Rautaruukki | annual report 2003

Contents

Rautaruukki

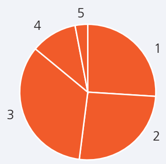
Rautaruukki provides steel and metal based solutions for construction, mechanical engineering and the metal fabrication industry. The Group offers a wide spectrum of metal products and related services. Rautaruukki's share is listed on Helsinki Exchanges.

Year 2003 in brief

– Clear improvement in earnings
– Steel product prices strengthened
– Fourth quarter burdened by write-downs
– Operations according to new business model started

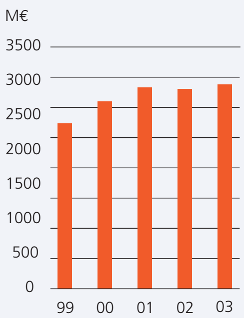
	2003	2002
Net sales, M €	2 953	2 884
Operating profit, M €	128	6
% of net sales	4.3	0.2
Result before extraordinary items, M €	70	–46
% of net sales	2.4	–1.6
Result before taxes, M €	70	–46
% of net sales	2.4	–1.6
Net debt, M €	922	1 092
Return on capital employed, %	7.1	0.6
Return on equity, %	6.5	–4.3
Equity ratio, %	34.6	31.1
Earnings per share, €	0.39	–0.26
Equity per share, €	6.07	5.81
Personnel on average	12 782	13 325

Net sales by market area 2003



1 Finland 26 %
2 Scandinavia 26 %
3 Other EU-countries 34 %
4 Other parts of Europe 11 %
5 Other countries 3 %

Net sales



Statement by the CEO

" We are seeking an in-depth understanding on our customers' business and their needs. We want to make sure that the customers are able to meet their own challenges with our support."

Dear shareholders

In the operating environment of the steel industry, many customer sectors have undergone a profound change via consolidation, networking and globalisation. In the steel industry too, consolidation and specialisation have been prominent trends.

In the latter part of 2003 we have transformed Rautaruukki's business model and organised our operations in accordance with it. The objective of the customer-oriented business model is to clarify and enhance interaction between customers and the Group and to create a new platform for new growth and a better profitability.

The change in the business model, making a shift from steel manufacturer to metal solutions provider, is based on the Group's strengths: a strong market position in the Nordic countries and the Baltic Rim, in-depth materials know-how as well as efficient and flexible production and logistics.

The company's future growth will be based on integrated solutions that provide added value to selected customer sectors. The solutions business will be developed within three customer-focused divisions: Construction Solutions, Mechanical Engineering Solutions and Metal Fabrication Solutions. For these customer industries, we will develop products, systems and solutions and in that way play a new role in our customers' value chain.

The fourth customer-oriented division, Metal Products, will be responsible for efficient steel and metal products sales activities as well as for prefabrication. The objective of the Group's own production and upgrading is to achieve further improvements in cost-efficiency, delivery accuracy and quality, whilst reducing the effects of fluctuations in demand by increasing the flexible use of capacity.

We are at the outset in starting this new way of operating. Customer feedback has been encouraging and our employees' attitude to the changes has been positive. We have actively tackled the new development projects. In particular, the new solutions that will be developed in co-operation with our customers will generate new sales and earnings.

Positive development in 2003

The business environment in 2003 was quite favourable to us. Continued strong demand for steel in China had a positive impact on the price trend of steel products. In addition, the weakening in the US dollar – the raw material currency – lowered raw material costs.

Apart from the favourable operating environment, the efficiency-boosting measures that were launched in 2002 improved earnings and lowered the gearing ratio. Our operating result improved significantly. Furthermore, the operational result of Fundia, which previously has been clearly in the red, swung upward to a slight profit.

The EUR 30 million write-down made on Fundia Wire's fixed assets nevertheless cut earnings. Although Fundia Wire's operating loss excluding non-recurring items was clearly reduced compared with the previous year, different structural alternatives for developing the wire business will be explored during the first half of 2004.

Financial targets

We have defined the Group's financial targets for the next three years: return on capital employed of 12 per cent and operating profit of 5–7 per cent of net sales. Our target for the gearing ratio is 70–80 per cent. Over the longer term, the strategic targets are 15 per cent return on capital employed and operating profit of over 7 per cent. I believe that we have in our own hands what it takes to reach these targets.

Outlook for the near future

The near-term outlook for the business environment is cautiously positive. The prospects for our main customer industries are slightly brighter than they have been up to now, and demand for steel and metal products in the EU countries is estimated to grow somewhat. The rise in product prices is forecast to continue because of strong demand from China and because the sharp rise in raw material costs is leading to a need for price increases. For the first quarter, price increases have already been put through.

The measures carried out in 2003 with the aim of lowering fixed costs will have full effect this year. Improving cost-effectiveness in the current year is also a key objective set out in the new business model. Structures will be simplified and overlapping functions eliminated. We shall seek to withdraw from low-margin sales and divest non-core businesses.

In 2004 we shall increase the share of integrated solutions within our sales. Our objective is to increase the share of solution business from one third of sales to one half over two to three years. We shall strengthen our know-how in the development of new components, systems and more extensive applications as well as in utilising other than our own materials.

We shall furthermore enhance our metal products sales and distribution operations and seek growth from sales of new materials. Within production, we will not have major capital expenditure needs thanks to the modernisations that have been carried out over the past years. A low level of capital expenditure will support the rapid achievement of our gearing ratio target. It is important for us to create additional opportunities to grow our solutions business.

Towards the end of last year, we defined the Group's future guidelines, business model and the organisation, and we set out our financial targets. We shall strive for growth whilst improving our profitability at the same time. Through an open flow of information, taking responsibility and profit-oriented work together with our customers, we will have what it takes to succeed in this endeavour.

I wish to thank our Rautaruukki employees for a work well done during the past year and to pass on their special thanks to my predecessor, Mr. Mikko Kivimäki for his long years of work. He has been instrumental in creating a group whose strengths make it well-poised for us to build the future.

Helsinki, 23 February 2004
Sakari Tamminen

Group Report 2003

Rautaruukki changed its business model and organisation on 1 September 2003. The financial statements for 2003 have been prepared on the basis of the previous divisional structure. Financial reporting in 2004 will take place according to the new organisation.

Rautaruukki's net sales in 2003 was EUR 2,953 million (2,884). Operating profit was EUR 128 million (6) and profit before extraordinary items and taxes was EUR 70 million (loss 46). Non-recurring financial expenses totalled EUR 42 million (27), which included EUR 30 million write-downs on fixed assets of Fundia Wire. Cash flow before financing was EUR 176 million (23).

Rautaruukki Steel improved its operating profit considerably. Fundia, which was clearly loss-making previously, achieved a slightly positive operating result excluding non-recurring costs. The operating profits of Metform and the Steel Service Division weakened. The Steel Structure Division's operating result was a slight loss.

Operating result for the fourth quarter was EUR 0 million (17). Excluding non-recurring costs, the final quarter operating profit was EUR 42 million (29).

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.20 per share be distributed for 2003.

Business environment and market

During 2003 economic growth was slow in the countries of the European Union. In the countries of eastern Central Europe and Eastern Europe, economic growth continued to be faster than in the rest of Europe. Economic growth accelerated in the United States and continued to be very strong in China.

Demand for steel products in Europe was at the same level as in 2002 and in the United States slightly higher than the previous year. In China demand for steel products grew strongly and this had a positive impact on the balance of supply and demand in the world market.

In December, the United States, the EU and China revoked their protective measures against imports of steel products. For 2004 the EU has in force bilateral agreements restricting imports with Russia, Ukraine and Kazakhstan.

Imports of steel products into the EU grew, but imports and exports were in balance in EU countries. Stocks in Europe were lower than normal at the end of the year.

In the last quarter of the year, prices of steel products in Europe remained at the level of the previous quarter. Average prices for the year were clearly higher than the previous year.

In the United States the prices of steel products strengthened during the latter part of the year and average prices for the year were higher than the previous year. In China and the countries of Southeast Asia the prices of steel products strengthened.

World steel output grew by 7 per cent compared with 2002, of which nearly all was due to strong growth in steel production in China. Steel output in European Union countries was at the previous year's level, but in the rest of Europe it grew by 7 per cent.

Net sales and financial result

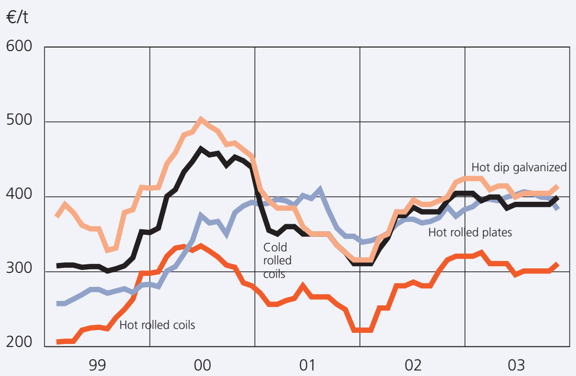
Consolidated net sales was EUR 2,953 million (2,884).

The Group's deliveries of flat and tubular products were at the same level as in 2002. The average price of deliveries was 4 per cent higher than the previous year. Deliveries of long steel products grew by 8 per cent. The average price of long steel product deliveries was 2 per cent higher than in 2002.

In the final quarter of the year, product prices remained mainly at the previous quarter's level, but due to product mix and market area changes the average prices of flat and tubular product deliveries was 2 per cent lower and of long steel product deliveries 3 per cent lower than in the previous quarter.

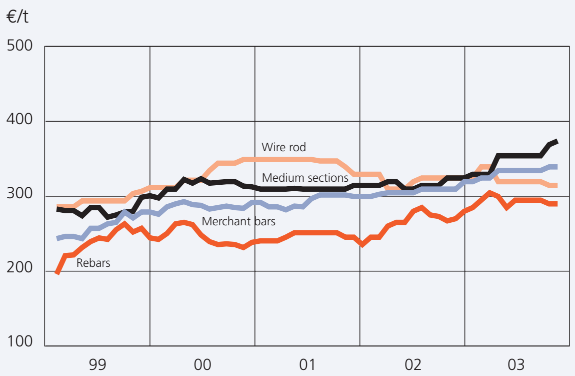
Flat steel products

Source: CRU, basis transaction prices in Germany



Long steel products

Source: CRU, basis transaction prices in Germany



Rautaruukki Steel's output of steel was 2,798,000 tonnes (2,562,000). Since autumn 2002, steel output has been at the target level of 2.8 million tonnes per year. Fundia's steel output was 1,774,000 tonnes (1,688,000).

US dollar prices of raw materials used in the manufacture of iron rose, but euro-denominated prices were lower than in 2002 due to the weakening of the dollar. Unit costs of iron raw materials were on average 8 per cent and of coking coal 10 per cent lower. The price of electricity was on average 23 per cent higher and the price of scrap 22 per cent higher than in 2002.

Operating profit was EUR 128 million (6). Operating profit was improved by a rise in product prices, growth in own steel production, measures initiated in 2002 to improve profitability and a reduction in the operational loss at Fundia Wire. Contributions to the Rautaruukki Pension Fund were EUR 16 million lower than in 2002.

Non-recurring costs totalled EUR 42 million (27), which included write-downs on fixed assets and provisions made for agreed personnel reductions and pension costs. The Group's other operating income was EUR 9 million (15).

Operating result for the final quarter of 2003 was EUR 0 million (17). The operating profit for the final quarter was weakened by non-recurring costs of EUR 42 million and by longer than normal production shutdowns at the turn of the year.

The profit before extraordinary items and taxes was EUR 70 million (loss 46). Return on net assets was 7.1 per cent (0.6).

The profit before taxes and minority interest was EUR 70 million (loss 46).The profit for the financial year was EUR 53 million (loss 35).

Operating profit of Rautaruukki Steel was improved by a rise in product prices, growth in own steel production, lower raw material costs and measures initiated in 2002 to improve profitability. Metform's operating profit was weakened by an adjustment made to internal transfer pricing principles as well as by non-recurring costs. The Steel Structure Division's operating loss was caused by a fall in

Net sales by division (EUR million)

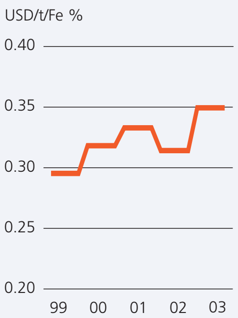
	2003	2002
Rautaruukki Steel	1349	1308
Metform	352	367
Steel Structure Division	326	321
Fundia	802	731
Steel Service	641	646
Other units	271	171
less internal invoicing	– 788	– 660
Consolidated net sales	2953	2884

Operating profit / loss by division (EUR million)

	2003	2002
Rautaruukki Steel	182	9
Metform	5	17
Steel Structure Division	– 2	12
Fundia	– 29	- 17
Steel Service	12	23
Other units and internal items	– 39	– 36
Consolidated operating profit	128	6

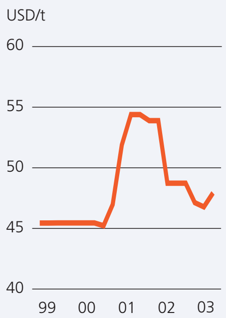
Iron ore

Source: Metal Bulletin, Kiruna KBF



Coking coal

Source: Coal Week International, Australia Queensland



Iron scrap

Source: Metal Bulletin, HMS1 fob Rotterdam

product prices and non-recurring costs. Fundia's operating result was improved by a reduction in the loss at Fundia Wire, but the operating result was loss-making due to non-recurring costs. The Steel Service Division's operating profit was nearly at the previous year's level, when a non-recurring capital gain on the sale of fixed assets in 2002 is taken into account.

Financing

Rautaruukki's gearing ratio was 112 per cent (138) and equity ratio was 34.6 per cent (31.1). Equity per share at the end of the year was EUR 6.07 (5.81) per share. Total assets were EUR 2,403 million (2,561).

Cash flow from operations was EUR 265 million (152) and cash flow before financing EUR 176 million (23). The Group's interest-bearing net debt stood at EUR 922 million (1,092). The short-term position of interest-bearing loans was EUR 204 million (205) and the long-term position EUR 768 million (943).

On 2 December 2003 Rautaruukki issued two senior notes with a total nominal value of EUR 130 million.

Working capital was at the level of 2002. The ratio of financial assets and inventories to short-term liabilities at the end of the year was 1.9 (1.9). At the end of 2003 the Group had uncommitted revolving credit facilities with banks totalling EUR 310 million.

Net interest expenses were EUR 47 million (50) and their proportion of net sales was 1.6 per cent (1.7). Net financial expenses totalled EUR 58 million (52) and included a loss on foreign exchange of EUR 9 million (gain 1). The average interest on the Group's net debt at the end of the year was 4.9 per cent (4.9).

Capital expenditure

Gross expenditure on fixed assets totalled EUR 102 million (142) and net capital expenditure EUR 89 million (129). Capital expenditure mainly consisted of normal development and maintenance.

Change in the Group's business model

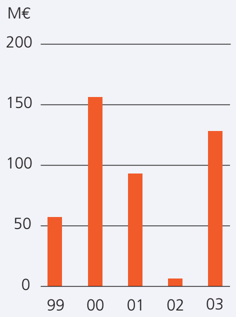
Rautaruukki's Board of Directors decided to establish a new business model and related organisation, which came into effect on 1 September 2003.

The aim of the business model is to clarify and enhance interaction between the Group and its customers and to create the basis for the Group to achieve new growth and improve its profitability. Growth in the years ahead will be based on integrated value-added solutions for selected customer industries, complemented by products and services provided by the Group's network of partners. The customer sectors are construction, the engineering industry, including shipbuilding, and the metal fabrication industry.

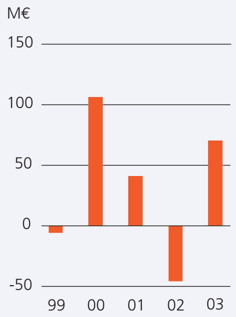
As of 1 September 2003, the Group has comprised four divisions with customer accountability: Metal Products, Construction Solutions, Mechanical Engineering Solutions and Metal Fabrication Solutions. The three last-mentioned divisions in particular are expected to grow strongly in the years ahead. The efficiency of the Metal Products Division's distribution system will be enhanced and growth will be sought through the sale of new materials. Steel and rolling production has been organised into a single Production Division.

The divisional structure has been fine-tuned and operational planning in accordance with the new business model has been launched. Measures aimed at streamlining the Group structure and harmonising information systems have been initiated with the objective of lowering fixed costs and boosting the efficiency of capital employed. As of 1 January 2004, management systems have been adjusted in accordance with the new business model.

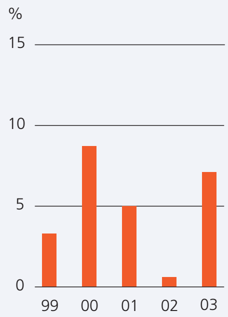
Operating profit



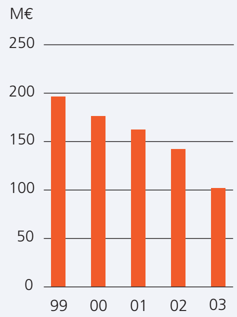
Profit / loss before extraordinary items



Return on capital employed



Gross capital expenditure



In 2004 the solution divisions will implement customer-oriented total solutions, develop the component elements necessary for them and strengthen their solutions-based expertise. The objective of the Metal Products Division is to improve the cost-effectiveness of sales and distribution by cutting fixed costs and eliminating overlaps, and to use working capital more efficiently. Deliveries with poor profitability will be discontinued. The aim of the Production Division is also to improve cost-effectiveness by lowering fixed costs, through better control of capacity and by boosting the punctuality and quality of deliveries. The use of working capital tied up in production will also be enhanced.

Personnel

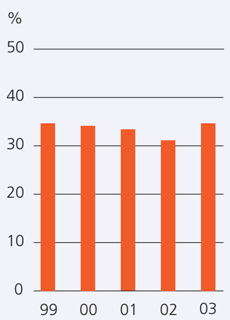
The Group's payroll at the close of the year consisted of 12,047 people (12,804) and the parent company employed 4,935 people (5,472). The Group employed an average of 12,782 (13,325) people during the year and the parent company 5,413 (5,794).

During 2003 a programme of measures, which reduced personnel numbers by around 700, was implemented to improve operational efficiency and reduce fixed costs. Payroll cuts took place mainly at the Raahe Steel Works and the Hämeenlinna Works. Measures aimed at reducing the overlapping of functions will continue during 2004.

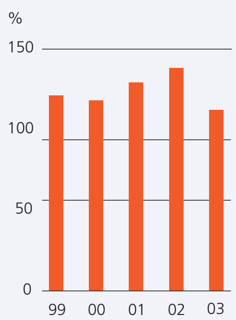
Wire business development

Fundia Wire's operational loss excluding non-recurring items decreased significantly in comparison with the previous year and in the fourth quarter of 2003 it fell to zero due to an efficiency programme implemented during the autumn. During the efficiency programme Fundia Wire has operated as a separate unit outside the new business organisation.

Equity ratio



Gearing ratio



Now interaction between the Group and its customers will also be enhanced and clarified in the wire business. Fundia Wire's production will be incorporated into the Production Division and business responsibility into the Metal Products Division. Both internal and other structural options will be investigated for the further development of the wire business. A write-down of EUR 30 million has been made on Fundia Wire's fixed assets.

Outlook for 2004

In the EU countries demand for steel and other metal products is forecast to grow slightly. The balance of supply and demand in EU countries will be influenced mainly by the level of these countries' own steel output and imports. Demand for steel products is expected to continue to be strong in China and to grow in the United States, which will have a positive impact on the balance of supply and demand worldwide and will support the development of profitability in the European steel industry.

Of Rautaruukki's key customer industries, residential and infrastructure construction are expected to continue on a satisfactory trend. Commercial construction is expected to be reasonable, but in Finland the prospects for office construction are weak. In the mechanical engineering industry as well as marine and offshore industry demand is expected to strengthen slightly. Demand is also expected to grow in the electronics, automotive and household appliance industries.

Prices of raw materials for steel production will be negotiated at the first half of 2004. Due to strong growth in demand for steel industry raw materials, mainly in China, and to a steep rise in freight costs, raw material costs denominated in US dollars are expected to rise significantly. Movements in the euro and US dollar exchange rate have a significant impact on the company's raw material costs.

The rise in raw material prices will begin to affect Rautaruukki's costs in the second quarter of 2004, with the main impact coming in the second half of the year. Costs will also be influenced by an interim repair to the second blast furnace at the Raahe Steel Works in July.

The full impact of measures implemented in 2003 to reduce fixed costs will be felt in 2004. In accordance with the new operating model, costs will be lowered further e.g. by clarifying the organisational structure and by centralising administrative functions. Use of capital will be enhanced, for example, by removing the divisions' overlapping product stores and by focusing on core business.

The rise in steel product prices moderated at the end of 2003. In the first quarter of 2004, prices have begun to pick up once again. The rise in prices is expected to continue because the strong increase in raw material costs creates a significant need to raise prices.

Rautaruukki's net sales is expected to grow slightly. Profit development in the first quarter of the year is expected to continue on a positive note.

Change in the Business Model

An evolving business environment

The business environment in the steel industry has changed rapidly. Many companies in important customer sectors – the engineering industry, the offshore and shipbuilding industry as well as the metal fabrication industry – are involved in a process of consolidation, and some are becoming global players. The changes are also reflected in the operations of companies that have adopted a regional strategy. It is estimated that construction, an important customer sector, will continue to be a largely regional business.

Companies which are the steel industry's customers are concentrating on their core businesses and outsourcing their non-core functions. Client companies are also networking with other companies to bolster their core businesses. Networking is a means of exploiting economies of scale and improving efficiency. Customers furthermore want to purchase larger integrated components or products and to shorten their supply chain. Companies are also moving functions to countries where they judge that their business has the best operating requirements.

Some steel companies have merged or formed alliances with other companies. Consolidation has reduced the number of companies in Europe, as elsewhere, and it has had a positive effect on the balance between supply and demand for the industry's products.

Transforming Rautaruukki's business model

Rautaruukki has set the objective of changing from being a manufacturer of steel products to becoming a provider of metal solutions. The new business model and the organisation in accordance with it came into force on 1 September 2003.

The objective of the transformation is to clarify and enhance interaction between customers and the Group and to pave the way for the Group to achieve new growth and improve its profitability. Growth in coming years will be based on total value-added solutions for selected customer sectors. The customer sectors are construction, the engineering industry and the metal fabrication industry.

The solutions business will be developed within three divisions with customer responsibility: Construction Solutions, Mechanical Engineering Solutions and Metal Fabrication Solutions. The fourth customer-responsible division is Metal Products, which encompasses the sale of steel and metal products and the customer-specific prefabrication of products. The Group's steel and rolling production has been centralised within the Production division.

Strategic choices

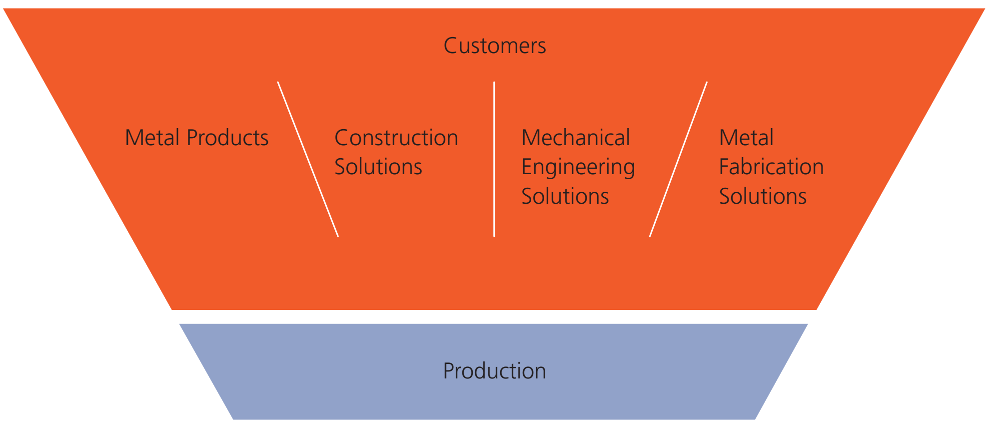
The business model change is based on the Group's present strengths: a strong market position in the core markets, in-depth materials know-how, efficient production and flexible and smoothly running logistics.

Further development of the Group's strategy will be based on selected customer segments in line with the business model, and solutions arising from customers' needs, with a sharp market focus.

A strong market position in core markets

Rautaruukki has a strong market position in its core markets in the Nordic countries and the Baltic area, which account for nearly 60 per

Group structure



cent of consolidated net sales. In its core markets the company is the market leader in a number of product groups. Thanks to a comprehensive network of service centres, Rautaruukki can deliver to customers not only steel products but also other metal products, and offer them prefabrication services as well.

The solution divisions presently account for about a third of Rautaruukki's sales. In the core market area in particular, we are producing total solutions for customers in the construction industry and also increasing the share of solutions sales to the engineering and metal fabrication industry.

In the years ahead, the Group's businesses will centre largely on the core market area. Operations outside this area are being reassessed from the perspective of profitability and how they fit in with the core businesses. Functions are being combined into larger units, and businesses with low profitability will be peeled off.

In-depth materials know-how

Rautaruukki has a mastery of the entire metallurgical process from raw materials to upgraded products. The Group has a wide range of products including a number of high value-added speciality products. Among these mainline products are demanding speciality steels, components for the engineering and metal fabrication industry as well as roofing and wall panel systems for building.

Strong materials know-how furnishes a good foundation for implementing integrated solutions consisting of various products, components and systems. Apart from our own steel products, the total solutions can also include other materials, such as stainless steel and aluminium.

Efficient production

The company's production units are in good shape as a result of the modernisation measures and large-scale investments that have been made in recent years. Major capital expenditures will not be required for production technology over the next few years.

The Group's steel, rolling and tubular products production has been organised into a single cost-effective unit. The objective is continual improvements in cost-effectiveness, delivery precision and quality.

The effects of fluctuations in demand will be alleviated through a more flexible use of capacity and by developing control systems whilst lowering fixed production costs. The Production division is responsible for developing production processes and basic products.

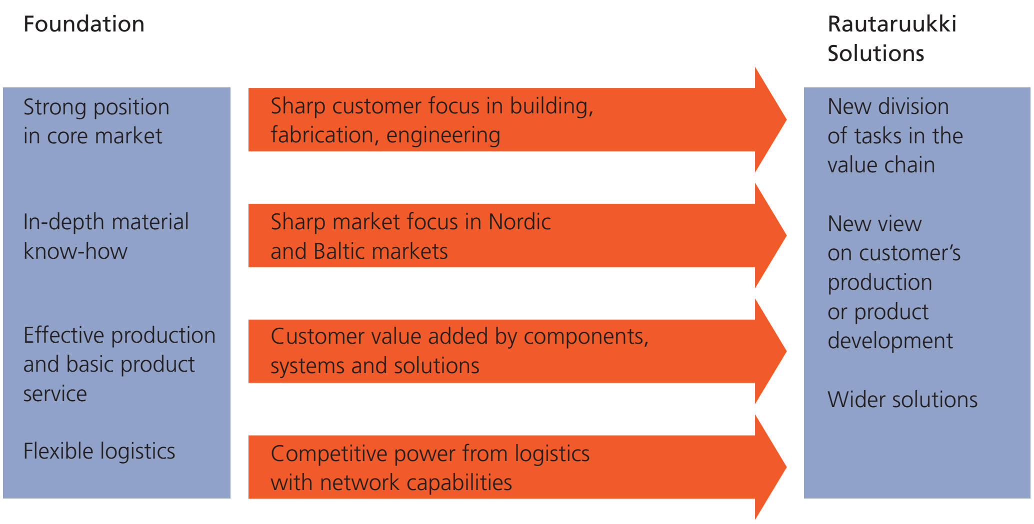
Flexible and efficient logistics

Thanks to fast and precise deliveries, Rautaruukki has a competitive advantage in logistics in the Nordic countries and the Baltic Rim. A large part of product transports to customers is shipped efficiently by sea, supported by road and rail transports.

The network of steel and metal service centres spanning the core market area together with fast, direct ex-works deliveries form another cornerstone of our strength in logistics. Rautaruukki can also deliver small batches of product to customers cost-effectively.

Customers will now find it even easier to deal with Rautaruukki because they will be served from a single outlet in accordance with the Group's new structure. In order to improve delivery reliability and precision further, the Production division is developing control of the

Strategic choices



order–delivery process and examining the division of responsibilities between sales and production. Logistical efficiency will be increased by eliminating overlapping stocks.

The bulk of the Group's raw materials for steel production is purchased in nearby areas and the goods are transported by sea at relatively low cost.

The solutions business is a growth area

Rautaruukki is seeking new growth and improved profitability via the solutions business that is targeted at selected customer sectors.

The integrated solutions will be tailored to customers' needs by making use of various modules. The modules can consist of either the company's own products or those obtained through its co-operation network as well as components, systems and services. Apart from steel products, the modules can also comprise other materials. In this way, customers can be offered more extensive total solutions than heretofore.

The objective is to build up the solutions business so that in 3–4 years it will account for about half of the Group's netsales. Achieving the growth target will hinge on organic growth that is supported by potential acquisitions.

The Metal Products division will initially be the largest

The Metal Products division's objective is to boost sales of steel and metal products. Along with the Group's own steel products, the division will also sell other steel and metal products, and it is these that will represent an increased proportion of the sales in coming years. In 2003 the division's share of consolidated net sales was two thirds.

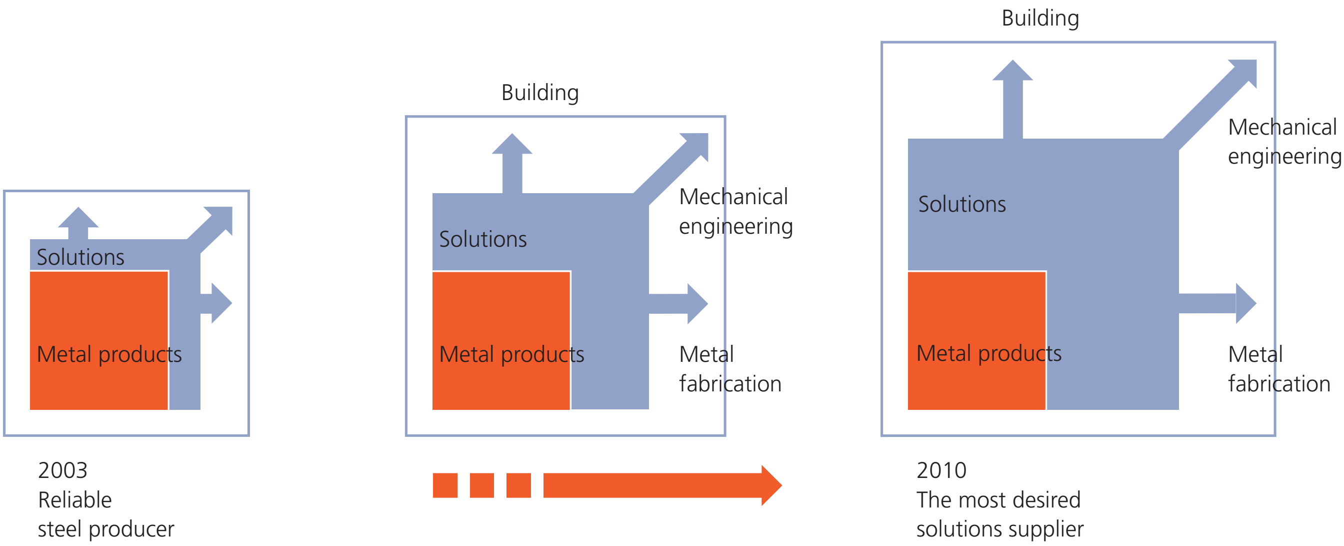
In the Group's core market area, the division has its own service centres, which process products tailored to customers' needs.

The Metal Products division is also seeking to improve the cost-effectiveness of its sales and distribution by trimming overlapping functions. This should lead to a strong cash flow so that the Group's return on capital employed can be improved and the gearing ratio reduced. This will furthermore create a solid foundation for developing the solutions business.

Benefit for customers

The new business model will yield increased added value for customers. Rautaruukki staff will gain a deeper appreciation of the needs of companies in selected customer sectors. Research and development work will be directed increasingly towards customer-specific product and service applications.

Our vision: Customer need-based solutions for selected segments



Among the benefits that integrated solutions will bring to customers in the construction industry are a shorter time spent on building as well as reduced manufacturing times for the products of the mechanical engineering and metal fabrication industry. Business risks will be reduced at the same time and customers will be able to concentrate on their core businesses.

Rautaruukki is also developing the management of its co-operation network. The target is to combine the products and services of the co-operation network and Rautaruukki into extensive integrated solutions that maximise customer benefits.

Rautaruukki's objective is to become a single, unified company. This will clarify and facilitate customers' dealings with the company, because customers will be served from one point.

Benefit for Rautaruukki

Rautaruukki is developing integrated products and services that have a higher know-how component than is found on the traditional steel products market. This kind of business is subject to a lesser degree of cyclical fluctuation than is the traditional steel industry.

The traditional steel industry that is based on high volume production is capital-intensive. The solutions business that Rautaruukki has chosen as its growth area is less capital-intensive and is based on factors such as the development of expertise.

Trimming the Group's fixed costs is another element that will improve Rautaruukki's profitability. This will be achieved by cutting out overlapping functions for example within administration and sales. Low-profit sales and non-core functions will be pared down. To step up the efficiency of capital employed, overlapping warehousing functions will also be wound down.

Measures to simplify the Group structure and unify information systems were launched in autumn 2003. The number of legally constituted companies will be reduced. The names of Group companies will be harmonised and a shift will be made from a combination of various product and company names to the use of a single name.

Financial targets

Return on capital employed	3 year target	12%
	Strategic target	15%
Operating profit (EBIT)	3 year target	5–7%
(% of net sales)	Strategic target	> 7%
Gearing	Target level	70–80%

Dividend policy

Rautaruukki follows a competitive and stable dividend policy that takes into account the company's financial performance and sufficient growth in the equity ratio.

Personnel

" The business model transformation is a challenging task for us. We're enthusiastic about developing the new approach."

The change in Rautaruukki's business model meant a reorganisation of functions and many changes in duties within management, administration and sales. Generating profits, assuming responsibility, sharing information and doing things together will be focus areas for management in future years.

Staff involvement in the transformation

After the new business model was made public, management wanted the employees to give feedback right away and to express their views on the strategy that had been chosen. Interactive web pages were opened on Rautaruukki's intranet, and they served as a channel for a lively discussion. Top management toured company sites, telling about the change and the challenges it will bring.

The new business model will call for new expertise and a new way of operating. Familiarity with the business of the main customer sectors will be increased across the Group.

Developing and delivering customer solutions will also require co-operation among skilled employees in different fields. By doing things together and combining the best ideas in an unbiased manner, Rautaruukki will create new integrated solutions that stand out for their excellence. The key management skills will centre around the creation of capabilities for innovative and profitable operations.

Training programmes to support the change

The Group's training programmes were developed in line with the requirements of the new business model. The Rautaruukki Excellence programme targeted at management and specialists was designed to help the participants come to grips with the challenges of the solutions business. The supervisors practised building customer solutions by combining products, services and other know-how drawn from the Group's different units into packages meeting customers' needs.

The objective of the new training programme for managers is to give them better capabilities for dealing with recurring change situations and to provide practical tools for developing human resources and operations. The training programmes also serve as a good supervisors' network, offering a way of discussing one's own management experiences and practices with colleagues.

Personnel incentive systems

For the entire personnel, Rautaruukki has a bonus system that is based primarily on the Group's financial result but also includes separate criteria. In Finland the bonuses are paid into a personnel fund, whereas at the units abroad payouts go directly to the employees.

In 2003, Rautaruukki's earnings exceeded the bonus target by a slight margin, resulting in the payment to the personnel of about EUR 0.4 million in bonuses. Lowering of the accident frequency, which was a separate criterion of the bonus system, was not reached. The number of occupational accidents grew slightly compared with the previous year but was markedly below the long-term average.

For the purpose of rewarding the personnel and management, there are also systems based not only on the financial performance of a division or unit but also on various indicators of quality, production volume and other gauges of performance. The long-term incentive system for Group management is a share bonus system that covers just over a hundred persons.

Staff downsizing

During 2003 an extensive efficiency-boosting programme was carried out, part of which involved downsizing the personnel. Staff cuts were made across the entire Group, resulting in about 700 redundancies. Most of the employees who were made redundant were eligible for various pension arrangements.

The company paid particular attention to various support measures connected with the workforce cuts. The support measures were directed at both people who had lost their job and those remaining in the company's employ. In addition to various training sessions for job-seekers and relocation services, people who had become redundant were given the possibility of participating in a specially tailored coping-with-job-loss programme.

Personnel by country at the end of the year

	2003	2002
Finland	6 886	7 433
Sweden	1 721	1 759
Norway	909	961
Germany	573	586
The Netherlands	496	519
Russia	279	266
Poland	198	189
Estonia	164	170
Denmark	145	241
Ukraine	139	141
Slovakia	84	110
Lithuania	84	88
Latvia	83	86
Great Britain	74	89
Other countries	212	166
Total	12 047	12 804

Construction Solutions

" In the office construction sector, our solutions step up building speed and bring cost-effectiveness. Easily modifiable rooms and spaces make it possible to provide for different customer needs."

The Construction Solutions Division produces total solutions based on metal products for residential, commercial and infrastructure construction. The division develops and produces new kinds of total solutions that give added value to the customer and which can be combinations of the division's own products and services as well as those produced by the partner network. The division's goal is to be the leading producer in its core market of construction solutions based on metal products.

Customers

In commercial construction, the customers are construction firms as well as developers of commercial and industrial buildings. The solutions supplied to customers are based on the Group's own frame, floor, façade and roof systems.

In residential construction, the customers are housing project developers and construction firms as well as builders and repairers of one-family homes. Residential construction solutions are based partly on the same system products and services used in commercial construction. The objective is to increase market share of solutions based on metal products in residential construction.

In infrastructure construction, significant customers include the public sector and the energy industry. The division supplies, among other things, different kinds of piling systems and pipelines, which can be supplemented by products and services of the Group's partner network.

Market area

Alongside the core market area of the Nordic countries and the Baltic states, additional market areas are the countries of eastern Central Europe and Russia. There are business operations in 18 countries and related processing of building products in 12 countries.

Business development

In the construction sector, changes in the business environment and new kinds of customer needs and requirements create good conditions for the division's growth. The emphasis is on faster construction, structural versatility, life-cycle philosophy and improving the quality of construction. The division fulfils these needs with its own solutions.

Strategic strengths are customer-oriented innovation and an ability to produce construction solutions effectively in a range of business environments. A strong market position in its core market area, combined with the Group's joint development projects, research and development resources and material expertise, creates a good basis for expanding the solutions business. Additional strengths are cost-effective processing and logistical expertise. Rautaruukki has a strong construction brand – Rannila.

The division's organisation and operating model were created during 2003. The main objective is to develop the entire organisation's capacity to understand in greater depth customers' business needs. This requires a new way of thinking and new skills. In order to develop total solutions, an innovation process has been adopted which encompasses the best experts from the division's different functions and from the Group's other divisions and functions.

During 2004 the Construction Solutions Division will re-examine the priorities of its market area, customer structure and product range. To improve cost-efficiency, processing will be concentrated into larger units.

The Construction Solutions Division
Net sales 2003 (pro forma): 354 M €
President of the division: Lauri Rautala

Mechanical Engineering Solutions

" Steel is the most important material in shipbuilding. We provide our customers with integrated solutions for demanding projects in the shipbuilding and marine industry."

The Mechanical Engineering Solutions Division produces integrated solutions for the marine and offshore industry, the pulp and paper industry and the lifting and transport equipment industry.

Customers

In the marine and offshore industry, customers include Northern European marine fabrication yards that manufacture cruisers, special vessels and oil-drilling platforms. As a flexible operator, the division has good opportunities to increase its contribution to the delivery of total solutions.

The pulp and paper industry market is growing strongly from the Group's perspective. The customers are major European machine manufacturers. Customers' concentration on their own core expertise and their need to improve cost-efficiency offers opportunities for new metal solutions. The new metal-based solutions offer opportunities for new ways of operation.

The lifting and transport equipment industry has a number of significant medium-sized manufacturers in Northern and Eastern Europe. The sector's long-term growth prospects are good. Market globalisation is imposing demands for the development of new operating models and solutions. New cost-efficient solutions offer opportunities for a new way of action.

Market area

The core market area consists of the Nordic countries and the Baltic states. The division's own processing activities cover engineering operations as well as production of rolled profiles and hard-chromed bar products.

Business development

The marine fabrication and paper industries have traditionally been strong Rautaruukki customer sectors, to which customised products have been delivered. The objective is business growth by offering new total solutions to these sectors and by expanding deliveries to the division's other customer sectors.

The division's organisation was created during the autumn. The objective is to expand and deepen understanding of customer sectors and customers' business processes. In co-operation with customers, development processes have been initiated which focus on the whole value chain and on finding common benefits. The Group's material expertise and research and development resources are key factors in developing solutions business. Via networking, the division is seeking partner companies which will bring additional expertise into the delivery of total solutions. The division will invest in personnel training on the basis of a skills survey to be conducted.

The Mechanical Engineering Solutions Division
Net sales 2003 (pro forma): 264 M €
President of the division: Markku Koljonen

Metal Fabrication Solutions

" Our solutions that are used in the electronics industry play a part in ensuring well-functioning telecommunications links and enable people to work anytime, anywhere."

The Metal Fabrication Solutions Division produces total solutions for the electronics, automotive, household and light engineering industries. There are processing operations in Finland, Denmark, Germany, the UK and Russia.

Customers

In the electronics industry, the customers are telecommunications, electronics and automation sector component and system manufacturers. The sector is centred on large worldwide manufacturers which focus on their own core expertise, product development and marketing. The rest of sector's value chain has been outsourced, which presents opportunities for the development of total solutions.

In the automotive industry, the division applies a niche strategy in products relating to vehicle safety. Among the most significant products are materials supplied for side impact beams and installation-ready airbag and axle components.

In the household industry, the most important customers are household appliance and refrigeration equipment manufacturers. The Froh House Tech unit in Germany is Europe's leading manufacturer of vacuum cleaner tubes. The trend towards outsourcing in the household industry is presenting additional development opportunities.

In the light engineering industry, the most important customer groups are manufacturers of air-conditioning, heating and leisure equipment as well as furniture and storage system manufacturers. These sectors typically have a strong local operation, which presents the division with an interesting challenge as far as increasing the volume of solutions business is concerned.

Market area

The division's core market areas are the Nordic countries and the Baltic states as well as, in the automotive industry, Central Europe. In addition to the main markets, the St Petersburg region in Russia as well as the countries of eastern Central Europe are potential growth areas for the division.

Business development

The objective is to increase the share of solutions business significantly in 2004. Development of solutions has already begun with key customers and, to support their implementation, a co-operation network will be created for each main market area. Product development co-operation with customers will focus initially on developing total solutions, exploiting Rautaruukki's strong material expertise, and on enhancing customers' manufacturing processes. The division will strengthen its co-operation network in product design and commercialisation.

The division's own processing units will be developed to support the needs of the solutions business. Division of labour between units will be clarified and the efficiency of the units improved.

The Metal Fabrication Solutions
Net sales 2003 (pro forma): 206 M €
President of the division: Olavi Huhtala

Metal Products

" The Metal Products division offers its customers the most comprehensive range of steel products, stainless steels and aluminium products in its market area, and we back these up with efficient customer service."

The Metal Products Division delivers steel and other metal products as well as related services. The product range includes steels, stainless steels and aluminium products both in the form of standard products and as customised, prefabricated products. Competitiveness is based on customer-oriented operations and on fast, reliable comprehensive deliveries from the Group's own plants and service centres and partners.

Market area

The division has a strong market position in its core market of the Nordic countries and the Baltic states. This position is based on an extensive sales and service centre network, complemented by versatile prefabrication services. In Finland the division is the market leader in all its product groups.

In the Swedish and Danish markets the division expects to grow in metal prefabrication services and as a supplier of stainless steel and aluminium. Two Norwegian steel service companies, expanding the division's service centre network, were acquired in 2003.

The Baltic states form a growing market area, whose importance will be enhanced when these countries enter the EU. In Estonia a new service centre was opened at the beginning of 2004, giving a boost to operations in the region.

The division also has service centres in Poland and Germany as well as sales units in Russia, the Czech Republic, the Netherlands, the UK, France and the United States. Outside its core market area the division focuses mainly on marketing special products.

Business development

The Metal Products Division will focus on boosting sales and distribution. The proportion of other than the Group`s own steel products will be increased. Cost-efficiency and effective use of capital will be improved by, for example, developing the sharing of storage and prefabrication between divisions, eliminating overlapping storage, and enhancing the delivery process.

The Metal Products Division's organisation was formed from units that belonged to a number of pre-existing divisions. During 2004 working practices and information systems will be harmonised. The organisation will also be enhanced by reducing overlaps between functions.

The merging of the sales and service organisations will boost and clarify intra-Group business. The division will operate in close co-operation with the solutions divisions, which will focus on their own customer sectors, and will support solutions development.

The Metal Products Division
Net sales 2003 (pro forma): 1 808 M €
President of the division: Matti Arteva

Production

" At the modern plants, we produce high-quality steel products. Our objective is to achieve a continuous improvement in product quality, delivery reliability and cost efficiency."

The Production Division manufactures hot-rolled plate and strip products, cold-rolled and coated strip products, tubular steel products as well as steel wires, bars and reinforcing. There are production units in Finland, Sweden, Norway and the Netherlands. The division has no customers outside the Group.

Business development

In developing the division, the key goals are improving reliability of delivery, more flexible management of capacity, cost-efficient production and more effective use of capital.

To improve reliability of delivery, control of the entire order-to-delivery chain, i.e. from factory to customer, will be upgraded.

To improve flexibility of capacity, the division will develop the control systems of sales and production as well as working time and shift systems.

To boost production efficiency, the division has set as a goal the lowering of manufacturing costs per tonne, independent of raw material prices. This will be achieved by raising production line utilisation rates and by improving outputs. Productivity will be improved by expanding the skills of personnel.

Use of capital will be enhanced by reducing stocks of raw materials and products as well as intermediate storage.

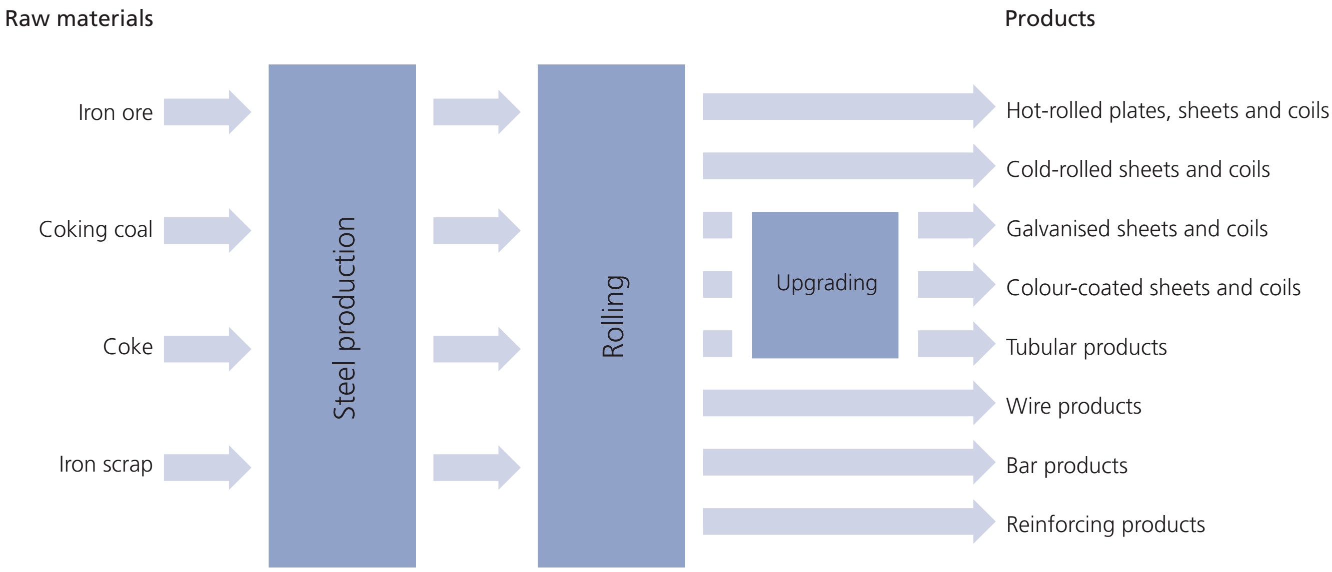
To improve the efficiency of tube production, operations at the factory of the Danish company Nordisk Simplex A/S were discontinued at the beginning of 2004 and production transferred to the company's other tube works.

Co-operation between wire, bar and reinforcing production will be increased to improve efficiency and overall control of capacity.

The Production Division

President of the division: Heikki Rusila

Production



Research and Development

The R&D emphasis has been on developing customer-oriented product applications as well as on improving process efficiency, even quality and precise deliveries. Towards the end of the year the focus was shifted towards the needs of the solutions business in line with the new business model. The Production division was put in charge of developing basic products and processes.

In order to develop integrated solutions, task forces were set up within the divisions. These teams combine metallurgical knowledge with the best available expertise in different fields. The necessary know-how is supplemented through training and recruitment. Co-operation with customers and external research organisations is being increased.

Products for customers' needs

The R&D focus for hot-rolled flat products was on strong structural steels and hard-wearing steels. The range of these products was rounded out. By means of approval tests, the offshore industry was provided with new steel grades. The properties of galvanised steels used in vehicle safety structures were developed in accordance with the requirements of the future EU standard.

The properties of colour-coated sheet steels were developed, notably, for the needs of processes used in manufacturing electrical and electronics equipment. During 2003 a major customer started to use a new type of colour-coated sheet steel – and the product concept based on it – which was developed for telecommunications applications.

High-strength precision tubes were developed with a customer focus, primarily for the needs of the automotive industry. A family of precision tube products in accordance with the new EU standard was brought out on the market. The weldability characteristics of high-strength steels for gas pipelines were improved.

The most important development areas within long steel products were the reduction of the slag content of steels used for springs and bolts, improvements in the surface quality and dimensional precision of bar steels and turning Dual Phase wire steels into commercial products.

Further development of construction systems

The priority area for construction products was the development of entire façade and roofing product systems. An increasing proportion of the development work was carried out in connection with specific construction projects in co-operation with the customer. The Group is involved in a number of joint construction projects.

Among the most important R&D focuses within foundation construction were the commercialisation of steel foundations and the development of high-strength steel piles as well as foundations for wind energy plants.

Highlighting production efficiency

One of the central objectives of the Production division is to improve cost-effectiveness and quality. The building of a new slab reheating furnace that will replace three old furnaces was started at the Raahe steel works. The capital expenditure project will be completed in 2005 and it will lower production costs and improve product quality.

Efforts within process development were directed at improving yields and reducing the amount of rejects. Significantly, the development of working procedures and control systems has brought a substantial reduction in rejects due to dimensional deviations of slabs. At the hot strip rolling mill, the efforts made to improve surface quality, flatness and evenness of temperature were reflected in a marked reduction in the amount of rejects. The number of downtime situations has also been reduced through refinements made to the control systems.

Sustainable Development

Rautaruukki has given its commitment to honour the principles of sustainable development. In the early part of 2004 the Group will publish a Sustainability Report discussing how economic, social and environmental matters are dealt with at Rautaruukki.

Emissions trading starts

Carbon dioxide emissions trading will start in the EU countries at the beginning of 2005. The Finnish authorities will decide on the allocation of allowances to the process industry during 2004. The effects of emissions trading on Rautaruukki's operations cannot yet be estimated. Rautaruukki is carrying out preparations for starting emissions trading.

Mercury emissions limits unchanged

The Norwegian authorities imposed on the Mo i Rana steel mill new emission limits for mercury and other heavy metals in February 2003. Following an appeal by the company, the authorities modified their decision such that the new limit values will not come into force until similar requirements are set for other European steel plants.

Mercury emissions are released from the steel scrap that is used as a raw material. The steel works uses grades of scrap that are typical for electric steel plants, and its electric arc furnace process does not differ from others that are in use around the world. The plant has continued measures aimed at lowering emissions.

Reducing environmental impacts

Stepping up dust recovery and noise abatement was given especial attention at the Group's production units. At the end of 2002, a flue gas extractor at the Raahe steel works' sintering plant was completed. The targeted reduction in particulate emissions from the sintering plant was nevertheless not reached. During the year, development of the equipment and its operating methods was continued in co-operation with the manufacturer. At Koverhar Works, a dust processing method enabling dusts arising at the steel mill to be recycled as a raw material for iron and steel manufacture went into production use.

Slag utilisation threatened

Rautaruukki has special know-how in utilising the by-products of the steel industry. Blast furnace and steel slags are sought-after and proven products in earthwork, road construction, soil conditioning and as a raw material in cement production. An official approval has been granted for the use of slag as a soil conditioner in organic farming. From time to time, the demand for different types of slag has exceeded their production. Studies indicate that slag produces no soluble harmful substances to the soil.

The Northern Ostrobothnia Environmental Centre has reached an interpretation classifying the Raahe steel slag as waste. The ruling has been appealed to the Supreme Administrative Court. If the ruling is not reversed, the utilisation of types of slag will become subject to a permit, and this will impede their recycling.

Group Administration

BOARD OF DIRECTORS

Chaiman:
Jukka Viinanen, b. 1948
M.Sc. (Tech)
President and CEO, Orion Corporation
Board member and chairman since 2001

Previous main positions:
Neste Oyj, President and CEO 1997-1999
Neste Oyj, Senior VP and Board member, 1990-1997

Principal Board memberships:
Huhtamäki Oyj

Deputy Chairman:
Georg Ehrnrooth, b. 1940
M.Sc. (Tech), Dr.Sc (Tech) h.c.
Board member and deputy chairman since 2001

Previous main positions:
President and CEO, Metra Corporation 1991-2000
President and CEO, Lohja Corporation 1979-1991
Wärtsilä Corporation, executive duties 1965-1979

Principal Board memberships:
Assa Abloy Ab (chairman)
Mutual Pension Insurance Company Varma (chairman)
Oy Karl Fazer Ab
Nokia Oyj
Sandvik AB (publ.)
Sampo Oyj

Rautaruukki shares: 1,902

Maija-Liisa Friman, b. 1952
M.Sc. (Tech)
President and CEO, Vattenfall Oy
Board member since 2002

Previous main positions:
Gyproc Oy, President and CEO 1993-2000
Kemira Group, different positions 1985-1993

Principal Board memberships:
Metso Oyj
Sponda Oyj
The Finnish Medical Foundation
Finnish Industry Investment Ltd

Rautaruukki shares: 3,000

Christer Granskog, b. 1947
M.Sc. (Tech)
President and CEO, Kalmar Industries AB
Board member since 2001

Previous main positions:
Partek Oy Ab, Deputy to the President and CEO and Partek Cargotek AB, President and CEO 1997-1998
Sisu Group, President and CEO 1994-1997
Valmet Automation Oy, President and CEO 1990-1994

Principal Board memberships:
Oy E Sarlin Ab

Audit Committee:
Pirkko Juntti, chairman
Christer Granskog
Maija-Liisa Friman

Compensation Committee:
Jukka Viinanen, chairman
Georg Ehrnrooth
Maarit Toivanen-Koivisto

AUDITOR
Ernst & Young Oy,
Pekka Luoma, APA

Pirkko Juntti, b. 1945
LL.M
Board member since 2003

Previous main positions:
Expert and executive duties of international financing
HSH Nordbank AG, 1998-2003, Senior Advisor
JP Morgan Securities, executive 1983-1998

Pekka Timonen, b. 1960
LL.D
Senior Advisor, Ministry of Trade and Industry
Board member since 2001

Previous main positions:
Helsinki University, research and education duties 1984-2001

Principal Board memberships:
Hansel Oy
The Association of Finnish Lawyers
Mortgage Society of Finland (Supervisory Board)

Maarit Toivanen-Koivisto, b. 1954
M.Sc. (Econ), P.D
Chair of the Board, Onninen Oy
President and CEO, Onvest Oy
Board member since 2003

Previous main positions:
Executive, financing and purchasing duties

Principal Board memberships:
The Central Chamber of Commerce
F.B.N. International

Rautaruukki shares: 20,451

Emoluments of the Supervisory Board

The monthly emolument paid to the Chairman of the Supervisory Board is EUR 1000, that of the Deputy Chairman EUR 600, and the emoluments of the other members are EUR 500 per month. A meeting fee of EUR 200 is paid.

Emoluments of the Board of Directors

The monthly emolument paid to the Chairman of the Board is EUR 3600, that of the Deputy Chairman EUR 2700, and the emoluments of the other members of the Board are EUR 2200 per month. A meeting fee of EUR 300 is paid.

Auditor's fee

The parent company has paid the auditor audit fees, including expenses, to a total amount of EUR 109,000 and EUR 169,000 for services unrelated to the audit.

SUPERVISORY BOARD

Chairman
Turo Bergman, b. 1946
Deputy Head of Departement, Central Organisation of Finnish Trade Unions, SAK

Deputy Chairman
Jouko Skinnari, b. 1946
Member of Parliament

Members:
Ole Johansson, b. 1951
President and CEO, Wärtsilä Oyj Abp

Kyösti Karjula, b. 1952
Member of Parliament

Inkeri Kerola, b. 1957
Member of Parliament

Bertel Langenskiöld, b. 1950
President and CEO, Metso Minerals Oy

Tauno Matomäki, b. 1937
Mining Counsellor

Martin Saarikangas, b. 1937
Member of Parliament, Mining Counsellor

Lasse Virén, b. 1949
Member of Parliament

Employee representatives:
Jarmo Kemppainen, b. 1951
Jouko Luttinen, b. 1956
Markku Pelkkikangas, b. 1950
Eero Raivio, b.1945

Management Group

Chairman
Sakari Tamminen, b. 1953
M.Sc. (Econ)
President and CEO
Management Group
member 2003-
Joined the company in 2003

Previous main positions:
Metso Oyj, Executive VP and CFO, Deputy to the President and CEO
Rauma Oyj, Executive VP and CFO, Deputy to the President and CEO

Principal Board memberships:
Lemminkäinen Oyj
SanomaWSOY Oyj
Kuusakoski Group Oy
The Finnish Foundation for Share Promotion
Confederation of Finnish Industry and Employers
Technology Industries of Finland
Supervisory Board membeship:
Life Insurance Company
Sampo Ltd

Rautaruukki shares: 500

Matti Arteva, b. 1945,
B.Sc. (Eng)
President of Metal Products Division
Management Group
member 2001-
Joined the company in 1975

Previous main positions:
Asva Oy, President
Aspo Oyj, marketing and executive duties

Board membership: Aspo Oyj

Rautaruukki shares: 5,002

Mikko Hietanen, b. 1953,
M.Sc. (Econ)
Chief Financial Officer
Management Group
member 2004-
Joined the company in 2004

Previous main positions:
Stonesoft Oyj, CFO
Metsä-Tissue Oyj, CFO
Elcoteq Network Oyj, CFO
Lohja Oyj, CFO

Board membership:
Lohjan Puhelin Oy

Olavi Huhtala, b. 1962,
B.Sc. (Eng)
President of Metal Fabrication Solutions
Management Group
member 2003-
Joined the company in 1987

Previous main positions:
Rautaruukki Metform, marketing and executive duties

Markku Koljonen, b. 1951,
B.Sc. (Eng)
President of Mechanical Engineering Solutions
Management Group member 2001-
Joined the company in 1989

Previous main positions:
Rautaruukki Steel Structure Division, Senior VP
Rautaruukki Steel, executive duties in marketing and production

Rautaruukki shares: 759

Lauri Rautala, b. 1954,
M.Sc. (Econ)
President of Construction Solutions
Management Group member 2001-
Joined the company in 1998

Previous main positions:
Rautaruukki Steel, Senior VP
Rautaruukki Metform, Senior VP
Onninen AB, President
Onninen Oy, Division Manager

Board membership:
PPTH-Norden Oy

Heikki Rusila, b. 1949,
M.Sc. (Tech)
President of Production Division, Deputy to the President
Management Group member 2001-
Joined the company in 1974

Previous main positions:
Rautaruukki Metform, Senior VP
Rautaruukki Steel, Senior VP

Rautaruukki shares: 4,516

EXTENDED MANAGEMENT GROUP

The Extended Management Group that was set up in 2004 comprises the members of the Management Group along with:

Taina Kyllönen, b. 1967,
M.Sc. (Econ)
Vice President, Corporate image, marketing and investor communications
Joined the company in 2004

Ismo Platan, b. 1953,
B.Sc. (IT)
Chief Information Officer
Joined the company in 2003

Seppo Sahlman, b. 1948,
LL.M
Senior Vice President, financing, risk management, legal affairs
Joined the company in 1971
Rautaruukki shares: 2,848

Peter Sandvik, s. 1953,
D.Sc. (Tech)
Senior Vice President, R&D, energy, environment
Joined the company in 1983

Salla Sundström, b.1965,
Lis. Tech.
Vice President, human resources
Joined the company in 1990
Rautaruukki shares: 9,020

Jarmo Tonteri, b. 1952,
B.Sc. (Eng), M.Sc. (Econ)
Senior Vice President, Scandinavia
Joined the company in 1992

Corporate Governance

Rautaruukki Group´s corporate governance conforms to the Finnish Companies Act, other related legislation and the Articles of Association of Rautaruukki. The recommendations on good corporate governance issued by HEX Plc, the Central Chamber of Commerce of Finland and the Confederation of Finnish Industry and Employers in 2003 are taken into account when arranging Rautaruukki's corporate governance.

Rautaruukki is managed in accordance with sound business principles by raising the Group's shareholder value on a long-term basis. Management of the Group's activities takes into account its stakeholders and the principles of sustainable development.

Overall responsibility for the management and operations of Rautaruukki Group lies with the administrative bodies of the parent company, Rautaruukki Corporation. These are the General Meetings of shareholders, the Supervisory Board, the Board of Directors and the President.

Supervisory Board

Election and composition
The Supervisory Board is elected for a term of one year by the Annual General Meeting. The Supervisory Board shall have 5-12 members. The Ministry of Trade and Industry is entitled to appoint one of these and the company's founding shareholders appoint three. Four representatives of personnel groups participate in the work of the Supervisory Board in accordance with its standing rules. Personnel representatives are entitled to be present and to speak at meetings of the Supervisory Board except in matters connected with the appointment and remuneration of top management and with collective bargaining agreements. The Supervisory Board meets as required.

Duties and responsibility
The duties and responsibility of the Supervisory Board are defined in the Companies Act and in the Articles of Association of Rautaruukki Corporation. The principle duties of the Supervisory Board are:

1. to ensure that the company's affairs are managed in accordance with sound business principles, aiming at profitability, and in compliance with the Articles of Association and the resolutions of the General Meetings of shareholders;
2. to decide on issuing instructions to the Board of Directors in matters of wide scope or fundamental importance, and
3. to submit to the Annual General Meeting its statement on the annual financial statements, the consolidated financial statements and the auditors' report.

Board of Directors

Election and composition
The Annual General Meeting elects the company's Board of Directors for a one-year term. The Board of Directors comprises the chairman, vice chairman and from two to six ordinary members. The Board of Directors meets at least six times a year.

Duties and responsibility
The Board of Directors is responsible for the Group's business management together with the President and CEO. It is also the task of the Board of Directors to carry out the administrative duties that have not been reserved for the Supervisory Board or expressly entrusted to the President and CEO.

Principal tasks of the Board of Directors are:

1. to attend to the Group's administration and the due organisation of its operations, and to ensure that the accounting and management of funds are controlled in an appropriate manner;
2. to prepare the matters to be dealt with at General Meetings and meetings of the Supervisory Board and to ensure that the decisions taken by them are implemented;
3. to set long-term targets for the Group and the divisions so as to achieve economic value added, and to approve general strategies to meet these targets;
4. to approve the annual plans of the Group and the divisions;
5. to attend to the due arrangement of financial and operational reporting and control, so that it is possible to continuously monitor how these targets are being met and to react quickly to exceptional situations, when necessary;
6. to decide on the Group's total level of capital expenditure and on the largest individual items;
7. to prepare the Group's annual financial statements and interim reports;
8. to decide on the company's dividend policy and to make a proposal to the Annual General Meeting for the dividend to be paid;
9. to define and approve the Group's core values and operational policies for the most important areas of management and control, such as risk management, financing, internal audit, data security, as well as personnel and environmental matters;
10. to decide on the Group's organisational structure;
11. to appoint and dismiss the President and CEO and to determine his remuneration;
12. at the proposal of the President and CEO, to appoint and dismiss members of the executive staff and to determine their remuneration. Executive staff refers to the Group´s and divisions' executives who report to the President and CEO;
13. to decide on the principles for the Group's incentive and bonus schemes;
14. to decide on other matters that do not fall within the sphere of daily activities and are significant in relation to the size of the company, such as the expansion or curtailment of operations or on any other significant changes in the company's operations, the raising of long-term loans and the sale and pledging of properties,
15. to decide on convening General Meetings of shareholders.

The Board of Directors sets targets for profitability and the equity ratio as benchmarks for producing economic value added.

The Board of Directors monitors how these principles are implemented and assesses its own working procedures.

Committees of the Board of Directors

The Board of Directors appoints from among its members an Audit Committee whose duty is to prepare, instruct and estimate risk management, juridical risks, internal supervision systems, financial reporting as well as audit of the accounts and internal auditing. The Audit Committee consists of not less than three (3) and not more than five (5) members annually elected by the Board from among its members. The Audit Committee assembles for a meeting not less than four (4) times a year presided by the chairman of the Committee.

The Board of Directors appoints from among its members a Compensation Committee whose duty is to make proposals for remuneration and compensation systems of the management as well as prepare significant organisational changes and appointments. The Compensation Committee consists of not less than three (3) and not more than five (5) members annually elected by the Board from among its members. The Compensation Committee meets as required.

The Board Committees help the Board of Directors by preparing issues belonging to the duties of the Board. The Committees report on their work to the Board of Directors regularly.

Duties of the President

The President and CEO is responsible for the Group's industrial and commercial operations and for attending to its day-to-day administration in accordance with the instructions and directions given by the Board of Directors.

The Board of Directors chooses the deputy for the President.

The Group's Management Group

The Management Group comprises the President and CEO and other Group and division executives appointed by the Board of Directors at the proposal of the President and CEO.

The meetings of the Management Group are chaired by the President and CEO. The Management Group considers corporate strategic issues, annual plans, capital expenditure, company acquisitions, corporate structure and other issues that are important in managing the Group, and monitors the Group's operations. The Management Group also prepares matters to be considered by the Board of Directors.

The Group's business organisation

The Rautaruukki Group's business operations are organised as per divisions. The senior vice presidents of the divisions report to the President and CEO and are responsible for developing the operations of their divisions, for their result and equity, and for arranging the administration of the divisions.

The President and CEO is assisted by the Group's auxiliary staff organisation in management of the Group. The duties of the Group's auxiliary staff organisation include among other things strategic planning and business development of the Group level, communications and corporate image, research and development, risk management, development of human resources, finance and treasury, legal affairs as well as investor relations. The Group's auxiliary staff organisation also comprises functions providing services to the divisions and their units.

Division steering groups

Appointment and composition

The Board of Directors of the parent company appoints the steering groups for the industrial divisions at the proposal of the President and CEO from executives of the Group Management and the divisions. The President and CEO of the parent company acts as the chairman of the steering groups of the divisions.

Duties

The main duties of the division steering groups are:

1. to review strategic and annual plans,
2. to supervise business operations and finance, and
3. to review capital expenditure, company acquisitions, and plans to expand or curtail operations, which are significant within the division.

Monitoring system

The control and monitoring of the operations of Rautaruukki Group is assured by the management system described above. The Group employs the reporting systems necessary for monitoring operations effectively. Overall responsibility for the due arrangement of accounting and the supervision of the management of funds rests with the Board of Directors. The President and CEO is responsible for seeing that the accounting complies with legal requirements and that the management of funds is arranged in a reliable manner.

The Rautaruukki Group's Internal Audit reports to the President and CEO. The Internal Audit examines and assesses the appropriateness and effectiveness of the Group's internal monitoring system, the relevance and efficiency of functions, the reliability of financial information and reporting, and compliance with rules, operating principles and guidelines. The reports of the Internal Audit are also delivered to the Chairman of the Board of Directors and to the members of the Audit Committee and auditing reports are presented to the Board of Directors. The Group's auditor evaluates the effectiveness of internal controls as part of the legal oversight.

Rautaruukki's Board of Directors has approved insider dealing regulations for the company that correspond to those of the Helsinki Exchanges.

The Group's audit is organised so that the authorised public accountant firm elected by the Annual General Meeting as responsible for the parent company carries out its audit through its global organisation throughout the Rautaruukki Group and is responsible for auditing the entire Group.

Business Risks

Demand for and prices of steel products

The demand for steel products and their prices vary with business cycles. The situation in the global steel markets is reflected in Rautaruukki's main market area, the Nordic countries and the Baltic Rim. In many of its main products, Rautaruukki has a leading market position in its domestic and nearby markets. A strong market position, a high degree of upgrading and cost-effectiveness strengthen Rautaruukki's ability to adapt to the prevailing cyclical conditions. One of the aims of building up the solutions business is to reduce the company's cyclical dependence.

Geographical and customer-specific breakdown of sales

More than 95 per cent of the Group's products are sold on the European market. The Nordic countries and the Baltic states account for about 60 per cent. Rautaruukki's sales are divided among a number of different customer sectors, the most important of which is construction. Rautaruukki does not have significant individual customer risks.

Production technology

Rautaruukki's production equipment is in good condition and the Group employs state-of-the-art and competitive technology. The production plants undergo systematic maintenance and the necessary replacement investments are made according to an advance plan. The Group has loss-of-profits insurance to cover an interruption of operations. Production processes are run, among other things, by means of quality systems, in accordance with the ISO 9001 standard.

Products

Rautaruukki invests in long-term R&D activities with the objective of improving the Group's competitiveness by developing new products and services, production methods and productivity. In the markets there are not any evident production methods or products of competitors which might weaken Rautaruukki's competitiveness significantly.

Raw materials and energy

The prices, inclusive of freight costs, of the raw materials needed in steel production – iron ore, coal, steel scrap and other main raw materials – are determined on the world market. Depending on the business cycle, the price of raw materials can show considerable volatility, and their procurement sources are changed from time to time. Long-term agreements are made with the aim of controlling supply-related risks. The steel industry's raw material are priced mainly in US dollars. Movements in the euro and US dollar exchange rate have a significant impact on the company's raw material costs.

Rautaruukki consumes a large amount of energy. A third of the electric power used by the Group is generated internally by utilising process waste gases. The remainder of the electricity is purchased at market prices on the Nordic energy market. The costs of purchased energy are estimated to rise over the next few years owing to the effects of start-up of EU greenhouse gas emissions trading.

The risk management related to raw materials prices is discussed in Note 25 to the accounts.

Sustainable development

Rautaruukki operates in accordance with the principles of sustainable development. This means striving for economically profitable operations in which both environmental considerations and stakeholders are taken into account equally. All main production sites operate in accordance with ISO 14001 environmental systems.

In the area of environmental protection, the major issues are the reduction of dust emissions at the Raahe and Koverhar works as well as preparations for starting trading in greenhouse gas emissions. In Norway the forecast, more stringent, emission limits for mercury and other heavy metals at the Mo i Rana steel mill will not come into force until similar limits are set for the other European steel mills as well.

Information technology

The Group handles its main information systems and telecommunications connections on a central basis in order to ensure continuous and disturbance-free operations. Mission-critical information for the businesses is identified and protected in line with the data security policy guidelines that were approved in 2003. With the aim of implementing Rautaruukki's new business model, the Group is carrying out a study involving going through all the business processes and the applications supporting them. In the same connection, IT infrastructure and services will also be standardised and unified.

Financing and the management of financial risks

The Rautaruukki Group's financing operations and the management of financial risks are handled centrally by the parent company's Corporate Treasury in accordance with the financing policy approved by the Board of Directors. Financing and the management of financial risks is discussed in greater detail in Note 25 to the accounts.

Insurance

Rautaruukki adheres to the principle of adequately protecting the Group's profit-making ability and capital adequacy against possible damage or loss. Accordingly, Rautaruukki pays close attention to maintaining fully adequate insurance cover.

Rautaruukki Share

Rautaruukki's share is listed on Helsinki Exchanges.

Share capital

The share capital did not change during the year. The paid-in share capital of Rautaruukki Oyj on 31 December 2003 was EUR 236,106,956.50 and comprised 138,886,445 Series K shares, each carrying ten votes at the General Meeting of shareholders. The accounting countervalue of the share is EUR 1.70. The share has no par value.

The company's minimum share capital is EUR 200,000,000 and its maximum share capital is EUR 800,000,000, within which limits the share capital may be raised or lowered without amending the Articles of Association.

Convertible bonds 1998

The term of the 1998 convertible bond expired and no share subscriptions based on it were made.

Bonds with warrants 2003

The company issued for subscription by Rautaruukki Group employees and the Rautaruukki Personnel Fund an EUR 3.5 million bond, which was subscribed to the full amount. As a consequence of the share subscriptions through the exercise of warrants, the company's share capital can be increased by a maximum of EUR 2,380,000, which corresponds to about 1.0 per cent of the share capital.

Stock bonus plan

Under the share bonus system that Rautaruukki launched in 2000, the Group's key employees have the possibility of obtaining, after three-year long incentive periods, a bonus equivalent to a maximum of half a year's salary. More than 100 people are covered by the system. Of the bonus amount, 40 per cent is given in Rautaruukki shares and 60 per cent in cash to cover taxes on the bonus. The employee can sell the shares given as a bonus no earlier than two years after the end of the incentive period.

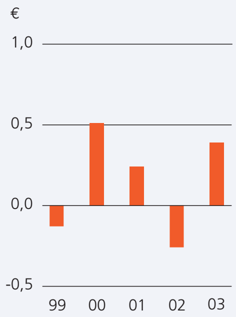
It is a condition for receiving the maximum bonus that the Rautaruukki Group's average return on assets during the three-year incentive period is among the best three companies in a peer group. The peer group comprises Rautaruukki and ten other steel companies. The other companies in the peer group for the incentive periods that have begun annually from the start of 2001 are Arcelor, Corus, Feralpi Group, Ispat International, Outokumpu, Salzgitter, SSAB, Stelco, US Steel and VA Stahl.

Treasury shares

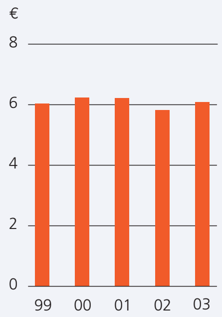
By 31 December 2003, Rautaruukki Oyj had bought back a total of 3,270,000 of its own shares (treasury shares), representing 2.35 per cent of the company's entire shares outstanding. The company has paid EUR 14,737,093 in consideration for them.

The company's own shares are being purchased for the purpose of transferring them to the Group's key employees as part of the incentive system or otherwise to be transferred on or cancelled. The transfer or cancellation of the shares requires a resolution passed by a general meeting of the shareholders. The company does not have a valid authorisation from the Annual General Meeting to buy back, transfer or cancel its own shares.

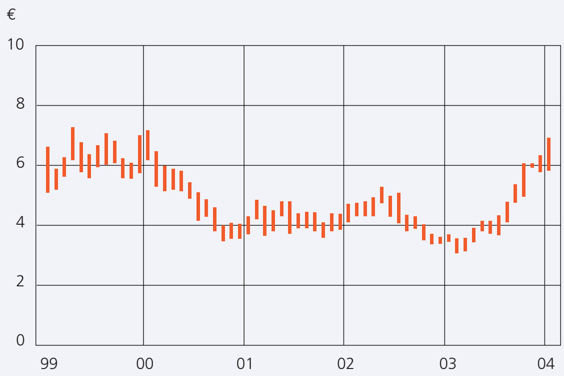
Earnings per share



Equity per share



Rautaruukki share price, monthly high-low



Management's share holdings

The members of the Supervisory Board and the Board of Directors owned a total of 25,353 shares at 31 December 2003, or 0.02 per cent of the voting rights conferred by all the company's shares.

Insiders

Rautaruukki Group applies the Regulations on Insider Trading approved by Helsinki Exchanges. The statutory insiders of Rautaruukki Group are the members of the Supervisory Board and the Board of Directors, President and CEO and the auditor. The insiders determined by the Group include members of the Management Group, persons responsible for communications, the secretaries to the Supervisory Board, to the Board of Directors, and to the Management Group, as well as individually named secretaries to the above-mentioned insiders.

At 31 December 2003, insiders held a total of 33,969 shares, representing 0.02 per cent of the voting rights conferred by all the company's shares.

State ownership

The Finnish State's holding in Rautaruukki Oyj was 40.1 per cent at 31 December 2003. 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 20 per cent of the company's shares outstanding and the voting rights they confer.

As a shareholder, the state has not given guarantees or otherwise made commitments to assume responsibility for the company's debts and obligations.

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 33¹/₃ or 50 per cent, is bound by the obligation, upon a demand of the other shareholders, to exercise pre-emption on their shares and warrants.

Authorisations

Rautaruukki Oyj's Board of Directors does not have a valid authorisation to issue convertible bonds or bonds with warrants, to increase the company's share capital or to buy back the company's own shares.

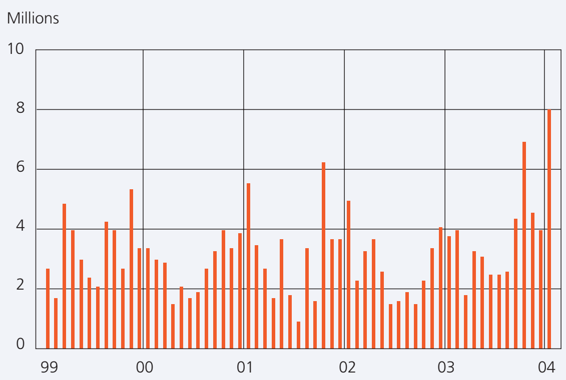
Dividends

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.20 per share be distributed for 2003.

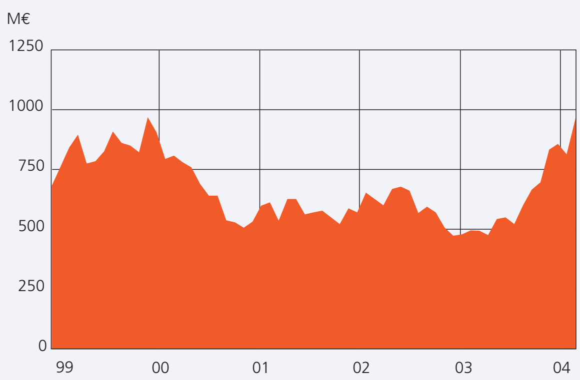
Share price trend

During 2003 the lowest trading price of Rautaruukki Oyj's Series K share was EUR 3.05 and the highest price was EUR 6.36. The last trade of the year was done at a price of EUR 5.84. Rautaruukki Oyj's market capitalisation at the end of the year was EUR 811 million. The share turnover during the year was 44 million, representing a total value of EUR 207 million. The average price of the share trades during the year was EUR 4.66.

Rautaruukki share monthly trading volume



Market capitalisation



Share issues 1999–2003

	share capital, €	Number of K Shares	Increase in Share capital, €
Share capital 31.12.1998	133,228,416		224,074,110.33
Share issue 1.9.1999	+ 5,658,029	9,516,121.65	233,590,231.98
Bonus issue 30.3.2000		2,516,724.52	236,106,956.50
Share capital 31.12.2003	138,886,445		236,106,956.50

The biggest shareholders of Rautaruukki Oyj according to the share register at 31.12.2003

	Shareholder	Shares %	Number of shares
1	The Finnish State	40.07	55 656 699
2	Mutual Pension Insurance Company Varma	3.96	5 503 587
3	Odin Norden	2.59	3 602 400
4	Rautaruukki Oyj	2.35	3 270 800
5	Rautaruukki Pension Foundation	1.14	1 585 455
6	Esa Rannila	0.87	1 214 100
7	OP-Delta Investment Fund	0.82	1 141 515
8	Nordea Life Insurance Finland Ltd	0.82	1 139 631
9	Mutual Life Insurance Company Suomi	0.80	1 104 500
10	Finnish State Pension Fund	0.76	1 050 000
11	Finnish Local Government Pension Foundation	0.62	858 917
12	Pohjola Finland value Investment Fund	0.60	830 000
13	Technology Industries of Finland	0.58	807 700
14	Mutual Insurance Company Tapiola	0.54	750 700
15	Fortum Pension Foundation	0.51	710 900
16	Onnenmäki Foundation	0.44	616 257
17	Veikko Laine Oy	0.43	592 000
18	Odin Finland	0.42	590 100
19	Investment Fund Sampo Finland Equity	0.41	568 337
20	Mutual Pension Insurance Company Etera	0.38	524 500
	Administrative registrations	13.93	19 350 832
	Other owners	26.94	37 418 315
	Total	100.00	138 886 445

Shareholders by share ownership according to the share register at 31.12.2003

	Shareholders		Shares	
Number of shares	No.	%	Thousands	%
1–100	2 216	11.33	137	0.1
101–1 000	13 576	69.43	6 506	4.68
1 001–10 000	3 343	17.1	9 252	6.66
10 001–100 000	345	1.76	10 328	7.44
100 001 –	74	0.38	112 664	81.12
	19 554	100.00	138 886	100.00

Shareholders by sector according to the share register at 31.12.2003

	Shareholders		Shares	
	No.	%	Thousands	%
Companies	713	3.65	10 802	7.78
Banks and insurance companies	112	0.57	11 047	7.95
Public institutions	65	0.33	70 147	50.51
Non profit institutions	265	1.36	5 369	3.87
Private households	18 308	93.63	17 704	12.75
Administrative registrations	10	0.05	19 351	13.93
Other foreign owners	81	0.41	4 465	3.21
	19 554	100.00	138 886	100.00

Rautaruukki is analysed by following companies:

Alfred Berg
Conventum Securities
Credit Agricole Indosuez Chevreux
Credit Lyonnais Securities
Credit Suisse First Boston
Danske Bank
D. Carnegie AB
Deutsche Bank
Enskilda Securities
Evli Securities
FIM Pankkiiriliike Oy
Goldman Sachs
Handelsbanken Capital Markets
HSBC / CCF Securities
ING Barings
J.P. Morgan Securities Ltd.
Mandatum Pankkiiriliike
Merrill Lynch International
Nordea Securities
Opstock Ltd
Societé Generale
UBS

Up-to-date contact addresses can be found on our website.

Rautaruukki
Investor Relations

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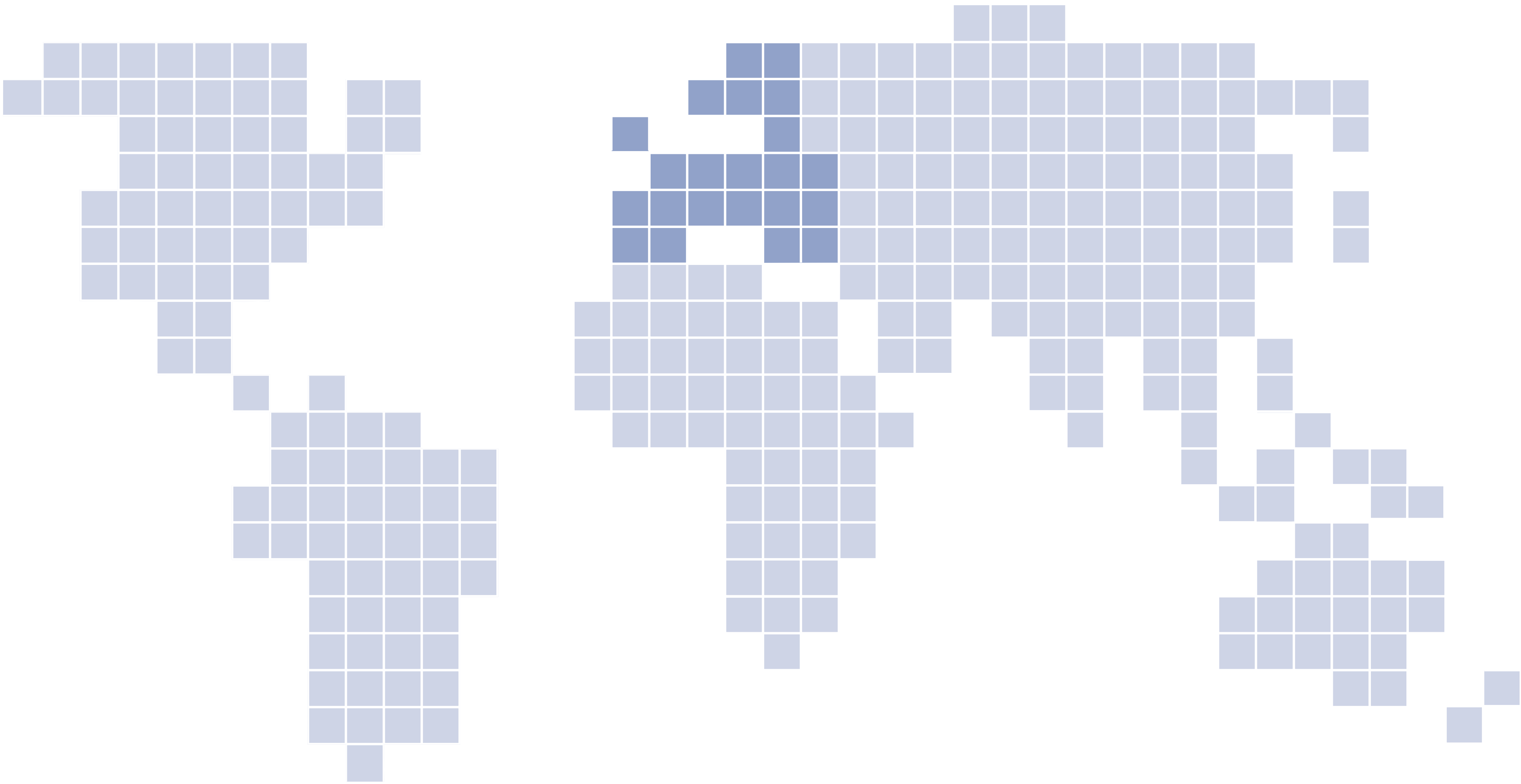
airi.sipila@rautaruukki.com

Five-year Statistics

		2003	2002	2001	2000	1999
Net sales	M €	2,953	2,884	2,906	2,708	2,388
Personnel on average		12,782	13,325	13,678	13,176	13,219
FINANCE						
Operating profit	M €	128	6	93	156	57
% of net sales	%	4.3	0.2	3.2	5.8	2.4
Profit/Loss before extraordinary items	M €	70	–46	41	106	–6
% of net sales	%	2.4	–1.6	1.4	3.9	–0.2
Profit/Loss before taxes	M €	70	–46	41	81	–6
% of net sales	%	2.4	–1.6	1.4	3.0	–0.2
Return on capital employed	%	7.1	0.6	5.0	8.7	3.3
Return on equity	%	6.5	–4.3	3.4	8.2	–2.0
Equity ratio	%	34.6	31.1	33.3	34.1	34.6
Gearing ratio	%	112	138	129	118	121
Gross capital expenditure	M €	102	142	162	176	197
% of net sales	%	3.4	4.9	5.6	6.5	8.2
Research and development	M €	17	17	19	20	20
% of net sales	%	0.6	0.6	0.7	0.7	0.8
Net interest expenses	M €	47	50	49	50	50
% of net sales	%	1.6	1.7	1.7	1.8	2.1
Interest-bearing net debt	M €	922	1,092	1,087	1,017	1,014
Balance sheet total	M €	2,403	2,561	2,559	2,523	2,432
SHARE-BASED KEY FIGURES						
Earnings per share, EPS	€	0.39	–0.26	0.22	0.51	–0.13
Diluted	€	0.39	–0.26	0.21	0.49	–0.13
Equity per share	€	6.07	5.81	6.21	6.23	6.02
Dividend per share	€	0.20*	0.00	0.20	0.25	0.20
Dividend per earnings	%	51.3*	0,0	91.9	49.4	–154.6
Price per earnings, p/e		15.0	–13.2	18.8	7.6	–53.7
Share trading	thousands	44,429	33,902	39,038	34,318	41,116
Stock turnover	%	33	25	29	25	30
Share trading	M €	207	145	162	166	254
Average price of share	€	4.66	4.26	4.16	4.83	6.18
Lowest price of share	€	3.05	3.36	3.59	3.45	5.10
Highest price of share	€	6.36	5.30	4.85	7.20	7.30
Average adjusted number of shares	thousands	135,616	135,616	136,132	138,462	135,109
Diluted	thousands	136,606	136,016	138,947	142,183	138,699
Adjusted number of shares at year-end	thousands	138,886	138,886	138,886	138,886	138,886
Number of shares at year-end	thousands	138,886	138,886	138,886	138,886	138,886
Not counting own shares	thousands	135,616	135,616	135,616	137,540	138,886
Diluted	thousands	137,016	136,016	138,431	141,355	142,476
Share price at year-end	€	5.84	3.44	4.10	3.82	6.95
Market capitalisation at year-end	M €	811	478	569	531	965
Effective dividend yield	%	3.4*	0.0	4.9	6.5	2.9

* Board proposal

Rautaruukki operates in 22 countries. The core market area is the Nordic countries and the Baltic States. Europe accounts for 97 per cent of turnover.



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Tel. +358 20 5911
www.rautaruukki.com
Trade Register Number: 154.820

Addresses of Rautaruukki units by country can be found on Rautaruukki's website.

Annual General Meeting

Rautaruukki Oyj's Annual General Meeting
will be held on Tuesday 23 March 2004 at 1 p.m.
at the Marina Congress Center, address
Katajanokanlaituri 6, Helsinki.

Registrations no later than on Thursday 18 March 2004 by 4 p.m.
to www.rautaruukki.com
yhtiokokous@rautaruukki.com
Tel. +358 20 592 9027 or +358 20 592 9002
Fax +358 20 592 9104
Rautaruukki Oyj, Registry of Shareholders, P.O.Box 138,
FI-00811 Helsinki

Board dividend proposal

The Board of Directors of Rautaruukki Oyj will propose to the Annual General Meeting that a dividend of EUR 0.20 per share be distributed for 2003.

Interim reports

The publishing dates of Rautaruukki's interim reports are
28 April 2004
28 July 2004
26 October 2004

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Internet

Rautaruukki's investor infomation and press releases can be read on the Internet at the address www.rautaruukki.com

Rautaruukki | financial statements 2003

Contents

Report of the Board

Rautaruukki changed its business model and organisation on 1 September 2003. The financial statements for 2003 have been prepared on the basis of the previous divisional structure. Financial reporting in 2004 will take place according to the new organisation.

Rautaruukki's net sales in 2003 was EUR 2,953 million (2,884). Operating profit was EUR 128 million (6) and profit before extraordinary items and taxes was EUR 70 million (loss 46). Non-recurring financial expenses totalled EUR 42 million (27), which included EUR 30 million write-downs on fixed assets of Fundia Wire. Cash flow before financing was EUR 176 million (23).

Rautaruukki Steel improved its operating profit considerably. Fundia, which was clearly loss-making previously, achieved a slightly positive operating result excluding non-recurring costs. The operating profits of Metform and the Steel Service Division weakened. The Steel Structure Division's operating result was a slight loss.

Operating result for the fourth quarter was EUR 0 million (17). Excluding non-recurring costs, the final quarter operating profit was EUR 42 million (29).

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.20 per share be distributed for 2003.

Net sales by division, EUR million

	2003	2002
Rautaruukki Steel	1349	1308
Metform	352	367
Steel Structure Division	326	321
Fundia	802	731
Steel Service	641	646
Other units	271	171
less internal invoicing	– 788	– 660
Consolidated net sales	2953	2884

Business environment and market

During 2003 economic growth was slow in the countries of the European Union. In the countries of eastern Central Europe and Eastern Europe, economic growth continued to be faster than in the rest of Europe. Economic growth accelerated in the United States and continued to be very strong in China.

Demand for steel products in Europe was at the same level as in 2002 and in the United States slightly higher than the previous year. In China demand for steel products grew strongly and this had a positive impact on the balance of supply and demand in the world market.

In December, the United States, the EU and China revoked their protective measures against imports of steel products. For 2004 the EU has in force bilateral agreements restricting imports with Russia, Ukraine and Kazakhstan.

Imports of steel products into the EU grew, but imports and exports were in balance in EU countries. Stocks in Europe were lower than normal at the end of the year.

In the last quarter of the year, prices of steel products in Europe remained at the level of the previous quarter. Average prices for the year were clearly higher than the previous year.

In the United States the prices of steel products strengthened during the latter part of the year and average prices for the year were higher than the previous year. In China and the countries of Southeast Asia the prices of steel products strengthened.

World steel output grew by 7 per cent compared with 2002, of which nearly all was due to strong growth in steel production in China. Steel output in European Union countries was at the previous year's level, but in the rest of Europe it grew by 7 per cent.

Net sales and financial result

Consolidated net sales was EUR 2,953 million (2,884).

The Group's deliveries of flat and tubular products were at the same level as in 2002. The average price of deliveries was 4 per cent higher than the previous year. In the final quarter of the year, product prices remained mainly at the previous quarter's level, but due to product mix and market area changes the average prices of deliveries was 2 per cent lower than in the previous quarter.

Deliveries of long steel products grew by 8 per cent. The average price of long steel product deliveries was 2 per cent higher than in 2002. In the final quarter of the year, product prices remained mainly at the previous quarter's level, but due to product mix and market area changes the average prices of deliveries was 3 per cent lower than in the previous quarter.

Rautaruukki Steel's output of steel was 2,798,000 tonnes (2,562,000). Since autumn 2002, steel output has been at the target level of 2.8 million tonnes per year. Fundia's steel output was 1,774,000 tonnes (1,688,000).

US dollar prices of raw materials used in the manufacture of iron rose, but euro-denominated prices were lower than in 2002 due to the weakening of the dollar. Unit costs of iron raw materials were on average 8 per cent and of coking coal 10 per cent lower. The price of electricity was on average 23 per cent higher and the price of scrap 22 per cent higher than in 2002.

Operating profit was EUR 128 million (6). Operating profit was improved by a rise in product prices, growth in own steel production, measures initiated in 2002 to improve profitability and a reduction in the operational loss at Fundia Wire. Contributions to the Rautaruukki Pension Fund were EUR 16 million lower than in 2002.

Non-recurring costs totalled EUR 42 million (27), which included write-downs on fixed assets and provisions made for agreed personnel reductions and pension costs. The Group's other operating income was EUR 9 million (15).

Operating result for the final quarter of 2003 was EUR 0 million (17). The operating profit for the final quarter was weakened by non-recurring costs of EUR 42 million and by longer than normal production shutdowns at the turn of the year.

The profit before extraordinary items and taxes was EUR 70 million (-46). Return on net assets was 7.1 per cent (0.6).

The profit before taxes and minority interest was EUR 70 million (loss 46).The profit for the financial year was EUR 53 million (loss 35).

Operating profit of Rautaruukki Steel was improved by a rise in product prices, growth in own steel production, lower raw material costs and measures initiated in 2002 to improve profitability. Metform's operating profit was weakened by an adjustment made to internal transfer pricing principles as well as by non-recurring costs. The Steel Structure Division's operating loss was caused by a fall in product prices and non-recurring costs. Fundia's operating result was improved by a reduction in the loss at Fundia Wire, but the operating result was loss-making due to non-recurring costs. The Steel Service Division's operating profit was nearly at the previous year's level, when a non-recurring capital gain on the sale of fixed assets in 2002 is taken into account.

Changes in Group structure

The operations of the Norwegian company Fundia Mandal AS, which made wires used in reinforcing electrical cables, were discontinued in August. A provision for costs resulting from this was made in the 2002 financial statements.

Rautaruukki strengthened its position in the metal wholesale business in Norway by acquiring Johan Vinje Stål AS in September and Dikema Stål AS in December.

The Group's production of precision tubes was reorganised at the beginning of 2004 by closing down the Nordisk Simplex A/S operations and by transferring production to the company's other tube works.

Operating profit by division, EUR million

	2003	2002
Rautaruukki Steel	182	9
Metform	5	17
Steel Structure Division	– 2	12
Fundia	– 29	– 17
Steel Service	12	23
Other units and internal items	– 39	– 36
Consolidated operating profit	128	6

Manufacture of building products at Taldom in Russia will cease in February 2004 on the expiry of a leasing agreement. This production will be replaced in part by production at the St. Petersburg plant and by reinforcing retail sales .

Financing

Rautaruukki's gearing ratio was 112 per cent (138) and equity ratio was 34.6 per cent (31.1). Equity per share at the end of the year was EUR 6.07 (5.81) per share. Total assets were EUR 2,403 million (2,561).

Cash flow from operations was EUR 265 million (152) and cash flow before financing EUR 176 million (23). The Group's interest-bearing net debt stood at EUR 922 million (1,092). The short-term position of interest-bearing loans was EUR 204 million (205) and the long-term position EUR 768 million (943).

On 2 December 2003 Rautaruukki issued two senior notes with a total nominal value of EUR 130 million.

Working capital was at the level of 2002. The ratio of financial assets and inventories to short-term liabilities at the end of the year was 1.9 (1.9). At the end of 2003 the Group had uncommitted revolving credit facilities with banks totalling EUR 310 million.

Net interest expenses were EUR 47 million (50) and their proportion of net sales was 1.6 per cent (1.7). Net financial expenses totalled EUR 58 million (52) and included a loss on foreign exchange of EUR 9 million (gain 1). The average interest on the Group's net debt at the end of the year was 4.9 per cent (4.9).

Capital expenditure

Gross expenditure on fixed assets totalled EUR 102 million (142) and net capital expenditure EUR 89 million (129). Capital expenditure mainly consisted of normal development and maintenance investments.

Share capital, shares and shareholders

The share capital did not change during the year. The share capital as at 31 December 2003 was EUR 236,106,956.50. Rautaruukki Oyj's Board of Directors has no valid authorisation to increase the share capital nor to purchase the company's own shares.

The company has purchased a total of 3,270,000 of its own shares, which is 2.35 per cent of the 138,886,445 shares outstanding. The company has paid a total of EUR 14,737,093 for these shares.

The company's own shares have been purchased for the purpose of transferring them to the Group's key employees as part of the company's incentive scheme or otherwise to be transferred on or cancelled. The transfer or cancellation of the shares requires a resolution passed by a general meeting of the shareholders.

The term of a 1998 convertible bond expired and no share subscriptions based on it were made.

The company issued for subscription by Rautaruukki Group employees and the Rautaruukki Personnel Fund a EUR 3.5 million bond, which was subscribed to the full amount. As a consequence of the share subscriptions through the exercise of warrants, the company's share capital can be increased by a maximum of EUR 2,380,000, which corresponds to about 1.0 per cent of the share capital.

Rautaruukki currently has no option programmes. A share bonus scheme, launched in 2000, has acted as a long-term incentive to key employees. The minimum bonus is paid when Rautaruukki's average return on assets in a three-year incentive period is at least at the median level in a comparison group of eleven companies in the sector. Bonuses, excluding taxes, are paid in the form of company shares, which can be surrendered at the earliest two years after the end of the incentive period.

The lowest trading price of Rautaruukki Oyj's Series K share during the year was EUR 3.05 and the highest price was EUR 6.36. The last trade of the year was done at a price of EUR 5.84. Rautaruukki Oyj's market capitalisation at the end of the year was EUR 811 million (478).

The share turnover during the year was 44 million (34), representing a total value of EUR 207 million (145). The number of registered shareholders at the close of the year was 19,554 (20,093). The Finnish State's holding was 40.1 per cent, and foreigners held 17.1 per cent (12.8) of the company's shares outstanding.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0,20 per share be distributed for 2003.

Gross capital expenditure by division, EUR million

	2003	2002
Rautaruukki Steel	46	68
Metform	11	12
Steel Structure Division	11	12
Fundia	25	42
Steel Service	5	6
Other units	3	2
	102	142

Rautaruukki's management

The Annual General Meeting re-elected Turo Bergman Chairman of Rautaruukki's Supervisory Board and Jouko Skinnari as Vice Chairman. Re-elected as members were Tuula Haatainen, Kyösti Karjula, Inkeri Kerola, Tauno Matomäki, Ole Johansson, and Bertel Langenskiöld. Members of Parliament Martin Saarikangas and Lasse Virén were elected as new members of the Supervisory Board. Tuula Haatainen resigned from her membership of the Supervisory Board on 17 April 2003.

The Annual General Meeting re-elected Jukka Viinanen Chairman of the Board of Directors and Georg Ehrnrooth Vice Chairman. Re-elected to seats on the Board were Maija-Liisa Friman, Christer Granskog and Pekka Timonen. Elected as new members were Pirkko Juntti, LL.M. and Maarit Toivanen-Koivisto, Chair of the Board of Directors of Onninen Oy.

Rautaruukki's long-term President and CEO Mikko Kivimäki retired on 31 December 2003 and was succeeded in the post by Sakari Tamminen, M.Sc.(Econ.), on 1 January 2004. Tamminen joined the company on 22 April 2003 as Executive Vice President and Deputy to the CEO, with responsibility for the Group's operational management.

Rautaruukki is managed in accordance with the prevailing legislation, the company's Articles of Association and the Group's principles of corporate governance as approved by the Board of Directors and presented in the company's annual report.

Change in the Group's business model

Rautaruukki's Board of Directors decided to establish a new business model and related organisation, which came into effect on 1 September 2003.

The aim of the business model is to clarify and enhance interaction between the Group and its customers and to create the basis for the Group to achieve new growth and improve its profitability. Growth in the years ahead will be based on integrated value-added solutions for selected customer industries, complemented by products and services provided by the Group's network of partners. The customer sectors are construction, the engineering industry, including shipbuilding, and the metal fabrication industry.

As of 1 September 2003, the Group has comprised four divisions with customer accountability: Metal Products, Construction Solutions, Mechanical Engineering Solutions and Metal Fabrication Solutions. The three last-mentioned divisions in particular are expected to grow strongly in the years ahead. The efficiency of the Metal Products Division's distribution system will be enhanced and growth will be sought through the sale of new materials. Steel and rolling production has been organised into a single Production Division.

The divisional structure has been fine-tuned and operational planning in accordance with the new business model has been launched. Measures aimed at streamlining the Group structure and harmonising information systems have been initiated with the objective of lowering fixed costs and boosting the efficiency of capital employed. As of 1 January 2004, management systems have been adjusted in accordance with the new business model.

In 2004 the solution divisions will implement customer-oriented total solutions, develop the component elements necessary for them and strengthen their solutions-based expertise. The objective of the Metal Products Division is to improve the cost-effectiveness of sales and distribution by cutting fixed costs and eliminating overlaps, and to use working capital more efficiently. Deliveries with poor profitability will be discontinued. The aim of the Production Division is also to improve cost-effectiveness by lowering fixed costs, through better control of capacity and by boosting the punctuality and quality of deliveries. The use of working capital tied up in production will also be enhanced.

Research and development

The focus of Rautaruukki's research and development has been on developing customer-oriented product applications and on improving the efficiency of processes, the uniformity of quality and the reliability and punctuality of deliveries. At the end of the year, the needs of solution operations in accordance with the new business model became the priority. To develop total solutions, development teams were established in the divisions. These teams contain the best expertise in various fields in addition to metallurgical know-how. Development of basic products and processes was transferred to the responsibility of the Production Division. The Rautaruukki Group spent a total of EUR 17 million (17), namely 0.6 per cent of net sales (0.6), on research and development.

Product development focused on high-strength structural steels and hard-wearing steels, whose range was expanded. The properties of galvanized steels used in vehicle safety structures were developed to conform with future EU standard requirements. The properties of colour-coated strip products were developed e.g. according to the requirements of electronic equipment manufacturing processes.

High-strength precision tubes were developed for customers, mainly in the automotive industry. A range of precision tube products conforming to the new EU standard was launched.

In building products a priority was the development of total façade and roofing systems. An increasing share of development work was done for specific building projects in co-operation with the customer. The Group was also involved in a number of joint construction industry projects, which support the Group's business operations.

Important areas of development in long steel products were improving the slag purity of spring and bolt steels, improving the surface quality and precision of bar products, and developing Dual Phase wire steels into commercial products.

Sustainable development

Rautaruukki is committed to the principles of sustainable development. At the beginning of 2004 the Group will publish a sustainable development report, stating how financial, social and environment-related matters are handled within Rautaruukki.

The EU's emissions trading directive will come into force at the beginning of 2005. The Finnish authorities will decide on the distribution of emission rights to companies and energy production plants during 2004. The impact of emission trading on Rautaruukki's operations cannot be assessed at this stage.

The Norwegian authorities set new emission limits for mercury and other heavy metals at the Mo i Rana Works in February 2003. After an appeal by the company, the authorities changed their decision so that the limits will not come into force until corresponding requirements are imposed on other European electric melting plants. The steel works has continued emission-reduction measures.

Dust recovery and noise reduction measures were stepped up in the Group's production units. At the Raahe Steel Works, an extractor for the sintering plant's flue gases, which was introduced at the end of the 2002, did not reach its targets. During the year development of the extractor and its operating methods continued in co-operation with the equipment manufacturer. Fundia's Koverhar Works introduced a dust treatment method that recycles the dust generated by the steel works and uses it as raw material.

Personnel

The Group's payroll at the close of the year consisted of 12,047 people (12,804) and the parent company employed 4,935 people (5,472). The Group employed an average of 12,782 (13,325) people during the year and the parent company 5,413 (5,794).

During 2003 a programme of measures, which reduced personnel numbers by around 700, was implemented to improve operational efficiency and reduce fixed costs. Payroll cuts took place mainly at the Raahe Steel Works and the Hämeenlinna Works.

Most of the personnel reductions were implemented by means of various retirement solutions. The company invested in a range of support measures, which were offered both to those who had lost their jobs and to those remaining in the company's service.

Personnel were actively involved as the Group adopted its new business model. On the Group's intranet a website was opened which discussed the matter widely and provided employees with a forum to express their opinions. The business model means a reorganisation of functions and many job changes in management, administration and sales. Measures aimed at reducing the overlapping of functions will continue during 2004.

Training programmes for management and other employees were developed to meet the demands of the new business model. The solution business requires employees to update their expertise and to work in new ways. Management training programmes will emphasize development of the skills necessary for innovation and profitable activity.

The number of accidents in work increased slightly from the previous year but was clearly below the long-term average. In Rautaruukki the objective is totally accident-free operations. The most important measures in promoting occupational health and safety have been risk mapping of workplaces, analyses of accidents and hazardous situations, and continuous training of staff.

For 2003 a profit bonus of EUR 0.4 million will be paid to employees under the Rautaruukki profit bonus scheme.

Wire business development

Fundia Wire's operational loss excluding non-recurring items decreased significantly in comparison with the previous year and in the fourth quarter of 2003 it fell to zero due to an efficiency programme implemented during the autumn. During the efficiency programme Fundia Wire has operated as a separate unit outside the new business organisation.

Now interaction between the Group and its customers will also be enhanced and clarified in the wire business. Fundia Wire's production will be incorporated into the Production Division and business responsibility into the Metal Products Division. Both internal and other structural options will be investigated for the further development of the wire business. A write-down of EUR 30 million has been made on Fundia Wire's fixed assets.

Outlook for 2004

In the EU countries demand for steel and other metal products is forecast to grow slightly. The balance of supply and demand in EU countries will be influenced mainly by the level of these countries' own steel output and imports. Demand for steel products is expected to continue to be strong in China and to grow in the United States, which will have a positive impact on the balance of supply and demand worldwide and will support the development of profitability in the European steel industry.

Of Rautaruukki's key customer industries, residential and infrastructure construction are expected to continue on a satisfactory trend. Commercial construction is expected to be reasonable, but in Finland the prospects for office construction are weak. In the mechanical engineering industry as well as marine and offshore industry demand is expected to strengthen slightly. Demand is also expected to grow in the electronics, automotive and household appliance industries.

Prices of raw materials for steel production will be negotiated at the first half of 2004. Due to strong growth in demand for steel industry raw materials, mainly in China, and to a steep rise in freight costs, raw material costs denominated in US dollars are expected to rise significantly. Movements in the euro and US dollar exchange rate have a significant impact on the company's raw material costs.

The rise in raw material prices will begin to affect Rautaruukki's costs in the second quarter of 2004, with the main impact coming in the second half of the year. Costs will also be influenced by an interim repair to the second blast furnace at the Raahe Steel Works in July.

The full impact of measures implemented in 2003 to reduce fixed costs will be felt in 2004. In accordance with the new operating model, costs will be lowered further e.g. by clarifying the organisational structure and by centralising administrative functions. Use of capital will be enhanced, for example, by removing the divisions' overlapping product stores and by focusing on core business.

The rise in steel product prices moderated at the end of 2003. In the first quarter of 2004, prices have begun to pick up once again. The rise in prices is expected to continue because the strong increase in raw material costs creates a significant need to raise prices.

Rautaruukki's net sales is expected to grow slightly. Profit development in the first quarter of the year is expected to continue on a positive note.

Consolidated Profit and Loss Account

M€	Note	1.1.–31.12.2003		%	1.1.–31.12.2002		%
NET SALES	1)		2 953	100.0		2 884	100.0
Variation in stocks of finished goods and work in progress			0			–4	
Production for own use			5			7	
Other operating income	3)		9			15	
Share of results in associated companies			2			2	
Raw materials and services	4)	1 706			1 746		
Staff expenses	5)	555			593		
Depreciation and reduction in value	6)	203			177		
Other operating charges	7)	378	– 2 841		382	–2 898	
OPERATING PROFIT	2)		128	4.3		6	0.2
Financial income and expenses	8)						
Income from other investments held as non-current assets		0			0		
Other interest and financial income		8			7		
Interest and other financial expenses		– 66	–58		–59	–52	
PROFIT / LOSS BEFORE EXTRAORDINARY ITEMS			70	2.4		–46	–1.6
Extraordinary items			0			0	
PROFIT / LOSS BEFORE APPROPRIATIONS			70	2.4		–46	–1.6
Income taxes							
Taxes for the year	10)	–26			–2		
Taxes from the previous years		–1			0		
Change in deferred tax		9	–17		12	11	
PROFIT / LOSS BEFORE MINORITY INTEREST			53	1.8		–35	–1.2
Minority interest of the profits			1			0	
GROUP PROFIT / LOSS FOR THE FINANCIAL YEAR			53	1.8		–35	–1.2

Consolidated Balance Sheet

M€	Note		31.12.2003	%		31.12.2002	%
ASSETS							
NON-CURRENT ASSETS	11–13)						
Intangible assets							
Intangible rights		5			6		
Goodwill		15			19		
Other capitalised long-term expenses		29			17		
Advance payments		4	53		18	60	
Tangible assets							
Land and waters		25			26		
Buildings		331			347		
Machinery and equipment		835			926		
Advance payments and construction in progress		43	1 234		49	1 348	
Investments							
Associated company shares		17			23		
Long term loans receivable from associated companies		1			1		
Other shares and similar rights of ownership		9			10		
Own shares or similiar rights of ownership		15	42		11	45	
			1 329	55.3		1 453	56.7
CURRENT ASSETS							
Stocks	14)						
Raw materials and consumables		136			141		
Finished products/Goods		360			363		
Other stocks		4			5		
Advance payments		2	502		1	511	
Debtors	15)						
Long-term							
Loans receivable		0			6		
Loans receivable owed by associated companies		1			1		
Non-interest bearing receivables		9			9		
Deferred tax assets	20)	28	38		33	50	
Short-term							
Trade debtors		420			413		
Amounts owed by associated companies		4			4		
Loans receivable		0			1		
Other debtors		36			41		
Prepayments and accrued income		25	485		32	491	
			523			540	
Cash in hand and at banks			49			57	
			1 074	44.7		1 108	43.3
			2 403	100.0		2 561	100.0

M€	Note		31.12.2003	%		31.12.2002	%
LIABILITIES							
CAPITAL AND RESERVES	16)						
Share capital			236			236	
Share premium account			220			220	
Revaluation reserve			23			23	
Fund for own shares			15			11	
Translation adjustment			–5			12	
Retained earnings		296			333		
Profit / loss for the financial year		53	349		–35	297	
			838	34.9		799	31.2
MINORITY INTEREST			1	0.0		3	0.1
OBLIGATORY PROVISIONS	18)						
Provisions for pensions		42			38		
Provisions for taxation		0			0		
Other provisions		17	60	2.5	20	58	2.3
CREDITORS	19)						
Non-current creditors							
Interest bearing							
Bonds and debenture loans		304			237		
Bonds with warrants		4					
Loans from credit institutions		412			607		
Pension loans		31			76		
Other creditors		18	768		23	943	
Non interest bearing							
Pension loans		10			10		
Deferred tax liability	20)	149			166		
Other creditors		1	160		0	177	
			927			1 120	
Current creditors							
Interest bearing							
Loans from credit institutions		160			106		
Pension loans		6			6		
Other creditors		37	204		93	205	
Non interest bearing							
Advance payments		8			9		
Trade creditors		178			184		
Accruals and deferred income	23)	119			125		
Amounts owed to associated companies	22)	2			2		
Other creditors		65	373		55	375	
			577			580	
			1 504	62.6		1 700	66.4
			2 403	100.0		2 561	100.0

Consolidated Cash Flow Statement

M€	1.1.–31.12.2003	1.1.–31.12.2002
Cash flow from operations		
Profit / loss before extraordinary items	70	–46
Adjustments		
Depreciation	203	177
Financial income and expenses	58	52
Share of associated companies' results	–2	–2
Other adjustments	3	14
Cash flow before working capital changes	332	196
Change in working capital		
Change in current non-interest bearing debtors	–2	2
Change in inventories	8	–1
Change in current non-interest bearing creditors	–7	3
Change in working capital	0	3
Cash flow before financing items and taxes	331	199
Interest and other financing items on business operations paid	–45	–51
Taxes paid	–22	7
Cash flow before extraordinary items	265	155
Cash flow from extraordinary items	0	–3
Cash flow from operations	265	152
Cash flow from investing activities		
Investments in tangible and intangible assets	–102	–140
Proceeds from sale of tangible and intangible assets	12	13
Other investments	0	–2
Proceeds from sale of other investments	0	2
Change in unpaid investments	1	–1
Cash flow from investing activities	–89	–129
Cash flow before financing	176	23
Cash flow from financing activities		
Buyback of own shares	0	0
Change in current loans receivable	0	0
Change in non-current loans receivable	8	–1
Change in current loans payable	–1	–11
Change in non-current loans payable	–190	31
Dividends paid	0	–27
Cash flow from financing activities	–183	–7
Change in liquid assets according to the calculations	–7	16
Cash and cash equivalents at beginning of period	57	41
Cash and cash equivalents at end of period	49	57
	–7	16

Rautaruukki Oyj's Profit and Loss Account

M€	Note		1.1.–31.12.2003	%		1.1.–31.12.2002	%
NET SALES	1)		1 337	100.0		1 303	100.0
Variation in stocks of finished goods							
and work in progress			2			–25	
Production for own use			4			5	
Other operating income	3)		0			9	
Raw materials and services	4)	679			742		
Staff expenses	5)	259			302		
Depreciation and reduction in value	6)	106			106		
Other operating charges	7)	149	–1 194		149	–1 299	
OPERATING PROFIT / LOSS			149	11.2		–8	–0.6
Financial income and expenses	8)						
Income from other investments							
held as non-current assets		3			2		
Other interest and financial income		32			37		
Revaluations of investments in non-current assets		–1			–20		
Interest and other financial expenses		–63	–29		–57	–38	
PROFIT / LOSS BEFORE EXTRAORDINARY ITEMS			120	9.0		–46	–3.5
Extraordinary items	9)						
Extraordinary income		16			0		
Extraordinary expenses		–37	–20		0	0	
PROFIT / LOSS BEFORE APPROPRIATIONS AND TAXES			99	7.4		–46	–3.5
Appropriations							
Change in depreciation reserve			20			1	
PROFIT / LOSS BEFORE TAXES			120	8.9		–44	–3.4
Income taxes	10)						
Taxes for the year		–24			0		
Taxes from the previous years		–1	–24		0	0	
PROFIT / LOSS FOR THE FINANCIAL YEAR			95	7.1		–44	–3.4

Rautaruukki Oyj's Balance Sheet

M€	Note	31.12.2003		%	31.12.2002		%
ASSETS							
NON-CURRENT ASSETS	11–13)						
Intangible assets							
Intangible rights		2			2		
Goodwill		3			5		
Other capitalised long-term expenses		25			12		
Advance payments		4	34		17	37	
Tangible assets							
Land and water		7			6		
Buildings		231			236		
Machinery and equipment		589			628		
Advance payments and construction in progress		32	858		37	907	
Investments							
Shares in Group companies		253			256		
Receivables from Group companies		0			0		
Shares in associated companies		7			7		
Receivables from associated companies		1			1		
Other shares		4			4		
Own shares		15	280		11	280	
			1 171	52.3		1 224	53.0
CURRENT ASSETS							
Inventories	14)						
Raw materials and consumables		71			72		
Finished products and goods		88	159		86	158	
Debtors	15)						
Long-term							
Amounts owed by Group companies		423			344		
Amounts owed by associated companies		1			1		
Loan receivables		0			6		
Other debtors		0			0		
Short-term							
Trade debtors		128			132		
Amounts owed by Group companies		112			85		
Amounts owed by associated companies		4			3		
Loan receivables owed by Group companies		172			239		
Other debtors		17			20		
Prepayments and accrued income		11	868		16	847	
Securities held as current financial assets							
Other securities			1				
Cash in hand and at banks			43			82	
			1 070	47.7		1 086	47.0
			2 241	100.0		2 310	100.0

M€	Note		31.12.2003	%		31.12.2002	%
LIABILITIES							
CAPITAL AND RESERVES	16)						
Share capital			236			236	
Share premium reserve			220			220	
Revaluation reserve			33			33	
Fund for own shares			15			11	
Retained earnings		85			129		
Profit / loss for the financial year		95	180		–44	85	
			683	30.5		584	25.3
APPROPRIATIONS	17)						
Depreciation reserve			391	17.5		412	17.8
PROVISIONS	18)						
Provisions for pensions		31			25		
Other provisions		2	33	1.5	4	29	1.2
CREDITORS							
Non-current creditors							
Interest bearing							
Bonds and debenture loans	19)	304			237		
Convertible bonds		4					
Loans from credit institutions		409			606		
Pension loans		12			58		
Other creditors		15	743		20	921	
Non-interest bearing							
Amounts owed to Group companies			2			2	
			746	33.3		923	40.0
Current creditors							
Interest bearing							
Loans from credit institutions		153			97		
Pension loans		6			6		
Other creditors		37	196		92	196	
Non-interest bearing							
Advances received		0			1		
Trade creditors		58			62		
Amounts owed to Group companies	21)	42			7		
Amounts owed to associated companies	22)	2			2		
Accruals and deferred income	23)	73			78		
Other creditors		18	193		17	167	
			388	17.3		362	15.7
			1 134	50.6		1 286	55.6
			2 241	100.0		2 310	100.0

Rautaruukki Oyj's Cash Flow Statement

M€	1.1.–31.12.2003	1.1.–31.12.2002
Cash flow from operations		
Profit / loss before extraordinary items	120	–46
Adjustments		
Depreciation	106	106
Financial income and expenses	29	38
Other adjustments	8	15
Cash flow before working capital changes	263	113
Change in working capital		
Change in current non-interest bearing debtors	1	–13
Change in inventories	–1	31
Change in current non-interest bearing creditors	–15	–21
Change in working capital	–15	–2
Cash flow before financing items and taxes	248	110
Interest and other financing items on business operations paid	–17	–18
Taxes paid	–19	8
Group contributions	0	0
Cash flow before extraordinary items	211	101
Cash flow from extraordinary items		
Cash flow from operations	211	101
Cash flow from investing activities	–53	–55
Cash flow before financing	158	45
Cash flow from financing activities		
Buyback of own shares	0	0
Change in current loans receivable	68	–101
Change in non-current loans receivable	–73	79
Change in current loans payable	0	–5
Change in non-current loans payable	–191	36
Dividends paid		–27
Cash flow from financing activities	–196	–18
Change in liquid assets	–38	27
Cash and cash equivalents at beginning of period	82	55
Cash and cash equivalents at end of period	44	82
	–38	27

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 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 some 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, unrealised 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 5 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 net sales 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.

Foreign currency derivative contracts

Open external 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 and booked as a credit or charge to earnings. 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 loans are not valued in the financial statements. Interest on interest rate swaps is periodised over the contract period and booked in a net amount as an adjustment to interest expenses.

Commodity derivatives

Commodity derivatives taken out to hedge the Group's raw material purchases (zinc and electricity) are not valued in the annual accounts. The realised results of commodity derivatives are booked as an item adjusting hedged raw material purchases.

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 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, in the operating profit.

Fixed assets obtained through leasing and other rental agreements are treated in the annual accounts in accordance with the regulations in force in each country. As a rule, assets obtained on financial lease terms are also treated as a rental agreement under Contingent liabilities, whereby their value is not stated under fixed assets in the balance sheet.

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 as well as the merger differences resulting from intra-Group mergers.

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.

Rounding off of figures in the annual accounts

Individual figures and grand totals presented in the annual accounts have been rounded off to full thousands or millions of euros from exact figures, which means that when added together or subtracted they will not always tally.

Foreign exchange rates

The main foreign exchange rates applied in the annual accounts during the years 1999–2003:

Average rates	2003	2002	2001	2000	1999
USD	1.1309	0.946	0.896	0.924	1.066
GBP	0.6919	0.629	0.622	0.610	0.659
SEK	9.1244	9.161	9.255	8.447	8.808
NOK	7.9995	7.509	8.048	8.113	8.310
DKK	7.4307	7.431	7.452	7.454	7.436

Year-end rates	2003	2002	2001	2000	1999
USD	1.263	1.049	0.881	0.931	1.005
GBP	0.7048	0.651	0.609	0.624	0.622
SEK	9.080	9.153	9.301	8.831	8.563
NOK	8.4141	7.276	7.952	8.234	8.077
DKK	7.445	7.429	7.437	7.463	7.443

Transition to IAS/IFRS financial statement standards in 2005

The Rautaruukki Group is launching a project with the aim of ensuring that the Group's financial statements will comply with the principles of IAS/IFRS in all respects no later than in the 2005 financial statements. On the basis of studies that have been carried out, changes to the accounting principles compared with the present practice will be made at least in the following areas:

- lease agreements,
- defined benefit pension arrangements,
- financial instruments,
- segmental reporting,
- imputed deferred taxes and the notes concerning taxation.

In the 2004 financial statements at the latest, or in a separate bulletin, additional information will be given on the effects of the transition to IAS/IFRS accounting policies on the Group's earnings, balance sheet and key figures.

1. Net sales by division and by market area

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

		Group	Rautaruukki Oyj	
M€	2003	2002	2003	2002
Net sales by division				
Rautaruukki Steel	791	795	1107	1066
Metform	308	333	205	216
Steel Structure Division	317	312	25	21
Fundia	697	638		
Steel Service	635	636		
Other units	204	171		
	2953	2884	1337	1303
Net sales by market area				
Finland	753	784	384	410
Other EU-countries	1583	1506	727	689
Other Europe	532	499	195	156
Other countries	85	95	30	47
Total external net sales of which	2953	2884	1337	1303
- Exports from Finland	685	725	953	893
- International operations	1539	1401		

2. Operating profit by division

		Group
M€	2003	2002
Rautaruukki Steel	182	9
Metform	5	17
Steel Structure Division	–2	12
Fundia	–29	–17
Steel Service	12	23
Other units and internal items	–39	–36
	128	6

3. Other operating income

		Group	Rautaruukki Oyj	
M€	2003	2002	2003	2002
Gains on the sale of fixed assets	3	9	0	8
Other	6	6	0	1
	9	15	0	9

4. Raw materials and services

		Group	Rautaruukki Oyj	
M€	2003	2002	2003	2002
Materials, supplies and goods				
Purchases during the accounting period	1538	1558	599	636
Change in inventories	5	3	1	6
External services	163	186	80	100
	1706	1746	679	742

5. Personnel expenses

M€	Group 2003	Group 2002	Rautaruukki Oyj 2003	Rautaruukki Oyj 2002
Wages and salaries	425	433	198	207
Profit-related bonus paid to the personnel fund		1		1
Pension insurance premiums and pensions	67	94	42	72
Other indirect personnel expenses	63	65	19	22
Total	555	593	259	302

Salaries and emoluments of directors	Group 2003	Group 2002	Rautaruukki Oyj 2003	Rautaruukki Oyj 2002
of the members of the Supervisory Board	0.1	0.1	0.1	0.1
of the members of the Board and of Managing Directors	7.1	5.9	0.8	0.5
including results-based bonuses to Management	0.2	0.0	0.2	0.0

The Group's average payroll by division

	Group 2003	Group 2002	Rautaruukki Oyj 2003	Rautaruukki Oyj 2002
Rautaruukki Steel	5055	5470	4622	4923
Metform	1368	1445	557	611
Steel Structure Division	1824	1790	96	90
Fundia	2961	3060		
Steel Service	1250	1270		
Other units	325	290	139	170
Total	12782	13325	5413	5794

The pension benefits and emoluments of president and CEO and loans to insiders

Emoluments, including fringe benefits, paid to the parent company's present president and CEO, who during the 2003 financial year served as Senior Executive Vice President and deputy to the President, for a period of 8 months in 2003 amounted to EUR 262,000.

The president and CEO has the right to retire on a full 60 per cent old age pension at the age of 60. Should the company dismiss the president, he has the right to severance compensation corresponding to 24 months of salary.

The company's previous president retired on 31 December 2003.

The group has no 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 organising expenses and other long-term expenses are depreciated on the straightline basis over a 5–10 year period. Goodwill is amortised over a period not to exceed 5 years.

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.

If the income that will probably be generated in future years by an asset or investment included in non-current assets is still smaller than the undepreciated acquisition cost, the difference is booked as a decrease in value and entered as an expense in the profit and loss account.

Depreciation according to plan by the balance sheet line:

M€	Group 2003	Group 2002	Rautaruukki Oyj 2003	Rautaruukki Oyj 2002
Goodwill	3	7	3	6
Other long-term expenses	10	9	7	5
Buildings and structures	20	20	12	12
Machinery, equipment and other material goods	136	136	84	82
Total	170	172	106	106
Reductions in value	33	6		
Depreciation and reductions in value, total	203	177	106	106

7. Other operating charges

M€	Group 2003	Group 2002	Rautaruukki Oyj 2003	Rautaruukki Oyj 2002
Sales freights	190	193	93	98
Rents	49	47	5	5
Other	137	141	47	47
	378	382	149	149

8. Financial income and expenses

M€	Group 2003	Group 2002	Rautaruukki Oyj 2003	Rautaruukki Oyj 2002
Income from other investments held as non-current assets				
Dividend income from group companies			1	1
Dividend income from associated companies			1	1
Dividend income from other companies	0	0	1	1
	0	0	3	2
Other interest and financial income				
Interest income from group companies			27	33
Interest income from other companies	3	4	1	2
Exchange gains	4	2	4	1
Other financial income	1	1		
	8	7	32	37
Write-downs on investments held in non-current assets				
Write-downs on the values of group companies			–1	–20
			–1	–20
Interest and other financial expenses				
Interest expenses to group companies			–1	–2
Interest expenses to other companies	–51	–55	–48	–53
Exchange losses	–13	–1	–12	0
Other financing expenses	–3	–3	–2	–2
	–66	–59	–63	–57
Total financing income and expenses	–58	–52	–29	–38

9. Extraordinary items

M€	Group 2003	Group 2002	Rautaruukki Oyj 2003	Rautaruukki Oyj 2002
Extraordinary income				
Group contributions			16	
Extraordinary expenses				
Group contributions			–37	
Extraordinary items, total	0	0	–20	0

10. Income taxes

M€	Group 2003	Group 2002	Rautaruukki Oyj 2003	Rautaruukki Oyj 2002
Taxes for the year	–26	–2	24	0
Taxes from the previous years	–1	0	1	0
Change in deferred tax	9	12		
	–17	11	24	0

The Group's total tax rate was 24% (24% in the previous year). The Group's total tax rate is lower than Rautaruukki Oyj's tax rate, because foreign subsidiaries' losses for the previous years, among other things, could have been utilised during the accounting period.

In the appealed tax decision case that was pending in Sweden and was mentioned in the notes to the previous year's accounts, a final ruling has been delivered in the company's favour.

11. Intangible assets

M€	Group 2003	Group 2002	Rautaruukki Oyj 2003	Rautaruukki Oyj 2002
Intangible rights				
Acquisition cost 1.1	18	17	6	6
Increases 1.1.-31.12.	1	2		
Decreases and adjustment 1.1.-31.12.		–1		
Acquisition cost 31.12.	18	18	6	6
Accumulated depreciation according to plan 1.1.	–12	–10	–4	–4
Accumul. depreciation of decreases and adjustment acc. to plan 1.1.-31.12		1		
Depreciation according to plan 1.1.-31.12.	–2	–2		
Book value 31.12.	5	6	2	2
Goodwill				
Book value 1.1.	19	25	5	12
Increases 1.1.-31.12.				
Depreciation according to plan 1.1.-31.12	–3	–7	–3	–6
Book value 31.12.	15	19	3	5

M€	Group 2003	Group 2002	Rautaruukki Oyj 2003	Rautaruukki Oyj 2002
Other capitalised long-term expenses				
Acquisition cost 1.1.	65	69	52	58
Increases 1.1.-31.12.	20	4	19	3
Decreases and adjustment 1.1.-31.12.	0	–8	0	–8
Acquisition cost 31.12.	85	65	72	52
Accumulated depreciation according to plan	–48	–49	–40	–43
Accumul. depreciation of decreases and adjustment acc. to plan 1.1.-31.12		8		8
Depreciation according to plan 1.1.-31.12.	–8	–7	–7	–5
Book value 31.12.	29	17	25	12
Advance payments				
Book value 1.1.	18	9	17	9
Changes 1.1. - 31.12.	–13	8	–13	8
Book value 31.12.	4	18	4	17
Intangible assets, total 31.12.	53	60	34	37

12. Tangible assets

M€	Group 2003	Group 2002	Rautaruukki Oyj 2003	Rautaruukki Oyj 2002
Land and water areas				
Book value 1.1.	26	24	6	6
Translation adjustment	1			
Increases 1.1.-31.12		2	0	
Decreases and adjustment 1.1.-31.12.	–2	–1	0	
Book value 31.12.	25	26	7	6
Revaluations included in the book values of land areas[1]				
Revaluations 1.1	2	2	2	2
Revaluations 31.12.	2	2	2	2
Book value 31.12.	2	2	2	2
Buildings				
Acquisition cost 1.1.	618	621	415	405
Translation adjustment	–4			
Increases 1.1.-31.12	11	18	8	12
Decreases and adjustment 1.1.-31.12.	–11	–22	–4	–2
Acquisition cost 31.12.	613	618	419	415
Accumulated depreciation according to plan 1.1.	–270	–268	–180	–168
Translation adjustment of accumulated depreciation	2			
Accumul. depreciation of decreases and adjustment acc. to plan 1.1.-31.12.	6	18	3	
Depreciation according to plan 1.1.-31.12.	–20	–20	–12	–12
Book value 31.12.	331	347	231	236
Revaluations included in the book value of buildings[1]				
Revaluations 1.1.	30	30	30	30
Revaluations 31.12.	30	30	30	30

[1] Revaluations made in 1970's are based on replacement values.

M€	Group 2003	Group 2002	Rautaruukki Oyj 2003	Rautaruukki Oyj 2002
Machinery and equipment				
Acquisition cost 1.1.	2356	2301	1586	1588
Translation adjustment	–20	13		
Increases 1.1.-31.12.	87	108	45	50
Decreases and adjustment 1.1.-31.12.	–19	–66	–4	–52
Acquisition cost 31.12.	2405	2356	1627	1586
Accumulated depreciation according to plan 1.1.	–1430	–1354	–958	–928
Translation adjustment	14	–9		
Accumul. depreciation of decreases and adjustment according to plan 1.1.-31.12.	16	68	3	52
Depreciation according to plan 1.1-31.12.	–136	–136	–84	–82
Revaluations 1.1.-31.12.	–32			
Book value 31.12.	835	926	589	628
Book value of machinery 31.12	853	912	585	624
Advance payments and construction in progress				
Acquisition cost 1.1.	49	55	37	37
Changes 1.1.-31.12.	–6	–6	–5	0
Book value 31.12.	43	49	32	37
Tangible assets, total 31.12.	1234	1348	858	907

13. Investments

M€	Group 2003	Group 2002	Rautaruukki Oyj 2003	Rautaruukki Oyj 2002
Shares in Group companies				
Book value 1.1.			256	272
Increases 1.1.-31.12.			15	6
Decreases 1.1.-31.12.			–18	–1
Revaluations 1.1.–31.12.			0	–21
Book value 31.12.			253	256
Receivables from Group companies				
Book value 1.1.			0	12
Changes 1.1.-31.12.			0	–12
Book value 31.12.			0	0
Shares in associated companies				
Book value 1.1	23	23	7	7
Decreases 1.1.-31.12.	–7			
Translation adjustment	0	0		
Book value 31.12.	17	23	7	7
Acquisition cost includes Goodwill	0	0		
Long-term receivables from associated companies				
Book value 1.1.	1	1	1	1
Book value 31.12.	1	1	1	1
Other shares and similar rights of ownership				
Book value 1.1.	10	11	4	6
Decreases 1.1.-31.12.	–1	–1	0	–2
Book value 31.12.	9	10	4	4
Own shares				
Book value 1.1.	11	13	11	13
Increases 1.1.-31.12.				
Change in value	3	–2	3	–2
Book value 31.12.	15	11	15	11

On 31.12.2003 the company possessed 3,270,000 pieces of K-Shares with the accounting countervalue EUR 5.6 million.

Total investments 31.12.	42	45	280	280

Stocks and shares 31.12.2003

				Group share (%) of				Book values, 1000 €	
	Country	Domicile	Number of shares	share capital	voting rights	Nominal value currency	thousands	held by Rautaruukki Oyj	held by other Group companies
Subsidiaries of Rautaruukki Oyj:									
Asva Oy	FI	Helsinki	98500	100.0	100.0	EUR	16567	78755	
August Lindberg Oy	FI	Raahe	5	100.0	100.0	EUR	42	616	
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	EUR	167	167	
Etnarör Ab	FI	Oulu	100	100.0	100.0	EUR	8	8	
Finnsteel Inc	US	Northbrook	3000	100.0	100.0	USD	30	196	
Fundia Acier S.A.R.L	FR	Paris	100	100.0	100.0	EUR	15	253	
Kiinteistö Oy Pakilantie 61-63	FI	Helsinki	27000	100.0	100.0	EUR	4541	6567	
OAO NPO-SPU	RU	St Petersburg	1235	100.0	100.0	RUB	40029	3919	
OOO Stalpark	RU	St Petersburg	1	100.0	100.0	RUB	32550	1474	
Oy JIT-Trans Ltd	FI	Raahe	203	100.0	100.0	EUR	345	925	374
Presteel Oy	FI	Raahe	2365	55.0	55.0	EUR	398	2128	
Rannila Hungary Kft	HU	Budapest		100.0	100.0	HUF	3929	1500	11
Rannila Steel Oy	FI	Vimpeli	1500	100.0	100.0	EUR	2523	16819	
Rannila Slovakia s.r.o.	SK	Kosice	407942	100.0	100.0	SKK	139631	5101	
Rautaruukki(Benelux) B.V.	NL	Almelo	40	100.0	100.0	EUR	18	123	
Rautaruukki Holding AB	SE	Stockholm	570000	100.0	100.0	SEK	57000	37215	
Rautaruukki Holding B.V.	NL	Amsterdam	40	100.0	100.0	EUR	18	14	
Rautaruukki Holding Danmark A/S	DK	Vallensbæk Strand	1000	100.0	100.0	DKK	16000	7009	
Rautaruukki Holding GmbH	DE	Düsseldorf	1	100.0	100.0	EUR	2071	59151	
Rautaruukki (UK)Ltd	GB	Solihull	2501000	100.0	100.0	GBP	2501	4611	
Rautaruukki Polska Sp.zo.o.	PL	Zyrardow	23173	100.0	100.0	PLN	2317	1556	
Rautaruukki Sales Ltd	GB	London	10000	100.0	100.0	GBP	10000	14	
SKJ-yhtiöt Oy	FI	Raahe	1000	100.0	100.0	EUR	84	141	8
Star Tubes (UK) Ltd.	GB	Birmingham	2780000	100.0	100.0	GBP	2800	3289	36
								252223	430
Subsidiaries not eliminated from consolidated accounts:									
Housing and real estate corporations, 1 company								526	
Other subsidiaries of Rautaruukki Group (non-trading) 3 companies				100.0	100.0		120	10	25
Non-eliminated subsidiaries, total								536	25
								252760	455
Subsidiaries of Asva Oy:									
Asva Eesti AS	EE	Tallinn	9450	100.0	100.0	EEK	945		89
Asva StalSerwis Sp.zo.o	PL	Zyrardow	7022	100.0	100.0	PLN	7022		1 765
Kiinteistö Oy Alpinus	FI	Kuusamo	450	100.0	100.0	EUR	8		109
Mittalevy Oy	FI	Helsinki	150	100.0	100.0	EUR	3		7
OOO Asva Stalservis	RU	St Petersburg	1	100.0	100.0	RUB	20		781
OOO Rautaruukki	RU	Moscow	1	100.0	100.0	RUB	5500		173
SIA Asva Latvija	LV	Riga	37	100.0	100.0	LVL	37		56
UAB Asva Lietuva	LT	Vilnius	150	100.0	100.0	LTL	150		201
ZAO Asva Stal	RU	Moscow	12	100.0	100.0	RUB	120		638
									3819
Subsidiary of Carl Christensen og Brødre AS:									
CCB Stål AS	NO	Oslo	600	100.0	100.0	NOK	600		1501
Subsidiary of CCB Stål AS:									
Dikema Stål AS	NO	Oslo	43120	100.0	100.0	NOK	21560		0

	Country	Domicile	Number of shares	Group share (%) of share capital	Group share (%) of voting rights	Nominal value currency	Nominal value thousands	Book values, 1000 € held by Rautaruukki Oyj	Book values, 1000 € held by other Group companies
Subsidiaries of Rannila Steel Oy:									
Alamentti Oy	FI	Alajärvi	100	100.0	100.0	EUR	17		79
Kiinteistö Oy Materiamesta	FI	Helsinki	15	100.0	100.0	EUR	3		85
Kiinteistö Oy Ylläslehto	FI	Kolari	5	100.0	100.0	EUR	3		119
Rannila Kattopalvelu Oy	FI	Karkkila	2000	100.0	100.0	EUR	8		928
ZAO Rannila Sankt-Petersburg	RU	St Petersburg	7900	100.0	100.0	RUB	7900		
ZAO Rautaruukki Profil	RU	Taldom	28800	100.0	100.0	RUB	2880		
AS Rannila Profiil	EE	Pärnu	1500	100.0	100.0	EEK	4395		339
Rannila Steel Export Oy	FI	Vimpeli	5	100.0	100.0	EUR	8		8
Rannila Steel Latvia S.I.A	LV	Riga	1800	100.0	100.0	LVL	180		290
UAB Rannila Lietuva	LT	Vilnius	30	100.0	100.0	LTL	30		6
Rannila CZ s.r.o.	CZ	Velvary		100.0	100.0	CZK	65000		
ZAT Rannila Ukraina	UA	Kiev	5 070	100.0	100.0	UAH	2192		539
ZAO Rannila Minsk	BY	Minsk	520	100.0	100.0	BYR	52000		
TOO Rannila Kazakshtan	KZ	Alma-Ata		90.0	90.0	KZT	15030		106
ZAO Rannila Marketing	RU	Moscow	50	100.0	100.0	RUB	50		
									2499
Subsidiary of Rannila Slovakia s.r.o:									
Rannila Romania r.t.l	RO	Brasov		100.0	100.0	ROL	359		6
Subsidiary of Rautaruukki Holding B.V:									
Rautaruukki Finance B.V.	NL	Amsterdam	40	100.0	100.0	EUR	18		18
Subsidiaries of Rautaruukki Holding Danmark A/S:									
Asva A/S	DK	Brondby	500	100.0	100.0	DKK	500		5
Fundia Armering A/S	DK	Olstykke	38	100.0	100.0	DKK	1000		3064
Gasell Profil A/S	DK	Herlev	500	100.0	100.0	DKK	500		-137
Nordisk Simplex A/S	DK	Vallensbæk Strand	2	100.0	100.0	DKK	25000		4173
Stelform A/S	DK	Fredericia	3	100.0	100.0	DKK	18000		1945
									9049
Subsidiaries of Rautaruukki Holding GmbH:									
BANDTEC Stahlband GmbH	DE	Mülheim		100.0	100.0	EUR	25		25
Carl Froh GmbH	DE	Sundern	1	100.0	100.0	EUR	3477		37569
Fundia GmbH	DE	Mülheim	1	100.0	100.0	EUR	4607		6854
Rautaruukki GmbH	DE	Duisburg	1	100.0	100.0	EUR	52		307
Rautaruukki Stahl GmbH	DE	Sundern	1	100.0	100.0	EUR	200		211
Rautaruukki Stahlservice GmbH	DE	Duisburg	1	100.0	100.0	EUR	26		3830
Schmacke Rohr GmbH	DE	Sundern	1	100.0	100.0	EUR	2045	47	2674
								47	51469
Subsidiary of Carl Froh GmbH:									
Froh House Tech GmbH & Co KG	DE	Sundern	1	100.0	100.0	EUR	2000		2000
Subsidiary of Fundia GmbH:									
Groth Eisenhandel GmbH & Co KG	DE	Monheim	1	100.0	100.0	EUR	383		415
Subsidiaries of Rautaruukki Holding AB:									
Asva AB	SE	Halmstad	70000	100.0	100.0	SEK	7000		4876
Fundia AB	SE	Upplands Väsby	1320000	100.0	100.0	SEK	350000		128286
Gasell Profil AB	SE	Trelleborg	162000	100.0	100.0	SEK	16200		7 907
Rautaruukki Rör AB	SE	Surahammar	9000	100.0	100.0	SEK	90		105
Wirsbo Stålrör AB	SE	Surahammar	50000	100.0	100.0	SEK	5000		2203
									143377

	Country	Domicile	Number of shares	Group share (%) of share capital	Group share (%) of voting rights	Nominal value currency	Nominal value thousands	Book values, 1000 € held by Rautaruukki Oyj	Book values, 1000 € held by other Group companies
Subsidiaries of Gasell Profil AB:									
Gasell Profil AS	NO	Frogner	500	100,0	100,0	NOK	500		68
Gasell Profil S.R.L	RO	Bucharest	100	100,0	100,0	ROL	1000		0
Gasell Profil Polska Sp.zo.o.	PL	Warsaw	40	100,0	100,0	PLN	3000		110
Gasell Profiles Ltd.	GB	Maisemore	1000	100,0	100,0	GBP	1		0
U.A.B. Gasell Profil	LT	Kaunas	10	100,0	100,0	LTL	10		55
ZAO Gasell Profil Moscow	RU	Moscow	770	100,0	100,0	RUB	770		0
									233
Subsidiaries of Fundia AB:									
Fundia Bar & Wire Processing AB	SE	Gävle	40000	100,0	100,0	SEK	40000		22221
Fundia Reinforcing AS	NO	Oslo	579901	100,0	100,0	NOK	57990		70617
Fundia Special Bar AB	SE	Smedjebacken	106000	100,0	100,0	SEK	10600		11013
Fundia Wire Oy Ab	FI	Dragsfjärd	200	100,0	100,0	EUR	3364		0
									103851
Subsidiaries of Fundia Bar & Wire Processing AB:									
Fundia Cromax AB	SE	Smedjebacken	1000	100,0	100,0	SEK	100		5716
Fundia Dalwire Oy Ab	FI	Dragsfjärd	120000	100,0	100,0	EUR	2018		1053
Fundia Hjulsbro AB	SE	Linköping	80000	100,0	100,0	SEK	8000		3387
Fundia Mandal Stål AS	NO	Mandal	16358	100,0	100,0	NOK	16358		2272
Fundia Steelservice AB	SE	Gävle	60000	100,0	100,0	SEK	6000		3497
Fundia Teknik AB	SE	Smedjebacken	8000	100,0	100,0	SEK	800		876
									16799
Subsidiaries of Fundia Reinforcing AS:									
Fundia Armering AB	SE	Halmstad	600000	100,0	100,0	SEK	60000		8692
Fundia Armering AS	NO	Oslo	440000	100,0	100,0	NOK	44000		8557
Fundia Armeringstål AS	NO	Mo i Rana	230001	100,0	100,0	NOK	128111		48965
Fundia Betoniteräkset Oy	FI	Dragsfjärd	1570	100,0	100,0	EUR	2893		2665
Robocon International AS	NO	Oslo	500	100,0	100,0	NOK	50		0
SNJ Gesellschaft für Walzhandel GmbH	DE	Mülheim	500	100,0	100,0	EUR	13		16
									68896
Subsidiary of Fundia Armeringstål AS:									
Rautaruukki Profiler AS	NO	Mo i Rana	70200	100,0	100,0	NOK	70200		14205
Subsidiaries of Fundia Armering AB:									
Fundia Welbond BV	NL	Raamsdonksveer	500	100,0	100,0	EUR	227		263
Subsidiary of Robocon International AS:									
Robocon Latino America SA	CL	Santiago	20249	99,0	99,0	NOK	2000		0
Subsidiaries of Fundia Cromax AB:									
Fundia Bright Bar AB	SE	Hallstahammar	50000	100,0	100,0	SEK	5000		3711
Fundia Cromax S.p.A	IT	Molinella	1000000	100,0	100,0	EUR	520		2265
Fundia Mora AB	SE	Mora	38500	100,0	100,0	SEK	3850		1224
Fundia Redon S.A.	FR	Redon	25050	100,0	100,0	EUR	382		882
Fundia Twente B.V.	NL	Almelo	5000	100,0	100,0	EUR	2269		
									8083
Subsidiary of Fundia Special Bar AB:									
Fundia Tankoteräs Oy	FI	Helsinki	150	100,0	100,0	EUR	3		3
Subsidiaries of Fundia Wire Oy Ab:									
Asunto Oy Lappohjan Kerrostalot	FI	Hanko	34556	100,0	100,0	EUR	100		590
Fastighets Ab Järnstången	FI	Hanko	10100	100,0	100,0	EUR	1		1
Fastighets Ab Lapphyddan	FI	Hanko	810	81,0	81,0	EUR	14		14
Fundia Nedstaal B.V	NL	Alblasserdam	4545455	100,0	100,0	EUR	7947		7947
Fundia Tråd AB	SE	Borlänge	500	100,0	100,0	SEK	100		100
									8 651
Stocks and shares in subsidiaries, total								252 807	

	Country	Domicile	Number of shares	Group share (%) of share capital	Group share (%) of voting rights	Nominal value currency	Nominal value thousands	Book values, 1000 € held by Rautaruukki Oyj	Book values, 1000 € held by other Group companies
Associated companies, share of voting rights 20–50%:									
AB Järnbruksförnödenheter	SE	Stockholm	623	41,5	41,5	SEK	100		11
BuildForum Oy	Fi	Helsinki	100000	35,3	35,3	EUR	1445	0	
Bet-Ker Oy	FI	Ylivieska	120	44,4	44,4	EUR	224		202
Helens Rör AB	SE	Halmstad	4500	25,0	25,0	SEK	4500	6694	
Kiinteistö Oy Teknocent	FI	Oulu	1916	47,9	47,9	EUR	322	322	
Mofjellet Berghaller AS	NO	Mo i Rana	600	40,0	40,0	NOK	1000		183
Norsk Jern Eiendom AS	NO	Mo i Rana	3600	30,3	30,3	NOK	22500		5285
Osuuskunta Teollisuuden Romu	FI	Helsinki	2	33,3	33,3	EUR	3	2	2
PPTH Steelmanagement Oy	FI	Peräseinäjoki	11660	22,0	22,0	EUR	10	10	
Raahen Kauppaklubin Kannatus Oy	FI	Raahe	15	33,3	33,3	EUR	25	25	
								7 053	5 682
								12736	
Associated companies' profits and goodwill								4 035	
Associated companies' value in balance sheet								16 772	
Other stocks and shares, share of voting rights less than 20%:									
Ancofer Stahlhandel GmbH	DE	Mülheim	1	10,0	10,0	EUR	732		3219
Brödrene Sundt Verktöimaskinfabrikk A/S	NO	Oslo	2939	15,4	15,4	NOK	73		24
Buc Smedjebacken AB	SE	Smedjebacken	125	12,5	12,5	SEK	13		1
Ekokem Oy Ab	FI	Riihimäki	230	1,3	1,3	EUR	77	77	
Hangöudds Utvecklingsbolag Ab	FI	Hanko	800	10,0	10,0	EUR	135		137
Helsinki Exchanges Group Oy	FI	Helsinki	24400	0,6	0,6	EUR	17	25	
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	0	11
Raahen Tietotekniikka Oy	FI	Raahe	10	2,3	2,3	EUR	2	8	
Skandinavian Link Finska Oy	FI	Helsinki	100	7,7	7,7	EUR	3	17	
Tammet Oy	FI	Tammisaari	900	15,0	15,0	EUR	54	0	779
Turku Science Park Oy Ab	FI	Turku	2500	0,2	0,2	EUR	50	17	
Shares in housing and real estate companies								1769	407
Other stocks and shares								1106	196
Other stocks and shares, total								3 929	4 773
Other stocks and shares and non-eliminated subsidiary shares, total									9 264
Own shares								14 737	
Stocks and shares owned by Rautaruukki Oyj, total								278 526	

14. Inventories

Inventories are valued at the acquisition price or at the probable selling price, if it is lower. Raw material costs are determined on a FIFO basis.

15. Debtors

Long-term receivables include receivables due for repayment in one year or later.

	Group		Rautaruukki Oyj	
M€	2003	2002	2003	2002
Short-term non-interest bearing amounts owed by Group companies				
Trade debtors			56	49
Other non-interest bearing debtors			55	36
			112	85
Short-term amounts owed by associated companies				
Trade debtors	4	4	4	3
Other non-interest bearing debtors				
	4	4	4	3
Essential items in prepayments and accrued income				
Interest receivables	1	1	1	1
Tax receivables	2	1		
Insurance compensation receivables	0	1		
Prepaid personnel expenses	1	1		
Currency hedgings	6	8	6	11
Insurance compensation receivables	14	20	3	4
Total accruals	25	32	11	16

16. Capital and reserves

	Group		Rautaruukki Oyj	
M€	2003	2002	2003	2002
Share capital 1.1.	236	236	236	236
Share capital 31.12.	236	236	236	236
Share premium reserve 1.1.	220	220	220	220
Share premium reserve 31.12.	220	220	220	220
Revaluation reserve 1.1.	23	24	33	33
Change	0	0		
Revaluation reserve 31.12.	23	23	33	33
Fund for own shares 1.1.	11	13	11	13
Transfer from retained earnings				
Change in value	3	–2	3	–2
Fund for own shares 31.12.	15	11	15	11
Profit from previous years 1.1.	297	360	85	156
Transfer to provisions	–1			
Dividend	0	–27	0	–27
Profit from previous years 31.12.	296	333	85	129
Profit / loss for the year	53	–35	95	–44
Translation difference	–5	12		
Capital and reserves, total 31.12.	838	799	683	584

	Group		Rautaruukki Oyj	
M€	2003	2002	2003	2002
Distributable earnings				
Profit from previous years	296	333	85	129
+ Profit / loss for the year	53	–35	95	–44
+ Translation difference of distributable earnings	–2	15		
– Accumulated depreciation difference and other appropriations shown under capital	–316	–331		
= Distributable earnings	32	–19	180	85

The biggest shareholders of Rautaruukki Oyj according to the share register as on 31.12.2003

	Shareholder	Shares %	Number of shares
1.	The Finnish State	40.07	55 656 699
2	Mutual Pension Insurance Company Varma	3.96	5 503 587
3	Odin Norden	2.59	3 602 400
4	Rautaruukki Oyj	2.35	3 270 000
5	Rautaruukki Pension Foundation	1.14	1 585 455
6	Esa Rannila	0.87	1 214 100
7	OP-Delta Investment Fund	0.82	1 141 515
8	Nordea Life Insurance Finland Ltd	0.82	1 139 631
9	Mutual Life Insurance Company Suomi	0.80	1 104 500
10	Finnish State Pension Fund	0.76	1 050 000
11	Finnish Local Government Pension Foundation	0.62	858 917
12	Pohjola Finland value Investment Fund	0.60	830 000
13	Technology Industries of Finland	0.58	807 700
14	Mutual Insurance Company Tapiola	0.54	750 700
15	Fortum Pension Foundation	0.51	710 900
16	Onnenmäki Foundation	0.44	616 257
17	Veikko Laine Oy	0.43	592 000
18	Odin Finland	0.42	590 100
19	Investment Fund Sampo Finland Equity	0.41	568 337
20	Mutual Pension Insurance Company Etera	0.38	524 500
	Administrative registrations	13.93	19 350 832
	Other owners	26.94	37 418 315
	Total	100.00	138 886 445

The total number of shares held by members of the Supervisory Board and the Board of Directors was 25,353, which represent 0.02% of the voting right conferred by all the company's shares.

Share capital of Rautaruukki Oyj by share series:

	number	accounting countervalue, €
Series K (10 votes per share)	138,886,445	236,106,957

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 31.12.2003

Number of shares	Shareholders No.	%	Thousands	Shares %
1–100	2 216	11.33	137	0.1
101–1 000	13 576	69.43	6 506	4.68
1 001–10 000	3 343	17.1	9 252	6.66
10 001–100 000	345	1.76	10 328	7.44
100 001 –	74	0.38	112 664	81.12
	19 554	100.00	138 886	100.00

Shareholders by sector according to the share register as on 31.12.2003

	Shareholders No.	%	Thousands	Shares %
Companies	713	3.65	10 802	7.78
Banks and insurance companies	112	0.57	11 047	7.95
Public institutions	65	0.33	70 147	50.51
Non profit institutions	265	1.36	5 369	3.87
Private households	18 308	93.63	17 704	12.75
Administrative registrations	10	0.05	19 351	13.93
Other foreign owners	81	0.41	4 465	3.21
	19 554	100.00	138 886	100.00

17. Appropriations

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 114 million, has not been separated out from appropriations.

M€	Rautaruukki Oyj 2003	2002
Accumulated depreciation difference 1.1.	412	413
Change in the profit and loss account*	–20	–1
Accumulated depreciation difference 31.12.	391	412
Appropriations, total 31.12.	391	412

*In 2003, excess depreciation of EUR 20 million made in previous years has been cancelled in the parent company in order to increase funds available for dividend distribution in the Group.

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 2003	2002	Rautaruukki Oyj 2003	2002
Pension liabilities 1.1.	38	14	25	6
Change in staff expenses in the profit and loss account	5	21	6	19
Transfer from interest bearing pensions loans	0	3		
Pension liabilities 31.12.	42	38	31	25
Tax provisions 1.1.	0	1		
Change	0	0		
Tax provisions 31.12.	0	0		
Other obligatory provisions 1.1.	20	9	4	
Transfer from non-interest bearing loans	0	9		
Changes in the profit and loss account	–2	2	–1	4
Other obligatory provisions 31.12.	18	20	2	4
Obligatory provisions, total	60	58	33	29

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 and repayment schedule of the Group's long-term debt as of 31.12.2003

M€	Currency	Repayments 2004	2005	2006	2007	2008	2009	2010–	Total	% of total debt
Bonds with warrants	EUR			4					4	0
Bonds	EUR	65		71	104	55		75	369	40
Loans from credit institutions	EUR	88	198	48	101	9	5	10	458	49
	SEK	3	3	3	33				41	4
Pensions loans	EUR	6	6	3	1	1	1		18	2
	SEK							17	17	2
	NOK							2	2	0
Others	EUR	4	4	4	4	4			19	2
		165	210	132	242	69	6	104	928	100

The average interest rate on long-term loans was 4.9%

M€	interest rate	currency	2003	2002
Bonds (nominal value)				
1999–2004	4.0%	EUR	65	65
1999–2006	4.5%	EUR	71	71
2003–2008	3.1%	EUR	55	0
2003–2010	5.1%	EUR	75	0
			265	135
Callable subordinate notes (nominal value)				
2002–2007/09	7.5%	EUR	54	54
2002–2007/09	5.1%	EUR	50	50
			104	104
Bonds with warrants				
2003–2006	5.0%	EUR	4	

On the basis of option warrants, 1,400,000 Series K shares can be subscribed for.

20. Deferred tax assets and liabilities

	Group		Rautaruukki Oyj[1]	
M€	2003	2002	2003	2002
Deferred tax assets				
In the companies' accounts	13	8		
From consolidation	15	5		
From temporary differences	0	20		
	28	33		
Deferred tax liabilities				
In the companies' accounts	2	3		
From appropriations	123	133	114[1]	119[1]
From consolidation	7	8		
From temporary differences	16	22		
	149	166	114	119

[1] For the parent company, the deferred tax liability from the depreciation difference in the balance sheet is shown. This deferred tax liability is not booked to Rautaruukki Oyj´s balance sheet.

21. Current non-interest bearing creditors owed to Group companies

	Group		Rautaruukki Oyj	
M€	2003	2002	2003	2002
Trade creditors			4	7
Other creditors			37	1
			42	7

22. Current non-interest bearing creditors owed to associated companies

	Group		Rautaruukki Oyj	
M€	2003	2002	2003	2002
Trade creditors	2	2	2	2
	2	2	2	2

23. Current creditors

Essential items in accruals and deferred income

	Group		Rautaruukki Oyj	
M€	2003	2002	2003	2002
Tax liability	4	4		
Interest debts	11	11	11	11
Personnel expenses	64	63	38	39
Currency hedgings	13	17	13	17
Other accruals	28	30	10	11
Total accruals	119	125	73	78

24. Contingent liabilities and other liabilities

Given securities

	Group		Rautaruukki Oyj	
M€	2003	2002	2003	2002
Mortgage backed liabilities				
Pensions loans		40		40
Loans from financial institutions	13	12	11	12
	13	52	11	52
Collateral in value				
Mortgaged real estates	39	86	28	79
Collateral given on behalf of Group companies				
Guarantees			52	47
Debit balance of Group bank accounts			58	81
			109	128
Collateral given on behalf of associated companies				
Guarantees	2	2	2	2
Collateral given on behalf of others				
Guarantees	6	5	4	4
Contingent and other liabilities				
Leasing and rental liabilities				
Due next year	52	36	10	11
Due later	240	139	60	69
	292	176	70	80
Other financial liabilities				
Repurchase liabilities	2	14	0	12
Letter of Comfort liabilities* for Group companies			10	13

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

Other liabilities

The Norwegian authorities set new emission limits for mercury and other heavy metals at the Mo i Rana Works in February 2003. After an appeal by the company, the authorities changed their decision so that the limits will not come into force until corresponding requirements are imposed on other European electric melting plants.

25. Financing and the management of financial risks

The Rautaruukki Group's financing operations and the management of financial risks are handled centrally by the parent company's Corporate Treasury in accordance with the financial policy approved by the Group's Board of Directors. The divisions and subsidiaries are responsible for their own financial result and carry out their financial transactions within the Group. The objective of the Group's management of financial risks is to minimise the unfavourable effects of financial risks on the Group's earnings, shareholders' equity and liquidity.

Foreign exchange risk

The Group's foreign exchange risk is managed via three separate positions: the balance sheet, equity and cash flow positions. The balance sheet position was on average completely hedged during 2003. The foreign exchange risk for the shareholders' equity amounts of foreign shareholdings was not hedged.

The bulk of the Group's foreign exchange surplus is in British pounds. In 2003, amounts in British pounds were hedged for about five months of cash flow. The prices of the most important raw materials are set in United States dollars, which means that the Group has a substantial dollar deficit. Of this, an amount corresponding on average to five months net cash flow was hedged.

Estimated annual net cash flow risk against euro

	M€
USD	–240
GBP	160
SEK	30
NOK	-80
DKK	100
PLN	20
RUB	10
Other currencies	40
Total	40

Interest rate risk

The Group's interest-bearing net debt at 31 December 2003 was EUR 922 million and the average interest rate was 4.9 per cent taking into account derivatives. The euro represents about 70 per cent of the interest rate risk and the Swedish krona about 25 per cent.

Interest rate risk is monitored and managed in terms of interest flow risk and price risk. At 31 December 2003 the interest flow risk impact over the next 12 months of a one percentage point rise in the interest rate was EUR 2 million. Taking into account derivatives, the duration of the net liabilities exposure at the end of the year was 2 years. A change of one percentage point in the interest rate curve would have led to a change of about EUR 18 million in the market value.

Liquidity risk

To minimise refinancing risks, the Group strives to achieve a balanced maturity distribution of its loans and to make use of a number of different sources of financing. To ensure liquidity the Group had, at the end of 2003, committed revolving credit facilities totalling EUR 408 million, of which EUR 310 million was unused.

The Group has several uncommitted short-term credit lines as well as an EUR 250 million commercial paper programme, of which EUR 217 million was unused at the end of the year.

Credit risk

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

Commodity price risks

Zinc

The raw materials used by the Group involve price risks, for which the established derivatives markets provide only for hedging the price risk of zinc. Approximately 40,000 tonnes of zinc was purchased in 2003. At the end of the year, 65 per cent of the estimated zinc purchases for 2004 and 50 per cent for 2005 had been hedged.

Electricity

The price risk for electricity is monitored and managed in accordance with the risk policy approved by Group management. The Group's largest electricity-using units are located in Finland, Sweden and Norway. In respect of these countries, the price risk is managed centrally by the parent company. About a third of the Group's aggregate electricity consumption is met by its own power generation capacity and the remainder is purchased on the market. The amount of electricity purchased in 2003 was about 1530 GWh. At the end of the year, electricity derivatives had been employed to hedge 77 per cent of the purchases in Finland, Sweden and Norway for 2004, 46 per cent for 2005 and 21 per cent for 2006.

Derivative contracts as at 31.12.2003

The following table shows the nominal values and fair values of the Group's financing instruments and commodity derivatives. The calculation of fair values is based on the available market prices or a price given by a bank. For options, general valuation models are used. The nominal amounts do not correspond to the money payments exchanged by the parties and they also include closed contracts.

M€	Nominal value	Fair value
Interest rate derivatives		
Interest rate swaps	714	–5.3
Foreign currency derivatives		
Forward contracts	320	1.5
Options		
Bought	135	–3.5
Sold	115	–6,5
Zinc derivatives		
Forward contracts**	51,600	6.1
Electricity derivatives		
Forward contracts***	1,432	4.9

*Nominal amounts in tonnes

**Nominal amounts in GWh

26. Financial and share based key figures

		2003	2002	2001	2000	1999
Net sales	M€	2,953	2,884	2,906	2,708	2,388
Personnel on average		12,782	13,325	13,678	13,176	13,219
FINANCE						
Operating profit	M€	128	6	93	156	57
% of net sales	%	4.3	0.2	3.2	5.8	2.4
Profit/Loss before extraordinary items	M€	70	–46	41	106	–6
% of net sales	%	2.4	–1.6	1.4	3.9	–0.2
Profit/Loss before taxes	M€	70	–46	41	81	–6
% of net sales	%	2.4	–1.6	1.4	3.0	–0.2
Return on capital employed	%	7.1	0.6	5.0	8.7	3.3
Return on equity	%	6.5	–4.3	3.4	8.2	–2.0
Equity ratio	%	34.6	31.1	33.3	34.1	34.6
Gearing ratio	%	112	138	129	118	121
Gross investments	M€	102	142	162	176	197
% of net sales	%	3.4	4.9	5.6	6.5	8.2
Research and development	M€	17	17	19	20	20
% of net sales	%	0.6	0.6	0.7	0.7	0.8
Net interest expenses	M€	47	50	49	50	50
% of net sales	%	1.6	1.7	1.7	1.8	2.1
Interest bearing net debt	M€	922	1,092	1,087	1,017	1,014
Balance sheet total	M€	2,403	2,561	2,559	2,523	2,432
SHARE BASED KEY FIGURES						
Earnings per share, EPS	€	0.39	–0.26	0.22	0.51	–0.13
– diluted	€	0.39	–0.26	0.21	0.49	–0.13
Equity per share	€	6.07	5.81	6.21	6.23	6.02
Dividend per share	€	0.20*	0.00	0.20	0.25	0.20
Dividend per earnings	%	51.3*	0,0	91.9	49.4	–154.6
Price per earnings, P/E		15.0	–13.2	18.8	7.6	–53.7
Share trading	thousands	44,429	33,902	39,038	34,318	41,116
Stock turnover	%	33	25	29	25	30
Share trading	M€	207	145	162	166	254
Average price of share	€	4.66	4.26	4.16	4.83	6.18
Lowest price of share	€	3.05	3.36	3.59	3.45	5.10
Highest price of share	€	6.36	5.30	4.85	7.20	7.30
Average adjusted number of shares	thousands	135,616	135,616	136,132	138,462	135,109
– diluted	thousands	136,606	136,016	138,947	142,183	138,699
Adjusted number of shares at year-end	thousands	138,886	138,886	138,886	138,886	138,886
Number of shares at year-end	thousands	138,886	138,886	138,886	138,886	138,886
– not counting own shares	thousands	135,616	135,616	135,616	137,540	138,886
– diluted	thousands	137,016	136,016	138,431	141,355	142,476
Share price at year-end	€	5.84	3.44	4.10	3.82	6.95
Market capitalisation at year-end	M€	811	478	569	531	965
Effective dividend yield	%	3.4*	0.0	4.9	6.5	2.9

* Board proposal

Principles governing the calculation of key figures

Return on capital employed =
$$\frac{\text{profit before extraordinary items + interest expenses} \pm \text{exchange rate differences + other financial expenses}^{1}}{\text{[balance sheet total}^{2}\text{ – obligatory provisions – non-interest bearing debt] (average of the beginning and end of the year)}}$$

Return on equity=
$$\frac{\text{profit before extraordinary items – taxes}^{3}}{\text{[capital and reserves}^{2}\text{ + minority interest] (average of the beginning and end of the year)}}$$

Equity ratio =
$$\frac{\text{capital and reserves + minority interest}}{\text{balance sheet total}^{2}\text{ – current advanced payments received}}$$

Gearing ratio =
$$\frac{\text{interest bearing net debt}}{\text{capital and reserves}^{2}\text{ + minority interest}}$$

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

Earnings per share (EPS) =
$$\frac{\text{profit before extraordinary items – minority interests – taxes}^{3}}{\text{adjusted average number of shares}^{2}}$$

Equity per share =
$$\frac{\text{capital and reserves}^{2}}{\text{adjusted number of shares at year-end}^{2}}$$

Dividend per share =
$$\frac{\text{dividends paid}}{\text{adjusted number of shares at year-end}^{2}}$$

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

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

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

Market capitalisation = number of shares x share price at year-end

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

[1] Excluding depreciation of short-term investments

[2] The own shares in the company's possession are not included in the number of shares, shareholders' equity or total assets in the key ratio calculations.

[3] Taxes have been stated without taxes related to extraordinary items.

Board Proposal for the Disposal of Distributable Funds

At the closing of the accounts for 2003 the consolidated distributable capital and reserves of the Group was EUR 32 million, of which the profit for the year was EUR 53 million. The nonrestricted equity capital of the parent company was made up as follows:

Net profit for the year	EUR	95,102,035.39
Retained earnings from previous years	EUR	84,577,589.29
Total	EUR	179,679,624.68

The Board of Directors will recommend to the Annual General Meeting that dividend be paid as follows:

shares total	138,886,445 pcs
shares in the company's possession on 5 February 2002	– 3,270,000 pcs
total shares not counting shares in the company's possession	135,616,445 pcs
a dividend of EUR 0.20 per share be paid, totalling	EUR 27,123,289

and that the remainder of the profit
be posted to the retained earnings account.

Helsinki, 9 February 2004

BOARD OF DIRECTORS

Jukka Viinanen

Georg Ehrnrooth   Maija-Liisa Friman   Christer Granskog

Pirkko Juntti   Pekka Timonen   Maarit Toivanen-Koivisto

Auditor's Report

TRANSLATION

To the shareholders of Rautaruukki Oyj

We have audited the accounting, the financial statements and the corporate governance of Rautaruukki Oyj for the period 1.1.–31.12.2003. 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 on corporate governance of the parent company.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit 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 significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of corporate governance is to examine that the members of the Supervisory Board and the Board of Directors and the Managing Director have legally complied with the rules of the Companies Act.

In our opinion, the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's 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 and 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 by the Board of Directors regarding the distribution of retained earnings is in compliance with the Companies Act.

Helsinki, February 9, 2004
Ernst & Young Oy
Authorised Public Accounting Firm
PEKKA LUOMA
Pekka Luoma
APA

Statement by the Supervisory Board

Having today considered the company's financial statements and consolidated financial statements for 2003, as well as the Auditors' Report, the Supervisory Board of Rautaruukki Oyj proposes to the 2004 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, 4 March 2004

SUPERVISORY BOARD

Turo Bergman

Jouko Skinnari   Tauno Matomäki   Inkeri Kerola

Ole Johansson   Bertel Langenskiöld   Kyösti Karjula

Martin Saarikangas   Lasse Virén

Figures by Quarter

NET SALES BY QUARTER

(EUR million)	I/2002	II/2002	III/2002	IV/2002	I/2003	II/2003	III/2003	IV/2003
Rautaruukki Steel	304	328	331	345	324	352	329	344
Metform	90	102	83	92	90	99	76	86
Steel Structure Division	58	83	93	88	58	78	99	92
Fundia	178	195	169	189	202	214	185	202
Steel Service	162	168	157	159	157	164	156	165
Other units	41	44	36	50	69	69	63	70
– internal invoicing	–147	–176	–167	–170	–195	–207	–186	–200
Consolidated net sales	686	743	703	753	704	768	722	759

OPERATING PROFIT/LOSS BY QUARTER

(EUR million)	I/2002	II/2002	III/2002	IV/2002	I/2003	II/2003	III/2003	IV/2003
Rautaruukki Steel	2	–10	4	13	40	49	56	38
Metform	5	9	2	1	2	5	1	–3
Steel Structure Division	–4	4	10	2	–5	–2	7	–3
Fundia	–1	1	–18	1	–2	1	–6	–23
Steel Service	2	5	5	10	4	3	3	2
Other units and internal items	–4	–8	–15	–10	–11	–11	–6	–11
Consolidated operating profit/loss	1	1	–12	17	28	45	55	0

EXTERNAL DELIVERIES BY QUARTER

(1000 t)	I/2002	II/2002	III/2002	IV/2002	I/2003	II/2003	III/2003	IV/2003
Hot rolled plates, sheets and coils	269	278	267	292	283	305	268	286
Cold rolled sheets and coils	51	44	48	50	43	46	40	47
Coated sheets and coils	167	166	178	179	156	173	177	185
Tubular products	139	166	128	147	138	153	116	132
Profiled sheets and sections	50	69	75	67	55	65	75	70
Long steel products	473	516	441	502	520	550	480	537

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Interim Reports
January–March will be published on 28 April 2004
January–June will be published on 28 July 2004
January–September will be published on 26 October 2004