ruukki
more with metals

Rautaruukki Annual report 2004

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Contents

Ruukki. From a reliable steel producer to the most desired supplier of metal solutions.

Ruukki supplies components, systems and total solutions to the construction and mechanical engineering industries. The company has a wide selection of products and services in metal products. Ruukki has operations in 24 countries and employs 12 000 people. Net sales in 2004 totalled EUR 3.6 billion. The company's share is quoted on the Helsinki Exchanges (Rautaruukki Corporation: RTRKS).

www.ruukki.com

More with metals

In construction, Ruukki supplies systems and total solutions. Ruukki wants to take a more extensive role in our customer projects. For the customer this means low overall costs, speed of construction and guaranteed quality and functionality. Our solutions are formed on the basis of extensive knowhow and the variety of products and services available from Ruukki and our co-operation network.

One of Ruukki's modern façade solutions, the Technopolis technology centre, Vantaa, Finland.

More with metals

Ruukki has a good grasp of the lifting and transport equipment industries. The company supplies systems, components and products for forest, road construction, port and mining machinery and more besides. We use a wide network of subcontractors. Our customers benefit from flexible, efficient operations, based on Ruukki's resources and expertise. Customers' individual needs, for example in cabin solutions, are always attended to.

A Ruukki cabin in a straddle carrier, Länsisatama, Port of Helsinki, Finland.


PORT OF HELSIN
finnsteve

More with metals

Ruukki has the entire process from the furnace to the finished metal product well in hand. Our comprehensive range of products and services combined with our reliability and integrated, customer-oriented business model pave the way for the company to achieve its goal of being the leading metal products supplier of the Nordic and Baltic countries.

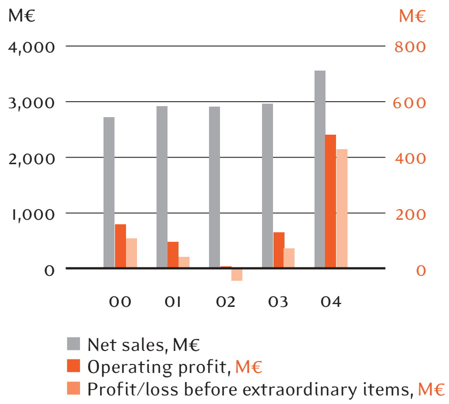
The Ruukki steel service centre, Hyvinkää, Finland.

Financial summary

A profitable year 2004

- The steel market situation continued to be strong
- Net sales grew by 21 per cent
- Profitability improved substantially
- Financial goals were clearly exceeded
- Strategy fine-tuned
- Focus on enhancing operations
- A common marketing name Ruukki adopted

Net sales and operating profit



Key figures

	2004	2003
Net sales, M€	3,569	2,953
Operating profit before non-recurring items, M€	475	170
Non-recurring items, M€	0	-42
Operating profit, M€	475	128
Operating profit, % of net sales	13.3	4.3
Profit before extraordinary items and taxes, M€	430	70
Earnings per share, €	2.31	0.39
Dividend per share, €	0.80*	0.20
Return on capital employed, %	26.1	7.1
Return on equity, %	32.4	6.5
Equity ratio, %	43.0	34.6
Gearing ratio, %	62	112
Interest-bearing net debt, M€	692	922
Equity per share, €	8.20	6.07
Personnel on average	12,273	12,782

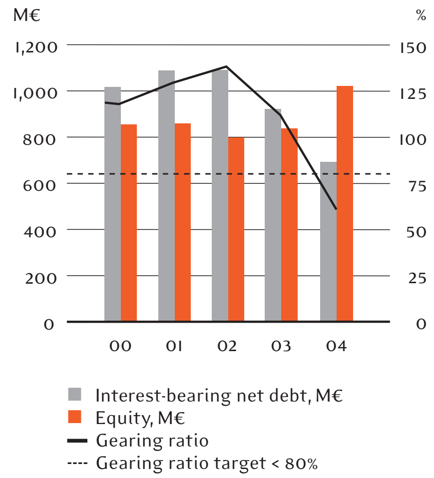
* Board proposal

Financial targets

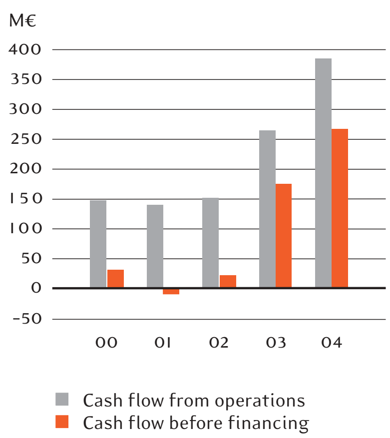
	short-term	long-term
Return on capital employed	12%	15%
Operating profit (EBIT) % of net sales	5-7%	> 7%
Gearing ratio	< 80%	

Return on equity and capital employed

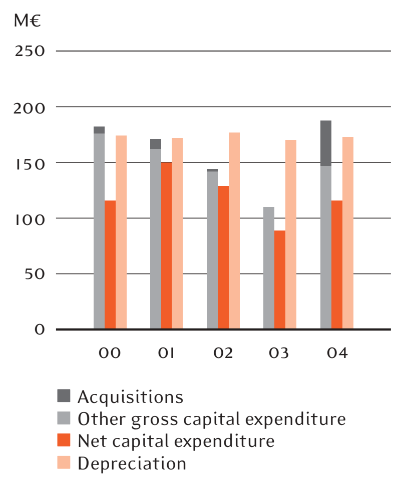
Interest-bearing net debt, equity and gearing ratio



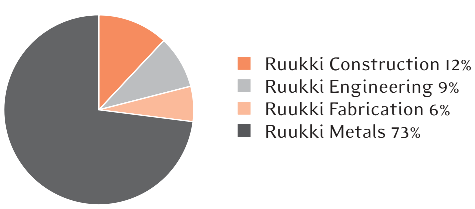
Cash flow



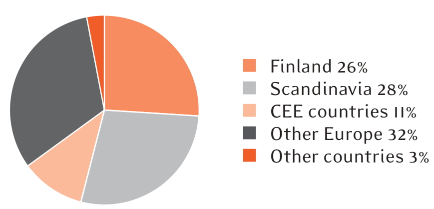
Capital expenditure and depreciation



Net sales by division 2004



Net sales by market area 2004



CEO's review

The year 2004 was in many respects a success for Ruukki. The market situation was favourable and helped us to achieve and even exceed our financial targets.

During the year we paid special attention to improve our cost efficiency and sales structure to meet our strategic goals. Thanks to these measures, smoothly running production and the good market situation, operating profit rose to record heights and our profitability improved markedly upon that of the previous year. The Group's net sales rose by over 20 per cent from 2003.

Thanks to this development we have also made swifter progress than expected in strengthening the balance sheet. Due to a strong cash flow and disciplined investments, interest-bearing liabilities were reduced and gearing almost halved from its previous year status. The strong financial situation creates a good base from which to continue to develop our new business model.

We take on our customers' challenges as our own

This last year was our first full year operating under the new strategy. The development of the solutions business calls for extensive resources, so making choices essential. During the year the company's strategy was fine-tuned accordingly.

In the solutions business we will focus on construction, where our aim is to strengthen the Group's position in all stages of the construction value chain, and on the mechanical engineering industry, where we are focusing on the lifting, handling and transport equipment industry. We believe it is in these sectors that we are best able to understand the challenges faced by our customers, and supply the efficient and innovative solutions that best serve them. In traditional metal products our aim is to reinforce the company's position as the leading and most efficient metal products supplier in the Nordic and Baltic countries.

We aim to be a one unified company with whom our customers are easy to deal with. We believe that by unifying our efficient operational practices and eliminating any overlaps we also make substantial cost savings.

Ruukki growing as a solutions provider

During the year we continued to develop the solutions business. In October we acquired Velsa Oy, which was incorporated into the Ruukki Engineering division. The unit is the Nordic countries' leading manufacturer of cabins for mobile machines and it also has valuable experience in other subassemblies of mobile machinery, such as chassis solutions. In December, in a further move to strengthen the Ruukki Engineering division, we increased our holding in Presteel Oy, manufacturer of roll blanks and other products.

During 2004 the Ruukki Construction division reorganised its production to improve productivity. At the beginning of 2005 we announced that we will use our pre-emptive rights to increase our holding in the Polish construction elements producer Metalplast-Oborniki Sp. z o.o. Our aim is to increase our holding in Metalplast to 100%.

Restructuring of long steel business

In February 2005 we announced the signing of a memorandum of understanding with SKF and Wärtsilä, with the intention of combining the long steel businesses of the companies in a jointly owned new company. The restructuring is based on strong industrial logic and the new company will be a leading producer of specialised long steels in Europe. The owners are strongly committed to developing the new company, which offers considerable potential in terms of profit and added value through estimated annual savings of EUR 30–40 million. The arrangement is a major step forward in our strategy of focusing on the solutions business.

More than just the sum of our parts

We are known to be a reliable and first rate materials supplier, but we want to be more. Our vision is to be the most desired metal-based solutions supplier for customers in construction and mechanical engineering, especially in the commercial construction and lifting, handling and transport equipment industries.

In the autumn of 2004, marketing name Ruukki was adopted for the Rautaruukki Group's marketing and communications. The parent company's legal name remains unchanged, but the Group companies go by the marketing name in all market areas. The new brand and visual identity reflect our goal of converting Ruukki into a one unified company. The company has previously used several product brands, which are now merged under the Ruukki brand. Lining up under a single brand will yield cost-efficiency and clarity.

Ruukki has the attitude and the know-how

The economies of our core market areas have continued to show keen growth at the start of 2005, which we believe bolsters the outlook for Ruukki's most important customer sectors. We are continuing with the internal development projects we began last year, which in combination with the good market situation create the conditions for further improvement in the efficiency of our operations.

Everyone at Ruukki has been deeply involved in the development of our company. Working methods and practices have been unified and renewed. Our common goal is the adoption of customer-oriented working practices in all our endeavours. We have sound, extensive skills and expertise for providing solutions to our customers' challenges, and above all we at Ruukki are devoted to continuous development and learning. We all serve our customers as the various links in the value chain.

My sincerest thanks go to everyone at Ruukki for their fine efforts on behalf of our customers and company.

Helsinki, 17 February 2005
Sakari Tamminen

Strategy

The business environment in the steel industry has changed rapidly in recent years. Many companies in important customer sectors have merged, focused on their mainline businesses and outsourced non-core functions. Mergers and alliances have taken place in the steel industry, as elsewhere.

In this state of flux, Ruukki revamped its strategy in autumn 2003 and operations were organised by customer sectors. The strategy has been fine-tuned further in autumn 2004.

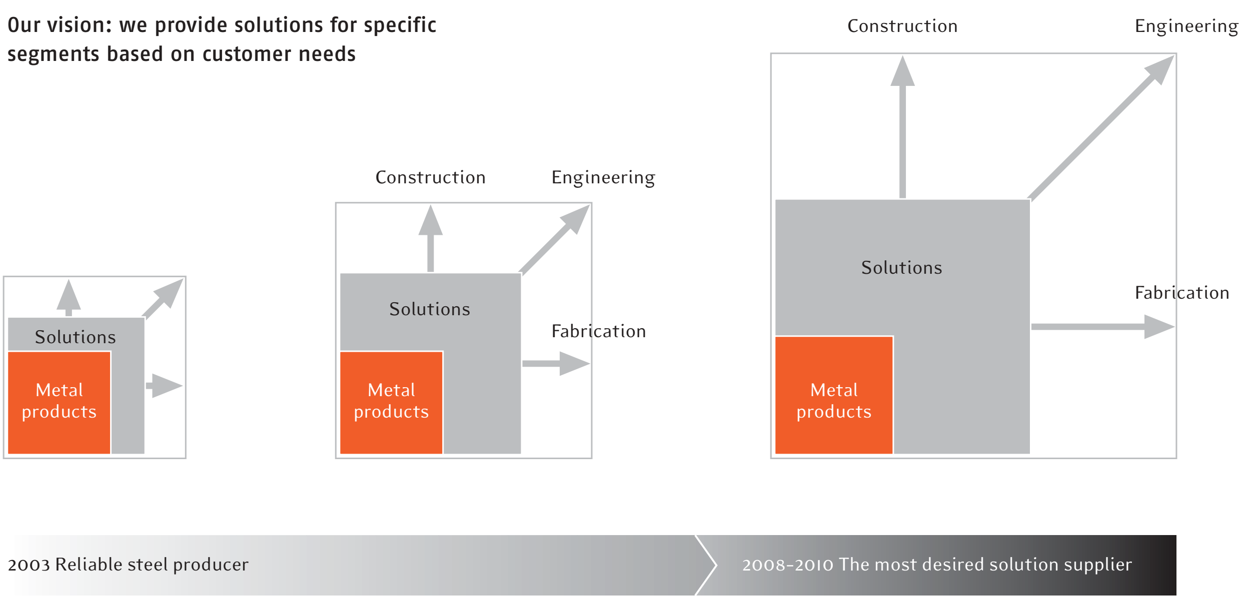
The most desired supplier of metal solutions

In line with the strategy Ruukki opted for in 2003, the objective is to be the most desired supplier of metal-based solutions and metal products to selected customer sectors in 2008–2010. This means shifting our focus from being a manufacturer of steel products to a supplier of metal solutions tailored to customers' needs. Ruukki is seeking to generate about half of its net sales in 2007 from solutions business. The solutions will encompass components, systems and integrated deliveries.

Within steel products the company's competitiveness is strong, but growth will be sought via solutions: by specialising and moving up the value chain closer to our customers. The solutions business will enable Ruukki to achieve profitable long-term growth, reduce the Group's vulnerability to the fluctuations of the business cycle and tie up substantially less capital than is required to manufacture steel.

Ruukki's strategic choices for its business operations were redelineated in autumn 2004. In future Ruukki will focus on being a solutions supplier to the construction and engineering industries. The company's goal is to strengthen its position as the leading and most efficient supplier of metal products in the Nordic and the Baltic countries. In the solutions area, Ruukki's core market area was expanded beyond the Nordic and Baltic countries to cover all the countries of eastern central Europe with a view to tapping the growth potential in the building business.

Our vision: we provide solutions for specific segments based on customer needs



The solutions business is built around customer-oriented divisions: Ruukki Construction and Ruukki Engineering. The third division with a specific customer focus is Ruukki Metals, which has a responsibility for sales of metal products. Ruukki Production concentrates on efficient production.

The growth and development of the solutions businesses and the expansion of their expertise will be supported by acquiring sound companies that build growth momentum. Non-core businesses will be divested.

An expert in steel construction

Ruukki Construction's objective is to grow into one of the leading suppliers of metal-based construction solutions in the Nordic countries and eastern central Europe. Ruukki has traditionally had strong basic know-how in the construction field and has operated not only in the Nordic countries but all across eastern Europe as well. This makes construction a natural choice as a growth area.

The company's position in all stages of the value chain in the construction industry is being strengthened, and henceforth operations will centre especially on system and turnkey deliveries. Ruukki is going after growth above all in the markets of eastern central Europe, because these new EU countries are investing energetically in developing their infrastructure and building commercial premises.

A key supplier to the lifting and transport equipment industry

Ruukki Engineering is seeking strong growth to become one of the leading suppliers of solutions for the lifting and transport equipment industry in northern Europe. Ruukki is focusing on component and system deliveries for mobile work machines, thereby getting closer to customers in the

From products to solutions

	Category	Example	Strategy
Solutions	Level 3: Turnkey delivery	· Drilling rig system · Turnkey hall concept	Focus on key customers in Construction and Engineering
Solutions	Level 2: Systems	· Cabins · Building façade solution	Strong profitable growth through organic growth & focused acquisitions
Solutions	Level 1: Components & parts	· Paper machine rolls · Airbag components · Panels · Flame-cut parts	Support core solutions businesses and build foundation for profitable new solutions
Products	Special products	· High strength steel · Coated products	Strong focus on customer service, operational excellence and cash flow
Products	Standard products	· Plates & pipes	Support solution business growth

value chain. The first step was taken by acquiring Velsa Oy, the leading manufacturer of mobile machine cabins in the Nordic countries, towards the end of 2004.

The lifting and transport equipment industry offers good growth potential. In-depth steel materials know-how plays an important role in the manufacture of work machines. The Nordic countries are home to a number of globally important players, with whom Ruukki, as a supplier of steel products, has close and enduring customer relationships.

Competitive metal products operations

The good profitability of the metal products business paves the way for Ruukki as it grows and develops its capabilities as a solutions supplier.

Ruukki Metals has set the target of being the leading and most efficient supplier of metal products in the Nordic and Baltic countries. This means that the company must make strong inputs into customer service, operational efficiency and boosting cash flow. Ruukki Metals acts as the Group's sales organisation for standard and special products as well as parts.

Ruukki Fabrication's functions were integrated into the Group's other divisions at the beginning of 2005. Through them the company will continue to supply parts and components to customers in the metal fabrication industry.

Ruukki Production focuses on customer-oriented and efficient production and carries out its capital expenditures accordingly. The objective is continual improvements in cost-effectiveness, delivery accuracy and top quality. Raising operational efficiency is the primary aim of production investments. The focus is on improved cost-effectiveness but also an increase in production capacity is possible.

A single unified company

In autumn 2004 the Rautaruukki Group's marketing and communications were concentrated under the single Ruukki marketing name. The new brand and visual image will sup-

Ruukki's strategic intent

A leading metal based
construction
solution provider in Nordic & CEE countries

A leading solution provider for specific
engineering
customers in Northern Europe

Leading
metal products
supplier in Nordic & Baltic countries

port the development of Ruukki into a unified company that customers can work with simply and easily. The company has previously used several product brands, which will now be merged as part of Ruukki. Lining up under a single brand will bring cost-efficiency and clarity to marketing communications.

As of 1 September 2004, all the companies in the Rautaruukki Group will adopt a common marketing name, Ruukki. The marketing name will be used by all of the Group's companies in all market areas. The parent company's legal name will name as before, but the names of foreign subsidiaries will be changed to the form Ruukki + country name + company name.

In autumn 2004 the Ruukki United program was launched with the aim of unifying ways of working across the Group. Ruukki United draws together under a single umbrella all the development projects for core and support processes which aid in building a Ruukki that is focused on the solutions business. Among such projects are e.g. customer relationship management, optimisation of the order to cash process, the unification of financial and human resources administration as well as building a Group-wide Intranet.

Devoting resources to the solutions business means moving responsibility for development, design and assembly from customers closer to Ruukki. This calls for new expertise, notably within management of the supplier network, tender calculations for more extensive product packages and management of integrated total deliveries. Important subareas in expanding Ruukki's competencies are the development of solutions concepts, solutions sales, project management, flexible logistics and management of the acquisitions and divestments processes. To improve our personnel's understanding of the customer's perspective, training sessions for more than 500 Ruukki staff were arranged during the year.

Ruukki's research and development efforts are centred on supporting operations connected with both the construction and the lifting and transport equipment industry. Operations are being directed increasingly towards customer-specific product and service applications.

At the same time as new processes are being put in place within the solutions business, operations are being simplified and enhanced. During 2004, production was consolidated into larger units, particularly in eastern central Europe. The Group structure was streamlined by trimming 21 companies from the Group's network of legal entities in Finland and abroad.

Financial targets unchanged

The long-term financial targets set in autumn 2003 are unchanged:

	short-term	long-term
Return on capital employed	12%	15%
Operating profit (EBIT) % of net sales	5–7%	> 7%
Gearing ratio	< 80%	

Dividend policy

Rautaruukki Oyj has adopted a competitive and stable dividend policy, which takes into account the company's earnings trend and adequate development of the equity ratio.

Business environment

2004 was a good year in terms of our operating environment. Financial growth continued and steel consumption rose. Growth of the economies in Ruukki's core market areas in the Nordic countries was clearly above the euro-zone average. In Central Eastern Europe and the Baltic countries it was notably stronger than in the rest of Europe.

Rise in steel consumption and prices

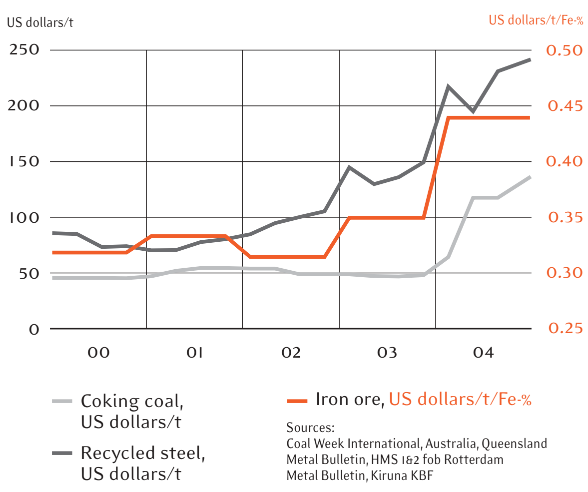
The year 2004 was especially good for traditional steel industry products too, particularly as a result of the fast-growing demand in the Chinese and American markets. The supply of raw materials for the manufacture of steel, in particular coke and coking coal, was not able to fully meet demand. Raw material prices were clearly higher than in 2003. As a result of the high demand the prices for steel products also rose sharply.

Strong surge in construction

Demand for construction during 2004 was good throughout Ruukki's entire market area. Growth was strongest in the construction markets of the Baltic and CEE countries. Competition grew tighter as the year went on.

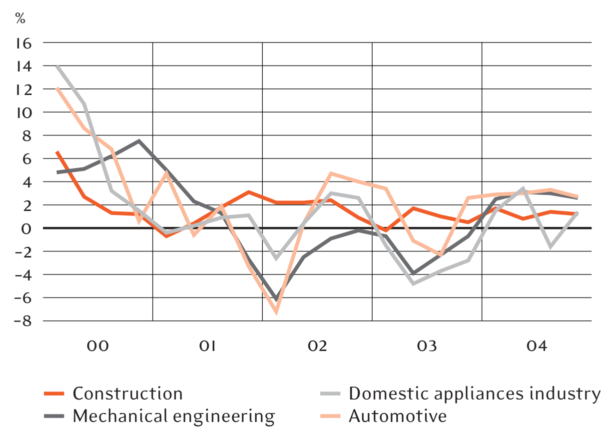
Demand for commercial construction was especially good in the CEE area and Scandinavia. Demand within

Raw material prices



Sources:
Coal Week International, Australia, Queensland
Metal Bulletin, HMS 1&2 fob Rotterdam
Metal Bulletin, Kiruna KBF

Customer sectors in EU countries
Change in volume compared to previous year



Source: Eurofer

residential construction was good in Scandinavia throughout the year. In the Baltic countries and Ukraine demand grew beyond expectations. Demand in infrastructure construction was increased by the large rail and harbour projects in the Nordic and Baltic countries as well as the substantial pipeline projects in Southern and Western Europe.

Turnkey deliveries, specialist systems and construction based on prefabricated components grew in comparison with traditional on-site construction.

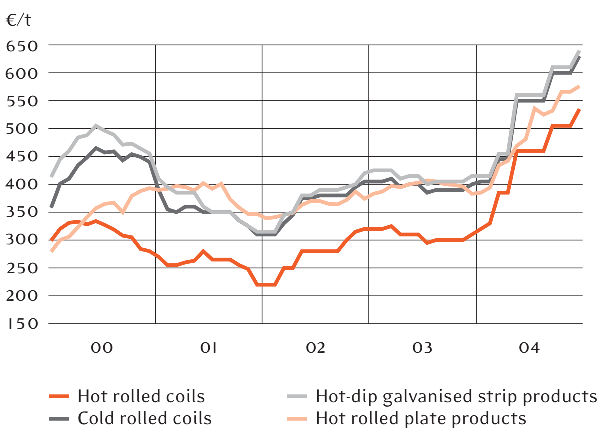
The concept of a building's life-cycle is fast becoming more and more common, especially in western countries, which in addition to early construction costs takes into account construction modifiability, recyclability, maintenance and energy consumption. This creates demand for steel- and metal-based solutions.

Strong demand in the mechanical engineering industry

The growth in production in the mechanical engineering industry accelerated somewhat in the EU countries in 2004.

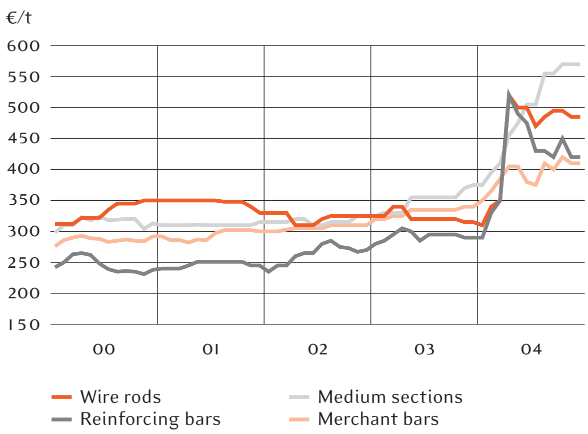
Demand in the lifting and transport equipment industry was especially strong throughout the year. There was also a slight growth in demand in the paper and wood processing industries. The volume of orders of the shipbuilding and offshore industries were at an all-time global high in 2004. At the end of the year order logs of Finnish shipyards were improving, too.

Trend in steel products' market prices
Flat steel products



Source: CRU, Basis transaction prices, 12/2004

Trend in steel products' market prices
Long steel products



Source: CRU, Basis transaction prices, 12/2004

Divisions

Transferring to the solutions business requires even closer relationships with our customers. In support of its customer-orientation, Ruukki has organised its divisions according to its customer sectors of industry. As of the start of 2005 Ruukki has three divisions with customer responsibility: Ruukki Construction, Ruukki Engineering and Ruukki Metals. A fourth division, Ruukki Production, is in charge of production. Ruukki Fabrication's operations have been reallocated to the other divisions as of 1st January 2005.

Ruukki Construction

Ruukki Construction supplies metal-based solutions for commercial, residential and infrastructure construction.

Ruukki Engineering

Ruukki Engineering supplies metal-based solutions for the lifting and transport equipment, pulp and paper as well as marine and offshore industries.

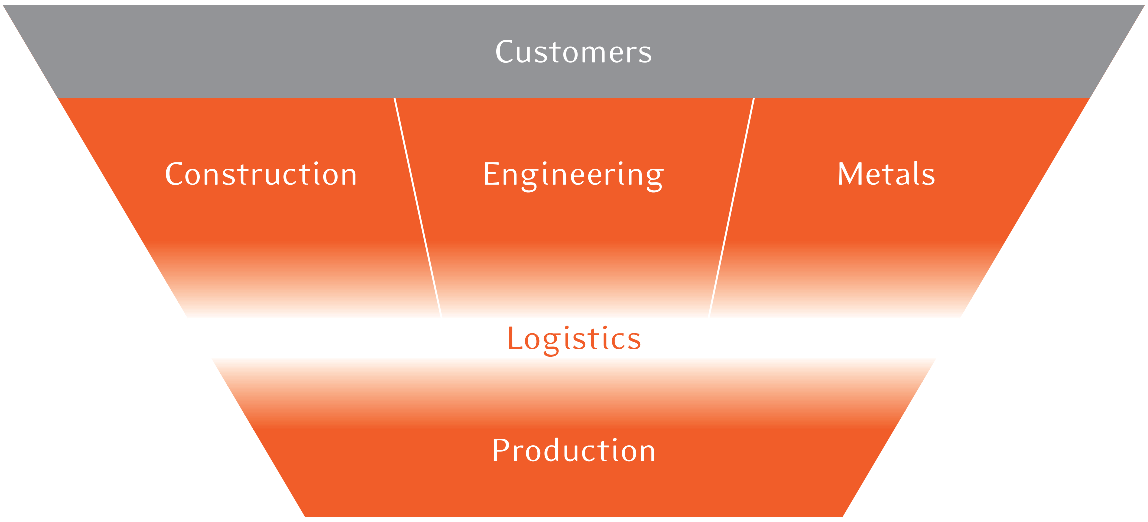
Ruukki Metals

Ruukki Metals supplies steel, stainless steel and aluminium as standard and special products, parts and components.

Ruukki Production

Majority of Ruukki's production is organised in the Ruukki Production division, which manufactures hot-rolled, cold-rolled and coated plate and strip products, steel tubes and wire, bar and reinforcing steel products.

Ruukki's structure 1 January 2005



Supplying metal solutions based on customers' needs – growths in demand, added value and efficiency in 2004

Ruukki Construction

Ruukki is expanding and developing the solutions business in the field of construction. Ruukki Construction is specialised in customer-oriented solutions for commercial, residential and infrastructure construction. Ruukki's main market areas consist of the Nordic and Baltic countries and the CEE area. Key customers are construction firms, developers of commercial and industrial buildings, public sector construction organisations, energy companies, and retailers.

Ruukki aims to be a leading supplier of metal-based construction solutions in its market area, growing strongly and profitably. This calls for new, more extensive roles at various stages of the construction value chain and a larger share of turn-key deliveries in the total net sales. During the years 2005 to 2007 Ruukki will strive for further increasing its market share in the growing construction markets of the Baltic countries and the CEE area.

Customer focus is the most central principle of Ruukki's business. Ruukki Construction has a strong local sales expertise and sales organisation in all of the countries on the market area. A significant part of production is carried out at the processing centres located at various locations within this area. Our operations extend across 18 countries altogether and the production of related construction products across a total of 10.

Net sales and operating profit on the rise

In 2004 Ruukki Construction's net sales grew by 18 percent to 419 million euros (356). Operating profit was 60 million euros (30). The division's share of net sales for the whole Group was 12 percent.

Net sales and operating profit improved above all due to the strengthened demand, the increase in added value and the growth of production efficiency. The share of net sales for the Baltic and CEE countries also grew.

Market development continued favourable

Demand for construction during 2004 was good throughout the market area. Growth was strongest in the construction markets of the Baltic and CEE countries. Competition grew tighter as the year went on. There are large, Western companies and a growing host of small and medium-sized local companies in the construction product industry operating in the market area.

Demand for commercial construction was especially strong in the CEE area and Scandinavia. The demand for

Key figures	2004	2003	Change
Net sales, M€	419	356	18%
Operationg profit, M€	60	30	100%

solutions for logistics companies and industries, in particular, grew in CEE countries.

Demand within residential construction was good in Scandinavia throughout the year. In the Baltic countries and Ukraine demand grew beyond expectations. In Poland changes to the value-added tax brought about a powerful demand peak and a growth in the stocks of retailers at the start of the year, but by the end of the year demand had quietened down.

Outstanding total solution supplier on the commercial markets

Demand in infrastructure construction was increased by the large rail and harbour projects in the Nordic and Baltic countries as well as the substantial pipeline projects in Southern and Western Europe. There were also several large foundation underpinning projects in progress in Finland. Demand for traffic infrastructure systems picked up with the substantial railway projects that were started in Finland in the last half of 2004.

Large Nordic customers continued to expand the market area and look for strong co-operation partners. Some customers are also looking for new roles in the value chain, which opens new possibilities to other operators. The demand for ready-installed systems continued to grow. It is expected that off-site construction in the Baltic countries and CEE countries will increase further in line with the rise of quality requirements and the cost of labour.

Significant provider of commercial construction solutions

In the CEE area demand for solutions among retail and logistics companies went up as well as the demand for industrial construction solutions. In this area Ruukki was able to extend the scope of its deliveries, and total solutions were provided to an increasing number of countries. These total solutions include frame, facades, roof structures, roofs and the related structural design. If a customer wishes these are provided ready installed. This building solution is based on the products and services available from both Ruukki and network of co-operation partners. Ruukki's rapidly installable construction solutions guarantee customers the ability to set up their business quickly, with reliable quality and spaces that can be transformed to meet their needs.

New solutions and synergies

In the foundation construction and traffic infrastructure business the management of projects was made more efficient and the service offered to customers became faster and more comprehensive. The customer can now negotiate which components, systems and solutions they need for large infrastructure projects with one single sales team, making their purchasing process easier.

Customer-oriented development work continued. Ruukki successfully launched the steel foundation concept for private housing in Finland. The foundations are made up of steel piles and framework, on which a single-family house can quickly be built.

In a new pipeline solution for trunk water pipeline, developed in response to customer needs, steel pipes are not welded during installation but linked to each other using the quickly installable gasket joints developed by Ruukki. For the customer this means a higher quality of end result and cost savings.

Production streamlined and modernised

Demand for fast, customer-specific deliveries grew among construction clients, which highlighted still further the importance of logistics management and economies of scale.

Ruukki Construction reorganised production in the first half of 2004 in Russia, the Czech Republic, Poland, Ukraine and Hungary and started similar measures in Finland and Sweden in the latter half of the year. This reorganisation, combined with the growth of production, improved productivity and strengthened competitiveness. In the current market situation an internal steel supply ensures a better delivery capability compared with competitors.

Ruukki Engineering

In mechanical engineering Ruukki supplies systems and components for the lifting and transport equipment industry, pulp and paper and marine and offshore industries.

Ruukki Engineering aims to be one of the leading suppliers of systems and components for lifting and transport equipment industry in Northern Europe. This will require new skills, obtainable through networking, acquisitions and the development of skills among our own staff.

In the pulp and paper industries Ruukki is concentrating on the development of paper machine roll solutions and expansion of its customer base. Ruukki's strength in the marine and offshore industries is its product and component deliveries based on knowhow in materials and well-managed logistics, together with its supplier network.

Net sales and operating profit grew

In 2004 Ruukki Engineering's net sales grew by 29 per cent to 330 million euros (256). Operating profit was 51 million euros (27). The division's share of net sales for the whole Group was 9 percent. Net sales were boosted by the rise in steel prices. The measures to increase efficiency made clear improvements to the profitability of the processing units.

Demand within customer sectors strengthened

Demand in the lifting and transport equipment industry was especially strong throughout the year and deliveries increased markedly, while total deliveries to the pulp and paper industries rose slightly. Deliveries of machine roll solutions made positive developments. New investments in paper machines were concentrated mostly in Asia. Demand for chemical and mechanical pulp manufacturing equipment and lines was good, especially in China and South America. Our customers' deliveries to those areas increased.

The volume of orders from the marine and offshore industries were at an all-time global high in 2004. At the end of the year order logs of Finnish shipyards were improving, too.

Plenty of potential in the lifting and transport equipment industry

Co-operation with customers in the lifting and transport equipment segment was intensified. It extended to planning, design and manufacturing development, with the aim of generating more added value for the customer. External planning and design services were procured, while manufacturing development made use of our own resources.

In October Rautaruukki acquired Velsa Oy from the Kone Corporation's Kalmar Industries. Velsa is a manufacturer of cabins for mobile machines. Velsa became a part of the Ruukki Engineering division. The acquisition of Velsa was well received on the market and has effected an increased interest in Ruukki's solutions.

It also contributes to Ruukki's solution-based strategy and movement along the value chain from being a material supplier to becoming a systems provider. It was accompanied by new skills in engineering and design, assembly and system supplying as well as an operational model based on an extensive supplier network. The lifting and transport equipment industry offers good opportunities for growth. Ruukki's Nordic customers include several major international operators.

Intensified co-operation with customers

Ruukki Engineering also continued to develop its solutions with customers in other sectors. Ruukki's role in the marine and offshore industry is to combine the deliveries of all components in order to provide customers with a complete final package. This operational model calls for good project and logistic management on Ruukki's part.

Product development projects were started with customers of the pulp and paper industry, and new technical solutions were tested that would provide customers with added value. Rautaruukki increased its interest in Presteel Oy, owned jointly with Metso, to 80.1 percent. Presteel supplies roll blanks and other special products.

Key figures	2004	2003	Change
Net sales, M€	330	256	29%
Operating profit, M€	51	27	89%

Closer to customers: Ruukki acquired the leading Nordic cabin manufacturer

Ruukki Fabrication

Ruukki supplies components and parts to the metal fabrication industry. The main customer sectors for parts and component supplies and contract manufacture are the electronics, domestic appliance and light engineering industries. The emphasis in automotive industry deliveries is on parts and components related to safety and axle systems. The main markets are the Nordic and Baltic countries and, in the automotive industry, also central Europe. We have our own processing units in Finland, Denmark, Germany and Russia.

Ruukki Fabrication's operations were combined with those of the other divisions as of the 1st of January 2005. The component business will continue as a separate Components business unit under Ruukki Metals. The new divisional allocation supports the Group's strategy to focus, as a solutions provider, on the construction and mechanical engineering industries and to be the leading and most effective supplier of metal products in the Nordic and Baltic countries.

Net sales increased, profitability improved

Ruukki Fabrication's net sales grew by 9 per cent to 220 million euros (201). Operating profit was 20 million euros (15). Net sales and operating profit were especially boosted by strengthened product prices. The division's share of net sales for the whole group was 6 percent.

Parts and components deliveries increased

Demand in the electronics, domestic appliance and light engineering industries was good in Finland, Sweden and Russia. Ruukki Fabrication started up several customer projects in the electronics and domestic appliance industry, the results of which are expected later. Deliveries in the light engineering industry grew as a result of new contracts on parts and components.

Deliveries to the automotive industry rose thanks to a slight growth in that industry's total production and the emphasis on deliveries for highly marketable vehicle models. The profitability of the customer sector was however weaker than the previous year due to fixed annual contracts and the rise in raw material prices.

Development in line with the needs of the solutions business

The co-operation network that supports the Group's solutions business was strengthened in March with the acquisition of a 24 percent holding in Sheet Metal Innovations Oy, who offer product design and commercialisation services to manufacturers of sheet products .

The UK-based precision tubes wholesaler Star Tubes (UK) Ltd was sold in April to the English wholesaler Barrett Steel Ltd.

The processing units' development and responsibilities were continued in line with the needs of the solutions business.

Key figures	2004	2003	Change
Net sales, M€	220	201	9%
Operating profit, M€	20	15	33%

The incorporation of Ruukki Fabrication into the other divisions supports the Group's strategy

Ruukki Metals

Ruukki's goal is to be a leading and effective supplier of metal products in the Nordic and Baltic countries. Ruukki Metals supplies steel, stainless steel and aluminium as standard and special products, parts and components. Ruukki Metals' role is also to support the operation and growth of the solutions divisions.

The competitiveness of Ruukki Metals is based on customer-orientation, a wide product portfolio and speed and reliability resulting from its operational model. The core market areas are the Nordic and Baltic countries, where it has a strong position as comprehensive material supplier. In other markets the focus is on special products.

Significant improvement in operating profit

In 2004 Ruukki Metals' net sales grew by 22 per cent to 2593 million euros (2132). Operating profit was 389 million euros (121). The division's share of net sales for the whole group was 73 percent. Net sales and operating profit were pushed up by the already strong demand and prices and increased efficiency of the operations.

Demand grew and prices increased

Prices for metal products picked up sharply during 2004 as a result of increased demand and higher raw material costs. The price fluctuation of recycled steel was larger compared with other raw materials and had a particular impact on the prices of reinforcing steels.

The strong demand evident primarily in China and the United States reflected also in the availability of materials in Ruukki's market areas. One of the key issues in Ruukki Metals' operations during the year was to meet and secure the needs of customers in the core market area. In the Nordic and Baltic countries demand grew faster in the main customer segments than in the rest of the EU area.

New service centre opened in Estonia

The comprehensive network of service centres with products from our own production and the complementing external material suppliers create a unique service concept in the core market area. A new service centre serving the whole Baltic region was opened in Estonia in 2004. In Norway the market share grew clearly as a result of the acquisitions made at the end of 2003. The service centre expansion project begun in Sweden and the March 2004 acquisition of Finnish steel contract manufacturer TP-Teräskeskus' operations strengthen the market position further.

Benefits from the combining of operations

The consolidation of operations in line with the new business model was executed in various countries and created clear benefits in 2004, while clarifying customer work and improving cost efficiency. The focus on special products was continued outside the core market areas in order to further improve profitability. The use of capital was enhanced by developing the delivery process and increasing the turnover of receivables.

Ruukki Metals concluded two significant delivery agreements for the Sakhalin II project in Russia in the beginning of 2004. The deliveries comprise of prefabricated steel products for crude oil and gas tanks.

Key figures	2004	2003	Change
Net sales, M€	2593	2132	22%
Operating profit, M€	389	121	221%

Market position strengthened in core market areas

Ruukki Production

The majority of Ruukki's production is organised in the Ruukki Production division, which manufactures hot-rolled, cold-rolled and coated plate and strip products, steel tubes and wire, bar and reinforcing steel products. Ruukki Production has a total of 14 production units in Finland, Sweden, Norway and the Netherlands. The division does not have customers outside the Group. Ruukki Production's key goals are to improve cost efficiency and the reliability of deliveries.

Raw material prices rose

In 2004 the prices of the most important raw materials rose strongly. Prices for iron ore and coking coal rose on average about 15 percent in 2003. Iron ore is brought in from Sweden, iron pellets from Russia and Sweden, and coking coal from Canada, Australia and the United States. The price of the recycled steel used in steel manufacturing in Mo i Rana, Norway, and Smedjebacken, Sweden, rose about 50 percent.

Ruukki Production has secured the availability of all raw materials with long-term delivery contracts.

Production and sales volumes better balanced

The balancing of sales and production quantities was improved through joint planning between Ruukki Production and sales. Ruukki Production improved operational flexibility and reliability. The production supervision and control system was developed by optimising manufacturing along the entire production chain instead of looking at individual plants. Delivery reliability improved remarkably during the year and warehouse cycle time shortened by 5 days.

The interim repairs of the blast furnace No.2 was completed well

Production progressed well in all plants and was continuously developed. Special attention was paid to occupational safety.

Total steel production in 2004 was 4,549,000 tonnes (4,572,000). Blast furnace repair was carried out at BF 2 of the Raahe steel works over the summer, without technical hitches and in a shorter time than expected. The shutdown for the repairs lasted 30 days and reduced steel production by 135,000 tonnes.

At the start of 2004 the production of tubular products was halted at Nordisk Simplex A/S in Denmark and transferred to other tube works within the Group in order to improve production efficiency.

At the hot strip mill a new automation system and slab reheating furnace are to be introduced in early 2005. These will markedly improve the quality of the products.

Investments in quality and productivity were made at the hot-strip rolling mill

Research and development

In line with the new business model, the R&D focus was moved from the manufacture of products to the development of integrated solutions that bring added value to customers. The emphasis in product development was on coated sheets and coils and high-tensile steel products which best support the development of solutions. The development of production processes was geared towards improving cost-effectiveness, energy efficiency, delivery precision and quality. Co-operation with customers and external research organisations was increased.

Strong investments in developing solutions

The autumn saw the launch of the extensive Ruukki United project aimed at harmonising ways of working, one element of which involves putting in place more effective management of the process of developing products and solutions – from innovations to off-the-shelf solutions. New know-how required for the development work was obtained through training, recruitment and acquisitions.

During the year Ruukki Construction's product launches included a hall structure concept, a steel foundation design for single-family houses as well as a trunk water pipeline solution. The focal point of Ruukki Engineering's development work was on solutions for the lifting and transport equipment industry as well as the paper industry, but development work was also continued with customers in other sectors.

New high-tensile steels

The development focus for hot-rolled products was on high-strength structural and wear-resistant steels. The production programme of these steels was expanded. The mechanical and technological properties of these world class steels were the subject of further development.

In October the European Patent Office handed down an affirmative interim ruling on a patent application for hot-rolled ultra high-strength steels and the method of manufacturing them. The volume of ultra high-strength steels manufactured tripled compared with the previous year.

Chromate-free coatings

EU directives prohibit the use of chromate substances in electrical and electronics equipment from 1 July 2006 as well as in new vehicles from 1 July 2007. Making the transition to chromate-free passivation has been a central priority for development work on galvanised products.

Ruukki is set to be amongst the first European steel producers to introduce, at the beginning of 2005, the new environmentally-friendly chromate-free AFP (Anti Finger Print) protective treatment for galvanised and Galfan coatings.

A new polyurethane coating was developed for a telecommunications cabinet designed for outdoor use. The product is fully chromate-free and it has excellent durability. The coating process involves a silane pretreatment, chromate-free primer and a structurised surface coating.

Stepping up production processes

In steel production at the Raahe mill, coke consumption in the blast furnace was cut down further by increasing the degree of oil injection. The total yield in steel manufacture from raw materials to mother slabs improved by 0.3 percentage point during 2004. The yield in continuous casting improved by 0.5 percentage point thanks to less interruptions of the casting process and a new practice to finish casting.

Responsibility and stakeholders

Ruukki has given its commitment to honour the principles of sustainable development in its operations. In everything Ruukki does, responsibility goes hand in hand with efficiency and financial performance. A profitable company develops its operations and uses raw materials and other resources as efficiently as possible. Ruukki's successful operations are possible thanks to committed and motivated personnel.

In January 2005, Rautaruukki's Board of Directors approved a Code of Conduct defining the principles that guide Ruukki towards responsible operations. Set out on pages 38–42 are the corporate governance principles which ensure that the company is managed in accordance with sound business practices.

In line with its environmental policy, Ruukki gives its commitment to use natural resources responsibly in its operations, to improve the management of its environmental affairs continuously and to prevent spoilage of the environment.

According to Ruukki's principles of social responsibility, the company undertakes to observe universally accepted human, children's and employees' rights.

The Group-wide steering group that was set up in 2004 for the EHSQ process (Environment, Health, Safety, Quality) is in charge of creating and developing joint practices for environmental, health, safety and quality matters.

On the terms of sustainable development

Ruukki is a major buyer of raw materials and energy as well as external services. Good relationships with suppliers of goods and services are of utmost importance to the company. Ruukki's procurement policy specifies that purchases must be made by way of a fair competitive bid process and they must promote production that is in step with sustainable development.

The company aims to make its procurements in nearby areas through long-term agreements to ensure low transport costs. A large part of our major subcontractors and suppliers are audited. So far, the auditing has focused on economic and quality issues. Ruukki also monitors the development of subcontractors' environmental systems.

Active involvement

The Group's production plants are located close to populated areas. Regular and open contacts with municipalities and other nearby communities and directly with people who live in the area ensures the continuity and development of operations in a way that meets with stakeholders' approval. In the largest plant localities, open house days are arranged for those who are interested in how the company operates. Ruukki's representatives engage in regular interaction with local officials in matters of importance to the company and the nearby community.

Rautaruukki published a Corporate Responsibility Report in summer 2004 in both a printed and an online version. The report won a third price in the separate reports category in an environmental and social responsibility reports competition that was arranged in Finland. The information in the report will be updated on the Internet in spring 2005. The next Corporate Responsibility Report will be published in spring 2006.

Operations on the terms of sustainable development

Environment

Ruukki complies with the principles of the Business Charter for Sustainable Development, published by the International Chamber of Commerce (ICC) and the environmental protection principles published by the International Iron and Steel Institute (IISI).

Within Ruukki's operations, environmental management is part of day-to-day activities in line with the environmental policy set by top management. Practical operational responsibility for environmental issues lies with the divisions and individual company sites.

The most significant of Ruukki's environmental impacts relate to the use of raw materials and energy as well as to carbon dioxide and particulate emissions from manufacturing processes.

Environmental objectives guide operations

Ruukki's operations are supported by shared environmental objectives, on the basis of which ambitious environmental targets are set. Furthermore, the company has set for its production sites operationally gauged environmental targets as well as programmes for realising them in accordance with its environmental systems.

The joint environmental goals are

- developing the management of environmental affairs
- developing energy saving activities
- reducing wastes
- promoting a product related environmental thinking.

Ruukki's aim is to build environmental systems for all its production sites. About 80 per cent of the Group's personnel were covered by certified environmental management systems at the end of 2004. All the sites where operations have significant environmental aspects have a certified environmental management system.

Developing energy saving

Initiatives carried out by Ruukki in 2004 were a partial modernisation of the recovery process for cooling air at the Raahe sintering plant and a change to the method of heating oil used in the Koverhar blast furnace. The energy saving resulting from the projects is estimated to be a total of about 32,000 MWh annually.

The term for the Ministry of Trade and Industry's energy saving agreement will come to an end in 2005. Ruukki will carry out energy audits of its sites in Finland by the end of 2005.

Ready for emissions trading

In 2004 the requirements of the EU's emissions trading directive were adopted in national legislation. A similar system has been developed in Norway, and it will be linked to the EU's emissions trading system.

Ruukki has prepared to start emissions trading at the beginning of 2005. By means of co-ordinated emissions balance management, the Group will ensure well-controlled and cost-effective emissions trading from the standpoint of market risks. The Ruukki plants that fall within the scope of EU emissions trading are the Smedjebacken works in Sweden, the Alblasserdam works in the Netherlands and the Raahe, Koverhar and Hämeenlinna works in Finland. The Norwegian system will apply to the Mo i Rana works. Estimating on the basis of the initial allocations for the first phase, Ruukki will receive nearly the amount of allowances it requires. The cost impact of the rise in the price of electricity due to emissions trading cannot yet be assessed.

Focus on dust treatment

Development of the flue gas extractor that was completed for Raahe Steel's sintering plant at the end of 2002, including operating procedures, has been continued in co-operation with the manufacturer of the equipment and the target level for particulate emissions has nearly been reached. The development work will be continued in 2005.

Pilot use of the dust treatment method will continue at the Koverhar works with the aim of recycling the dust arising at the works for use as a raw material in the production of iron and steel.

Utilising by-products

The issue of whether the slags produced at the Raahe steel works are to be interpreted as being a waste is up for a hearing by the Supreme Administrative Court. Blast furnace and steel slags are tried-and-true materials in earth construction and road construction, soil conditioning and cement production. The use of slag products conserves non-renewable natural resources and reduces carbon dioxide emissions. The possible interpretation of slag products as waste will impede their recycling.

A product related environmental thinking

A integrated product policy coupled with the EU's strategies for recycling and the use of resources, which are currently being drafted, will create an operating environment in which the inherent recycling and reuse characteristics of steel can be utilised in solutions based on Ruukki's metals.

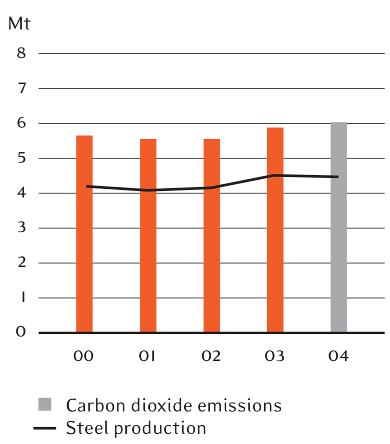
Environmental declarations for the products were updated during the year. In addition to basic products, environmental declarations – notably for Panel and Nordicon facade systems – will be published at the beginning of 2005. The declarations will be used as part of the life cycle assessments of buildings.

Keeping an eye on legislation

Ruukki actively monitors the drafting of future environmental legislation. In 2004 Ruukki took part, principally, in legislative work on the EU's internal emissions trading, the EU chemicals legislation, a proposed directive on air quality as well as legislation concerning landfills, waste management and recycling.

Additional information on environmental issues is available on Ruukki's website at the address: www.ruukki.com.

Carbon dioxide emissions



Personnel

Ruukki's objective is to be a profitable and successful company, because only in this way can it offer employees an interesting and dynamic working enviroment. The main focus of Ruukki's human resources management is to support implementation of the Group's strategy.

Human resources management underpins strategy

During 2004 human resources management procedures were harmonised and developed. The aim is to create human resources practices that support the adopted strategy and serve business objectives in key functional areas such as resourcing recruitment, performance management, competence development and compensation management. A joint information system will be introduced in 2005 to support the management of personnel data and the harmonisation of ways of working at the practical level.

A new Group-wide development discussion model was employed with the aim of making strategic objectives more concrete. The development discussion involved defining joint and individual goals on the basis of which annually defined performance bonus metrics were set. The common targets for a bonus are based on the financial result, development of the solutions business as well as work on behalf of a unified company.

Personnel representatives have participated in harmonising ways of working, for example, by agreeing on a uniform set of personnel benefits. The employees have also taken part in elaborating the Ruukki way of working, i.e. result orientation, personal responsibility, sharing information and knowledge and working on behalf of a unified company.

Profit bonus for the personnel

The profit bonus calculated on the basis of earnings in 2004 according to the Group's profit bonus scheme is EUR 16 million. The profit bonus scheme covers the Group's entire personnel.

In accordance with the share bonus scheme that is part of the long-term incentive system for key personnel, 40 per cent of the maximum bonus amount was paid for the period 2001–2003. The share bonus scheme covers about 100 management or other persons who are classified as key employees. In December 2004 Rautaruukki's Board of Directors approved a renewal for the share bonus scheme. The share bonus schemes are discussed in greater detail on pages 52–53.

Seeking out new expertise

Developing the solution business and joint ways of working have brought the challenge of finding skilled professionals for demanding projects. As a rule, the Ruukki's own personnel have been trained and placed into these development projects, but new professionals have also been recruited. The chance to take part in these projects as well as other initiatives has offered the personnel an important opportunity for learning new things and for self-development.

An attractive employer that offers versatile career opportunities for professionals in different fields

The age distribution of the personnel has been monitored over the long and short term. Over the next few years, a large number of experienced and skilled personnel will retire. To meet this challenge, Ruukki has undertaken active co-operation with universities and educational institutions, sought to enhance its employer image, offered traineeships to young people and launched an orientation programme for people who will move into supervisory positions within production. Across company sites, active measures have been launched for transferring know-how to the younger generation.

To enhance its employer image, Ruukki has continued co-operation with selected universities and vocational educational institutions, for example, by offering opportunities to do work on theses and diploma projects or to work as a trainee at the different divisions. Ruukki is highly visible at Finland's most important recruitment events in commercial and technical fields.

Training with a customer perspective

A new way of working is needed as Ruukki develops its solutions business, especially for those who work with customers. Understanding the customer's perspective coupled with an ability to make use of Group-wide resources and know-how on the customer's behalf were the themes of the training sessions for more than 500 Ruukki staff that were arranged during the year.

Ruukki's Excellence Programme, an international management programme has been run for about 30 persons annually. In the coming year, the company will carry out the Ruukki Development Program, which is beamed at a considerably wider target group and supports the implementation of strategy in practice, with a special emphasis on the solutions business.

The development of supervisor and management skills was continued through the Talent training programme. About 100 supervisors or experts have taken part in the programme over the past two years.

Focus on occupational safety

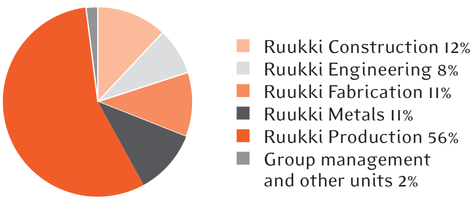
Occupational safety is an important part of everything Ruukki does. Management and the personnel are committed to management practices and ways of working and operating that reduce the risk of accidents, while cutting down the number of work-related accidents and sickness absences.

Occupational safety starts with the identification and management of risks arising in the operating environment with the aim of achieving a continual improvement in safety. The discussion of safety issues with the personnel was increased during the year. Hazardous situations were reported more actively than before and safety-improving initiatives were carried out on the basis of them. The number of accidents decreased from previous year's level and was 32 accidents per million working hours.

Number of personnel

In 2004 the Group had an average payroll of 12,273 employees (12,782). The personnel strength at the close of the year was 12,126 people (12,047), a net additon of 79. The acquisition of Velsa Oy added 396 people to the Group's payroll.

Personnel by division 31 Dec 2004



Personnel by country at year-end

	2004	2003
Finland	7,189	6,886
Sweden	1,723	1,721
Norway	855	909
Germany	517	573
The Netherlands	458	496
Russia	221	279
Poland	207	198
Estonia	181	164
Ukraine	176	139
Denmark	121	145
Hungary	87	52
Latvia	86	83
Lithuania	82	84
Czech Republic	61	32
Other countries	162	286
Total	12,126	12,047

Corporate governance

The Head Office of the Rautaruukki Group is located in Helsinki, Finland. The Rautaruukki Group complies with the Finnish Companies Act, other similar legislation and the Articles of Association of Rautaruukki Corporation. 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 through achieving long-term growth in the Group's shareholder value. In managing the Group's activities, its stakeholders and the principles of sustainable development are taken into account. The guidelines of responsibility in Rautaruukki's business have been compiled in the Code of Conduct, which Rautaruukki's Board of Directors approved in January 2005.

Rautaruukki publishes its annual financial statements in accordance with Finnish legislation in Finnish, Swedish and English as well as interim reports in Finnish and English. International Financial Reporting Standards (IFRS) will be adopted in 2005.

Governing bodies

Responsibility for the administration and operations of the Rautaruukki Group is exercised by 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 and CEO. The Board of Directors is assisted by Audit and Compensation Committees, which prepare matters that are to be dealt with by the Board. The President and CEO is supported by a Management Group that operates within corporate administration.

General meetings of shareholders

Shareholders' right of decision in the company's affairs is exercised by the shareholders in attendance at a duly convened General Meeting of Shareholders or by their legal representatives or legally authorised agents.

The Annual General Meeting is held each year before the end of May. An extraordinary general meeting must be held when the Supervisory Board or Board of Directors deems it necessary or if the auditor or shareholders representing at least one tenth of all the shares outstanding submit a reasoned written statement to the Board of Directors requesting it for dealing with a specified matter.

A notice of an annual or extraordinary general meeting of shareholders is given by the Board of Directors by announcing it in one or more widely circulated daily newspapers, no earlier than two months and no later than seventeen days before the meeting.

To participate in a general meeting, a shareholder must register with the company no later than on the date stated in the notice of meeting, which must not be earlier than ten days before the meeting.

Any matter which a shareholder wishes to put forward at a General Meeting of Shareholders must be notified in writing to the Board of Directors in time for its inclusion in the notice of meeting.

In ballets and elections, each Series K share carries ten votes and each Series A share one vote. Series A shares have not been issued.

At the Annual General Meeting, the parent company and consolidated income statement and balance sheet are adopted and a resolution on the dividend distribution is passed. In addition, resolutions are passed on matters such as the number of members of the Supervisory Board and Board of Directors and their emoluments, and the Chairman, Vice Chairman and other members of the Supervisory Board and the Board of Directors are elected as well as the auditor.

Supervisory Board

The main duties of the Supervisory Board are to oversee the company's affairs so that it is managed in accordance with sound business principles, to issue instructions to the Board of Directors on matters of wide scope or fundamental importance as well as to submit statements to the Annual

General Meeting in respect of the financial statements, consolidated financial statements and the auditors' report.

The Supervisory Board is elected for a term of one year by the Annual General Meeting. The Supervisory Board has from 5 to 12 members, of whom the Ministry of Trade and Industry is entitled to name one member and the company's founding shareholders three members. Four representatives of personnel groups take part in the Supervisory Board's deliberations in accordance with its standing rules. At meetings of the Supervisory Board, personnel representatives have the right to be present and to speak, except when matters connected with the appointment and compensation of top management as well as collective bargaining agreements are up for decision. In 2004 the Supervisory Board had 10 members and 4 employee representatives.

The Supervisory Board meets as required and its meetings have a quorum if more than half of the members are present. The Supervisory Board met 6 times in 2004. The average attendance rate of the members was 82 per cent.

Board of Directors

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

Under the Companies Act, the Board of Directors is responsible for the company's administration and the due arrangement of its business operations. In addition, the Board of Directors is responsible for controlling the arrangement of accounting and treasury functions. Other main duties of the Board of Directors are to set long-term objectives for the Group and the divisions and to approve the basic strategy for achieving these objectives, to approve the annual plans for the Group and the divisions, to decide on the Group's overall capital expenditure and major individual investments, to decide on the company's dividend policy, to present a proposal to the Annual General Meeting on the amount of the dividend to be paid, to decide on the Group's organisational structure and to appoint and dismiss the company's President and the Group and divisional executives reporting to him.

The Annual General Meeting elects the company's Board of Directors for a one-year term. The Board of Directors comprises the chairman and deputy chairman as well as from two to six other members. The President and CEO participates in meetings of the Board of Directors. During the period of office from 23 March 2004 to 23 March 2005 the Board of Directors had seven members. On 23 March 2004, the Annual General Meeting passed a resolution to set up a Nomination Committee to prepare proposals concerning the members of the Board of Directors and their emoluments for presentation to subsequent Annual General Meetings beginning in 2005.

The Board of Directors meets at least six times a year and the meeting has a quorum if more than half of the members are present. The Board of Directors met 17 times in 2004, of which two meetings were arranged by telephone. The average attendance rate of the directors was 98 per cent.

Directors' independence

The Board of Directors has assessed the independence of its members and observed that all the members except for Maarit Toivanen-Koivisto are independent of the company and all the members except for Pekka Timonen are independent of the company's major shareholders.

Maarit Toivanen-Koivisto belongs to the operating management of another company that has a customer and supplier relationship with Rautaruukki. Pekka Timonen occupies the post of Senior Advisor at the Ministry of Trade and Industry.

Committees

The Board of Directors appoints from amongst its number an Audit Committee and a Compensation Committee, both of which have a minimum of three and a maximum of five members who are elected by the Board of Directors each year from amongst its number. The committees report regularly on their work to the Board of Directors.

The members of the Audit Committee must have a wide-ranging grasp of business affairs as well as adequate experience and knowledge of economic, financial and oversight matters, and a member must not be an employee of a company belonging to the Rautaruukki Group.

The Audit Committee prepares and assesses risk management, internal control systems, financial reporting as well as the outside audit and the internal audit.

In 2004 the Audit Committee was chaired by Pirkko Juntti and the other members were Maarit Aarni and Christer Granskog. The Committee met 5 times during the year.

The purpose of the Compensation Committee is to ensure the objectivity of decision-making, to make use of incentive systems to promote achievement of the company's objectives and to see to it that reward and compensation systems are transparent and systematic. The committee prepares and assesses compensation and appointment matters relating to the President and other members of top management as well as incentive systems for the rest of the personnel.

In 2004 the Compensation Committee was chaired by Jukka Viinanen and its other members were Georg Ehrnrooth and Maarit Toivanen-Koivisto. The committee met 5 times during the year.

President and CEO

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 decides on appointment of the President and CEO's deputy.

The Management Group

In managing the Group, the President and CEO is assisted by the Group's Management Group which comprises the President and CEO and other Group's and divisions' executives appointed by the Board of Directors at the proposal of the President and CEO.

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

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

In managing the Group, the President and CEO is assisted by the Management Group and the corporate headquarters staff, whose principal functions are strategic planning and business development, logistics, communications, research and development, personnel management, finance and treasury, investor relations, IT and legal affairs. The Group's corporate headquarters organisation also comprises functions providing services to the divisions and their units.

Division Steering Groups

Upon a proposal by the President and CEO, the parent company's Board of Directors appoints the steering groups of the divisions from amongst Group and divisional senior executives. The parent company's President and CEO acts as chairman of the divisional steering groups.

The divisional steering groups deal with issues related to the development and monitoring of divisions.

Long-term incentive schemes

Rautaruukki's long-term incentive schemes consist of the Group's two share bonus schemes (2000 and 2004) for key employees and a bond loan with warrants (2003) targeted at the personnel and the Rautaruukki Personnel Fund. Rautaruukki does not have stock option programmes that are in effect.

Additional information on the long-term incentive schemes is given on pages 52–53.

Monitoring system

The control and monitoring of the Rautaruukki Group's operations is assured by means of the above-discussed management system. The Group employs the reporting systems necessary for efficiently monitoring operations. The highest responsibility for the due arrangement of accounting and supervision of the management of funds rests with the Board of Directors. The President and CEO is responsible for seeing to it that the accounting is in compliance 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 evaluates the appropriateness and proper functioning of the Group's internal monitoring system, the suitability and efficiency of functions, the reliability of financial information and reporting and compliance with rules, operating principles and guidelines. The internal audit reports are also distributed to the chairman of the Board of Directors and the Audit Committee, and the audit plans are presented to the entire Board of Directors. As part of their legal oversight, the Group's auditor evaluates the proper functioning of internal control.

The Rautaruukki Group observes the insider guidelines issued by the Helsinki Stock Exchange and the Board of Directors has confirmed insider rules and regulations for the company in accordance with them. The Group's statutory insiders are the members of the Supervisory Board and the Board of Directors, the President and CEO, the President's deputy as well as the auditor. In addition, separately designated insiders are the members of the Management Group, persons in charge of communication, the secretaries to the Supervisory Board, the Board of Directors and the Management Group as well as separately named secretaries of the specially designated insiders.

The Group's audit is organised such that a firm of independent public accountants elected by the Annual General Meeting to exercise responsibility for the parent company's audit carries out its audit via its own worldwide organisation across the entire Rautaruukki Group and is responsible for auditing the entire Group. The term of office of the auditor comprises the financial year in course at the time of election and the assignments ends at the close of the first Annual General Meeting following the election.

The firm of public accountants Ernst & Young Oy was elected as Rautaruukki's independent auditor as from 2 April 2003 and was re-elected on 23 March 2004. The firm's principal auditor is Pekka Luoma, Authorised Public Accountant.

Emoluments of members of the Supervisory Board

The emolument of the Supervisory Board chair is EUR 1,000, that of the vice-chair EUR 600 and the emoluments of other members are EUR 500 a month. A meeting fee of EUR 200 is paid.

Emoluments of members of the Board of Directors

The emolument of the chairman of the Board of Directors is EUR 3,600, that of the vice chairman, EUR 2,700 and the emoluments of the other members of the Board of Directors are EUR 2,200 a month. A meeting fee of EUR 300 is paid for Board meetings as well as for Committee meetings.

President and CEO's pension, salary and other benefits

The parent company's President and CEO was paid a salary and other benefits totalling EUR 443,274 for the 2004 financial year. 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.

Auditor's fee

The independent auditors' fees for audit services and other services relating to the 2004 financial statements are:

- audit fees with expenses: EUR 1,030,000
- services connected with the audit: EUR 405,000
- tax services and other services: EUR 193,000.

Emoluments to the Supervisory Board and the Board of Directors

euros	Total 2004	Total 2003
Chairman of the Supervisory Board	16 200	16 200
Deputy Chairman of the Supervisory Board	8 600	8 800
Other members of the Supervisory Board	54 700	51 800
Chairman of the Board of Directors	50 700	47 300
Deputy Chairman of the Board of Directors	38 100	34 800
Other members of the Board of Directors	156 000	134 650

Emoluments to the President and CEO and the Management Group

euros	Salaries and fringe benefits 2004	Salaries and fringe benefits 2003	Bonuses 2004	Bonuses 2003	Total 2004	Total 2003
President and CEO	384 474	261 904*	58 800	0*	443 274	261 904*
Other members of the Management Group**	1 047 846	1 810 174	141 717	117 214	1 189 563	1 927 387

* The emoluments of the present President and CEO for 8 months, when he served as deputy to the President
** Along with the President and CEO, the Management Group comprised 6 members in 2004 and 10 members in 2003

Supervisory Board

Supervisory Board 23.3.2004–23.3.2005

Chairman

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

Deputy Chairman

Jouko Skinnari ,b. 1946, LL.M., Member of Parliament

Members

Heikki Allonen, b. 1954, M.Sc. (Tech), President and CEO, Fiskars Oyj Abp

Ole Johansson,b. 1951, M.Sc. (Econ), President and CEO, Wärtsilä Oyj Abp

Inkeri Kerola,b. 1957, class teacher, Member of Parliament

Miapetra Kumpula,b. 1972, B.Sc. (Eng), student of Economics , Member of Parliament

Tauno Matomäki, b. 1937, M.Sc. (Tech), Mining Counsellor

Petri Neittaanmäki, b. 1975, M. Soc. Sc., Member of Parliament

Tapani Tölli, b. 1951, M.Pol.Sc., Member of Parliament

Lasse Virén, b. 1949, police officer, Member of Parliament

Employee representatives

Workers

Jouko Luttinen, b. 1956, chief shop steward

Eero Raivio, b. 1945, stoker

Salaried employees

Jarmo Kemppainen, b. 1951, chief shop steward

Markku Pelkkikangas, b. 1950, project manager

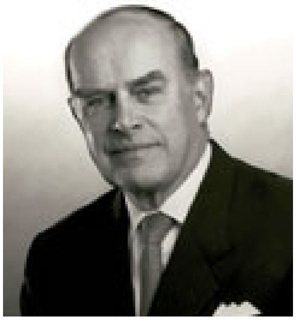
Board of Directors 31.12.2004

Chairman
Jukka Viinanen
b. 1948

M.Sc. (Tech),
President and CEO, Orion Corporation.
Previously: President and CEO, Neste Oyj (1997–1999), Senior VP and Board member, Neste Oyj (1990–1997).

Rautaruukki's Board member and chairman since 2001.

Shares: –



Deputy Chairman
Georg Ehrnrooth
b. 1940

M.Sc. (Tech), Dr.Sc. (Tech) h.c.,
Previously: President and CEO, Metra Corporation (1991–2000), President and CEO, Lohja Corporation (1979–1991), executive duties, Wärtsilä Corporation (1965–1979).

Principal Board memberships: Assa Abloy Ab (Chairman), Oy Karl Fazer Ab, Nokia Corporation, Sandvik AB (publ.), Sampo Corporation, The Research Institute of the Finnish Economy ETLA (Deputy Chairman), Finnish Business and Policy Forum EVA (Deputy Chairman).

Rautaruukki's Board member and deputy chairman since 2001.

Shares: 1,902

Maarit Aarni
b. 1953

M.Sc. (Tech), MBA
Vice President, Phenol Business Unit, Borealis Group.
Previously: different positions in Borealis Group since 1994 and in Neste Oyj (1977–1994).

Principal Board memberships: Borealis Polymers Oy (Finland), Vattenfall AB (Sweden).

Rautaruukki's Board member since 2004.

Shares: –

Christer Granskog
b. 1947

M.Sc. (Tech)
President and CEO, Kalmar Industries AB.
Previously: Deputy to the President and CEO, Partek Oy Ab, President and CEO, Partek Cargotek AB (1997–1998), President and CEO, Sisu Group (1994–1997), President and CEO, Valmet Automation Oy (1990–1994).

Principal Board memberships: Oy E Sarlin Ab.

Rautaruukki's Board member since 2001.

Shares: –

Pirkko Juntti
b. 1945

LL.M
Previously: expert and executive duties of international financing, Senior Advisor, HSH Gudme Corporate Finance Oy (1998–2003), executive, JP Morgan (1983–1998).

Principal Board memberships: VPU Pukutehdas Oy.

Rautaruukki's Board member since 2003.

Shares: –

Pekka Timonen
b. 1960

LL.D
Senior Advisor, Ministry of Trade and Industry.
Previously: research and education duties, Helsinki University (1984–2001).

Principal Board memberships: Hansel Oy, VPU Pukutehdas Oy, The Association of Finnish Lawyers.

Rautaruukki's Board member since 2001.

Shares: –

Maarit Toivanen-Koivisto
b. 1954

M.Sc. (Econ), P.D
Chair of the Board, Onninen Oy, President and CEO, Onvest Oy.
Previously: executive, financing and purchasing duties.

Principal Board memberships: The Central Chamber of Commerce, F.B.N. International, Pohjola Group Plc, Pohjola Non-Life Insurance Company Ltd, Pohjola Customer Service Ltd.

Rautaruukki's Board member since 2003.

Shares: 20,451

Management Group 31.12.2004

Chairman

Sakari Tamminen

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

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

Principal Board memberships: SanomaWSOY Oyj, Lemminkäinen Oyj, Technology Industries of Finland, Association of Finnish Steel and Metal Producers, Finnish Foundation for Share Promotion.

Supervisory Board memberships: Life Insurance Company Sampo, Mutual Pension Insurance Company Varma, The Finnish Fair Corporation.

Shares: 500

Matti Arteva

b. 1945, B. Sc. (Eng), President of Ruukki Metals until 31.12.2004. Arteva ceased to be a member of the Management Group as from 1.1.2005. He continues to serve as Senior Advisor with special responsibility for commercial matters, reporting to the CEO. Joined the company in 1975. Management Group member 2001–2004

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

Principal Board memberships: Aspo Oyj.

Shares: 8,636

Mikko Hietanen

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

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

Principal Board memberships: Lohjan Puhelin Oy.

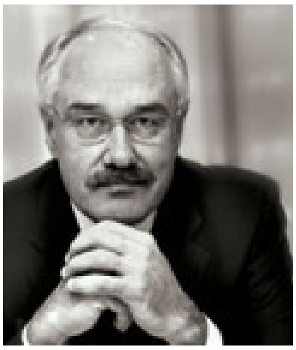
Shares: –

Olavi Huhtala

b. 1962, B. Sc. (Eng), President of Ruukki Fabrication until 31.12.2004. President of Ruukki Metals from 1.1.2005. Joined the company in 1987. Management Group member 2003–

Previous main positions: Marketing and executive duties, Rautaruukki Metform.

Shares: 1,990



Markku Koljonen

b. 1951, B. Sc. (Eng), President of Ruukki Engineering. Joined the company in 1989. Management Group member 2001–

Previous main positions: Senior VP, Rautaruukki Steel Structure Division, executive duties, Rautaruukki Steel.

Shares: 3,586

Lauri Rautala

b. 1954, M. Sc. (Econ), President of Ruukki Construction. Joined the company in 1998. Management Group member 2001–

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

Principal Board Memberships: PPTH-Norden Oy.

Shares: 3,456

Heikki Rusila

b. 1949, M. Sc. (Tech), President of Ruukki Production, Deputy to the President and CEO. Joined the company in 1974. Management Group member 2001–

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

Shares: 7,586

Extended Management Group 31.12.2004

comprises the members of the Management Group along with:

Taina Kyllönen

b. 1967, M. Sc. (Econ),
Vice President, Corporate Communications.
Joined the company in 2004.
Shares: –

Ismo Platan

b. 1953, B. Sc. (IT),
Chief Information Officer.
Joined the company in 2003.
Shares: –

Peter Sandvik

b. 1953, Dr. Sc. (Tech),
Vice President, R&D, energy, environment.
Joined the company in 1983.
Shares: 3,280

Marko Somerma

b. 1966, Lis. Tech.,
Vice President, Corporate planning and logistics.
Joined the company in 2004.
Shares: 3,000

Salla Sundström

b. 1965, Lis. Tech.,
Vice President, Human resources development.
Joined the company in 1990.
Shares: –

Jarmo Tonteri

b. 1952, M. Sc. (Tech), M. Sc. (Econ),
Senior Vice President, Scandinavia.
Joined the company in 1992.
Shares: 3,501

Risk management

Ruukki's risk management supports implementation of the company's strategy. The comprehensive survey of the present state of risks and risk management at the Group level, which was carried out in autumn 2004 as part of the process of putting into effect the new business model, underpins the development of Ruukki's risk management.

In the survey, risk is defined as being an external factor of uncertainty – or one within the Group – which threatens implementation of the Group's strategy or the achievement of its objectives. In addition to identifying and assessing risks, the process involved classifying risks within four categories: strategic; operational; financial; and property damage and business interruption risks. The results of the survey will enable Ruukki to define a set of unified risk management principles and to increase the effectiveness of Group-level reporting. In addition, risk management standards will be fine-tuned as part of the business planning process.

Cyclical sensitivity

The demand and prices for steel and other metal products vary with business cycles. The situation in the global steel market is reflected in Ruukki's main market area: the Nordic countries, the Baltic Rim and central eastern Europe. The Group has a leading market position in a number of its products in this region. A strong market position and cost-effectiveness reinforce Ruukki's ability to adapt to the prevailing cyclical conditions. The growth in the solutions business is estimated to reduce the Group's dependence on the ups and downs of the business cycle.

Prices, including freight charges, of the raw materials used in steel production – iron ore, coal, steel scrap and other main raw materials – are determined in the world markets. Depending on the business cycle, the price of raw materials can show considerable volatility, and their procurement sources are changed from time to time. Electricity and zinc derivatives are used in managing the price risk over the next three years. The risk management related to raw materials and energy prices is shown in Note 25 to the accounts.

Availability of raw materials and energy

In order to keep availability risks under control, long-term agreements are made for the procurement of the main raw materials and energy used in steel production.

As a manufacturer of steel, Ruukki consumes a large amount of energy. Roughly 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.

Production technology and quality

Ruukki's production equipment is in good condition and the Group employs state-of-the-art and competitive technology. The production units 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.

The Group's quality and environmental management system fulfils the requirement of the ISO 9001 and 14001 standards. The system is being developed into an ongoing process in connection with changes in the Group's operations and the operational model of one company. The EHQS Steering Group oversees development and quality management in this area. The Six Sigma concept is being introduced across the Group as a tool for building higher quality.

Acquisitions and human resources

Acquisitions play an important role in implementing Ruukki's strategy. The implementation itself depends largely on the management and other key personnel resources of the Group and the divisions. To support line management, a team specialised in acquisitions and post-transaction integration has been set up within the Group and given the task of developing expertise and processes connected with M&A arrangements.

To build strong commitment amongst key employees, a new share-based long-term incentive plan was introduced in 2005. The aim of the new bonus scheme is to align the objectives of shareholders and key executives with a view to boosting shareholder value, ensuring the commitment of key personnel to the company and offering them a competitive, ownership-based reward scheme. In addition, the company draws up successor plans for the key executive positions.

Environmental risks

All Ruukki's main production sites operate in accordance with ISO 14001 environmental systems. Building environmental systems involves mapping out environmental risks at production sites and defining procedures for keeping them in check. Ruukki operates in accordance with the principles of sustainable development. This means striving for economically profitable operations in which both environmental considerations and the interests of various stakeholders are heeded in equal measure.

When modernising production processes or building new processes, environmental risks are assessed as part of the plant's design and planning process. The most important aspect of environmental protection in 2004 has been the taking of steps to prepare for the start of greenhouse gas emissions trading. The carbon dioxide allowances granted for the three-year period 2005–2007 will not result in significant cost pressures on Ruukki's steel production. The market risk in emissions trading will be managed by means of a Group-wide emissions balance. This will ensure cost-effective emissions trading.

Information technology

With the aim of implementing the new business model, the Group is carrying out transformation projects involving going through all the business processes and the applications supporting them. Concurrently, IT infrastructure and services will be standardised and unified. This will enable centralised management of the Group's main information systems and telecommunications connections.

To ensure that the business runs in a continuous and disturbance-free manner, the Group operates in accordance with the data security policy that was revised in 2004. Monitoring of the level of data security and providing information on it were improved in the past year, notably, by revamping the organisation in charge of developing data security. The Group launched an online learning system designed to familiarise the entire personnel with the fundamentals of data security. Technical data security was improved by developing remote data security and expanding anti-virus safeguards.

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 Group's main raw materials are priced in United States dollars. This results in a significant foreign exchange risk, because the Group's sales are denominated mainly in euros as well as partly in British pounds and Nordic kronor/kroner. The interest rate risk related to the Group's loans is managed by keeping 30–70 per cent of the loans at a fixed interest rate. Financing and the management of financial risks are shown in greater detail in Note 25 to the accounts.

Property damage and business interruption risks

The risk management policy approved by the Board of Directors in 2004 is employed in managing property damage and business interruption risks. Ruukki adheres to the principle of adequately protecting the Group's profit-making ability and solvency against possible damage or loss. Maintaining proper insurance coverage against property damage and loss of profits is an essential part of the management of property damage and business interruption risks. A survey of risks is used as an aid in managing the Group's insurance portfolio efficiently.

Shares and shareholders

Share capital and shares

Rautaruukki Oyj's fully paid-in share capital entered in the Trade Register at 31 December 2004 was EUR 236,106,956.50. The share capital was divided into 138,886,445 shares. Under the Articles of Association, the minimum share capital is EUR 200,000,000 and the maximum share capital EUR 800,000,000, within which limits the share capital can be raised or lowered without amending the Articles of Association. During 2004 no changes were made in the share capital.

Rautaruukki Oyj has in use one series of shares. Each Series K share confers 10 votes at general meetings of shareholders. The accounting countervalue of the share is EUR 1.70. Series A shares, as provided for in the Articles of Association, have not been issued.

Treasury shares

The company has 3,072,960 of its own shares (treasury shares) in its possession, corresponding to 2.21 per cent of the company's shares outstanding and the votes conferred by the shares. The Board of Directors does not have a valid authorisation to increase the share capital or to purchase the company's own shares.

The State's shareholding

The Finnish State's shareholding at 31 December 2004 was 40.1 per cent. The Government can, subject to an authorisation obtained from Parliament, reduce the State's shareholding in Rautaruukki Oyj such that its holding is nevertheless at least 20 per cent of all the company's shares and the votes 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.

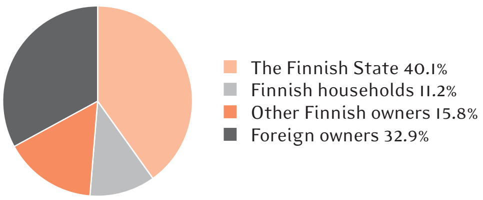
Redemption clause

Under the Articles of Association, a shareholder whose proportional holding of all the company's shares or the votes conferred by them reaches or exceeds 33 1/3 or 50 per cent is obligated, upon a demand by other shareholders, to redeem their shares and securities giving entitlement to shares.

Share turnover on the Helsinki Stock Exchange clearly increased

Rautaruukki Oyj's share is listed on the Helsinki Stock Exchange (HEX: RTRKS). During 2004 the number of shares traded was 127 million (2003: 44 million), representing 92 per cent of the shares outstanding (33). Shares were traded to a value of EUR 912 million (207) and the average intra-day trading volume was 503,617 shares. During 2004 Rautaruukki's share price rose by 44 per cent, the HEX Portfolio Index was up 12 per cent and the HEX All-Share Index increased by 2 per cent. The share registered a high of EUR 9.19 in November and a low of EUR 5.67 in May. The average share price was EUR 7.16. The closing price of the share in 2004 was EUR 8.74 and the Group had a market capitalisation of EUR 1,214 million. In Finland the taxation value of the share for 2004 was EUR 6.13.

Ownership structure
31 Dec 2004



Board authorisations

The Annual General Meeting held on 23 March 2004 authorised the Board of Directors to decide on the transfer of treasury shares for a one-year period. The authorisation applied to a maximum of 3,270,000 Series K shares in the company's possession. The shares can be transferred as consideration in any future acquisitions, for financing investments or as part of the incentive and bonus schemes for the personnel. The Board of Directors can also decide on selling treasury shares in public trading. The authorisation does not include a right to transfer shares to parties closely connected with the company. According to this authorisation, on 30 August 2004 the company transferred 197,040 of its own Series K shares (treasury shares) to persons covered by the Group's share bonus scheme.

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.

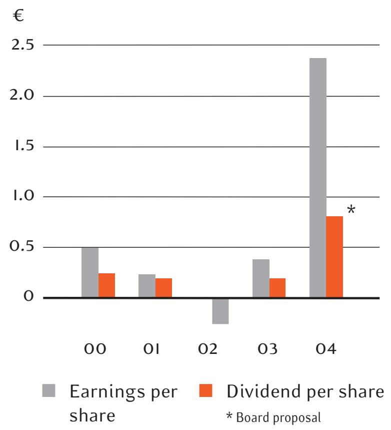
Dividend policy

Rautaruukki Oyj has adopted a competitive and stable dividend policy, which takes into account the company's earnings trend and adequate development of the equity ratio. The Board of Directors will propose to the Annual General Meeting on 23 March 2005 that a dividend of EUR 0.80 per share be paid for the 2004 financial year.

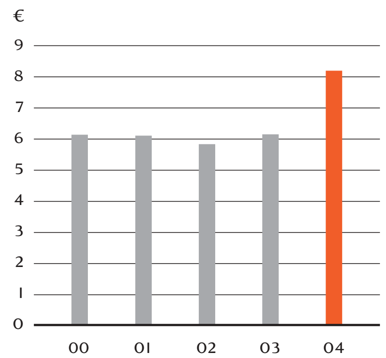
Shareholdings of directors and management at 31 December 2004

At 31 December 2004, members of the Supervisory Board and Board of Directors held a total of 22,938 shares, or 0.02 per cent of the company's shares and the votes conferred by the shares. Members of the Group's Management Group owned a total of 25,754 of the company's shares at 31 December 2004, corresponding to 0.02 per cent of the company's shares and the votes conferred by the shares. Management's shareholding is discussed in greater detail on pages 46–47.

Earnings and dividend per share



Equity per share



Rautaruukki insiders owned a total of 57,799 shares at 31 December 2004, or 0.04 per cent of the company's shares and the votes conferred by them. The shareholdings of Rautaruukki insiders are posted on the company's website at the address www.ruukki.com.

2003 bond loan with warrants

On 26 May 2003 Rautaruukki Oyj issued an EUR 3.5 million bond loan with warrants targeted at the Group's personnel and the Rautaruukki Personnel Fund. The warrants entitle their holders to subscribe for a total maximum of 1,400,000 new Series K shares to be issued by Rautaruukki from 24 May 2006 to 23 May 2009. The subscription price of the shares is EUR 4.40 less the amount of dividends declared after 23 May 2003 and prior to the exercise of the subscription rights. As a consequence of 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 currently registered share capital.

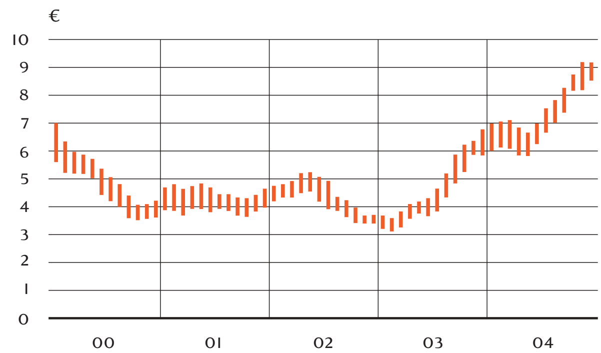
Stock options

Rautaruukki does not have stock option programmes that are in effect.

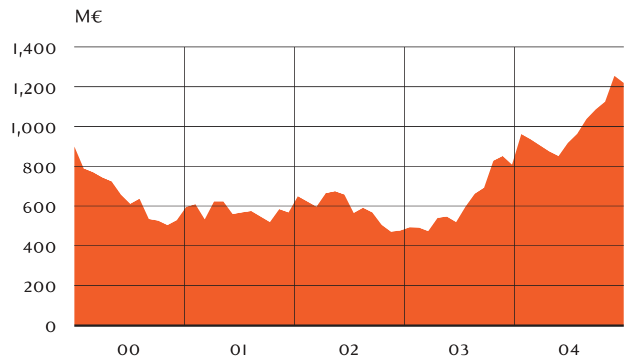
Share bonus scheme 2000

In February 2000 Rautaruukki introduced an share bonus scheme as part of the Group's incentive system for key executives. The scheme comprises three performance periods, the first of which commenced on 1 January 2000. Thereafter the periods have commenced at the start of each year. The last period began on 1 January 2004 and it will run until the end of 2006.

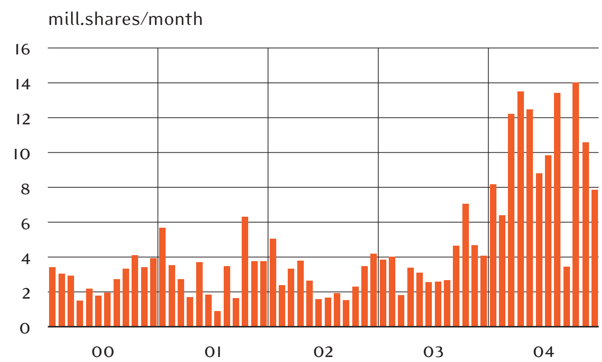
Rautaruukki share price monthly high–low



Market capitalisation



Rautaruukki share monthly trading volume



Under the share bonus scheme, the Group's key executives can receive a bonus equal to a maximum of half of their annual salary after the close of the performance periods. About 100 people are covered by the scheme. 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 granted 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 bonus threshold is that Rautaruukki achieves at least a median ranking, i.e. sixth. In this case, the bonus is 5 per cent of annual salary. The size of the bonus if Rautaruukki places fourth or fifth varies linearly within the above-mentioned limits. The peer group comprises, in addition to Rautaruukki, Arcelor, Corus, Feralpi Group, Ispat International, Outokumpu, Salzgitter, SSAB, Stelco, US Steel and VA Stahl.

Share bonus scheme 2004

In December 2004 Rautaruukki's Board of Directors decided on a new share bonus scheme for key executives. The aim of the scheme is to align the objectives of shareholders and key personnel in increasing shareholder value, to ensure the commitment of key employees to the company as well as to offer them a competitive, share ownership-based reward scheme.

The share bonus scheme is divided into three year-long performance periods, which are the years 2005, 2006 and 2007. Any bonuses earned are to be paid out during the year following the performance period. Payment of a bonus is contingent on achieving the financial targets set, which are gauged by the criteria of earnings per share (EPS) and return on capital employed (ROCE). Any bonuses are paid in the form of both Rautaruukki shares and a cash component.

The employee can sell the shares granted as a bonus no earlier than two years after the end of the performance period. However, the President and CEO and the members of the Management Group must retain any shares they have obtained through the scheme at least to the value of their gross annual salary for as long as the CEO's tenure as chief executive continues or the members serve on the Management Board.

The maximum number of Series K shares which may be transferred under the bonus scheme is 1,020,000 shares. The shares to be transferred under the scheme can be treasury shares or they may be Rautaruukki Oyj shares obtained in public trading, and therefore the incentive scheme will not have a dilutive effect on the share value.

Share issues 2000–2004

	No. of K Shares	Increase in share capital, €	Share capital, €
Share capital 31.12.1999	138,886,445		233,590,231.98
Bonus issue 30.3.2000		2,516,724.52	236,106,956.50
Share capital 31.12.2004	138,886,445		236,106,956.50

Shares and shareholders

The biggest shareholders of Rautaruukki Oyj according to the share register at 31.12.2004

Shareholder	Shares %	Number of shares
1 The Finnish State	40.07	55,656,699
2 Rautaruukki Oyj	2.21	3,072,960
3 Odin Norden	1.60	2,215,600
4 Rautaruukki Pension Foundation	1.14	1,585,455
5 Esa Rannila	1.06	1,472,200
6 Finnish State Pension Fund	0.58	800,000
7 Pohjola Finland value Investment Fund	0.50	691,400
8 Technology Industries of Finland	0.49	677,700
9 Mutual Insurance Company Tapiola	0.48	665,000
10 OP-Delta Investment Fund	0.45	622,615
11 Fortum Pension Foundation	0.43	599,900
12 Mutual Pension Insurance Company Etera	0.42	579,400
13 Onnenmäki Foundation	0.40	555,257
14 Odin Finland	0.39	536,200
15 Sonstock Oy	0.35	480,000
16 Mutual Insurance Company Pension Fennia	0.31	431,557
17 Aktia Capital Investment Fund	0.27	379,800
18 Åbo Akademi Foundation	0.26	365,692
19 Yleisradio Pension Fund	0.26	357,200
20 Alfred Berg Finland Investment Fund	0.24	339,680
Administrative registrations	30.73	42,678,113
Other owners	17.37	24,124,017
Total	100.00	138,886,445

Shareholders by share ownership according to the share register at 31.12.2004

	Shareholders		Shares	
Number of shares	No.	%	Thousands	%
1–100	2,187	12.37	135	0.10
101–1 000	12,443	70.39	5,715	4.11
1 001–10 000	2,768	15.66	7,493	5.40
10 001–100 000	230	1.30	6,690	4.82
100 001–	50	0.28	118,853	85.58
	17,678	100.00	138,886	100.00

Shareholders by sector according to the share register at 31.12.2004

	Shareholders		Shares	
Sector	No.	%	Thousands	%
Companies	570	3.22	6,921	4.98
Banks and insurance companies	77	0.44	4,366	3.14
Public institutions	48	0.27	61,694	44.42
Non-profit institutions	231	1.31	4,598	3.31
Private households	16,663	94.26	15,559	11.20
Administrative registrations	10	0.06	42,678	30.73
Other foreign owners	79	0.45	3,070	2.21
	17,678	100.00	138,886	100.00

Stock exchange releases 2004

Feb 10	Clear improvement in Rautaruukki's result – fourth quarter burdened by Fundia Wire's write-downs
Feb 10	Rautaruukki simplifies corporate legal structure
Feb 10	Rautaruukki's new financial targets and net sales by division
Mar 2	Notice of Annual General Meeting
Mar 23	The resolutions of Rautaruukki's Annual General Meeting 2004
Mar 25	New pipeline solution from Rautaruukki for trunk water pipeline for Turku region artificial groundwater project
Apr 26	Interim Report January–March 2004 – clear improvement in Rautaruukki's earnings
Apr 27	Division figures in interim report
Jul 2	Rautaruukki sells its welding wire operations to ESAB
Jul 15	Rautaruukki's first half-year profit better than expected
Jul 28	Interim Report January–June 2004
Aug 2	Subsidiaries merged into Rautaruukki Corporation
Aug 9	Blast furnace repairs completed ahead of schedule
Aug 24	Rautaruukki Board approves the remuneratons of the Group's share bonus scheme for 2001–03
Aug 30	Transfer of the Rautaruukki shares held by the company
Aug 31	Rautaruukki adopts the marketing name Ruukki
Oct 5	Ruukki Construction to concentrate and modernise production in Finland and Sweden
Oct 11	Ruukki acquires Velsa Oy from Kone
Oct 26	Rautaruukki interim report January–September 2004
Oct 28	Competition authority in Sweden approved Velsa Oy acquire
Nov 26	Co-determination negotiations at Ruukki Construction concluded in Finland and Sweden
Nov 30	New tenders for water pipeline for Turku region artificial groundwater project
Dec 16	Olavi Huhtala to become president of Ruukki Metals
Dec 16	Share-based incentive plan for Rautaruukki's key personnel
Dec 21	Emissions allowances allocations for Rautaruukki works in Finland as expected
Dec 28	Rautaruukki increases shareholding in Presteel

Information for shareholders

Annual General Meeting

Rautaruukki Oyj's 2005 Annual General Meeting will be held on 23 March 2005 at 12.00, midday, in Helsinki at the Marina Congress Center, address: Katajanokanlaituri 6, 00160 Helsinki. Listing of attendees and the passing out of ballots will begin at 11.30 (a.m.).

Those shareholders are entitled to participate in the Annual General Meeting who have been entered in the Shareholder Register kept by Finnish Central Securities Depository Ltd no later than on 11 March 2005 and have registered for the meeting. A shareholder in whose name the shares are made out is automatically entered in the company's Shareholder Register. A nominee-registered shareholder can be temporarily entered in the company's Shareholder Register, providing this is done by 11 March 2005.

Shareholders wishing to participate in the Annual General Meeting must notify the company of their intention to attend no later than on 21 March 2005 before 4.00 p.m. Registrations can be made via Rautaruukki's website at the address www.ruukki.com, by email on yhtiokokous@ruukki.com, by letter to the address Rautaruukki Oyj, Osakerekisteri, P.O. Box 138, 00811 Helsinki, by fax on +358 20 592 9104 or by phoning the number +358 20 592 9027 from Monday to Friday, 9.00 a.m. to 4.00 p.m.

It is requested that any proxies be delivered to the company's Shareholder Register before the close of the registration period.

Payment of dividends

The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.80 per share be paid for the 2004 financial year. The dividend will be paid on 6 April 2005 to a shareholder who, on the record date for the dividend payment, 30 March 2005, has been entered in the Shareholder Register kept by Finnish Central Securities Depository Ltd.

Financial reporting in 2005

Financial Statement Bulletin 2004: Thursday, 17 February 2005
Interim Report Q1/2005: Wednesday, 27 April 2005
Interim Report Q2/2005: Wednesday, 27 July 2005
Interim Report Q3/2005: Wednesday, 26 October 2005

The 2004 Annual Report was published in March 2005, week 11. The Annual Report is available in Finnish, Swedish and English and it is also published on the company's website at the address www.ruukki.com. Interim reports are published in Finnish and English only as stock exchange releases and on the company's website.

Closed period

Ruukki observes the principle of a 14-day closed period before earnings announcements. During this period Ruukki does not meet with capital market representatives or discuss with them matters related to the company's earnings trend.

Basic share information

Rautaruukki Oyj has one series of shares. Series K shares are listed on the Helsinki Stock Exchange and they are registered in the electronic book-entry system maintained by Finnish Central Securities Depository Ltd. Series A shares, as provided for in the Articles of Association, have not been issued.

Trading code: RTRKS
Round lot: 200 shares
Codes used by press offices:
Reuters: RTRKS.HE
Bloomberg: RTRKS FH
Startel: RTRKS

Investor relations

The principal task of Rautaruukki Oyj's investor relations is to maintain regular contacts with the investment community, i.e. current and potential shareholders as well as analysts. This is done by actively communicating information on events having an impact on the company's operations, strategic decisions and other major operational actions. The company also arranges its own events for the investment community as well as one-on-one meetings. The main principles guiding these activities are to provide information, consistently and adequately, on an equal basis and at the same time to all investors in all situations as well as fairness, openness and good service. The aim of investor relations is to make available to investors and analysts the tools for determining the value of Rautaruukki Oyj's share.

Ruukki's Investor Relations function is responsible for contacts with the investment community. The company's top management participates actively in, and is committed to, well-run investor relations.

Shareholders' changes of address

Changes in a shareholder's address should be notified via the relevant bank or Finnish Central Securities Depository Ltd.

Contact information

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Investment analysis

According to information available to Ruukki, the following securities firms have followed the Rautaruukki Group regularly during 2004. The analysts have monitored the Rautaruukki Group on their own initiative. Rautaruukki Oyj is not responsible for the views they express.

ABG Sundal Collier
Alfred Berg ABN Amro
Conventum Securities
Credit Lyonnais Securities
Credit Suisse First Boston
Carnegie Investment Bank AB
Deutsche Bank
Danske Equities
Enskilda Securities
Evli Bank
FIM Securities
Handelsbanken Capital Markets
J.P. Morgan Securities Ltd.
Kaupthing Bank
Mandatum Stockbrokers Ltd.
Merrill Lynch International
Opstock Ltd
UBS

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www.ruukki.com

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ruukki

Rautaruukki Financial statements 2004

more with metals

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Ruukki. From a reliable steel producer to the most desired supplier of metal solutions.

Ruukki supplies components, systems and total solutions to the construction and mechanical engineering industries. The company has a wide selection of products and services in metal products. Ruukki has operations in 24 countries and employs 12 000 people. Net sales in 2004 totalled EUR 3.6 billion. The company's share is quoted on the Helsinki Exchanges (Rautaruukki Corporation: RTRKS).

www.ruukki.com

Report of the Board

Business environment and market

Of Rautaruukki's core market areas, economic growth in Nordic countries was clearly above the average of the euro zone. In Central Eastern Europe and the Baltic states, economic growth was significantly stronger than in the rest of Europe. Strong economic growth was also reflected in the Group's most important customer sectors. Construction demand was good during 2004 across Rautaruukki's entire market area, with the building market in the Baltic states and Central Eastern European countries growing most strongly. Growth of mechanical engineering industry output picked up to some extent in the EU countries last year. In the lifting, handling and transport equipment industry, demand was very strong throughout the year.

In traditional steel industry products, demand also grew strongly, particularly in the Chinese and US markets. Owing to good demand, the prices of steel products rose strongly. Supply of steel raw materials, especially coke and coking coal, was unable to keep up fully with demand. The market prices of raw materials were clearly higher than prices in 2003.

After strengthening early in the year, the US dollar again began to weaken in May. At the end of September, the weakening accelerated and at year end the euro-dollar exchange rate was 1.3621.

Net sales and result 2004 (2003 comparison figure)

The Group's net sales in 2004 were EUR 3,569 million, representing 21 per cent growth from net sales in 2003 (2,953). Net sales were boosted by a strong rise in steel product prices that began in the second quarter of 2004. Delivery volumes remained at the level of 2003. Of net sales, 26 per cent (26) comes from Finland and 28 per cent (26) from the other Nordic countries. Central Eastern Europe accounted for 11 per cent (11), the rest of Europe 32 per cent (34) and other countries 3 per cent (3).

Operating profit was EUR 475 million (128, including non-recurring items -42) and 13.3 per cent (4.3) of net sales.

Operating profit was increased by a rise in product prices and an improvement in the sales structure. Prices of steel raw materials rose clearly from 2003. Prices of iron ore and coking coal rose on average by around 15 per cent and the price of recycled steel used in steel production rose by around 50 per cent compared with 2003. An improved sales structure, measures to improve cost-efficiency and a rise in product prices compensated, however, for increased raw material costs. Fixed costs rose owing to personnel incentive schemes, but otherwise remained stable. The change in the exchange rate of the US dollar improved the operating profit by around EUR 37 million compared with 2003. A production shutdown at the Raahe steel works caused by interim repairs on Blast Furnace 2, which were completed in July, weakened operating profit by around EUR 25 million.

Net financial expenses totalled EUR -45 million (-58). Net interest expenses were EUR -40 million (-47) and the net loss on foreign exchange EUR 3 million (9).

The profit before extraordinary items and taxes was EUR 430 million (70).

Group taxes were EUR 116 million (17), which includes a change in deferred tax liability of EUR 1 million (9). The taxes decreased by EUR 18 million due to a reduction in tax liability resulting from a change in Finnish tax legislation. The effective tax rate was 27 per cent (24).

The minority interest share of profits was EUR -1 million (1) and net profit for the financial year was EUR 313 million (53).

Earnings per share were EUR 2.31 (0.39). The effect on earnings per share of the reduction in tax liability due to the change in Finnish tax legislation was EUR 0.13.

The return on capital employed was 26.1 per cent (7.1) and the return on equity was 32.4 per cent (6.5).

Cash flow and financing

Cash flow from operations was EUR 386 million (265) and cash flow before financing EUR 268 million (176).

Interest-bearing net debt totalled EUR 692 million (922) at the end of the year. Working capital grew EUR 128 million (0) owing to an increase in trade receivables and inventories.

The equity ratio was 43.0 per cent (34.6) and the gearing ratio 62 per cent (112). At the end of the year, the Group had liquid funds amounting to EUR 60 million and unused committed revolving credit facilities with banks totalling EUR 245 million. The average interest rate on loans at year end was 4.6 per cent (4.5). The average maturity of loans at year end was 3.0 years (3.3).

Shareholders' equity at the end of the financial year stood at EUR 1,127 million, or EUR 8.20 per share (6.07).

Personnel

During 2004 the average number of personnel was 12,273 (12,782). At the end of the year the total payroll was 12,126 (12,047), a net addition of 79. The acquisition of Velsa Oy added 396 people to the Group's payroll.

The profit bonus based on the Group's profit for 2004 is EUR 16 million. The profit bonus scheme covers almost all of the Group's personnel. Under a share bonus scheme, which acts as a long-term incentive for the Group's key personnel, 40 per cent of the maximum amount of bonus was paid for the period 2001–2003. The share bonus scheme covers around 100 management personnel and other key employees.

Research and development

Research and development expenditure totalled EUR 17 million (17) in 2004. This is equivalent to 0.5 per cent (0.6) of net sales. The emphasis of product development was on coated flat products and extra high-strength steel products. In production process development, the objectives were improving cost-efficiency as well as the accuracy and quality of deliveries.

Environmental matters

The Finnish Government announced the free initial allocation of emissions allowances in December. On the basis of this announcement, Rautaruukki's Raahe and Koverhar steel works will receive in the free initial allocation emissions allowances based on the need for 2005–2007 less an adjustment factor of -5.39%. The need for the period 2005–2007 has been defined using production estimates and the level of specific emissions for the period 1998–2002, based on national emission trading law. In the first period of emissions trading, 2005–2007, direct purchases of emissions rights are not expected to form a major cost burden on the business.

As part of its management of the carbon dioxide emissions balance management, Rautaruukki Oyj has signed an agreement to join the World Bank's CDCF fund with a commitment of four million dollars to the fund. CDCF generates certified emission reductions as laid down in the Kyoto Protocol that can be converted in the EU emissions trading system to emissions rights.

Capital expenditures and structural changes

Gross capital expenditures in 2004 totalled EUR 149 million (102). Of this sum, fixed assets accounted for EUR 108 million (102) and acquisitions EUR 41 million (0). The largest fixed asset items were the building of a walking beam furnace that began at the Raahe steel works, automation of the hot strip rolling mill, and interim repairs to Blast Furnace 2 in July. The most significant acquisition was Velsa Oy. Fixed assets amounting to EUR 29 million were sold during the year. Net capital expenditure in 2004 amounted to EUR 118 million.

Shares and share capital

Rautaruukki Oyj shares worth EUR 912 million (207) were traded on the Helsinki Stock Market in 2004. The highest quotation was EUR 9.19 in November and the lowest EUR 5.67 in May. The average price was EUR 7.16. The price of the share on 30 December 2004 was EUR 8.74 and the company had a market capitalisation of EUR 1,214 million.

The company's registered share capital on 31 December 2004 stood at EUR 236.1 million. The number of Series K shares issued was 138,886,445. The Annual General Meeting of Rautaruukki Oyj, held on 23 March 2004, authorised the Board of Directors to decide on the transfer of the company's own shares. Pursuant to this authorisation the company transferred, on 30 August 2004, 197,040 of its own Series K shares (treasury shares) to persons covered by the Group's share bonus scheme. Following the transfer, the company has 3,072,960 treasury shares. The book value of treasury shares is EUR 13.6 million and the market value on 31 December 2004 was EUR 26.9 million. The Board of Directors does not have a current authorisation to increase the share capital or to purchase the company's own shares.

Share bonus scheme 2004

In December the Board of Directors of Rautaruukki Oyj decided on a new share bonus scheme for key personnel. The new scheme covers around 60 company management staff and other key personnel. The incentive scheme is based on three performance periods, which are the years 2005, 2006 and 2007. The payment of any bonus is based on the achievement of financial targets, which are measured using earnings per share (EPS) and return on capital employed (ROCE). Possible bonuses will be paid in a combination of Rautaruukki shares and cash. Any shares earned through the plan must be held for a minimum of two years after the date of each payment. The President and CEO and members of the Management Group, however, must keep any Rautaruukki Oyj shares that they have obtained through the scheme at least to the value of their annual gross salary for as long as they are employed as President and CEO or are members of the Management Group. The 2004 share bonus scheme replaces the share bonus scheme introduced in Feb 2000, the final performance period of which will end in 2006.

New unified Ruukki

In autumn 2004 the Rautaruukki Group's product brands and marketing were concentrated under the single Ruukki marketing name. The new brand and visual image will support the development of Ruukki into a unified company that customers can work with simply and easily. The company has previously used several product brands, which will now be merged as part of Ruukki. This will bring clarity to marketing and cost-efficiency.

As of 1 September 2004, all the companies in the Rautaruukki Group adopted a common marketing name, Ruukki. The marketing name is used by all of the Group's companies in all market areas. The parent company's legal name will remain as before, but the names of foreign subsidiaries will be changed to the form Ruukki + country name + company name. Holding companies will take the form Ruukki Holding + company name.

Strategy fine-tuning

As set out in the strategy launched in summer 2003, the Rautaruukki's aim is to be the most desired supplier of metal-based solutions in selected customer segments by 2008–2010. The past year was the first full operating year of the new strategy.

During the year the company's strategy was further fine-tuned. In future the Group will concentrate on being a solutions supplier to construction and the mechanical engineering industry. In construction, the objective is to strengthen the company's position at all stages of the construction value chain, to generate new business and to grow, especially in the Central Eastern Europe market. In mechanical engineering, the Group will focus on the lifting, handling and transport equipment industry with the aim of growing into a significant component and system supplier in Northern Europe and transferring closer to customers in the value chain. In traditional metal products the Group's objective is to strengthen its position as a leading supplier in the Nordic countries and the Baltic states. In connection with strategy fine-tuning, Rautaruukki's core market area was expanded to cover all the Central Eastern Europe countries in addition to the Nordic countries and the Baltic states. The growth and development of the solutions business and the accumulation of expertise will be supported through the acquisition of financially sound, growth-oriented companies. Non-core business operations will be disposed of.

The company's customer-focused divisions from the beginning of 2005 are Ruukki Construction, Ruukki Engineering and Ruukki Metals. The operations of the Ruukki Fabrication division have been incorporated into these divisions. The Ruukki Production division is responsible for production.

To support the implementation of the strategy, in autumn 2004 the Group set up the Ruukki United project, under which all core and support process development projects have been gathered. The objective is to achieve significant cost savings through the development of efficient operating practices. The goal of development work is to create a single unified company that customers can work with simply and easily. Concentrating on the chosen solutions sectors will present good prospects for profitable growth and opportunities to create a significant competitive advantage.

The long-term financial targets set in autumn 2003 remain unchanged: return on capital employed 15 per cent, operating profit more than 7 per cent of net sales, gearing below 80 per cent.

Group management

Sakari Tamminen took over as the Group's new President and CEO 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. Mikko Kivimäki, the Group's long-serving President & CEO, retired on 31 December 2003.

Supervisory Board, Board of Directors and auditors

The Annual General Meeting of Rautaruukki Oyj, held on 23 March 2004, re-elected Turo Bergman, Lic. (Pol. Sc.) as Chairman, and Member of Parliament Jouko Skinnari as Deputy Chairman. Re-elected as members were Members of Parliament Inkeri Kerola and Lasse Virén, as well as Mr Ole Johansson, President & CEO, Wärtsilä Corporation, and Tauno Matomäki, former President & CEO, UPM-Kymmene Corporation. Heikki Allonen, President & CEO, Fiskars Corporation, as well as Members of Parliament Miapetra Kumpula, Petri Neittaanmäki and Tapani Tölli were elected as new members of the Supervisory Board.

The Annual General Meeting re-elected Jukka Viinanen, President & CEO, Orion Group, as Chairman of the Board, and Georg Ehrnrooth, Former President & CEO, Metra Corporation as Deputy Chairman. Re-elected to the Board were Christer Granskog, President & CEO, Kalmar Industries AB, Pirkko Juntti, LL.M., Pekka Timonen, Senior Advisor, Ministry of Trade and Industry and Maarit Toivanen-Koivisto, Chair of the Board, Onninen Oy. Maarit Aarni, Vice President, Phenol Business Unit, Borealis Group, was elected as a new member of the Board.

Members of the Audit Committee set up by the Board for financial year 2004 were Pirkko Juntti, Chairman, Maarit Aarni and Christer Granskog. Members of the Compensation Committee set up by the Board for financial year 2004 were Jukka Viinanen, Chairman, Georg Ehrnrooth and Maarit Toivanen-Koivisto.

The Annual General Meeting re-elected Authorised Public Accounting Firm Ernst & Young Oy as auditor, with Pekka Luoma, Authorised Public Accountant, acting as responsible auditor.

Resolutions of the Annual General Meeting

Rautaruukki Oyj's Annual General Meeting, held on 23 March 2004, approved Board proposals relating to the transfer, within one year of the Annual General Meeting, of treasury shares belonging to the company. The Annual General Meeting decided to establish a Nomination Committee to prepare proposals for the following Annual General Meeting regarding the composition of the Board of Directors and director remuneration.

The Annual General Meeting decided to pay a dividend of EUR 0.20 per share, a total of EUR 27 million, for the financial year ending 31 December 2003.

Events after the end of the financial year

Rautaruukki Oyj announced in January that it was exercising a pre-emption clause in the company's Articles of Association to acquire the 50 per cent holding of an international private equity investor group in the Polish company Metalplast-Oborniki Holding Sp. z o.o., which is Poland's leading manufacturer of metal-based construction elements. On completion the acquisition will increase Rautaruukki's holding to 66.7 per cent. The authorities must give their approval before the transaction is finalised. Rautaruukki has also made an offer to purchase the 31 per cent holding of the Polish State and is committed to making an offer for the shares owned by the company's management and personnel, with the objective of raising its holding in Metalplast to 100 per cent. Metalplast had estimated net sales in 2004 of EUR 65 million and had 685 employees at the end of 2004.

Restructuring of long steel products

On February 17, 2005, Rautaruukki Corporation, AB SKF and Wärtsilä Corporation signed a Memorandum of Understanding expressing their intention to combine long steel businesses into a jointly owned new company ("NewCo"). Rautaruukki's long products subsidiaries Fundia Special Bar, Fundia Wire and Fundia Bar & Wire Processing will be transferred to NewCo. The Group's reinforcing business remains as part of Ruukki Metals division. Rautaruukki, SKF and Wärtsilä will own 47.0 per cent, 26.5 per cent and 26.5 per cent of NewCo, respectively. NewCo shall be independent and financially strong. The shareholders have agreed that NewCo initially will be capitalised to a net gearing of 37.5 per cent. Definitive agreements are expected to be signed by June 30, 2005.

The transaction supports Rautaruukki's strategy to focus on solution business in defined customer segments and on core market area. The aim is to replace NewCo's interest-bearing debts from shareholders with external financing, which would then mean for Rautaruukki a capital release of approximately EUR 90 million and an improvement of gearing by approximately 8 per centage points. Pro forma book value of Rautaruukki's investment is approximately EUR 180 million following the refinancing. NewCo is expected to create significant potential for profit and value enhancement through the annual cost savings which are estimated to be EUR 30–40 million. Annual net sales (pro forma) of the contributed long products business in 2004 were EUR 633 million. The effect of the transaction on the Group's net income is almost neutral. From 2006 onwards the synergy effects will be EPS enhancing. NewCo will be accounted for as an associated company in Rautaruukki Group's consolidated accounts.

Outlook for 2005

In Rautaruukki's core market areas, economic prospects for 2005 are positive. Economic growth in the Nordic countries is expected to remain stronger than in the euro zone. In Central Eastern Europe economic growth is expected to continue to be clearly better than in the EU and the euro zone. Forecasts for growth of industrial output in Central Eastern Europe are also clearly positive. The strong economic outlook creates a good foundation for the prospects of Ruukki's most important customer sectors. Development of the traditional steel industry in Europe is strongly dependent, among other things, on the Asian and US markets. The development of Asian demand will play a central role in terms of market prices. Demand for steel products is expected to continue to be good in China, but the country's own strongly expanding output brings uncertainty to the situation. Prices of raw materials for steel manufacturing are expected to continue to rise clearly.

In the first quarter of the current year, the market situation in Ruukki's core market areas has remained good and sales prices have increased, particularly in flat steel products. Prices in the second quarter are expected to remain the same or to rise slightly. The Group's comparable net sales for the full year are expected to be higher than in 2004 and preconditions for strong profitability exist. The main uncertainty continues to lie in the demand on Asian markets and its effects on the global steel product prices.

Consolidated profit and loss account

M€	Note		1.1.–31.12.2004	%		1.1.–31.12.2003	%
Net sales	1)		3 569	100.0		2 953	100.0
Variation in stocks of finished goods and work in progress			88			0	
Production for own use			6			5	
Other operating income	3)		16			9	
Share of results in associated companies			2			2	
Raw materials and services	4)	2 077			1 706		
Staff expenses	5)	578			555		
Depreciation and reduction in value	6)	173			203		
Other operating charges	7)	378	-3 206		378	-2 842	
Operating profit	2)		475	13.3		128	4.3
Financial income and expenses	8)						
Income from other investments held as non-current assets		1			0		
Other interest and financial income		7			8		
Interest and other financial expenses		-53	-45		- 66	-58	
Profit before taxes and minority interest			430	12.1		70	2.4
Income taxes	10)						
Taxes for the year		-117			-26		
Taxes from the previous years		-1			- 1		
Change in deferred tax		1	-116		9	-17	
Profit before minority interest			314	8.8		53	1.8
Minority interest of the profits			-1			1	
Group profit for the financial year			313	8.8		53	1.8

Consolidated balance sheet

M€	Note	31.12.2004		%	31.12.2003		%
ASSETS							
Non-current assets	11-13)						
Intangible assets							
Intangible rights		5			5		
Goodwill		36			15		
Other capitalised long-term expenses		24			29		
Advance payments		11	75		4	53	
Tangible assets							
Land and waters		24			25		
Buildings		321			331		
Machinery and equipment		781			835		
Advance payments and construction in progress		42	1 167		43	1 234	
Investments							
Associated company shares		17			17		
Long term loans receivable from associated companies		1			1		
Other shares and similar rights of ownership		11			9		
Own shares or similiar rights of ownership		14	42		15	42	
			1 284	49.1		1 329	55.3
Current assets							
Stocks	14)						
Raw materials and consumables		171			136		
Finished products/Goods		461			360		
Other stocks		5			4		
Advance payments		3	640		2	502	
Debtors	15)						
Long-term							
Loans receivable		0			0		
Loans receivable owed by associated companies		1			1		
Non-interest bearing receivables		8			9		
Deferred tax assets	20)	25	34		28	38	
Short-term							
Trade debtors		543			420		
Amounts owed by associated companies		6			4		
Loans receivable		3			0		
Other debtors		23			36		
Prepayments and accrued income		23	597		25	485	
			632			523	
Cash in hand and at banks			60			49	
			1 331	50.9		1 074	44.7
			2 616	100.0		2 403	100.0

M€	Note		31.12.2004	%		31.12.2003	%
LIABILITIES							
Capital and reserves	16)						
Share capital			236			236	
Share premium account			220			220	
Revaluation reserve			24			23	
Fund for own shares			14			15	
Translation adjustment			- 2			-5	
Retained earnings		323			296		
Profit for the financial year		313	636		53	349	
			1 127	43.1		838	34.9
Minority interest			1	0.0		1	0.0
Obligatory provisions	18)						
Provisions for pensions		38			42		
Provisions for taxation		1			0		
Other provisions		18	58	2.2	17	60	2.5
Creditors							
Non-current creditors	19)						
Interest bearing							
Bonds and debenture loans		303			304		
Bonds with warrants		4			4		
Loans from credit institutions		211			412		
Pension loans		25			31		
Other creditors		14	556		18	768	
Non interest bearing							
Pension loans		10			10		
Deferred tax liability	20)	144			149		
Other creditors		1	155		1	160	
			712			927	
Current creditors							
Interest bearing							
Loans from credit institutions		94			160		
Pension loans		6			6		
Other creditors		96	195		37	204	
Non interest bearing							
Advance payments		11			8		
Trade creditors		247			178		
Accruals and deferred income	23)	197			122		
Amounts owed to associated companies	22)	5			2		
Other creditors		63	523		62	373	
			718			577	
			1 429	54.7		1 504	62.6
			2 616	100.0		2 403	100.0

Consolidated cash flow statement

M€	1.1.–31.12.2004	1.1.–31.12.2003
Cash flow from operations		
Profit / loss before extraordinary items	430	70
Adjustments		
Depreciation	173	203
Financial income and expenses	45	58
Share of associated companies' results	-2	-2
Other adjustments	-11	3
Cash flow before working capital changes	636	332
Change in working capital		
Change in current non-interest bearing debtors	-105	-2
Change in inventories	-134	8
Change in current non-interest bearing creditors	111	-7
Change in working capital	-128	0
Cash flow before financing items and taxes	507	331
Interest and other financing items on business operations paid	-37	-45
Taxes paid	-84	-22
Cash flow before extraordinary items	386	265
Cash flow from extraordinary items	0	0
Cash flow from operations	386	265
Cash flow from investing activities		
Investments in tangible and intangible assets	-108	-102
Proceeds from sale of tangible and intangible assets	24	12
Other investments	-41	0
Proceeds from sale of other investments	5	0
Change in unpaid investments	2	1
Cash flow from investing activities	-118	-89
Cash flow before financing	268	176
Cash flow from financing activities		
Buyback of own shares	0	0
Change in current loans receivable	-3	0
Change in non-current loans receivable	0	8
Change in current loans payable	-9	-1
Change in non-current loans payable	-218	-190
Dividends paid	-27	0
Translation adjustments and other adjustments	-2	0
Cash flow from financing activities	-258	-183
Change in liquid assets according to the calculations	10	-7
Cash and cash equivalents at beginning of period	49	57
Cash and cash equivalents at end of period	60	49
	10	-7

Rautaruukki Oyj's profit and loss account

M€	Note	1.1.–31.12.2004		%	1.1.–31.12.2003		%
Net sales	1)		1 778	100.0		1 337	100.0
Variation in stocks of finished goods and work in progress			12			2	
Production for own use			5			4	
Other operating income	3)		5			0	
Raw materials and services	4)	916			679		
Staff expenses	5)	290			259		
Depreciation and reduction in value	6)	111			106		
Other operating charges	7)	176	-1 493		149	-1 194	
Operating profit / loss			308	17.3		149	11.2
Financial income and expenses	8)						
Income from other investments held as non-current assets		3			3		
Other interest and financial income		24			32		
Revaluations of investments in non-current assets		-2			-1		
Interest and other financial expenses		-50	-25		-63	-29	
Profit / loss before extraordinaty items			283	15.9		120	9.0
Extraordinary items	9)						
Extraordinary income		0			16		
Extraordinary expenses		-41	-41		-37	-20	
Profit / loss before appropriations and taxes			242	13.6		99	7.4
Appropriations							
Change in depreciation reserve			5			20	
Profit / loss before taxes			247	13.9		120	8.9
Income taxes	10)						
Taxes for the year		-87			-24		
Taxes from the previous years		0	-87		-1	-24	
Profit / loss for the financial year			160	9.0		95	7.1

Rautaruukki Oyj's balance sheet

M€	Note	31.12.2004		%	31.12.2003		%
ASSETS							
Non-current assets	11-13)						
Intangible assets							
Intangible rights		2			2		
Goodwill		0			3		
Other capitalised long-term expenses		23			25		
Advance payments		11	36		4	34	
Tangible assets							
Land and water		7			7		
Buildings		240			231		
Machinery and equipment		586			589		
Advance payments and construction in progress		33	868		32	858	
Investments							
Shares in Group companies		199			253		
Receivables from Group companies		8			0		
Shares in associated companies		7			7		
Receivables from associated companies		1			1		
Other shares		5			4		
Own shares		14	234		15	280	
			1 137	50.4		1 171	52.3
Current assets							
Inventories	14)						
Raw materials and consumables		140			71		
Finished products and goods		135	275		88	159	
Debtors	15)						
Long-term							
Amounts owed by Group companies		364			423		
Amounts owed by associated companies		1			1		
Loan receivables		0			0		
Other debtors		0			0		
Short-term							
Trade debtors		209			128		
Amounts owed by Group companies		81			112		
Amounts owed by associated companies		6			4		
Loan receivables owed by Group companies		150			172		
Other debtors		5			17		
Prepayments and accrued income		14	830		11	868	
Securities held as current financial assets							
Other securities			1			1	
Cash in hand and at banks			11			43	
			1 117	49.6		1 070	47.7
			2 254	100.0		2 241	100.0

M€	Note		31.12.2004	%		31.12.2003	%
LIABILITIES							
Capital and reserves	16)						
Share capital			236			236	
Share premium reserve			220			220	
Revaluation reserve			33			33	
Fund for own shares			14			15	
Retained earnings		154			85		
Profit / loss for the financial year		160	314		95	180	
			816	36.2		683	30.5
Appropriations	17)						
Depreciation reserve			398	17.7		391	17.5
Provisions	18)						
Provisions for pensions		25			31		
Other provisions		9	34	1.5	2	33	1.5
Creditors							
Non-current creditors	19)						
Interest bearing							
Bonds and debenture loans		303			304		
Convertible bonds		4			4		
Loans from credit institutions		209			409		
Pension loans		6			12		
Other creditors		11	533		15	743	
Non-interest bearing							
Amounts owed to Group companies			2			2	
			536	23.8		746	33.3
Current creditors							
Interest bearing							
Loans from credit institutions		89			153		
Pension loans		6			6		
Other creditors		96	190		37	196	
Non-interest bearing							
Advances received		8			0		
Trade creditors		113			58		
Amounts owed to Group companies	21)	7			42		
Amounts owed to associated companies	22)	5			2		
Accruals and deferred income	23)	128			75		
Other creditors		20	280		16	193	
			470	20.9		388	17.3
			1 006	44.6		1 134	50.6
			2 254	100.0		2 241	100.0

Rautaruukki Oyj's cash flow statement

M€	1.1.–31.12.2004	1.1.–31.12.2003
Cash flow from operations		
Profit / loss before extraordinary items	283	120
Adjustments		
Depreciation	111	106
Financial income and expenses	25	29
Other adjustments	-3	8
Cash flow before working capital changes	416	263
Change in working capital		
Change in current non-interest bearing debtors	-14	1
Change in inventories	-21	-1
Change in current non-interest bearing creditors	5	-15
Change in working capital	-30	-15
Cash flow before financing items and taxes	386	248
Interest and other financing items on business operations paid	-19	-17
Taxes paid	-56	-19
Group contributions	16	0
Cash flow before extraordinary items	327	211
Cash flow from extraordinary items		
Cash flow from operations	327	211
Cash flow from investing activities	-102	-53
Cash flow before financing	225	158
Cash flow from financing activities		
Buyback of own shares	0	0
Change in current loans receivable	-13	68
Change in non-current loans receivable	5	-73
Change in current loans payable	-6	0
Change in non-current loans payable	-216	-191
Dividends paid	-27	0
Cash flow from financing activities	-257	-196
Change in liquid assets	-32	-38
Cash and cash equivalents at beginning of period	44	82
Cash and cash equivalents at end of period	12	44
	-32	-38

Notes to the accounts

Compiling 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 2000–2004:

Average rates	2004	2003	2002	2001	2000
USD	1.244	1.132	0.946	0.896	0.924
GBP	0.679	0.692	0.629	0.622	0.610
SEK	9.124	9.124	9.161	9.255	8.447
NOK	8.370	8.003	7.509	8.048	8.113
DKK	7.440	7.431	7.431	7.452	7.454

Year-end rates	2004	2003	2002	2001	2000
USD	1.362	1.263	1.049	0.881	0.931
GBP	0.705	0.705	0.651	0.609	0.624
SEK	9.021	9.080	9.153	9.301	8.831
NOK	8.237	8.414	7.276	7.952	8.234
DKK	7.439	7.445	7.429	7.437	7.463

Transition to IAS/IFRS financial statement standards in 2005

From the beginning of 2005, the Rautaruukki Group complies with the IAS/IFRS standards in its financial reporting. The most significant changes compared with the present practice will be at least in the following areas:

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

The Group will give additional information on the effects of the transition to IFRS accounting policies as well as the 2004 financial statements figures according to IFRS before the first interim report of 2005.

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€	2004	2003	2004	2003
Net sales by division				
Ruukki Construction	419	356		
Ruukki Engineering	330	256		
Ruukki Fabrication	220	201		
Ruukki Metals	2593	2132		
Other units	8	9		
	3569	2953		
Net sales by market area				
Finland	920	753	622	384
Other old EU countries	1838	1583	832	727
New EU countries	279		177	
Other Europe	413	532	103	195
Other countries	119	85	44	30
Total external net sales	3569	2953	1778	1337
of which				
- Exports from Finland	763	685	1156	953
- International operations	1917	1539		

2. Operating profit by division

	Group	
M€	2004	2003
Ruukki Construction	60	29
Ruukki Engineering	51	27
Ruukki Fabrication	20	11
Ruukki Metals	389	87
Other units	-45	-25
	475	128

3. Other operating income

	Group		Rautaruukki Oyj	
M€	2004	2003	2004	2003
Gains on the sale of fixed assets	8	3	4	0
Other	8	6	1	0
	16	9	5	0

4. Raw materials and services

	Group		Rautaruukki Oyj	
M€	2004	2003	2004	2003
Materials, supplies and goods				
Purchases during the accounting period	1945	1538	827	599
Change in inventories	-29	5	-10	1
External services	161	163	98	80
	2077	1706	916	679

5. Personnel expenses

	Group		Rautaruukki Oyj	
M€	2004	2003	2004	2003
Wages and salaries	437	425	225	198
Profit-related bonus paid to the personnel fund	15		9	
Pension insurance premiums and pensions	58	67	33	42
Other indirect personnel expenses	68	63	24	19
Total	578	555	290	259
Salaries and emoluments of directors				
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	6.5	7.1	0.7	0.8
including results-based bonuses to Management	0.4	0.2	0.1	0.2

The Group's average payroll during the accounting period

	Group		Rautaruukki Oyj	
	2004	2003	2004	2003
Workers	8068	8361	3863	3729
Salaried employees	4205	4421	1545	1684
Total	12273	12782	5408	5413

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

Emoluments, including fringe benefits, paid to the parent company's President and CEO for 2004 amounted to EUR 443,000.

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 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, 3-5 years for computer equipment and software, and 5-10 years for other machinery and equipment.

Licence fees and other long-term expenses included in intangible rights, 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:

	Group		Rautaruukki Oyj	
M€	2004	2003	2004	2003
Goodwill	6	3	3	3
Other long-term expenses	10	10	8	7
Buildings and structures	20	20	13	12
Machinery, equipment and other material goods	133	136	87	84
Total	169	170	111	106
Reductions in value	4	33		
Depreciation and reductions in value, total	173	203	111	106

7. Other operating charges

	Group		Rautaruukki Oyj	
M€	2004	2003	2004	2003
Sales freights	194	190	99	93
Rents	45	49	13	5
Losses on sale of fixed assets	-1	2	0	4
Other	140	137	64	47
	378	378	176	149

8. Financial income and expenses

	Group		Rautaruukki Oyj	
M€	2004	2003	2004	2003
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	1	0	1	1
	1	0	3	3
Other interest and financial income				
Interest income from group companies			20	27
Interest income from other companies	3	3	1	1
Exchange gains	4	4	3	4
Other financial income	0	1		
	7	8	24	32
Write-downs on investments held in non-current assets				
Write-downs on the values of group companies			-3	-1
Other write-downs	-1	0	1	0
	-1	0	-2	-1
Interest and other financial expenses				
Interest expenses to group companies			-1	-1
Interest expenses to other companies	-43	-51	-41	-48
Exchange losses	-7	-13	-6	-12
Other financing expenses	-3	-3	-2	-2
	-52	-66	-50	-63
Total financing income and expenses	-45	-58	-25	-29

9. Extraordinary items

	Group		Rautaruukki Oyj	
M€	2004	2003	2004	2003
Extraordinary income				
Group contributions				16
Extraordinary expenses				
Group contributions				-37
Merger loss			-41	
Extraordinary items, total	0	0	-41	-20

10. Income taxes

M€	Group 2004	Group 2003	Rautaruukki Oyj 2004	Rautaruukki Oyj 2003
Taxes for the year	-117	-26	87	24
Taxes from the previous years	-1	-1	0	1
Change in deferred tax	1	9		
	-116	-17	87	24

The Group's total tax rate was 27% (24% in the previous year). The Group's total tax rate is lower than Rautaruukki Oyj's tax rate, because the deferred tax liability decreased by about EUR 18 million resulting from the change in Finnish tax legislation in 2004.

11. Intangible assets

M€	Group 2004	Group 2003	Rautaruukki Oyj 2004	Rautaruukki Oyj 2003
Intangible rights				
Acquisition cost 1.1.	18	18	6	6
Increases 1.1.–31.12.	1	1	4	0
Decreases and adjustment 1.1.–31.12.	-2	0	-2	0
Acquisition cost 31.12.	18	18	9	6
Accumulated depreciation according to plan 1.1.	-13	-12	-5	-4
Accumul. depreciation of decreases and adjustment acc. to plan 1.1.–31.12	1	0	-2	
Depreciation according to plan 1.1.–31.12.	-1	-2	0	0
Book value 31.12.	5	6	2	2
Goodwill				
Book value 1.1.	15	19	3	5
Increases 1.1.–31.12.	26			
Depreciation according to plan 1.1.–31.12	-6	-3	-3	-3
Book value 31.12.	36	15	0	3
Other capitalised long-term expenses				
Acquisition cost 1.1.	85	65	72	52
Increases 1.1.–31.12.	5	20	9	19
Decreases and adjustment 1.1.–31.12.	0	0	1	0
Acquisition cost 31.12.	90	85	82	72
Accumulated depreciation according to plan	-56	-48	-47	-40
Accumul. depreciation of decreases and adjustment acc. to plan 1.1.–31.12	-1		-4	
Depreciation according to plan 1.1.–31.12.	-9	-8	-8	-7
Book value 31.12.	24	29	23	25
Advance payments				
Book value 1.1.	4	18	4	17
Changes 1.1.–31.12.	6	-13	6	-13
Book value 31.12.	11	4	11	4
Intangible assets, total 31.12.	75	53	36	34

12. Tangible assets

M€	Group 2004	Group 2003	Rautaruukki Oyj 2004	Rautaruukki Oyj 2003
Land and water areas				
Book value 1.1.	25	26	7	6
Translation adjustment		1		
Increases 1.1.–31.12			1	
Decreases and adjustment 1.1.–31.12.	-1	-2	0	0
Book value 31.12.	24	25	7	7
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.	613	618	419	415
Translation adjustment	1	-4		
Increases 1.1.–31.12.	13	11	33	8
Decreases and adjustment 1.1.–31.12.	-3	-11	-1	-4
Acquisition cost 31.12.	624	613	451	419
Accumulated depreciation according to plan 1.1.	-283	-270	-189	-180
Translation adjustment of accumulated depreciation	-1	2		
Accumul. depreciation of decreases and adjustment acc. to plan 1.1.–31.12.	1	6	-9	3
Depreciation according to plan 1.1.–31.12.	-20	-20	-13	-12
Book value 31.12.	321	331	240	231
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 2004	Group 2003	Rautaruukki Oyj 2004	Rautaruukki Oyj 2003
Machinery and equipment				
Acquisition cost 1.1.	2405	2356	1627	1586
Translation adjustment	4	-20		
Increases 1.1.-31.12.	89	87	148	45
Decreases and adjustment 1.1.–31.12.	-31	-19	-7	-4
Acquisition cost 31.12.	2467	2405	1767	1627
Accumulated depreciation according to plan 1.1.	-1569	-1430	-1038	-958
Translation adjustment	1	14		
Accumul. depreciation of decreases and adjustment according to plan 1.1.–31.12.	20	16	-56	3
Depreciation according to plan 1.1–31.12.	-133	-136	-86	-84
Revaluations 1.1.–31.12.	-4	-32		
Book value 31.12.	781	835	586	589
including book value of machinery 31.12	770	853	581	585
Advance payments and construction in progress				
Acquisition cost 1.1.	43	49	32	37
Changes 1.1.–31.12.	-1	-6	2	-5
Book value 31.12.	42	43	33	32
Tangible assets, total 31.12.	1167	1234	868	858

13. Investments

M€	Group 2004	Group 2003	Rautaruukki Oyj 2004	Rautaruukki Oyj 2003
Shares in Group companies				
Book value 1.1.			253	256
Increases 1.1.–31.12.			51	15
Decreases 1.1.–31.12.			-101	-18
Revaluations 1.1.–31.12.			-3	0
Book value 31.12.			199	253
Receivables from Group companies				
Book value 1.1.			0	0
Changes 1.1.–31.12.			8	0
Book value 31.12.			8	0

M€	Group 2004	Group 2003	Rautaruukki Oyj 2004	Rautaruukki Oyj 2003
Shares in associated companies				
Book value 1.1.	17	23	7	7
Decreases 1.1.–31.12.	0	-7		
Book value 31.12.	17	17	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.	9	10	4	4
Increases 1.1.–31.12.			1	0
Decreases 1.1.–31.12.	1	-1	0	0
Book value 31.12.	11	9	5	4
Own shares				
Book value 1.1.	15	11	15	11
Decreases 1.1.–31.12.	-1		-1	
Change in value		3		3
Book value 31.12.	14	15	14	15

On 31.12.2004 the company possessed 3,072,960 pieces of K Shares with the accounting countervalue EUR 5.2 million.

Total investments 31.12.	42	42	234	280

Stocks and Shares 31.12.2004

				Group share (%) of		Nominal value		Book values, 1,000 €	
	Country	Domicile	Number of shares	share capital	voting rights	currency	thousands	held by Rauta-ruukki Oyj	held by other Group companies
Subsidiaries of Rautaruukki Oyj:									
Alamentti Oy	FI	Alajärvi	100	100.0	100.0	EUR	17	79	
AS Rannila Profil	EE	Pärnu	1500	100.0	100.0	EEK	4395	339	
Asva StalSerwis Sp.zo.o	PL	Zyrardow	7022	100.0	100.0	PLN	7022	1765	
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	
Kiinteistö Oy Alpinus	FI	Kuusamo	450	100.0	100.0	EUR	8	109	
Kiinteistö Oy Materiamesta	FI	Helsinki	15	100.0	100.0	EUR	3	85	
Kiinteistö Oy Pakilantie 61–63	FI	Helsinki	27000	100.0	100.0	EUR	4541	6567	
Kiinteistö Oy Ylläslehto	FI	Kolari	5	100.0	100.0	EUR	3	119	
OAO NPO-SPU	RU	St Petersburg	1235	100.0	100.0	RUB	40029	3919	
OOO Asva Stalservis	RU	St Petersburg	1	100.0	100.0	RUB	20	781	
OOO Rannila Sankt-Petersburg	RU	St Petersburg	7900	100.0	100.0	RUB	7900		
OOO Rautaruukki	RU	Moscow	1	100.0	100.0	RUB	5500	173	
OOO Rautaruukki Profil	RU	Taldom	28800	100.0	100.0	RUB	2880		
OOO Stalpark	RU	St Petersburg	1	100.0	100.0	RUB	32550	1474	
Presteel Oy	FI	Raahe	3444	80.1	80.1	EUR	581	3128	
Rannila CZ s.r.o	CZ	Velvary		100.0	100.0	CZK	65000	167	
Rannila Hungary Kft	HU	Budapest		100.0	100.0	HUF	3929	4500	12
Rannila Romania S.R.L	RO	Bucharest		100.0	100.0	ROL	359	6	
Rannila Slovakia s.r.o.	SK	Košice	407942	100.0	100.0	SKK	139631	5101	
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	40	14	
Rautaruukki Holding Danmark A/S	DK	Vallensbæk Strand	1000	100.0	100.0	DKK	16000	7009	
Rautaruukki Polska Sp.zo.o.	PL	Zyrardow	23173	100.0	100.0	PLN	2317	1556	
Ruukki Benelux B.V.	NL	Almelo	40	100.0	100.0	EUR	18	123	
Ruukki France S.A.R.L.	FR	Paris	100	100.0	100.0	EUR	15	253	
Ruukki Holding GmbH	DE	Düsseldorf	1	100.0	100.0	EUR	2071	59151	
Ruukki Latvija SIA	LV	Riga	1800	100.0	100.0	LVL	180	290	
Ruukki Metals Eesti AS	EE	Tallinn	9450	100.0	100.0	EEK	945	89	
Ruukki Metals Latvija SIA	LV	Riika	37	100.0	100.0	LVL	37	56	
Ruukki Spain S.L.	ES	Vitoria-Gasteiz		100.0	100.0	EUR		15	
Ruukki UK Ltd	GB	Solihull	2501000	100.0	100.0	GBP	2501	4611	
UAB Asva Lietuva	LT	Vilnius	150	100.0	100.0	LTL	150	201	
UAB Rannila Lietuva	LT	Vilnius	30	100.0	100.0	LTL	30	6	
Velsa Oy	FI	Kurikka	5575	100.0	100.0	EUR	938	37292	
ZAT Rannila Ukraina	UA	Kiev	5070	100.0	100.0	UAH	2192	500	39
								197737	51
Subsidiaries not eliminated from consolidated accounts:									
Housing and real estate corporations, 2 companies								1624	
Other subsidiaries of Rautaruukki Group (non-trading), 3 companies				100.0	100.0		120	10	25
Non-eliminated subsidiaries, total								1634	25
								199371	76

	Country	Domicile	Number of shares	Group share (%) of share capital	Group share (%) of voting rights	Nominal value currency	Nominal value thousands	Book values, 1,000 e held by Rauta-ruukki Oyj	Book values, 1,000 e held by other Group companies
Subsidiaries of Carl Christensen og Brødre AS:									
CCB Stål AS	NO	Oslo	600	100.0	100.0	NOK	600		1533
Fundia Mandal Stål AS	NO	Mandal	16358	100.0	100.0	NOK	16358		1478
									3012
Subsidiary of CCB Stål AS:									
Dikema Stål AS	NO	Oslo	21560	100.0	100.0	NOK	21560		2541
Subsidiary of CCB Stål AS: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		3066
Nordisk Simplex A/S	DK	Vallensbæk Strand	2	100.0	100.0	DKK	25000		4176
Ruukki Danmark A/S	DK	Brondby	500	100.0	100.0	DKK	500		-137
Stelform A/S	DK	Fredericia	3	100.0	100.0	DKK	18000		1946
									9057
Subsidiaries of Rautaruukki Holding GmbH:									
Carl Froh GmbH	DE	Sundern	1	100.0	100.0	EUR	3500		40267
Fundia GmbH	DE	Mülheim an der Ruhr	1	100.0	100.0	EUR	4607		6854
Rautaruukki GmbH	DE	Duisburg	1	100.0	100.0	EUR	52		307
Ruukki Deutschland GmbH	DE	Duisburg	1	100.0	100.0	EUR	200		211
Rautaruukki Stahlservice GmbH	DE	Duisburg	1	100.0	100.0	EUR	26		3830
									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:									
Ruukki Sverige AB	SE	Halmstad	70000	100.0	100.0	SEK	7000		4909
Fundia AB	SE	Upplands Väsby	3500000	100.0	100.0	SEK	350000		129131
Gasell Profil AB	SE	Trelleborg	162000	100.0	100.0	SEK	16200		7959
Wirsbo Stålrör AB	SE	Surahammar	50000	100.0	100.0	SEK	5000		2217
									144216
Subsidiaries of Gasell Profil AB:									
Gasell Profil AS	NO	Frogner	500	100.0	100.0	NOK	1000		69
Gasell Profiles Ltd	UK	Maisemore	1000	100.0	100.0	GBP	1		
Gasell Profil Polska Sp.zo.o.	PL	Warsaw	6000	100.0	100.0	PLN	500		111
Gasell Profil S.R.L	RO	Bucharest		100.0	100.0	ROL	1		
ZAO Gasell Profil	RU	Moscow	1000	100.0	100.0	RUB	770		
									179
Subsidiaries of Fundia AB:									
Fundia Bar & Wire Processing AB	SE	Gävle	40000	100.0	100.0	SEK	40000		27235
Fundia Reinforcing AS	NO	Oslo	579901	100.0	100.0	NOK	57990		71082
Fundia Special Bar AB	SE	Smedjebacken	106000	100.0	100.0	SEK	10600		11086
Fundia Tråd AB	SE	Borlänge	500	100.0	100.0	SEK	100		95
Fundia Wire Oy Ab	FI	Dragsfjärd	200	100.0	100.0	EUR	3364		
									109497

				Group share (%) of		Nominal value		Book values, 1,000 e	
	Country	Domicile	Number of shares	share capital	voting rights	currency	thousands	held by Rauta-ruukki Oyj	held by other Group companies
Subsidiaries of Fundia Bar & Wire Processing AB:									
Fundia Cromax AB	SE	Uppsala	1000	100.0	100.0	SEK	100		11142
Fundia Dalwire Oy Ab	FI	Dragsfjärd	120000	100.0	100.0	EUR	2018		1060
Fundia Hjulsbro AB	SE	Linköping	80000	100.0	100.0	SEK	8000		5149
Fundia Steelservice AB	SE	Gävle	60000	100.0	100.0	SEK	6000		4745
Fundia Teknik AB	SE	Smedjebacken	600	100.0	100.0	SEK	800		111
									22207
Subsidiaries of Fundia Reinforcing AS:									
Fundia Armering AB	SE	Halmstad	600000	100.0	100.0	SEK	60000		8879
Fundia Armering AS	NO	Oslo	440000	100.0	100.0	NOK	44000		8742
Fundia Armeringstål AS	NO	Mo i Rana	230001	100.0	100.0	NOK	128111		50021
Fundia Betoniteräkset Oy	FI	Dragsfjärd	1570	100.0	100.0	EUR	2893		2723
Robocon International AS	NO	Oslo	500	100.0	100.0	NOK	50		
SNJ Gesellschaft für Walzhandel GmbH	DE	Mülheim	500	100.0	100.0	EUR	13		17
									70381
Subsidiary of Fundia Armeringstål AS:									
Rautaruukki Profiler AS	NO	Mo i Rana	70200	100.0	100.0	NOK	70200		14512
Subsidiary of Fundia Armering AB:									
Fundia Welbond BV	NL	Raamsdonksveer	1000	100.0	100.0	EUR	500		265
Subsidiaries of Fundia Cromax AB:									
Fundia Bright Bar AB	SE	Hallstahammar	50000	100.0	100.0	SEK	5000		3736
Fundia Cromax S.p.A	IT	Molinella	1000000	100.0	100.0	EUR	520		2280
Fundia Mora AB	SE	Mora	38500	100.0	100.0	SEK	3850		1232
Fundia Redon S.A.	FR	Redon	25050	100.0	100.0	EUR	382		888
Fundia Twente B.V.	NL	Almelo	5000	100.0	100.0	EUR	2269		1199
									9335
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:									
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
									7961
Subsidiary of UAB Rannila Lietuva:									
UAB Gasell Profil	LT	Kaunas	10	100.0	100.0	LTL	10		3
Stocks and shares in subsidiaries, total								199371	

	Country	Domicile	Number of shares	Group share (%) of share capital	Group share (%) of voting rights	Nominal value currency	Nominal value thousands	Book values, 1 000 e held by Rautaruukki Oyj	Book values, 1 000 e held by other Group companies
Associated companies, share of voting rights 20–50%:									
AB Järnbruksförnödenheter	SE	Stockholm	623	41.5	41.5	SEK	102		11
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	1073	26.8	26.8	EUR	180	180	
Mofjellet Berghaller AS	NO	Mo i Rana	600	40.0	40.0	NOK	1000		189
Norsk Jern Eiendom AS	NO	Mo i Rana	3600	30.3	30.3	NOK	22500		5023
Osuuskunta Teollisuuden Romu	FI	Helsinki	2	33.3	33.3	EUR	3	2	2
PlussStål AS	NO	Trondheim	500	50.0	50.0	NOK	500		323
PPTH Steelmanagement Oy	FI	Peräseinäjoki	11660	20.1	20.1	EUR	10	10	
Raahen Kauppaklubin Kannatus Oy	FI	Raahe	15	33.3	33.3	EUR	25	25	
Steel Metal Innovations Oy	FI	Suolahti	600	35.8	35.8	EUR	50	60	
								7173	5548
								12721	
Associated companies' profits and goodwill								3857	
Associated companies' value in balance sheet								16578	
Other stocks and shares, share of voting rights less than 20%:									
Ancofer Stahlhandel GmbH	DE	Mülheim an der Ruhr	1	10.0	10.0	EUR	732		3219
Brödrene Sundt Verktöimaskinfabrikk A/S	NO	Oslo	2939	18.4	18.4	NOK	73		24
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
Metalplast-Oborniki Sp.zo.o	PL	Obornik	129876	16.6	16.6	PLN	12988	910	
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		747
TOO Rannila Kazakshtan	KZ	Alma-Ata		15.0	15.0	KZT		17	
Turku Science Park Oy Ab	Fi	Turku	2500	0.2	0.2	EUR	50	17	
Shares in housing and real estate companies								1950	118
Other stocks and shares								1672	247
Other stocks and shares, total								4668	4491
Other stocks and shares and non-eliminated subsidiary shares, total									10819
Own shares								13636	
Stocks and shares owned by Rautaruukki Oyj, total								224848	

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€	2004	2003	2004	2003
Short-term non-interest bearing amounts owed by Group companies				
Trade debtors			80	56
Other non-interest bearing debtors			1	55
			81	112
Short-term amounts owed by associated companies				
Trade debtors	6	4	6	4
Other non-interest bearing debtors				
	6	4	6	4
Essential items in prepayments and accrued income				
Interest receivables	1	1	1	1
Tax receivables	1	2		
Insurance compensation receivables	4	0	4	0
Prepaid personnel expenses		1		
Currency hedgings	2	6	5	6
Other accruals	15	14	5	3
Total accruals	23	25	14	11

16. Capital and reserves

	Group		Rautaruukki Oyj	
M€	2004	2003	2004	2003
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	23	33	33
Change	1	0		
Revaluation reserve 31.12.	24	23	33	33
Fund for own shares 1.1.	15	11	15	11
Transfer from retained earnings	-1		-1	
Change in value	0	3	0	3
Fund for own shares 31.12.	14	15	14	15

	Group		Rautaruukki Oyj	
M€	2004	2003	2004	2003
Profit from previous years 1.1.	349	297	180	85
Transfer to provisions		-1		
Transfer from fund for own shares	1		1	
Dividend	-27	0	-27	0
Profit from previous years 31.12.	323	296	154	85
Profit for the year	313	53	160	95
Translation difference	-2	-5		
Capital and reserves, total 31.12.	1127	838	816	683
Distributable earnings				
Profit from previous years	323	296	154	85
+ Profit for the year	313	53	160	95
+ Translation difference of distributable earnings		-2		
– Accumulated depreciation difference shown under capital	-325	-316		
= Distributable earnings	311	32	314	180

The biggest shareholders of Rautaruukki Oyj according to the share register as on 31.12.2004

Shareholder	Shares %	Number of shares
1 The Finnish State	40.07	55 656 699
2 Rautaruukki Oyj	2.21	3 072 960
3 Odin Norden	1.60	2 215 600
4 Rautaruukki Pension Foundation	1.14	1 585 455
5 Rannila Esa	1.06	1 472 200
6 Finnish State Pension Fund	0.58	800 000
7 Pohjola Finland value Investment Fund	0.50	691 400
8 Technology Industries of Finland	0.49	677 700
9 Mutual Insurance Company Tapiola	0.48	665 000
10 OP-Delta Investment Fund	0.45	622 615
11 Fortum Pension Foundation	0.43	599 900
12 Mutual Pension Insurance Company Etera	0.42	579 400
13 Onnenmäki Foundation	0.40	555 257
14 Odin Finland	0.39	536 200
15 Sonstock Oy	0.35	480 000
16 Mutual Insurance Company Pension Fennia	0.31	431 557
17 Aktia Capital Investment Fund	0.27	379 800
18 Åbo Akademi Foundation	0.26	365 692
19 Yleisradio Pension Fund	0.26	357 200
20 Alfred Berg Finland Investment Fund	0.24	339 680
Administrative registrations	30.73	42 678 113
Other owners	17.37	24 124 017
Total	100.00	138 886 445

The total number of shares held by members of the Supervisory Board and the Board of Directors was 22,938, 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 31.12.2004

Number of shares	Shareholders No.	%	Shares Thousands	%
1–100	2 187	12.4	135	0.1
101–1 000	12 443	70.4	5 715	4.1
1 001–10 000	2 768	15.7	7 493	5.4
10 001–100 000	230	1.3	6 690	4.8
100 001–	50	0.3	118 853	85.6
	17 678	100.0	138 886	100.0

Shareholders by sector according to the share register as on 31.12.2004

	Shareholders No.	%	Shares Thousands	%
Companies	570	3.2	6 981	5.0
Banks and insurance companies	77	0.4	4 366	3.1
Public institutions	48	0.3	61 694	44.4
Non profit institutions	231	1.3	4 598	3.3
Private households	16 663	94.3	15 559	11.2
Administrative registrations	10	0.1	42 678	30.7
Other foreign owners	79	0.4	3 070	2.2
	17 678	100.0	138 886	100.0

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 104 million, has not been separated out from appropriations.

M€	Rautaruukki Oyj 2004	2003
Accumulated depreciation difference 1.1.	391	412
Transferred in mergers	12	
Change in the profit and loss account	-5	-20
Accumulated depreciation difference 31.12.	398	391
Appropriations, total 31.12.	398	391

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 2004	2003	Rautaruukki Oyj 2004	2003
Pension liabilities 1.1.	42	38	31	25
Change in staff expenses in the profit and loss account	-6	5	-5	6
Other change	1	0		
Pension liabilities 31.12.	38	42	25	31
Tax provisions 1.1.	0	0		
Change	1	0		
Tax provisions 31.12.	1	0	0	0
Other obligatory provisions 1.1.	18	20	2	4
Transfer from non-interest bearing loans	0	0		
Changes in the profit and loss account	1	-2	6	-1
Other obligatory provisions 31.12.	18	18	9	2
Obligatory provisions, total	58	60	34	33

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 31.12.2004

					Repayments					% of total
M€	Currency	2005	2006	2007	2008	2009	2010	2011-	Total	debt
Bonds with warrants	EUR		4						4	1
Bonds	EUR		71	54	55	50	75		305	46
Loans from credit institutions	EUR	86	51	104	12	5	5	5	269	41
	SEK	3	3	33					39	6
Pensions loans	EUR	6	3	1	1	1			12	2
	SEK							18	18	3
	NOK							1	1	0
Others	EUR	4	4	4	4				15	2
		98	135	196	72	56	80	24	661	100

The average interest rate on long-term loans was 4.6%

M€	interest rate	currency	2004	2003
Bonds (nominal value)				
1999-2004	4.0%	EUR	0	65
1999-2006	4.5%	EUR	71	71
2003-2008	2.9%	EUR	55	55
2003-2010	5.1%	EUR	75	75
			201	266
Callable subordinate notes (nominal value)				
2002-2007/09	7.5%	EUR	54	54
2002-2007/09	5.2%	EUR	50	50
			104	104
Bonds with warrants				
2003-2006	5.0%	EUR	4	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€	2004	2003	2004	2003
Deferred tax assets				
In the companies' accounts	7	13		
From consolidation	15	15		
From temporary differences	2	0		
	25	28	0	0
Deferred tax liabilities				
In the companies' accounts	4	2		
From appropriations	120	123	104[1]	119[1]
From consolidation	8	7		
From temporary differences	12	16		
	144	149	104	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€	2004	2003	2004	2003
Trade creditors			2	4
Other creditors			5	37
			7	42

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

	Group		Rautaruukki Oyj	
M€	2004	2003	2004	2003
Trade creditors	5	2	5	2
Other creditors				
	5	2	5	2

23. Current creditors

Essential items in accruals and deferred income

	Group		Rautaruukki Oyj	
M€	2004	2003	2004	2003
Tax liability	46	3	33	3
Interest debts	8	11	8	11
Personnel expenses	83	64	52	38
Currency hedgings	13	13	13	13
Other accruals	49	31	22	10
Total accruals	197	122	128	75

24. Contingent liabilities and other liabilities

Given securities

	Group		Rautaruukki Oyj	
M€	2004	2003	2004	2003
Mortgage backed liabilities				
Loans from financial institutions	10	13	8	11
	10	13	8	11
Collateral in value				
Mortgaged real estates	30	39	27	28
Collateral given on behalf of Group companies				
Guarantees			66	52
Debit balance of Group bank accounts			58	58
			124	109
Collateral given on behalf of associated companies				
Guarantees	2	2	2	2
Collateral given on behalf of others				
Guarantees	2	6	0	4
Contingent and other liabilities				
Leasing and rental liabilities				
Due next year	54	52	47	10
Due later	212	240	202	60
	266	292	248	70
Other financial liabilities	2	2	1	0

	Group		Rautaruukki Oyj	
M€	2004	2003	2004	2003
Letter of Comfort liabilities* for Group companies			6	10

*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 are responsible for their own financial risks 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 2004. 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 2004, amounts in British pounds were hedged for about three 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 four months net cash flow was hedged.

Estimated annual net cash flow risk against euro (Transaction risk)

	M€
USD	-330
GBP	130
SEK	50
NOK	-60
DKK	120
PLN	35
Other currencies	75
Total	20

Interest rate risk
The Group's interest-bearing net debt at 31 December 2004 was EUR 692 million and the average interest rate of interest-bearing debt was 4.6 per cent. The average interest rate of of the total interest rate risk position was 5.0 per cent, of which the euro represents about 60 per cent and the Swedish krona about 35 per cent.

Interest rate risk is monitored and managed in terms of interest flow risk and price risk. At 31 December 2004 the interest flow risk impact over the next 12 months of a one percentage point rise in the interest rate was about EUR 1 million. The duration of the interest rate risk position at the end of the year was 1.9 years. A change of one percentage point in the interest rate curve would have led to a change of about EUR 12 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 2004, committed revolving credit facilities totalling EUR 245 million, of which EUR 245 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 158 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 38,000 tonnes of zinc was purchased in 2004. At the end of the year, 71 per cent of the estimated zinc purchases for 2005 and 42 per cent for 2006 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 2004 was about 1630 GWh.

At the end of the year, electricity derivatives had been employed to hedge 76 per cent of the purchases in Finland, Sweden and Norway for 2005, 58 per cent for 2006 and 33 per cent for 2007.

Derivative contracts as at 31.12.2004
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	580	-6.0
Foreign currency derivatives		
Forward contracts	319	0.1
Options		
Bought	90	-2.9
Sold	105	-5.4
	195	-8.2
Zinc derivatives		
Forward contracts*	46350	8.0
Electricity derivatives		
Forward contracts**	2560	-2.9

*Nominal amounts in tonnes
**Nominal amounts in GWh

26. Financial and share based key figures

		2004	2003	2002	2001	2000
Net sales	M€	3 569	2 953	2 884	2 906	2 708
Personnel on average		12 273	12 782	13 325	13 678	13 176
FINANCE						
Operating profit	M€	475	128	6	93	156
% of net sales	%	13.3	4.3	0.2	3.2	5.8
Profit/Loss before extraordinary items	M€	430	70	-46	41	106
% of net sales	%	12.1	2.4	-1.6	1.4	3.9
Profit/Loss before taxes	M€	430	70	-46	41	81
% of net sales	%	12.1	2.4	-1.6	1.4	3.0
Return on capital employed	%	26.1	7.1	0.6	5.0	8.7
Return on equity	%	32.4	6.5	-4.3	3.4	8.2
Equity ratio	%	43.0	34.6	31.1	33.3	34.1
Gearing ratio	%	62	112	138	129	118
Gross capital expenditure	M€	149	102	142	162	176
% of net sales	%	4.2	3.4	4.9	5.6	6.5
Research and development	M€	17	17	17	19	20
% of net sales	%	0.5	0.6	0.6	0.7	0.7
Net interest expenses	M€	40	47	50	49	50
% of net sales	%	1.1	1.6	1.7	1.7	1.8
Interest bearing net debt	M€	692	922	1 092	1 087	1 017
Balance sheet total	M€	2 616	2 403	2 561	2 559	2 523
SHARE BASED KEY FIGURES						
Earnings per share, EPS	€	2.31	0.39	-0.26	0.22	0.51
- diluted	€	2.28	0.39	-0.26	0.21	0.49
Equity per share	€	8.20	6.07	5.81	6.21	6.23
Dividend per share	€	0.80*	0.20	0.00	0.20	0.25
Dividend per earnings	%	34.7*	51.3	0.0	91.9	49.4
Price per earnings, P/E		3.8	15.0	-13.2	18.8	7.6
Share trading	thousands	127 415	44 429	33 902	39 038	34 318
Stock turnover	%	94	33	25	29	25
Share trading	M€	912	207	145	162	166
Average price of share	€	7.16	4.66	4.26	4.16	4.83
Lowest price of share	€	5.67	3.05	3.36	3.59	3.45
Highest price of share	€	9.19	6.36	5.30	4.85	7.20
Average adjusted number of shares	thousands	135 683	135 616	135 616	136 132	138 462
- diluted	thousands	137 083	136 606	136 016	138 947	142 180
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	135 813	135 616	135 616	135 616	137 540
- diluted	thousands	137 213	137 016	136 016	138 431	141 355
Share price at year-end	€	8.74	5.84	3.44	4.10	3.82
Market capitalisation at year-end	M€	1 214	811	478	569	531
Effective dividend yield	%	9.2*	3.4	0.0	4.9	6.5

* Board proposal

Principles governing the calculation of key figures

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

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

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

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

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

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

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

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

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

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

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

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

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

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 2004 the consolidated distributable capital and reserves of the Group was EUR 311 million, of which the profit for the year was EUR 313 million. The nonrestricted equity capital of the parent company was made up as follows:

Net profit for the year	EUR	160,302,370.42
Retained earnings from previous years	EUR	153,657,072.05
Total	EUR	313,959,442.47

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 16 February 2005		- 3,072,960 pcs
total shares not counting shares in the company's possession		135,813,485 pcs
a dividend of EUR 0.80 per share be paid, totalling	EUR	108,650,788.00

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

Helsinki, 17 February 2005

BOARD OF DIRECTORS

Jukka Viinanen

Georg Ehrnrooth   Maarit Aarni   Christer Granskog

Pirkko Juntti   Pekka Timonen   Maarit Toivanen-Koivisto

Auditors' report

Translation

To the shareholders of Rautaruukki Oyj (Rautaruukki Corporation)
We have audited the accounting, the financial statements and the corporate governance of Rautaruukki Oyj for the period 1.1.–31.12.2004. The financial statements, which include the report of the Board of Directors, consolidated and parent company income state-ments, 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 state-ments, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The pur-pose 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 Ac-counting 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 Account-ing 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 distributable retained earnings is in compliance with the Companies Act.

Helsinki, February 17, 2005
Ernst & Young Oy
Authorized Public Accounting Firm

Pekka Luoma
APA

Statement of the Supervisory Board

Having today considered the company's financial statements and consolidated financial statements for 2004, as well as the Auditors' Report, the Supervisory Board of Rautaruukki Oyj proposes to the 2005 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, 2 March 2005

SUPERVISORY BOARD

Turo Bergman

Jouko Skinnari   Heikki Allonen   Ole Johansson

Inkeri Kerola   Miapetra Kumpula   Tauno Matomäki

Petri Neittaanmäki   Tapani Tölli   Lasse Virén

Figures by quarter

Net sales by quarter*

M€	I/2003	II/2003	III/2003	IV/2003	I/2004	II/2004	III/2004	IV/2004
Ruukki Construction	61	86	106	102	70	109	124	116
Ruukki Engineering	69	67	60	59	64	78	74	114
Ruukki Fabrication	54	51	46	50	55	52	53	59
Ruukki Metals	518	562	510	542	605	672	600	715
Group management and other units	1	2	0	6	1	1	3	2
Consolidated net sales	704	768	722	759	795	913	855	1006

*2003 figures pro forma

Operating profit by quarter*

M€	I/2003	II/2003	III/2003	IV/2003	I/2004	II/2004	III/2004	IV/2004
Ruukki Construction	-4	4	16	15	1	17	24	18
Ruukki Engineering	10	2	10	5	9	15	10	17
Ruukki Fabrication	3	4	4	5	5	7	5	4
Ruukki Metals	25	43	33	20	65	98	97	129
Group management and other units	-6	-7	-7	-4	-8	-17	-12	- 8
Non-recurring items				-42				
Consolidated operating profit	28	45	55	0	73	119	123	160

*2003 figures pro forma

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