Upgraded products accounted for a larger share of sales. The costs of raw materials and energy rose more slowly than the selling prices of the company's products.

Lower financing costs, resulting from the reduction in net debts and a fall in interest rates, made a significant contribution to the improvement. Our largest associated company, Fundia, made a clear profit.

Production and operations at the Rautaruukki Group's production plants proceeded smoothly. The Group retained its market share in its main market areas and increased sales of upgraded products in Scandinavia and Europe.

For the steel industry in the OECD countries, apart from in Japan, 1994 was a better year than the previous few years. In western Europe, steel demand matched supply. The profitability of many European steel companies improved considerably after many difficult years.

The European Union countries failed to reach agreement on cutting surplus capacity in the steel industry, but have carried out most of the cuts of over 10 million tonnes that were decided on. The EU extended the steel import quotas it imposed on eastern central European and certain CIS countries into 1995.

Equity ratio rises

In the first part of the year Rautaruukki launched an issue of shares offered primarily to international investors. Through this issue the Group obtained FIM 792 million of



new capital, and it reduced the Finnish state's holding in Rautaruukki from 81.1 per cent to 68.7 per cent. In December, the Finnish parliament decided that the state's holding in Rautaruukki can be reduced to 33.4 per cent without a further decision by parliament. The state would still retain a controlling interest in the company.

Following the share issue and the reduction in net debts, the Group's equity ratio rose to 32 per cent. The Group aims to raise this to at least 40 per cent.

The Board of Directors of Rautaruukki has proposed to the Annual General Meeting that a dividend of FIM 1,00 be paid to shareholders.

The prospect of further improvements in the Group's performance makes it very probable that Rautaruukki's earnings per share will improve and the share value will continue to rise.

Rautaruukki is concentrating on its steel business and closely related operations. To increase efficiency, last year the Group disposed of certain businesses that did not belong to its core operations, and the Steel Structure Division removed certain duplicate operations.

The Baltic states and other emerging market economies on the Baltic Rim play an important role in plans for the Group's operations. Last year progress was made in this area as planned.

Rautaruukki reformulated its basic values last year with the aim of spelling out its goals more precisely. These relate to improving customer relations, motivating personnel, improving the quality of our operations and increasing profitability, and express the company's concern for the environment.

Encouraging economic prospects for OECD countries in 1995

Worldwide, the economic prospects for 1995 are good. The growth in the economies of the OECD countries is expected to gain considerable momentum.

Economic growth raises demand for steel and this may mean that at times demand for certain products in western Europe and the USA will outstrip supply. The price of steel products will continue to rise.

For Finland, joining the European Union at the beginning of 1995 was an important step. Membership reinforces Rautaruukki's position in the European market.

Rautaruukki is continuing its process of raising cost effectiveness. The blast furnaces at the Raahе Steel Works are being renovated during 1995 and 1996. This modernization will help to remove bottle-necks in production. Steps are also being taken to increase efficiency in the production of upgraded products.

The future of Transtech Ltd, a member of the Engineering Division, will be decided in the spring, and it will depend on the state of the company's order book.

Rautaruukki's financial performance is expected to continue to improve during 1995. Demand for steel products, in particular for upgraded products, is expected to rise. Prices for upgraded products should improve still further and their share of the Group's deliveries should increase. This will raise capacity utilization at companies manufacturing these products and improve their profitability. Corporate financial costs should fall as income is used to reduce net debts.

I would like to thank all our customers for the past year and our old and new shareholders for their confidence in the company. I would also like to express my thanks to the Group's employees for a successful year. The considerable improvement in the Group's performance in 1994 and the foundation for our current positive expectations for the future are the result of the efforts of all the Group's personnel.

Mikko Kivimäki

SHARE INFORMATION

The paid-in share capital of Rautaruukki Oy on 31 December 1994, as noted in the trade register, was FIM 1 202 284 160 and comprised 120 228 416 Series K shares, each carrying 10 votes at the Annual General Meeting of Shareholders. According to the Articles of Association, a maximum of 100 000 000 Series A shares can also be issued; these will have one vote each at the Annual General Meeting of Shareholders and a dividend five per cent higher than that of the Series K shares may be paid on them. The par value of the shares is FIM 10.

The company's minimum share capital is FIM 762 815 000 and its maximum is four times this figure, within which limits the share capital may be raised or lowered without amending the Articles of Association.

Management warrant bond issue

In accordance with an authorization granted by the 1994 Annual General Meeting, it was decided to offer a FIM 500 000 warrant bond issue to the management of the Group. The issue was fully subscribed. The warrants attached to the certificates confer entitlement to subscribe 1 000 000 Series K shares between 1 December 1998 and 31 January 2001 at FIM 56.56 per share.

State ownership

According to Rautaruukki Oy's Articles of Association, at least 51 per cent of the company's shares must always be in the direct ownership and control of the state and companies majority-owned by the state. Since Parliament has decided that the state's holding in Rautaruukki Oy may be reduced to one third, Rautaruukki's Board of Directors will propose to the Annual General Meeting of 20 March 1995 that this stipulation be deleted from the Articles of Association. A single shareholder at a General Meeting may cast no more than 80 per cent of the total number of voting rights conferred by shares represented at the Meeting.

Share issues between 1990–1994

	Number of shares	Increase in share capital, FIM	Share capital, FIM
Share capital 31.12.1989	87 281 500		872 815 000
Share issue 18.11.–20.12.1993	+ 14 546 916	145 469 160	1 018 284 160
Share issue 26.4.–17.5.1994	+ 18 400 000	184 000 000	1 202 284 160
Share capital 31.12.1994	120 228 416		1 202 284 160

In the share issue in 1993, 14 546 916 new K Series shares were given at a subscription price of FIM 22 to the shareholders having the right to subscribe for one new K Series share for each six old K Series shares.

The 1994 rights issue was targeted at Finnish and international institutional investors to whom 18 400 000 new Series K shares were offered at a price of FIM 45 each. The new shares confer entitlement to a full dividend from 1994.

The ten largest shareholders of Rautaruukki Oy according to Share register at 31.12.1994

Shareholder	Number of shares	Shares, %
1. Republic of Finland	82 549 681	68.66
2. Pension Insurance Company Ilmarinen Ltd	2 000 000	1.66
3. Pension Varma Mutual Insurance Company	1 712 657	1.42
4. Nova Life Insurance Company Ltd	842 103	0.70
5. The Local Government Pensions Institution	743 917	0.62
6. Sampo Insurance Company Ltd	638 437	0.53
7. Mutual Life Insurance Company Suomi	450 000	0.37
8. Alfred Berg Finland Mutual Fund	446 000	0.37
9. Mutual Fund OP-Delta	410 500	0.34
10. Kansa General Insurance Company Ltd	407 000	0.34

The total number of shares held by members of the Supervisory Board, the Board of Directors, the Managing Director and the Deputy Managing Director was 13 592, which represents 0.01 % of the voting right conferred by all the company's shares. In addition the members of the Board of Directors have subscribed warrant bonds worth FIM 335 000 which confer entitlement to subscribe at most 670 000 K Shares, i.e. 0.55 % of the voting right conferred by all the company's shares.

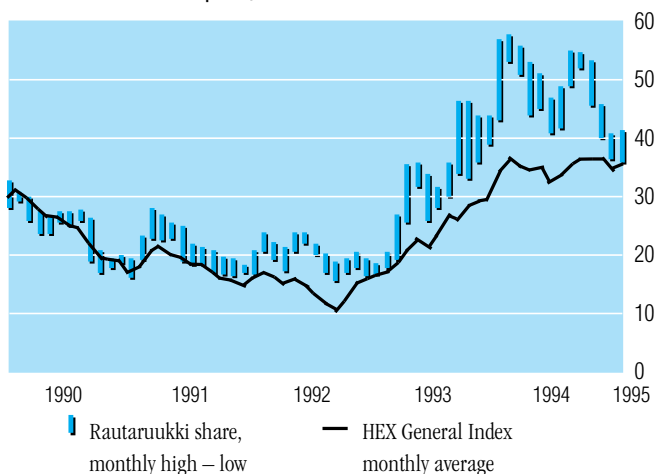
Shareholders by share ownership at 31.12.1994

Number of shares		Shareholders		Shares	
		No.	%	thousands	%
1–	100	1 706	19.66	93	0.08
101–	1 000	5 754	66.30	2 282	1.90
1 001–	10 000	1 070	12.33	2 782	2.32
10 001–	100 000	109	1.26	3 165	2.64
100 001–	1 000 000	34	0.39	9 673	8.06
1 000 001–		5	0.06	102 006	85.00
		8 678	100.00	120 001	100.00

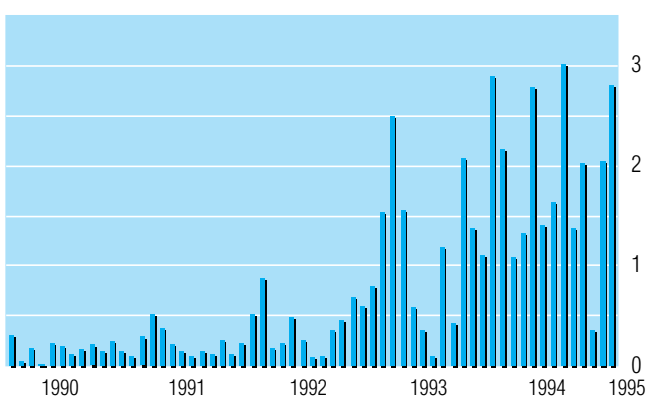
Shareholders by economic activity according to the Share Register at 31.12.1994

	Shareholders		thousands	Shares %
	No	%		
Public institutions	7	0.08	83 346	69.45
Private individuals	7 804	89.93	4 047	3.37
Banks and insurance companies	186	2.14	11 329	9.44
Funds and private associations	108	1.25	1 767	1.47
Companies	552	6.36	3 391	2.83
Foreign owners	21	0.24	16 121	13.44
Total	8 678	100.00	120 001	100.00

Rautaruukki share price, FIM



Rautaruukki share monthly trading volume, millions of shares



Book-entry securities system

Rautaruukki Oy's shares were placed in the book-entry securities system between 31 January and 25 February 1994. At the end of 1994, Rautaruukki had 8 678 shareholders noted in the share register. The holdings of foreign owners, mainly in the administrative registers, amounted to 13.4 per cent of equity.

Authorization for share issue

Rautaruukki Oy's Annual General Meeting of Shareholders held on 26 April 1994 granted the Board of Directors an authorization to raise the share capital by means of a new issue of shares and/or an offering of convertible bonds and/or warrant bonds. The Board may raise the share capital on terms of its own choosing in one or more instalments by not more than FIM 200 000 000 by issuing 20 000 000 new Series K shares with a par value of FIM 10 each. The authorization is valid until 22 June 1995.

The Board may disapply the preemptive subscription rights of existing shareholders provided that the company has strong financial grounds for doing so.

Trend in share prices

Rautaruukki Oy's shares have been quoted on the Helsinki Stock Exchange since 8 September 1989 and through the SEAQ International trading system associated with the London Stock Exchange since April 1994.

During 1994 Rautaruukki shares were traded on the Helsinki Stock Exchange at a high of FIM 57.90 and a low of FIM 36.50. The last traded price in 1994 was FIM 38.00. Rautaruukki's market capitalization at year-end was FIM 4 569 million (4 470).

The Helsinki Stock Exchange traded 23 184 038 Rautaruukki shares (13 285 301) to a total value of FIM 1 136 million (411). The average traded price in 1994 was FIM 49.00 (30.93).

The five-year key indicators for shares are given on page 48. ♦

GROUP ADMINISTRATION

Supervisory Board

Paavo Väyrynen*,
Chairman
Jorma Rantanen*,
Deputy Chairman

Göran J. Ehrnrooth*
Tauno Heikonen
Jouko Sere
Juhani Vähäkangas
Juhani Alaranta
Markku Mannerkoski
Timo Kervinen
Georg Ehrnrooth
Tuula Haatainen
Kauko Heikkinen
Marjut Kaarilahti
Timo Ihamäki
Kari Uotila

* Supervisory Board working committee

Employee representatives

Pauli Kurikka
Risto Kämäräinen
Arto Lepikkö
Asser Siuvatti

Auditors

Hannu-Veli Konstari,
Chairman

Ritva Hainari

KPMG WIDERI OY AB
Hannu Niilekselä

Board of Directors



Mikko Kivimäki*, b. 1939
Chairman
President and Chief Executive Officer
member since 1976
chairman since 1985



Reino Mäkelä, b. 1932
Deputy Chairman
Senior Executive Vice President
member since 1976
deputy chairman since 1988



Pekka Einamo, b. 1940
Executive Vice President
member since 1982



Aulis Saarinen, b. 1939
Executive Vice President
member since 1983



Lauri Mannerkoski, b. 1944
Executive Vice President
member since 1988



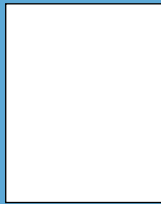
Gösta Engman, b. 1945
Executive Vice President
member since 1989



Seppo Ahonen, b. 1942,
Managing Director of Amer Corporation
member since 1.9.1994

GROUP STRUCTURE

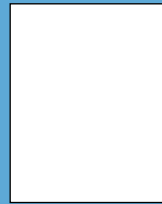
STEEL DIVISION



Senior V.P. Heikki Rusila

Products:
hot rolled plates,
coils and sheets
prefabricated
plate products

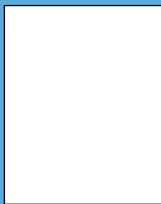
THIN SHEET DIVISION



Senior V.P. Pekka Vaarno

Products:
cold rolled coils
and sheets
hot dip galvanized
coils and sheets
colour coated
coils and sheets

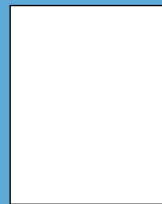
METFORM DIVISION



Senior V.P. Seppo Sahlman

Products:
precision tubes
line pipes
hollow sections
cold formed sections
upgraded products

STEEL STRUCTURE AND ENGINEERING DIVISIONS



Senior V.P. Jorma Lukkari

Engineering Division
(Senior V.P. Jorma Lukkari)
rolling stock
dished ends
Steel Structure Division
(V.P. Markku Koljonen)
profiled sheets
facade elements

Other units

CCB-Gruppen
Sales units

Associated companies

Fundia AB	(50 %)
Bregal GmbH	(25 %)
YIT Corporation	(20 %)

1.1.1995

REPORT OF THE BOARD

The Rautaruukki Group's turnover in 1994 was FIM 7 613 million, 9 per cent up on the previous year. Turnover was boosted by increased deliveries, by firmer prices, and by an increase in the proportion of upgraded products. However, the growth in turnover was slowed by the appreciation of the Finnish mark.

The volume of production was increased in the Steel Division, the Thin Sheet Division and the Metform Division. The Metform Division, Steel Structure Division and Oy Transtech Ltd (a member of the Engineering Division) had spare capacity.

The Group's profit before extraordinary items improved markedly and was FIM 658 million (FIM 78 million in 1993).

Business environment

Economic growth went under way in Western Europe during the year. Strong growth continued in the USA and the Asia-Pacific region, while Japan's economy bottomed out at the end of the year.

World steel output was on the previous year's level. In Finland the demand for steel grew sharply, and the exporting industries in particular expanded their use of steel products. The price of steel firmed up. With the continuing weakness of the construction industry, demand for construction-related steels remained weak, although demand for certain products began to pick up towards the end of the year.

Elsewhere in Scandinavia and Western Europe there was a distinct rise in demand for steel and prices firmed up. The reduction in steel industry capacity that was planned by the European Union was partly implemented. The EU extended into 1995 its quotas on steel imports from the countries of eastern Central Europe and from certain CIS states.

In the USA and the Asia-Pacific region there was growing demand for steel and foreign currency-denominated prices strengthened.

Turnover

The Group's turnover was FIM 7 613 million (7 011). Exports from Finland and interna-

tional operations generated 69 per cent of turnover.

Financial result

The Group's operating profit was FIM 1 050 million (762). This figure was improved by increased deliveries of steel products and by firmer prices. Because of the declining value of the US dollar, the costs of raw materials and energy increased more slowly than the selling price of the products. Associated companies contributed FIM 50 million of operating profit, of which Fundia generated FIM 50 million. The subsidiary Oy Transtech Ltd made a FIM 98 million loss after depreciation.

The growth in statutory and voluntary pension liabilities of the pension funds was FIM 98 million (94), FIM 21 million of which was left uncovered according to a law confirmed on 30 December 1993. Planned depreciation amounted to FIM 601 million (589).

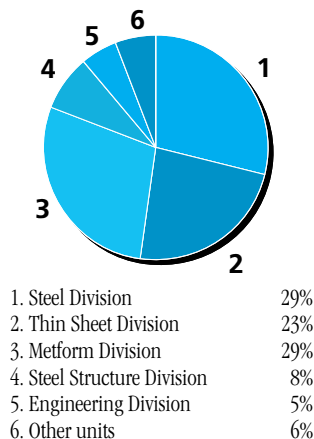
A reduction in the Group's debts and a decline in interest rates acted to reduce financing expenses. Financing expenses totalled FIM 393 million

The figures for years 1990–1993 have been altered in line with the new Accounting Act.

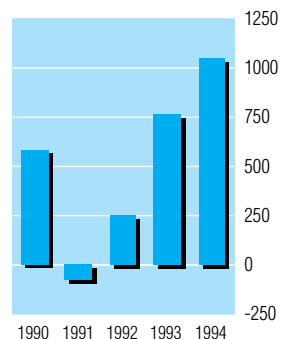
Turnover, FIM Million



External turnover by industrial division 1994



Operating profit, FIM Million



Turnover by industrial division, FIM Million

	1994	1993	change, %
Steel Division	4 143	3 867	+ 7
Thin Sheet Division	2 404	2 265	+ 6
Metform	2 235	2 126	+ 5
Steel Structure Division	624	-	
Engineering Division	441	-	
Other units	467	882	
Internal invoicing	- 2 701	- 2 129	
Consolidated turnover	7 613	7 011	+ 9

(684), including FIM 424 million (475) in net interest expense, also including FIM 22 million in hedging expenses. The previous year's hedging expenses, being FIM 134 million, were included in other financing expenses.

Profit before extraordinary items, reserves and taxes was FIM 658 million (78).

Extraordinary income includes FIM 115 million in the revaluation of stocks due to the introduction of the full-costing accounting principle in accordance with the new Accounting Act. The remainder of the matched exchange rate losses due to devaluation in 1991, being FIM 101 million has been booked in extraordinary expenses.

Extraordinary expenses also include a FIM 200 million write-off against the fixed assets of subsidiary Transtech, after which the balance sheet value of Transtech's fixed assets is FIM 51 million.

The Group's profit before reserves and taxes was FIM 440 million (loss 42).

Earnings per share were FIM 5.40 (FIM 0.55).

The accounts show a net profit of FIM 373 million (408). The net profit by IAS rules is FIM 406 million (54).

Financing

Liquidity was favourable throughout the year. The credit rating for the Group's Euro Commercial Paper programme held steady at A-3 for Standard & Poor's and P-2 for Moody's. The long-term loans taken on the international finance market were principally used for the early repayment of loans falling due in 1995.

A share issue was carried out in April-May. Shareholders' interests were increased by FIM 792 million, of which the increase in share capital was FIM 184 million.

In spite of the increase in working capital, cash flow was positive. Net interest-bearing liabilities were reduced and were FIM 4 900 million (6 238) at year-end. External liabilities and obligatory provisions amounted to FIM 7 434 million (8 555) at year-end, of which loans and other interest-bearing external liabilities totalled FIM 5 789 million (7 206). Obligatory provisions included FIM 336 million (289) in formerly accumulated uncovered pension liability. The consolidated balance sheet total was FIM 10 835 million (10 833).

The equity ratio rose to 32 per cent (21). Shareholders' interests, minority interests and optional reserves totalled FIM 3 401 million (2 278) at year-end, ie, FIM 28.28 per share (22.20).

Share capital

Rautaruukki Oy's share capital as at 31 December 1993 was FIM 1 018 284 160. On the basis of an authorization granted by the Annual General Meeting of 28 March 1994, the Board of Directors carried out an international share offering in April-May. In all, 18 400 000 shares at a selling price of FIM 45 each were offered for subscription, mainly to international institutional investors. The issue was fully subscribed. The state's ownership of Rautaruukki was reduced to 68.7 per cent. Parliament passed a resolution in December according to which state ownership of Rautaruukki Oy may be reduced to 33.4 per cent without a new decision by Parliament.

By a decision of the Annual General Meeting, a FIM 500 000 warrant bond issue was offered to the Group management. The issue was fully subscribed. The warrants may be used to subscribe 1 000 000 new K series shares between 1 December 1998 and 31 December 2001.

Rautaruukki Oy's share capital on 31 December 1994 was FIM 1 202 284 160, divided into 120 228 416 shares, all of them in the K series. The Board of Directors has an authorization from the Annual General Meeting, valid until 22 June 1995, to raise the share capital by no more than FIM 200 million.

Rautaruukki Oy's K share price rose rapidly in the early months of 1994 but declined towards the end of the year. The lowest traded price was FIM 36.50 and the highest was FIM 57.90. The last transaction of the year was made at a price of FIM 38.00.

During 1994, 23.2 million shares were traded on the bourse (13.3), to a value of FIM 1 136 million (411). The company's market capitalization at year-end was FIM 4 569 million (4 470).

Rautaruukki Oy went over to a book-entry securities system in February. The number of registered shareholders on 31 December 1994 was 8 678 (17 624). The foreign shareholders in the administrative registers held 13.4 per cent of the company's share capital.

Marketing

Rautaruukki maintained its share of its main markets in Finland, the rest of Scandinavia, and Western Europe. The Group slightly increased its sales to the USA. Because of increased demand on nearby markets, exports to more remote markets were curtailed.

Deliveries of steel plates, sheets and tubular products were increased. Demanding, highly upgraded products accounted for a larger share of deliveries.

Sales of the Steel Division's products grew in Finland, particularly in response to heavy demand from the shipbuilding industry. The division stepped up its sales on nearby markets and reduced its exports to more distant buyers.

Sales of the Thin Sheet Division's cold-rolled and galvanized sheet increased by a clear margin. Sales of coil-coated products went into a slight rise. The division boosted its exports to other parts of Scandinavia as well as to continental Europe and the USA.

The Metform Division increased its sales in Finland and the rest of Scandinavia as well as to continental Europe. Sales of structural pipes grew the most.

Sales of the Steel Structure Division's output in Finland continued to be sluggish, although

there was a slight increase in the second half of the year. The division's export deliveries grew.

The Engineering Division's Oy Transtech Ltd delivered goods wagons to Sweden, Norway and the UK. The manufacture of Pendolino trains and electric locomotives for Finland continued. At year-end, the company had 190 goods wagons and over 40 million marks' worth of other engineering products on its order books.

Changes in Group structure

The Group's structure was streamlined.

At the beginning of 1994 the profiling units that had belonged to the Thin Sheet Division were combined with the Steel Structure Division. At the beginning of 1995, Verho-Metalli Oy was combined with Rannila Steel Oy, and Alamenti Oy and Nordicon Oy were combined with Mäkelä Metals Oy.

At the beginning of 1994, the remaining 50 per cent of Carl Froh Röhrenwerk GmbH & Co was acquired. The company was already a member of the Group. The business of Froh and the nearby Schmacke Rohr GmbH were combined in a new company called Carl Froh GmbH & Co.

In the spring, a steel service centre was acquired in Duisburg, Germany, which operates under

the name of Rautaruukki Stahlservice GmbH. The holding in Monteferro Coilco Stahlservice GmbH was relinquished at the same time.

Regalia Steel Oy, a member of the Metform Division that makes warehouse fittings, was sold in November. The Engineering Division's Solitra Oy, Mariachi Oy, Enerpoint Oy and Euromaski Oy were sold off during the year. Oy Datacity Patron was merged with Rautaruukki Oy at the end of 1994.

Investments

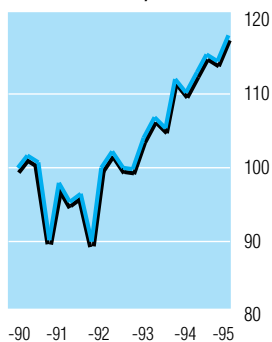
A total of FIM 544 million was invested in fixed assets (432). The investments were mostly aimed at upgrading existing production lines. The value of fixed assets were decreased by FIM 100 million (101) through selling.

At the Raahe Steel Works, preparations were begun for blast furnace modernization investments to be carried out in 1995–96. At the rolling mill, the cooling system for the strip mill was upgraded and the modernization of the plate mill's cooling bank no. 2 was started.

The Thin Sheet Division invested in improving the galvanizing line at the Hämeenlinna Works.

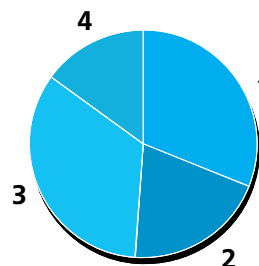
In the Metform Division, investments increasing the capacity and enhancing both quality and productivity were completed at Wirsbo Stålrör

Average price of Rautaruukki steel deliveries, index



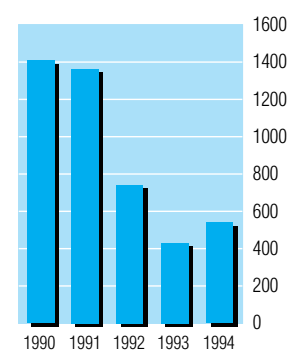
In FIM terms
Average price includes variations in product mix and exchange rates

Turnover by market areas 1994



1. Finland	32%
2. Other EFTA	20%
3. EU	34%
4. Other countries	14%

Investments, FIM Million



Investments by division, FIM Million

	1994	1993
Steel Division	189	164
Thin Sheet Division	91	72
Metform	150	65
Other units	114	131
	544	432

AB in Sweden. Production line modernization programmes were continued at Nordisk Simplex A/S and Structo DOM AB. A sizable capital expenditure programme was started to upgrade a pipe manufacturing line at the Pulkkila Works.

The Steel Structure Division started a profiling plant in Poland, Rautaruukki Polska Sp. z o.o. In addition to this, the division's Rannila Steel Oy started a joint venture in Poland for the manufacturing of profiled sheet. Estonia-based AS Rannila Profiil started a new line in the autumn, producing profiled sheet for roofing.

Research and development

The mission of research and development were quality enhancement, increased cost-effectiveness, and customer-oriented product development. The properties of products were developed in line with the requirements of automated engineering shop manufacturing. The Rautaruukki Group spent a total of FIM 66 million on R&D (65).

The Steel Division started up a new, computerized expert system that facilitates more accurate

monitoring and forecasting of the blast furnace process. Preparations were made for changes in the process in connection with the overhaul of the blast furnaces with the commencement of R&D work on the blast furnace charging and on the injection of large quantities of oil.

Steel production and continuous casting were improved in line with the demands of an increasingly diversified product range. The proportion of microalloyed and other special grades in the total output rose to 40 per cent during the year under review. The development was launched of a diagnostic system to improve the utilization rate of the strip mill.

Among the key priorities of R&D in the Thin Sheet Division were coated sheets. Improved control of the galvanizing and coil-coating processes and investments in equipment improved the qualities of coated sheet for demanding applications.

In the Metform Division, the development of FORM tubes was continued. The integrated production chain ensures optimal properties for FORM tubes such as strength, formability, weldability, accurate measurements and high surface quality.

In the Steel Structure Division, product solutions were developed on the basis of cold-forming and composite structure technology. A new composite structure system and a lightweight shed were launched on the market.

Change in the Board of Directors

Seppo Ahonen, MSc (Eng), who serves as the managing director of Amer Corporation, was appointed a member of Rautaruukki Oy's Board of Directors on 1 September 1994.

Personnel

The Group had 9 068 employees (9 151) and the parent company had 5 625 (5 555) at year-end. The Group employed an average of 9 444 people (9 437) and the parent company 5 815 (5 758) during the year.

Rautaruukki Oy's pension funds, which also serve as the pension funds for Oy Transtech Ltd, granted 163 pensions (207) during the year. The total number of pensions at year-end was 2 383 (2 273).

Practically all the units continued training programmes aimed at maximizing the use of the employees' intellectual resources. The number of initiatives proposed at Rautaruukki Oy increased by 70 per cent. The management/staff joint cooperation body, the Group conference, prepared and approved new basic values for the Group.

Rautaruukki's personnel fund will receive FIM 12 million under Rautaruukki Oy's profit bonus system.

Outlook for 1995

International economic growth is forecast to pick up speed in the first half of 1995, and growth will continue throughout the OECD. The most vigorous growth is anticipated in Scandinavia.

Demand for steel products is expected to expand on Rautaruukki's main markets as economic growth gathers speed and as investment picks up. In the USA the demand for steel is expected to remain good. There may be shortages of certain steel products. Finland's accession to the EU confirms Rautaruukki's competitive position on the steel market.

The prices of steel plate and sheet are expected to rise both in Finland and on export markets. The strengthening of prices for tubular products will be less uniform. Upgraded products will further increase their proportion of Rautaruukki's sales.

One of the two blast furnaces at the Raahе Steel Works will be modernized during the summer of 1995. Rolling mill output will be held steady on a par with the previous year's by increasing the use of scrap and by purchasing steel slabs, of which contracts have been made.

The Group's operating profit is expected to improve. Interest expense will decline as cash flow continues to reduce net debt. The rationaliza-

Personnel at year-end		
	1994	1993
Steel Division	3 706	3 654
Thin Sheet Division	1 006	1 339
Metform	1 988	2 042
Steel Structure Division	558	91
Engineering Division	1 247	1 232
Other units	563	793
Total	9 068	9 151
employed in Finland	7 069	7 200
abroad	1 999	1 951

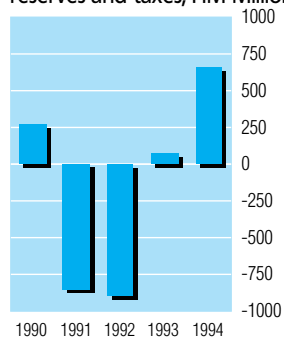
tion of the Group's structure and the elimination of duplicated effort will also improve the 1995 results. The net profit is expected to improve markedly, as are the key figures for shares.

Oy Transtech Ltd, which is part of the Engineering Division, has operated at a loss. The future of Transtech will be determined in the spring according to how its order books develop.

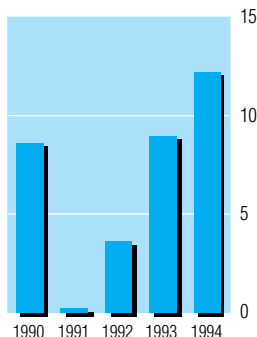
The Group's turnover according to the accounting principles of 1994 is estimated at FIM 8.5

billion. In 1995 the turnover will be calculated according to an EU directive ruling that sales freight expenses will not be subtracted from the turnover. Changes in the exchange rate of the Finnish mark may affect the increase in turnover.

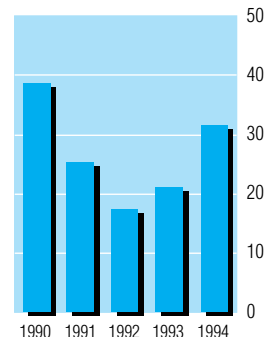
Profit before extraordinary items, reserves and taxes, FIM Million



Return on net assets, %



Equity ratio, %



CONSOLIDATED PROFIT AND LOSS ACCOUNT

		1.1.–31.12.1994		1.1.–31.12.1993	
		1 000 FIM	(%)	1 000 FIM	(%)
TURNOVER	(1)	7 613 310	(100.0)	7 011 292	(100.0)
Change in stock of finished products		164 105	(2.2)	– 13 083	(– 0.2)
Production for own use		53 940	(0.7)	55 000	(0.8)
Other income on business operations		87 244	(1.1)	50 252	(0.7)
Share of associated companies' profit/loss		50 109	(0.7)	– 72 302	(– 1.0)
EXPENSES					
Materials, supplies and goods					
Purchases during the accounting period		3 566 472		3 242 204	
Change in inventories		– 49 051		– 1 294	
External services		310 136		207 012	
Wages and salaries	(2)	1 436 975		1 321 968	
Indirect employee costs	(2)	421 793		389 177	
Rents		183 798		180 467	
Other expenses		447 048	6 317 171 (83.0)	340 371	5 679 905 (81.0)
DEPRECIATION	(3)	601 397	(7.9)	589 072	(8.4)
OPERATING PROFIT		1 050 140	(13.8)	762 182	(10.9)
FINANCING INCOME AND EXPENSES (4)					
Dividend income		927		275	
Interest income		73 338		116 421	
Other financing income and expenses		– 24 130		4 430	
Currency exchange differences		54 969		– 214 000	
Interest expenses		– 497 729	– 392 625 (–5.2)	– 591 591	– 684 465 (–9.8)
PROFIT BEFORE EXTRAORDINARY ITEMS, RESERVES AND TAXES		657 515	(8.6)	77 717	(1.1)
EXTRAORDINARY INCOME AND EXPENSES (5)					
Extraordinary income		118 918		11 087	
Extraordinary expenses		– 336 911	– 217 993 (–2.9)	– 131 274	– 120 187 (–1.7)
PROFIT BEFORE RESERVES AND TAXES		439 522	(5.8)	– 42 470	(–0.6)
CHANGE IN DEPRECIATION DIFFERENCE		– 74 357	(–1.0)	370 715	(5.3)
CHANGE IN OPTIONAL RESERVES		49 800	(0.7)	106 223	(1.5)
DIRECT TAXES					
Taxes for the year		– 45 908		– 24 869	
Taxes for previous years		1 706		2 754	
Change in deferred tax liability		2 492	– 41 710 (–0.5)	–	– 22 115 (–0.3)
PROFIT BEFORE MINORITY INTEREST		373 255	(4.9)	412 353	(5.9)
MINORITY INTEREST OF PROFIT		– 565	(0.0)	– 4 182	(– 0.1)
GROUP PROFIT FOR THE YEAR		372 690	(4.9)	408 171	(5.8)

CONSOLIDATED BALANCE SHEET

	1 000 FIM	31.12.1994	(%)	1 000 FIM	31.12.1993	(%)
ASSETS						
FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS (7-11)						
Intangible assets						
Establishing and organizing expenses	26 238			33 464		
Research and development expenses	—			1 804		
Intangible rights	17 137			78 475		
Goodwill	336 485			373 849		
Other long-term expenses	33 187	413 047	(3.8)	77 204	564 796	(5.2)
Tangible assets						
Land and water areas	135 640			138 755		
Buildings and structures	1 725 759			1 812 794		
Machinery and equipment	3 303 839			3 581 396		
Advance payments and incomplete acquisitions	158 211	5 323 449	(49.1)	90 283	5 623 228	(51.9)
Securities included in fixed assets and other long-term investments						
Stocks and shares in associated companies	745 133			674 815		
Other stocks and shares	109 563			131 051		
Long-term loans receivable	276 522	1 131 218	(10.4)	289 579	1 095 445	(10.1)
VALUATION ITEMS (12)						
Pension liabilities	296 282			288 533		
Other valuation items	40 504	336 786	(3.1)	101 165	389 698	(3.6)
CURRENT ASSETS (13)						
Inventories						
Materials and supplies	574 062			496 695		
Finished and semi-finished products	725 871			446 639		
Advance payments	42 121	1 342 054	(12.4)	6 601	949 935	(8.8)
Receivables (14)						
Accounts receivable	1 210 002			1 132 830		
Short-term loans and other receivables	104 129			171 512		
Accruals	221 348			147 536		
Other short-term receivables	52 934	1 588 413	(14.7)	32 108	1 483 986	(13.7)
Marketable securities included in current assets		512 956	(4.7)		546 094	(5.0)
Cash in hand and at bank		186 587	(1.7)		179 801	(1.7)
		3 630 010	(33.5)		3 159 816	(29.2)
		10 834 510	(100.0)		10 832 983	(100.0)

	1 000 FIM	31.12.1994	(%)	1 000 FIM	31.12.1993	(%)
LIABILITIES						
SHAREHOLDERS' INTERESTS (16)						
Restricted equity						
Share capital	1 202 284			1 018 284		
Reserve fund	782 388			174 563		
Revaluation fund	195 000			195 000		
Translation adjustment	- 14 898	2 164 774		38 275	1 426 122	
Nonrestricted equity						
Loss from previous years	- 228 166			- 645 619		
Profit for the year	372 690			408 171		
Other nonrestricted equity	- 4 840	139 684		-	- 237 448	
		2 304 458	(21.3)		1 188 674	(11.0)
MINORITY INTERESTS		250	(0.0)		17 742	(0.2)
OPTIONAL RESERVES AND ACCUMULATED DEPRECIATION DIFFERENCE (17)						
Accumulated depreciation difference	804 160			729 803		
Optional reserves	291 844	1 096 004	(10.1)	341 643	1 071 446	(9.9)
OBLIGATORY PROVISIONS (6)						
Uncovered pension liability	335 601			288 533		
Other obligatory provisions	18 597	354 198	(3.3)	-	288 533	(2.7)
EXTERNAL LIABILITIES (18)						
Long-term						
Bonds	1 111 608			996 354		
Convertible bonds	500			-		
Loans from financial institutions	2 876 235			4 022 041		
Pension loans	705 100			731 934		
Advanced payments	1 008			-		
Deferred tax liability	3 484			-		
Other long-term debts	33 946	4 731 881	(43.7)	37 400	5 787 729	(53.4)
Short-term						
Loans from financial institutions	648 334			1 326 367		
Pension loans	1 107			1 427		
Advanced payments	67 214			39 087		
Accounts payable	531 111			425 885		
Accruals	605 973			518 336		
Other short-term debts	493 980	2 347 719	(21.7)	167 757	2 478 859	(22.9)
		7 079 600	(65.3)		8 266 588	(76.3)
		10 834 510	(100.0)		10 832 983	(100.0)

CONSOLIDATED FUNDS STATEMENT

FIM Million	1.1.–31.12.1994	1.1.–31.12.1993
BUSINESS OPERATIONS		
From operations		
Operating profit	1 050.1	762.2
Depreciation	601.4	589.1
Share of associated companies' profit/loss	– 50.1	69.9
Financing income and expenses	– 519.1	– 486.1
Extraordinary items and adjustment of sales profits/losses of fixed assets	18.0	– 19.5
Taxes	– 41.7	– 22.1
	1 058.6	893.5
CHANGE IN NET WORKING CAPITAL		
Change in inventories	– 277.2	5.2
Change in short-term receivables	– 104.5	– 60.3
Change in non-interest bearing short-term debts	229.1	– 60.3
	– 152.6	– 115.4
CASH FLOW FROM OPERATIONS	906.0	778.1
INVESTMENTS		
Investments in fixed assets	– 543.5	– 432.4
Decrease of fixed assets	100.4	101.5
	– 443.1	– 330.9
CASH FLOW BEFORE FINANCING	462.9	447.2
FINANCING		
Change in long-term receivables	13.1	10.4
Change in long-term debts	– 929.3	– 19.7
Change in short-term debts	– 360.3	– 1 051.5
Minority interests	– 4.6	– 10.4
Share issue	791.8	320.0
Other financing items	– 5.3	– 5.3
	– 489.3	– 756.5
CHANGE IN LIQUID ASSETS	– 26.4	– 309.3

The items of the funds statement cannot directly be derived from the balance sheet and the profit and loss account due to sold and acquired subsidiaries and changes in exchange rates, for example.

RAUTARUUKKI OY PROFIT AND LOSS ACCOUNT

		1.1.–31.12.1994		1.1.–31.12.1993	
		1 000 FIM	(%)	1 000 FIM	(%)
TURNOVER	(1)	5 486 686	(100.0)	4 942 610	(100.0)
Change in stock of finished goods		136 435	(2.5)	36 422	(0.7)
Production for own use		39 687	(0.7)	42 972	(0.9)
Other income on business operations		70 455	(1.3)	26 928	(0.6)
EXPENSES					
Materials, supplies and goods					
Purchases during the accounting period		2 699 928		2 360 399	
Change in inventories		– 8 944		– 6 725	
External services		195 568		137 139	
Wages and salaries	(2)	900 377		849 554	
Indirect employee costs	(2)	273 619		250 029	
Rents		30 852		32 440	
Other expenses		149 522	4 240 922 (77.3)	132 094	3 754 930 (76.0)
DEPRECIATION	(3)	405 251	(7.4)	400 228	(8.1)
OPERATING PROFIT		1 087 090	(19.8)	893 774	(18.1)
FINANCING INCOME AND EXPENSES (4)					
Dividend income		907		3	
Interest income		151 520		139 031	
Currency exchange differences		44 235		– 204 418	
Interest expenses		– 462 526		– 493 390	
Other financing income and expenses		– 17 021	– 282 885 (–5.2)	8 887	– 549 887 (–11.1)
PROFIT BEFORE EXTRAORDINARY ITEMS,					
RESERVES AND TAXES		804 205	(14.7)	343 887	(7.0)
EXTRAORDINARY ITEMS	(5)				
Extraordinary income		97 131		17 095	
Extraordinary expenses		– 651 733	– 554 602 (–10.1)	– 343 613	– 326 518 (–6.6)
PROFIT BEFORE RESERVES AND TAXES		249 603	(4.5)	17 369	(0.4)
CHANGE IN DEPRECIATION DIFFERENCE		– 87 648	(–1.6)	354 730	(7.2)
CHANGE IN OPTIONAL RESERVES		– 5 567	(–0.1)	103 840	(2.1)
DIRECT TAXES					
Taxes for the year		– 37 500		– 20 000	
Taxes for previous years		1 824	– 35 676 (–0.6)	1 107	– 18 893 (–0.4)
PROFIT FOR THE YEAR		120 712	(2.2)	457 046	(9.2)

RAUTARUUKKI OY BALANCE SHEET

	31.12.1994		31.12.1993	
	1 000 FIM	(%)	1 000 FIM	(%)
ASSETS				
FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS (7-11)				
Intangible assets				
Establishing and organizing expenses	26 162		33 465	
Intangible rights	13 295		13 249	
Goodwill	340 734		129 419	
Other long-term expenses	29 873	410 064	69 345	245 478
Tangible assets				
Land and water areas	33 169		32 949	
Buildings and structures	1 250 720		1 256 442	
Machinery and equipment	2 887 424		3 083 580	
Other tangible assets	599		590	
Advance payments and incomplete acquisitions	140 868	4 312 780	67 421	4 440 982
Securities included in fixed assets and other long-term investments				
Stocks and shares in subsidiaries	640 866		621 969	
Other stocks and shares	905 000		904 039	
Long-term loans receivable	1 065 396	2 611 262	1 023 538	2 549 546
		7 334 106 (69.2)		7 236 006 (71.6)
VALUATION ITEMS (12)				
Pension liabilities	282 986		286 857	
Other valuation items	37 046	320 032 (3.0)	100 667	387 524 (3.8)
CURRENT ASSETS (13)				
Inventories				
Materials and supplies	299 127		290 021	
Finished and semi-finished products	449 153		225 948	
Advance payments	27 704	775 984 (7.3)	1 275	517 244 (5.1)
Receivables (14)				
Accounts receivable	948 662		865 964	
Short-term loans and other receivables	348 171		376 293	
Accruals	190 307		101 669	
Other short-term receivables	85 284	1 572 424 (14.8)	9 890	1 353 816 (13.4)
Marketable securities included in current assets		512 946 (4.8)		530 372 (5.2)
Cash in hand and at bank		91 632 (0.9)		90 490 (0.9)
		2 952 986 (27.8)		2 491 922 (24.6)
		10 607 124 (100.0)		10 115 452 (100.0)

		31.12.1994		31.12.1993	
	1 000 FIM		(%)	1 000 FIM	(%)
LIABILITIES					
SHAREHOLDERS' INTERESTS (16)					
Restricted equity					
Share capital	1 202 284			1 018 284	
Reserve fund	782 388			174 563	
Revaluation fund	195 000	2 179 672		195 000	1 387 847
Nonrestricted equity					
Profit from previous years	457 044			- 1	
Profit for the year	120 712	577 756		457 045	457 044
		2 757 428	(26.0)	1 844 891	(18.2)
OPTIONAL RESERVES AND ACCUMULATED DEPRECIATION DIFFERENCE (17)					
Accumulated depreciation difference	762 198			674 550	
Optional reserves	281 891	1 044 089	(9.8)	276 324	950 874 (9.4)
OBLIGATORY PROVISIONS (6)					
Uncovered pension liability	282 987			286 858	
Other obligatory provisions	420	283 407	(2.7)	-	286 858 (2.8)
EXTERNAL LIABILITIES (18)					
Long-term					
Bonds	1 111 608			996 354	
Convertible bonds	500			-	
Loans from financial institutions	1 850 435			1 739 898	
Pension loans	635 359			619 178	
Other long-term debts	913 689	4 511 591	(42.5)	1 434 906	4 790 336 (47.4)
Short-term					
Loans from financial institutions	581 564			619 495	
Pension loans	840			445	
Advanced payments	22 609			7 450	
Accounts payable	401 114			289 225	
Accruals	465 308			412 135	
Other short-term debts	539 174	2 010 609	(19.0)	913 743	2 242 493 (22.2)
		6 522 200	(61.5)	7 032 829	(69.6)
		10 607 124	(100.0)	10 115 452	(100.0)

RAUTARUUKKI OY FUNDS STATEMENT

FIM Million	1.1.–31.12.1994	1.1.–31.12.1993
BUSINESS OPERATIONS		
From operations		
Operating profit	1 087.1	893.8
Depreciation	405.2	400.2
Financing income and expenses	– 409.4	– 353.5
Extraordinary items and adjustment of sales profits/losses of fixed assets	– 8.8	– 225.8
Taxes	– 35.7	– 18.9
	<hr/> 1 038.4	<hr/> 695.8
CHANGE IN NET WORKING CAPITAL		
Change in inventories	– 171.8	– 44.4
Change in short-term receivables	– 218.6	– 172.7
Change in non-interest bearing short-term debts	199.3	– 51.0
	<hr/> – 191.1	<hr/> – 268.1
CASH FLOW FROM OPERATIONS	847.3	427.7
INVESTMENTS		
Net change in fixed assets	– 590.1	– 234.6
CASH FLOW BEFORE FINANCING	257.2	193.1
FINANCING		
Change in long-term receivables	– 481.9	62.5
Change in long-term debts	– 152.2	173.7
Change in short-term debts	– 431.2	– 412.5
Share issue	791.8	320.0
	<hr/> – 273.5	<hr/> 143.7
CHANGE IN LIQUID ASSETS	– 16.3	336.8

NOTES TO THE ACCOUNTS

ACCOUNTING PRINCIPLES

Rautaruukki's financial statements for 1994 were drawn up in accordance with the new Accounting Act. The effect of the change in accounting practice is reported separately for the item in question.

Accounting principles for the financial statements

The consolidated financial statements include the financial statements of Rautaruukki Oy plus those of those companies in which the parent company, either directly or through its subsidiaries, holds over 50 per cent of the voting rights conferred by stocks or shares. Certain companies over which the company has administrative authority have also been consolidated.

Investments in associated companies (holding 20–50 per cent) have been included in the consolidated financial statements as of 1994, using the equity method. The Group's share in the associated companies' profits for the accounting period, according to the Group's holding in these companies, is given on a separate line in the profit and loss account. The associated companies' accumulated results from previous years are taken into account as a reduction in the previous year's nonrestricted equity and as comparative information in the profit and loss account. The cumulative effect on the nonrestricted equity for 1993 of the associated companies not included in the consolidated financial statements was FIM –241 million and the effect on the net profit for the year was FIM – 72 million. The results of the associated company belonging to the US-based subgroup were included in the Group result earlier.

The consolidated financial statements do not include subsidiary or associated housing corporations, real estate corporations and dormant companies which do not make a significant contribution.

Companies acquired during the accounting period are included in the consolidated financial statements from the date of acquisition, and the sold companies are included up to the sale date. According to the previous practice, until 1993, the profit and loss accounts of companies sold during the accounting period are not included in the consolidated financial statements for the accounting year when the sale was made. The same principles were applied when Group companies were merged or wound up during the accounting period.

All intra-Group transactions, unrealized profits of internal deliveries, internal receivables and debts, and internal dividend payments were eliminated when the consolidated financial statements were drawn up.

The past-equity method has been used when eliminating mutual share ownership. Goodwill has been calculated by deducting the Group's share of the subsidiary's or associated company's equity from the acquisition price. If the current value of a subsidiary's fixed assets exceeds its book value, goodwill is allocated to the subsidiary's fixed asset items. This allocated portion is depreciated in accordance with the planned depreciation for the fixed asset in question. The remainder of the goodwill is treated as goodwill of the subsidiary or associated company, which is depreciated over its effective period (no more than 10 years).

The goodwill of associated companies is included in the balance sheet value of associated companies and the depreciation on it is deducted from the associated companies' profit in the profit and loss account. In Finnish financial statements, the depreciation of associated companies' goodwill was started in 1994 in such a way that the depreciation period does not exceed ten years calculated from the acquisition year.

Dividends received from associated companies have been eliminated from the consolidated financial statements.

In a subgroup, goodwill has also been allocated to untaxed reserves in previous years. The goodwill allocated to reserves has been depreciated to the extent that the reserves in the subsidiary at the time of acquisition have been recognized as income.

Minority interests have been separated from the Group's shareholders' interests, from optional reserves and from the profit, and they are shown as a separate item in the consolidated balance sheet and the profit and loss account.

Amounts in foreign currency

Items in foreign currency have been entered at the rate current on the transaction date. Balance sheet items which were still open at the end of the accounting period have been valued at the date the books were closed. An exception is the items hedged with forward agreements, which have been valued at the forward rate, and the interest on the forward transaction has been matched over the validity period of the contract. The interest in question has been included in the interest item, whereas it was previously included in exchange rate differences (other financing income and expenses). Hedging expenses in 1993 amounted to FIM 134 million. Exchange rate differences related to ordinary business operations are treated as adjustment items in turnover and purchases. Exchange differences connected to financing are given under financial income and expenses in the profit and loss account. The exchange rate difference on forward transactions taken with the aim of hedging has been used to adjust the exchange rate difference on the hedged item.

In the consolidated financial statements, the balance sheet items of foreign companies have been translated into Finnish marks at the rate quoted by the Bank of Finland on the last day of the accounting period. The rate for the last day of the accounting period was also used for the profit and loss account in previous years. As of 1994, profit and loss accounts have been translated into Finnish marks at the average rate for the accounting period. Using the average rate for the year on the turnover in the profit and loss account in 1993 would have increased it by FIM 75 million; the change of rate would not have affected the net profit for the year.

Translation differences of shareholders' interests are included in the shareholders' interest in such a way that the translation difference of the restricted equity at the time of acquisition is in the restricted equity and the translation difference of the nonrestricted equity at the time of acquisition is in the nonrestricted equity. A translation difference resulting from translating a profit and loss account and a balance sheet at different rates is given in the nonrestricted equity.

Covering pension expenses and pension liabilities

The Group companies apply different pension systems in each country according to local conditions and conventions. Pension expenses are calculated on the basis of time and they are entered in the profit and loss account. Pensions are normally arranged through pension insurance companies or pension funds.

The uncovered pension liability from previous years is given in the valuation items and in the obligatory reserves. Uncovered pension liability was included in pension loans in previous years.

Inventories

Inventories are valued at the acquisition price, or at the probable replacement price or selling price (if lower). The costs are defined on a FIFO basis.

In contrast to previous accounting periods, also overhead costs connected to manufacturing have been capitalized in the inventories in addition to capitalizing the direct purchase cost. The change in the valuation conven-

NOTES TO THE ACCOUNTS

tion has no substantial effect on the Group's operating profit. The share of the initial inventories, which is shown in the extraordinary items in the profit and loss account, improved the profit for the year before appropriations and taxes by FIM 87 million for the parent company and FIM 115 million for the Group.

Fixed assets and depreciation

The values of fixed assets are based on the original acquisition cost, with the exception of the revaluation of certain land areas and buildings.

Wearing assets are depreciated according to a plan based on the estimated economic useful life of the asset.

The interest for the construction period of the coking plant, the planned residual value of which was FIM 48 million on 31 December 1993, was in previous years included in other long-term expenses of fixed assets and their depreciation for 1993, being FIM 8 million, was included in planned depreciation. In 1994 it was transferred to valuation items and its expense entries, which is FIM 5 million a year, are entered in the interest expenses in the profit and loss account over 8 years.

Gains and losses on the sale of fixed assets are included in the profit and loss account, either in the operating profit or in extraordinary items, depending on the nature of the transactions. Gains and losses on the sale of

fixed assets that were included in the comparative information in the 1993 profit and loss account, totalling FIM 5 million, have been transferred to other income on business operations.

Extraordinary income and expenses

In consolidated financial statements prepared according to Finnish conventions, both the income and expenses in the profit and loss accounts which cannot be attributed to regular business are, according to the new practice, stated as extraordinary income and expenses. In the comparison information for 1993, a loss of FIM 5 million in proceeds and losses on sale of fixed assets formerly included under other income and expenses has been transferred to other income on business operations, an associated company's FIM 2 million loss has been transferred to the line for associated companies' results, and an associated company's value adjustment of FIM 5 million has been taken into account in the adjustment for associated companies made in the net profit for the year.

Taxes

The consolidated financial statements include direct taxes based on Group companies' taxable profits for the year, and they have been calculated according to local tax legislation.

Deferred tax has not been taken into account because it may be assumed that reserves need not be disbursed in such way as to invoke taxation.

1. Turnover by divisions and by market areas

Turnover by divisions

Turnover is calculated by deducting value added taxes, discounts, bad debts and other sales adjustment items from the proceeds from the sale of products and services.

	Group				Rautaruukki Oy			
	1994 MFIM	1994 %	1993 MFIM	1993 %	1994 MFIM	1994 %	1993 MFIM	1993 %
Steel Division	2 189.1	28.8	2 149.5	30.7	2 118.1	38.6	2 078.8	42.1
Thin Sheet Division	1 780.3	23.4	1 969.7	28.1	2 257.4	41.1	1 878.9	38.0
Metform	2 192.7	28.8	2 086.9	29.8	958.9	17.5	895.2	18.1
Steel Structure Division	600.1	7.9			23.9	0.4		
Engineering Division	407.3	5.3			124.6	2.3		
Other units	443.8	5.8	805.2	11.5	3.8	0.1	89.7	1.8
	7 613.3	100.0	7 011.3	100.0	5 486.7	100.0	4 942.6	100.0

Turnover by market areas

	Group				Rautaruukki Oy			
	1994 MFIM	1994 %	1993 MFIM	1993 %	1994 MFIM	1994 %	1993 MFIM	1993 %
Finland	2 420.5	31.8	1 857.4	26.5	2 285.4	41.7	1 679.1	34.0
Other EFTA countries	1 541.7	20.3	1 560.8	22.3	797.1	14.5	740.5	15.0
EU	2 572.7	33.8	2 614.9	37.3	1 793.8	32.7	1 778.0	36.0
Other Europe	512.9	6.7	289.5	4.1	133.6	2.4	117.1	2.4
United States	393.6	5.2	374.6	5.3	324.3	5.9	349.2	7.1
Other countries	171.9	2.3	314.2	4.5	152.5	2.8	278.7	5.6
Total external turnover	7 613.3	100.0	7 011.3	100.0	5 486.7	100.0	4 942.6	100.0
of which exports and international operations	5 231.2	68.7	5 185.7	74.0	3 201.3	58.3	3 263.5	66.0

2. Wages, salaries and other personnel expenses

Salaries, wages and fringe benefits

FIM Million	1994	Group 1993	Rautaruukki Oy	
			1994	1993
Salaries, fees and fringe benefits of members of the Supervisory Board and Board and Managing Directors	21.0	21.4	4.8	5.1
Other salaries, wages and fringe benefits	1 423.6	1 309.5	898.5	847.0
	1 444.6	1 330.9	903.3	852.1
Including fringe benefits	7.6	8.9	2.9	2.5
Wages and salaries in the profit and loss account	1 437.0	1 322.0	900.4	849.6

Indirect employee expenses

FIM Million	1994	Group 1993	Rautaruukki Oy	
			1994	1993
Pension insurance premiums and pensions	207.0	180.3	166.7	141.3
Other indirect personnel expenses	214.8	208.9	106.9	108.7
	421.8	389.2	273.6	250.0

3. Depreciation and change in depreciation difference

Planned depreciation is based on the original acquisition cost of the fixed asset and the estimated economic life, which in the case of buildings and structures is 10 – 40 years, 20 years for process machinery and equipment as well as vessels, 5 years for computer equipment and software, and 5 – 10 years for other machinery and equipment.

Licence fees included in intangible rights, establishing and organizing expenses and other long-term expenses are depreciated on the straight-line basis over a 5 – 10 year period.

Depreciation is calculated from the beginning of the month after the item is taken into use.

Rautaruukki Oy planned depreciation and change in depreciation difference by the balance sheet line:

1 000 FIM	Accumulated difference in depreciation 1.1.94	Planned depre- ciation 1994	Total depre- ciation 1994	Change in depreciation 1994	Change in deprec. diff. in sales and 1994 adjustments	Accumul difference 31.12.94
Establishing and organizing expenses	1 206	7 357	7 356	– 1		1 205
Intangible rights	59	1 695	1 869	174		233
Goodwill	0	16 177	41 353	25 176		25 176
Other long-term expenses	6 055	8 262	11 209	2 947	– 2 905	6 097
Buildings and structures	219 405	43 249	238 779	195 530	5 471	420 406
Machinery and equipment	447 824	328 512	190 136	– 138 376	– 368	309 080
	674 550	405 252	490 702	85 450	2 198	762 198

In the case of international subsidiaries, the planned depreciation used is in accordance with local accounting practice, which is not significantly different from the principles applied to depreciation by the parent company.

4. Financing income and expenses

Interest income

FIM Million	1994	Group 1993	Rautaruukki Oy	
			1994	1993
From long-term investments	20.0	29.1	77.0	72.1
From short-term investments	53.3	87.3	74.5	66.9
	73.3	116.4	151.5	139.0

Intra-Group financing income and expenses

FIM Million	Rautaruukki Oy	
	1994	1993
Financing income from Group companies		
Dividend income	0.0	0.0
Interest income from long-term investments	70.8	43.5
Interest income from short-term investments	24.7	11.9
Other financing income	0.0	0.0
	95.5	55.4
Financing expenses paid to Group companies		
Interest expenses	104.6	182.4
Other financing expenses	– 1.0	– 0.9
	103.6	181.5

5. Extraordinary income and expenses

FIM Million	1994	Group 1993	Rautaruukki Oy	
			1994	1993
Extraordinary income				
Revaluation of inventories	115.1		86.9	
Value adjustments in the securities included in fixed assets		11.1		11.1
Group contributions			10.2	6.0
Other extraordinary income	3.8			
	118.9	11.1	97.1	17.1
Extraordinary expenses				
Write-down on subsidiary shares			– 83.4	– 190.3
Write-down on other subsidiary investments				– 440.0
Write-down on other shares	– 26.7	– 10.3	– 26.7	– 15.3
Loss on sales of fixed assets and extraordinary depreciation	– 204.8			– 5.3
Change in exchange losses activated in 1991	– 100.7	– 100.7	– 100.7	– 100.7
Group contributions				– 13.0
Loss on doubtful receivables		– 10.5		– 10.4
Expenses due to contingent liabilities and restructuring expenses	– 4.7	– 9.8	– 0.9	– 8.6
	– 336.9	– 131.3	– 651.7	– 343.6
Total extraordinary items	– 218.0	– 120.2	– 554.6	– 326.5

6. Obligatory provisions

Obligatory provisions include uncovered pension liabilities and liability due to pensions paid directly by the Group companies. The part of the change in liability, which has not been booked through profit and loss account, is shown on the assets side of the balance sheet under valuation items. In earlier years uncovered pension liabilities were included on pensions loans item in the balance sheet.

Obligatory provisions also include guarantee, restructuring and other provisions for future liabilities and charges.

FIM Million	1994	Group 1993	Rautaruukki Oy	
			1994	1993
Pension liabilities 1.1.	288.5	286.3	286.9	284.8
Change	47.1	2.2	– 3.9	2.1
	335.6	288.5	283.0	286.9
Other obligatory reserves				
Increase in 1994	18.6		0.4	

NOTES TO THE ACCOUNTS

7. Tangible and intangible assets

Intangible assets

	MFIM 1994	Group MFIM 1993	Rautaruukki Oy	
			1000FIM 1994	1000FIM 1993
Establishing and organization expenses				
Acquisition cost 1.1.	79.8	75.6	79 761	75 553
Increases 1.1.–31.12.	0.1	4.2	55	4 208
Acquisition cost 31.12.	79.9	79.8	79 816	79 761
Accumul. planned depreciation 1.1.	46.3	39.1	46 297	39 053
Planned depreciation 1.1.–31.12.	7.4	7.2	7 357	7 244
Book value 31.12.	26.2	33.5	26 162	33 464
Research and development expenses				
Acquisition cost 1.1.	4.5	4.5		
Decreases and adjustment 1.1.–31.12.	0.5			
Acquisition cost 31.12.	4.0	4.5		
Accumul. planned depreciation 1.1.	3.5	2.3		
Planned depreciation 1.1.–31.12.	0.5	0.4		
Book value 31.12.	0.0	1.8		
Intangible rights				
Acquisition cost 1.1.	122.8	120.2	30 941	36 884
Increases 1.1.–31.12.	0.6	8.6	1 741	609
Decreases and adjustment 1.1.–31.12.	50.9	5.4		6 552
Acquisition cost 31.12.	72.5	123.4	32 682	30 941
Accumul. planned depreciation 1.1.	44.8	33.7	17 692	17 313
Accumul. planned depreciation of decreases and adjustment 1.1.–31.12.				1 385
Planned depreciation 1.1.–31.12.	10.6	11.2	1 695	1 764
Book value 31.12.	17.1	78.5	13 295	13 249
Goodwill				
Book value 1.1.	369.4	378.5	129 419	145 596
Increases 1.1.–31.12.	45.4	52.1	227 492	
Decreases and adjustment 1.1.–31.12.	9.1	0.1		
Planned depreciation 1.1.–31.12.	69.2	56.7	16 177	16 177
Book value 31.12.	336.5	373.8	340 734	129 419
Other long-term expenses				
Acquisition cost 1.1.	154.3	146.5	141 417	130 045
Increases 1.1.–31.12.	16.7	11.0	17 072	11 372
Decreases and adjustment 1.1.–31.12.	46.8	0.9	81 751	
Acquisition cost 31.12.	124.2	156.6	76 738	141 417
Accumul. planned depreciation 1.1.	77.4	58.3	72 072	55 442
Accumul. planned depreciation of decreases and adjustment 1.1.–31.12.			33 469	
Planned depreciation 1.1.–31.12.	13.7	21.1	8 262	16 630
Book value 31.12.	33.1	77.2	29 873	69 345

Tangible assets

	MFIM 1994	Group MFIM 1993	Rautaruukki Oy	
			1000FIM 1994	1000FIM 1993
Land and water areas				
Book value 1.1.	133.1	140.4	32 949	32 818
Increases 1.1.–31.12.	9.6	0.4	220	131
Decreases and adjustment 1.1.–31.12.	7.1	2.0		
Book value 31.12.	135.6	138.8	33 169	32 949

	MFIM 1994	Group MFIM 1993	Rautaruukki Oy	
			1000FIM 1994	1000FIM 1993
Revaluations included in the acquisition cost of land areas				
Revaluations 1.1.	14.0	14.0	14 000	14 000
Increase 1.1.–31.12.				
Decrease 1.1.–31.12.				
Revaluations 31.12.	14.0	14.0	14 000	14 000
Buildings and structures				
Acquisition cost 1.1.	2 516.7	2 521.4	1 831 189	1 810 978
Increases 1.1.–31.12.	110.4	40.3	40 012	22 163
Decreases and adjustment 1.1.–31.12.	100.5	16.4	3 297	1 952
Acquisition cost 31.12.	2 526.6	2 545.3	1 867 904	1 831 189
Accumul. planned depreciation 1.1.	720.8	662.6	574 747	533 115
Accumulated planned depreciation of decreases and adjustment 1.1.–31.12.			812	250
Planned depreciation 1.1.–31.12.	80.0	69.9	43 249	41 882
Book value 31.12.	1 725.8	1 812.8	1 250 720	1 256 442
Revaluations included in the acquisition cost of buildings				
Revaluations 1.1.	181.0	181.0	181 000	181 000
Changes 1.1.–31.12.				
Revaluations 31.12.	181.0	181.0	181 000	181 000
Machinery, equipment and other material goods				
Acquisition cost 1.1.	6 883.8	6 753.5	5 784 389	5 641 458
Increases 1.1.–31.12.	229.2	210.6	136 757	167 573
Decreases and adjustment 1.1.–31.12.	71.0	40.7	9 537	24 642
Acquisition cost 31.12.	7 042.0	6 923.4	5 911 609	5 784 389
Accumul. planned depreciation 1.1.	3 323.4	2 920.7	2 700 219	2 383 688
Accumul. planned depreciation of decreases and adjustment 1.1.–31.12.			5 145	
Planned depreciation 1.1.–31.12.	414.8	421.4	328 511	316 531
Book value 31.12.	3 303.8	3 581.3	2 888 023	3 084 169
Advance payments and incomplete acquisitions				
Acquisition cost 1.1.	90.3	42.0	67 421	34 095
Changes 1.1.–31.12.	67.9	48.3	73 447	33 326
Book value 31.12.	158.2	90.3	140 868	67 421

8. Taxation values of fixed assets

The taxation values of real property and shares have been shown at the most recently confirmed taxation value. If no taxation value is in use, the book value is given.

FIM Million	1994	Group 1993	Rautaruukki Oy	
			1994	1993
Land and water areas	77.4	59.6	53.4	32.3
Buildings and structures	885.8	988.5	563.9	583.6
Stocks and shares	1 053.1	808.8	1 525.0	1 207.8

9. Stocks, shares and loans receivable included in long-term investments

Long-term loans receivable includes loans due for repayment in one year or later. Loans receivable in foreign currency have been valued in the manner described in the notes to the accounts.

FIM Million	Rautaruukki Oy	
	1994	1993
Group companies		
Shares	640.9	622.0
Loans receivable	795.1	740.4
	1 436.0	1 362.4
Associated companies		
Shares	827.9	807.6
Loans receivable	223.5	240.0
	1 051.4	1 047.6
Loans receivable include subordinated loans		
To subsidiaries	264.1	306.7
To associated companies	188.5	181.5
To other companies	1.4	1.4
	454.0	489.6
Long-term receivables from the company's Board members	0.1	0.1

10. Fixed assets and other long-term investments, summary

Group	Intangible assets	Tangible assets	Stocks and shares	Loans receivable	Total
FIM Million					
Acquisition cost 1.1.94	730.8	9 624.0	805.9	289.6	11 450.3
Increases 1.1.-31.12.	62.8	417.1			479.9
Decreases and adjustments 1.1.-31.12.	-107.3	-178.6			-285.9
Change in loans receivable and shares			-1.2	-13.1	-14.3
Acquisition cost 31.12.94	686.3	9 862.5	804.7	276.5	11 630.0
Accumul. planned depreciation 1.1.94	172.0	4 044.2			4 216.2
Associated companies' profits			50.1		50.1
Planned depreciation 1.1.-31.12.94(*)	101.4	494.8			596.2
Book value 31.12.94	412.9	5 323.5	854.8	276.5	6 867.7
Book value 31.12.93	564.8	5 623.2	805.9	289.8	7 283.5
*) depreciation calculated at the exchange rate of profit and loss account	101.9	499.5			601.4

Rautaruukki Oy	Intangible assets	Tangible assets	Stocks and shares	Loans receivable	Total
FIM Million					
Acquisition cost 1.1.94	381.5	7 715.9	1 526.0	1 023.5	10 647.0
Increases 1.1.-31.12.	246.4	250.4	314.5	839.5	1 650.8
Decreases and adjustments 1.1.-31.12.	81.8	12.8	294.6	797.6	1 186.8
Acquisition cost 31.12.94	546.1	7 953.5	1 545.9	1 065.4	11 111.0
Accumul. planned depreciation 1.1.94	136.1	3 275.0			3 411.0
Accumulated planned depreciation of decreases and adjustment 1.1.-31.12.	33.4	6.0			39.4
Planned depreciation 1.1.-31.12.94	33.5	371.8			405.2
Book value 31.12.94	410.1	4 312.8	1 545.9	1 065.4	7 334.1
Book value 31.12.93	245.5	4 441.0	1 526.0	1 023.5	7 236.0

11. Stocks and shares 31.12.1994

The statutory financial statements also include information on the profits/losses and equities of the subsidiaries and associated companies.

Company name	Number of shares	Group voting rights, %	Nominal value thousands	Book values 1 000 FIM held by	
				Rautaruukki Oy	other Group companies
Subsidiaries of Rautaruukki Oy:					
Biglo Oy	500	100.0	500	0	
A/S Carl Christensen og Brødre Holding	66	100.0	NOK 2 310	98 583	
Etnarör Ab	100	100.0	1	1	
JIT-Stål AB	570 000	100.0	SEK 57 000	89 371	
Oy JIT-Trans Ltd	150	100.0	1 500	5 500	
August Lindberg Oy	5	100.0	250	3 662	
Metalcolour A/S	20 000	100.0	DKK 10 000	15 969	
Nordicon Oy	60	100.0	60	601	
Rannila Steel Oy	1 000	100.0	10 000	55 000	
Rautaruukki Holding GmbH		100.0	DEM 4 000	169 674	
Rautaruukki Holding B.V.		100.0	NLG 40	85	
Rautaruukki (Norge) A/S	200	100.0	NOK 200	260	
Rautaruukki Polska Sp. z o.o.		100.0	PLZ 21 534 000	5 661	
Rautaruukki (S.E.A.) Pte Ltd	100	100.0	SGD 100	383	
Rautaruukki Tube Holding A/S	1 000	100.0	DKK 1 000	1 388	
Rautaruukki (UK) Ltd	10 000	100.0	GBP 10	81	
Rautaruukki (USA) Inc.	200	100.0	USD 0.2	5 919	
Rautaruukki Verwaltungs-GmbH		100.0	DEM 50	88 327	
Star Tubes (UK) Ltd	2 800 000	100.0	GBP 2 800	13 167	165
SKJ-yhtiöt Oy	910	91.0	455	836	
Suomen Metalcolor Oy	160	100.0	8 000	15 421	
Oy Transtech Ltd	18 000	74.1	180 000	0	
Oy Datacity Advance Ab	122 100	100.0	12 210	210	
Kiinteistö Oy Dental-talo	26	65.0	13	751	

NOTES TO THE ACCOUNTS

Company name	Number of shares	Group voting rights, %	Nominal value thousands		Book values 1 000 FIM held by	
					Rautaruukki Oy	other Group companies
Hydoring Oy	10 000	100.0	100		3 893	
Mäkelä Metals Oy	500	100.0	5 000		45 000	
Kiinteistö Oy Myllynummentie 17	100	100.0	15		2 581	
Polarplan Oy	100	100.0	200		1 105	
Polartherm Oy	31 000	100.0	3 100		7 852	
Steel Building Systems Oy	1 520	76.0	91		91	
Kiinteistö Oy VM-hallit	80	100.0	80		1 356	
					632 728	165
Subsidiaries not eliminated from consolidated accounts:						
Housing and real estate corporations, 10 companies					7 749	
Other subsidiaries of Rautaruukki Oy (non-trading), 7 companies					108	
Non-eliminated subsidiaries, total					7 857	
					640 585	165
Subsidiaries of Mäkelä Metals Oy:						
Alamenti Oy	100	100.0	100		1 446	
Subsidiaries of Oy Datacity Advance Ab:						
DCA-Instruments Oy	990	71.0	990			990
Nordic Instruments Inc	10 000	71.0	10			41
						1 031
Subsidiaries of A/S Carl Christensen og Brødre Holding:						
A/S Carl Christensen og Brødre Grossist	300	100.0	NOK	300		90
A/S Scanprofil	14 000	100.0	NOK	14 000		8 768
						8 858
Subsidiaries of JIT-Stål AB:						
Gasell Industri AB	162 000	100.0	SEK	16 200		36 922
Rautaruukki AB	3 000	100.0	SEK	300		202
Rautaruukki Sverige AB	9 000	100.0	SEK	900		605
Wirsbo Stålrör AB	50 000	100.0	SEK	5 000		12 716
Structo DOM Europe AB	21 000	100.0	SEK	21 000		8 496
						58 940
Shipping companies						
		100.0				
Partrederiet för Rautaruukki						
Partrederiet för Kalla						
Partrederiet för Tasku						
Subsidiaries of Gasell Industri AB:						
Gasell Profil AB	500	100.0	SEK	500		35 556
GA Plagan AB	150 000	100.0	SEK	7 500		33 156
Gazell A/S	300	100.0	DKK	300		1 176
Gasell Metform AB	2 400	100.0	SEK	2 400		3 873
Gazell Profil Polska Sp. z o.o.	32	80.0	PLZ	40 000		6
Gasell Profil AS	100	100.0	NOK	50		35
						73 802
Subsidiaries of Rannila Steel Oy:						
AS Rannila Profiil	1 125	75.0		1 125		1 215
A/O Rannila Steel Rossija	48 100	100.0		144		144
						1 359
Subsidiaries of Rautaruukki Holding B.V.:						
Rautaruukki Finance B.V.	40	100.0	NLG	40		109
Subsidiaries of Rautaruukki USA Inc:						
Finnsteel Inc.	3 000	100.0	USD	30		142
Ruukki Inc.	100	100.0	USD	2 000		9 486
						9 629
Subsidiaries of Rautaruukki Holding GmbH:						
RR Tube Holding GmbH	100	100.0	DEM	50		12 399
MAS Seuthe GmbH		100.0	DEM	50		3 594
RAGAL Feinblech-Vertriebs GmbH		100.0	DEM	300		918
Schmacke Rohr GmbH		100.0	DEM	4 000	280	21 216
Rautaruukki Stahlservice GmbH		100.0	DEM	50		22 931
					280	61 059
Subsidiaries of RR Tube Holding GmbH:						
Carl Froh Röhrenwerk GmbH & Co		100.0	DEM	6 800		218 285
Carl Froh Verwaltungs-GmbH		100.0	DEM	200		680
						218 965
Subsidiaries of Rautaruukki Verwaltungs-GmbH:						
Rautaruukki (Deutschland) GmbH		100.0	DEM	100		918

Company name	Number of shares	Group voting rights, %	Nominal value thousands		Book values 1 000 FIM held by Rautaruukki Oy other Group companies	
Subsidiaries of Rautaruukki Tube Holding A/S::						
Nordisk Simplex A/S		100.0	DKK	20 000		29 902
Stelform A/S		100.0	DKK	30 000		25 625
						55 527
Subsidiaries of Structo DOM Europe AB:						
Storfors Energi AB	10 000	100.0	SEK	1 000		636
Structo (UK) Ltd	100	100.0	GBP	1		1
Structo AB	500	100.0	SEK	100		620
Structo Tubes AB	500	100.0	SEK	50		32
Structo Service AB	500	100.0	SEK	50		32
						1 320
Associated companies, share of voting rights 20–50 %:						
A+R Profilstahl GmbH	33	33.3	DEM	1 000		9 185
Asva Oy	770	20.0		7 700	47 823	
Bregal Bremer Galvanisierungsgesellschaft mbH		25.0	DEM	12 475		76 384
Feralloy North American Steel Co. L.P.		34.5	USD	5 523		18 906
Fincitec Oy	525	21.0		525	1 800	
Oy Finnlink Ab	10 187	29.3		127	5 840	
Fundia AB	1 750 000	50.0	SEK	175 000	461 230	
Heléns Rör AB	4 500	25.0	SEK	4 500	29 336	
Hämeen Kunnossapito Oy	1 350	45.0		135	270	
Idesco Oy	4 206	36.4		4 206	4 206	
Kiinteistö Oy Teknocent	1 916	47.9		1 916	1 916	
Laivanisännistöyhtiö Finn fellow	30	25.0				
Laivanisännistöyhtiö Finnmaid	293 997	29.4				
Laivanisännistöyhtiö Rail fellow	294 118	29.4		–	–	
Noptel Oy	510	34.0		510	1 755	
OC-System Oy	120	20.0		120	120	
Patron Products Inc.	49 000	48.9	CAD	49		180
PPTH Teräs Oy	20 000	40.0		20 000	20 002	
PR-Steel Oy	100	20.0		1		100
Raahen Kauppaklubin Kannatus Oy	15	33.3		150	151	
Raahen Seudun Kiinteistöhoito Oy	150	50.0		150	150	
Rannila-Centrostal Bydgoszcz Sp. z o.o.	13 202	49.0				1 687
Teknos Steel Oy	4 500	45.0		450	10 668	
TSV-insinöörit Oy	500	28.1		250	425	
YIT Corporation	3 993 800	19,6	(*95 >20)	39 938	242 179	
					827 871	106 442
					934 313	
Associated companies' profits and goodwill					– 189 180	
Associated companies' value in balance sheet					745 133	
Other stocks and shares, share of voting rights less than 20 %:						
Ancofer Stahlhandel GmbH		10.0	DEM	2 800		19 275
Brødrene Sundt Verktøymaskinfabrik A/S	2 939	15.0	NOK	74		140
Oy Datacity Center Ab	1 000	7.0		100	100	
Ekokem Oy Ab	230	1.3		460	460	
Europäisches Entwicklungszentrum für Kokertechnik GmbH						
	1	1.0	DEM	25	59	
Finnair Oy	15 600	0.0		78	764	
Helsingin Arvopaperipörssi Osuuskunta	1				150	
Incap Oy	17 436	8.8		1 744	2 720	
Innopoli Oy	22 000	2.4		2 200	2 500	
Kansallis-Osake-Pankki	1 050 000	0.1		5 250	6 941	
Oulun Teknologiakylä Oy	2 000	0.4		100	100	
Posion Kehitysyhtiö Oy	20	3.4		200	200	
Raahen Liikuntahalli Oy	17	8.5		17	1 055	
Raahen Teräsatama Oy	1	0.3		5	5	
Savonlinnan Oopperajuhlat Oy	1 000	0.5		25	30	
Scandinavian Link Finska Oy	100	7.7		15	100	
Suomen Osakekeskusrekisteri Osuuskunta	10	2.2		700	700	
Osuuskunta Teollisuuden Romu	1	16.7		10	10	
Unitas Oy	225 000	0.1		2 250	3 523	
Vakuutusosakeyhtiö Sampo	67 035	0.5		1 341	17 076	
Valtameri Oy	71 840	16,7		718	20 690	
Shares in housing and real estate companies					17 853	3 867
Other stocks and shares and non-eliminated subsidiary shares					9 949	1 296
					84 985	24 578

NOTES TO THE ACCOUNTS

12. Valuation items

Pension liabilities

FIM Million	1994	Group		Rautaruukki Oy	
		1993	1994	1993	1994
Pension funds' uncovered pensions liability 1.1.	167.4	167.4	167.4	167.4	167.4
Liability for pensions paid directly by company 1.1.	121.1	118.9	119.4	117.4	117.4
Change in uncovered pensions liability	7.8	2.2	-3.9	2.0	2.0
Liability for pensions paid directly by company 31.12.	128.9	121.1	115.5	119.4	119.4
Total pension liabilities 31.12.	296.3	288.5	282.9	286.8	286.8

Capitalized exchange rate loss

Unrealized matched exchange rate losses amounting to FIM 302.6 million associated with long-term loans, which resulted from devaluation in 1991, were booked as an expense over the average repayment period for the loans.

FIM Million	1994	Group		Rautaruukki Oy	
		1993	1994	1993	1994
Currency exchange losses 1.1.	101.2	201.9	100.7	201.3	201.3
Change	-101.2	-100.7	-100.7	-100.6	-100.6
Currency exchange losses 31.12.	0.0	101.2	0.0	100.7	100.7

Capitalized interest during construction period

The interest for the period the Raah Steel Works' coking plant was under construction, formerly included in the other long-term expenses for fixed assets, have been transferred to valuation items. The entry of interest as an expense was included in depreciation in previous years and in interest expenses as of 1994.

FIM Million	Rautaruukki Oy	
	1994	1993
Capitalized interest in valuation items as at 1.1.	0.0	0.0
Change	37.0	37.0

Other valuation items

Other valuation items include deferred tax receivable and activated expenses on loans payable.

FIM Million	Group	
	1994	1993
Change in 1994	3.5	3.5

13. Inventories

Inventories are valued at the acquisition price or at the probable replace cost, whichever is the lower, or at the disposal price. Costs are determined on a FIFO basis.

Contrary to the practice in previous accounting periods, the indirect costs of acquisition and manufacturing have also been capitalized in the inventories in addition to the direct costs. The effect on the profit resulting from the change in the valuation practice, being FIM 87 million for the parent company and FIM 115 million for the Group, is included in the extraordinary income in the profit and loss account.

Advanced payments connected to inventories have been transferred from financial assets to the section for inventories in the comparative information for the 1993 financial statements.

14. Short-term receivables, securities included in current assets, and cash in hand and at bank

Short-term receivables include receivables that fall due for payment within one year.

Financial assets in foreign currency have been valued in the manner described in the accounting principles.

The parent company's current assets include the following short-term receivables from subsidiaries:

FIM Million	Rautaruukki Oy	
	1994	1993
Accounts receivable	170.8	121.5
Short-term loans and other receivables	346.2	375.7
Accruals	12.1	0.1
Other short-term receivables	71.3	8.8
	600.4	506.1

The parent company's current assets include the following short-term receivables from associated companies:

FIM Million	Rautaruukki Oy	
	1994	1993
Accounts receivable	97.6	16.1
Accruals	0.1	0.3
	97.7	16.4

15. Management pension commitments

One of the members of Rautaruukki Oy's Board of Directors has the right, if he so wishes, to retire at the age of 60.

16. Shareholders' interests

FIM Million	1994	Group		Rautaruukki Oy	
		1993	1994	1993	1994
Restricted equity					
Share capital 1.1.	1 018.3	872.8	1 018.3	872.8	872.8
Share issue	184.0	145.5	184.0	145.5	145.5
Share capital 31.12.	1 202.3	1 018.3	1 202.3	1 018.3	1 018.3
Reserve fund 1.1.	174.6	326.1	174.6	326.1	326.1
Covering losses		-326.1		-326.1	-326.1
Share issue premium	607.8	174.6	607.8	174.6	174.6
Reserve fund 31.12.	782.4	174.6	782.4	174.6	174.6
Revaluation fund	195.0	195.0	195.0	195.0	195.0
Translation adjustment	-14.9	38.2			
Restricted equity 31.12.	2 164.8	1 426.1	2 179.7	1 387.9	1 387.9
Nonrestricted equity					
Loss from previous years 1.1.	-237.4	-796.0	457.0	-326.1	-326.1
Covering losses		326.1		326.1	326.1
Translation adjustment	4.4	-0.1			
Loss from previous years 31.12.	-233.0	-470.0	457.0	0.0	0.0
Profit for the year	372.7	408.2	120.7	457.0	457.0
Accumulated losses of associated companies		-175.6			
Nonrestricted equity 31.12.	139.7	-237.4	577.7	457.0	457.0
Shareholders' equity 31.12.	2 304.5	1 188.7	2 757.4	1 844.9	1 844.9

The shareholders of Rautaruukki Oy according to the share register at 31.12.1994

Shareholder	Number		shares, FIM
	of shares	shares, %	
Republic of Finland	82 549 681	68.66	825 496 810
Pension Insurance Company Ilmarinen Ltd	2 000 000	1.66	20 000 000
Pension-Varma Mutual Insurance Company	1 712 657	1.42	17 126 570
Nova Life Insurance Company Ltd	842 103	0.70	8 421 030
Local Government Pensions Institution	743 917	0.62	7 439 170
Sampo Insurance Company Ltd	638 437	0.53	6 384 370
Mutual Life Insurance Company Suomi	450 000	0.37	4 500 000
Alfred Berg Finland Mutual Fund	446 000	0.37	4 460 000
OP-Delta Mutual Fund	410 500	0.34	4 105 000
Kansa General Insurance Company Ltd	407 000	0.34	4 070 000
Other owners	30 028 121	24.99	300 281 210
	120 228 416	100.00	1 202 284 160

17. Optional reserves and accumulated depreciation difference

FIM Million	1994	Group 1993	Rautaruukki Oy 1994	Rautaruukki Oy 1993
Accumulated depreciation difference 1.1.	729.8	1 099.7	674.6	1 029.3
Change in the profit and loss account	74.4	-370.7	87.6	-354.7
Other changes		0.8		
Accumulated depreciation difference 31.12.	804.2	729.8	762.2	674.6
Transition reserve 1.1.	292.5	0.0	276.3	0.0
Change in the profit and loss account	-1.0	292.5	5.6	276.3
Transition reserve 31.12.	291.5	292.5	281.9	276.3
Operating reserve 1.1.	1.7	256.4		250.9
Change in the profit and loss account	-1.7	-254.7		-250.9
Operating reserve 31.12.	0.0	1.7	0.0	0.0
Provision for doubtful debt 1.1.	9.0	31.6		21.8
Change in the profit and loss account	-9.0	-23.3		-21.8
Other changes		0.7		
Provision for doubtful debt 31.12.	0.0	9.0	0.0	0.0
Investment reserve 1.1.	0.7	1.4		
Change in the profit and loss account	-0.7	-0.7		
Investment reserve 31.12.	0.0	0.7	0.0	0.0
Guarantee reserve 1.1.	6.4	8.0		
Change in the profit and loss account	-6.1	-0.8		
Other changes		-0.8		
Guarantee reserve 31.12.	0.3	6.4	0.0	0.0
Other reserves 1.1.	31.3	30.9		
Change in the profit and loss account	-31.3			
Other changes		0.4		
Other reserves 31.12.	0.0	31.3	0.0	0.0
Optional reserves and accumulated depreciation difference, total 31.12.	1 096.0	1 071.4	1 044.1	950.9

Changes in obligatory provisions are shown in note no. 6.

18. External liabilities

External liabilities denominated in foreign currency have been valued in the balance sheet at the Bank of Finland rate quoted on the last day of the accounting period.

Rautaruukki Oy's external liabilities include the following debts to subsidiaries:

FIM Million	Rautaruukki Oy	
	1994	1993
Accounts payable	94.7	58.1
Accruals	15.7	28.7
Short-term debts	123.9	829.2
Long-term debts	906.4	1 421.1
	1 140.7	2 337.1

Rautaruukki Oy's external liabilities include the following debts to associated companies:

FIM Million	Rautaruukki Oy	
	1994	1993
Accounts payable	0.0	1.2
Short-term debts	3.7	4.1
Long-term debts	4.3	8.9
	8.0	14.2

Debts falling due for payment in five years or later:

FIM Million	Group	
	1995	518.2
Instalments in	1996	1 472.0
Instalments in	1997	1 029.7
Instalments in	1998	1 169.8
Instalments in	1999	197.4
Instalments in	2000->	843.9

Bonds, debentures and notes issued

Bonds	Interest rate	Currency	Million	1994 MFIM	1993 MFIM
1985-1997	5.375	CHF	27.0	97.7	109.4
- annual instalment				-3.6	-3.8
1990-1995	13.5	FIM		192.0	200.0
- annual instalment				-192.0	
1991-1996	7.0	CHF	100.0	361.8	390.8
1993-1997	8.5	FIM		300.0	300.0
1994-2001	7.688	USD	75.0	355.7	
				1 111.6	996.4

19. Contingent liabilities

FIM Million	1994	Group 1993	Rautaruukki Oy	
			1994	1993
For own debts				
Given as pledges				
Shares pledged	17.3	11.1		
Mortgaged real estates	624.4	769.5	506.0	574.7
	641.7	780.6	506.0	574.7
For Group companies				
Guarantees			1 386.0	3 697.4
For associated companies				
Mortgaged real estates	20.0	20.0	20.0	20.0
Guarantees	249.3	278.7	249.3	278.7
	269.3	298.7	269.3	298.7
For others				
Given as pledges	10.0			
Guarantees	14.2	12.4	6.5	7.5
Leasing liabilities				
due next year	52.6	55.4	4.3	4.3
due later	118.3	166.4	14.8	19.1
	170.9	221.8	19.1	23.4
	464.4	532.9	1 680.9	4 027.0

GROUP ACCOUNTS IN ACCORDANCE WITH IAS

International accounting principles

The consolidated profit and loss account and balance sheet for 1993 and 1994 are presented in accordance with International Accounting Standards (hereafter IAS). Turnover, however, is calculated according to Finnish accounting standard so that sales freight and other such items, in addition to discounts, are deducted from turnover.

Consolidation principle

The Group balance sheet includes all the companies in which Rautaruukki Oy has, directly or indirectly, over 50 % of the voting rights given by shares and holdings. Internal Group business is eliminated. Companies in which Rautaruukki Oy owns a minority shareholding are entered at their purchase value. The share of associated companies (shareholding 20 – 50 %) results is included in the IAS accounts, by applying the equity method.

Amounts in foreign currencies

Accounts receivable, accounts payable and subsidiaries' balance sheets are converted to Finnish marks at the Bank of Finland rates in force

on the balance sheet date. The profit and loss accounts of foreign subsidiaries are converted into Finnish marks at the average rate for the year. Differences in exchange rates are booked under income in the consolidated profit and loss account. Differences in rates arising from a change in the shareholders' interests are included in the shareholders' interests in the balance sheet.

Treatment of pension costs

All pension costs are handled under income in the IAS-accounts.

Inventories

Inventories are valued on the fifo-basis at the calculated purchase price or at a likely lower disposal price. The purchase price includes a share of overhead production costs and depreciation. The internal profit on manufactured goods is eliminated in the consolidated accounts.

Fixed assets

Depreciation of fixed assets is calculated using the probable operating life and the original pur-

chase price or the adjusted value. The annual depreciation percentages used are:

Buildings	2.5 – 10 %
Machinery and equipment	5 – 20 %

Fixed assets also include capital equipment goods obtained by financial leasing. Fixed assets sold on sale & leaseback contracts are depreciated in accordance with the original depreciation plan and the capital gains are booked as income over the lease period.

Untaxed reserves

Finnish Tax Law allows the regulation of taxable income through the use of various reserves. In accordance with IAS the net profit is calculated before changes in the aforementioned reserves. In the IAS-accounts, these reserves are treated as a part of the shareholders' interests.

Accounting period taxes and deferred tax liability

The taxes for the accounting period are contained in the profit and loss account. Deferred tax liability contained in reserves is not shown separately, as it is assumed that the reserves will not be used in the near future in such a way as to affect taxation.

Consolidated profit and loss account 1.1.–31.12.

FIM Million	1994	1993
Turnover	7 613	7 011
Share of associated companies' profit/loss	49	- 73
Expenses	- 6 578	- 6 177
Operating profit	1 084	761
Net interest and other financing expenses	- 403	- 715
Profit before extraordinary items, taxes and minority interests	681	46
Extraordinary income and expenses	- 232	34
Direct taxes	- 42	- 22
Minority interest of the profit	- 1	- 4
Profit for the year	406	54

Consolidated balance sheet 31.12.

FIM Million	1994	1993
Fixed assets and other long-term investments	6 748	6 885
Net working capital		
Current assets	3 630	3 380
Short-term liabilities	- 2 348	- 2 479
	8 030	7 786
Shareholders' interests		
Restricted equity	2 165	1 426
Accrued adjustments	258	- 22
Nonrestricted equity	140	3
Minority interests	0	18
Long-term liabilities and obligatory reserves	5 467	6 361
	8 030	7 786

Differences between international and Finnish accounting practices:

FIM Million	1994	1993
Profit for the year in the consolidated accounts	373	408
Inventory adjustment	- 115	12
Depreciation difference	17	3
Losses on exchange rates	101	101
Pension costs	- 8	- 2
Other long-term expenses	- 19	- 16
Associated companies	8	- 23
Adjustment of sales profits of fixed assets	24	48
Change in reserves	25	- 477
Profit for the year in the IAS-accounts	406	54

FIM Million	1994	1993
Shareholders' interests in the consolidated accounts	2 304	1 189
Optional reserves	1 096	1 071
Pension liabilities entered in expenses	- 296	- 287
Credited exchange rate loss		- 101
Overhead costs increase to the inventory value		115
Accumulated depreciation from revaluation, other activated long-term expenses and adjustment of sales profits of fixed assets	- 523	- 497
Associated companies	- 18	- 83
Shareholders' interests in the IAS-accounts	2 563	1 407

BOARD PROPOSAL FOR THE USE OF PROFIT

At the closing of the accounts for 1994 the consolidated nonrestricted equity capital of the Group was FIM 139.7 million, of which the profit for the year was FIM 372.7 million. The nonrestricted equity capital of the parent company was made up as follows:

Net profit for the year	FIM	120 712 445.99
Retained earnings from previous years	FIM	457 044 237.96
Total	FIM	577 756 683.95

The Board of Directors will recommend to the Annual General Meeting that

on the share capital of	FIM	1 202 284 160.00
a dividend of 10 per cent be paid	FIM	120 228 416.00
and the remainder of the profit be posted to the retained earning account bringing it to a total of	FIM	457 528 267.95

Helsinki, 7 February 1995

BOARD OF DIRECTORS

Mikko Kivimäki

Reino Mäkelä

Pekka Einamo

Aulis Saarinen

Lauri Mannerkoski

Gösta Engman

Seppo Ahonen

AUDITORS' REPORT

To the shareholders of Rautaruukki Oy

We have examined Rautaruukki Oy's accounting, financial statements and administration for 1994. The financial statements prepared by the Board of Directors and the President comprise the report of the Board, the consolidated profit and loss account, balance sheet and the notes to the accounts as well as those of the parent company. On the basis of the audit carried out by us, we make our pronouncement on the financial statements and the company's administration.

The audit was carried out in accordance with generally accepted auditing standards. Not only the accounts and the principles but also the content and presentation of the financial statements have been audited in sufficient depth to ascertain that the financial statements include no essential errors or defects. The audit of the administration has examined the compliance with the legal requirements of the Companies Act of the actions of the members of the Supervisory Board and the Board of Directors as well as the President.

As our statement, we hold that the financial statements have been drawn up in accordance with the Accounting Act and with other rules and regulations on the production of financial statements. The financial statements provide accurate and sufficient information, as required by the Accounting Act, on the financial results and status of the Group and the parent company. The financial statements, including the consolidated financial statements, can be adopted, and the parent company's Supervisory Board, Board of Directors and President can be absolved of personal liability for the accounting period we have audited. The Board of Directors' proposal for the treatment of the nonrestricted equity as shown in the balance sheet is in accordance with the Companies' Act.

We have studied the interim reports published during the accounting period. In our opinion, the interim reports were written in accordance with the regulations on them.

Helsinki, 8 February 1995

Hannu-Veli Konstari

Ritva Hainari

KPMG WIDERI OY AB

Hannu Niilekselä
Authorized Public Accountant

STATEMENT BY THE SUPERVISORY BOARD

Having today considered the company's financial statements and consolidated financial statements for 1994, as well as the Auditors' Report, the Supervisory Board of Rautaruukki Oy proposes to the 1995 Annual General Meeting of shareholders that the profit and loss accounts and the balance sheets of the company and the Group be approved. The Supervisory Board concurs with the Board of Directors' proposal concerning the disposal of profit.

The following members of the Supervisory Board are due to retire at the 1995 Annual General Meeting of shareholders: Göran J. Ehrnrooth, Kauko Heikkinen, Timo Ihamäki, Timo Kervinen and Jouko Sere. After the 1995 Annual General Meeting the number of the members of the Supervisory Board will be at most ten members in addition to chairman and vice chairman, instead of the present total of fifteen members.

Helsinki, 23 February 1995

SUPERVISORY BOARD

Paavo Väyrynen

Jorma Rantanen

Göran J. Ehrnrooth

Tauno Heikonen

Jouko Sere

Jubani Vähäkangas

Jubani Alaranta

Markku Mannerkoski

Timo Kervinen

Georg Ehrnrooth

Tuula Haatainen

Kauko Heikkinen

Marjut Kaarilabti

Timo Ihamäki

Kari Uotila

STEEL DIVISION

The Steel Division manufactures hot rolled plate and strip, steel industry byproducts and transport services to meet the needs of the Group's other units and of customers in Finland and abroad. The cornerstones of the Steel Division's competitiveness are its efficient production, customer-oriented product development and its fast and precise deliveries.

	1994	1993
Turnover, MFIM	4 143	3 867
Operating profit after depreciation, MFIM	1 041	818
Return on net assets, %	24.2	18.7
Steel production, 1000 t	2 267	2 201
Personnel at year-end	3 706	3 654

STEEL DIVISION

Senior V.P. Heikki Rusila

RAAHE STEEL WORKS

- Sintering plant
- Coking plant
- Blast furnaces
- Steel plant
- Plate rolling mill
- Strip rolling mill
- Prefabricated products lines

OY JIT-TRANS LTD

AUGUST LINDBERG OY

SKJ-YHTIÖT OY

Division Board

Mikko Kivimäki, *Chairman*

Reino Mäkelä, *Deputy Chairman*

Raimo Aho*

Jorma Hirvaskari*

Lauri Mannerkoski

Heikki Rusila

Aulis Saarinen

Pekka Vaarno

Erkki Ylitalo*

* *personnel representative*

The demand for steel products strengthened, particularly in the shipbuilding and engineering industries. Deliveries of products for upgrading within the Rautaruukki Group were also up by a considerable margin. Deliveries to the USA, the Middle East and the Asia-Pacific region tailed off. The value added to products was increased by boosting sales of pretreated products.

Improved competitiveness

The Division's turnover was up by 7 per cent. The increase was the result of larger quantities delivered and the firming up of prices. The Raahel Steel Works steel deliveries amounted to 2 162 000 tonnes (2 124 000), of which intra-Group deliveries accounted for 55 per cent (51).

The Division's profitability was good. Operating profit after depreciation was FIM 1 041 million (818). The effect of the rising Finnish mark, which reduced export revenue, was offset by the decline in the prices of feedstock and energy.

Investments on the rise

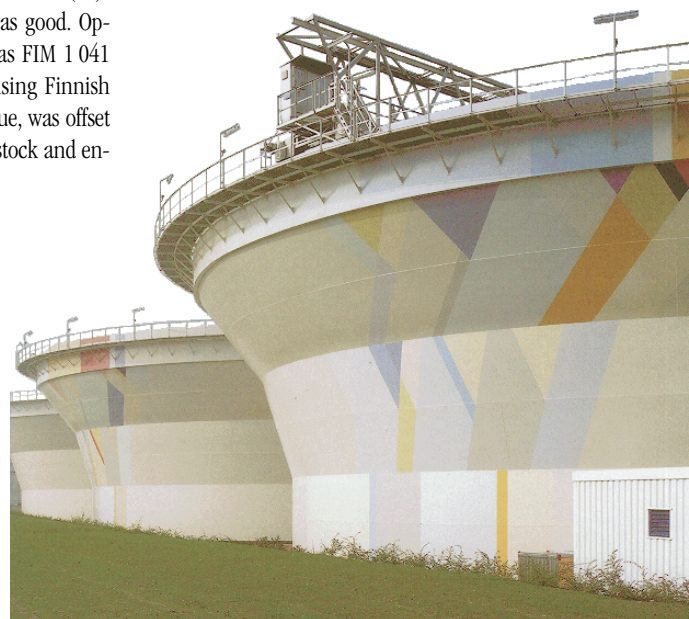
Most of the investments concerned essential maintenance. The modernization of the two blast furnaces is scheduled for 1995 and 1996 and the planning and procurement for this began.

Steel is needed in environmental construction. Rautaruukki delivered steel for a sewage plant in Germany.

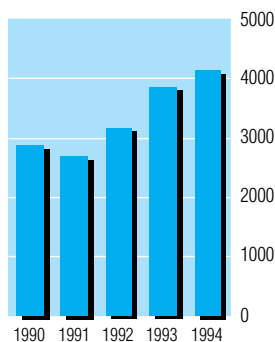
The modernization will ensure the production of raw iron for 15 years. Several projects were launched for development of steel and rolling production.

Information systems improved

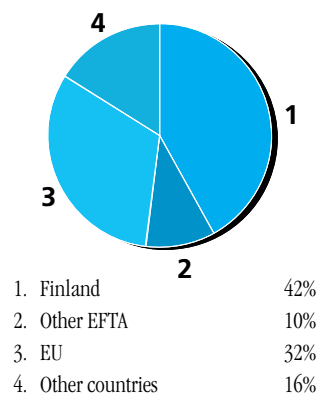
The Steel Division introduced a computer-based blast furnace expert system capable of monitoring and forecasting the state of the process in the furnace and proposing action to control it. The expert system comprises knowledge from specialists and process staff, metallurgical data, cause-and-effect data on process malfunctions, and a blast furnace management philosophy.



Turnover, FIM Million



External sales by region 1994





There was robust growth in deliveries of steel to the shipbuilding industry. Finland's famous icebreakers and cruise liners are made of Rautaruukki steel.

A data network puts the knowledge of metallurgy within everyone's reach in Rautaruukki.

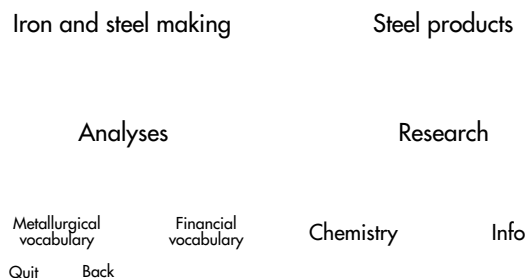
In order to disseminate information related to iron and steel, a hypermedia application was introduced. This can be accessed throughout the Group's data network.

Process control models for steel production and continuous casting were upgraded in line with the requirements of producing increasingly demanding and high-quality steels. Microalloyed steels and other special grades now account for 40 per cent of the output.

Customer-oriented product development

The paramount aim of product development was to take into account the requirements of au-

Metallurgical Knowledge System



tomated manufacturing at the engineering plant for surface quality, flatness and accurate measurements. Close process working between customer service, product development and the manufacturing side has played a pivotal role in achieving results.

A high level of precision has been achieved in deliveries through collaboration between the client, carrier and steelworks. Order processing benefits from realtime EDI contacts. Some customers can even use a computer to monitor the progress of his order through the stages of manufacturing. The construction was begun of EDI links between Rautaruukki's offices and the main export harbours of continental Europe and Britain.

JIT-Trans moves to Raahe

JIT-Trans Ltd, which handles transport for the Group and other customers, moved all its operations from its Helsinki office to Raahe at the beginning of 1994. The move improved prospects for planning and controlling material flows with greater efficiency. Raahe will continue to offer JIT-Trans better facilities for developing collaboration on transport with industry in the Baltic region. The quantities transported by JIT-Trans in 1994 were 4 per cent up on previous year.

Future prospects

Demand for hot-rolled products is forecast to remain strong on the main markets in 1995. The share of sales attributed to Finland and intra-Group deliveries will continue to grow. The value added to the products will be increased by raising the share of cut lengths and prefabricated products. Prices are forecast to continue to firm up. The profitability will remain good.

While the blast furnace overhaul is in progress, the rolling mill's steel supply will be ensured by using more scrap at the steel plant as well as by buying in materials.

THIN SHEET DIVISION

The Thin Sheet Division manufactures cold-rolled and colour-coated sheet products for customers and for Rautaruukki's other divisions. The Division's products are used for construction, interior design and furnishing, on household appliances, and in the automotive and transport equipment industry. The Division's competitive edge derives from high and consistent quality, customized products and services, and fast, precise deliveries.

	1994	1993
Turnover, MFIM	2 404	2 265
Operating profit after depreciation, MFIM	118	89
Return on net assets, %	11.5	5.8
Production, 1000 t	860	751
Personnel at year-end	1 006	1 339

THIN SHEET DIVISION

Senior V.P. Pekka Vaarno

COLD ROLLING AND GALVANIZING

Hämeenlinna Works

Bregal GmbH (share 25 %)

Ragal GmbH

Rautaruukki Stahlservice GmbH

COLOUR COATING

Hämeenlinna unit

Suomen Metalcolor Oy

Metalcolour A/S

Division Board

Mikko Kivimäki, *Chairman*

Reino Mäkelä, *Deputy Chairman*

Taisto Koivuniemi*

Lauri Mannerkoski

Hannu Oja*

Heikki Rusila

Aulis Saarinen

Varma Silvennoinen*

Pekka Vaarno

* *personnel representative*

Strong demand for cold-rolled and galvanized sheets continued in Finland. The state of the market in Europe for galvanized and colour-coated sheet improved markedly towards the end of the year. The market continued to flourish in the USA. An upswing in construction in Eastern Europe fed demand for colour-coated steel.

The Division used its production capacity to the full and stepped up its deliveries, although the price levels of the products were unsatisfactory.

The profiling units which formerly belonged to the Thin Sheet Division were merged with the Steel Structure Division at the beginning of 1994.

Turnover increased

The Division's turnover amounted to FIM 2 404 million (2 265). The increased turnover was largely due to increased delivery quantities. A total of 852 000 tonnes (753 000) of sheet was delivered. The Division's profitability improved but was only acceptable as a result of the state of the market. The Division's competitiveness was good.

Steel Service Centre in Germany

To improve customer service and competitiveness, Duisburg-based Rautaruukki

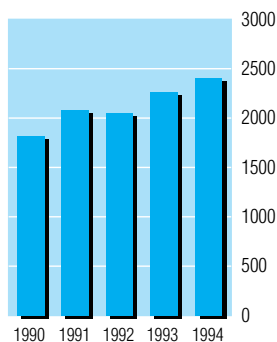
Stahlservice GmbH was acquired to complement the distribution network.

On the galvanizing and colour-coating lines at the Hämeenlinna plant, manufacturing process control was augmented and the quality of colour-coated sheet was enhanced to allow the products to be used for more demanding applications.

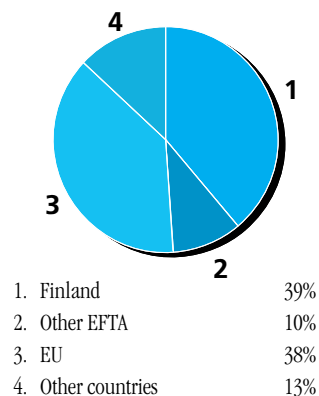


Colour-coated sheet is becoming commonplace in consumer products.

Turnover, FIM Million



External sales by region 1994





The automobile and site machinery industry is an important user of steel sheet. Grounds-keeping machinery is a rapidly growing products range.

We come across Rautaruukki's colour-coated sheet every day.

1994 was the first year of production for the German affiliate Bregal GmbH. Progress in the quality of products off the technically high-calibre galvanizing line was in line with expectations. The plant's control systems developed problems, however, which disrupted deliveries.

Future prospects

The market for sheet is expected to improve in the course of 1995. It is believed that construction in Finland will start an upswing; this would be particularly good for demand for coil-coated sheet. Product prices are firming up. It is forecast that the Division's profitability will improve markedly.

METFORM

The Metform Division (Tubular Products and Sections Division till 31 October 1994) manufactures welded steel tubes and pipes, cold-formed sections, and value-added products based on these. Metform is Europe's third biggest manufacturer of welded precision tubes and hollow sections. It has plants in Finland, Sweden, Denmark and Germany.

	1994	1993
Turnover, MFIM	2 235	2 126
Operating profit after depreciation, MFIM	111	104
Return on net assets, %	9.9	10.1
Production, 1000 t	542	505
Personnel at year-end	1 988	2 042

METFORM

Senior V.P. Seppo Sahlman

STRUCTURAL TUBING

Hämeenlinna Tube Works

Lappohja Works

Pulkila Works

Nordisk Simplex A/S

LINE PIPES

Oulainen Works

Wirsho Stålrör AB

UPGRADED PRODUCTS

Carl Froh GmbH & Co

COLD DRAWN TUBES

Structo AB

COLD-FORMED SECTIONS

Toijala Works

Gasell Metform AB

Stelform A/S

SALES COMPANIES

Star Tubes (UK) Ltd

Estonian Sales Office

Division Board

Mikko Kivimäki, *Chairman*

Gösta Engman, *Deputy Chairman*

Timo Krankkala*

Kjell-Peter Lindroos*

Jouko Luttinen*

Lauri Mannerkoski

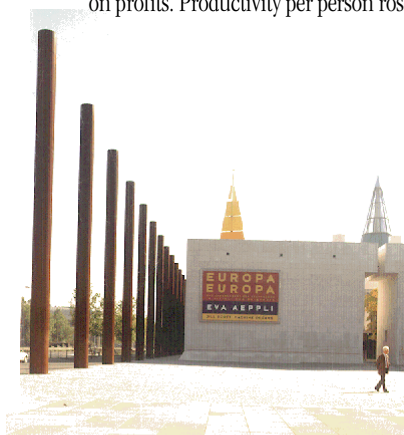
Aulis Saarinen

Seppo Sahlman

* *personnel representative*

Demand for welded steel tubular products and cold-formed sections in the main market areas picked up substantially during the year under review. Demand for upgraded products took off towards the end of the year, boosted by the recovery of the automotive industry in Germany.

The Metform Division increased its deliveries by 8 per cent. The Division's turnover was FIM 2 235 million (2 126), of which exports and international operations accounted for 83 per cent. In spite of the volume growth achieved, the Division's profitability was only acceptable. Factors in this included the appreciation of the Finnish mark and the rising price of steel feedstock, which kept ahead of product prices. Certain nonrecurring costs related to streamlining within the Division also exerted a drag on profits. Productivity per person rose



Modern art. Sixteen of Metform's spirally welded pipes symbolize the states of German Federal Republic outside the German Art and Exhibition Hall in Bonn.

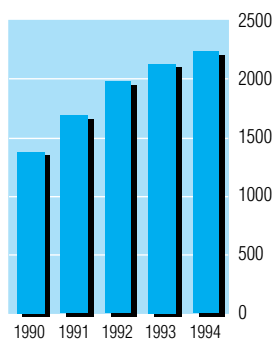


by 12 per cent and value added per person by 5 per cent.

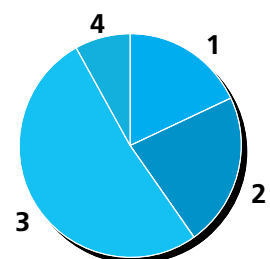
Division streamlined

At the beginning of the year, Rautaruukki acquired the remaining 50 per cent of Carl Froh Röhrenwerk GmbH, a company that was already a member of the Rautaruukki Group. The business of Froh was combined with that of the nearby Schmacke Rohr GmbH. Business continues under the name of Carl Froh GmbH & Co.

Turnover, FIM Million



External sales by region 1994



1. Finland	18%
2. Other EFTA	22%
3. EU	51%
4. Other countries	9%



To ensure the marketing of hollow sections in southern Germany, Rautaruukki and Luxembourg-based steel company Arbed formed a steel distributor, called A+R Profilstahl GmbH. Rautaruukki holds a third of the new company.

At the end of the year, Rautaruukki sold off Regalia Steel Oy, a company manufacturing warehouse fittings. The production of seamless tubes by Structo DOM Europe AB was wound up and the Oulainen Works' tapered tube line was sold.

Investments in productivity

The priority areas for operational development were boosting productivity and raising quality and service levels. Investment programmes aimed at improving productivity and raising capacity from 50 000 to 75 000 tonnes at Wirsbo Stålrör AB were brought to completion. The third profiling line at Stelform A/S was commissioned at the beginning of the year. Nordisk Simplex A/S continued the modernization of its precision tube lines. Structo AB invested in rationalizing production.

It was decided to modernize the Pulkkila plant by procuring a linear forming unit for it to improve efficiency. A pilot project was initiated at the Hämeenlinna tube plant with the aim of modernizing the entire Division's computer system for sales and production management.

Stelform A/S received ISO 9001 accreditation. All the Division's units now have quality certification except Froh and Gasell Metform, which are expected to receive accreditation in the course of 1995.

Future prospects

In 1995 the Metform Division is expected to increase deliveries as demand improves. Profitability is expected to increase because prices for products are firming up and the capacity utilization rate will rise. The restructuring carried out in the Division will also enhance profitability.



Many European bicycle manufacturers use Metform's high-quality tubes in their production. Here is an example from Denmark.

The excellent surface quality of FORM tubes makes them well suited to the furniture industry.

STEEL STRUCTURE DIVISION

The business principle of the Steel Structure Division is to upgrade basic products from various divisions of the Group for use in construction. The main products are profiled sheet, facade elements, prefabricated room modules and noise barriers. The Division has plants in Finland, Sweden, Estonia and Poland.

	1994
Turnover, MFIM	624
Operating profit after depreciation, MFIM	- 16
Personnel at year-end	558

STEEL STRUCTURE DIVISION

V.P. Markku Koljonen

Mäkelä Metals Oy
Rannila Steel Oy
Gasell Profil AB
GA Plagan AB
Scanprofil A/S
AS Rannila Profil
Rautaruukki Polska Sp. z o.o.
Steel Building Systems Oy

The low level of construction activity in Finland was reflected in the deliveries made by the Steel Structure Division, although there was some recovery in demand for profiled sheet towards the end of the year. The prolonged slump in construction held prices low. Exports by the Steel Structure Division increased, largely due to the units based in Poland and Estonia.

The Division's turnover totalled FIM 624 million. Its operating loss after depreciation amounted to FIM 16 million but the second half of the year was already in the black.

Division's structure streamlined

During 1994, the profiling units which had formerly belonged to the Thin Sheet Division were added to the Steel Structure Division. At the beginning of 1995 an arrangement was made whereby Verho-Metalli Oy was merged with Rannila Steel Oy, and Alamenti Oy and Nordicon Oy were merged with Mäkelä Metals Oy. Profiling operations in Finland were consolidated in the hands of Rannila, which has plants in Vimpeli and Kaarina, and the production of other construction components was consolidated at the Mäkelä plant in Alajärvi.

New operations in Poland and Estonia

The Steel Structure Division established a profiling company in Poland, Rautaruukki Polska Sp. z o.o. Rannila Steel set up a profiling joint venture in partnership with Centrostal Bydgoszcz, a Polish company. Rannila Steel also started a company in St Petersburg from which a profiling joint venture is to be developed. Estonia-based AS Rannila Profiil started up a new corrugated roofing production line in the autumn.

The main thrust in product development was on product solutions involving cold-forming and composite structure technologies. A new composite frame system and a lightweight hall were launched on the market. Progress was achieved in building renovation systems, prefabricated buildings, cladding systems based on steel cassettes, and the development of planning methods.

Profitability to improve

It is forecast that construction activity will go into an upswing during 1995 and that the Division's deliveries will increase. The profiling units operating in the Baltic region are expected to boost further their sales. It is calculated that the Division's profitability will improve.





Steel is an adaptable material for traffic and environmental construction. Popular steel noise barriers are catching on fast in Finland.

Steel roofing is gaining in popularity. Rautaruukki expanded its roofing markets in the Baltic states and Poland.



ENGINEERING DIVISION

The Engineering Division manufactures rolling stock, dished ends and other engineering products. It also sells the technical know-how of the Group.

	1994
Turnover, MFIM	441
Operating profit after depreciation, MFIM	- 90
Personnel at year-end	1 247

ENGINEERING DIVISION

Senior V.P. Jorma Lukkari

- Oy Transtech Ltd
- Halikko Works
- Polartherm Oy
- Hydoring Oy
- DCA-Instruments Oy
- Rautaruukki Engineering
- Rautaruukki New Technology

The Engineering Division's turnover was FIM 441 million and its operating loss after depreciation amounted to FIM 90 million.

The turnover of Transtech, which manufactures rolling stock, was FIM 168 million (215). The unit operated at a loss. To cut costs, it was decided to close the company's Tampere office and to consolidate design and planning in the hands of the Oulu office. In addition, preparations were made to concentrate manufacturing operations at the Otanmäki plant. Almost 200 people were made redundant in the course of the year. Some 60 people had been laid off at the end of the year.

Transtech delivered a total of 178 goods wagons. 86 sliding wall wagons were delivered to Sweden, and 56 container wagons and 10 pairs of car carriers were delivered to Norway. Additionally, 24 container wagons were supplied to the UK. Engineering products valued at FIM 40 million were manufactured, mostly on sub-contracts for Finnish engineering companies.

At the end of 1994, Transtech held orders for 190 goods wagons for delivery to Sweden, Norway and the UK. Furthermore, contracts worth some FIM 40 million have been signed for engineering products with Finnish partners.

Manufacturing of Pendolino experimental trains for Finnish State Railways continued on a subcontract from the Italian main supplier. The trains will be delivered in 1995. The production of the 20 electric locomotives ordered by Finnish State Railways also continued, with Transtech acting as subcontractor to the Swiss main supplier. The locomotives will be delivered in 1995-99.

The future of Transtech will be decided during the spring of 1995 according to developments in the order book.

At the end of 1994, Rautaruukki sold off its holding in Solitra Oy, a company manufacturing telecoms components.

The Halikko plant, which makes dished ends for tanks and pressure vessels, enjoyed good profitability.

The Pendolino high-speed trains ordered by Finnish State Railways were made at Transtech.



OTHER UNITS

CCB-GRUPPEN

Steel consumption began to pick up in Norway and prices strengthened. The Norwegian steel wholesaler CCB-Gruppen reinforced its position as a supplier of steel, metals and building materials.

The turnover of CCB-Gruppen grew by 30 per cent to reach NOK 591 million. Profitability improved markedly. The company's operating profit after financing items was NOK 11 million.

MAJOR ASSOCIATED COMPANIES

FUNDIA

Rautaruukki owns Fundia AB on a fifty-fifty basis with Norsk Jern Holding AS. Fundia manufactures long commercial steel products. Fundia AB produces long steel products and has production plants in Finland, Sweden and Norway. The group has sales and service companies in several European countries. Its operations are divided into four business units: Reinforcing, Merchant Bar, Wire and Profiles.

Fundia's turnover was SEK 5.6 billion (5.2). The profit after financing items rose to SEK 154 million (loss 91). The number of employees at year-end was 3 500.

The improvement in the financial performance allowed for investment in the group. At Mo i Rana, Norway, the construction was begun to turn the bar mill into a combined bar and wire mill. Preparations were made at the Smedjebacken steelworks in Sweden for the start-up of sub-merged casting. The investment programmes in Finland were to increase the speed of the Dalsbruk wire mill and a major overhaul for the blast furnace at Koverhar. The investments expand Fundia's product range and improve quality. When the investment programmes are completed in the first half of 1995, Fundia's manufacturing structure will be

streamlined and the strengths of the entire process chain can be utilized.

Fundia's financial performance is expected to improve in 1995.

YIT CORPORATION

Rautaruukki holds a 20 per cent stake in YIT Corporation, which is one of Finland's biggest corporate groups in the construction industry and one of the most diverse in terms of services. YIT Corporation and Rautaruukki have a joint venture, PPTH Teräs Oy, which produces structural steel for domestic consumption and export and is 40 per cent owned by Rautaruukki.

The downswing in Finnish construction bottomed out in 1994 and there was a modest increase in building starts in the autumn. Competition in the industry was distorted by the assistance given to builders who had got into difficulties.

YIT Corporation's turnover and financial performance improved. Turnover amounted to FIM 3 244 million (3 084) and the profit before extraordinary items, reserves and taxes totalled FIM 55 million (loss 34). Order books were augmented by new export projects.

PPTH Teräs Oy reinforced its position as Scandinavia's leading manufacturer of steel structures. The company's turnover amounted to FIM 196 million (239).



One of the main applications of wire rod is to make screws.

RAUTARUUKKI'S SCOPE OF BUSINESS

Rautaruukki's business is steel and related operations. The Group upgrades as much as possible of its steel into products with high added value.

Integrated production is the term used at Rautaruukki for its steel manufacturing and related upgrading processes. This enables the Group to make full use of its production capacity and sell steel in its most profitable form at any particular time. The Group can enhance the quality of the whole production chain and control costs effectively.

Rautaruukki has purposefully increased the volume of highly upgraded products and their share of the company's operations, which has raised the added value of its output.

Rautaruukki aims to ensure that its business operations give shareholders a good return on the capital they have invested in the company and to develop the company in such a way that the value of its shares rises.

Rautaruukki has set a target of a minimum of 12% for the average return on invested

capital. Rautaruukki aims to grow profitably and to raise its equity ratio to 40%.

The Group will meet its targets through increasing cost effectiveness and making further progress in total quality and customer oriented operations.

Rautaruukki's major customers are in construction, mechanical engineering and ship building and in the automotive, furniture, domestic appliance and packaging industries. No single sector or customer has a dominant share of total sales.

Rautaruukki sells over 90% of its steel products in Europe. European Union countries account for nearly 80% of the Group's sales, and outside Europe the largest export country is the USA, with a 5% share of the Group's sales.

The Group has its own sales companies in several European countries and in the USA, Singapore and Dubai.

Through its integrated production chain Rautaruukki has increased the international nature of its production. The Group has ac-

quired or established upgrading companies that are close to the consumers of its finished products, in Scandinavia and on the Baltic rim. These companies mainly use steel produced by Rautaruukki, and through them the Group has established a strong position in Scandinavia. The new market economy countries around the Baltic form a new, expanding market.

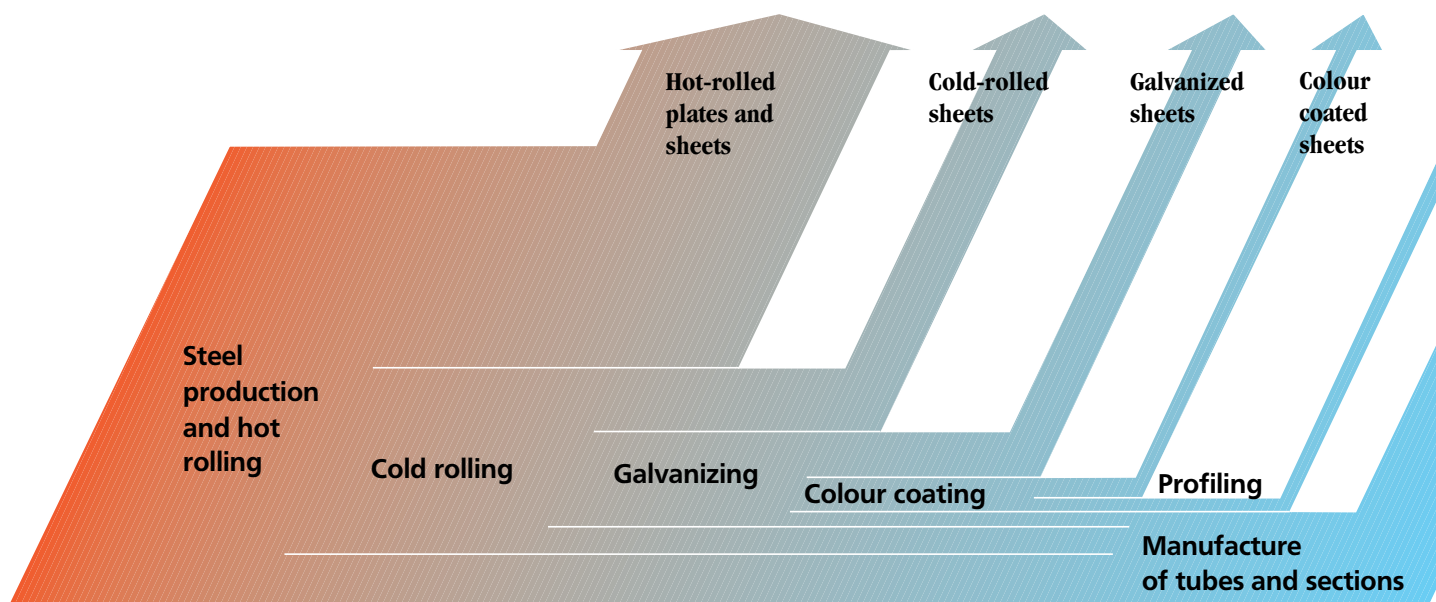
The core of the integrated production chain is the steel works in Raahе, the largest in the Nordic countries. Production at the works is fast and flexible, and so are its deliveries, so it can offer a wide product range as well as producing and supplying customized products. The works can produce hundreds of different grades of steel. Deliveries from the works are the fastest in Europe and production energy efficiency is among the best in Europe.

Annual output per employee of hot and cold rolled steel at Rautaruukki is among the highest in western Europe.

The Group's steel is upgraded by its Thin Sheet, Metform and Steel Structure Divisions.

INTEGRATED PRODUCTION

Upgrading Rautaruukki's steel into customer products



These have specialized in product sectors where they can achieve a high degree of upgrading with added value, and obtain the benefits of large volume production.

Rautaruukki is the largest producer of galvanized, colour coated and profiled sheets in the Nordic countries. The Group's Thin Sheet Division produces colour coated sheets. The Steel Structure Division manufactures profiled sheets and other building components. The division has production units in four countries.

The Metform Division is the largest manufacturer of welded precision tubes and hollow sections in the Nordic countries and the third largest in Europe. Metform is the most international division in Rautaruukki, with 85% of its sales going outside Finland.

Rautaruukki's Engineering Division manufactures railway rolling stock and mechanical engineering products and sells technology developed by the Group's companies.

All of Rautaruukki's operations have always been known for their efficiency, at every stage from acquiring raw materials to production and marketing. The Group is in good shape and ready to take on new challenges. Rautaruukki intends to remain a successful steel company in future as well. ♦



Profiled sheets

Pipes, tubes and sections

BASIC VALUES OF RAUTARUUKKI

During 1994 Rautaruukki's employees have together formulated the basic values that direct the company's operations and have committed themselves to the following four principles:

We help our customers to succeed.

All Rautaruukki's operations are driven by customer needs. We believe that successful customers create the best conditions for our own operations. We wish to build and maintain long-term customer relations and to get closer to our customers. All our customers are important to us.

We develop our skills through working together.

The most important factor in Rautaruukki's profitable operations is skilled, expert personnel. We wish to develop our skills and expertise constantly.

Openness, trust and respect for each other direct our operations. We are working hard at improving our work methods within the company.

Our keys to success are profitability and quality.

Profitability is the foundation for all of Rautaruukki's operations. Being profitable ensures that the company can go forward and has a future. It ensures that capital invested in the company makes a return and grows.

Rautaruukki has been a pioneer in applying total quality principles in the steel industry. The quality of our products and operations are determined by our customers' requirements. To move towards total quality, almost every works in the Group has obtained an ISO 9001 certified quality system.

We respect the environment.

Rautaruukki has been constructively involved in environmental matters for many years. The Group takes environmental aspects into account in the production of steel and upgraded products and in all its operations. All Rautaruukki employees recognize their responsibility for the environment in their own work.

Steel is recyclable and so is a suitable material for sustainable development. Rautaruukki has committed itself to the International Chamber of Commerce's Charter on Sustainable Development and to the environmental protection principles published by the International Iron and Steel Institute (IISI). ♦

GROUP STATISTICS 1990-94

		1990	1991	1992	1993	1994
Turnover	FIM Million	6 499	6 850	6 507	7 011	7 613
Exports and international operations	%	60	65	73	74	69
Personnel at year-end		10 596	11 197	9 281	9 151	9 068
Personnel on average		10 124	10 897	9 873	9 437	9 444
Value added per person	1 000 FIM	275	243	296	351	386
Steel production	1 000 t	2 398	2 478	2 094	2 201	2 267

FINANCE

Operating profit	FIM Million	583	- 77	252	762	1 050
% of turnover	%	9.0	- 1.1	3.9	10.9	13.8
Profit before extraordinary items, reserves and taxes	FIM Million	269	- 853	- 899	78	658
Profit before reserves and taxes	FIM Million	247	- 959	- 726	- 42	440
Return on net assets	%	8.6	0.2	3.6	9.0	12.1
Return on equity	%	5.6	- 26.2	- 36.9	2.6	21.6
Equity ratio	%	38.7	25.2	17.4	21.1	31.6
Investments	FIM Million	1 408	1 363	742	432	544
Research and development	FIM Million	88	93	82	65	66
% of turnover	%	1.4	1.4	1.3	0.9	0.9
Net interest expenses	FIM Million	294	469	571	475	424
% of turnover	%	4.5	6.8	8.8	6.8	5.6

KEY FIGURES

Earnings per share, EPS	FIM	2.20	- 8.65	- 9.54	0.55	5.40
Equity per share	FIM	39.09	30.46	21.10	22.20	28.28
Dividend per share	FIM	0.94	0	0	0	1.00*
Dividend per profit	%	42.8	0	0	0	18.5*
Price per earnings, P/E		8.8	neg.	neg.	79.3	7.0
Average price of share	FIM	24.95	22.00	20.19	30.93	49.00
Market capitalization at year-end	FIM Million	1 685	1 501	1 440	4 470	4 569
Share trading	thousands	2 161	2 619	4 829	13 285	23 184
Share trading	FIM Million	54	58	97	411	1 136
Adjusted average number of shares		92 647 166	92 647 166	92 647 166	92 923 861	113 935 813
Adjusted number of shares at year-end		92 647 166	92 647 166	92 647 166	101 828 416	120 228 416

* Board proposal

Figures for 1990-1993 have been altered in line with the new Accounting Act

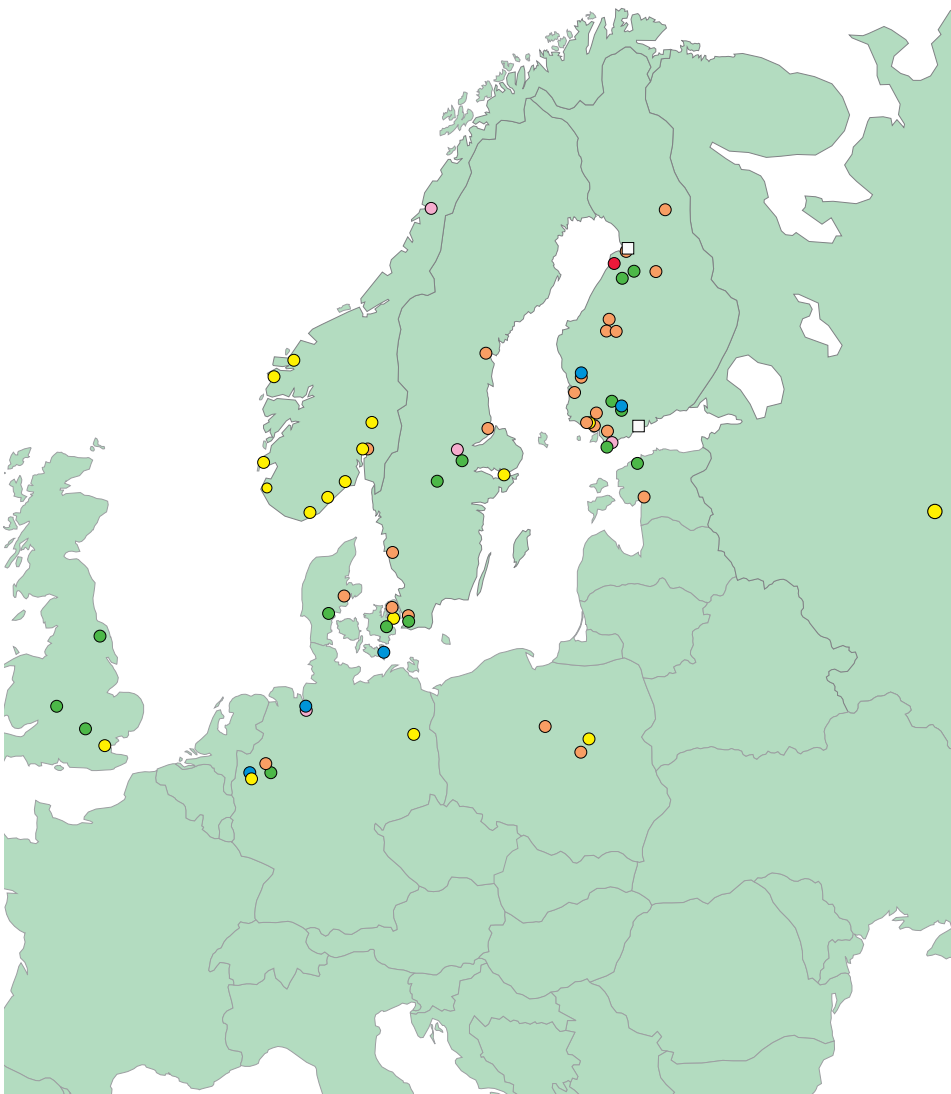
Principles governing the calculation of key figures:

Value added per person =	$\frac{\text{operating profit} + \text{depreciation} + \text{wages} + \text{other personnel costs} + \text{rents} - \text{share of associated companies' profits}}{\text{average personnel}}$
Return on net assets =	$\frac{\text{profit before extraordinary items, reserves and taxes} + \text{financing income and expenses}}{\text{balance sheet total} - \text{non-interest bearing loans (average for the year)}}$
Return on equity =	$\frac{\text{profit before extraordinary items, reserves and taxes} - \text{taxes}}{\text{shareholders' interests} + \text{optional reserves} + \text{minority interests (average for the year)}}$
Equity ratio =	$\frac{\text{shareholders' interests} + \text{optional reserves} + \text{minority interests}}{\text{balance sheet total} - \text{short-term advanced payments received}}$
Earnings per share (EPS) =	$\frac{\text{profit before extraordinary items, reserves and taxes} - \text{minority interest of profit} - \text{taxes}}{\text{adjusted average number of shares}}$
Equity per share =	$\frac{\text{shareholders' interests} + \text{optional reserves}}{\text{adjusted number of shares at year-end}}$
Dividend per share =	$\frac{\text{dividends paid}}{\text{adjusted number of shares at year-end}}$
Dividend per earnings =	$\frac{\text{dividend per share}}{\text{earnings per share}}$
Price per earnings (P/E) =	$\frac{\text{share price at year-end}}{\text{earnings per share}}$
Average share price =	$\frac{\text{total FIM trading of the share}}{\text{adjusted number of shares traded}}$
Market capitalization =	number of shares × share price at year-end

Basis of estimation of division results

	Return on net assets
Good	at least 17 %
Satisfactory	at least 12 %
Acceptable	at least 7 %
Poor	less than 7 %

ADDRESSES



- Group management
- Steel Division
- Thin Sheet Division
- Metform
- Steel Structure and Engineering Divisions
- Major associated companies
- Sales and service units

Rautaruukki has also sales units
in the United States, Singapore and Dubai

Group management

Oulu Office
Kiilakiventie 1, P.O.Box 217
FIN-90101 OULU
Tel +358 81 327 711
Tlx 32109 steel fi
Fax +358 81 327 506

Helsinki Office
Fredrikinkatu 51-53, P.O.Box 860
FIN-00101 HELSINKI
Tel +358 0 680 81
Tlx 124887 steel fi
Fax +358 0 680 8288

Steel Division

P.O.Box 93
FIN-92101 RAAHE
Tel +358 82 2301
Tlx 32162 steel fi
Fax +358 82 230 2246

Raah Steel Works
P.O.Box 93
FIN-92101 RAAHE
Tel +358 82 2301
Tlx 32162 steel fi
Fax +358 82 230 2246

Oy JIT-Trans Ltd
P.O.Box 93
FIN-92101 RAAHE
Tel +358 82 230 3909
Tlx 32230 jit fi
Fax +358 82 263 923

SKJ-yhtiöt Oy
Niittykatu 5
FIN-92100 RAAHE
Tel +358 82 222 610
Fax +358 82 220 880

August Lindberg Oy
P.O.Box 84
FIN-92101 RAAHE
Tel +358 82 221 580
Tlx 32181 alloy fi
Fax +358 82 223 7155

Thin Sheet Division

FIN-13300 HÄMEENLINNA
Tel +358 17 6201
Tlx 2327 steel fi
Fax +358 17 620 2355

Hämeenlinna Works
FIN-13300 HÄMEENLINNA
Tel +358 17 6201
Tlx 2327 steel fi
Fax +358 17 620 2355

Suomen Metalcolor Oy
Rautatienkatu 19
FIN-38700 KANKAANPÄÄ
Tel +358 30 816 60
Fax +358 30 816 96

Metalcolour A/S
Agrovej 6
DK-4800 NYKØBING F., DANMARK
Tel +45 548 58 111
Fax +45 548 22 960

Ragal Feinblech-Vertriebs GmbH
Birkenstraße 15
D-28195 BREMEN, DEUTSCHLAND
Tel +49 421 175 940
Fax +49 421 175 9440

Rautaruukki Stahlservice GmbH
Kiffward 34
D-47138 DUISBURG, DEUTSCHLAND
Tel +49 203 45 19-0
Fax +49 203 45 19 270

Metform

FIN-13300 HÄMEENLINNA
Tel +358 17 6201
Tlx 2395 tubes fi
Fax +358 17 6203 373

Hämeenlinna Tube Works

FIN-13300 HÄMEENLINNA
Tel +358 17 6201
Tlx 2327 steel fi
Fax +358 17 620 2327

Lappohja Works

FIN-10820 LAPPOHJA
Tel +358 11 268 11
Tlx 13141 steel fi
Fax +358 11 268 1256

Oulainen Works

FIN-86300 OULAINEN
Tel +358 83 479 41
Fax +358 83 479 4275

Pulkki Works

FIN-92600 PULKKI
Tel +358 85 819 5111
Tlx 32394 steel fi
Fax +358 85 819 5290

Toijala Works

Hämeentie 100, PL 69
FIN-37801 TOIJALA
Tel +358 37 549 811
Tlx 22408 steel fi
Fax +358 37 549 8240

Structo AB

Box 1003
S-68829 STORFORS, SVERIGE
Tel +46 550 62 010
Tlx 66169 struc s
Fax +46 550 61 681

Wirsbo Stålrör AB

Box 100
S-73061 VIRSBO, SVERIGE
Tel +46 223 383 00
Tlx 7517 wirsbo s
Fax +46 223 383 02

Gasell Metform AB

Box 7
S-23023 ANDERSLÖV, SVERIGE
Tel +46 410 20 500
Tlx 8305025 alsel ttx s
Fax +46 410 21 342

Nordisk Simplex A/S

Vejlegårdsvej 34
DK-2665 VALLENSBÆK STRAND, DANMARK
Tel +45 42 731 920
Tlx 33400 tubes dk
Fax +45 43 546 417

Stelform A/S

Vejlbyvej 31
DK-7000 FREDERICIA, DANMARK
Tel +45 75 912 022
Fax +45 75 913 411

Carl Froh GmbH & Co

Postfach 2040
D-59833 SUNDERN, DEUTSCHLAND
Tel +49 2935 810
Tlx 84227 froh d
Fax +49 2935 81202

Star Tubes (UK) Ltd

Unit 3, Park Lane Industrial Estate
Park Lane, Oldbury
WEST MIDLANDS B69 4JX, U.K.
Tel +44 21 544 4666
Fax +44 21 544 7439

Estonian Sales Office

Liivalaia 14-612, TALLINN
EE 0100, EESTI
Tel +372 2 682 472
Fax +372 6 460 019

Steel Structure Division

Steel Structure Division (Development unit, TEN)

Fredrikinkatu 51-53, PL 860
FIN-00101 HELSINKI
Tel +358 0 6808 375
Fax +358 0 646 193

Mäkelä Metals Oy

FIN-62830 LUOMA-AHO
Tel +358 66 74 666
Tlx 72162 mapel fi
Fax +358 66 75 116

Rannila Steel Oy

Kalkkimäentie 1
FIN-62800 VIMPELI
Tel +358 66 5692 111
Tlx 72135 kap fi
Fax +358 66 5692 292

Gasell Profil AB

Box 7
S-23023 ANDERSLÖV, SVERIGE
Tel +46 410 20 500
Tlx 8305025 alsel ttx s
Fax +46 410 20 744

GA Plagan AB

Box 967
S-80133 GÄVLE, SVERIGE
Tel +46 26 172 500
Tlx 47159 gavlev s
Fax +46 26 172 599

Scanprofil A/S

Vollaveien 20,
Box 202 Alnabru
N-0614 OSLO, NORGE
Tel +47 22 722 090
Fax +47 22 657 766

AS Rannila Profiil

Pähe 116, TARTU
EE-2400 EESTI
Tel & Fax +372 7 470 720

Rautaruukki Polska Sp. Z o.o.

ul. Jaktorowska 13
96-300 ZYRARDOW, POLSKA
Tel & Fax +48 9021 9751

Steel Building Sysytems Oy

Linnankatu 26 A
FIN-20100 TURKU
Tel +358 21 250 1177
Fax +358 21 250 2804

Engineering Division

Oy Transtech Ltd

Kiilakiventie 1, PL 217
FIN-90101 OULU
Tel +358 81 327 500
Tlx 32109 steel sf
Fax +358 81 327 196

Halikko Works

FIN-24910 HALIKKO AS
Tel +358 24 300 91
Tlx 6816 steel fi
Fax +358 24 300 9290

Rautaruukki Engineering

Kiilakiventie 1, PL 217
FIN-90101 OULU
Tel +358 81 327 711
Tlx 32177 steel fi
Fax +358 81 327 227

MAS Seuthe GmbH

Elsa-Brandström-Straße 21
Postfach 16 62
D-58656 HEMER, DEUTSCHLAND
Tel +49 2372 5060
Tlx 827436 mas d
Fax +49 2372 3262

Rautaruukki New Technology

Teknologiantie 2, PL 211
FIN-90101 OULU
Tel +358 81 551 4291
Tlx 32109 steel fi
Fax +358 81 551 4556

Polartherm Oy

FIN-29100 LUVIA
Tel +358 39 581 544
Fax +358 39 581 844

Hydoring Oy

PL 10
FIN-21801 KYRÖ
Tel +358 21 868 100
Fax +358 21 868 110

DCA-Instruments Oy

Telekatu 14,
FIN-20360 TURKU
Tel +358 21 2382 500
Fax +358 21 2388 993

Other Units

CCB-Gruppen

Professor Birkelands vei 21
Box 140 Furuset
N-1001 OSLO, NORGE
Tel +47 22 306 530
Fax +47 22 327 496

Rautaruukki Information Systems

PL 93
FIN-92101 RAAHE
Tel +358 82 2301
Fax +358 82 230 7001

JIT-Stål AB

Fatburgsgatan 7, Box 17605
S-11892 STOCKHOLM, SVERIGE
Tel +46 8 642 4225
Tlx 15163 ruukki s
Fax +46 8 643 2630

Sales Units

Finnsteel Inc.

5 Revere Drive, Suite 502
NORTHBROOK, IL 60062, U.S.A.
Tel +1 708 480 0420
Tlx 408768 rauta
Fax +1 708 480 9466

Rautaruukki-Danmark

Vejlegårdsvej 34
DK-2665 VALLENSBÆK STRAND, DANMARK
Tel +45 43 530 353
Tlx 33400 tubes dk
Fax +45 43 546 417

Rautaruukki (Deutschland) GmbH

Grafenberger Allee 87
D-40237 DÜSSELDORF 1, DEUTSCHLAND
Tel +49 211 669 030
Tlx (17) 2114075 ruukki ttx d
Fax +49 211 689 842

– Niederlassung Berlin

Müllerstrasse 135
D-13353 BERLIN, DEUTSCHLAND
Tel +49 30 4650 900
Fax +49 30 4650 9099

Rautaruukki (Norge) AS

Fjordveien 1, Box 211
N-1322 HØVIK, NORGE
Tel +47 67 592 220
Tlx 77244 fsas n
Fax +47 67 592 483

Rautaruukki (Sverige) AB

Fatburgsgatan 7, Box 17605
S-11892 STOCKHOLM, SVERIGE
Tel +46 8 642 4225
Tlx 15163 ruukki s
Fax +46 8 643 2630

Rautaruukki (UK) Ltd

Merevale House
Parkshot Richmond
SURREY TW9 2RW, ENGLAND
Tel +44 81 948 8177
Tlx 295743 steel g
Fax +44 81 948 5716

Rautaruukki (S.E.A.) Pte Ltd

360 Orchard Road # 06-03
International Building
SINGAPORE 0923
Tel +65 737 9992
Tlx 21489 finnsrs
Fax +65 737 9995

Rautaruukki Polska Sp. Z o.o.

Al. Jeruzolimskie 99 m 31
02-001 WARSZAWA, POLSKA
Tel +48 3912 1526
Fax +48 3912 2265

Rautaruukki Oy

Moscow representative office
Pokrovskij Bulvar 4/17
MOSCOW, 101000, RUSSIA
Tel +7 095 956 3146
Tlx 413257 vaneg su
Fax +7 095 230 2631

Rautaruukki M.E.

P.O.Box 9204
World Trade Centre, DUBAI
Tel +971 4 313 712
Fax +971 4 313 493



RAUTARUUKKI OY
Group Management

OULU OFFICE
Kiilakiventie 1, PL 217
FIN-90101 OULU
Tel +358 81 327 711
Tlx 32109 steel fi
Fax +358 81 327 506

HELSINKI OFFICE
Fredrikinkatu 51–53,
PL 860
FIN-00101 HELSINKI
Tel +358 0 680 81
Tlx 124887 steel fi
Fax +358 0 680 8288