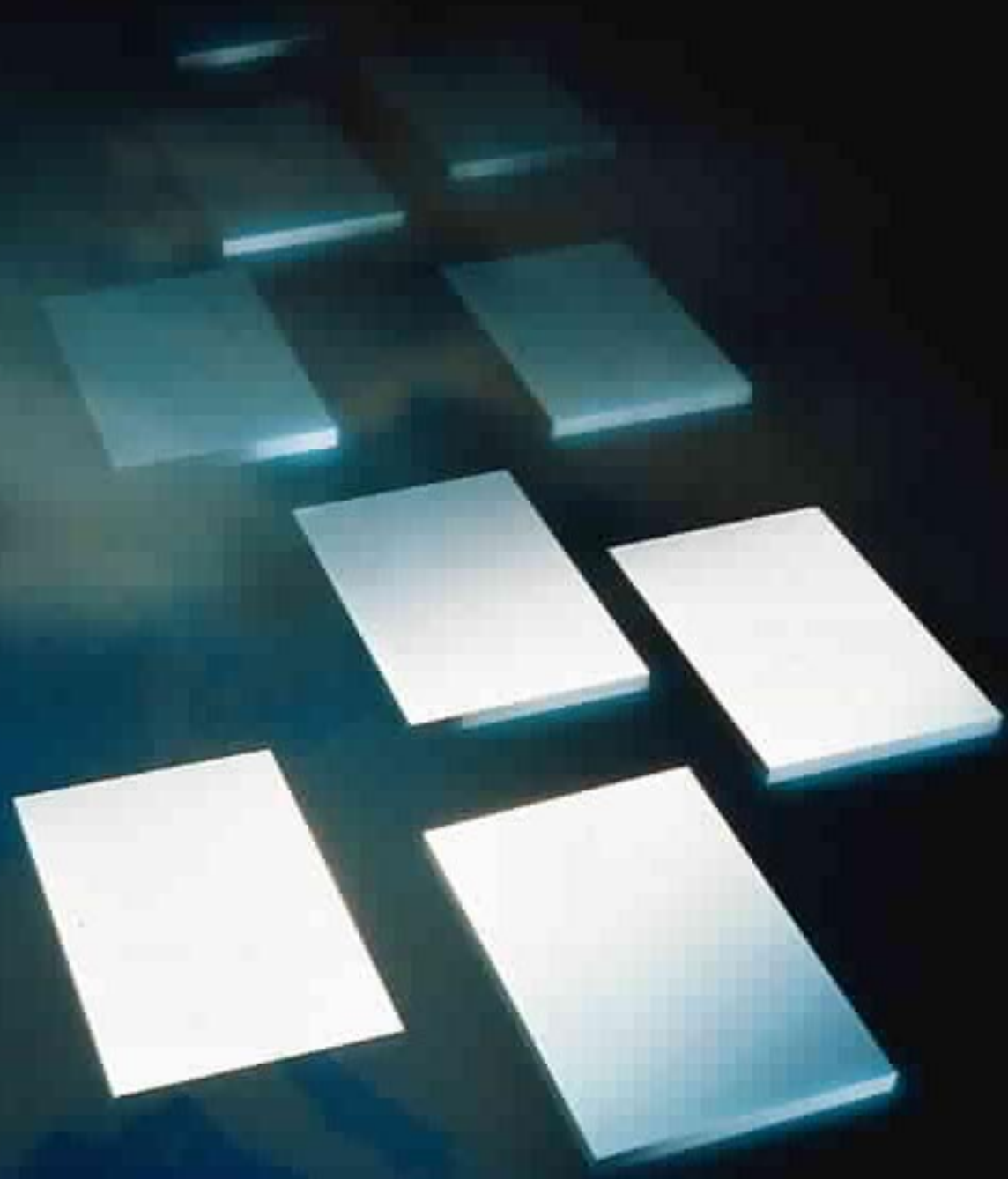




RAUTARUUKKI



A N N U A L R E P O R T 1 9 9 9

CONTENTS

| | |
|---|-------|
| Year 1999 in Brief | 1 |
| Statement by the President | 2–3 |
| Strategy and Goals | 4–5 |
| Investment Programme Rautaruukki 2000 | 6–7 |
| Share Information | 8–10 |
| Group Structure | 11 |
| Group Administration | 12 |
| Rautaruukki Accounts | |
| Report of the Board | 13–18 |
| Consolidated Profit and Loss Account | 19 |
| Consolidated Balance Sheet | 20–21 |
| Consolidated Funds Statement | 22 |
| Rautaruukki Oyj's Profit and Loss Account | 23 |
| Rautaruukki Oyj's Balance Sheet | 24–25 |
| Rautaruukki Oyj's Funds Statement | 26 |
| Notes to the Accounts | 27–41 |
| Board Proposal for the Use of Profit | 42 |
| Auditors' Report | 43 |
| Statement by the Supervisory Board | 43 |
| Financing and Financial Risk Management | 44 |
| Business Unit Reports | |
| Rautaruukki Steel | 45–47 |
| Metform | 48–49 |
| Steel Structure Division | 50–51 |
| Fundia | 52–53 |
| Steel Service | 54–55 |
| Environmental Protection | 56 |
| Research and Development | 57 |
| Personnel | 58 |
| Price trends, statistics | 59 |
| Addresses | 60 |

Annual General Meeting

The shareholders of Rautaruukki Oyj are invited to the Annual General Meeting to be held on Tuesday 28 March 2000 at 1 p.m. at the Marina Congress Center, address Katajanokanlaituri 6, Helsinki.

Shareholders who wish to attend the meeting must give notice no later than 4 p.m. on Friday 24 March, 2000 either in writing to

Rautaruukki Oyj,
P.O. Box 860, FIN-00101 HELSINKI
or by phone +358 9 4177 6227
or by telefax +358 9 4177 6304
or by e-mail jaana.syvapuro@rautaruukki.fi

Only those shareholders may attend who have been entered in the shareholders' register maintained by Suomen Arvopaperikeskus Oy no later than 23 March 2000.

Proposal for Dividend

The Board of Directors of Rautaruukki Oyj will propose to the Annual General Meeting that the shareholders should be paid a dividend for 1999 of FIM 1.20 per share. The Board will propose the payment of the dividend on 7 April to those shareholders who were entered in the owners' register on the matching day 31 March 2000.

Interim Reports

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

16 May 2000, Interim Report January–March 2000

14 Aug 2000, Interim Report January–June 2000

14 Nov 2000, Interim Report January–September 2000

Orders:

Tel. +358 8 849 4519

fax +358 8 849 4520

Corporate Communications

Vice President Esko Lukkari

Tel. +358 9 4177 6221

Fax +358 9 4177 6324

Investor Relations

Deputy Director Airi Sipilä

Tel. +358 9 4177 6246

Fax +358 9 4177 6345

Internet

Information about Rautaruukki's finances and Press Releases can be read on Internet, address <http://www.rautaruukki.com>

YEAR 1999 IN BRIEF

Rautaruukki is a listed company that manufactures value-added steel products and provides tailored service to its customers

- *Oversupply of steel products in Europe during the first half of the year*
- *Prices of steel products were low during the whole year*
- *Prices began to strengthen in the final quarter of the year*
- *Rautaruukki posted a loss of EUR 6 million*
- *The year 2000 is expected to see rising prices and growing demand*

| | 1999 | 1998 | Change % |
|---|--------|--------|----------|
| Turnover, M€ | 2388 | 2579 | - 7 |
| exports from Finland and international operations % | 69 | 71 | |
| Operating profit, M€ | 57 | 186 | - 70 |
| % of turnover | 2.4 | 7.2 | |
| Profit/loss before extraordinary items, M€ | - 6 | 127 | |
| % of turnover | - 0.2 | 4.9 | |
| Profit/loss before taxes, M€ | - 6 | 109 | |
| % of turnover | - 0.2 | 4.2 | |
| Interest bearing net debt, M€ | 1014 | 954 | + 6 |
| Return on net assets, % | 3.3 | 10.4 | |
| Return on equity, % | - 2.0 | 9.7 | |
| Equity ratio, % | 34.6 | 36.9 | |
| Earnings per share, € | - 0.13 | 0.64 | |
| Equity per share, € | 6.02 | 6.44 | - 7 |
| Personnel at year-end | 12 491 | 13 253 | - 6 |

Five-year Group statistics and principles governing the calculation of key figures on pages 40–41.
Turnover and operating profit by quarter on page 59.

A difficult year behind us – better earnings ahead

1999 was a difficult year for the European steel industry. Prices of steel products, which went into steep decline towards the end of the previous year and in the early part of 1999, did not recover until the latter months of the year. Rautaruukki's 1999 result was slightly in the red, despite the positive earnings generated in the last quarter. The Group's earnings for 2000 are estimated to improve substantially.

In 1999 the average prices of Rautaruukki's products were eight per cent lower than a year ago and its deliveries two per cent lower. The production disturbances resulting from the carrying out of Rautaruukki Steel's investment programme weakened earnings because the division was not able to reach its planned delivery volumes. In addition, the difficult business cycle situation in certain customer sectors in the Group's core markets led to a less favourable market area mix than it was a year ago.

There are two main reasons for the positive earnings outlook for Rautaruukki in 2000. First, it is estimated that economic growth in Europe will pick up markedly. The business cycle in customer industries that use steel products is reviving in the Group's core market area – the Nordic countries and in the Baltic Rim. These factors will fuel the demand for steel products and improve prices. Second, the measures the Group has undertaken will contribute to generating better earnings.

Actions undertaken by Rautaruukki to lift earnings

August will see the completion of the investment programme that was started in 1996 with the aim of increasing the production of flat steel and rolled products and coated sheet

products whilst improving cost-effectiveness.

When the investments are completed, we will be able to utilize our entire flat products integrated upgrading chain and increase the share of highly upgraded products in our deliveries. Once the investment programme is carried through, our capital expenditures will settle at a level that is normal for the development of business operations. The additional revenues brought by the investments, coupled with a lower level of capital

expenditures, will improve Rautaruukki's cash flow from operations.

The development of Rautaruukki's customer service and marketing has proceeded in line with our plans. The divisions have defined their strategic business areas based on customer needs and begun to operate in accordance with the new customer service concept. Rautaruukki Steel Service, which showed very positive development last year, plays a central role in implementing our service concept.



The Group's competitive position will be reinforced by offering better customer service than our competitors do, and products with an increased degree of prefabrication and customization. This will enable us to gain a larger number of partnership customers and boost sales of value-added products and services.

Rautaruukki's profile is that of a manufacturer of special steel products that are marketed as distinctive brands. Rautaruukki's Brand Management programme defining the principles of cooperation with customers and the development of brands was completed last year.

In line with the programme, Rautaruukki Steel has already brought out on the market a number of new branded products that have been developed jointly with customers. We intend to increase further the share of such products within our deliveries.

Rautaruukki's earnings will also be improved by Rautaruukki Steel's new programme targeted at cutting costs and raising productivity. By means of this four-year programme we intend to achieve a significant performance improvement within our largest division.

Fundia is ramping up the efficiency of its operations despite a poor last year, and its earnings are improving. The positive earnings trend in the Bar & Wire Processing Division is continuing. Although the Structural Steel Division has a strong competitive position, its earnings in 1999 were weakened by the exceptional business cycle in the shipbuilding industry. The rationalization measures carried out within the Reinforcing Division lifted earnings solidly into the black. At the Wire Division and Special Bar Division, the enhancement of operational efficiency is moving ahead. Structural arrangements

are an alternative which will also be considered in developing Fundia.

Growing sales in Eastern Europe

For several years now, Eastern Central Europe and Eastern Europe have been a growth area for Rautaruukki's operations. Our sales to this market area have grown on average at an annual rate of 20–30 per cent, and the region accounted for about 8 per cent of the Group's sales in 1998.

In 1999 Rautaruukki's sales to Eastern Europe contracted owing to Russia's economic problems, though sales did swing back to growth at the end of the year. In 2000, consolidated sales to countries in Central and Eastern Europe are estimated to grow by a further 20 per cent, i.e. growth will continue on a par with recent years. Rautaruukki sells highly upgraded products in this market.

Electronic commerce is fast becoming a sales channel for steel products. Rautaruukki's subsidiary Rannila has developed a system that is suited to the sale of consumer products. Now the Group is working on an e-commerce system for other products too. For years, fast and precise deliveries even in small batches have given Rautaruukki a strategic edge. These are important considerations in building a well functioning e-commerce system as well.

Consolidation in the European steel industry

In the European steel industry, the structural change affecting flat products has reached a stage in which the market is dominated by five large steel companies and four medium-large ones that are successful in speciality or highly upgraded products. The process of consolidation has led to a healthier and more stable European steel industry.

The different-sized European steel companies have managed to succeed by deploying varying strategies. A number of new trends are bringing about a change in the steel industry's operating environment. Amongst them are e-commerce systems and the networking of companies. To keep up with these processes, the steel companies must develop cost-effectiveness, flexibility and a customer-oriented approach. The ones that succeed in carrying out this change will be better placed than the others to meet customers' changing needs because they will be able to offer a cost-effective palette of products and services.

Outlook for 2000

The strengthening in economic growth in Europe and the ongoing improvement in the steel industry's operating environment are estimated to create a good basis for an improvement in Rautaruukki's earnings in 2000. The price trend for steel products will of course have a major effect on our earnings trend. The actions we have undertaken to raise our cost-effectiveness whilst enhancing customer service and stepping up the efficiency of sales will also contribute to our ability to generate good earnings.

I wish to thank our shareholders for their confidence in Rautaruukki. My thanks also go to the Group's personnel. After a difficult year in 1999, our objective is to improve our earnings substantially during 2000. In my estimation, the present operating environment makes us well placed to accomplish this.

Helsinki 10 March 2000

Mikko Kivimäki

STRATEGY AND GOALS

Financial goals

It is our goal that the total return on a Rautaruukki share makes it a competitive investment. This means deliberate balanced development in the areas of profitability, growth and cash flow.

- Return on net assets on average ≥ 15 %
- Equity ratio over 40 %
- Gearing ratio down to a level of 50 %
- Return on assets and share price development better than the average of the comparison group of European steel companies

Dividend policy

Rautaruukki follows a competitive and stable dividend policy, which also takes into account the Group's earnings trend and the need to strengthen the company's equity ratio.

Rautaruukki's objective

The company's value is being raised on a long-term basis taking into account various stakeholder groups and the principles of sustained development.

Vision

Tomorrow's Rautaruukki is a leading company on its main market, the Nordic countries, and near-by emerging markets delivering value added steel products combined with comprehensive customer service and based mainly on its own cost-efficient steel production.

Main principles in strategy

The starting point for the strategy is to further strengthen the company's market position in its main market areas. This will be achieved through our indepth knowledge of customer needs, which forms the basis for building advanced service that is superior to that of our competitors, and through a customer-oriented, tailored and diverse product range.

The foundations for building an permanent competitive edge are effective management and utilization of knowledge and skills.

The strategy is at the same time based on cost-effective integrated production chains, stretching from raw materials to added value products, and on flexibility in production and in the markets so that the company is better able to withstand economic fluctuations than its competitors.

Basic values

- We help our customers to succeed
- We develop our skills through working together
- Our keys to success are profitability and quality
- We respect the environment

Ethical values

- Reliability
- Openness
- Sense of responsibility
- Respect for the individual

New strategic focuses

Rautaruukki's strategy rests on four basic factors: cost-effectiveness, a high degree of added value, a strong market position in its domestic and nearby markets and fast and precise deliveries. Now Rautaruukki focuses on enhancing marketing and customized service.

Cost-effectiveness

Rautaruukki's cost-competitiveness is based on high productivity, the efficient utilization of production capacity, low energy consumption, efficient logistics and small stocks.

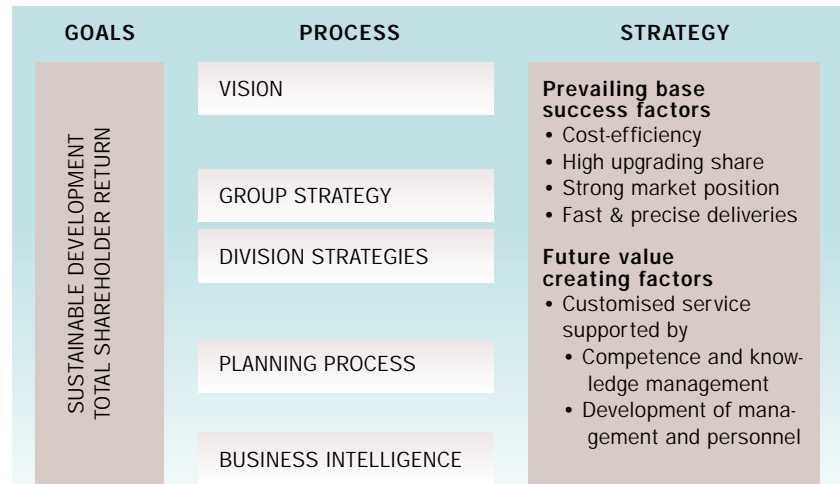
During the year, cost-effectiveness was improved especially by carrying out the action programmes at Rautaruukki Steel and Fundia. Rautaruukki Steel's investment programme, soon to reach completion, will raise cost-effectiveness even further.

Higher added value

Rautaruukki's degree of added value is one of the highest in the European steel industry. More than 60 per cent of the hot-rolled flat steel is upgraded by the Group's units. The proportion of demanding steel grades within the company's production has risen, and more and more customized special products are delivered to customers. Rautaruukki Steel's investment programme will increase further the production of coated sheets and special products. The company's steel service centres have expanded significantly their prefabrication services for customers.

A strong market position

Rautaruukki has a strong market position in its home market and in the nearby markets in the Nordic countries and the Baltic Rim, where efficient use is made of logistics and customer service capabilities. Elsewhere in Western Europe the focus is on selected product and business areas. In recent years the Group has expanded



its operations strongly in Central and Eastern Europe, where marketing efforts centre on highly upgraded construction products that are sold through the company's own sales and service network.

Customer service

Rautaruukki's good customer service is based on flexibility coupled with fast and precise deliveries. This way of working is being developed further towards a new customer service concept: customized service.

The customer base has been analyzed and segmented according to customer needs. Customer service and product development are carried out on an individualized basis for each customer segment. The organization too is developed to correspond to the needs of the different customer segments. This process is under way at all the Group's units. The new Steel Service Division occupies a central position in developing customer service.

Competence and information management projects

At Rautaruukki, the new service concept has set in motion a number of projects aiming at developing information management and the personnel's competence.

The key factors of the new customer service concept

- **In-depth** awareness of customers' business, technology and needs
- **Tailored** development of products and service in cooperation with customers
- Knowledge of **customer and product specific** profitability

The Group has surveyed the competence areas which are of key importance for business operations now and in the future. By strengthening these core competences the maximum amount of added value can be produced for customers and thereby also for Rautaruukki.

An intranet network has been opened as a management tool and it is being expanded to cover the entire Group. This will enable essential business information to be made accessible to all, thereby improving the flow of information between different divisions. Another ongoing development effort is connected with implementing an e-commerce system.

The investment programme initiated in 1996 to improve cost-effectiveness and raise Rautaruukki Steel's steel and rolling production and the output of coated sheet products will be completed in August 2000. The investments will expand the range of steel products and improve the quality level. At the same time, environmental emissions have decreased significantly.

New highly value-added special products

Rautaruukki's strategic objective is to increase, within its product range, the volume of demanding steel grades that exceed standard characteristics. The prices and margins of demanding steel products are higher than those of basic products. Rautaruukki markets its speciality products as its own brands.

New customized special products are being developed for applications having recognized growth potential. Furthermore, Rautaruukki's steadily growing own upgrading requires new grades of steel for manufacturing high-quality products.

Steel and rolling output up

To increase steel output, the charge size of the converters was raised from 100 tonnes to 120 tonnes. A new continuous casting machine was built for the continuous casting plant and an old one was modernized in 1999. The modernization of another continuous casting machine will be completed in August 2000, whereby the steel production capacity will rise to 2.8 million tonnes.

A new walking beam furnace was built for slab reheating at the strip mill, thereby permitting larger slabs to be heated more homogeneously and faster than before. The new coil box and modernization of the coil conveyors will be completed in August 2000. Thereafter the strip rolling line will accommodate a 30 tonne coil weight and the hot rolling production can be raised to 3 million tonnes.

Adding new steel grades to the manufacturing programme

The investment programme has brought a diversification of Rautaruukki Steel's range of steel grades and upgraded products. Rautaruukki Steel has concentrated, among other things, on the development of corrosion-resistant steel grades and formable grades with excellent deep-drawing characteristics.

The ladle furnace built for the steel plant and the vacuum treatment unit have made possible the manufacture of very pure grades of steel. Thanks to the new raw iron desulphurization station, nearly sulphur-free speciality steels can also be manufactured.

Examples of new strip steel products are HIC-resistant steels (Hydrogen Induced Cracking) that resist cracking caused by gaseous hydro-

gen. They are inclusion-free and contain minimal amounts of sulphur and hydrogen. HIC steels are used above all in the petrochemical and offshore industry as well as in Rautaruukki's own tubular production. The development of HIC-resistant steels is moving ahead with a view to the needs of new user groups.

ULC steels (Ultra Low Carbon) are well suited to demanding forming processes. IF steels (Interstitial Free) that are micro-alloyed with titanium and niobium are used above all in the automotive industry. Highly formable and high-strength DP steels (Dual Phase) find applications, for example, in the manufacture of safety components in the automotive industry.

In cooperation with other European steel manufacturers, Rautaruukki is developing TRIP steels (Transformation Induced Plasticity). Examples of these high-strength and formable multi-phase steels are ferrite-bainite steels which are used, notably, in the vehicle industry.

Higher strip steel output

The investment programme will increase Rautaruukki's upgrading production. At the Hämeenlinna Works the pickling line was modernized and the speed of the cold rolling line was doubled by replacing the rolling



The investment raising the capacity of the colour coating line at the Hämeenlinna Works was completed in February 2000. The bulk of the additional output resulting from the investment programme will be sold in the form of coated products.

mill's motors with new ones and upgrading the automation system. These measures raised the cold rolling capacity from 0.9 million tonnes to 1.2 million tonnes.

The capital expenditure project that raises the colour coating capacity at the Hämeenlinna Works from 100 000 tonnes to 150 000 tonnes was completed in February 2000. Rautaruukki's production capacity of colour-coated sheets rose from 270 000 tonnes to 320 000 tonnes.

In April 2000 the new galvanizing line at Hämeenlinna, with a capacity of 400 000 tonnes, will be completed. At the same time, Rautaruukki is giving up its 100 000 tonne share of the galvanizing capacity of its former German associated company. The Group's production capacity in galvanized sheet will rise from slightly less than 600 000 tonnes to about 900 000 tonnes.

New coated sheet products

With the completion of the galvanizing line, Rautaruukki can offer strip products that have a more versatile dimensional area, better surface quality and are manufactured with new types of coatings. The steel strip can be cleaned more efficiently than before to produce products that must have a flawless steel surface and undergo demanding processing.

The maximum thickness of galvanized strips will increase from 2.5 millimetres to three millimetres and the width will grow from 1400 millimetres to 1550 millimetres. The line will also be capable of manufacturing high-quality Galfan- and Galvannealed-coated products.

The aluminium-containing Galfan coating brings a significant improvement in the corrosion resistance and formability of galvanized sheets. Galfan-coated sheets are used in particular by the construction, household appliance and automotive industries. The sheets are also very suitable for the manufacture of Rau-

| Investment programme Rautaruukki 2000 Effect on production volumes | | | |
|---|----------------|----------------|---------|
| | Actual 1996 | Actual 1999 | Planned |
| Production(1000 tonnes) | | | |
| Iron | 1929 | 2417 | 2500 |
| Steel | 2018 | 2522 | 2800 |
| Hot rolling | 2374 | 2672 | 3000 |
| Cold rolling | 905 | 989 | 1250 |
| Galvanizing | 583 | 577 | 900 |
| Colour coating | 223 | 225 | 320 |

aruukki's own construction component and system products because paint adheres well to the coating and the sheets withstand intensive forming.

The Galvannealed coating is made by using zinc to dissolve iron from the surface of the steel strip, whereby the coating changes into a compound that is intermediate between iron and zinc. Galvannealed sheets are easy to paint and weld. Typical applications are in the automotive, electrical and electronics industries.

By means of efficient finishing rolling on the galvanizing line, the surface characteristics of sheet can be improved from the standpoint of forming processes. Anticorrosion properties improve when an AFP (Anti Finger Print) polymer layer containing chrome and other inorganic passivation substances is spread on top of the sheet.

When the capacity of the coating line was raised, several new technical solutions were put into use. Fresh air technology yields an improvement in the colour control of the products and, in particular, it increases the range of light shades used in the household appliance industry. Increasing batch sizes leads to a more even quality of coated products.

Raising cost-effectiveness

The investments have raised Rautaruukki Steel's cost-effectiveness because the additional capacity was cre-

ated mainly by modernizing old production lines.

At the Raahe Steel Works labour productivity has already improved by about 20 per cent from the 1996 level. When the latest investments are completed, the improvement in productivity will be about 30 per cent. At the Hämeenlinna Works, labour productivity in cold rolling and galvanizing will improve by more than 15 per cent when the new galvanizing plant is completed. Raising the capacity of the coating line will improve productivity by about 20 per cent.

Decreased emissions

The investment programme included important projects aiming at reducing environmental emissions and improving working conditions. The dust emission collection and purification system at the Raahe Steel Works' converter plant cut down fugitive dust emissions by 80 per cent. Rebuilding of the rolling mill's water circulation system reduced oil and solids discharges to a fifth of the previous level.

At the recovery plant of the pickling line at the Hämeenlinna Works, new flue gas scrubbers were placed in use and technical improvements were carried out in order to reduce the plant's hydrochloric acid and particulate emissions. In connection with raising the capacity of the colour coating line, a solvent incineration plant was built. This will reduce the hydrocarbon discharges significantly.

SHARE INFORMATION

The paid-in share capital of Rautaruukki Oyj on 31 December 1999 was FIM 1,388,864,450 and comprised 138,886,445 Series K shares, each carrying ten votes at the 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 General Meeting, and a dividend that is 5 percentage points 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 1,202,284,160 and its maximum share capital is four times this amount, within which limits the share capital may be raised or lowered without amending the Articles of Association.

Rautaruukki Oyj's shares were placed in the book-entry securities system in 1994.

Warrant bond issue 1994

In 1994 an issue of bonds with warrants in a total amount of FIM 500,000 was targeted at twelve officers belonging to the Group's senior management. The warrants entitle their holders to subscribe a maximum total of 1,000,000 new Series K shares by the end of January 2001 at a subscription price of FIM 56.56 per share. As a consequence of the subscriptions, the share capital can increase by a maximum of FIM 10 million.

Convertible loan 1998

In the spring 1998 Rautaruukki Oyj floated a FIM 20 million issue of convertible bonds targeted at the Group's personnel and the Rautaruukki Employee Fund. The bonds can be exchanged for a maximum total of 400,000 Rautaruukki Series K

shares at a conversion price of FIM 50 per share until 15 May 2003. As a consequence of the conversions, the share capital can be increased by a maximum of FIM 4 million.

Share option issue 1998

The Annual General Meeting authorized the Supervisory Board and the Board of Directors to grant key employees of the Group a total of 2,600,000 share options on the basis of which they can subscribe a total of 2,600,000 Series K shares, whereby the share capital can be increased by a maximum of FIM 26 million.

Entitlement to subscribe shares will arise in the event that Rautaruukki's return on assets and the share price trend prior to the subscription have been better on average than the corresponding figures for the steel companies in a European comparison group. The subscription can take place with half of the options on 1 January 2002 at the earliest and with the other half on 1 January 2003 at the earliest. By the end of January 2000, a total of 2,470,000 options had been granted to 93 key employees.

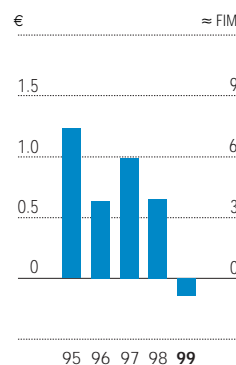
Share issue 1999

The entire shares outstanding in Valtameri Oyj were acquired through a directed share issue and Valtameri Oyj was merged with Rautaruukki Oyj on 1 September 1999. Rautaruukki's share capital was increased by FIM 56,580,290 by issuing as merger consideration 5,658,029 new Rautaruukki Series K shares.

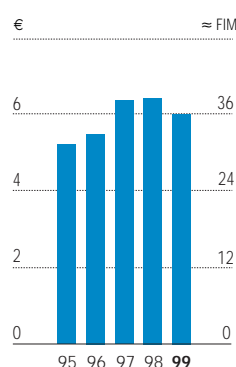
Management's ownership

The total number of shares held by members of the Supervisory Board and the Board of Directors at the

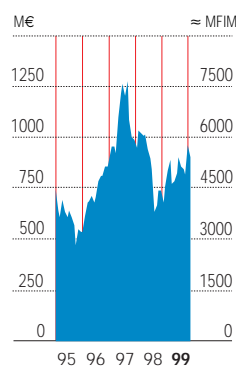
Earnings per share



Equity per share



Market capitalisation



year-end was 17,235, which represent 0.01 per cent of the voting right conferred by all the company's shares. In addition the members of the Board of Directors held 505,000 warrants of the 1994 bond issue and 640,000 share options of the 1998 share option issue which confer entitlement to subscribe at most a total of 1,145,000 K Shares, i.e. 0.82 per cent of the voting right.

State ownership

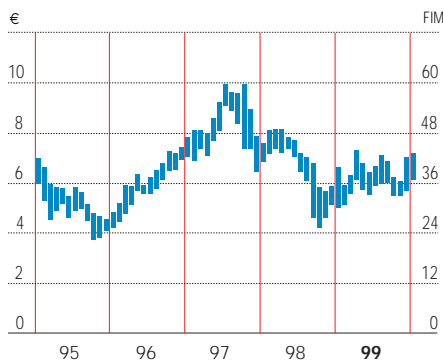
The Finnish State's holding declined in September from 41.8 per cent to 40.1 per cent through the directed share issue. On the basis of authorizations obtained from Parliament, the Council of State can reduce the state's holding in Rautaruukki Oyj in such a way that the holding is nevertheless at least one third of the company's

shares outstanding and the voting rights they confer.

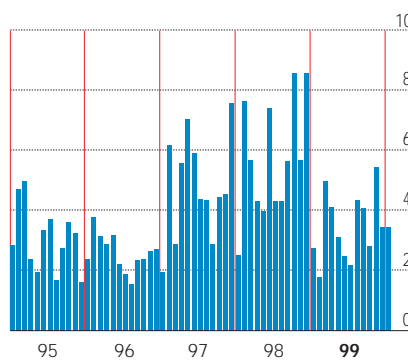
Pre-emption clause

According to the Articles of Association a shareholder whose proportion of the company's entire shares outstanding or the votes they confer reaches or exceeds $33\frac{1}{3}$ or 50 per cent, is bound by the obligation, upon

Rautaruukki share price, monthly high-low



Rautaruukki share monthly trading volume, million of shares

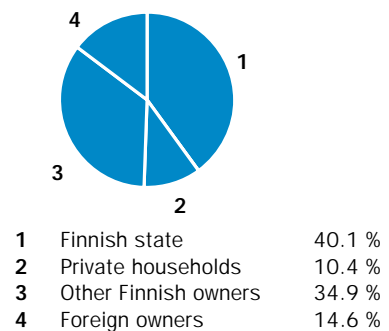


Rautaruukki 1999

The biggest shareholders of Rautaruukki Oyj according to the share register as on 31.12.1999

| Shareholder | Number of shares | Shares % |
|---|------------------|----------|
| 1. Republic of Finland | 55 656 699 | 40.07 |
| 2. Odin Norden | 6 267 400 | 4.51 |
| 3. Pension Insurance Company Ilmarinen | 6 190 733 | 4.46 |
| 4. Mutual Pension Insurance Company Varma-Sampo | 5 145 500 | 3.70 |
| 5. Life Insurance Company Pohjola Ltd | 1 495 000 | 1.08 |
| 6. Industrial Insurance Company Ltd | 1 489 370 | 1.07 |
| 7. Sampo Life Insurance Company Ltd | 1 414 000 | 1.02 |
| 8. Federation of Finnish Metal, Engineering and Electronical industries | 1 372 000 | 0.99 |
| 9. Local Government Pensions Institution | 1 358 917 | 0.98 |
| 10. Rautaruukki Workers' Pension Foundations | 1 328 655 | 0.96 |
| 11. Kesko Pension Fund | 1 162 952 | 0.84 |
| 12. Mutual Life Insurance Company Suomi | 1 153 000 | 0.83 |
| 13. Insurance Company Pohjola Ltd | 913 066 | 0.66 |
| 14. Investment Fund Leonia Share | 822 000 | 0.59 |
| 15. Investment Fund Merita Fennia | 808 500 | 0.58 |
| 16. OP-Delta Investment Fund | 667 000 | 0.48 |
| 17. Onnenmäki Foundation | 618 487 | 0.45 |
| 18. Merita Life Insurance | 595 900 | 0.43 |
| 19. OP-Profit Investment Fund | 589 000 | 0.42 |
| 20. Investment Fund Merita Optima | 577 350 | 0.42 |

Ownership of Rautaruukki as on 31.12.1999



Share information

a demand of the other shareholders, to exercise pre-emption on their shares and warrants.

Share issue authorization

The Board of Directors does not have a valid authorization to issue shares.

Proposal for dividend

The Board of Directors will propose to the Annual General Meeting on 28

March 2000 that a dividend for 1999 of FIM 1.20 per share be paid.

Share price trend

Rautaruukki Oyj's shares have been quoted on the Helsinki Stock Exchange since 8 September 1989.

During 1999 the highest share price of Rautaruukki's share was EUR 7.30 and the lowest price was EUR

5.10. The last trade of the year was made at a price of EUR 6.95. The average price of the share trades during the year was EUR 6.18.

Insider trading

As from 1 March 2000, Rautaruukki Group applies the Regulations on Insider Trading approved by Helsinki Exchanges.

Share issues 1995–1999

| | Number of K Shares | Increase in share capital, FIM | Share capital, FIM |
|--------------------------|-----------------------|-----------------------------------|--------------------|
| Share capital 31.12.1994 | 120 228 416 | | 1 202 284 160 |
| Share issue 6.5.1997 | + 13 000 000 | 130 000 000 | 1 332 284 160 |
| Share issue 1.9.1999 | + 5 658 029 | 56 580 290 | 1 388 864 450 |
| Share capital 31.12.1999 | 138 886 445 | | 1 388 864 450 |

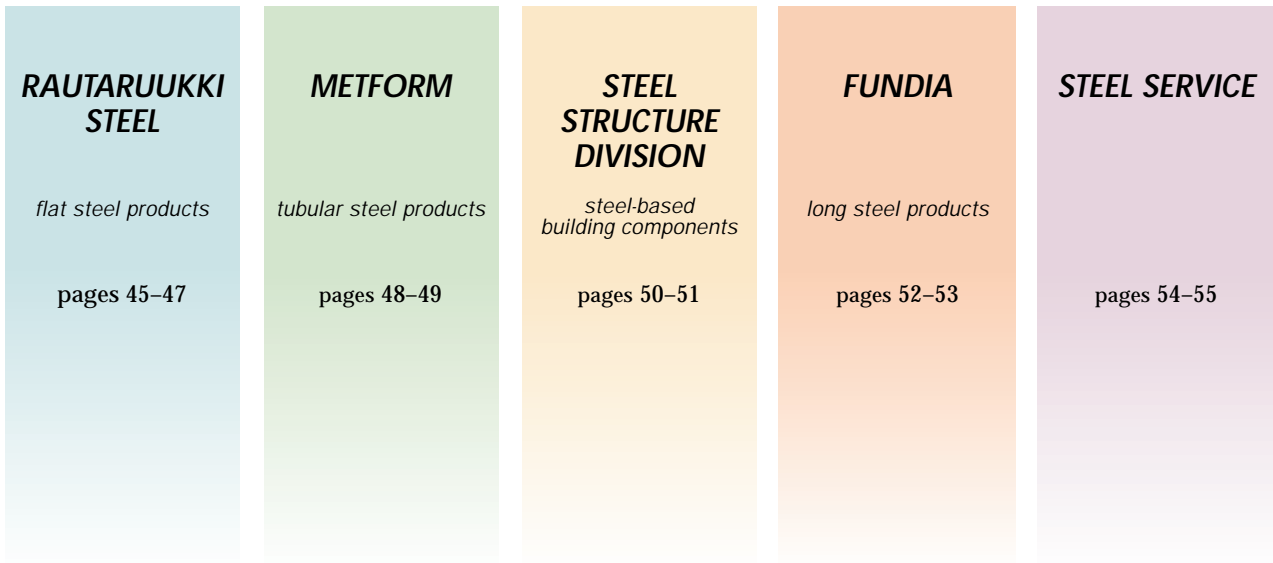
Shareholders by share ownership according to the share register as on 31.12.1999

| Number of shares | Shareholders | | | Shares | |
|---|--------------|--------|-----------|--------|--------|
| | No. | % | thousands | | % |
| 1 – 100 | 2 261 | 11.31 | 138 | | 0.10 |
| 101 – 1 000 | 14 499 | 72.52 | 6 767 | | 4.87 |
| 1 001 – 10 000 | 2 891 | 14.46 | 7 892 | | 5.68 |
| 10 001 – 100 000 | 254 | 1.27 | 7 296 | | 5.25 |
| 100 001 – | 87 | 0.44 | 116 735 | | 84.05 |
| | 19 992 | 100.00 | 138 828 | | 99.96 |
| On the waiting list or the joint book-entry account | | | 59 | | 0.04 |
| | | | 138 886 | | 100.00 |

Shareholders by sector according to the share register as on 31.12.1999

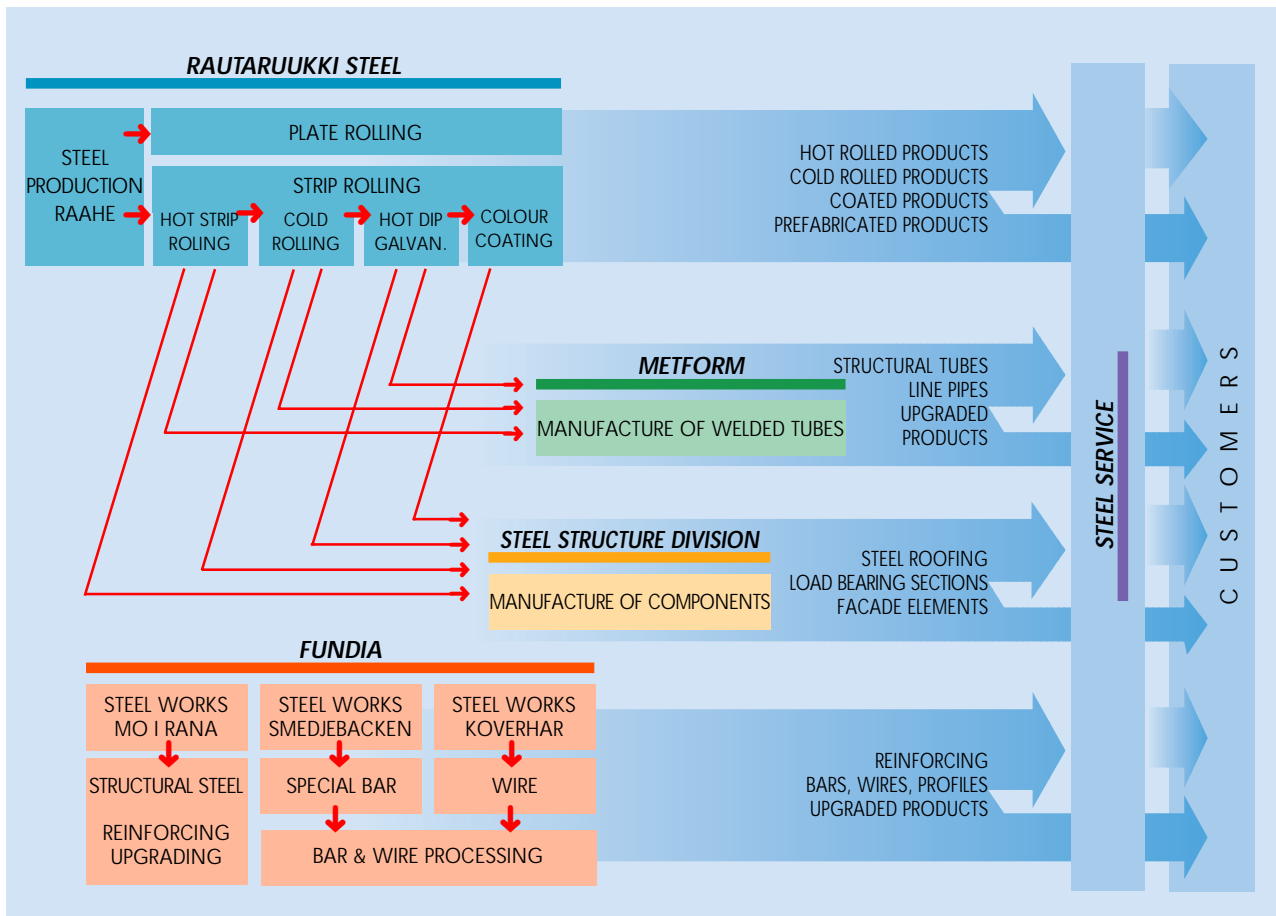
| Sector | Shareholders | | | Shares | |
|---|--------------|--------|-----------|--------|--------|
| | No. | % | thousands | | % |
| Companies | 674 | 3.37 | 5 872 | | 4.23 |
| Banks and insurance companies | 105 | 0.53 | 17 047 | | 12.27 |
| Public institutions | 74 | 0.37 | 76 593 | | 55.15 |
| Non profit institutions | 246 | 1.23 | 4 697 | | 3.38 |
| Private households | 18 816 | 94.12 | 14 395 | | 10.36 |
| Administrative registrations | 9 | 0.04 | 13 146 | | 9.47 |
| Other foreign owners | 68 | 0.34 | 7 077 | | 5.10 |
| | 19 992 | 100.00 | 138 828 | | 99.96 |
| On the waiting list or the joint book-entry account | | | 59 | | 0.04 |
| | | | 138 886 | | 100.00 |

GROUP STRUCTURE 2000



Rautaruukki 1999

Rautaruukki's steel production and upgrading



GROUP ADMINISTRATION

Board of Directors



Chairman:
Mikko Kivimäki*, b. 1939
President and Chief Executive Officer
business development, corporate
communications, environmental affairs
member since 1976, chairman since 1985



Deputy Chairman:
Lauri Mannerkoski, b. 1944
Senior Executive Vice President
marketing, co-ordination of production and
sales, information management
member since 1988, deputy chairman since 1995



Pekka Einamo, b. 1940
Executive V.P.
investments, purchases, logistics
risk management, information technology
member since 1982



Gösta Engman, b. 1945
Executive V.P.
administration, human resources, Fundia
member since 1989



Seppo Ahonen, b. 1942
Chairman of MVI Partners Oy
member since 1994



Seppo Sahlman, b. 1948
Executive V.P.
finance and treasury
member since 1995



Carita Putkonen, b. 1948
Director for Development, Ministry of
Trade and Industry
member since 2000



Peter Sandvik, b. 1953
Executive V.P., research and development
member since 2000

With the exception of Seppo Ahonen and Carita Putkonen, the other members of the Board are permanently employed by the company. The Board has confirmed the areas of responsibility of its members on 7 February 2000. The term of office of the Board will end on 30 April 2001.

Supervisory Board

Jorma Vokkolainen*,
Chairman
Jorma Rantanen*,
Deputy Chairman

Göran J. Ehrnrooth*
Tauno Heikonen
Juhani Alaranta
Georg Ehrnrooth
Tuula Haatainen
Timo Ihamäki
Tauno Matomäki
Hannes Manninen
Seppo Kanerva
* Supervisory Board working committee

Employee representatives
Kari Jokinen
Pauli Kurikka
Risto Kämäräinen
Asser Siuvatti

The functions of the Supervisory Board include:

- to ensure that the Company's affairs are managed in accordance with sound business principles
- to elect the chairman, deputy chairman and other members to the Board of Directors for a three-year term of office
- to appoint and dismiss the President and CEO, and determine the terms of remuneration for him and the members on the Board of Directors
- to decide on any considerable expansion or curtailment of the Company's operations
- to decide on any essential change to the Company's organization
- to decide on instructions to be given to the Board of Directors in matters of wide scope or fundamental importance

Auditor
KPMG WIDERI OY AB
Hannu Niilekselä,
Authorized Public Accountant

REPORT OF THE BOARD

Business environment and market

Economic growth continued to be slow in Europe during 1999, although growth picked up slightly in the latter part of the year. In the Nordic countries, with exception of Norway, and in certain Central European countries, economic growth was clearly higher than in the rest of Europe. In Russia and the Baltic States growth has remained slight.

The good economic trend in the United States continued, while growth picked up significantly in Southeast Asia.

Demand for steel products in Europe was slightly lower than in 1998 but was stronger towards the end of the year. In the United States demand for steel products continued to be good. In Southeast Asia demand picked up from the low level of the previous year and strong growth was recorded in some countries. During 1999 a balance was achieved between the import of steel products into Western Europe and exports from Europe.

In Europe prices of steel products fell sharply in the latter part of 1998 due to oversupply. Prices stayed low during 1999 and the average prices of steel products were 10-25 per cent lower in Europe than in the previous year. Prices began to strengthen for the most part only in the last quarter of the year. In the United States product prices strengthened, but average prices stayed at the previous year's level. In the Southeast Asian countries product prices rose slightly.

World steel output grew 1 per cent compared with the previous year. In the European Union, steel output contracted by 3 per cent.

Rautaruukki in the market

Rautaruukki's deliveries of flat and tubular products fell by 1 per cent compared with the previous year. Early in the year delivery volumes

| Turnover by division, EUR million | | | |
|-----------------------------------|-------|-------|-----------|
| | 1999 | 1998 | Change, % |
| Rautaruukki Steel | 1034 | 1219 | - 15 % |
| Metform | 333 | 352 | - 6 % |
| Steel Structure Division | 256 | 269 | - 5 % |
| Fundia | 654 | 743 | - 12 % |
| Steel Service* | 431 | 335 | + 29 % |
| Other units | 49 | 95 | - 48 % |
| less internal invoicing | - 368 | - 434 | - 15 % |
| Consolidated turnover | 2388 | 2579 | - 7% |

* including only Asva and CCB Stål

were affected by weak demand and output disruptions caused by the implementation of Rautaruukki Steel's investment programme. Deliveries to the Finnish market were 14 per cent lower owing to weaker demand in some customer sectors.

Deliveries of long steel products were 4 per cent down on the previous year owing to weak demand for ship profiles and to the ending of rolling of reinforcing bars at Smedjebacken.

The average EUR price of the Rautaruukki Group's deliveries of flat and tubular products was 11 per cent lower than a year earlier. The average SEK price of long products was 9 per cent lower than the previous year. The weakening of average prices resulted from lower product prices and an unfavourable product and market area mix.

The Rautaruukki Group's steel output was 4.2 million tonnes (4.3).

Changes in Group structure

The Engineering Division was wound up as from 1 January 1999 and the Halikko Works was made a part of Rautaruukki Steel. Rautaruukki gave up its rolling stock business by selling the Transtech unit to the Spanish company Patentes Talgo

S.A. in June. The Engineering unit became part of Rautaruukki Steel as from 1 January 2000.

Asva Oy and Keskometalli Oy were merged into a new Asva Oy in March. Asva became a wholly owned subsidiary of Rautaruukki Oyj in September, when Valtameri Oyj merged with Rautaruukki Oyj. At the beginning of October, a new division, Rautaruukki Steel Service, was formed from the Group's steel service operations.

Changes in the Board of Directors

Rautaruukki's Supervisory Board elected Carita Putkonen, Director for Development at the Ministry of Trade and Industry, and Peter Sandvik, Executive Vice President, Research and Development, to the Group's Board of Directors as from 1 January, 2000.

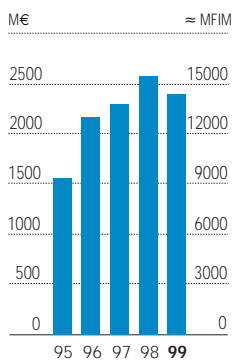
Turnover and financial result

The Group went over to using the euro in its accounting as from 1 January 1999.

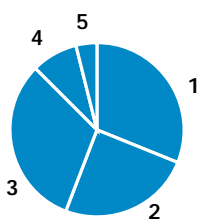
Consolidated turnover contracted by 7 per cent and totalled EUR 2388 million (2579). The core markets, namely the Nordic countries and the countries of Eastern Europe and Eastern Central Europe, accounted for 64

Report of the Board

Turnover

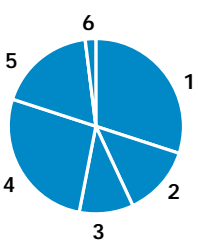


Turnover by market area 1999



| | | |
|---|------------------------|------|
| 1 | Finland | 31 % |
| 2 | Other Nordic countries | 24 % |
| 3 | Other EU countries | 32 % |
| 4 | Other Europe | 9 % |
| 5 | Other countries | 4 % |

External turnover by division 1999



| | | |
|---|--------------------------|------|
| 1 | Rautaruukki Steel | 30 % |
| 2 | Metform | 13 % |
| 3 | Steel Structure Division | 10 % |
| 4 | Fundia | 27 % |
| 5 | Steel Service | 18 % |
| 6 | Other units | 2 % |

Operating profit by division, EUR million

| | 1999 | 1998 | Change, % |
|--------------------------------------|-----------|------------|-------------|
| Rautaruukki Steel | 27 | 182 | - 85 |
| Metform | 22 | 4 | + 440 |
| Steel Structure Division | 16 | 15 | + 6 |
| Fundia | - 8 | 6 | - 225 |
| Steel Service* | 19 | 3 | + 564 |
| Other units and internal items | - 19 | - 24 | + 20 |
| Consolidated operating profit | 57 | 186 | - 70 |

* including only Asva and CCB Stål

per cent of turnover. Europe as a whole accounted for 96 per cent of turnover.

The US dollar prices of iron raw materials were 12 per cent lower and of coking coal 13 per cent lower than they were in 1998. The dollar strengthened on average by a good 4 per cent against the euro. The price of electricity purchases was at the previous year's level. The price of scrap used by Fundia fell by 23 per cent.

Operating profit weakened significantly and was EUR 57 million (186). Other operating income amounted to EUR 16 million (18) and includes a capital gain from the sales of PPTH Teräs Oy shares. Operating profit weakened owing to the lower price level and smaller delivery volumes compared with the previous year, and due to certain non-recurring costs totalling EUR 9 million.

Indirect staff expenses decreased owing to Rautaruukki pension funds' greater investment income compared with the previous year. Part of this income was used to decrease contributions payable to the pension funds in the final quarter of the year.

Loss before extraordinary items was EUR 6 million (profit 127). Earnings per share were EUR -0.13 (0.64). Loss before taxes and minority interest was EUR 6 million (profit 109). The financial statements show a net loss of EUR 18 million (profit 68). The loss according to international accounting standards (IAS) was EUR 10 million (profit 96).

Financing

Rautaruukki's gearing ratio rose slightly during the year and was 121 per cent (109). The equity ratio stood at 34.6 per cent (36.9). Equity per share was EUR 6.02 at the end of the year (6.44). Total assets were EUR 2432 million (2402).

Cash flow from operations was EUR 179 million (211) and cash flow before financing was EUR 6 million (6). The Group's interest-bearing net debt was EUR 1014 million (954). The short-term position of interest-bearing loans was EUR 230 million (131) and the long-term position EUR 851 million (868).

The Group's liquidity was good throughout the year. The ratio of financial assets and inventories to short-term liabilities at the end of the year was 1.6 (1.9). Liquid assets at the close of the year were EUR 67 million (45). The amount of unused committed long-term credit facilities at the end of the year was EUR 221 million (128). The Group had a total of about EUR 500 million of short-term financing programmes and loan facilities, of which EUR 26 million was in use at the end of the year.

Net interest expenses were EUR 50 million (61) and their proportion of net sales fell to 2.1 per cent (2.4). Financial expenses totalled EUR 62 million (59). Financial expenses include a loss on foreign currency exchange of EUR 12 million (0). Operating profit includes a gain of EUR 3 million on foreign currency exchange (8). The

average interest on the Group's net debt at the end of the year was 4.3 per cent (5.8).

At the end of the year Rautaruukki's pension funds had total assets of EUR 324 million (337). Of this amount, 49 per cent (59) was invested in bonds, 12 per cent in money market instruments (1), while investments in shares and convertible bonds totalled 20 per cent (11). The remaining 19 per cent (29) were mainly invested in real estate and in home loans of Rautaruukki's personnel.

Share capital, shares and shareholders

The share capital as at 31 December 1998 was FIM 1,332,284,160.

The entire shares outstanding in Valtameri Oyj were acquired through a directed share issue and Valtameri Oyj was merged with Rautaruukki Oyj on 1 September 1999. Rautaruukki's share capital was increased by FIM 56,580,290 by issuing as merger consideration 5,658,029 new Rautaruukki Series K shares. The merger increased the shareholders' interests by EUR 32 million. Share capital, as at 31 December 1999 was FIM 1,388,864,450. Rautaruukki Oyj's Board of Directors does not have a valid authorisation to increase the share capital.

The warrants attached to the bonds in the 1994 issue directed at management entitle their holders to subscribe a maximum total of 1,000,000 new Series K shares by the end of January 2001 at a subscription price of FIM 56.56 per share. As a consequence of the subscriptions, the share capital can increase by a maximum of FIM 10 million.

The convertible bonds issued in 1998 can be exchanged for a maximum total of 400,000 Rautaruukki Series K shares at a conversion price of FIM 50 per share during the period from 1 March 2000 to 15 May 2003. As a consequence of the conversions, the

share capital can be increased by a maximum of FIM 4 million.

In accordance with the 1998 option programme the Supervisory Board and the Board of Directors can grant key employees of the Group a total of 2,600,000 share options, on the basis of which they can subscribe a total of 2,600,000 Series K shares, whereby the share capital can be increased by a maximum of FIM 26 million. Entitlement to subscribe shares will arise in the event that Rautaruukki's return on assets and the share price trend prior to the subscription have been better on average than the corresponding figures for the steel companies in a European comparison group. The subscription can take place with half of the options on 1 January 2002 at the earliest and with the other half on 1 January 2003 at the earliest. By the end of January 2000, a total of 2,470,000 options had been granted to 93 key employees.

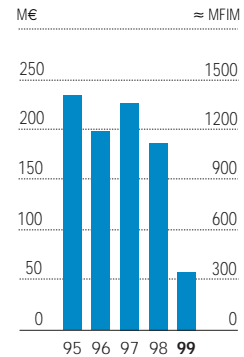
The lowest trading price of Rautaruukki Oyj's Series K share during the year was EUR 5.10 and the highest price was EUR 7.30. The last trade of the year was done at a price of EUR 6.95. Rautaruukki Oyj's market capitalisation at the end of the year was EUR 965 million (737).

The share turnover during the year was 41 million shares (68) representing a total value of EUR 254 million (443). The number of registered shareholders at the close of the year was 19,992 (21,604). The Finnish State's holding declined in September from 41.8 per cent to 40.1 per cent through the directed share issue. Foreigners held 14.6 per cent (18.4) of the Company's shares outstanding. The holding of private individuals was 10.4 per cent (11.3) of the shares outstanding.

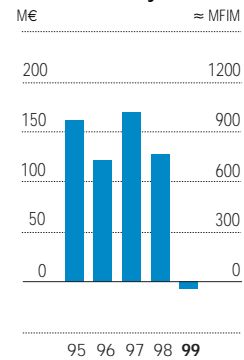
Raw materials and energy

The Group buys its most important raw materials mainly from Finland's nearby areas, benefiting from short

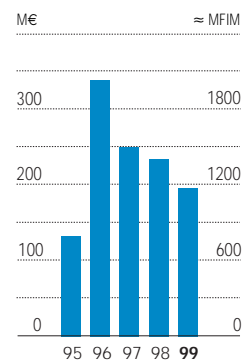
Operating profit



Profit before extraordinary items



Gross investments



haulage distances. Rautaruukki bought 4.0 million tonnes of iron ore, mainly from northern Sweden and partly from northern Russia. Rautaruukki and the Swedish mining company LKAB signed a new five-year agreement, by which LKAB will supply most of Rautaruukki Steel's iron ore needs in the period 2000 to 2004.

Purchases of coking coal, mainly from Poland, the United States and Russia, amounted to 1.3 million tonnes. The Group used 1.2 million tonnes of scrap in the manufacture of steel. Of this amount, about one third was imported from outside the Nordic countries. The Group's electricity purchases totalled 1.4 terawatt hours. The Group's own mills generated a further 0.6 terawatt hours of electricity.

Capital expenditure

Gross expenditures on fixed assets totalled EUR 197 million (235) and net capital expenditures EUR 174 million (205).

Rautaruukki Steel's investment programme, aimed at boosting output, continued. A modernised continuous casting machine at the Raah Steel Works started production in August. The parts of the investment programme remaining to be completed are the modernisation of one continuous casting machine and the raising of the coil weight. Currently in progress at the Hämeenlinna Works are the constructions of a new 400,000-tonne galvanizing line and a project aimed at increasing colour coating capacity by 50 per cent. These investments, which will be completed in the spring of 2000, will make it possible to sell the increased rolling mill output primarily in the form of value-added products. The entire investment programme will be completed in August 2000.

The Steel Structure Division invested in the expansion of its product

Gross capital expenditure by division, EUR million

| | 1999 | 1998 |
|--------------------------|------------|------------|
| Rautaruukki Steel | 134 | 126 |
| Metform | 12 | 16 |
| Steel Structure Division | 12 | 25 |
| Fundia | 26 | 39 |
| Steel Service* | 9 | 5 |
| Other units | 4 | 24 |
| Total | 197 | 235 |

* including only Asva and CCB Stål

range at Gasell Industry's works in Toijala and Anderslöv, and started manufacture of construction system products in Latvia.

Fundia's investments focused on improving production efficiency and on increasing the share of special products and upgrading operations.

In the Steel Service Division the service centres of Rautaruukki Stahl-service GmbH and Asva Järvenpää were expanded and prefabrication services were enhanced. Asva purchased the shares outstanding of the stainless steel service centre Inoxta Oy in November.

Business development

Reorganisation of marketing and customer service continued. Analysis and segmentation of clientele continued in order to identify key customers' business activities and technologies as well as end-users' needs. Based on this analysis, the divisions determined their own strategic business areas.

The aim is to create customer service that is better than the competitors' by offering customers logistics services, technical support and access to customer information systems as well as more highly prefabricated and customized products. The newly established Steel Service Division is making the main contribution to developing this new service concept.

The Rautaruukki Group's Brand Management programme was completed. This programme defines the principles for developing the Group's customer cooperation and brand products. Under the programme Rautaruukki Steel developed in cooperation with customers new high added-value brand products. The Group's aim is to utilize partners' manufacturing and knowledge in its deliveries.

Rautaruukki has developed an electronic trading system for the sale of consumer products. During the year a start was made on developing the electronic trading system to include other products.

Year 2000

In February 1997, the Board of Directors launched a Year 2000 Risk Survey and Action Programme, which examined and if necessary updated some 600 information systems and 1800 control and automation systems across the Group's units. The total cost of the programme was EUR 6 million. The programme was completed in November 1999 and the Group encountered no problems as it entered the new millennium.

Research and development

The key aims of research and development are to enhance customer-oriented product development and to

improve the cost-effectiveness of the Group's production processes. Rautaruukki Steel's investment programme has developed new steel grades for its product range, such as special-strength highly formable steels as well as sheet steels possessing excellent deep drawing properties. Special research subjects in relation to production processes were intelligent control systems and modelling. The focus of Fundia's research and development was the development of special products.

Strengthening the customer-oriented business model requires better knowledge than at present of the manufacturing technology used by customers. The cooperation network formed by research institutes, universities and other companies was enhanced in order to safeguard the special expertise required in research and development.

The most important European cooperation forums are research organizations supported by the European Coal and Steel Community, and the EU's research programmes. In 1999 Rautaruukki received European Coal and Steel Community funding for five of its research projects. In Finland Rautaruukki participated, for example, in the Technical Research Centre of Finland's technology programme "Frontiers in Metallurgy", whose aim is to cut production lead times by half.

Rautaruukki's research centre operating in Raahe focuses on metallurgical research and the development of new steel grades. In order to boost the research and development activity of other divisions, it was decided to centralize the development functions of Rautaruukki Steel's Strip Products Unit, Metform and the Steel Structure Division in Hämeenlinna. The new development centre will work in close cooperation with the Häme Polytechnic's Sheet Steel Competence Centre.

The Rautaruukki Group spent a total of EUR 20 million (18), or 0.8 per cent (0.7) of turnover, on research and development.

Environmental protection

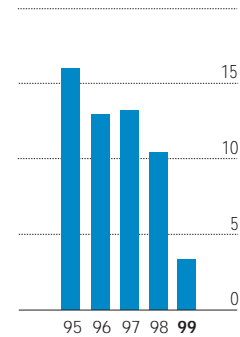
Rautaruukki has committed itself to adhering to the environmental policy confirmed by management as well as the environmental principles of both the International Iron and Steel Institute (IISI) and the International Chamber of Commerce (ICC). The Group's objective is to obtain certification for all of its production units by an external accreditation institution according to the ISO 14001 Standard. By the end of 1999 nearly all operating units having a significant impact on the environment were within the sphere of certification. The turnover of units certified by the end of 1999 was 79 per cent of consolidated turnover of all production units and these units employed 75 per cent of personnel.

In connection with the construction of environmental systems, environmental impacts are identified and their significance determined. At the same time environmental risks are surveyed in collaboration with external experts and local officials.

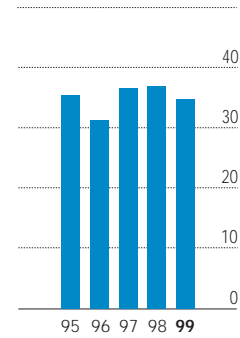
At Rautaruukki Steel's Raahe Works a monitoring and reporting system for economic environmental data was completed. The system is used in environmental protection control and public reporting.

A water treatment plant extension was completed at Fundia's Dalsbruk rolling mill in September. The investment will improve the quality of circulating water used and reduce loading on the water system. The concentration of suspended matter in the water has fallen by a third and treatment efficiency is expected to improve through the development of further measures.

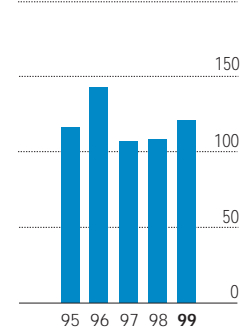
Return on net assets, %



Equity ratio, %



Gearing ratio, %



Personnel

The Group's payroll at the close of the year was 12,491 people (13,253) and the parent company employed 5,838 people (6,354). During the year the Group employed an average of 13,219 people (13,409) and the parent company 6,299 (6,709). The decrease in personnel was due mainly to the sale of the Transtech unit and rationalization measures carried out in Fundia.

The survey of expertise aimed at personnel development continued. In terms of Rautaruukki's business competence needs the focus was on better understanding of customers' fields of business and customers' needs as well as on utilizing information in business operations and management. The Group's intranet information network was introduced into Finnish units as management tool. The intranet will be extended to cover the entire Group during 2000.

A Group-wide training initiative, the Rautaruukki Excellence Programme, was launched to develop management and expert resources. The aim of the programme is to safeguard management resources in an international business environment.

Activities aimed at maintaining and improving personnel's working capacity were continued and expanded.

During 1999 the profit target of the bonus system was not reached.

Outlook for 2000

During 2000 economic growth is estimated to strengthen in Europe on the back of increasing capital expenditure and construction. Economic growth is expected to be fastest in the Nordic member states of the European Union. In many countries of Eastern Central Europe economic growth is forecast to be higher than in the rest of Europe.

In the United States the long sustained period of economic growth is estimated to continue at a slightly lower rate but to remain good. In the countries of Southeast Asia economic growth is expected to strengthen further and to pick up also in those countries where the economic crisis had a more lasting impact.

Demand for steel products in Europe is estimated to pick up as economic conditions in customer sectors improve. In Finland, output in customer sectors is expected to grow significantly. Steel product prices are expected to strengthen further. Prices of flat steel products are forecast to strengthen faster than prices of long steel products. In galvanized sheet

products increasing supply may impact on price trends in the latter part of the year.

In the United States the good demand for steel products is estimated to continue and product prices are expected to strengthen further. In Southeast Asia demand and product prices are both expected to strengthen.

Rautaruukki Steel's investment programme will be completed in August 2000, leading to additional capacity in steel production, rolling and upgrading, as well as increased deliveries of high added-value products. Rautaruukki Steel has initiated a new programme aimed at cutting costs and boosting sales. Fundia will continue to improve its operational efficiency particularly in wire and bar production. Positive development in Rautaruukki's Steel Service Division is expected to continue.

The Group's turnover is forecast to grow to EUR 2.6 billion. The implementation of Rautaruukki Steel's investment programme will slow the earnings trend during the first three quarters of 2000. Profit for the year as a whole is forecast to increase significantly. Prices of steel products will have a direct impact on Rautaruukki's earnings trend.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

| M€ | Note | 1.1.-31.12.1999 | | 1.1.-31.12.1998 | |
|--|------|-----------------|--------|-----------------|--------|
| | | | % | | % |
| TURNOVER | 1) | 2 388 | 100.0 | 2 579 | 100.0 |
| Variation in stocks of finished goods and work in progress | | -38 | | -20 | |
| Production for own use | | 9 | | 8 | |
| Other operating income | 3) | 16 | | 18 | |
| Share of results in associated companies | | -1 | | 6 | |
| Raw materials and services | 4) | 1 328 | | 1 433 | |
| Personnel expenses | 5) | 487 | | 502 | |
| Depreciation and reduction in value | 6) | 165 | | 149 | |
| Other operating charges | 7) | 338 | -2 317 | 321 | -2 405 |
| OPERATING PROFIT | 2) | 57 | 2.4 | 186 | 7.2 |
| Financial income and expenses | 8) | | | | |
| Income from other investments held as non-current asset | | 3 | | 2 | |
| Other interest and financial income | | 5 | | 7 | |
| Interest and other financial expenses | | -71 | -62 | -68 | -59 |
| PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS | | -6 | -0.2 | 127 | 4.9 |
| Extraordinary items | 9) | | | | |
| Extraordinary income | | | | 1 | |
| Extraordinary expenses | | | | -19 | -17 |
| PROFIT/LOSS BEFORE TAXES AND MINORITY INTERESTS | | -6 | -0.2 | 109 | 4.2 |
| Income taxes | 10) | | | | |
| Taxes for the year | | -18 | | -16 | |
| Taxes from previous years | | -2 | | -2 | |
| Change in deferred tax | | 8 | -12 | -25 | -43 |
| PROFIT BEFORE MINORITY INTERESTS | | -17 | -0.7 | 66 | 2.6 |
| Minority interests of profit/loss | | -1 | | 2 | |
| GROUP PROFIT/LOSS FOR THE FINANCIAL YEAR | | -18 | -0.7 | 68 | 2.6 |

CONSOLIDATED BALANCE SHEET

| M€ | Note | 31.12.1999 | % | 31.12.1998 | % |
|---|------|------------|-------|------------|-------|
| ASSETS | | | | | |
| NON-CURRENT ASSETS 11-13) | | | | | |
| Intangible assets | | | | | |
| Intangible rights | | 7 | | 6 | |
| Goodwill | | 54 | | 50 | |
| Other capitalised long-term expenses | | 22 | | 19 | |
| Advance payments | | 5 | 88 | 0 | 76 |
| Tangible assets | | | | | |
| Land and water areas | | 26 | | 23 | |
| Buildings | | 338 | | 345 | |
| Machinery and equipment | | 878 | | 880 | |
| Advance payments and construction in progress | | 138 | 1 380 | 97 | 1 344 |
| Investments | | | | | |
| Associated company shares | | 26 | | 38 | |
| Other shares and similar rights of ownership | | 44 | | 44 | |
| Other long term investments | | 1 | 70 | 1 | 83 |
| | | 1 538 | 63.3 | 1 503 | 62.6 |
| CURRENT ASSETS | | | | | |
| Inventories 14) | | | | | |
| Raw materials and consumables | | 112 | | 144 | |
| Finished products / goods | | 280 | | 313 | |
| Other inventories | | 1 | | 2 | |
| Advance payments | | 0 | 393 | 2 | 461 |
| Debtors 15) | | | | | |
| Long-term | | | | | |
| Loan receivables | | 2 | | 3 | |
| Interest bearing amounts owed by associated companies | | 3 | | | |
| Non-interest bearing receivables | | 10 | | 10 | |
| Deferred tax assets 20) | | 15 | 31 | 17 | 30 |
| Short-term | | | | | |
| Trade debtors | | 343 | | 304 | |
| Amounts owed by associated companies | | 3 | | 3 | |
| Loan receivables | | 0 | | 1 | |
| Other debtors | | 37 | | 29 | |
| Prepayments and accrued income | | 18 | 402 | 25 | 362 |
| | | 433 | | 392 | |
| Cash in hand and at banks | | 67 | | 45 | |
| | | 893 | 36.7 | 899 | 37.4 |
| | | 2 432 | 100.0 | 2 402 | 100.0 |

Rautaruukki 1999

| M€ | Note | 31.12.1999 | % | 31.12.1998 | % |
|--------------------------------------|------|------------|-------------|------------|-------------|
| LIABILITIES | | | | | |
| CAPITAL AND RESERVES | | | | | |
| | 16) | | | | |
| Share capital | | 234 | | 224 | |
| Share premium reserve | | 222 | | 199 | |
| Revaluation reserve | | 24 | | 24 | |
| Translation difference | | | | -4 | |
| Retained earnings | | 375 | | 347 | |
| Profit/Loss for the financial year | | -18 | | 68 | |
| | | 836 | 34.4 | 858 | 35.7 |
| MINORITY INTERESTS | | 3 | 0.1 | 15 | 0.6 |
| PROVISIONS | | | | | |
| | 18) | | | | |
| Provisions for pensions | | 7 | | 4 | |
| Provisions for taxation | | 7 | | 10 | |
| Other provisions | | 2 | 17 0.7 | 4 | 18 0.8 |
| CREDITORS | | | | | |
| | 19) | | | | |
| Non-current creditors | | | | | |
| Interest bearing | | | | | |
| Bonds and debenture loans | | 175 | | 64 | |
| Convertible bonds | | 3 | | 3 | |
| Loans from credit institutions | | 642 | | 742 | |
| Pension loans | | 25 | | 49 | |
| Other creditors | | 6 | 851 | 9 | 868 |
| Non-interest bearing | | | | | |
| Pension loans | | 11 | | 17 | |
| Deferred tax liability | 20) | 138 | | 149 | |
| Other creditors | | 9 | 158 | | 167 |
| | | | 1 009 | | 1 034 |
| Current creditors | | | | | |
| Interest bearing | | | | | |
| Loans from credit institutions | | 220 | | 83 | |
| Pension loans | | | | 4 | |
| Bills of exchange payable | | 2 | | 3 | |
| Amounts owed to associated companies | | | | 0 | |
| Other creditors | | 8 | 230 | 41 | 131 |
| Non-interest bearing | | | | | |
| Advance payments | | 6 | | 37 | |
| Trade creditors | | 178 | | 152 | |
| Accruals and deferred income | 21) | 93 | | 59 | |
| Amounts owed to associated companies | | 1 | | 2 | |
| Other creditors | 21) | 58 | 336 | 96 | 345 |
| | | | 566 | | 476 |
| | | | 1 575 64.8 | | 1 511 62.9 |
| | | | 2 432 100.0 | | 2 402 100.0 |

CONSOLIDATED CASH FLOW STATEMENT

| M€ | 1.1.-31.12.1999 | 1.1.-31.12.1998 |
|--|-----------------|-----------------|
| Cash flow from operating activities | | |
| Profit / loss before extraordinary items | -6 | 127 |
| Adjustments for | | |
| Depreciation | 165 | 149 |
| Financial income and expenses | 62 | 59 |
| Share of associated companies' results | 1 | -6 |
| Other adjustments | -8 | -3 |
| Cash flow before working capital changes | 214 | 327 |
| Change in working capital | | |
| Change in current non-interest bearing debtors | -40 | 20 |
| Change in inventories | 60 | -34 |
| Change in current non-interest bearing creditors | 21 | -29 |
| Change in working capital | 42 | -43 |
| Cash flow before financing items and taxes | 256 | 285 |
| Interest and other financing items on business operations paid | -52 | -56 |
| Taxes paid | -25 | -18 |
| Cash flow before extraordinary items | 179 | 211 |
| Cash flow from extraordinary items | | |
| Cash flow from operations (A) | 179 | 211 |
| Cash flow from investing activities | | |
| Investments in tangible and intangible assets | -190 | -214 |
| Proceeds from sale of tangible and intangible assets | 11 | 14 |
| Other investments | -7 | -21 |
| Proceeds from sale of other investments | 12 | 13 |
| Investments by minority shareholders | | 3 |
| Cash flow from investing activities (B) | -174 | -205 |
| Cash flow before financing | 6 | 6 |
| Cash flow from financing activities | | |
| Change in current loans receivable | 0 | 1 |
| Change in non-current loans receivable | -3 | 1 |
| Change in current loans payable | 99 | -7 |
| Change in non-current loans payable | -39 | 19 |
| Dividends paid | -40 | -45 |
| Cash flow from financing activities (C) | 16 | -31 |
| Change in liquid assets (A+B+C) | 22 | -25 |
| Cash and cash equivalents at beginning of period | 45 | 71 |
| Cash and cash equivalents at end of period | 67 | 45 |
| | 22 | -25 |

The items of the cash flow 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 OYJ'S PROFIT AND LOSS ACCOUNT

| M€ | Note | 1.1.-31.12.1999 | | 1.1.-31.12.1998 | |
|--|------|-----------------|--------|-----------------|--------|
| | | | % | | % |
| TURNOVER | 1) | 1 101 | 100.0 | 1 288 | 100.0 |
| Variation in stocks of finished goods and work in progress | | -24 | | -16 | |
| Production for own use | | 7 | | 6 | |
| Other operating income | 3) | 11 | | 8 | |
| Raw materials and services | 4) | 595 | | 638 | |
| Personnel expenses | 5) | 236 | | 256 | |
| Depreciation and reduction in value | 6) | 99 | | 95 | |
| Other operating charges | 7) | 131 | -1 061 | 125 | -1 114 |
| OPERATING PROFIT | 2) | 33 | 3.0 | 172 | 13.4 |
| Financial income and expenses | 8) | | | | |
| Income from other investments held as non-current assets | | 23 | | 27 | |
| Other interest and financial income | | 10 | | 13 | |
| Reduction in value from other investments held as non-current assets | | -1 | | -20 | |
| Interest and other financial expenses | | -67 | -35 | -61 | -41 |
| PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS | | -2 | -0.2 | 132 | 10.2 |
| Extraordinary items | 9) | | | | |
| Extraordinary income | | 5 | | 13 | |
| Extraordinary expenses | | -3 | 3 | -24 | -12 |
| PROFIT BEFORE APPROPRIATIONS AND TAXES | | 0 | 0.0 | 120 | 9.3 |
| Appropriations | | | | | |
| Change in depreciation reserve | | 39 | | -64 | |
| PROFIT BEFORE TAXES | | 39 | 3.5 | 56 | 4.3 |
| Income taxes | 10) | | | | |
| Taxes for the year | | -11 | | -16 | |
| Taxes from previous years | | -1 | -12 | -2 | -18 |
| PROFIT FOR THE FINANCIAL YEAR | | 27 | 2.4 | 38 | 3.0 |

RAUTARUUKKI OYJ'S BALANCE SHEET

| M€ | Note | 31.12.1999 | % | 31.12.1998 | % |
|---|------|------------|-------|------------|-------|
| ASSETS | | | | | |
| NON-CURRENT ASSETS 11-13) | | | | | |
| Intangible assets | | | | | |
| Intangible rights | | 2 | | 2 | |
| Goodwill | | 30 | | 24 | |
| Other capitalised long-term expenses | | 17 | | 16 | |
| Advance payments | | 5 | 54 | 0 | 42 |
| Tangible assets | | | | | |
| Land and water areas | | 6 | | 6 | |
| Buildings | | 222 | | 231 | |
| Machinery and equipment | | 629 | | 642 | |
| Advance payments and construction in progress | | 119 | 976 | 69 | 948 |
| Investments | | | | | |
| Shares in Group companies | | 222 | | 179 | |
| Receivables from Group companies | | 14 | | 33 | |
| Shares in associated companies | | 7 | | 17 | |
| Receivables from associated companies | | 1 | | | |
| Other shares and similar rights of ownership | | 36 | 281 | 36 | 265 |
| | | 1 311 | 58.9 | 1 256 | 58.5 |
| CURRENT ASSETS | | | | | |
| Inventories 14) | | | | | |
| Raw materials and consumables | | 57 | | 67 | |
| Finished products / goods | | 70 | | 95 | |
| Advance payments | | 0 | 127 | 0 | 162 |
| Debtors 15) | | | | | |
| Long-term | | | | | |
| Trade debtors | | 1 | | 1 | |
| Amounts owed by Group companies | | 395 | | 325 | |
| Amounts owed by associated companies | | 3 | | | |
| Loan receivables | | 0 | | 1 | |
| Other debtors | | 1 | | 1 | |
| Short-term | | | | | |
| Trade debtors | | 122 | | 128 | |
| Amounts owed by Group companies | | 61 | | 60 | |
| Amounts owed by associated companies | | 3 | | 3 | |
| Loan receivables owed by Group companies | | 86 | | 91 | |
| Other debtors | | 23 | | 14 | |
| Prepayments and accrued income | | 7 | 703 | 9 | 634 |
| Cash in hand and at banks | | | | | |
| | | 82 | | 97 | |
| | | 913 | 41.1 | 893 | 41.5 |
| | | 2 224 | 100.0 | 2 148 | 100.0 |

| M€ | Note | 31.12.1999 | % | 31.12.1998 | % |
|--------------------------------------|------|------------|-------|------------|-------|
| LIABILITIES | | | | | |
| CAPITAL AND RESERVES | | | | | |
| | 16) | | | | |
| Share capital | | 234 | | 224 | |
| Share premium reserve | | 222 | | 199 | |
| Revaluation reserve | | 33 | | 33 | |
| Retained earnings | | 143 | | 145 | |
| Profit for the financial year | | 27 | | 38 | |
| | | 658 | 29.6 | 639 | 29.8 |
| APPROPRIATIONS | | | | | |
| | 17) | | | | |
| Depreciation reserve | | 335 | 15.0 | 373 | 17.3 |
| PROVISIONS | | | | | |
| | 18) | | | | |
| Provisions for pensions | | 4 | 0.2 | 0 | 0.0 |
| CREDITORS | | | | | |
| | 19) | | | | |
| Non-current creditors | | | | | |
| Interest bearing | | | | | |
| Bonds and debenture loans | | 175 | | 64 | |
| Convertible bonds | | 3 | | 3 | |
| Loans from credit institutions | | 640 | | 728 | |
| Pension loans | | | | 31 | |
| Amounts owed to Group companies | | 1 | 819 | | 827 |
| Non-interest bearing | | | | | |
| Amounts owed to Group companies | | 2 | | | |
| Pension loans | | 1 | 3 | 3 | 3 |
| | | 822 | | 830 | |
| Current creditors | | | | | |
| Interest bearing | | | | | |
| Loans from credit institutions | | 207 | | 57 | |
| Pension loans | | | | 4 | |
| Amounts owed to Group companies | | 25 | | | |
| Other creditors | | 6 | 237 | 41 | 102 |
| Non-interest bearing | | | | | |
| Advance payments | | 1 | | 33 | |
| Trade creditors | | 71 | | 65 | |
| Amounts owed to Group companies | | 25 | | 30 | |
| Amounts owed to associated companies | | 1 | | 1 | |
| Accruals and deferred income | 21) | 55 | | 26 | |
| Other creditors | | 14 | 168 | 50 | 204 |
| | | 405 | | 306 | |
| | | 1 227 | 55.2 | 1 136 | 52.9 |
| | | 2 224 | 100.0 | 2 148 | 100.0 |

RAUTARUUKKI OYJ'S CASH FLOW STATEMENT

| M€ | 1.1.-31.12.1999 | 1.1.-31.12.1998 |
|--|-----------------|-----------------|
| Cash flow from operating activities | | |
| Profit /loss before extraordinary items | -2 | 132 |
| Adjustments for | | |
| Depreciation | 99 | 95 |
| Financial income and expenses | 35 | 41 |
| Other adjustments | -6 | -6 |
| Cash flow before working capital changes | 125 | 261 |
| Change in working capital | | |
| Change in current non-interest bearing debtors | -11 | -33 |
| Change in inventories | 16 | 22 |
| Change in current non-interest bearing creditors | 11 | -15 |
| Change in working capital | 16 | -27 |
| Cash flow before financing items and taxes | 142 | 234 |
| Interest and other financing items on business operations paid | -23 | -24 |
| Taxes paid | -17 | -18 |
| Group contributions | 3 | 7 |
| Cash flow before extraordinary items | 104 | 199 |
| Cash flow from extraordinary items | | |
| Cash flow from operations (A) | 104 | 199 |
| Cash flow from investing activities | -123 | -136 |
| Cash flow from investing activities (B) | -123 | -136 |
| Cash flow before financing | -19 | 63 |
| Cash flow from financing activities | | |
| Change in non-current loans receivable | -72 | 4 |
| Change in current loans payable | 135 | -23 |
| Change in non-current loans payable | -18 | 11 |
| Dividends paid | -40 | -45 |
| Cash flow from financing activities (C) | 4 | -53 |
| Change in liquid assets (A+B+C) | -15 | 10 |
| Cash and cash equivalents at beginning of period | 97 | 87 |
| Cash and cash equivalents at end of period | 82 | 97 |
| | -15 | 10 |

The items of the cash flow 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.

NOTES TO THE ACCOUNTS

ACCOUNTING PRINCIPLES

Accounting principles for the financial statements

The consolidated financial statements and those of the parent company Rautaruukki Oyj have been prepared in accordance with Finnish Accounting Act. The financial statements for 1999 are denominated in euros. All comparative information from earlier financial years has been converted into euros.

The consolidated financial statements include the financial statements of Rautaruukki Oyj 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.

Investments in associated companies (holding 20–50 per cent) are included in the consolidated financial statements 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 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. 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. 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 same allocation principles are also applied if the acquisition cost calculation yields a negative difference. In this case, the part that is considered to be allocated to fixed assets is subtracted from the value of fixed assets and credited to earnings by reducing the depreciation of the specific fixed assets.

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.

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

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 exchange rate on the transaction date. Balance sheet items at the end of the financial year have been valued at the exchange rate on the balance sheet date. Exchange rate differences related to ordinary business operations are treated as items adjusting turnover and purchases. Exchange rate differences related to financing are stated in the profit and loss account in financial income and expenses.

In the consolidated financial statements balance sheet items of foreign companies have been converted into euros at the exchange rate on the balance sheet date. The profit and loss accounts of subsidiaries have been converted into euros at the average exchange rate during the financial year. The translation difference caused by the difference in exchange rate on the date of acquisition and on the balance sheet date as well as the difference arising from translating the profit and loss account and balance sheet at different rates are included in consolidated capital and reserves. Foreign exchange differences arising from the hedging of the shareholders' equity items of foreign companies have been entered in the consolidated balance sheet against translation differences.

The consolidation of companies situated in hyper inflationary countries, mostly in Russia, has been made according to the monetary / non-monetary formula, where translation differences are included in the profit and loss account.

Foreign currency derivative contracts

Open forward exchange contracts and currency swaps have been valued at the exchange rate on the balance sheet date. Exchange rate differences are entered in financial income and expenses in the profit and loss account. The interest rate difference of forward contracts has been entered as accrued interest expense according to the maturity of the agreements. Premiums on foreign exchange options have been entered in advance payment receivables or liabilities. Currency options that are open at the end of the financial year have been marked to market. The net results of the options, including premiums on options that have fallen due, are included in financial income and expenses.

Interest rate derivative contracts

Interest rate swaps used to hedge the Group's long-term interest-bearing receivables and liabilities are not valued in the financial statements. Interest on interest rate swaps is periodized over the contract period and booked in a net amount as an adjustment to interest income or liabilities depending on whether the contract has been taken out to hedge receivables or liabilities.

The net results of forward exchange contracts, interest rate options and futures used to hedge investments and liabilities are periodized over the maturity of the contract. Option premiums are entered in advanced payment receivables or liabilities in the balance sheet and periodized over the maturity of the option.

Notes to the accounts

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.

Stocks

Stocks are valued at the acquisition price, or at the probable replacement price or selling price (if lower). Materials and supplies held for use in production are written down to their replacement value only if the price of the product for sale is below the actual cost determined according to the weighted average cost formula. The costs are defined on a FIFO basis.

In addition to the direct cost, an appropriate proportion of purchasing and production overheads is included in the value of stocks.

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.

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.

Extraordinary income and expenses

Extraordinary income and expenses include exceptional business transactions and events that are of material importance. The parent company's extraordinary income and expenses also include Group contributions.

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 resulting from appropriations, temporary differences and consolidation has been taken into account in the consolidated financial statements.

Research and development expenses

Research and development expenses are booked as an expense of the year in which they arise.

Change in accounting principles

The contents of other current creditors has been changed so that wage related accruals (c. EUR 35 million) previously included in them are treated in the 1999 financial statements as accruals and deferred income.

Individual figures and sums stated in the notes have been rounded off to the nearest million from the exact figures. This may lead to minor discrepancies upon addition or subtraction.

1. External turnover by division and by market area

Turnover is calculated by deducting VAT and rebates from sales of products and services.

| M€ | Group | | Rautaruukki Oyj | |
|----------------------------------|-------|------|-----------------|------|
| | 1999 | 1998 | 1999 | 1998 |
| Turnover by division | | | | |
| Rautaruukki Steel | 723 | 835 | 859 | 979 |
| Metform | 303 | 330 | 184 | 199 |
| Steel Structure Division | 245 | 258 | 18 | 20 |
| Fundia | 645 | 732 | | |
| Asva and CCB Stål | 427 | 333 | | |
| Other units | 45 | 91 | 39 | 89 |
| | 2388 | 2579 | 1101 | 1288 |
| Turnover by market area | | | | |
| Finland | 744 | 758 | 404 | 526 |
| Other EU-countries | 1164 | 1258 | 538 | 570 |
| Other Europe | 384 | 438 | 105 | 136 |
| Other countries | 96 | 125 | 54 | 57 |
| Total external turnover of which | 2388 | 2579 | 1101 | 1288 |
| - Exports from Finland | 710 | 779 | 697 | 762 |
| - International operations | 962 | 1071 | | |

2. Operating profit by division

| M€ | Group | |
|--------------------------------|-------|------|
| | 1999 | 1998 |
| Rautaruukki Steel | 27 | 182 |
| Metform | 22 | 4 |
| Steel Structure Division | 16 | 15 |
| Fundia | -8 | 6 |
| Asva and CCB Stål | 19 | 3 |
| Other units and internal items | -19 | -24 |

57 186

3. Other operating income

| M€ | Group | | Rautaruukki Oyj | |
|-----------------------------------|-------|------|-----------------|------|
| | 1999 | 1998 | 1999 | 1998 |
| Gains on the sale of fixed assets | 10 | 9 | 10 | 6 |
| Other | 6 | 9 | 1 | 1 |
| | 16 | 18 | 11 | 8 |

4. Raw materials and services

| M€ | Group | | Rautaruukki Oyj | |
|--|-------|------|-----------------|------|
| | 1999 | 1998 | 1999 | 1998 |
| Materials, supplies and goods | | | | |
| Purchases during the accounting period | 1143 | 1308 | 514 | 581 |
| Change in inventories | 47 | - 8 | 10 | 6 |
| External services | 138 | 133 | 71 | 52 |
| | 1328 | 1433 | 595 | 638 |

5. Personnel expenses

| M€ | Group | | Rautaruukki Oyj | |
|---|-------|------|-----------------|------|
| | 1999 | 1998 | 1999 | 1998 |
| Wages and salaries | 391 | 395 | 194 | 202 |
| Pension insurance premiums and pensions | 34 | 43 | 20 | 29 |
| Other indirect personnel expenses | 61 | 64 | 22 | 24 |
| Total | 487 | 502 | 236 | 256 |

Salaries and emoluments of directors

| | | | | |
|--|-----|------|-----|------|
| of the members of the Supervisory Board | 0.1 | 0.04 | 0.1 | 0.04 |
| of the members of the Board and of Managing Directors* | 6 | 6 | 1 | 1 |
| * including results-based bonuses to Management | 0.1 | 0.2 | 0.0 | 0.1 |

The Group's average payroll by division

| | Group | | Rautaruukki Oyj | |
|--------------------------|-------|-------|-----------------|------|
| | 1999 | 1998 | 1999 | 1998 |
| Rautaruukki Steel | 5240 | 5057 | 5018 | 4825 |
| Metform | 1575 | 1594 | 615 | 606 |
| Steel Structure Division | 1432 | 1307 | 90 | 86 |
| Fundia | 3406 | 3617 | | |
| Other units | 1566 | 1834 | 576 | 1192 |
| Total | 13219 | 13409 | 6299 | 6709 |

The pension commitments of the Members of the Board and Managing Directors and loans to insiders

The Managing Director of the parent company retires at the age of 65. One of the members of Rautaruukki's Board has the right, if he so wishes, to retire at the age of 60. The group has not loans to insiders.

6. Depreciation and reduction in value

Depreciation according to plan 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 straightline basis over a 5–10 year period.

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

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

Depreciation according to plan by the balance sheet line:

| M€ | Group | | Rautaruukki Oyj | |
|---|-------|------|-----------------|------|
| | 1999 | 1998 | 1999 | 1998 |
| Goodwill | 15 | 11 | 6 | 6 |
| Other long-term expenses | 7 | 5 | 5 | 4 |
| Buildings and structures | 18 | 17 | 10 | 10 |
| Machinery, equipment and other material goods | 124 | 115 | 77 | 74 |
| Total | 165 | 148 | 99 | 95 |
| Reductions in value | | 1 | | |
| Depreciation and reductions in value, total | 165 | 149 | 99 | 95 |

7. Other operating charges

| M€ | Group | | Rautaruukki Oyj | |
|----------------|-------|------|-----------------|------|
| | 1999 | 1998 | 1999 | 1998 |
| Sales freights | 174 | 168 | 89 | 83 |
| Rents | 46 | 42 | 5 | 4 |
| Other | 117 | 111 | 37 | 38 |
| Total | 338 | 321 | 131 | 125 |

Notes to the accounts

8. Financial income and expenses

| M€ | Group | | Rautaruukki Oyj | |
|---|-------|------|-----------------|------|
| | 1999 | 1998 | 1999 | 1998 |
| Income from other investments held as non-current assets | | | | |
| Dividend income from group companies | | | 1 | |
| Dividend income from associated companies | | | 3 | 5 |
| Dividend income from other companies | 3 | 4 | 2 | 4 |
| Interest income from group companies | | | 17 | 19 |
| Interest income from other companies | | -1 | | -1 |
| | 3 | 2 | 23 | 27 |
| Other interest and financial income | | | | |
| Interest income from group companies | | | 8 | 9 |
| Interest income from other companies | 3 | 3 | 2 | 1 |
| Exchange gains | 2 | 3 | | 3 |
| | 5 | 7 | 10 | 13 |
| Reductions in value from non-current assets | | | | |
| Reductions in value from value of group's companies | | | | -17 |
| Other reductions in value from non-current assets | | -1 | -1 | -3 |
| | -1 | | -1 | -20 |
| Interest and other financial expenses | | | | |
| Interest expenses to group companies | | | -1 | -1 |
| Interest expenses to other companies | -53 | -63 | -49 | -58 |
| Exchange losses | -14 | -3 | -15 | |
| Other financing expenses to other companies | -3 | -2 | -2 | -2 |
| | -70 | -68 | -67 | -61 |
| Total financing income and expenses | -62 | -59 | -35 | -41 |

9. Extraordinary items

| M€ | Group | | Rautaruukki Oyj | |
|--|-------|------|-----------------|------|
| | 1999 | 1998 | 1999 | 1998 |
| Extraordinary income | | | | |
| Group contributions | | | 5 | 13 |
| Previous years' share of change in deferred tax | | 1 | | |
| | | 1 | 5 | 13 |
| Extraordinary expenses | | | | |
| Group contributions | | | -3 | -6 |
| Covering the pension liability from previous years | | -19 | | -19 |
| | | -19 | -3 | -24 |
| Extraordinary items, total | | -17 | 3 | -12 |

10. Income taxes

| M€ | Group | | Rautaruukki Oyj | |
|-------------------------------|-------|------|-----------------|------|
| | 1999 | 1998 | 1999 | 1998 |
| Taxes for the year | 18 | 16 | 11 | 16 |
| Taxes from the previous years | 2 | 2 | 1 | 2 |
| Change in deferred tax | -8 | 25 | | |
| | 12 | 43 | 12 | 18 |

11. Intangible assets

| M€ | Group | | Rautaruukki Oyj | |
|--|-------|------|-----------------|------|
| | 1999 | 1998 | 1999 | 1998 |
| Intangible rights | | | | |
| Acquisition cost 1.1. | 12 | 10 | 7 | 6 |
| Increases 1.1.-31.12. | 1 | 2 | | |
| Decreases and adjustment 1.1.-31.12. | | | -1 | |
| Acquisition cost 31.12. | 13 | 12 | 6 | 7 |
| Accumulated depreciation according to plan 1.1. | -7 | -6 | -4 | -4 |
| Accumul. depreciation of decreases and adjustment acc. to plan 1.1.-31.12. | 2 | | | |
| Depreciation according to plan 1.1.-31.12. | -1 | -1 | | |
| Book value 31.12. | 7 | 6 | 2 | 2 |
| Goodwill | | | | |
| Book value 1.1. | 50 | 48 | 24 | 30 |
| Increases 1.1.-31.12. | 18 | 13 | | |
| Decreases and adjustment 1.1.-31.12. | | | 13 | |
| Depreciation according to plan 1.1.-31.12. | -15 | -11 | -6 | -6 |
| Book value 31.12. | 54 | 50 | 30 | 24 |
| Other capitalised long-term expenses | | | | |
| Acquisition cost 1.1. | 51 | 45 | 45 | 41 |
| Increases 1.1.-31.12. | 8 | 6 | 6 | 4 |
| Decreases and adjustment 1.1.-31.12. | -1 | | -1 | |
| Acquisition cost 31.12. | 58 | 51 | 50 | 45 |
| Accumulated depreciation according to plan 1.1. | -31 | -27 | -29 | -25 |
| Accumul. depreciation of decreases and adjustment acc. to plan 1.1.-31.12. | 1 | | | |
| Depreciation according to plan 1.1.-31.12. | -6 | -5 | -5 | -4 |
| Book value 31.12. | 22 | 19 | 17 | 16 |

Advance payments

| | | | | |
|---------------------|---|--|---|--|
| Book value 1.1. | | | | |
| Changes 1.1.-31.12. | 5 | | 5 | |
| Book value 31.12. | 5 | | 5 | |

Intangible assets, total 31.12. 88 76 54 42

12. Tangible assets

| M€ | Group | | Rautaruukki Oyj | |
|--------------------------------------|-------|------|-----------------|------|
| | 1999 | 1998 | 1999 | 1998 |
| Land and water areas | | | | |
| Book value 1.1. | 23 | 23 | 6 | 6 |
| Increases 1.1.-31.12. | | | | |
| Decreases and adjustment 1.1.-31.12. | 2 | -1 | | |
| Book value 31.12. | 26 | 23 | 6 | 6 |

Revaluations included in the acquisition cost of land areas

| | | | | |
|-------------------|---|---|---|---|
| Revaluations 1.1. | 2 | 2 | 2 | 2 |
| Book value 31.12. | 2 | 2 | 2 | 2 |

| M€ | Group | | Rautaruukki Oyj | |
|---|-------|------|-----------------|------|
| | 1999 | 1998 | 1999 | 1998 |
| Buildings | | | | |
| Acquisition cost 1.1. | 549 | 529 | 387 | 376 |
| Translation adjustment | 9 | | | |
| Increases 1.1.-31.12. | 13 | 23 | 7 | 11 |
| Adjustment to acquisition cost | 24 | | | |
| Decreases and adjustment 1.1.-31.12. | -11 | -2 | -8 | -1 |
| Acquisition cost 31.12. | 584 | 549 | 386 | 387 |
| Accumulated depreciation according to plan 1.1. | -205 | -188 | -156 | -147 |
| Translation adjustment of accumulated depreciation | -18 | | | |
| Accumul. depreciation of decreases and adjustment acc. to plan 1.1.-31.12.. | -4 | | 2 | 1 |
| Depreciation according to plan 1.1.-31.12. | -19 | -17 | -10 | -10 |
| Book value 31.12. | 338 | 345 | 222 | 231 |
| Revaluations included in the acquisition cost of buildings | | | | |
| Revaluations 1.1. (based on replacement value) | 30 | 30 | 30 | 30 |
| Revaluations 31.12. | 30 | 30 | 30 | 30 |
| Machinery and equipment | | | | |
| Acquisition cost 1.1. | 1796 | 1651 | 1377 | 1295 |
| Translation adjustment | 39 | -21 | | |
| Increases 1.1.-31.12. | 122 | 178 | 68 | 86 |
| Decreases and adjustment 1.1.-31.12. | -69 | -12 | -28 | -4 |
| Acquisition cost 31.12. | 1888 | 1796 | 1417 | 1377 |
| Accumulated depreciation according to plan 1.1. | -917 | -808 | -734 | -663 |
| Accumul. depreciation of decreases and adjustment according to plan 1.1.-31.12. | 32 | 7 | 23 | 3 |
| Depreciation according to plan 1.1.-31.12. | -125 | -115 | -77 | -74 |
| Book value 31.12. | 878 | 880 | 629 | 642 |
| Book value of machinery 31.12. | | | 625 | 635 |
| Advance payments and construction in progress | | | | |
| Acquisition cost 1.1. | 97 | 62 | 69 | 42 |
| Changes 1.1.-31.12. | 41 | 35 | 50 | 27 |
| Book value 31.12. | 138 | 97 | 119 | 69 |
| Tangible assets, total 31.12. | 1380 | 1344 | 976 | 948 |

13. Investments

| M€ | Group | | Rautaruukki Oyj | |
|--|-------|------|-----------------|------|
| | 1999 | 1998 | 1999 | 1998 |
| Shares in Group companies | | | | |
| Book value 1.1. | | | 179 | 167 |
| Increases 1.1.-31.12. | | | 44 | 29 |
| Decreases 1.1.-31.12. | | | | -17 |
| Book value 31.12. | | | 222 | 179 |
| Receivables from Group companies | | | | |
| Book value 1.1. | | | 33 | 29 |
| Changes 1.1.-31.12. | | | -19 | 4 |
| Book value 31.12. | | | 14 | 33 |
| Shares in associated companies | | | | |
| Book value 1.1. | 38 | 47 | 17 | 26 |
| Increases 1.1.-31.12. | 3 | | | |
| Decreases 1.1.-31.12. | -3 | | -3 | |
| Transfer between balance sheet rows | -6 | -9 | -6 | -9 |
| Share of the profit for the year and other adjustments | -5 | | | |
| Book value 31.12. | 26 | 38 | 7 | 17 |
| Acquisition cost includes Goodwill | -2.8 | 0.5 | | |
| Other shares and similar rights of ownership | | | | |
| Book value 1.1. | 44 | 53 | 36 | 45 |
| Increases 1.1.-31.12. | 1 | 2 | | 2 |
| Decreases 1.1.-31.12. | -1 | -10 | | -10 |
| Book value 31.12. | 44 | 44 | 36 | 36 |
| Other receivables | | | | |
| Pension funds' uncovered pension liability 1.1. | | 19 | | 19 |
| Change 1.1.-31.12. | | -19 | | -19 |
| Pension funds' uncovered pension liability 31.12. | | 0 | | 0 |
| Other long-term investments | | | | |
| Book value | 1 | | | |
| Change 1.1.-31.12. | | 1 | 1 | |
| Book value 31.12. | 1 | 1 | 1 | |
| Total investments 31.12. | 70 | 83 | 281 | 265 |

At the time of preparing the financial statements, on 11 February 2000, the book value of the publicly quoted other shares owned by Rautaruukki Oyj was EUR 2.15 million lower than their market value.

Notes to the accounts

13. Stocks and shares 31.12.1999

| | Country Domicile | Number of shares | Group share of capital | share of voting rights | Nominal value currency thousands | Book values, 1000 € held by Rautaruukki Oyj | held by other Group companies |
|---|----------------------|------------------|------------------------|------------------------|----------------------------------|---|-------------------------------|
| Subsidiaries of Rautaruukki Oyj: | | | | | | | |
| August Lindberg Oy | FI Raahe | 5 | 100.0 | 100.0 | FIM 250 | 616 | |
| Asva Oy | FI Helsinki | 1964 | 100.0 | 100.0 | FIM 38500 | 78755 | |
| Asva Stal Serwis Sp.zo.o | PL Zyrardow | 125000 | 100.0 | 100.0 | PLN 7022 | 960 | 965 |
| Carl Christensen og Brødre AS | NO Oslo | 66 | 100.0 | 100.0 | NOK 2310 | 20674 | |
| DCA-Instruments Oy | FI Turku | 990 | 97.2 | 71.0 | FIM 990 | 167 | |
| Etnarör Ab | FI Oulu | 100 | 100.0 | 100.0 | FIM 50 | 8 | |
| Kyrön Konepaja Oy | FI Karinainen | 10000 | 100.0 | 100.0 | FIM 100 | 655 | |
| Oy JIT-Trans Ltd | FI Raahe | 150 | 100.0 | 100.0 | FIM 1500 | 925 | |
| Kaitos Oy | FI Helsinki | 160 | 100.0 | 100.0 | EUR 40 | 554 | |
| Kiinteistö Oy Dental-talo | FI Turku | 26 | 65.0 | 65.0 | FIM 13 | 0 | |
| Kiinteistö Oy Myllynummentie 17 | FI Kerava | 100 | 100.0 | 100.0 | FIM 15 | 14 | |
| Kiinteistö Oy Pakilantie 61-63 | FI Helsinki | 27000 | 100.0 | 100.0 | EUR 4541 | 6567 | |
| Kiinteistö Oy Valtameds | FI Helsinki | 15 | 100.0 | 100.0 | EUR 25 | 25 | |
| Kiinteistö Oy VM-Hallit | FI Kaarina | 1580 | 100.0 | 100.0 | FIM 158 | 228 | |
| Polarplan Oy | FI Kokemäki | 100 | 100.0 | 100.0 | FIM 200 | 186 | |
| Luvian Teollisuuskiinteistöt Oy | FI Luvia | 3100 | 100.0 | 100.0 | FIM 3100 | 1321 | |
| Presteel Oy | FI Raahe | 2365 | 55.0 | 55.0 | FIM 2365 | 2128 | |
| Rannila Kosice s.r.o. | SK Kosice | 273786 | 51.0 | 51.0 | SKK139630 | 3661 | |
| Rannila Steel Oy | FI Vimpeli | 1500 | 100.0 | 100.0 | FIM 15000 | 16819 | |
| Rautaruukki Holding AB | SE Stockholm | 570000 | 100.0 | 100.0 | SEK 57000 | 31682 | |
| Rautaruukki Holding B.V. | NL Amsterdam | | 100.0 | 100.0 | NLG 40 | 14 | |
| Rautaruukki Holding Danmark A/S | DK Vallensbæk Strand | 1000 | 100.0 | 100.0 | DKK 16000 | 5670 | |
| Rautaruukki Holding GmbH | DE Düsseldorf | 1 | 100.0 | 100.0 | DEM 4050 | 44414 | |
| Rautaruukki (Norge) A/S | NO Oslo | 200 | 100.0 | 100.0 | NOK 200 | 44 | |
| Rautaruukki Polska Sp.zo.o. | PL Zyrardow | 23173 | 100.0 | 100.0 | PLN 2317 | 952 | |
| Rautaruukki (S.E.A.) Pte Ltd | SG Singapore | 100000 | 100.0 | 100.0 | SGD 100 | 64 | |
| Rautaruukki (UK) Ltd. | GB London | 10000 | 100.0 | 100.0 | GBP 10 | 14 | |
| Rautaruukki USA Inc. | US Northbrook | 200 | 100.0 | 100.0 | USD 0.2 | 996 | |
| SKJ-yhtiöt Oy | FI Raahe | 1000 | 100.0 | 100.0 | FIM 500 | 141 | 8 |
| Star Tubes (UK) Ltd. | GB Birmingham | 2800000 | 100.0 | 100.0 | GBP 2800 | 3289 | 28 |
| Startrading Oy | FI Helsinki | 900 | 100.0 | 100.0 | EUR 15 | 184 | |
| Valtamaat Osakeyhtiö | FI Helsinki | 1500 | 100.0 | 100.0 | EUR 25 | 25 | |
| | | | | | | 221751 | 1002 |
| Subsidiaries not eliminated from consolidated accounts: | | | | | | | |
| Housing and real estate corporations, 12 companies | | | | | | 561 | |
| Other subsidiaries of Rautaruukki Group (non-trading) 8 companies | | | | | | 34 | 3 |
| Non-eliminated subsidiaries, total | | | | | | 595 | 3 |
| | | | | | | 222346 | 1005 |
| Subsidiaries of Asva Oy: | | | | | | | |
| Inoxta Oy | FI Vantaa | 300 | 100.0 | 100.0 | FIM 150 | | 4820 |
| Mittalevy Oy | FI Helsinki | 150 | 100.0 | 100.0 | FIM 15 | | 7 |
| Rautaruukki Eesti OÜ | EE Tallinn | 9450 | 100.0 | 100.0 | EEK 945 | | 89 |
| Rautaruukki Metalcentrs SIA | LV Riga | 37 | 100.0 | 100.0 | LVL 37 | | 56 |
| Rautaruukki Metalu Centras UAB | LT Vilnius | 150 | 100.0 | 100.0 | LTL 150 | | 187 |
| ZAO Rautaruukki Stalservis | RU Moscow | 12 | 100.0 | 100.0 | RUR 120 | | 19 |
| | | | | | | | 5178 |
| Subsidiary of A/S Carl Christensen og Brødre: | | | | | | | |
| CCB Stål AS | NO Oslo | 600 | 100.0 | 100.0 | NOK 600 | | 1564 |
| Subsidiary of DCA-Instruments Oy: | | | | | | | |
| Nordic Instruments Inc. | US Massachussets | 10000 | 100.0 | 100.0 | USD 10 | | 7 |

| | Country Domicile | Number of shares | Group share of capital | share of voting rights | Nominal value currency thousands | Book values, 1000 € held by Rautaruukki Oyj | held by other Group companies |
|--|----------------------|------------------|------------------------|------------------------|----------------------------------|---|-------------------------------|
| Subsidiaries of Rannila Steel Oy: | | | | | | | |
| Alamentti Oy | FI Alajarvi | 100 | 100.0 | 100.0 | FIM 100 | | 79 |
| ZAO Peter Steel | RU St. Petersburg | 7900 | 100.0 | 100.0 | RUR 7900 | | 566 |
| ZAO Rannila Steel | RU St. Petersburg | 48100 | 100.0 | 100.0 | RUR 48 | | 24 |
| ZAO Rannila Taldom | RU Taldom | 27360 | 95.0 | 95.0 | RUR 9120 | | 655 |
| AS Rannila Profiil | EE Pärnu | 1500 | 100.0 | 100.0 | EEK 4395 | | 339 |
| Rannila Steel Export Oy | FI Vimpeli | 5 | 100.0 | 100.0 | FIM 50 | | 8 |
| Rannila Steel Latvia S.I.A | LV Riga | 1800 | 100.0 | 100.0 | LVL 180 | | 290 |
| Rannila Steel Vilnius U.A.B | LT Vilnius | 30 | 100.0 | 100.0 | LTL 30 | | 6 |
| Rannila Velvary s.r.o. | CZ Velvary | | 100.0 | 100.0 | CZK 6500 | | 208 |
| ZAT Rannila Kiev | UA Kiev | 5070 | 100.0 | 100.0 | UAH 2192 | | 539 |
| ZAO Rannila Minsk | BY Minsk | 520 | 100.0 | 100.0 | BYR520000 | | 18 |
| ZAO Rannila Marketing | RU Moscow | 50 | 100.0 | 100.0 | RUR 50 | | 7 |
| | | | | | | | 2740 |
| Subsidiary of Rannila Kosice s.r.o: | | | | | | | |
| Rannila Kft. Hungary | HU Budapest | | 49.0 | 49.0 | HUF 1 | | |
| Subsidiary of Rautaruukki Holding B.V.: | | | | | | | |
| Rautaruukki Finance B.V. | NL Amsterdam | 40 | 100.0 | 100.0 | NLG 40 | | 18 |
| Subsidiaries of Rautaruukki Holding Danmark A/S: | | | | | | | |
| Nordisk Simplex A/S | DK Vallensbæk Strand | 2 | 100.0 | 100.0 | DKK 25000 | | 7906 |
| Stelform A/S | DK Fredericia | 3 | 100.0 | 100.0 | DKK 25000 | | 2939 |
| | | | | | | | 10845 |
| Subsidiaries of Rautaruukki Holding GmbH: | | | | | | | |
| Carl Froh GmbH | DE Sundern | 1 | 100.0 | 100.0 | DEM 6800 | | 13569 |
| Rannila Stahlhandel GmbH | DE Sundern | 1 | 100.0 | 100.0 | DEM 200 | | 113 |
| Ragal Feinblech GmbH | DE Bremen | 1 | 100.0 | 100.0 | DEM 300 | | 153 |
| Rautaruukki (Deutschland) GmbH | DE Düsseldorf | 1 | 100.0 | 100.0 | DEM 100 | | 153 |
| Rautaruukki Stahlservice GmbH | DE Duisburg | 1 | 100.0 | 100.0 | DEM 50 | | 3830 |
| Fundia GmbH | DE Mülheim | 1 | 100.0 | 100.0 | DEM 9010 | | 8743 |
| Schmacke Rohr GmbH | DE Sundern | 1 | 100.0 | 100.0 | DEM 3960 | 47 | 3543 |
| | | | | | | 47 | 30105 |
| Subsidiary of Fundia GmbH: | | | | | | | |
| Groth Eisenhandel GmbH & Co KG | DE Monheim | 1 | 100.0 | 100.0 | DEM 750 | | 415 |
| Subsidiary of Rautaruukki (USA) Inc.: | | | | | | | |
| Finnsteel Inc. | US Northbrook | 3000 | 100.0 | 100.0 | USD 30 | | 30 |
| Subsidiaries of SKJ-yhtiöt Oy: | | | | | | | |
| ZAO Peterski | RU St. Petersburg | 80 | 100.0 | 100.0 | RUR 105 | | 4 |
| SKJ Svenska AB | SE Smedjebacken | 100 | 100.0 | 100.0 | SEK 100 | | 10 |
| | | | | | | | 14 |
| Subsidiaries of Rautaruukki Holding AB: | | | | | | | |
| Fundia AB | SE Stockholm | 3500000 | 100.0 | 100.0 | SEK350000 | | 154161 |
| Gasell Profil AB | SE Trelleborg | 162000 | 100.0 | 100.0 | SEK 16200 | | 6049 |
| Rautaruukki Sverige AB | SE Stockholm | 9000 | 100.0 | 100.0 | SEK 900 | | 111 |
| Wirsbo Stålrör AB | SE Surahammar | 50000 | 100.0 | 100.0 | SEK 5000 | | 2336 |
| | | | | | | | 162657 |
| Subsidiaries of Gasell Profil AB: | | | | | | | |
| Gasell Profil A/S | DK Herlev | 500 | 100.0 | 100.0 | DKK 500 | | 173 |
| Gasell Profil AS | NO Oslo | 500 | 100.0 | 100.0 | NOK 50 | | 6 |
| Gasell Profil Polska Sp.zo.o. | PL Warsaw | 32 | 80.0 | 80.0 | PLN 3 | | 7 |
| Gasell Profiles Ltd. | GB St. Albans | 900 | 90.0 | 90.0 | GBP 1 | | 1 |
| U.A.B. Gasell Profil | LT Kaunas | 10 | 100.0 | 100.0 | LTL 10 | | 2 |
| ZAO Gasell Profil Moscow | RU Moscow | 770 | 100.0 | 100.0 | RUR 770 | | 26 |
| | | | | | | | 216 |

Notes to the accounts

| | Country Domicile | Number of shares | Group share of share capital | voting rights | Nominal value currency thousands | Book values, 1000 € held by Rautaruukki Oyj | held by other Group companies | |
|---|------------------|------------------|------------------------------|---------------|----------------------------------|---|-------------------------------|---------------|
| Subsidiaries of Fundia AB: | | | | | | | | |
| Fundia Bar & Wire Processing AB | SE Gävle | 400000 | 100.0 | 100.0 | SEK 40000 | | 13189 | |
| Fundia Bygg AS | NO Oslo | 230000 | 100.0 | 100.0 | NOK230000 | | 50102 | |
| Fundia Ltd. | GB Solihull | 1000 | 100.0 | 100.0 | GBP 1 | | 86 | |
| Fundia Profiler AS | NO Mo i Rana | 70000 | 100.0 | 100.0 | NOK 70000 | | 17518 | |
| Fundia Special Bar AB | SE Smedjebacken | 106000 | 100.0 | 100.0 | SEK 10600 | | 46715 | |
| Fundia Acier SARL | FR Paris | 100 | 100.0 | 100.0 | FRF 1000 | | 12 | |
| Fundia B.V | NL Almelo | 35 | 100.0 | 100.0 | EUR 18 | | 12 | |
| Fundia Wire Oy Ab | FI Dragsfjärd | 200 | 100.0 | 100.0 | FIM 20000 | | 31650 | |
| | | | | | | | <u>159285</u> | |
| Subsidiaries of Fundia Bar & Wire Processing AB: | | | | | | | | |
| Fundia Cromax AB | SE Smedjebacken | 1000 | 100.0 | 100.0 | SEK 100 | | 12 | |
| Fundia Dalwire Oy Ab | FI Dragsfjärd | 120000 | 100.0 | 100.0 | FIM 12000 | | 1116 | |
| Fundia Hjulstro AB | SE Linköping | 80000 | 100.0 | 100.0 | SEK 8000 | | 2336 | |
| Fundia Mandal Stål AS | NO Mandal | 10000 | 100.0 | 100.0 | NOK 16358 | | 2409 | |
| Fundia Steelservice AB | SE Gävle | 60000 | 100.0 | 100.0 | SEK 6000 | | 2219 | |
| Fundia SWL AB | SE Smedjebacken | 8000 | 100.0 | 100.0 | SEK 800 | | 117 | |
| | | | | | | | <u>8209</u> | |
| Subsidiaries of Fundia Bygg AS: | | | | | | | | |
| Fundia Betoniteräkset Oy | FI Helsinki | 1570 | 100.0 | 100.0 | FIM 15700 | | 2777 | |
| Fundia Bygg AB | SE Halmstad | 600000 | 100.0 | 100.0 | SEK 60000 | | 9055 | |
| Fundia Maidenhead Ltd | GB Solihull | 998 | 99.8 | 99.8 | GBP 1 | | 1 | |
| Norsk Jernverk BRD GmbH | DE Mülheim | 50 | 100.0 | 100.0 | DEM 50 | | 18 | |
| Robocon International AS | NO Oslo | 500 | 100.0 | 100.0 | NOK 50 | | 192 | |
| SNJ Gesellschaft für Walzhandel GmbH | DE Mülheim | 500 | 100.0 | 100.0 | EUR 226 | | 17 | |
| | | | | | | | <u>12061</u> | |
| Subsidiaries of Fundia Bygg AB: | | | | | | | | |
| Fundia Welbond BV | NL Raamdonksveer | 499 | 100.0 | 100.0 | NLG 500 | | 262 | |
| Fundia Welbond Ltd. | GB Essex | 249999 | 100.0 | 100.0 | GBP 250 | | 569 | |
| Fundia Ølstykke A/S | DK Ølstykke | 38 | 100.0 | 100.0 | DKK 1000 | | 745 | |
| Hjulstro AB | SE Linköping | 7500 | 100.0 | 100.0 | SEK 750 | | 105 | |
| | | | | | | | <u>1681</u> | |
| Subsidiary of Robocon International AS: | | | | | | | | |
| Robocon Latino America SA | CL Santiago | 20249 | 99.0 | 99.0 | USD 20 | | 43 | |
| Subsidiaries of Fundia Cromax AB: | | | | | | | | |
| Fundia Bright Bar AB | SE Hallstahammar | 50000 | 100.0 | 100.0 | SEK 5000 | | 584 | |
| Fundia Mora AB | SE Mora | 38500 | 100.0 | 100.0 | SEK 3850 | | 935 | |
| Fundia Redon S.A. | FR Redon | 25050 | 100.0 | 100.0 | FRF 2505 | | 936 | |
| Fundia Twente B.V. | NL Almelo | 5000 | 100.0 | 100.0 | NLG 5000 | | 0 | |
| | | | | | | | <u>2455</u> | |
| Subsidiary of Fundia Profiler AS: | | | | | | | | |
| Fundia PreStål AS | NO Mo i Rana | 3500 | 100.0 | 100.0 | NOK 3500 | | 433 | |
| Subsidiaries of Fundia Special Bar AB: | | | | | | | | |
| Fundia Tankoteräs Oy | FI Helsinki | 150 | 100.0 | 100.0 | FIM 15 | | 3 | |
| Subsidiaries of Fundia Wire Oy Ab: | | | | | | | | |
| Asunto Oy Lappohjan Kerrostalot | FI Hanko | 34556 | 100.0 | 100.0 | FIM 3456 | | 591 | |
| Bostads Ab Sångars | FI Hanko | 15263 | 100.0 | 100.0 | FIM 4579 | | 831 | |
| Fastighets Ab Järnstängen | FI Hanko | 10100 | 100.0 | 100.0 | FIM 101 | | 1 | |
| Fastighets Ab Lapphyddan | FI Hanko | 810 | 81.0 | 81.0 | FIM 81 | | 14 | |
| Fundia Tråd AB | SE Borlänge | 500 | 100.0 | 100.0 | SEK 100 | | 938 | |
| | | | | | | | <u>2374</u> | |
| Stocks and shares in subsidiaries, total | | | | | | | 222393 | 401336 |

| | Country Domicile | Number of shares | Group share of share capital voting rights | | Nominal value currency thousands | | Book values, 1000 € held by Rautaruukki Oyj held by other Group companies | |
|---|-------------------|------------------|--|------|----------------------------------|-------|---|---------|
| Associated companies, share of voting rights 20–50 % | | | | | | | | |
| A+R Profilstahl GmbH | DE Neckarsulm | 1 | 33.3 | 33.3 | DEM | 1000 | | 1534 |
| ZAO Stal Ross | RU St. Petersburg | 47 | 47.0 | 47.0 | USD | 9 | | 9 |
| AB Järnbruksförnödenheter | SE Stockholm | 623 | 41.5 | 41.5 | SEK | 100 | | 12 |
| Bet-Ker Oy | FI Ylivieska | 120 | 44.4 | 44.4 | EUR | 224 | | 202 |
| Ekometall AOZT | UA Jenakievo | 1000 | 50.0 | 50.0 | USD | 25 | | 21 |
| Heléns Rör AB | SE Halmstad | 4500 | 25.0 | 25.0 | SEK | 4500 | 6694 | |
| Kiinteistö Oy Teknacent | FI Oulu | 1916 | 47.9 | 47.9 | FIM | 1916 | 322 | |
| It Barents Region AS | NO Tromsø | 2000 | 33.3 | 33.3 | NOK | 2000 | | 252 |
| Nedstaal Draad B.V | NL Alblasserdam | 1363637 | 30.0 | 30.0 | EUR | 1364 | | 1371 |
| Kings Lynn Steel (Holdings) Ltd. | GB Peterborough | 5000 | 50.0 | 50.0 | GBP | 500 | | 510 |
| Mofjellet Berghaller AS | NO Mo I Rana | 600 | 40.0 | 40.0 | NOK | 1000 | | 111 |
| Norsk Jern Eiendom AS | NO Mo I Rana | 3600 | 30.0 | 30.0 | NOK | 22500 | | 8331 |
| Osuuskunta Teollisuuden Romu | FI Helsinki | 2 | 33.3 | 33.3 | FIM | 20 | 2 | 2 |
| PPTH Steelmanagement Oy | FI Peräseinäjoki | 11660 | 22.0 | 22.0 | FIM | 58 | 10 | |
| Raahen Kauppaklubin Kannatus Oy | FI Raahе | 15 | 33.3 | 33.3 | FIM | 150 | 25 | |
| Rannila-Centrostal Bydgoszcz Sp.zo.o. | PL Torun | 13202 | 49.0 | 49.0 | PLN | 660 | | 284 |
| | | | | | | | 7053 | 12 638 |
| | | | | | | | 19692 | |
| Associated companies' profits and goodwill | | | | | | | | 5960 |
| Associated companies' value in balance sheet | | | | | | | | 25652 |
| Other stocks and shares, share of voting rights less than 20 %: | | | | | | | | |
| Ancofer Stahlhandel GmbH | DE Mülheim | 1 | 10.0 | 10.0 | DEM | 2800 | | 3219 |
| Brøderne Sundt Verktøymaskinfabrikk A/S | NO Oslo | 2939 | 15.4 | 15.4 | NOK | 73 | | 25 |
| Oy Datacity Center Ab | FI Turku | 1000 | 7.0 | 7.0 | FIM | 100 | 17 | |
| Ekokem Oy Ab | FI Riihimäki | 230 | 1.3 | 1.3 | FIM | 460 | 77 | |
| Europäisches Entwicklungszentrum für Kokereitechnik GmbH | DE Essen | 1 | 1.0 | 1.0 | DEM | 25 | 10 | |
| Franzefoss Gjennvinning AS | NO Bärum | 150 | 17.7 | 17.7 | NOK | 7500 | | 1991 |
| Hangöudds Utvecklingsbolag Ab | FI Hanko | 800 | 10.0 | 10.0 | FIM | 800 | | 137 |
| Hex Oy | FI Helsinki | 24400 | 0.6 | 0.6 | FIM | 100 | 25 | |
| Buc Smedjebacken AB | SE Smedjebacken | 125 | 12.5 | 12.5 | SEK | 13 | | 2 |
| Metalplast-Oborniki Sp.zo.o | PL Obornik | 149903 | 16.9 | 16.9 | PLN | 141 | 910 | |
| Odda Recycling AS | NO Odda | 83 | 8.3 | 8.3 | NOK | 500 | | 11 |
| Posion Kehitysyhtiö Oy | FI Posio | 20 | 3.4 | 3.4 | FIM | 200 | 34 | |
| Raahen Liikuntahalli Oy | FI Raahе | 17 | 8.5 | 8.5 | FIM | 17 | 177 | |
| Raahen Tietotekniikka Oy | FI Raahе | 10 | 2.3 | 2.3 | FIM | 10 | 8 | |
| Savonlinnan Oopperajuhlat Oy | FI Savonlinna | 1000 | 0.5 | 0.5 | FIM | 25 | 5 | |
| Skandinavian Link Finska Oy | FI Helsinki | 100 | 7.7 | 7.7 | FIM | 15 | 17 | |
| Suomen Osakekeskusrekisteri Osuuskunta | FI Helsinki | 16 | 2.2 | 2.2 | FIM | 370 | 54 | |
| Technopolis Oulu Oyj | FI Oulu | 10000 | 0.3 | 0.3 | FIM | 100 | 17 | |
| Tammet Oy | FI Tammisaari | 900 | 15.0 | 15.0 | FIM | 324 | | 747 |
| Tornator Oy | FI Helsinki | 28371 | 2.1 | 2.1 | FIM | 2837 | 1387 | |
| YIT-yhtymä Oyj | FI Helsinki | 3012000 | 10.3 | 10.3 | FIM | 30120 | 30076 | |
| Shares in housing and real estate companies | | | | | | | | 2244 |
| Other stocks and shares | | | | | | | | 840 |
| Other stocks and shares, total | | | | | | | | 35897 |
| Other stocks and shares and not eliminated subsidiary shares, total | | | | | | | | 43 601 |
| Stocks and shares owned by Rautaruukki Oyj, total | | | | | | | | 265 343 |

Notes to the accounts

14. 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.

15. Debtors

Long-term receivables include receivables due for repayment in one year or later. Current assets in foreign currency have been valued in the manner described in the accounting principles. In contrast with the previous year, bill of exchange receivables (EUR 8 million), which earlier were included in loan receivables, have also been included in trade debtors. The comparative information for the previous year has also been adjusted accordingly.

| M€ | Group | | Rautaruukki Oyj | |
|--|-------|------|-----------------|------|
| | 1999 | 1998 | 1999 | 1998 |
| Short-term non-interest bearing amounts owed by Group companies | | | | |
| Trade debtors | | | 38 | 35 |
| Other non-interest bearing debtors | | | 23 | 25 |
| | | | 61 | 60 |
| Short-term amounts owed by associated companies | | | | |
| Trade debtors | 3 | 3 | 3 | 3 |
| | 3 | 3 | 3 | 3 |
| Essential items in prepayments and accrued income | | | | |
| Tax receivables | 1 | | | |
| Interest receivables | | 3 | | 3 |
| Insurance compensation receivables | 1 | | | |
| Staff expenses paid in advance | 1 | | | |
| Other accruals | 15 | 22 | 7 | 6 |
| Total accruals | 18 | 25 | 7 | 9 |

16. Capital and reserves

| M€ | Group | | Rautaruukki Oyj | |
|------------------------------------|-------|------|-----------------|------|
| | 1999 | 1998 | 1999 | 1998 |
| Share capital | | | | |
| Share capital 1.1. | 224 | 224 | 224 | 224 |
| Share issue | 10 | | 10 | |
| Share capital 31.12. | 234 | 224 | 234 | 224 |
| Share premium reserve | | | | |
| Share premium reserve 1.1. | 199 | 199 | 199 | 199 |
| Share issue premium | 23 | | 23 | |
| Share premium reserve 31.12. | 222 | 199 | 222 | 199 |
| Revaluation reserve | | | | |
| Revaluation reserve 1.1. | 24 | 33 | 33 | 33 |
| Deferred tax liability | | -9 | | |
| Revaluation reserve 31.12. | 24 | 24 | 33 | 33 |
| Profit from previous years 1.1. | 415 | 392 | 183 | 190 |
| Dividend | -40 | -45 | -40 | -45 |
| Profit from previous years 31.12. | 375 | 347 | 143 | 145 |
| Profit/Loss for the year | -18 | 68 | 27 | 38 |
| Translation difference | | -4 | | |
| Capital and reserves, total 31.12. | 836 | 858 | 658 | 639 |

Distributable earnings

| | |
|---|------|
| Profit from previous years 1.1. | 375 |
| - Loss for the financial year | -18 |
| - Accumulated depreciation difference shown under capital | -218 |
| = Distributable earnings | 139 |

The biggest shareholders of Rautaruukki Oyj according to the share register as on 31.12.1999

| Shareholder | Number of shares | Shares % |
|---|------------------|----------|
| 1. Republic of Finland | 55 656 699 | 40.07 |
| 2. Odin Norden | 6 267 400 | 4.51 |
| 3. Pension Insurance Company Ilmarinen | 6 190 733 | 4.46 |
| 4. Mutual Pension Insurance Company Varma-Sampo | 5 145 500 | 3.70 |
| 5. Life Insurance Company Pohjola Ltd | 1 495 000 | 1.08 |
| 6. Industrial Insurance Company Ltd | 1 489 370 | 1.07 |
| 7. Sampo Life Insurance Company Ltd | 1 414 000 | 1.02 |
| 8. Federation of Finnish Metal, Engineering and Electrical industries | 1 372 000 | 0.99 |
| 9. Local Government Pensions Institution | 1 358 917 | 0.98 |
| 10. Rautaruukki Workers' Pension Foundations | 1 328 655 | 0.96 |
| 11. Kesko Pension Fund | 1 162 952 | 0.84 |
| 12. Mutual Life Insurance Company Suomi | 1 153 000 | 0.83 |
| 13. Insurance Company Pohjola Ltd | 913 066 | 0.66 |
| 14. Investment Fund Leonia Share | 822 000 | 0.59 |
| 15. Investment Fund Merita Fennia | 808 500 | 0.58 |
| 16. OP-Delta Investment Fund | 667 000 | 0.48 |
| 17. Onnenmäki Foundation | 618 487 | 0.45 |
| 18. Merita Life Insurance | 595 900 | 0.43 |
| 19. OP-Profit Investment Fund | 589 000 | 0.42 |
| 20. Investment Fund Merita Optima | 577 350 | 0.42 |

The total number of shares held by members of the Supervisory Board and the Board of Directors was 17,235, which represent 0.01 % of the voting right conferred by all the company's shares. In addition the members of the Board of Directors held 505,000 warrants of the 1994 bond issue and 640,000 share options of the 1998 share option issue which confer entitlement to subscribe at most a total of 1,145,000 K Shares, i.e. 0.82 % of the voting right.

Share capital of Rautaruukki Oyj by share series:

| | number | € |
|---|-------------|-------------|
| Series K (10 votes/share) | 138 886 445 | 233 590 232 |
| Series A shares, as defined in the Articles of Association, have not been issued. | | |

Shareholders by share ownership according to the share register as on 31.12.1999

| Number of shares | Shareholders | | Shares | |
|---|--------------|-------------|---------|--------|
| | No. | % thousands | | % |
| 1 – 100 | 2 261 | 11.31 | 138 | 0.10 |
| 101 – 1 000 | 14 499 | 72.52 | 6 767 | 4.87 |
| 1 001 – 10 000 | 2 891 | 14.46 | 7 892 | 5.68 |
| 10 001 – 100 000 | 254 | 1.27 | 7 296 | 5.25 |
| 100 001 – | 87 | 0.44 | 116 735 | 84.05 |
| | 19 992 | 100.00 | 138 828 | 99.96 |
| On the waiting list or the joint book-entry account | | | 59 | 0.04 |
| | | | 138 886 | 100.00 |

Shareholders by sector according to the share register as on 31.12.1999

| Sector | Shareholders | | Shares | |
|---|--------------|-------------|---------|--------|
| | No. | % thousands | | % |
| Companies | 674 | 3.37 | 5 872 | 4.23 |
| Banks and insurance companies | 105 | 0.53 | 17 047 | 12.27 |
| Public institutions | 74 | 0.37 | 76 593 | 55.15 |
| Non profit institutions | 246 | 1.23 | 4 697 | 3.38 |
| Private households | 18 816 | 94.12 | 14 395 | 10.36 |
| Administrative registrations | 9 | 0.04 | 13 146 | 9.47 |
| Other foreign owners | 68 | 0.34 | 7 077 | 5.10 |
| | 19 992 | 100.00 | 138 828 | 99.96 |
| On the waiting list or the joint book-entry account | | | 59 | 0.04 |
| | | | 138 886 | 100.00 |

17. Accumulated depreciation difference

In the consolidated annual accounts, the depreciation reserve has been transferred in part to capital and reserves and in part to the deferred tax liability. For the parent company Rautaruukki Oyj, the deferred tax liability, which would have been EUR 97 million, has not been separated out from appropriations.

| M€ | Rautaruukki Oyj | |
|---|-----------------|------|
| | 1999 | 1998 |
| Accumulated depreciation difference 1.1. | 373 | 309 |
| Change in profit and loss account | -39 | 64 |
| Accumulated depreciation difference 31.12. | 335 | 373 |
| Optional reserves and accumulated depreciation difference, total 31.12. | 335 | 373 |

18. Provisions

Obligatory provisions include provisions for pensions, guarantees, restructuring and other similar contingencies, which represent the setting aside of funds to cover future losses.

| M€ | Group | | Rautaruukki Oyj | |
|---|-------|------|-----------------|------|
| | 1999 | 1998 | 1999 | 1998 |
| Pension liabilities 1.1. | 4 | 20 | | 19 |
| Change in Profit and Loss account's employee costs | 3 | 3 | 4 | |
| Change in Profit and Loss account's extraordinary costs | | -19 | | -19 |
| Pension liabilities 31.12. | 7 | 4 | 4 | 0 |
| Tax provisions 1.1. | 10 | 10 | | |
| Change | -3 | | | |
| Tax provisions 31.12. | 7 | 10 | | |
| Other obligatory provisions 1.1. | 4 | 4 | | 1 |
| Change | -2 | | | -1 |
| Other obligatory provisions 31.12. | 2 | 4 | | 0 |
| Obligatory provisions, total | 17 | 18 | 4 | 0 |

19. Interest bearing long-term creditors

Creditors denominated in foreign currency have been valued in the balance sheet at the rate on the balance sheet date.

The currency mix of the non-current debt as of 31.12.1999

| | M€ | % of |
|-------|-----|------------|
| | | total debt |
| EUR | 572 | 67 |
| SEK | 198 | 23 |
| USD | 75 | 9 |
| Other | 6 | 1 |
| | 851 | 100 |

Repayment schedule of interest bearing long-term debt as of 31.12.1999

Including currency swaps used for hedging long-term loans.

| Year | Repayment, M€ |
|--------|---------------|
| 2001 | 182 |
| 2002 | 192 |
| 2003 | 128 |
| 2004 | 126 |
| 2005 – | 221 |
| Total | 851 |

Notes to the accounts

Bonds

| | interest rate | Currency | millions | 1999 M€ | 1998 M€ |
|-----------|---------------|----------|----------|------------|------------|
| 1994–2001 | floating | USD | 75 | 74 | 64 |
| 1999–2004 | 4.0 % | EUR | 36 | 36 | |
| 1999–2006 | 4.5 % | EUR | 66 | 66 | |
| | | | | 175 | 64 |

Convertible bonds

| | | | | | |
|-----------|-------|-----|----|---|---|
| 1998–2003 | 5.0 % | FIM | 20 | 3 | 3 |
|-----------|-------|-----|----|---|---|

On the basis of options, 400 000 pcs K shares can be subscribed at the par value totalling FIM 4 000 000.

20. Deferred tax assets and liabilities

| M€ | Group | | Rautaruukki Oyj | |
|----------------------------|-------|------|-----------------|------|
| | 1999 | 1998 | 1999 | 1998 |
| Deferred tax assets | | | | |
| From consolidation | 4 | 7 | | |
| From temporary differences | 10 | 11 | | |
| | 15 | 17 | | |

Deferred tax liabilities

| | | | | |
|----------------------------|-----|-----|--|--|
| From appropriations | 104 | 118 | | |
| From consolidation | 7 | 11 | | |
| From temporary differences | 27 | 21 | | |
| | 138 | 149 | | |

21. Accruals and deferred income

| M€ | Group | | Rautaruukki Oyj | |
|--------------------|-------|------|-----------------|------|
| | 1999 | 1998 | 1999 | 1998 |
| Tax liability | 1 | | | |
| Interest debts | 11 | 18 | 11 | 18 |
| Personnel expenses | 56 | 2 | 35 | |
| Currency hedgings | 2 | 1 | 2 | 1 |
| Other accruals | 23 | 37 | 7 | 7 |
| Total accruals | 93 | 59 | 55 | 26 |

22. Contingent liabilities

Given securities

| M€ | Group | | Rautaruukki Oyj | |
|----|-------|------|-----------------|------|
| | 1999 | 1998 | 1999 | 1998 |

Mortgage backed liabilities

| | | | | |
|-----------------------------------|---|----|---|----|
| Pension loans | | 35 | | 35 |
| Loans from financial institutions | 3 | 13 | 3 | 7 |
| | 3 | 48 | 3 | 42 |

Collateral in value

| | | | | |
|------------------------|----|-----|----|----|
| Mortgaged real estates | 86 | 101 | 86 | 95 |
| | 86 | 101 | 86 | 95 |

Collateral given on behalf of

Group companies

| | | | | |
|--------------------------------------|--|--|----|-----|
| Guarantees | | | 51 | 43 |
| Debit balance of Group bank accounts | | | 49 | 65 |
| | | | 99 | 107 |

Collateral given on behalf of

associated companies

| | | | | |
|------------|---|---|---|---|
| Guarantees | 2 | 4 | 2 | 4 |
|------------|---|---|---|---|

Collateral given on behalf of others

| | | | | |
|------------|----|---|----|--|
| Guarantees | 60 | 1 | 59 | |
|------------|----|---|----|--|

Contingent and other liabilities

| | | | | |
|---------------------|----|----|--|--|
| Leasing liabilities | | | | |
| Due next year | 27 | 27 | | |
| Due later | 39 | 52 | | |
| | 66 | 79 | | |

Other liabilities

| | | | | |
|-----------------------------|--|---|--|--|
| Mortgages on company assets | | 9 | | |
|-----------------------------|--|---|--|--|

Other financial liabilities

| | | | | |
|------------------------|----|----|----|----|
| Repurchase liabilities | 24 | 22 | 21 | 21 |
|------------------------|----|----|----|----|

Letter of Comfort liabilities*

| | | | | |
|---------------------|--|--|----|----|
| for Group companies | | | 21 | 18 |
|---------------------|--|--|----|----|

*Letter of Comfort liabilities do not constitute a legal guarantee.

23. Fair values of derivative contracts as at 31.12.1999

The following table shows the nominal values, carrying amounts (= balance sheet values) and fair values of derivative contracts connected with the management of foreign currency and interest rate risks. Fair value is defined as the amount at which the given instrument could be exchanged between willing parties in a non-forced sales situation.

| M€ | Nominal value | Carrying amount | Fair value |
|------------------------------------|---------------|-----------------|------------|
| Foreign currency contracts | | | |
| Forward foreign exchange contracts | 411 | -2.1 | -1.4 |
| Forward foreign option contracts | 10 | 0 | 0.1 |
| Currency swaps | 34 | 11.1 | 14.9 |
| Interest rate contracts | | | |
| Forward rate agreements | 40 | 0 | 0 |
| Interest rate swaps | 473 | -2.9 | 3.9 |

The fair value of *forward foreign exchange and option contracts* is calculated based on the market rates on the balance sheet date.

The fair value of *currency swaps* is calculated based on the market rates on the balance sheet date. The fair value of the interest rate flows connected with these has been estimated on the basis of the present value of future cash flows. In addition to the exchange rate difference, the carrying amount includes accrued interest. Currency swaps include contracts connected with the hedging of both the loan portfolio and the cash flow.

The fair value of *forward interest rate agreements* is calculated based on market rates on the balance sheet date.

The carrying amount of *interest rate swaps* consists of accrued interest. The fair value is estimated on the basis of the present value of future cash flows.

24. Profit and equity in accordance with IAS

The differences between international and Finnish accounting practice

The accounting principles adopted by Rautaruukki Group differ from IAS (International Accounting Standards) in a few items.

Differences have arisen in handling revaluations and some other fixed asset items, sale and lease back agreements and the booking of pension expenses.

Following calculations show the reconciliated profit and equity in accordance with IAS.

The deferred tax liability from cumulative depreciation of revaluations has been taken into account also by adjusting the figures for the previous year.

| M€ | 1999 | 1998 |
|--|-------|-------|
| Profit for the year in the consolidated accounts | -17.8 | 67.9 |
| Goodwill depreciation allocated to reserves | 7.1 | 6.4 |
| Depreciation of revaluations | -0.8 | -0.8 |
| Deferred tax liability from depreciation of revaluations | 0.2 | |
| Adjustment to other depreciation | | 2.7 |
| Pension expenses | | 18.5 |
| Associated companies | | 0.5 |
| Sale & lease back and other agreements | 1.4 | 1.0 |
| Profit for the year in the IAS accounts | -10.0 | 96.2 |
| Capital and reserves in the consolidated accounts | 835.8 | 858.3 |
| Goodwill depreciation allocated to reserves | 0.0 | -7.1 |
| Sale & lease back and other agreements | -4.5 | -5.9 |
| Depreciation of revaluations | -21.4 | -20.5 |
| Deferred tax liability from depreciation of revaluations | 6.2 | 6.0 |
| Capital and reserves in the IAS accounts | 816.1 | 830.7 |

EXCHANGE RATES (euro)

| | Average rates | | | | | Year-end rates | | | | | |
|-----|---------------|-------|-------|-------|-------|----------------|-------|-------|-------|-------|-------|
| | 1999 | 1998 | 1997 | 1996 | 1995 | 1999 | 1998 | 1997 | 1996 | 1995 | |
| USD | 1.066 | 1.113 | 1.145 | 1.295 | 1.362 | USD | 1.005 | 1.167 | 1.097 | 1.280 | 1.364 |
| GBP | 0.659 | 0.672 | 0.699 | 0.830 | 0.863 | GBP | 0.622 | 0.705 | 0.661 | 0.756 | 0.882 |
| SEK | 8.808 | 8.847 | 8.745 | 8.684 | 9.710 | SEK | 8.563 | 9.487 | 8.663 | 8.811 | 9.083 |
| NOK | 8.310 | 8.407 | 8.107 | 8.368 | 8.637 | NOK | 8.077 | 8.872 | 8.041 | 8.248 | 8.618 |
| DKK | 7.436 | 7.459 | 7.571 | 7.512 | 7.638 | DKK | 7.443 | 7.449 | 7.481 | 7.614 | 7.563 |

Notes to the accounts

25. Financial and share based key figures

| | | 1999 | 1998 | 1997 | 1996 | 1995 |
|--|-----------|----------|---------|---------|---------|---------|
| Turnover | M€ | 2 388 | 2 579 | 2 296 | 2 159 | 1 549 |
| Personnel on average | | 13 219 | 13 409 | 12 868 | 12 812 | 9 318 |
| FINANCE | | | | | | |
| Operating profit | M€ | 57 | 186 | 227 | 197 | 233 |
| % of turnover | % | 2.4 | 7.2 | 9.9 | 9.1 | 15.0 |
| Profit/Loss before extraordinary items | M€ | -6 | 127 | 169 | 120 | 160 |
| % of turnover | % | -0.2 | 4.9 | 7.4 | 5.6 | 10.4 |
| Profit/Loss before taxes | M€ | -6 | 109 | 169 | 120 | 136 |
| % of turnover | % | -0.2 | 4.2 | 7.4 | 5.6 | 8.8 |
| Return on net assets | % | 3.3 | 10.4 | 13.2 | 13.0 | 16.0 |
| Return on equity | % | -2.0 | 9.7 | 16.7 | 11.9 | 25.7 |
| Equity ratio | % | 34.6 | 36.9 | 36.5 | 31.2 | 35.3 |
| Gearing ratio* | % | 121 | 109 | 108 | 144 | 118 |
| Gross investments | M€ | 197 | 235 | 251 | 340 | 131 |
| % of turnover | % | 8.2 | 9.1 | 10.9 | 15.7 | 8.4 |
| Research and development | M€ | 20 | 18 | 16 | 16 | 13 |
| % of turnover | % | 0.8 | 0.7 | 0.7 | 0.7 | 0.9 |
| Net interest expenses | M€ | 50 | 61 | 58 | 74 | 65 |
| % of turnover | % | 2.1 | 2.4 | 2.5 | 3.4 | 4.2 |
| Interest bearing net debt* | M€ | 1 014 | 954 | 916 | 946 | 738 |
| Balance sheet total | M€ | 2 432 | 2 402 | 2 356 | 2 140 | 1 803 |
| SHARE BASED KEY FIGURES | | | | | | |
| Earnings per share, EPS | € | -0.13 | 0.64 | 0.98 | 0.63 | 1.23 |
| - diluted | € | -0.13 | 0.63 | 0.98 | 0.63 | 1.23 |
| Equity per share | € | 6.02 | 6.44 | 6.35 | 5.48 | 5.22 |
| Dividend per share | € | 0.20** | 0.30 | 0.34 | 0.25 | 0.29 |
| Dividend per earnings | % | -154.6** | 47.3 | 34.4 | 39.8 | 23.2 |
| Price per earnings, P/E | | -53.7 | 8.6 | 7.6 | 11.3 | 3.6 |
| Share trading | thousands | 41 116 | 68 150 | 57 215 | 30 651 | 36 314 |
| Share trading | M€ | 254 | 443 | 470 | 183 | 174 |
| Stock turnover | % | 30 | 51 | 44 | 25 | 30 |
| Average price of share | € | 6.18 | 6.50 | 8.21 | 5.98 | 4.78 |
| Lowest price of share | € | 5.10 | 4.29 | 6.56 | 4.32 | 3.83 |
| Highest price of share | € | 7.30 | 8.16 | 9.92 | 7.40 | 6.98 |
| Average adjusted number of shares | thousands | 135 109 | 133 228 | 128 764 | 120 228 | 120 228 |
| - diluted | thousands | 138 699 | 134 939 | 128 765 | 120 229 | 120 228 |
| Adjusted number of shares at year-end | thousands | 138 886 | 133 228 | 133 228 | 120 228 | 120 228 |
| Number of shares at year-end | thousands | 138 886 | 133 228 | 133 228 | 120 228 | 120 228 |
| - diluted | thousands | 142 476 | 135 779 | 133 229 | 120 229 | 120 229 |
| Share price at year-end | € | 6.95 | 5.53 | 7.40 | 7.15 | 4.46 |
| Market capitalization at year-end | M€ | 965 | 737 | 986 | 859 | 536 |
| Effective dividend yield | % | 2.9 | 5.5 | 4.5 | 3.5 | 6.4 |

* The calculation formula for interest bearing net debt was changed in 1999. Comparison figures in previous years have also been calculated according to the new formula.

** Board proposal

Principles governing the calculation of key figures

$$\text{Return on net assets} = \frac{\text{profit before extraordinary items} + \text{interest expenses} \pm \text{exchange rate differences} + \text{other financial expenses}^{**}}{[\text{balance sheet total} - \text{obligatory provisions} - \text{non-interest bearing debt}] \text{ (average of the beginning and end of the year)}}$$

$$\text{Return on equity} = \frac{\text{profit before extraordinary items} - \text{taxes}}{[\text{capital and reserves} + \text{minority interest}] \text{ (average of the beginning and end of the year)}}$$

$$\text{Equity ratio} = \frac{\text{capital and reserves} + \text{minority interest}}{\text{balance sheet total} - \text{current advanced payments received}}$$

$$\text{Gearing ratio} = \frac{\text{interest bearing net debt}^*}{\text{capital and reserves} + \text{minority interest}}$$

Interest bearing net debt* = interest bearing debt – interest bearing receivables – cash and other liquid current assets

$$\text{Earnings per share (EPS)} = \frac{\text{profit before extraordinary items} - \text{minority interests} - \text{taxes}}{\text{adjusted average number of shares}}$$

$$\text{Equity per share} = \frac{\text{capital and reserves}}{\text{adjusted number of shares at year-end}}$$

$$\text{Dividend per share} = \frac{\text{dividends paid}}{\text{adjusted number of shares at year-end}}$$

$$\text{Dividend per earnings} = \frac{\text{dividend per share}}{\text{earnings per share}}$$

$$\text{Price per earnings (P/E)} = \frac{\text{share price at year-end}}{\text{earnings per share}}$$

$$\text{Average share price} = \frac{\text{total EUR trading of the share}}{\text{adjusted number of shares traded}}$$

$$\text{Market capitalization} = \text{number of shares} \times \text{share price at year-end}$$

$$\text{Effective dividend yield} = \frac{\text{dividend / share}}{\text{share price at year-end}}$$

* The calculation formula for interest bearing net debt was changed in 1999. Comparison figures in previous years have also been calculated according to the new formula.

** excluding depreciation of short-term investments

BOARD PROPOSAL FOR THE USE OF PROFIT

At the closing of the accounts for 1999 the consolidated distributable capital and reserves of the Group was EUR 139 million, from which the loss for the year of EUR 18 million has been deducted. The nonrestricted equity capital of the parent company was made up as follows:

| | |
|---------------------------------------|---|
| Net profit for the year | EUR 26 961 187.43 |
| Retained earnings from previous years | EUR 142 825 378.94 |
| Total | EUR 169 786 566.37 (FIM1 009 505 081.26) |

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

| | |
|--|--|
| on the shares | 138 886 445 pcs |
| a dividend of FIM 1.20 per share be paid | FIM 166 663 734.00 (EUR 28 030 827.84) |

| | |
|--|--|
| and that the remainder of the profit be posted to the retained earnings account, bringing it to a total of | FIM 842 841 347.26 (EUR 141 755 738.53) |
|--|--|

Helsinki, 14 February 2000

BOARD OF DIRECTORS

Mikko Kivimäki

Lauri Mannerkoski Pekka Einamo Gösta Engman

Seppo Ahonen Seppo Sahlman Carita Putkonen

Peter Sandvik

AUDITORS' REPORT

(translation)

To the shareholders of Rautaruukki Oyj

We have audited the accounting and the financial statements, as well as the administration by the Supervisory Board, the Board of Directors and the Managing Director of Rautaruukki Oyj for the year ended 31 December 1999. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and the company's administration.

We have conducted our audit in accordance with Finnish Generally Accepted Auditing Standards. Those standards require that we plan and perform the audit in order to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and signif-

icant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration has been to examine that the Supervisory Board, the Board of Directors and the Managing Director have complied with the rules of the Finnish Companies Act.

In our opinion, the financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company result of operations, as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Supervisory Board, the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal made by the Board of Directors on how to deal with the retained earnings is in compliance with the Finnish Companies Act.

Helsinki, 14 February 2000

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 1999, as well as the Auditors' Report, the Supervisory Board of Rautaruukki Oyj proposes to the 2000 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.

Helsinki 15 March 2000

SUPERVISORY BOARD

Jorma Vokkolainen

Jorma Rantanen

Göran J. Ehrnrooth

Tauno Heikonen

Juhani Alaranta

Georg Ehrnrooth

Tuula Haatainen

Timo Ihämäki

Tauno Matomäki

Hannes Manninen

Seppo Kanerva

FINANCING AND RISK MANAGEMENT

Principles underlying financing and financial risk management

The Rautaruukki Group's financing operations and financial risk management are handled centrally within the parent company's Corporate Treasury function. The industrial divisions and subsidiaries are responsible for their own financial result and carry out their financial transactions within the Group. The Group's Board of Directors decides on the main objectives and principles underlying financing and financial risk management. In order to minimize the operational risk, comprehensive and continuous internal control and reporting have been developed.

Foreign exchange risk

Despite the introduction of the single currency, the changes in the foreign exchange rates affect Rautaruukki's earnings and competitive ability. The Euro countries accounted for 56 per cent of Rautaruukki's turnover in 1999 and the other Western European countries for 32 per cent and Eastern European countries for 8 per cent of turnover. The prices of most important raw materials are determined in United States dollars.

The Group's foreign exchange risk is managed via three separate positions. These are the balance sheet position, the cash flow position and the foreign shareholders' equity position. The Rautaruukki Group's 12-month cash flow position by currency is shown in Table 1. During 1999, the balance sheet position was on average hedged. Within the cash flow position, exposure to fluctuations in the British pound only were hedged throughout the year in an amount corresponding to about six months of net cash flow.

The foreign currency risk connected with the consolidation of the shareholders' equity of subsidiaries and associated companies is hedged in accordance with decisions taken separately by the Board of Directors.

Table 1. Estimated annual net cash flow risk of the Group against euro

| | Counter value, M€ |
|------------------|-------------------|
| USD | - 202 |
| GBP | + 143 |
| SEK | + 33 |
| NOK | - 42 |
| DKK | + 67 |
| Other currencies | + 40 |
| Total | + 39 |

Table 2. Interest rate linkage of the Group's net debt of EUR 1014 million as of 31.12.1999

| | Share | % fixed rate (interest period > 12months) | Average maturity of fixed rate position |
|------------------|-------|---|---|
| EUR | 64 % | 66 % | 3.4 years |
| SEK | 21 % | 0 % | |
| GBP | 10 % | 0 % | |
| Other currencies | 5 % | 0 % | |
| Total | 100 % | 42 % | 3.4 years |

The most important net investment of equity capital was a countervalue of EUR 75 million invested from Sweden in Norway. The other foreign currency-denominated net investments were of minor importance.

Interest rate risk

The parent company's Corporate Treasury function is in charge of the Group's borrowed capital funding, investments of cash and of Rautaruukki's pension funds as well as the management of interest rate risk. The Group's interest-bearing net debt at 31 December 1999 was EUR 1014 million and the average interest rate on this debt was 4.3 per cent. Rautaruukki's interest rate sensitivity, or the effect of an interest rate change of one percentage point on the interest rate curve on net interest costs is about EUR 6 million at the annual level.

The Group's net debt position consisted of 42 per cent of fixed rate instruments. The average maturity of fixed rate instruments was 3.4 years. Table 2 shows the interest rate linkages by currency.

The derivatives used for hedging interest rate and foreign exchange

risks are itemized in Note 23 to the accounts, page 39.

Liquidity risk

To ensure the Group's liquidity, long-term revolving credit facilities have been arranged with banks. At the end of 1999, EUR 221 million of these facilities were undrawn. The amount of undrawn uncommitted credit facilities at the end of the year was EUR 494 million.

With the introduction of the single currency the Group's management of euro liquidity was further enhanced. The Group-level cash asset planning was also developed to achieve cost savings.

Credit risk

With a view to minimizing credit risks in financing, agreements and commitments are made only with leading and financially solid banks and other counterparties. Rautaruukki does not have major long-term delivery or other corresponding trade debtors from customers, or large individual customer risks. The major part of unsecured trade receivables is covered by credit risk insurance.

RAUTARUUKKI STEEL

Rautaruukki Steel manufactures and markets high-quality plate and strip products as well as related services. The division's competitiveness is based on cost-effective manufacturing coupled with fast and reliable deliveries. The division is increasing the share of coated sheet products in its operations.

Lower prices and production disturbances weakened result

In Finland deliveries of strip products were nearly at the previous year's level, but there was a sharp decrease in demand for heavy plates. Demand for prefabricated products was also lower. Deliveries of strip products to traditional markets remained at the previous year's level. Demand for heavy plates fell particularly in Scandinavia and the EU countries.

Prices of flat products fell in Europe due to high oversupply in the second half of 1998. Prices of hot strip products began to strengthen in the second quarter, but the prices of other strip products only in the final quar-

ter of the year. Prices of heavy plates were low during the whole of 1999.

Rautaruukki Steel's deliveries totalled 2,550,000 tonnes (2,611,000), of which deliveries within the Group accounted for 36 per cent (35). Delivery volumes were affected by production disturbances caused by the investment programme and longer maintenance shutdowns than in the previous year. The average price of external deliveries was 13 per cent lower than in 1998. The division had turnover of EUR 1034 million (1219). Operating profit was EUR 27 million (182).

For Rautaruukki Steel, the paper machine industry is an important business segment, to which it supplies both structural steels and completed roll blanks.



Rautaruukki Steel
Heikki Rusila, President

PRIMARY PRODUCTS
Raahe Steel Works, (FI)
Sintering plant
Coking plant
Blast furnaces
Steel plant

PLATE PRODUCTS
Raahe Steel Works, (FI)
Plate rolling mill
Prefabricated products line
Presteel Oy, (FI)
Halikko Works, (FI)

STRIP PRODUCTS
Raahe Steel Works, (FI)
Hot strip rolling mill
Hämeenlinna Works, (FI)
Cold rolling mill
Hot dip galvanizing lines
Colour coating line
Kankaanpää Works, (FI)
Colour coating line
Ragal GmbH, (DE)

OTHER UNITS
Oy JIT-Trans Ltd, (FI)
August Lindberg Oy, (FI)
SKJ Companies, (FI)
Rautaruukki Engineering, (FI)
(from 1.1.2000)

Key figures

| | 1999 | 1998 |
|--------------------------|------|------|
| Turnover, M€ | 1034 | 1219 |
| Operating profit, M€ | 27 | 182 |
| Return on net assets, % | 2.8 | 15.7 |
| Steel production, 1000 t | 2522 | 2499 |
| Personnel at year-end | 4960 | 4837 |

Investment programme in the home strait

The investment programme designed to increase Rautaruukki Steel's steel and rolling production as well as to improve quality and competitiveness continued. During 1999 at the Raahe Steel Works one of the continuous casting machines was modernized and an automation system for the accelerated cooling of the plate rolling line was renewed to improve the uniform quality of thermo-mechanical plates.

The equipment connected with the modernization of the colour coating line at the Hämeenlinna Works were installed early in 2000. The production capacity of the colour coating line rose from 100,000 tonnes to 150,000 tonnes.

A new galvanizing line, capable of manufacturing Galfan and Galvannealed coated products, will be completed at the Hämeenlinna Works in April 2000. Galvanizing capacity at the plant will rise to about 900,000 tonnes. At the same time, Rautaruukki is giving up its 100,000 tonnes share of galvanizing capacity at its German associated company.

The last stages of the investment programme will be completed in August 2000. One additional continuous casting machine will be modernized at the Raahe Steel Works. At the hot strip mill the last equipment installations will be made to raise the maximum weight of coils to 30 tonnes, after which the strip rolling capacity will be fully utilised.

Operations enhanced

The Steel 99 business development programme was implemented during 1999. The programme succeeded in cutting costs and improving income. The impact of the programme on profits was EUR 20 million.

A change in operating practices is currently being implemented in Rautaruukki Steel with the aim of strengthening the organisation as

With the completion of the investment programme, new grades of steel have been developed – for the needs of the transportation equipment industry, for example.



well as customer-orientation of operations. The division has initiated a four-year action programme to cut costs and raise productivity. In the Strip Products unit seven customer sectors were selected as business focus areas, to which the lion's share of development investment will be directed in future. Monitoring and analysis of the chosen business areas were markedly improved and customer-specific service concepts began to be introduced.

New brand products

Process development connected with the introduction of new production equipment played a significant role in research and development activity. The development of new special strength, highly formable TRIP steels as well as RAEX OPTIM steels at the top end of the strength range continued according to plan. Development work on RACOLD and RAGAL deep drawing steels, manufactured with the aid of vacuum treatment, was completed. The development of the RAGAL IF product family of high-strength steels will continue during 2000.

High-strength RAEX OPTIM steels and RAEX LASER steel, which is highly suitable for laser cutting,



RACOLOR[®]
RAGAL[®] **RACOLD**[®]
RAEX[®]

were developed in close cooperation with customers by initiating a number of cooperation projects connected with practical applications for products.

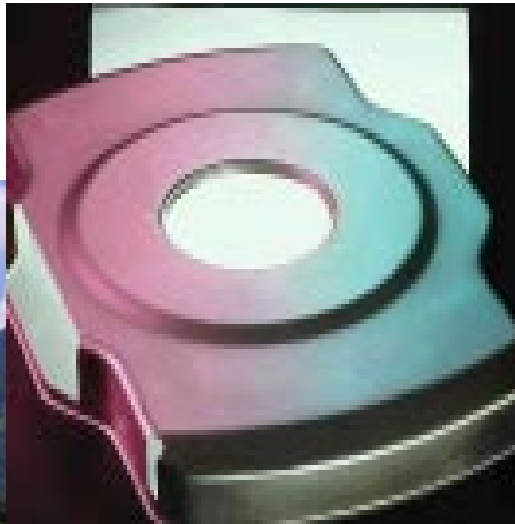
Outlook for 2000

The strengthening of demand and prices for strip products is expected to continue in 2000. Demand for heavy plate products is forecast to revive in all market areas and price

levels are expected to improve. The order book of Rautaruukki's client industries is good.

The completion of the investment programme will increase steel production and deliveries of value-added products. In particular, the rise in strip product prices, improved demand for heavy plate products in Finland and the completion of the investment programme are factors that are expected to improve the result.

High-strength and formable cold rolled steels are excellently suited to the needs of industrial manufacturers.

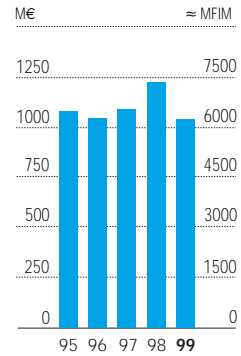


Voyager of the Seas, the world's largest cruise vessel, was completed in 1999 and now shows Rautaruukki's steel to good advantage in the Caribbean Sea.

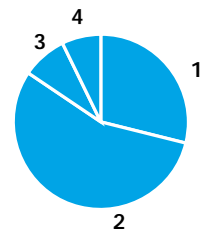
RACOLOR ELECTRO, a colour coated steel, has been developed especially for electrotechnical products.



Turnover



External turnover by region 1999



- 1 Finland 29 %
- 2 Other EU countries 56 %
- 3 Other Europe 8 %
- 4 Other countries 7 %

Metform develops, manufactures and markets welded steel tubes and value-added tubular products. The division's competitiveness is based on customer-oriented operations and service as well as cost-effective production.

A more customer-oriented organization

Metform's organization was re-vamped to serve customers better and on a more individual basis than before. Operations were organized by customer sector into five business areas (SBAs), namely:

- Automotive
- Building
- Household
- Industry
- Pipelines

Competition in the Automotive business continued to be tight. In this business area the focus was on tubular products for vehicle safety structures. The new safety concept is represented by airbag systems that protect the head area. Metform supplies complete tubular systems for these systems.

In the Building business demand was active except for the early part of the year. In Sweden the building sector showed some growth for the first time in many years. Modernization activity picked up sharply. At the start of the year prices fell due to instability in the steel market, but they began to strengthen during the latter part of the year, particularly in Central Europe.

Demand in the Household business was good and improved further in the final quarter of the year. Prices began to strengthen in the third quarter of the year.

In the Industry business demand for steel pipes was satisfactory and grew markedly towards the end of the year. Price levels strengthened in the second half of the year.

In the Pipelines business the market climate was mixed. Demand and prices for large diameter pipes weakened, but demand and prices for small diameter pipes improved towards the end of the year.

A clear improvement in the result

Metform's production progressed smoothly and productivity improved. A total of 566,000 tonnes (560,000) of tubular products was delivered. The average price of deliveries was 8 per cent lower than the previous year.

Metform had turnover of EUR 333 million (352) and operating profit of EUR 22 million (4). The result was improved by the recovery in demand in the latter part of the year and by the low price level of steel raw material.

The result was also influenced by the new organization and enhancement of customer service.

Development work continues in all areas

Personnel was a key area of focus for investment. The Division witnessed the introduction of the MEFMO programme, which will create a foundation for the well-being, motivation and expertise of personnel working in Metform and, through this, for the success of the division as a whole.

Production lines in the manufacturing plants were improved. A vacuum cleaner tube production line was renewed at Carl Froh GmbH and a new seam annealing unit was acquired for the Pulkkila Works. At the Oulainen Works the focus of investment was the boosting of heavy pipe production. Nordisk Simplex A/S and the Lappohja Works received extra pipe cutting capacity. The division's METOCS production control system was introduced in all plants.

Deliveries of customer-specific special grades and forms increased. For the vehicle industry, special strength tubular products were developed for the manufacture of hydroformed components. The marketing of tubes for offshore applications was activated. Special strength steel tubes were developed for machine and appliance construction, fittings and tools.

Metform is actively involved in the international ULSAB-AVC, ULSAC and ULSAS projects, whose aim is the development of lighter and stronger steel components for the vehicle industry. It is expected that the projects will increase deliveries of special tubes in the next few years.

Outlook for 2000

Demand for tubular products is expected to remain good and prices are forecast to strengthen further. The prices of raw materials for steel, however, are expected to rise more quick-

| Key figures | 1999 | 1998 |
|-------------------------|------|------|
| Turnover, M€ | 333 | 352 |
| Operating profit, M€ | 22 | 4 |
| Return on net assets, % | 14.0 | 2.9 |
| Personnel at year-end | 1590 | 1512 |

ly than the prices of tubular products, which will have an impact on Metform's profitability. More customer-oriented operations, more individual attention to customers' needs, the development of operational management systems, and improvements in personnel motivation and skills will create a good foundation for Metform's profit development in the coming years.



Metform supplies special tubular products to the automotive industry.



Deliveries of pile pipes have grown significantly.



Metform's elliptical precision tubes go into making the frame of this sleekly styled exercycle.



Swellex rock bolts are used in reinforcing mine galleries and traffic tunnels.



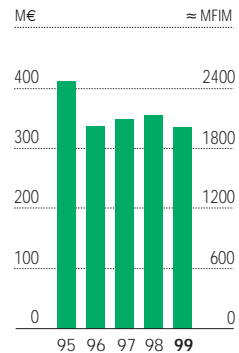
Metform
Lauri Rautala
Senior Vice President

Strategic Business Areas
Automotive
Building
Household
Industry
Pipelines

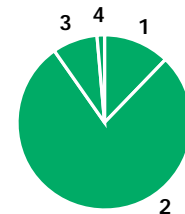
Metform units
Hämeenlinna Tube Works, (FI)
Lappohja Works, (FI)
Pulkila Works, (FI)
Oulainen Works, (FI)
Nordisk Simplex A/S, (DK)
Wirsbo Stålrör AB, (SE)
Carl Froh GmbH, (DE)
Star Tubes (UK) Ltd, (GB)

Rautaruukki 1999

Turnover



External turnover by region 1999



- 1 Finland 12 %
- 2 Other EU countries 78 %
- 3 Other Europe 9 %
- 4 Other countries 1 %

STEEL STRUCTURE DIVISION

The Steel Structure Division's main units, Rannila and Gasell, develop, manufacture and market steel products for construction as well as systems based on them. The Gasell Industry unit is responsible for the development and manufacture of the division's wide range of light engineering products.

Growth has brought stability

The Steel Structure Division has achieved a strong market position in its field of business. Units operating in 11 European countries can provide customer service tailored to local conditions. Good customer service is a competitive advantage also in project activity, which accounts for a sharply increasing share of the division's business.

Year-end improvement in result

Demand for the products of the Steel Structure Division was good in the Nordic countries. In Russia and the Baltic States demand contracted as a result of Russia's weakening economic situation, which led to a fall in Western investment. The Steel Structure Division expanded its project activity in Central Europe and in new areas in the Middle East.

The Steel Structure Division's turnover was EUR 256 million (269) and operating profit was EUR 16 million (15), including a capital gain on the sale of shares in PPTH Teräs Oy. The result improved at the end of the year, when implemented cost cuts began to take effect and the market climate improved in Eastern Europe. Start-up costs of new units weakened the division's result to some extent.

Operations expanding further

The manufacturing units for construction system products that started up in Slovakia, Ukraine and Lithuania in 1998 achieved their planned production levels. Manufacturing of system products also began in Latvia during the year.

Rannila delivered a total of 15,000 square meters of facade elements and panels, for a chewing gum factory that was built in Russia.



Production development investments were initiated in the Toijala and Anderslöv units of Gasell Industry, which was founded at the start of the year. These investments, which will be completed during 2000, will allow the expansion of both the light

engineering product area and service capacity.

The division's organization was revamped in order to increase regional business responsibility. At the same time additional resources were allocated to business development and international projects as well as to the single family house building and industrial construction business areas. Productivity improvement measures were initiated in the division's units.

The largest units of Rannila and Gasell have certified operating systems that cover the areas of quality and the environment. A new operational management system aimed at enhancing operations and providing

better customer service was introduced in Rannila, where the Brand Management System, which has been used for a number of years, was also brought up to date.

Outlook for 2000

Demand for the Steel Structure Division's products is expected to improve in 2000. Tightening competition is expected to have an impact on prices, however. The division's strong market position should help in maintaining good price levels. The price of raw materials for steel is forecast to rise, which will impact on the division's profitability.

Key figures

| | 1999 | 1998 |
|-------------------------|------|------|
| Turnover, M€ | 256 | 269 |
| Operating profit, M€ | 16 | 15 |
| Return on net assets, % | 16.9 | 16.4 |
| Personnel at year-end | 1398 | 1345 |



Gasell's Shine coated steel roofing was used in building this new cinema in London.

Gasell Rannila

Rannila's new Classic roofing system that is in harmony with time-honoured traditions has been well received on the market.



Warehouse shelving is just one of the many uses of Gasell Industry's steel sections.



Steel Structure Division
Markku Koljonen
Senior Vice President

Division's units

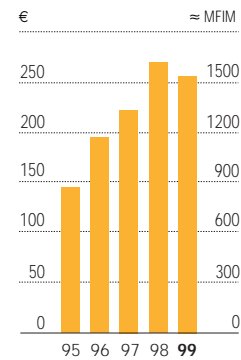
RANNILA

- Rannila Steel Oy, (FI)
- AS Rannila Profiil, (EE)
- Rannila Steel Latvia SIA, (LV)
- Rannila Steel Vilnius UAB, (LT)
- ZAO Rannila Taldom, (RU)
- ZAO Rannila Steel, (RU)
- ZAT Rannila Kiev, (UA)
- Rannila Velvary s.r.o., (CZ)
- Rannila Kosice s.r.o., (SK)
- Rautaruukki Polska Sp.zo.o, (PL)

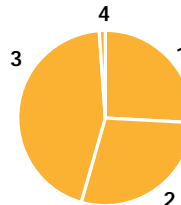
GASELL

- Gasell Profil AB, (SE)
- Gasell Industry
- Anderslöv Works, (SE)
- Rautaruukki Toijala Works, (FI)
- Stelform A/S, (DK)

Turnover



External turnover by region 1999



- 1 Finland 26 %
- 2 Other EU countries 29 %
- 3 Other Europe 44 %
- 4 Other countries 1 %

Fundia is the leading Nordic manufacturer of long steel products. The most important products are bar and wire for the engineering industry, profiles for the shipbuilding and offshore industries and reinforcing for the building industry. Fundia is increasing the deliveries of low-alloyed special steels and different kind of further processed products.

Rationalization improves competitiveness

The market climate for long steel products weakened sharply in the latter half of 1998 and prices were low throughout 1999. Demand began to pick up in the second half of the year and prices started to rise. Prices did not reach the levels of the previous year, however.

Fundia's deliveries contracted by 4 per cent to 1,869,000 tonnes (1,942,000). This was caused by weak demand for ship profiles and the winding up of reinforcing steel production at Smedjebacken. Wire rod deliveries increased. The average price of deliveries denominated in Swedish kronor was 9 per cent lower than a year earlier.

Fundia's turnover fell by 12 per cent to EUR 654 million (743). The operating result was a loss of EUR 8 million (EUR 6 million profit). The operating result was weakened by non-recurring expenses of EUR 5 million. The price of scrap in Swedish kronor fell by 23 per cent compared with the previous year.

A project aimed at reducing net working capital was implemented in Fundia. Net working capital de-

creased, mainly as a result of a contraction of stocks and cash flow was positive in spite of the weak result.

Impact of reorganisation apparent

Rebar production at Smedjebacken, Sweden was wound up in June and production concentrated at Mo i Rana, Norway. At the same time the entire Reinforcing Division was reorganised. These measures had a clear positive impact on the division's result.

The profit development of the Bar & Wire Processing Division continued on a positive note. The Structural Steel Division suffered in 1999 from a weak order book in the shipbuilding industry, which did improve however towards the end of the year.

A programme aimed at improving the profitability of the Special Bar Division cut the number of employees by around 200. Fundia's entire workforce fell by 357, i.e. 10 per cent. The Special Bar Division is now concentrating on increasing the proportion of special products in production, on improving product quality,

and on increasing operational flexibility.

To improve the Wire Division's profitability, a new development programme was initiated and cooperation began with Nedstaal BV, a Dutch steel company.

Fundia acquired a 30 per cent interest in the company Nedstaal Draad BV, which manufactures wire rod products. Fundia has the option to buy out the remaining 70 per cent of the company's shares during the next two years. The Dutch company manufactures and upgrades wire rod primarily for the automotive industry. Fundia will deliver billets to the company, thus reducing Fundia's external billet deliveries, increasing rolling output and raising the degree of upgrading of the wire products.

Several development projects

The development of the new Group-wide customer service concept was continued in order to improve Fundia's market position. The aim is to create total solutions for customers by offering a broad product range, fast and punctual deliveries, and the best service in the industry. Other important areas of development were the expansion of the European sales network, the boosting of marketing in Eastern Europe and the development of a business management system.

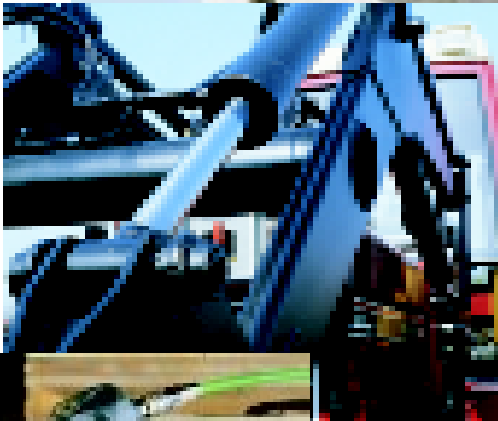
Outlook for 2000

Demand and prices for long steel products are expected to strengthen further in Europe during 2000. Fundia's result is estimated to improve markedly as a result of enhanced cost-competitiveness and more efficient marketing.

Key figures

| | 1999 | 1998 |
|--------------------------|------|------|
| Turnover, M€ | 654 | 743 |
| Operating profit, M€ | - 8 | 6 |
| Return on net assets, % | neg. | 2.0 |
| Steel production, 1000 t | 1658 | 1774 |
| Personnel at year-end | 3152 | 3509 |





Summer 2000 will see the opening of the Öresund Bridge and highway linking Sweden and Denmark, a project for which Fundia delivered 55 000 tonnes of reinforcing.

Fundia's hard-chromium plated bars are used among others for hydraulic pistons.



Machine nailing places high quality requirements on nail materials.

Many of the world's top race horses run with Fundia steel in their hooves. This horseshoe is made from flat bar steel and the nails from steel wire.



Fundia

Juha Järvelä, President and CEO

Fundia production units

REINFORCING

Mo i Rana, (NO)

Oslo, (NO)

Halmstad, (SE)

Ølstykke, (DK)

Mülheim (DE)

SPECIAL BAR

Smedjebacken, (SE)

Boxholm, (SE)

WIRE

Koverhar, (FI)

Dalsbruk, (FI)

STRUCTURAL STEEL

Mo i Rana, (NO)

BAR & WIRE PROCESSING

Dalsbruk, (FI)

Mandal, (NO)

Twente, (NL)

Redon, (FR)

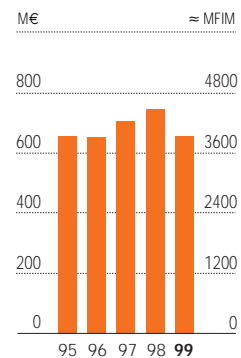
Hjulsbro, (SE)

Forsbacka, (SE)

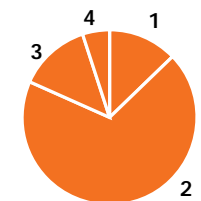
Mora, (SE)

Hallstahammar, (SE)

Turnover



External turnover by region 1999



| | | |
|---|--------------------|------|
| 1 | Finland | 13 % |
| 2 | Other EU countries | 69 % |
| 3 | Other Europe | 13 % |
| 4 | Other countries | 5 % |

STEEL SERVICE

Rautaruukki's Steel Service markets steel products of the Group prefabricated to customers' order. The division also markets steel products of other manufacturers as well as other materials such as aluminium and stainless steel. Rautaruukki Steel Service operates in Finland, Norway, Germany, the Baltic States, Russia and Poland.

Steel service operations expand

The reorganization of Rautaruukki's steel service operations that began in 1998 was gradually brought to a conclusion. The combination merger of Asva Oy and Keskometalli Oy was completed on 1 April 1999 and Valtamero Oy was merged with Rautaruukki Oy on 1 September 1999, at which time Asva became a wholly-owned subsidiary of Rautaruukki.

The division Rautaruukki Steel Service was formed on 1 October 1999 from the Group's steel service operations. The formation of the new division will boost the Group's steel service business. The new organizations will strengthen the Group's operations in the important Baltic and Polish region and tighten cooperation between steel service centres operating in different countries.

The Steel Service Division has a key role to play in improving the Group's customer service; steel trading will become even more customer-oriented and great support will be

given to customers' business operations.

Clear improvement in the result

Industrial output developed at highly variable rates in different sectors. The strong development of the electricity and electronics industry increased sales of prefabricated steel sheets, while the recession in traditional heavy engineering reduced other forms of steel trading. The volume of products delivered from stock fell in both Finland and Norway. Russia's economic difficulties were reflected in the sales of the division's service centres in the Baltic States.

The prices of steel products were low and began to rise only at the end of the year. Prices of aluminium products, on the other hand, rose more uniformly and the strongest rise in prices was recorded by stainless steels.

The Steel Service Division's turnover was EUR 431 million (335) and

operating profit was EUR 19 million (3). These figures include only Asva and CCB Stål. Asva is included in the 1998 figures only for a three-month period. Profitability improved from the previous year despite the low price of steel and costs connected with mergers.

Prefabrication services added

Investment in the Steel Service Division focused on increasing prefabrication operations as well as expanding the steel service centres established in Järvenpää and Duisburg. Asva's steel service centre in Hyvinkää can offer, for example, exacting tube form cut-



Key figures*

| | 1999 | 1998 |
|-------------------------|------|------|
| Turnover, M€ | 431 | 335 |
| Operating profit, M€ | 19 | 3 |
| Return on net assets, % | 15.8 | neg. |
| Personnel at year-end | 914 | 869 |

* including only Asva and CCB Stål



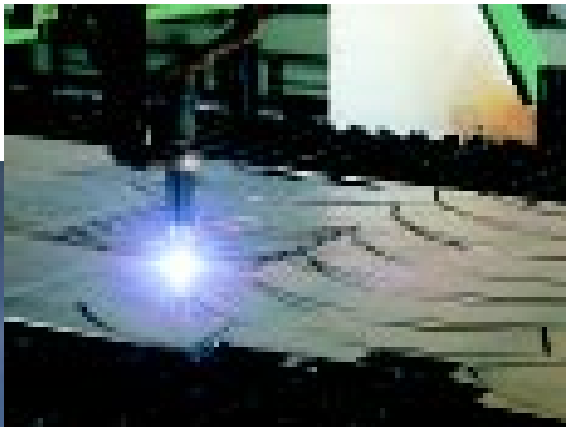
ting services with its new laser cutters.

In order to strengthen its stainless steel operations, Asva purchased in November the entire shares outstanding in Inoxta Oy, which is engaged in the stainless steel service centre business.

Outlook for 2000

The influence of the improving market climate in Finland that began in

the latter part of 1999 will be apparent in Asva's business, of which, in addition to steel products, aluminium and stainless steel account for a significant share. The positive price development is expected to continue and the Division's result is expected to improve through rationalization measures that have already been implemented.



Asva's new prefabrication services include precision plasma technology and tube-cutting laser equipment meeting the requirements of even the most demanding customers.



The customer service possibilities of Rautaruukki Stahlservice GmbH improved significantly when a new extension was built for the steel centre.



Rautaruukki Steel Service
Matti Arteva
Senior Vice President

- ASVA
- Asva Oy, (FI)
- Rautaruukki Eesti OÜ, (EE)
- SIA Rautaruukki Metalcentrs, (LV)
- UAB Rautaruukki Metalu Centras, (LT)
- ZAO Rautaruukki Stalservice, (RU)
- Asva Stal Serwis Sp.zo.o, (PL)

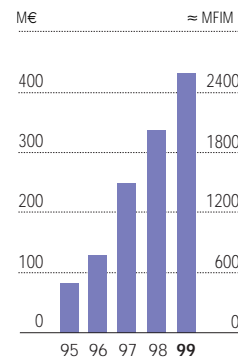
CCB STÅL AS, (NO)

RAUTARUUKKI STAHLSERVICE GMBH, (DE)

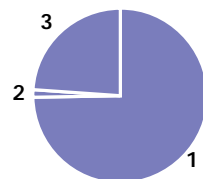
FUNDIA GMBH, (DE)
(coil slitting operations)

Rautaruukki 1999

Turnover



External turnover by region 1999



- 1 Finland 75 %
- 2 Other EU countries 1 %
- 3 Other Europe 24 %

ENVIRONMENTAL PROTECTION

Rautaruukki has committed itself to adhering to the environmental policy confirmed by management as well as the environmental principles of both the International Iron and Steel Institute (IISI) and the International Chamber of Commerce (ICC). The Group's objective is to obtain certification for all of its production units by an external accreditation institution according to the ISO 14001 Standard. By the end of 1999 nearly all operating units having a significant impact on the environment were within the sphere of certification.



International recognition

Rautaruukki received recognition for its environmental work when Dow Jones selected the company for its sustainable development index. The Dow Jones Sustainability Group Index includes over 200 companies worldwide, amongst whom Rautaruukki is the leading European steel company. The index's evaluation criteria include the integration of ecological and social matters within a company's business strategy. The chosen companies are among the best in their sector in terms of sustainable development.

Environmental descriptions for products

The life cycle and environmental impact of different materials used in the building industry are becoming an important competitive factor. For this reason Rautaruukki has prepared environmental descriptions in accordance with the ISO 14040 and 14041 standards for products used in construction. The environmental descriptions tell, among other things, about energy consumption and emissions during a product's entire manufacturing chain all the way from the mining of raw materials to the transport of the finished product to the customer. In addition, the expected lifetime and the environmental load during use have been estimated for every product. After use, all steel products are 100% recyclable.

Reporting improved

Rautaruukki Steel completed a development project on an environmental data monitoring and reporting system. The system enables the monitoring and reporting of the results of environmental activity, environmental investments and running environmental costs.

Business processes and their management are being developed to correspond with environmental expectations. In this respect, the planning guidelines and implementation monitoring of research and development projects are being improved so that the environment and occupational health and safety of projects as well as quality performance can be measured and the results utilized in operational management and reporting. The project forms part of the formulation of sustainable development objectives in all operations.

Rautaruukki's environmental publications

Rautaruukki issues a Group Environmental Report every two years, the last one being published in August 1999. The Environmental Report provides detailed information on the environmental impacts of steel manufacturing and processing as well as on the measures taken to implement Rautaruukki's environmental objectives.

Each year Rautaruukki's largest production unit, the Raahe Steel

Works, publishes its own Environmental Statement, i.e. the EMAS Statement, which is part of the steel mill's environmental system, approved and certified by an external evaluator. The statement describes the mill's emissions, environmental loads and their impacts as well as the results of environmental audits.

Environmental publications can be read and ordered at Rautaruukki's website www.rautaruukki.com.

ISO 14 001 Environmental Certifications of the Group

Rautaruukki Steel

Raahe Steel Works 1997, (EMAS 1997)
Hämeenlinna Works, 1998
Oy JIT-Trans Ltd, 1999

Metform

Pulkkila Works, 1999
Oulainen Works, 1999
Hämeenlinna Tube Works, 1999
Lappohja Works, 1999
Nordisk Simplex A/S, 1999

Rannila Steel Oy

Kaarina Works, 1998
Alajärvi Works, 1998
Vimpeli Works, 1998

Gasell Profil AB

Gävle Works, 1999
Anderslöv Works, 1999

Fundia

Fundia Bygg AS, Mo i Rana, 1996
Fundia Profiler AS, Mo i Rana, 1999
Fundia Wire Oy Ab, 1999
Fundia Hjulsbro AB, 1999

RESEARCH AND DEVELOPMENT

The aim of Rautaruukki's research and development is to improve the Group's competitiveness through developing productivity and production methods as well as new products and services. Rautaruukki invests nearly one per cent of its turnover in research and development

More efficient processes

To boost iron manufacturing the company developed oxy-oil injection, which enables increased use of less expensive heavy fuel oil. The new potential offered by LKAB's pilot blast furnace was exploited in the further development of the blast furnace process.

Control of tapping at the Raahe Steel Works' blast furnaces has been considerably improved by introducing radar measuring to determine the tapping rate, leading to more uniform operation of the furnaces and increased production efficiency. The productivity of the sintering process has been increased by using fuzzy logics based control of the strand speed for optimizing the burned-through point of the sinter bed.

International research cooperation

In 1999 Rautaruukki received European Coal and Steel Community funding for five of its research projects. The project topics deal with blast furnace operation, the corrosion properties of high-strength steels, the development of design standards for steel structures, the manufacturing of building elements, and the long-term durability of sandwich elements made from sheet steel. The duration of each research project is three years.

Important partners in the development of steel tubes and pipes include the European Pipeline Research Group and CIDECT. Rautaruukki participates in the global ULSAB-AVC, ULSAC and ULSAS projects, whose aim is to lighten the weight of automobiles without compromising safety and environmental requirements.

Fundia Reinforcing has continued its development of highway reinforcing as part of an EU-funded



RAEX LASER steel, which was especially developed for the needs of laser cutting, has achieved solid popularity amongst customers.

project, whose aim is to achieve a 20 per cent improvement in the load-bearing capacity of roads by means of reinforcing.

Product development on a broad front

Rautaruukki Steel's investment programme yielded new high-quality steel grades for its manufacturing programme. Galvanized and cold rolled sheet steels possessing excellent deep drawing characteristics were developed based on vacuum treatment. Development of galvanized high-strength steels based on vacuum treatment continues.

New brands with high added value, such as extra high strength RAEX OPTIM, suitable for the needs of the vehicle industry, and RAEX LASER which fulfils the special requirements of laser cutting, were developed in close cooperation with customers in accordance with the service concept.

Metform's development activi-

ties in the field of welded steel tubes and hollow sections focused on lighter and higher strength tube components. The proportion of deliveries accounted for by customer-specific special grades and forms increased. To meet the needs of the vehicle industry extra high strength tube products were developed for the manufacture of hydroforming components.

The Steel Structure Division's development work centred on the increased use of steel in indoor structures. Among the new products launched were the Rannila Korotuslattia, a floor construction based on steel beams, and the Rannila AWS acoustic partition wall spar.

The development objective in Fundia Wire was, among other things, endless rolling achievable through the welding together of slabs, leading in turn to increased coil size and more uniform properties. In the Special Bar Division, development work focused on increasing the number of spring steels and forging steels.

PERSONNEL

The objective of Rautaruukki's personnel policy is motivated staff that have an excellent level of knowledge and skills and are prepared to undertake continuous development of their competence. The staff are also committed to the Group's business objectives and act in accordance with the basic values of Rautaruukki.

Development of competence

In developing personal competence, better understanding of customers' fields of business and needs plays a key role. To exploit the knowledge within the business, the Finnish-language intranet network Stella was introduced as a management tool throughout the Group. During 2000 this network will also be expanded to include the English language.

A survey of the core competences of the four industrial divisions was initiated. This survey will aim to find common tools and methods for developing employees' expertise. The divisions will prepare action programmes in their strategic plans to ensure the correct development of modern skills and the acquisition of required new expertise.

In the parent company the willingness of key individuals to engage in job rotation was surveyed. Under development is a system which can systematically help finding suitable people for positions that fall vacant. The aim of the system is to transfer competence between divisions.

International interaction

The Steel Seminar, aimed at training management and experts in different countries, was organized for the last time. Over the years a total of 225 people have participated in the seminar. To continue the work, a new, broader training programme entitled the Rautaruukki Excellence Programme was started. The programme will be implemented in four sections covering strategy, management, finance and marketing.

The cooperation bodies of management and the personnel, the Group

Meeting covering the units in Finland and the international Rautaruukki Forum each met once during 1999.

Profit bonus system expanded

The incentive pay system, which has been applied mainly in the parent company, was extended to cover personnel throughout the entire Group. Profit bonuses are paid in Finland annually via the Rautaruukki Personnel Fund and in international units as cash profit bonuses. No profit bonus was paid on the basis of the Group result for 1999.

Two-thirds of Group personnel fall within the sphere of an other salary system linked to results or performance. At the end of January 2000

93 key individuals were included in an option programme started in 1998.

Working ability maintained

The number of sick days due to accidents throughout the Group fell by 5 per cent from the previous year. The accident density in the Group's Finnish units was 35 employment accidents per million working hours, the lowest figure ever recorded. The "zero accident" concept and the new practices associated with it have been even more widely applied as the basis for occupational health and safety.

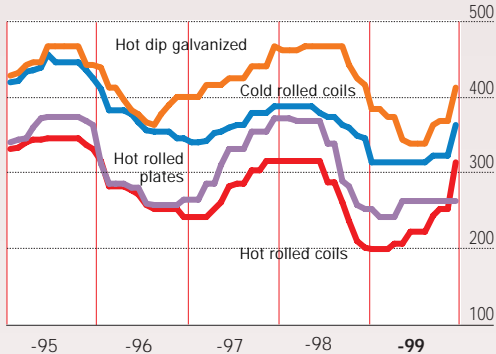
Activity aimed at maintaining working ability (TYKY) was extended at Raahe Steel Works and Metform. At the Raahe Steel Works c. 80 per cent of personnel participated in some kind of guided TYKY event. At Metform's Finnish units and at Helsinki office the employees' working ability index was determined by fitness tests and questionnaires. On the basis of the results and feedback received, a start was made to improve the effectiveness of working conditions and the working community.

Personnel at year-end

| | 1999 | 1998 |
|--------------------------|--------------|--------------|
| by division | | |
| Rautaruukki Steel | 4960 | 4837 |
| Metform | 1590 | 1512 |
| Steel Structure Division | 1398 | 1345 |
| Fundia | 3152 | 3509 |
| Steel Service | 914 | 869 |
| Other units | 477 | 1181 |
| Total | 12491 | 13253 |
| by country | | |
| Finland | 7741 | 8355 |
| Sweden | 1760 | 1940 |
| Norway | 1044 | 1170 |
| Germany | 764 | 769 |
| Denmark | 254 | 252 |
| Poland | 166 | 96 |
| Estonia | 124 | 123 |
| Russia | 112 | 101 |
| Great Britain | 98 | 81 |
| Lithuania | 89 | 75 |
| Slovakia | 71 | 50 |
| Netherlands | 70 | 78 |
| Latvia | 67 | 59 |
| Ukraine | 67 | 50 |
| Other countries | 64 | 54 |
| Total | 12491 | 13253 |

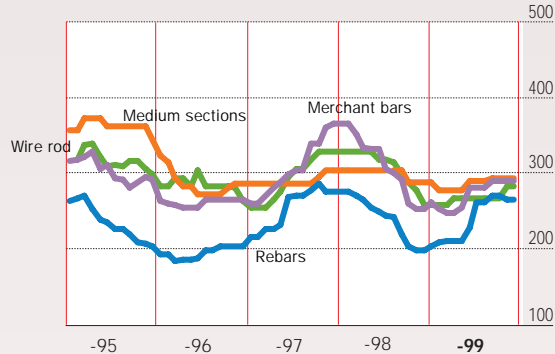
PRICE TRENDS AND STATISTICS

Flat steel products, basic price in Germany, €/t



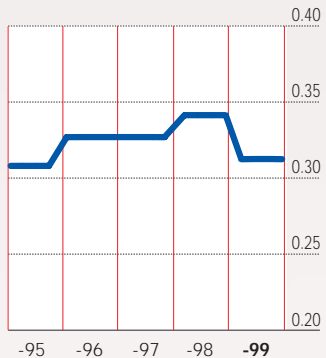
Source: MEPS, European Steel Review

Long steel products, sales price in Germany, €/t



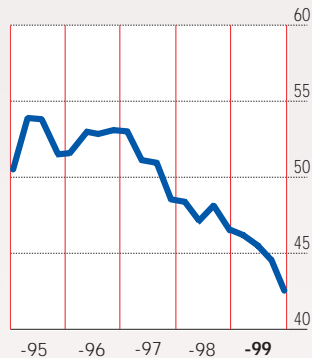
Source: MEPS, European Steel Review

Iron ore, USD/t/Fe%



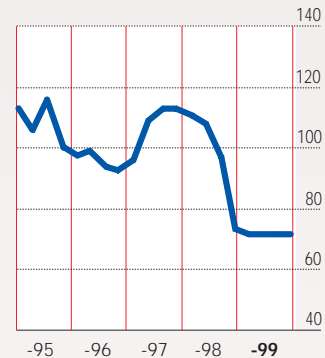
Source: Metal Bulletin, LKAB Kiruna B fines

Coking coal, USD/t



Source: Coal Week International, US Hampton Roads

Iron scrap, €/t



Source: Bundesverband der Deutschen Schrottwirtschaft, Ruhr No.2, >3mm

GROUP STEEL PRODUCTION AND EXTERNAL DELIVERIES

| Including deliveries to Rautaruukki Steel Service | 1995 | 1996 | 1997 | 1998 | 1999 | |
|---|---------|-------|-------|-------|-------|-------|
| Steel production | 1 000 t | 2 007 | 3 586 | 4 083 | 4 273 | 4 180 |
| EXTERNAL DELIVERIES | | | | | | |
| Hot rolled plates, sheets and coils | 1 000 t | 944 | 1 016 | 948 | 1 209 | 1 110 |
| Cold rolled sheets and coils | 1 000 t | 271 | 308 | 295 | 258 | 305 |
| Coated sheets and coils | 1 000 t | 433 | 464 | 442 | 406 | 447 |
| Tubular products | 1 000 t | 532 | 476 | 560 | 559 | 566 |
| Profiled sheets and sections | 1 000 t | 152 | 160 | 199 | 225 | 210 |
| Long steel products | 1 000 t | 1 520 | 1 860 | 1 908 | 1 942 | 1 869 |

Turnover by quarter

| M€ | I/98 | II/98 | III/98 | IV/98 | I/99 | II/99 | III/99 | IV/99 |
|--------------------------|-------|-------|--------|-------|------|-------|--------|-------|
| Rautaruukki Steel | 325 | 329 | 309 | 257 | 255 | 256 | 241 | 282 |
| Metform | 103 | 97 | 78 | 74 | 78 | 87 | 76 | 92 |
| Steel Structure Division | 47 | 73 | 87 | 63 | 40 | 66 | 79 | 70 |
| Fundia | 204 | 200 | 172 | 167 | 165 | 164 | 152 | 173 |
| Asva and CCB Stål | 71 | 73 | 71 | 120 | 103 | 110 | 104 | 114 |
| Other units | 17 | 24 | 20 | 33 | 18 | 20 | 1 | 10 |
| less internal invoicing | - 112 | - 126 | - 106 | - 90 | - 76 | - 97 | - 95 | - 100 |
| Consolidated turnover | 655 | 671 | 630 | 623 | 583 | 606 | 559 | 640 |

Operating profit by quarter

| M€ | I/98 | II/98 | III/98 | IV/98 | I/99 | II/99 | III/99 | IV/99 |
|--------------------------------|------|-------|--------|-------|------|-------|--------|-------|
| Rautaruukki Steel | 63 | 57 | 39 | 23 | 8 | 3 | - 7 | 24 |
| Metform | 7 | 5 | - 2 | - 5 | 1 | 9 | 3 | 9 |
| Steel Structure Division | 1 | 5 | 9 | 1 | 3 | 1 | 8 | 4 |
| Fundia | 10 | 9 | 1 | - 14 | - 2 | - 1 | - 2 | - 4 |
| Asva and CCB Stål | 2 | 2 | 1 | - 3 | 2 | 6 | 5 | 6 |
| Other units and internal items | - 10 | - 4 | - 14 | 4 | - 6 | - 3 | - 7 | - 4 |
| Consolidated operating profit | 73 | 74 | 33 | 6 | 6 | 15 | 1 | 35 |

Five-year statistics on page 40.

ADDRESSES

Rautaruukki Oyj

www.rautaruukki.com

RAUTARUUKKI

P.O.BOX 860 (Fredrikinkatu 51-53)
FI-00101 HELSINKI
Tel. +358 9 417 711
Fax +358 9 4177 6288

Addresses of all Rautaruukki units
by country and by division
can be found on
Rautaruukki's website
<http://www.rautaruukki.com>

RAUTARUUKKI STEEL

P.O.Box 93 (Rautaruukintie 155)
FI-92101 RAAHE
Tel. +358 8 84 911
Fax +358 8 849 2246

Websites of Rautaruukki subsidiaries:

RAUTARUUKKI METFORM

Harvialantie 420
FI-13300 HÄMEENLINNA
Tel. +358 3 528 60
Fax +358 3 528 5873

www.fundia.com

www.rautaruukki.de

RAUTARUUKKI

STEEL STRUCTURE DIVISION

Harvialantie 420
FI-13300 HÄMEENLINNA
Tel. +358 3 528 60
Fax +358 3 528 5521

www.rannila.fi
www.rannilaprofiil.ee
www.rannila.lv
www.rautaruukki.com.pl
www.gasell.com
www.stelform.dk

FUNDIA AB

Kanalvägen 12
S-194 61 UPPLANDS VÄSBY
SVERIGE
Tel. +46 8 590 045 00
Fax +46 8 590 844 50

www.asva.com
www.rautaruukki.sia.lv
www.rautaruukki.se

RAUTARUUKKI STEEL SERVICE

Asva Oy
P.O.Box 128 (Suolakivenkatu 10)
FI-00811 HELSINKI
Tel. +358 20 47471
Fax +358 20 4747 296