



ANNUAL REPORT 1995



RAUTARUUKKI

CONTENTS

■ Rautaruukki 1995	1
Statement by the President	2–3
Share information	4–5
Group administration	6
Group structure	7

Rautaruukki Accounts

■ Report of the Board	8–12
Consolidated profit and loss account	13
Consolidated balance sheet	14–15
Consolidated funds statement	16
Rautaruukki Oy's profit and loss account	17
Rautaruukki Oy's balance sheet	18–19
Rautaruukki Oy's funds statement	20
Notes to the accounts	21–32
Board proposal for the use of profit	33
Auditors' report	34
Statement by the Supervisory Board	34

Business Unit Reports

■ Raahe Steel	35–37
■ Strip Products	38–39
■ Metform	40–41
■ Steel Structure Division	42–43
■ Engineering Division	44–45
■ Other units	45
■ Associated company Fundia AB	46–47
■ Rautaruukki 2000 Programme of Investment	48–49
Group Statistics 1991–95	50–51
Addresses	52

Annual General Meeting

The shareholders of Rautaruukki Oy are invited to the Annual General Meeting to be held on Monday 1 April 1996 at 1 p.m. at the Hotel Radisson SAS Helsinki, address Runeberginkatu 2.

Shareholders who wish to attend the meeting must give notice no later than 4 p.m. on Friday 29 March, either in writing to

Rautaruukki Oy,
P.O. Box 860, FIN-00101 HELSINKI
or by phone
+358 0 6808 249/Leena Auvinen.

Only those shareholders may attend who have been entered in the shareholders' register maintained by the Central Share Register of Finland Cooperative no later than 22 March.

Proposal for Dividend

The Board of Directors of Rautaruukki Oy will propose to the Annual General Meeting that the shareholders should be paid a dividend for 1995 of FIM 1.70 per share. The Board of Directors will propose the payment of the dividend on 11 April 1996 to those shareholders who were entered in the owners' register on the matching day 4 April 1996.

Interim Reports

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

13 June '96 Report 1 Jan – 30 Apr 1996
21 October '96 Report 1 Jan – 31 Aug 1996

Interim Reports may be ordered from Rautaruukki's Oulu Office, tel. +358 81 883 60 or fax +358 81 883 6450.

Corporate Communications

Vice President Esko Lukkari
tel. +358 0 6808 221,
(from 3 June: +358 0 4177 6221)
fax +358 0 6808 324,
(from 3 June: +358 0 4177 6324)

Investor Relations

Deputy Director Airi Sipilä
tel. +358 0 6808 246,
(from 3 June: +358 0 4177 6246)
fax +358 0 6808 345,
(from 3 June: +358 0 4177 6345)

Internet

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

Rautaruukki 1995

Rautaruukki is a listed company which manufactures steel and processes it into plates, sheets, tubes, pipes, sections and building products. The Group has production plants in seven European countries and sales companies on three continents.

Rautaruukki also has a fifty per cent holding in Fundia AB which manufactures long steel products. In 1996 Fundia will become a wholly-owned subsidiary of Rautaruukki, pending official approval of the acquisition.

- Demand for steel grew and prices rose
- Rautaruukki's deliveries increased
- Profit before reserves and taxes nearly doubled
- An investment programme that will increase production and improve productivity got under way

	1995	1994	Change %
Turnover, FIM million	9 213	8 255	+ 12
exports and international operations %	68	70	
Operating profit, FIM million	1 385	1 050	+ 32
% of turnover	15.0	12.7	
Profit before extraordinary items, reserves and taxes, FIM million	954	658	+ 45
% of turnover	10.4	8.0	
Profit before reserves and taxes, FIM million	810	440	+ 84
% of turnover	8.8	5.3	
Interest bearing net debt, FIM million	4 347	4 850	- 10
Cash flow from operations, FIM million	1 468	906	+ 62
Return on net assets, %	15.5	12.1	
Return on equity, %	23.4	21.6	
Equity ratio, %	37.7	31.6	
Earnings per share, FIM	7.19	5.40	+ 33
Equity per share, FIM	33.16	28.28	+ 17
Cash flow per share, FIM	12.21	7.95	+ 54
Personnel at year-end	8 730	9 068	- 4

Five-year Group statistics shown on page 50

Principles governing the calculation of key figures shown on page 51

STATEMENT BY THE PRESIDENT

Rautaruukki posts its best result so far in the decade

Rautaruukki improved its performance significantly in 1995 and posted its best financial result so far in the decade. The Group also strengthened its equity ratio. During the year a capital expenditure programme was launched that will markedly improve Rautaruukki's competitiveness in the year ahead.

The Group's profit before extraordinary items, reserves and taxes rose to FIM 954 million, or 10.4 per cent of turnover. Earnings per share were FIM 7.19, making possible the payment of a dividend that is substantially larger than the dividend in 1994.

The improved result was due to the clear growth in the deliveries of steel and tubular products compared with 1994. The average price of Rautaruukki's deliveries in Finnish markka terms was also 6 per cent higher than it was a year earlier. The Finnish markka appreciated on average by 8 per cent against the ECU last year.

The strengthening of Rautaruukki's financial structure continued in 1995. Net debt declined markedly and the equity ratio rose to about 38 per cent.

Our most important associated company, Fundia, which manufactures long steel products, continued to improve its performance last year. In February 1996, Rautaruukki and Norsk Jern Holding AS signed a bill of sale according to which Rautaruukki will acquire NJH's 50 per cent holding in Fundia AB. Finalization of the deal still calls for the approval of the competition authorities.

Making Fundia a wholly-owned subsidiary of Rautaruukki fits in well with



Rautaruukki's strategic objectives of concentrating on the steel business. Both companies occupy a strong market position in Scandinavia and in Northern Europe and they have a similar operational strategy based on upgraded products.

For the entire West European steel industry, 1995 was the best year so far in the current decade. The speed-up in economic growth and rising capital expenditures led to a growth in the consumption of steel, accompanied by strengthening prices. There was a substantial increase in the number of steel companies that reported good earnings.

Towards the end of 1995, a number of European companies slowed down their output due to the filling up of stocks of hot and cold rolled strip products. At the same time, the two-year long rise in the prices of these products headed downward, at least temporarily. Within other steel and tubular products, the demand and price level remained stable also in the latter months of the year.

The Group performs well

The production and operations of the Rautaruukki Group's plants ran smoothly in 1995. The Group maintained the market shares of its products in its main markets.

Rautaruukki has increased the deliveries of its products to the new market economy countries of the Baltic Rim. We believe that this market area will gain in importance.

There was continuing good demand for Rautaruukki's more highly upgraded products – coated sheet and tubes – throughout 1995 and prices strengthened.

The demand for hot and cold rolled strip products was good in the first half of the year, but owing to the filling up of stocks, deliveries slowed down in the last quarter and prices weakened somewhat.

Rautaruukki invests in the future

Rautaruukki is focusing on the steel business, and we therefore divested certain non-core businesses last year.

In the autumn 1995 a capital expenditure programme was launched which will raise Rautaruukki's steel and rolled products output significantly, whilst boosting competitiveness and cost-effectiveness. The investments will also lay a foundation for further developing the Group's upgraded production.

According to the programme, the steel and rolled products output at Raahe Steel will be increased to 2.8 million tonnes and the cold rolled production at the Hämeenlinna Works to 1.25 million tonnes. In addition, the main parts of the Raahe Steel Works and the Hämeenlinna cold rolling mill will be modernized during this decade. According to our estimates, the capital expenditures can be carried through from the Group's own cash flow.

Slowdown in economic growth in 1996

In Rautaruukki's main market, Western Europe, economic growth is estimated to slow down in 1996 but will not come to a standstill. It is possible that growth will pick up again in the latter part of the year.

The slowdown in economic growth will lead to keener competition in the steel industry. From the first months of the

year, the market for cold and hot rolled steel was tight. The market situation for upgraded products is better. Rautaruukki is increasing the share of upgraded products in its total deliveries.

The economic outlook in the United States is somewhat more positive than in Western Europe, and there is estimated to be continued stable demand for steel. Steel prices headed upward in the United States at the beginning of 1996.

Rautaruukki's financial result for 1996 is estimated to be on the same level as it was in 1995, but the current year will involve factors of uncertainty on the various markets.

Rautaruukki's future prospects are good because of our excellent competitiveness. We want to be an attractive investment for our owners. That is why we are observing a competitive and stable dividend payout policy, which also takes into account the Group's earnings trend and the need to strengthen the company's equity ratio.

I wish to thank our customers for their good cooperation and our shareholders for their confidence in the company. A vote of thanks goes to the Group's personnel for the good job they have done. The strong performance in 1995 has been achieved as a result of the joint efforts of the entire personnel. We are in a good position to perform well in future years.

Mikko Kivimäki

SHARE INFORMATION

The paid-in share capital of Rautaruukki Oy on 31 December 1995 was FIM 1 202 284 160 and comprised 120 228 416 Series K shares, each carrying ten votes at the Annual General Meeting. According to the Articles of Association, a maximum of 100 000 000 Series A shares can also be issued; these will have one vote each at the Annual General Meeting, and a dividend that is 5 percentage points higher than that of the Series K shares may be paid on them. The par value of the shares is FIM 10.

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

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

Warrant bond issue to management

In 1994 an issue of bonds with warrants in a total amount of FIM 500 000 was targeted at twelve officers belonging to the Group's senior management. The issue of bonds with warrants is part of the Group's incentive system for management. The interest on the issue is 6 per cent and the maturity is 5 years.

Each FIM 500 bond certificate carries a warrant entitling its holder to subscribe one thousand Series K shares at a subscription price of FIM 56.56 per share. Share subscriptions can be exercised during the period from 1 December 1998 to 31 January 2001. On the basis of the subscription, the company's share capital can be increased by a maximum amount of 1 000 000 shares.

State ownership

On the basis of authorizations obtained from Parliament, the Council of State can reduce the state's holding in Rautaruukki Oy in such a way that the holding is nevertheless at least one third of the company's shares outstanding and the voting rights they confer.

Pre-emption clause

The Articles of Association contain a provision concerning the obligation to

Share issues between 1991–1995

	Number of shares	Increase in share capital, FIM	Share capital, FIM
Share capital 31.12.1990	87 281 500		872 815 000
Share issue 18.11.–20.12.1993	+ 14 546 916	145 469 160	1 018 284 160
Share issue 26.4.–17.5.1994	+ 18 400 000	184 000 000	1 202 284 160
Share capital 31.12.1995	120 228 416		1 202 284 160

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

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

The ten largest shareholders of Rautaruukki Oy according to the Share Register 31.12.1995

Shareholder	Number of shares	Shares, %
Republic of Finland	82 549 681	68.66
Pension Insurance Company Ilmarinen Ltd	2 890 000	2.40
Pension-Varma Mutual Insurance Company	2 199 657	1.83
Local Government Pensions Institution	1 221 917	1.02
Mutual Life Insurance Company Suomi	1 120 000	0.93
Sampo Insurance Company Ltd	808 437	0.67
Suomen Vientiluotto Oy	613 000	0.51
Enso-Gutzeit Oy Pension Foundation B-department	554 000	0.46
Teollisuusvakuutus Oy	519 370	0.43
Salama Life Insurance Company	479 000	0.40
Administrative registrations	9 355 330	7.78

The total number of shares held by members of the Supervisory Board, the Board of Directors, the Managing Director and the Deputy Managing Director was 14 243, which represent 0.01 % of the voting right conferred by all the company's shares. In addition the members of the Board of Directors have subscribed 59.5 % of the 1994 warrant bond worth FIM 297 500, which confer entitlement to subscribe at most 595 000 K Shares, i.e. 0.49 % of the voting right conferred by all the company's shares.

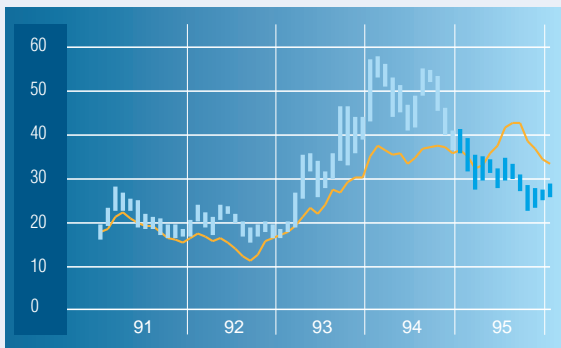
Shareholders by share ownership at 31.12.1995

Number of shares		Shareholders		Shares	
		No.	%	thousands	%
1–	100	1 757	17.68	97	0.08
101–	1 000	6 433	64.74	2 769	2.30
1 001–	10 000	1 573	15.83	4 564	3.80
10 001–	100 000	128	1.29	3 589	2.99
100 001–		46	0.46	109 083	90.73
		9 937	100.00	120 102	100.00

Shareholders by economic activity according to the Share Register at 31.12.1995

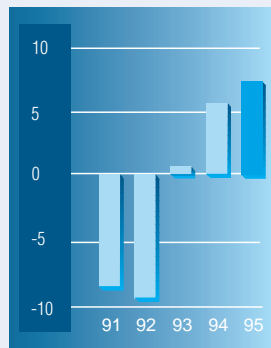
	Shareholders		Shares	
	No.	%	thousands	%
Companies	754	7.59	5 253	4.38
Monetary institutions	104	1.05	14 158	11.79
Public institutions	7	0.07	83 865	69.83
Non-profit organisations	118	1.19	1 361	1.13
Private individuals	8 942	89.98	6 093	5.07
Foreign owners and administrative registers	12	0.12	9 372	7.80
Total	9 937	100.00	120 102	100.00

Rautaruukki share price, FIM

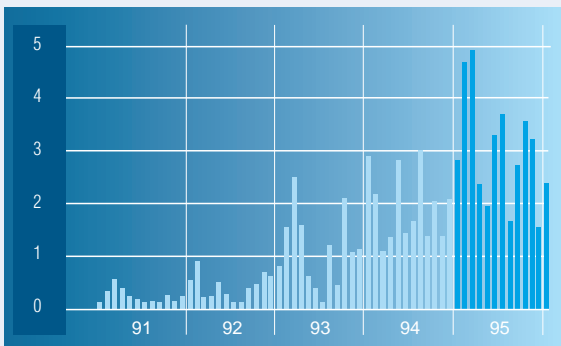


■ Rautaruukki K share, monthly high-low
— HEX General Index, monthly average

Earnings per share, FIM



Rautaruukki share monthly trading volume millions of shares



Market capitalization FIM million



exercise pre-emption, which is intended to protect small shareholders. According to it, a shareholder whose proportion of the company's entire shares outstanding or the votes they confer reaches or exceeds $33\frac{1}{3}$ or 50 per cent, is bound by the obligation, upon a demand of the other shareholders, to exercise pre-emption on their shares and warrants.

Share issue authorization

The Annual General Meeting of Rautaruukki Oy, held on 20 March 1995, granted the Board of Directors an authorization to raise the share capital by a maximum amount of FIM 200 000 000. The Board is authorized to decide on raising the share capital in one or more instalments through a rights issue and/or to decide on floating an issue of convertible bonds and/or bonds with warrants. The authorization shall be in force until 12 April 1996. The Board may derogate from the preferential right of shareholders to subscribe shares provided that the company has strong financial grounds for doing so.

Share price trend

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

During 1995 the highest share price of Rautaruukki's share was FIM 41.50 and the lowest price was FIM 22.80. The last trade of the year was made at a price of FIM 26.50. Rautaruukki's market capitalization at the end of the year was FIM 3 186 million (4 569).

Rautaruukki's Series K shares were traded on the Helsinki Stock Exchange in a total amount of 36 313 920 shares (23 184 038), totalling FIM 1 033 million (1 136). The average price of the share trades during the year was FIM 28.44 (49.00).

The five-year key indicators for shares are given on page 50.

GROUP ADMINISTRATION

Supervisory Board

Paavo Väyrynen*,
Chairman
Jorma Rantanen*,
Deputy Chairman

Göran J. Ehrnrooth*
Tauno Heikonen
Juhani Vähäkangas
Juhani Alaranta
Georg Ehrnrooth
Tuula Haatainen
Marjut Kaarilahti
Timo Ihämäki
Kari Uotila
Tauno Matomäki

* Supervisory Board working committee

Employee representatives

Pauli Kurikka
Risto Kämäräinen
Arto Lepikkö
Asser Siuvatti

Auditor

KPMG WIDERI OY AB

Hannu Niilekselä
Authorized Public Accountant



Board of Directors (in picture, sitting from left to right)

Chairman:

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

Deputy Chairman:

Lauri Mannerkoski, b. 1944, Senior Executive Vice President, marketing
member since 1988, deputy chairman since 1 May 1995

Pekka Einamo, b. 1940, Executive V.P., investments, purchases, logistics
member since 1982

Aulis Saarinen, s. 1939, Executive V.P., research and development
member since 1983

(standing from left to right)

Gösta Engman, s. 1945, Executive V.P., administration, personnel
member since 1989

Seppo Ahonen, s. 1942, Executive V.P.
member since 1994

Seppo Sahlman, s. 1948, Executive V.P., finance and treasury
member since 1 May 1995

With the exception of Seppo Ahonen, the other members of the Board are permanently employed by the company.

GROUP STRUCTURE

Integrated production chain is the basis of the Group Structure

Integrated production is the term used for steel manufacturing and related upgrading processes. This enables the Group to make full use of its production capacity and sell steel in its most profitable form at any particular time.

The production chain starts at Raahe Steel, the largest Nordic steelworks which manufactures steel and offers a wide variety of tailor-made hot-rolled products.

Rautaruukki's steel is upgraded by Strip Products, Metform and Steel Structure Division. These have specialized in product sectors where they can achieve a high degree of upgrading with added value, and obtain the benefits of large volume production.

Engineering Division manufactures special products and sells technology developed by the Group.

Rautaruukki has had a 50 per cent stake in the Nordic steel company Fundia since 1992. In February 1996 Rautaruukki signed a bill of sale by which it will purchase the remaining 50 per cent stake of Fundia. Fundia will become a wholly-owned subsidiary of Rautaruukki after the authorities have approved the deal. Fundia will continue its operations in accordance with its previous strategy.

RAAHE STEEL

Products
hot-rolled plates, coils and sheets
prefabricated plate products
steel industry byproducts

Page 35

STRIP PRODUCTS

Products
cold rolled sheets
hot dip galvanized sheets
colour-coated sheets

Page 38

METFORM

Products
precision tubes, line pipes
hollow sections
value added products

Page 40

STEEL STRUCTURE DIVISION

Products
profiled sheets
cold-formed sections
facade elements

Page 42

ENGINEERING DIVISION

Products
rolling stock
dished ends
other engineering products

Page 44

OTHER UNITS

CCB-Gruppen
Sales companies

Page 45

FUNDIA

Products
long steel products
processed products

Page 46

Business environment

Strong economic growth continued in Finland and the other Nordic countries. The expansion also moved ahead elsewhere in Western Europe. Towards the end of the year, it slowed down throughout Western Europe. In the United States, the boom was still under way, and in the Far East the economy remained buoyant. In Japan growth did not get going during the year.

The demand for steel in Finland and the other Nordic countries grew markedly owing to start-up of investments and the growth in sales volumes by the export industry. In the last quarter of the year, growth nevertheless tailed off as stocks filled up.

Elsewhere in Western Europe, rising stock levels in the steel wholesale trade slowed the growth in demand in the latter months of the year. In the United States, the filling up of stocks affected the market already in the second quarter. Stable growth continued in the Far East. Steel output worldwide grew by 2.5 per cent on the previous year.

In Western Europe, Rautaruukki's main market, the prices of steel products increased in foreign currency terms. The average prices were 10–15 per cent higher than in 1994 – depending on the product – though in the last quarter of the year the prices of hot and cold rolled products weakened somewhat.

The import of steel to Western Europe increased both from outside Europe and from the countries of eastern Central Europe, especially in the latter part of the year.

In the United States, the prices of steel products were clearly higher than the average prices in 1994. After stocks filled up, prices weakened in the first part of the year, but firmed up in the last quarter of the year. The prices in the Far East weakened somewhat.

Steel market

The FIM-denominated average price of Rautaruukki's deliveries was 6 per cent higher than it was in 1994. The Finnish mark strengthened during the same period by an average 8 per cent.

Rautaruukki maintained its market position in its main market in Finland and elsewhere in the Nordic countries as well as in Western Europe. The Group increased its sales in the new market economy countries of the Baltic area.

Deliveries of flat and tubular products increased by 3 per cent. Demanding and highly upgraded products accounted for a greater share of the deliveries.

The sales of hot rolled products in Finland grew owing to the good demand from the export industry and especially from the shipbuilding industry. Deliver-

ies to the Group's own upgrading units increased.

Exports of hot rolled products to the Nordic countries and continental Europe remained at the previous year's level. Exports to the United States and other distant markets contracted owing to the good demand on the nearby markets.

Sales of hot rolled, galvanized and colour-coated sheet on the markets in Finland, the other Nordic countries and continental Europe grew substantially. Towards the end of the year, the large stocks of product slowed down the demand. Deliveries to the United States were cut back.

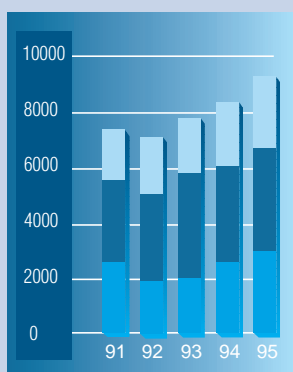
Sales of tubular products grew in all the market areas, but the growth tailed off towards the end of the year. Growth was the strongest within precision tubes.

Sales of products used in construction grew, especially in the countries of the Baltic area.

Turnover and financial result

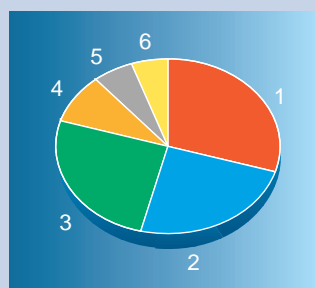
The Rautaruukki Group's turnover in 1995 was FIM 9 213 million, up by 12 per cent on the previous year. Of the growth in turnover, 6 per cent was due to the strengthening of prices and 6 per cent to the increase in the quantities of flat and tubular products delivered and the change in the product range. Exports and international operations ac-

Turnover, FIM million



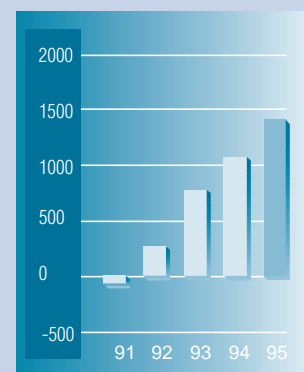
International operations
Exports from Finland
In Finland

External turnover by industrial division 1995



1. Raahe Steel 30%
2. Strip Products 24%
3. Metform 26%
4. Steel Structure Division 9%
5. Engineering Division 6%
6. Other units 5%

Operating profit, FIM million



Turnover by industrial division, FIM million

	1995	1994	change, %
Raahe Steel	5 031	4 603	+ 9
Strip Products	2 925	2 558	+ 14
Metform	2 448	2 353	+ 4
Steel Structure Division	856	670	+ 28
Engineering Division	594	450	+ 32
Other units	476	495	+ 4
Internal invoicing	- 3 117	- 2 874	
Consolidated turnover	9 213	8 255	+ 12

Operating profit by industrial division, FIM million

	1995	1994	change, %
Raahe Steel	1 085	1 041	+ 4
Strip Products	176	118	+ 49
Metform	185	111	+ 67
Steel Structure Division	20	- 16	
Engineering Division	- 51	- 90	
Other units and internal items	- 30	- 114	
Consolidated operating profit	1 385	1 050	+ 32

counted for 68 per cent of turnover. Exports from Finland amounted to FIM 3 665 million (3 454).

Output grew in all the divisions. Despite the improvement in capacity utilization, there was spare capacity in the Metform and Steel Structure divisions. Capacity utilization at Oy Transtech Ltd, which belongs to the Engineering division, was again low, although its order book grew during the year.

Because of the shutdown due to the modernization of Blast Furnace No. 1 at Raahe Steel, the use of iron ore and coal declined. The modernization of the blast furnace took 76 days, and the lost output it caused was offset by using purchased slabs. Owing to the low exchange rate of the dollar, the FIM-denominated prices of raw materials declined. Raw material and energy costs were a total of 11 per cent higher than they were a year earlier owing to the use of purchased slabs.

Operating profit rose to FIM 1 385 million (1 050). The figure includes Rautaruukki's share of the profits of associated companies - FIM 112 million (50), of which Fundia accounted for FIM 91 million (50).

Other operating income includes FIM 56 million of gains on the sale of fixed assets. Depreciation includes FIM 39 million of one-time write-downs on fixed assets.

The increase of FIM 104 million (96) in the statutory and voluntary pension liabilities of the pension funds was covered in full. In addition, funds were set aside for previously uncovered pension liabilities amounting to FIM 138 million.

Profit before extraordinary items, reserves and taxes improved markedly and was FIM 954 million (658). Earnings per share were FIM 7.19 (5.40). The accounts show a net profit of FIM 786 million (373). The net profit by IAS rules is FIM 947 million (406).

The internal pricing used between the Group's industrial divisions was changed beginning on 1 October 1995, when the prices were tied to the average European prices quoted by the Metal Bulletin Research. This changes the ratios of earnings between the industrial divisions.

Financing

The Group's financing position strengthened further in 1995 and the

equity ratio rose to 37.7 per cent (31.6). Shareholders' equity, minority interests and optional provisions totalled FIM 3 988 million (3 401) at the end of the year, or FIM 33.16 per share (28.28). The consolidated balance sheet total was FIM 10 721 million (10 835).

The cash flow was positive. Interest-bearing net debt contracted and amounted to FIM 4 347 million at the end of the year (4 850). The gearing ratio fell to 109 per cent (143).

During 1995 Rautaruukki raised five-year syndicated loans of USD 120 million and DEM 180 million that were used to repay long- and short-term loans. Part of the long-term loans were paid off earlier than agreed. In January of 1996, a DEM 350 million 7-year revolving credit facility was signed with an international bank syndicate for the purpose of repaying prematurely the USD 110 million syndicated loan that falls due in 1998 and to prepare for repayments of long-term loans in 1996.

Net interest expenses declined and were FIM 387 million (424), or 4.2 per cent of net sales (5.1). The fall in interest expenses was mainly due to the reduction in net liabilities. Interest rate swaps have been used to convert a considerable portion of the loans to fixed-interest debt. Foreign exchange differences and hedging costs due to the use of currency options resulted in a loss of FIM 1 million (gain 55).

Liquidity remained good throughout the year. Liquid funds and investments totalled FIM 562 million at the end of the year (700).

Share capital

Rautaruukki Oy's share capital did not change during 1995. At the close of the year it was 1 202 284 160 Finnish marks and there were 120 228 416 shares outstanding, all of which were Series K. The Board of Directors has an authorization, which was granted by the Annual General Meeting valid up to 12 April 1996, to increase the share capital by a maximum amount of FIM 200 million.

The Series K share of Rautaruukki Oy declined during the year. The highest trading price during the year was FIM 41.50 and the lowest was FIM

22.80. The last transaction of the year was made at a price of FIM 26.50.

During the year 36.3 million shares (23.2) were traded on the Helsinki Stock Exchange, representing a total turnover of FIM 1 033 million (1 136). The number of registered shareholders was 9 937 (8 678) at the close of the year. International shareholders held 7.8 per cent of the company's shares outstanding.

Raw materials and energy

Rautaruukki buys in its most important raw materials – iron ore, coal and alloys – mainly from nearby areas. Raw materials are thus transported over short distances. The Group's own pusher barges assure logistically efficient transports.

Rautaruukki bought 2.6 million tonnes of iron ore from northern Sweden and northern Russia. To ensure the supply of iron ore, Rautaruukki has a delivery agreement with the Swedish company LKAB, which extends to the end of 1999. Some 1.4 million tonnes of coal were purchased from Poland, Russia and the United States.

To ensure a supply of electricity, Rautaruukki entered into a long-term agreement with the Imatran Voima Oy power company. Imatran Voima will supply about 0.5 terawatts of electricity annually. Rautaruukki itself produces about half of its entire electrical power requirement.

Capital expenditure

Gross capital expenditures on fixed assets totalled FIM 778 million (544) and net capital expenditures were FIM 658 million (443). The largest project was the modernization of Blast Furnace No. 1 at Raahe Steel. Other capital projects were primarily development and replacement investments.

Raahe Steel began the planning work for modernizing Blast Furnace No. 2, which will be carried out in the spring of 1996. The work is estimated to take 61 days.

In the autumn an investment programme was launched to boost the steel and rolled products output at Raahe Steel to 2.8 million tonnes through debottlenecking measures and by refurbishing the equipment. The investments will be carried out over the years 1995–99. The total cost estimate for the programme is FIM 1 770 million, which includes a considerable amount of normal replacement investments.

At the Hämeenlinna Works of the Strip Products division, an overhaul of the pickling line and the tandem rolling mill was started, along with the planning of investments to raise the efficiency of production. This will mean that the increasing amount of hot rolled production at Raahe Steel can be turned into upgraded products downstream. The cost estimate for the capital programmes is FIM 270 million, which in-

cludes a considerable amount of normal replacement investments.

At the Metform Division, the upgrades of the production lines at the Pulkila Works and Wirsbo Stålrör AB were completed. The investments will boost capacity and improve productivity and quality.

Towards the end of the year the Steel Structure Division started up a profiling unit in Russia, Rannila Taldom A/O, and established sales companies in St Petersburg, Latvia and Lithuania.

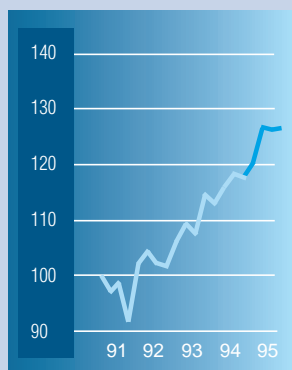
Together with Asva Oy, Rautaruukki established a steel service centre in Poland, Asva Stal Serwis Sp. z o.o., in which Rautaruukki owns a 50 per cent stake.

In February 1996, Rautaruukki signed a bill of sale by which it will purchase the 50% stake of Norsk Jern Holding AS in Fundia AB, which manufactures long steel products. The purchase price is SEK 660 million. In addition, NJH will receive SEK 50 million as repayment on placed capital. The deal calls for approval by the authorities.

Research and development

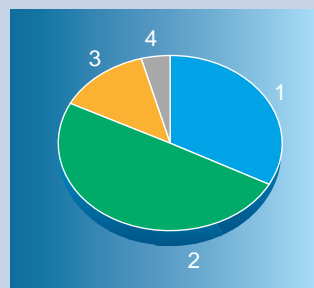
The main research and development projects were directed at improving the cost-effectiveness of processes and developing quality. Now that Finland is a member of the EU, Rautaruukki has participated in three research programmes of the European Coal and

Average price of Rautaruukki steel deliveries, index



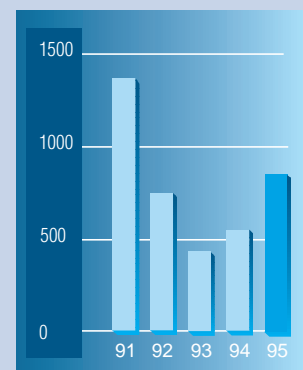
Average price includes variations in product mix and exchange rates

Turnover by market areas 1995



1. Finland	33%
2. Other EU countries	50%
3. Other Europe	13%
4. Other countries	4%

Capital expenditure, FIM million



Capital expenditure by industrial division, FIM million

	1995	1994
Raahe Steel	516	189
Strip Products	57	91
Metform	70	150
Steel Structure Division	35	34
Engineering Division	20	9
Other units	80	71
Total	778	544

Steel Community. The Rautaruukki Group spent a total of FIM 80 million (66) on research and development.

Raahe Steel increased the efficiency of its coke production by putting into operation a dynamic control system that will yield a significant reduction in energy consumption and increase the production of coke. The temperature control of molten steel was further developed to correspond to the requirements of an increasingly diversified product range.

The development of cooling systems for the rolling lines was continued in order to increase the even quality of products. The suitability of products to automatic manufacturing lines was improved by developing the dimension and shape accuracy of plate products.

Steel grades with better physical and ductile properties were included in the sheet manufacturing programme. The coatings of colour-coated products were improved to make them more resistant to climate stress.

The main objective of the development work for the tubular production was to optimize machinery settings and adjustments as well as the effect of raw materials within the tube forming process. The Steel Structure Division developed a steel thermo profile that is made from sheet and is used in the frame structures of buildings. The new thermo profile has better strength and thermal economy characteristics than do conventional wooden structures. During the year, the Finnsteel programme, which aims to develop construction systems based on steel, was launched in conjunction with Tampella Power Oy and the Finnish Constructional Steelwork Association.

Environmental protection

Measures to reduce emissions at our plants were carried ahead. Environmental management systems and lifespan analyses were developed. At Raahe Steel, environmental auditing was continued and preparations were made for integrating it into the quality system in use at the works. Development work on the recycling of packaging materials was continued throughout the Group.

As part of the blast furnace modernization, direct granulation equipment that processes blast furnace slag was built. The equipment reduces particulate and sulphur emissions as well as the discharges of solids into the waterways.

Raahe Steel's SKJ Companies sold almost all the slag arising in production at the steel works. The first export projects for the slag processing technology developed by SKJ Companies were realized during the year.

Raahe Steel's capital expenditure programme during the years ahead will significantly reduce the particulate emissions from the steel plant. The overhaul of the water system of the rolling mill will be carried out at the same time, creating a completely closed system.

At the Hämeenlinna facility, work was started on extending the hydrochloric acid regeneration plant. The plant will significantly reduce the hazardous wastes produced at the works.

Changes in the Group structure

Rautaruukki is directing its operational focus increasingly towards its steel business. During the year the New Technology business was sold, as were the stakes in the associated companies Fincitec

Oy, Idesco Oy and Noptel Oy.

The Toijala Works, Gasell Metform AB and Stelform A/S – all manufacturers of cold-formed sections that previously belonged to Metform – were made a part of the Steel Structure division in October. Structo AB, which manufactures cold drawn tubes in Sweden, was sold in December.

The Transtech shares owned by Valmet and VR Corporation were acquired by Rautaruukki. Oy Transtech Ltd was merged with Rautaruukki Oy at the end of the year.

With the acquisition by Rautaruukki of Norsk Jern Holding AS's 50 per cent stake in Fundia AB, Fundia will become a wholly-owned subsidiary of Rautaruukki. Fundia will continue its operations in accordance with its previous strategy.

Changes in the Board of Directors

Reino Mäkelä, vice chairman of the Board of Directors and senior executive vice president, retired and resigned from the Board of Directors of Rautaruukki on 1 May 1995, having been with the company since 1960. Lauri Mannerkoski, executive vice president, marketing, was elected vice chairman of the Board on 1 May 1995 and appointed Group senior executive vice president on the same date. Seppo Sahlman, who has been a senior vice president of the Metform Division, was elected to a seat on the Board, as an executive vice president with responsibility for finance and treasury operations.

Personnel

The Group's payroll at the close of the year was 8 730 people (9 068) and the parent company employed 5 585 people (5 625). During the year the Group employed an average of 9 318 people (9 444) and the parent company 5 893 people (5 815).

On a Group-wide basis, training programmes were continued with a view to enhancing process management and a lean and flexible course of action. Teamwork was increased to develop the personnel's ability, professional skills and initiative. The international cooperation was launched at the divisions and negotiations upon it were started at the Group level.

Rautaruukki's personnel fund will receive FIM 21 million under Rautaruukki Oy's profit bonus system.

Rautaruukki Oy's pension funds granted 164 pensions during the year (163). The number of pensions at the close of the year was 2 484 (2 383).

Outlook for 1996

Economic growth is estimated to slow down in Western Europe and the United States during 1996, but possibly to pick up again in the latter half of the year. Economic growth in Scandinavia is estimated to remain stable in spite of the slowdown.

The demand for hot and cold rolled products is expected to remain stable in Finland and the other Nordic countries. Due to the slowdown in economic growth, the demand for hot and cold rolled products is estimated to decline somewhat in Western Europe.

Demand for upgraded products is anticipated to remain good on the markets in Finland and the other Nordic countries, but elsewhere in Western Europe the markets will be unstable. Upgraded products will continue to occupy an increasing share of Rautaruukki's deliveries. The demand for products used in construction will grow in Eastern Europe.

The price trend of steel products is estimated to be unstable in the first half

of the year. After stocks are wound down, the price trend should level off.

In April and May, Blast Furnace No. 2 will be modernized at the Raah Steel Works. The amount of rolled output will be maintained at the previous year's level by using purchased slabs. The use of purchased slabs will nevertheless be considerably smaller than it

was during the modernization of Blast Furnace No. 1.

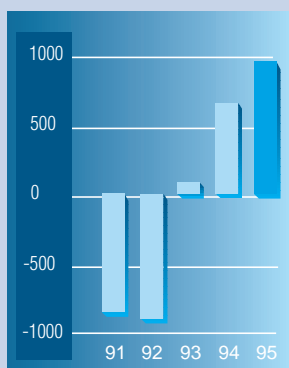
Group turnover for 1996 without Fundia AB is estimated to be FIM 9.5 billion and net profit is anticipated to be at the level of 1995, though it involves factors of uncertainty due to the general economic trend.

Personnel at year-end

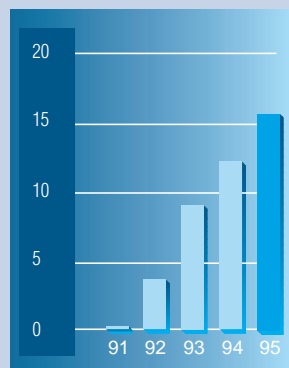
by division	1995	1994
Raah Steel	3 688	3 706
Strip Products	1 036	1 006
Metform	1 670	1 988
Steel Structure Division	783	558
Engineering Division	1 012	1 247
Other units	541	563
Total	8 730	9 068

by country	1995	1994
Finland	6 802	7 069
Germany	857	840
Sweden	486	587
Denmark	251	256
Norway	162	167
Great Britain	64	62
Estonia	55	39
Poland	34	27
Other countries	19	21
Total	8 730	9 068

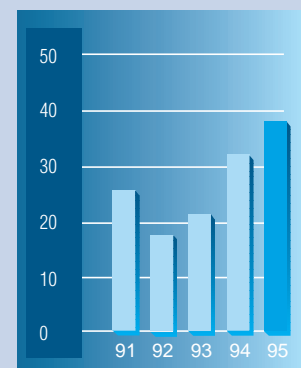
Profit before extraordinary items, reserves and taxes, FIM million



Return on net assets, %



Equity ratio, %



CONSOLIDATED PROFIT AND LOSS ACCOUNT

FIM million	Note	1.1.-31.12.1995 (%)		1.1.-31.12.1994 (%)	
TURNOVER	1)	9213	100.0	8255	100.0
Change in stock of finished products		-16	-0.2	164	2.0
Production for own use		60	0.7	54	0.7
Other income on business operations		137	1.5	87	1.1
Share of associated companies' profit/loss		112	1.2	50	0.6
EXPENSES					
Sales freights and other sales expenses		534		545	
Material, supplies and goods					
Purchases during the accounting period		4189		3663	
Change in inventories		-166		-49	
External services		346		310	
Wages and salaries	2)	1533		1437	
Indirect employee costs	2)	456		422	
Rents		179		184	
Other expenses		428	7499 81.4	447	6959 84.3
DEPRECIATION	3)	623	6.8	601	7.3
OPERATING PROFIT		1385	15.0	1050	12.7
FINANCING INCOME AND EXPENSES 4)					
Interest income		47		73	
Other financing income and expenses		-43		-23	
Currency exchange differences		-1		55	
Interest expenses		-434	-431 -4.7	-498	-393 -4.8
PROFIT BEFORE EXTRAORDINARY ITEMS, RESERVES AND TAXES		954	10.4	658	8.0
EXTRAORDINARY INCOME AND EXPENSES	5)				
Extraordinary income		0		119	
Extraordinary expenses		-144	-144 -1.6	-337	-218 -2.6
PROFIT BEFORE RESERVES AND TAXES		810	8.8	440	5.3
Change in depreciation difference		34	0.4	-74	-0.9
Change in optional reserves		32	0.3	50	0.6
DIRECT TAXES					
Taxes for the year		-55		-46	
Taxes for previous years		-34		2	
Change in deferred tax liability		1	-89 -1.0	2	-42 -0.5
PROFIT BEFORE MINORITY INTEREST		787	8.5	373	4.5
MINORITY INTEREST OF PROFIT		-1	-0.0	-1	-0.0
GROUP PROFIT FOR THE YEAR		786	8.5	373	4.5

CONSOLIDATED BALANCE SHEET

FIM million	Note	31.12.1995 (%)		31.12.1994 (%)	
ASSETS					
FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS 7-11)					
Intangible assets					
Establishing and organizing expenses		20		26	
Intangible rights		19		17	
Goodwill		277		336	
Other long-term expenses		38	354	33	413
Tangible assets					
Land and water areas		131		136	
Buildings and structures		1676		1726	
Machinery and equipment		3354		3304	
Advance payments and incomplete acquisitions		252	5413	158	5323
Securities included in fixed assets and other long-term investments					
Stocks and shares in associated companies		1093		745	
Other stocks and shares		85		110	
Interest bearing long-term loans receivable		22		86	
Non interest bearing long-term loans receivable		35	1234	191	1131
			7001	65.3	6868
					63.4
VALUATIONS ITEMS 12)					
Pension liabilities		169		296	
Other valuations items		30	199	41	337
					3.1
CURRENT ASSETS 13)					
Inventories					
Materials and supplies		712		574	
Finished and semi-finished products		740		726	
Advance payments		16	1468	42	1342
					12.4
Receivables 14)					
Accounts receivable		1290		1210	
Short-term loans and other receivables		22		104	
Accruals		158		221	
Other short-term receivables		22	1491	53	1588
					14.7
Marketable securities included in current assets					
		296	2.8	513	4.7
Cash in hand and at bank					
		266	2.5	187	1.7
			3521	32.8	3630
					33.5
			10721	100.0	10835
					100.0

FIM million	Note	31.12.1995 (%)		31.12.1994 (%)	
LIABILITIES					
SHAREHOLDERS' INTERESTS 16)					
Restricted equity					
Share capital		1202		1202	
Reserve fund		782		782	
Revaluation fund		195		195	
Translation adjustment		-1	2179	-15	2165
Nonrestricted equity					
Profit/loss from previous years		19		-228	
Profit for the year		786		373	
Other nonrestricted equity		-27	779	-5	140
			2958	27.6	2304
			1	0.0	0
					21.3
					0.0
MINORITY INTERESTS					
OPTIONAL RESERVES AND ACCUMULATED DEPRECIATION DIFFERENCE 17)					
Accumulated depreciation difference		770		804	
Optional reserves		260	1029	292	1096
			9.6		10.1
OBLIGATORY PROVISIONS 6)					
Uncovered pension liability		169		336	
Other obligatory provisions		15	184	19	354
			1.7		3.3
EXTERNAL LIABILITIES 18)					
Long-term					
Interest bearing					
Bonds		627		1112	
Loans from financial institutions		2724		2836	
Pension loans		386		698	
Advanced payments		1		1	
Other long-term debts		3	3741	15	4663
Non interest bearing					
Pension loans		184		7	
Deferred tax liability		0		3	
Other long-term debts		0	184	19	29
Short-term					
Interest bearing					
Loans from financial institutions		1181		648	
Pension loans		0		1	
Other short-term debts		30	1211	428	1077
Non interest bearing					
Advanced payments		137		67	
Accounts payable		483		531	
Accruals		745		646	
Other short-term debts		47	1411	66	1311
			6548	61.1	7080
					65.3
			10721	100.0	10835
					100.0

CONSOLIDATED FUNDS STATEMENT

FIM million	1.1.-31.12.1995	1.1.-31.12.1994
BUSINESS OPERATIONS		
From operations		
Operating profit	1385.2	1050.1
Depreciation	622.8	601.4
Financing income and expenses	-112.1	-50.1
Financing income and expenses	-358.1	-519.1
Extraordinary items and adjustment of sales profits/losses of fixed assets	-52.4	18.0
Taxes	-63.5	-41.7
	1421.9	1058.6
CHANGE IN NET WORKING CAPITAL		
Change in inventories	-126.2	-277.2
Change in short-term receivables	97.6	-104.5
Change in non interest bearing short-term debts	75.2	229.1
	46.6	-152.6
CASH FLOW FROM OPERATIONS	1468.5	906.0
INVESTMENTS		
Gross investments in fixed assets	-778.3	-543.5
Decrease of fixed assets	119.9	100.4
	-658.4	-443.1
CASH FLOW BEFORE FINANCING	810.1	462.9
FINANCING		
Change in long-term receivables	29.0	13.1
Change in long-term debts	-990.6	-929.3
Change in short-term debts	134.3	-360.3
Minority interests	0.0	-4.6
Share issue	0.0	791.8
Dividend distribution	-120.2	
Other financing items	-0.5	
	-948.0	-489.3
CHANGE IN LIQUID ASSETS	-137.9	-26.4

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

RAUTARUUKKI OY PROFIT AND LOSS ACCOUNT

FIM million	Note	1.1.-31.12.1995 (%)		1.1.-31.12.1994 (%)	
TURNOVER	1)	6794	100.0	6093	100.0
Change in stock of finished products		76	1.1	136	2.2
Production for own use		49	0.7	40	0.7
Other income on business operations		61	0.9	70	1.1
EXPENSES					
Sales freights and other sales expenses		490		509	
Material, supplies and goods					
Purchases during the accounting period		3202		2797	
Change in inventories		-117		-9	
External services		250		196	
Wages and salaries	2)	998		900	
Indirect employee costs	2)	311		274	
Rents		24		31	
Other expenses		154	5313 78.2	149	4847 79.5
DEPRECIATION	3)	462	6.8	405	6.7
OPERATING PROFIT		1205	17.7	1087	17.8
FINANCING INCOME AND EXPENSES 4)					
Interest income		105		152	
Other financing income and expenses		-5		-16	
Currency exchange differences		-9		44	
Interest expenses		-415		-463	
Change in the values of short-term investment		31	-293 -4.3	-283	-4.6
PROFIT BEFORE EXTRAORDINARY ITEMS, RESERVES AND TAXES		912	13.4	804	13.2
EXTRAORDINARY INCOME AND EXPENSES 5)					
Intra-Group contributions received		44		10	
Extraordinary income		0		87	
Extraordinary expenses		-320	-275 -4.0	-652	-555 -9.1
PROFIT BEFORE RESERVES AND TAXES		637	9.4	250	4.1
Change in depreciation difference		48	0.7	-88	-1.4
Change in optional reserves		30	0.4	-6	-0.1
DIRECT TAXES					
Taxes for the year		-46		-37	
Taxes for previous years		-35	-80	2	-36
PROFIT FOR THE YEAR		635	9.3	121	2.0

RAUTARUUKKI OY BALANCE SHEET

FIM million	Note	31.12.1995 (%)		31.12.1994 (%)			
ASSETS							
FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS 7-11)							
Intangible assets							
Establishing and organizing expenses		20		26			
Intangible rights		16		13			
Goodwill		256		341			
Other long-term expenses		35	326	30	410		
Tangible assets							
Land and water areas		35		33			
Buildings and structures		1268		1251			
Machinery and equipment		2990		2887			
Other tangible assets		1		1			
Advance payments and incomplete acquisitions		228	4521	141	4313		
Securities included in fixed assets and other long-term investments							
Shares in subsidiaries		733		641			
Stocks and shares in associated companies		1083		828			
Other stocks and shares		52		77			
Interest bearing long-term loans receivable		534		610			
Non interest bearing long-term loans receivable		164	2566	455	2611		
			7413	70.2	7334	69.1	
VALUATIONS ITEMS 12)							
Pension liabilities		155		283			
Other valuations items		29	183	37	320	3.0	
CURRENT ASSETS 13)							
Inventories							
Materials and supplies		458		299			
Finished and semi-finished products		586		449			
Other inventories		17		0			
Advance payments		12	1073	10.1	28	776	7.3
Receivables 14)							
Accounts receivable		1045		949			
Short-term loans and other receivables		240		348			
Accruals		177		190			
Other short-term receivables		7	1469	13.9	85	1572	14.8
Marketable securities included in current assets			296	2.8		513	4.8
Cash in hand and at bank			133	1.3		92	0.9
			2971	28.1		2953	27.8
			10568	100.0		10607	100.0

FIM million	Note	31.12.1995 (%)		31.12.1994 (%)	
LIABILITIES					
SHAREHOLDERS' INTERESTS 16)					
Restricted equity					
Share capital		1202		1202	
Reserve fund		782		782	
Revaluation fund		195	2180	195	2180
Nonrestricted equity					
Profit/loss from previous years		458		457	
Profit for the year		635	1092	121	578
			3272		2757
			31.0		26.0
OPTIONAL RESERVES AND ACCUMULATED DEPRECIATION DIFFERENCE 17)					
Accumulated depreciation difference		715		762	
Optional reserves		252	966	282	1044
			9.1		0.0
OBLIGATORY PROVISIONS 6)					
Uncovered pension liability		155		283	
Other obligatory provisions		0	155	0	283
			1.5		2.7
EXTERNAL LIABILITIES 18)					
Long-term					
Interest bearing					
Bonds		627		1112	
Convertible bonds		0		0	
Loans from financial institutions		2106		1810	
Pension loans		373		635	
Other long-term loans		417	3524	914	4472
Non interest bearing					
Pension loans			138		0
Short-term					
Interest bearing					
Loans from financial institutions		1138		582	
Pension loans		0		1	
Other short-term loans		222	1360	466	1048
Non interest bearing					
Advanced payments		120		23	
Accounts payable		369		401	
Accruals		643		505	
Other short-term loans		21	1152	73	1002
			6175		6522
			58.4		61.5
			10568		10607
			100.0		100.0

RAUTARUUKKI OY FUNDS STATEMENT

FIM million 1.1.-31.12.1995 1.1.-31.12.1994

BUSINESS OPERATIONS

From operations

Operating profit	1205.3	1087.1
Depreciation	461.8	405.2
Financing income and expenses	-235.4	-409.4
Extraordinary items and adjustment of sales profits/losses of fixed assets	-13.4	-8.8
Taxes	-54.9	-35.7

1363.4 1038.4

CHANGE IN NET WORKING CAPITAL

Change in inventories	-176.3	-171.8
Change in short-term receivables	103.3	-218.6
Change in non interest bearing short-term debts	25.7	199.3

-47.3 -191.1

CASH FLOW FROM OPERATIONS

1316.1 847.3

INVESTMENTS

Net change in fixed assets	-798.6	-590.1
----------------------------	--------	--------

-798.6 -590.1

CASH FLOW BEFORE FINANCING

517.5 257.2

FINANCING

Change in long-term receivables	185.9	-481.9
Change in long-term debts	-1070.6	-152.2
Change in short-term debts	311.9	-431.2
Share issue		791.8
Dividend distribution	-120.2	

-693.0 -273.5

CHANGE IN LIQUID ASSETS

-175.5 -16.3

NOTES TO THE ACCOUNTS

ACCOUNTING PRINCIPLES

Accounting principles for the financial statements

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

Investments in associated companies (holding 20–50 per cent) have been included in the consolidated financial statements as of 1994, using the equity method. The Group's share in the associated companies' profits for the accounting period, according to the Group's holding in these companies, is given on a separate line in the profit and loss account.

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

Companies acquired during the accounting period are included in the consolidated financial statements from the date of acquisition, and the sold companies are included up to the sale date. The same principles were applied when Group companies were merged or wound up during the accounting period.

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

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

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

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

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

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

Amounts in foreign currency

Items in foreign currency have been entered at the rate current on the transaction date. Balance sheet items which were still open at the end of the accounting period have been valued at the date the books were closed. An exception is the items hedged with forward agreements, which have been valued at the forward rate, and the interest on the forward transaction has been matched over the validity period of the contract. Exchange rate differences related to ordinary business operations are treated as adjustment items in turnover and purchases. Exchange differences connected to financing are given under financial income and expenses in the profit and loss account. The exchange rate difference on forward transactions taken with the aim of hedging has been used to adjust the exchange rate difference on the hedged item. The balance sheet value of currency swaps and forward contracts which were previously included under long-term loans from financial institutions have been entered in accrued liabilities. The comparison data for the previous year have been changed accordingly, thereby reducing long-term liabilities by FIM 40 million.

In the consolidated financial statements, the balance sheet items of foreign companies have been translated into Finnish marks at the rate quoted by the Bank of Finland on the last day of the accounting period. The profit and loss accounts of foreign companies have been translated into Finnish marks at the average exchange rate during the financial year. Translation differences of shareholders' interests are included in the shareholders' interest in such a way that the translation difference of the restricted equity at the time of acquisition is in the restricted equity and the translation difference of the nonrestricted equity at the time of acquisition is in the nonrestricted equity. A translation difference resulting from translating a profit and loss account and a balance sheet at different rates is given in the nonrestricted equity.

The hedging of currency and exchange rate risks is discussed in Note 20.

Covering pension expenses and pension liabilities

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

The uncovered pension liability from previous years is given in the valuation items and in the obligatory reserves. Non interest bearing pension loans contain a portion of the pension liability that has been entered as an expense in the profit and loss account to the extent that it has not been covered for the pension funds.

Inventories

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

In the inventory account, indirect purchasing and manufacturing expenses have also been capitalized in addition to direct acquisition costs.

Fixed assets and depreciation

The values of fixed assets are based on the original acquisition cost, with the exception of the revaluation of certain land areas and buildings. Wearing assets are depreciated according to a plan based on the estimated economic useful life of the asset.

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

Extraordinary income and expenses

Extraordinary income and expenses include exceptional business transactions and events that are of material importance. The parent company's extraordinary income and expenses also include Group contributions. Previously, extraordinary expenses also included changes in the value of shares and other investments, but these items are now included in the parent company's profit and loss account under the heading write-offs on investments and in the consolidated profit and loss account under financial income and expenses.

Taxes

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

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

Research and development expenses

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

NOTES TO THE ACCOUNTS

1. External turnover by divisions and by market areas

Turnover by division

The calculation of turnover has been changed during the accounting period according to the EU directive, which means that only VAT and rebates are deducted from sales of products and services. The comparison figures from earlier years have been changed to correspond to the new turnover principle. The change in the accounting principle raised the 1994 consolidated turnover by FIM 642 million and in Rautaruukki Oy by FIM 606 million.

	Group				Rautaruukki Oy			
	1995 MFIM	1995 %	1994 MFIM	1994 %	1995 MFIM	1995 %	1994 MFIM	1994 %
Raahe Steel	2736.5	29.7	2453.2	29.7	2684.4	39.5	2457.6	40.3
Strip Products	2230.8	24.2	1943.7	23.5	2764.2	40.7	2416.9	39.7
Metform	2381.7	25.9	2301.7	27.9	1146.4	16.9	1040.3	17.1
Steel Structure Division	836.1	9.1	646.3	7.8	52.3	0.8	24.3	0.4
Engineering Division	551.7	6.0	414.9	5.0	138.8	2.0	129.0	2.1
Other units	476.0	5.2	495.5	6.0	7.8	0.1	24.7	0.4
	9212.7	100.0	8255.3	100.0	6793.9	100.0	6092.8	100.0

Turnover by market areas

	Group				Rautaruukki Oy			
	1995 MFIM	1995 %	1994 MFIM	1994 %	1995 MFIM	1995 %	1994 MFIM	1994 %
Finland	3006.7	32.6	2573.5	31.2	2767.4	40.7	2354.1	38.6
Other EU countries	4585.0	49.8	2925.7	35.4	3201.6	47.1	2072.4	34.0
Other Europe	1241.0	13.5	2102.4	25.5	537.3	7.9	1117.3	18.3
Other countries	380.1	4.1	653.7	7.9	287.6	4.2	549.0	9.0
Total external turnover of which	9212.7	100.0	8255.3	100.0	6793.9	100.0	6092.8	100.0
Exports from Finland	3664.7	39.8	3454.0	41.8	4026.5	59.3	3738.7	61.4
International operations	2602.4	28.2	2280.7	27.6				

Note: The market areas of 1994 are according to the old EU/EFTA grouping.

2. Wages, salaries and other personnel expenses

Salaries, wages and fringe benefits

MFIM	Group		Rautaruukki Oy	
	1995	1994	1995	1994
Salaries, fees and fringe benefits of members of the Supervisory Board and Board and Managing Directors	20.2	21.0	6.6	4.8
Other salaries, wages and fringe benefits	1521.9	1423.6	994.8	898.5
	1542.1	1444.6	1001.4	903.3
Including fringe benefits	8.9	7.6	3.0	2.9
Wages and salaries in the profit and loss account	1533.2	1437.0	998.4	900.4

Indirect employee expenses

MFIM	1995	Group 1994	Rautaruukki Oy 1995	1994
Pension insurance premiums and pensions	226.2	207.0	174.9	166.7
Other indirect personnel expenses	230.2	214.8	135.8	106.9
	456.4	421.8	310.7	273.6

3. Depreciation and change in depreciation difference

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

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

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

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

	Accumulated difference in depreciation 1.1.95	Planned depre- ciation 1995	Total depre- ciation 1995	Change in depre- ciation differe- nce '95	Change in depr. diff. in sales and difference	Accumul. depreciat. 31.12.95	
Establishing and organizing expenses		1	6	6	0	1	
Intangible rights		0	2	2	0	0	
Goodwill		25	40	70	29	-54	-0
Other long-term expenses		6	9	11	2	-0	8
Buildings and structures		420	45	43	-3	-0	418
Machinery and equipment		309	359	330	-29	7	287
Total		762	462	462	-0	-48	715

Rautaruukki Group's planned depreciation and change in depreciation difference by the balance sheet line:

	Accumulated difference in depreciation 1.1.95	Planned depre- ciation 1995	Total depre- ciation 1995	Change in depre- ciation differe- nce '95	Accumul. depreciation difference 31.12.95	
Goodwill		25	60	35	-25	-0
Other long-term expenses		8	20	22	2	10
Buildings and structures		434	85	89	4	438
Machinery and equipment		337	458	442	-16	322
Total		804	623	588	-34	770

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

4. Financing income and expenses

MFIM	1995	Group 1994	Rautaruukki Oy 1995	Rautaruukki Oy 1994
Interest income				
From long-term investments	3.4	20.0	48.4	77.0
From short-term investments	43.6	53.3	57.0	74.5
	47.0	73.3	105.4	151.5
Other financing income and expenses				
Change in the value of investments	-29.7		31.3	
Dividend income	1.7	0.9	5.5	0.9
Other financing income and expenses	-14.9	-24.1	-10.9	-17.0
	-42.9	-23.2	25.9	-16.1
Currency exchange differences	-1.2	55.0	-9.1	44.2
Interest expenses	-434.3	-497.7	-415.1	-462.5
Financing income and expenses, total	-431.5	-392.6	-293.0	-282.9

Intra-Group financing income and expenses

MFIM	Rautaruukki Oy	
	1995	1994
Financing income from Group companies		
Interest income from long-term investments	45.1	70.8
Interest income from short-term investments	23.5	24.7
Other financing income		
	68.6	95.5
Financing income paid to Group companies		
Interest expenses	46.3	104.6
Other financing expenses	-0.4	-1.0
	45.9	103.6

5. Extraordinary income and expenses

MFIM	1995	Group 1994	Rautaruukki Oy 1995	Rautaruukki Oy 1994
Extraordinary income				
Revaluation of inventories		115.1		86.9
Group contributions			44.4	10.2
Other extraordinary income		3.8		
	0.0	118.9	44.4	97.1
Extraordinary expenses				
Write-down on subsidiary shares				-83.4
Write-down on other subsidiary investments				-440.0
Write-down on other shares		-26.7		-26.7
Merger losses			-181.2	
Loss on sales of fixed assets and extraordinary depreciation		-204.8		
Change in exchange losses activated in 1991		-100.7		-100.7
Covering the pension liability	-138.4		-138.4	
Other items from previous years	-5.7			
Expenses due to contingent liabilities and restructuring expenses		-4.7		-0.9
	-144.1	-336.9	-319.5	-651.7
Extraordinary items, total	-144.1	-218.0	-275.1	-554.6

6. Obligatory provisions

Obligatory provisions in 1994 included all uncovered pension liabilities and liability due to pensions paid directly by the Group companies. In 1995 the part of the liability, which is booked through profit and loss account but not covered to the pension fund is transferred to non interest bearing pension liabilities. The part of the liability, which is not booked through the profit and loss account is shown in obligatory provisions and on the assets side under valuation items.

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

MFIM	1995	Group 1994	Rautaruukki Oy 1995	Rautaruukki Oy 1994
Pension liabilities 1.1.	335.6	288.5	283.0	286.9
Change	-166.5	47.1	-128.4	-3.9
	169.1	335.6	154.6	283.0

NOTES TO THE ACCOUNTS

MFIM	1995	Group 1994	Rautaruukki Oy 1995 1994	
Other obligatory provisions 1.1.	18.6		0.4	
Change	-3.3	18.6	-0.4 0.4	
	15.3	18.6	0.0 0.4	

7. Tangible and intangible assets

Acquisition cost on January 1 has been calculated using December 31 exchange rates.

Intangible assets

MFIM	1995	Group 1994	Rautaruukki Oy 1995 1994	
Establishing and organization expenses				
Acquisition cost 1.1.	83.8	84.3	79.8 79.8	
Increases 1.1.-31.12.	0.4	0.1	0.1	
Decreases and adjustment 1.1.-31.12.	4.0	0.		
Acquisition cost 31.12.	80.2	84.4	79.8 79.8	
Accumulated planned depreciation 1.1.	57.7	50.8	53.7 46.3	
Accumul. planned depreciation of decreases and adjustment 1.1.-31.12.	4.0			
Planned depreciation 1.1.-31.12.	6.4	7.4	6.3 7.4	
Book value 31.12.	20.2	26.2	19.9 26.2	

Intangible rights

Acquisition cost 1.1.	71.5	122.8	32.7 30.9	
Increases 1.1.-31.12.	4.0	0.6	4.7 1.7	
Decreases and adjustment 1.1.-31.12.	29.7	50.9	-2.2	
Acquisition cost 31.12.	45.8	72.5	39.6 32.7	
Accumulated planned depreciation 1.1.	54.4	44.8	19.4 17.7	
Accumul. planned depreciation of decreases and adjustment 1.1.-31.12.	29.7		-2.2	
Planned depreciation 1.1.-31.12.	2.4	10.6	1.9 1.7	
Book value 31.12.	18.7	17.1	16.1 13.3	

Goodwill

Book value 1.1.	335.3	369.4	340.7 129.4	
Increases 1.1.-31.12.	2.5	45.4	10.3 227.5	
Decreases and adjustment 1.1.-31.12.	0.6	9.1	54.9	
Planned depreciation 1.1.-31.12.	60.1	69.2	40.4 16.2	
Book value 31.12.	277.1	336.5	255.8 340.7	

Other long-term expenses

Acquisition cost 1.1.	125.4	154.3	76.7 141.4	
Increases 1.1.-31.12.	14.9	16.7	13.7 17.1	
Decreases and adjustment 1.1.-31.12.	40.8	46.8	-0.8 81.8	
Acquisition cost 31.12.	99.6	124.2	91.2 76.7	
Accumulated planned depreciation 1.1.	58.7	77.3	46.9 72.1	
Accumul. planned depreciation of decreases and adjustment 1.1.-31.12.	7.1		-0.8 33.5	
Planned depreciation 1.1.-31.12.	10.5	13.7	9.1 8.3	
Book value 31.12.	37.5	33.2	34.5 29.9	

MFIM	1995	Group 1994	Rautaruukki Oy 1995 1994	
Tangible assets				
Land and water areas				
Book value 1.1.	135.6	133.1	33.2 32.9	
Increases 1.1.-31.12.	1.6	9.6	1.5 0.2	
Decreases and adjustment 1.1.-31.12.	5.9	7.1	0.2	
Book value 31.12.	131.3	135.6	34.5 33.2	

Revaluations included in the acquisition cost of land areas

Revaluations 1.1.	14.0	14.0	14.0 14.0	
Increases 1.1.-31.12.				
Decreases 1.1.-31.12.				
Revaluations 31.12.	14.0	14.0	14.0 14.0	

Buildings and structures

Acquisition cost 1.1.	2546.4	2516.7	1867.9 1831.2	
Increases 1.1.-31.12.	47.2	110.4	63.2 40.0	
Decreases and adjustment 1.1.-31.12.	-29.4	100.5	-101.5 3.3	
Acquisition cost 31.12.	2623.0	2526.6	2032.6 1867.9	
Accumulated planned depreciation 1.1.	822.5	720.8	617.2 574.7	
Accumul. planned depreciation of decreases and adjustment 1.1.-31.12.	-39.6		-101.9 0.8	
Planned depreciation 1.1.-31.12.	85.1	80.0	45.2 43.2	
Book value 31.12.	1675.8	1725.8	1268.4 1250.7	

Revaluations included in the acquisition cost of buildings

Revaluations 1.1.	181.0	181.0	181.0 181.0	
Increases 1.1.-31.12.				
Decreases 1.1.-31.12.				
Revaluations 31.12.	181.0	181.0	181.0 181.0	

Machinery, equipment and other material goods

Acquisition cost 1.1.	7011.0	6883.8	5911.6 5784.4	
Increases 1.1.-31.12.	548.8	229.2	475.0 136.7	
Decreases and adjustment 1.1.-31.12.	206.2	71.0	-24.3 9.5	
Acquisition cost 31.12.	7353.6	7042.0	6410.9 5911.6	
Accumulated planned depreciation 1.1.	3711.0	3323.4	3023.6 2700.2	
Accumul. planned depreciation of decreases and adjustment 1.1.-31.12.	170.1		-38.1 5.1	
Planned depreciation 1.1.-31.12.	458.5	414.8	359.0 328.5	
Book value 31.12.	3354.2	3303.8	2990.2 2888.0	

Advance payments and incomplete acquisitions

Acquisition cost 1.1.	166.2	90.3	140.9 67.4	
Changes 1.1. - 31.12.	86.0	67.9	86.9 73.4	
Book value 31.12.	252.2	158.2	227.8 140.9	

8. Taxation values of fixed assets

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

MFIM	Group		Rautaruukki Oy	
	1995	1994	1995	1994
Land and water areas	74.0	77.4	47.7	53.4
Buildings and structures	834.5	885.8	674.0	563.9
Stocks and shares	997.9	1053.1	1571.4	1525.0

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

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

MFIM	Rautaruukki Oy	
	1995	1994
Group companies		
Shares	732.5	640.9
Loans receivable	646.9	795.1
Total	1379.4	1436.0
Associated companies		
Shares	1083.1	827.9
Loans receivable	9.1	223.5
Total	1092.2	1051.4
Loans receivable include subordinated loans		
To subsidiaries	78.9	264.1
To associated companies	9.1	188.5
To other companies	1.0	1.4
	89.0	454.0
Long-term receivables from the company's Board members	0.1	0.1

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

Group MFIM	Intangible assets	Tangible assets	Stocks & Loans re-shares*	Loans re- ceivable*	Total
Acquisition cost/book value*)1.1.95	616.1	9859.2	854.8	276.5	11606.5
Increases 1.1.-31.12.95	21.8	683.6	72.9		778.3
Decreases and adjustment 1.1.-31.12.	-75.1	-182.5			-257.6
Change in loans receivable and shares			250.0	-220.0	30.0
Acquisition cost 31.12.95	562.8	10360.2	1177.7	56.5	12157.1
Accumulated planned depreciation 1.1.95	170.8	4533.5			4704.3
Accumul. planned depreciation of decreases and adjustment 1.1.-31.12.	40.9	130.5			171.4
Planned depreciation 1.1.-31.12.95	79.3	543.9			623.2
Book value 31.12.95	353.6	5413.4	1177.7	56.5	7001.2
Book value 31.12.94 at the exchange rate of 1994	412.9	5323.5	854.8	276.5	6867.7
Translation adjustment	-0.5	-4.7	-2.2		-7.4
Book value 31.12.94 at the exchange rate of 1995	412.4	5318.8	852.6	276.5	6860.3
Depreciation in the profit and loss account is calculated at the average rate of the accounting period.					
Rautaruukki Oy MFIM	Intangible assets	Tangible assets	Stocks & Loans re-shares*	Loans re- ceivable*	Total
Acquisition cost 1.1.95	578.5	7953.5	1545.9	1065.4	11143.3
Increases 1.1.-31.12.	28.8	626.6	393.3	0.0	1048.6
Decreases and adjustment 1.1.-31.12.	-2.3	-125.7	71.1	367.5	310.5
Acquisition cost 31.12.95	609.6	8705.8	1868.1	697.9	11881.4
Accumulated planned depreciation 1.1.95	168.4	3640.8			3809.2
Accumul. planned depreciation of decreases and adjustment 1.1.-31.12.	-57.3	-140.0			-197.2
Planned depreciation 1.1.-31.12.95	57.6	404.2			461.8
Book value 31.12.95	326.3	4520.9	1868.1	697.9	7413.2
Book value 31.12.94	410.1	4312.8	1545.9	1065.4	7334.2

NOTES TO THE ACCOUNT

11. Stocks and shares 31.12.1995

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

Company name	Number of shares	Group voting rights, %	Nominal value currency thousands	Book values 1 000 FIM held by Rautaruukki Oy other Group companies	Balance sheet date
Subsidiaries of Rautaruukki Oy:					
A/S Carl Christensen og Brødre Holding	66	100.0	NOK 2310	98 583	31.12.1995
DCA-instruments Oy	990	71.0	FIM 990	990	31.12.1995
Etnarör Ab	100	100.0	1	1	31.12.1995
Rautaruukki Holding AB	570000	100.0	SEK 57000	188 371	31.12.1995
Oy JIT-Trans Ltd	150	100.0	1500	5 500	31.12.1995
August Lindberg Oy	5	100.0	250	3 662	31.12.1995
Metalcolour A/S	10000	100.0	DKK 10000	15 969	31.12.1995
Rannila Steel Oy	1000	100.0	10000	55 000	31.12.1995
Rautaruukki Eesti Oü		100.0	EEK 0.3	0	31.12.1995
Rautaruukki Holding GmbH		100.0	DEM 4050	248 618	31.12.1995
Rautaruukki Holding B.V.		100.0	NLG 40	85	31.12.1995
Rautaruukki (Norge) A/S	200	100.0	NOK 200	260	31.12.1995
Rautaruukki Polska Sp.zo.o.		100.0	PLZ 2317	5 661	31.12.1995
Rautaruukki (S.E.A.) Pte Ltd	100	100.0	SGD 100	383	31.12.1995
Rautaruukki Tube Holding A/S	1000	100.0	DKK 1000	1 388	31.12.1995
Rautaruukki (UK) Ltd	10000	100.0	GBP 10	81	31.12.1995
Rautaruukki (USA) Inc.	200	100.0	USD 0.2	5 919	31.12.1995
Star Tubes (UK) Ltd	2800000	100.0	GBP 2800	14 017	167 31.12.1995
SKJ-yhtiöt Oy	910	91.0	455	836	31.12.1995
Suomen Metalcolor Oy	160	100.0	8000	15 421	31.12.1995
Kiinteistö Oy Dental-talo	26	65.0	13	751	31.12.1995
Hydoring Oy	10000	100.0	100	3 893	31.12.1995
Mäkelä Metals Oy	500	100.0	5000	45 000	31.12.1995
Kiinteistö Oy Myllynummentie 17	100	100.0	15	2 581	31.12.1995
Polarplan Oy	100	100.0	200	1 105	31.12.1995
Polartherm Oy	31000	100.0	3100	7 852	31.12.1995
Steel Building Systems Oy	1520	76.0	91	91	31.12.1995
Kiinteistö Oy VM-hallit	80	100.0	80	1 356	31.12.1995
				723 375	167
Subsidiaries not eliminated from consolidated accounts:					
Housing and real estate corporations, 11 companies				8 774	
Other subsidiaries of Rautaruukki Oy (non-trading) 6 companies		100.0	120	108	
Non-eliminated subsidiaries, total				8 882	
				732 257	167
Subsidiary of Mäkelä Metals Oy:					
Alamentti Oy	100	100.0	100		1 446 31.12.1995
Subsidiary of DCA-Instruments Oy:					
Nordic Instruments Inc	10000	71.0	USD 10		41 31.12.1995
Subsidiary of A/S Carl Christensen og Brødre Holding:					
A/S Carl Christensen og Brødre Grossist	600	100.0	NOK 600		8 712 31.12.1995
Subsidiaries of Rautaruukki Holding AB:					
Gasell Industri AB	162000	100.0	SEK 16200		35 275 31.12.1995
Rautaruukki AB	3000	100.0	SEK 300		208 31.12.1995
Rautaruukki Sverige AB	9000	100.0	SEK 900		623 31.12.1995
Wirsbo Stålrör AB	50000	100.0	SEK 5000		13 092 31.12.1995
					49 198
Shipping companies:					
Partrederiet för Rautaruukki		100.0			
Partrederiet för Kalla					
Partrederiet för Tasku					
Subsidiaries of Gasell Industri AB:					
Gasell Profil AB	500	100.0	SEK 500		29 381 31.12.1995
GA Plagan AB	150000	100.0	SEK 7500		27 003 31.12.1995
Gasell Profil A/S	500	100.0	DKK 500		971 31.12.1995
Gasell Metform AB	2400	100.0	SEK 2400		3 987 31.12.1995
Gasell Profil Polska Sp.zo.o.	32	80.0	PLZ 4		7 31.12.1995
Gasell Profil AS	500	100.0	NOK 50		36 31.12.1995
					61 385

Company name	Number of shares	Group voting rights, %	Nominal value currency	Nominal value thousands	Book values 1 000 FIM held by Rautaruukki Oy	other Group companies	Balance sheet date
Subsidiaries of Rannila Steel Oy:							
AS Rannila Profiil	1500	100.0	EEK	4395		2 015	31.12.1995
A/O Rannila Steel Rossija	48100	100.0	RUR	48100		144	31.12.1995
Rannila Steel Vilnius U.A.B	30	100.0	LTL	30		35	31.12.1995
Rannila Steel Latvia S.I.A	110	100.0	LVL	11		110	31.12.1995
Rannila-Taldom AO	18000	62.5	RUR	1800000		2 000	31.12.1995
						4 304	
Subsidiary of Rautaruukki Holding B.V.:							
Rautaruukki Finance B.V.	40	100.0	NLG	40		109	31.12.1995
Subsidiaries of Rautaruukki USA Inc:							
Finnsteel Inc.	3000	100.0	USD	30		131	31.12.1995
Ruukki Inc.	100	100.0	USD	2000		8 717	31.12.1995
						8 848	
Subsidiaries of Rautaruukki Holding GmbH:							
RR Tube Holding GmbH	100	100.0	DEM	50		12 326	31.12.1995
MAS Seuthe GmbH		100.0	DEM	50		3 573	31.12.1995
Ragal Feinblech GmbH		100.0	DEM	300		913	31.12.1995
Schmacke Rohr GmbH		100.0	DEM	4000	280	21 091	31.12.1995
Rautaruukki Stahlservice GmbH		100.0	DEM	50		22 796	31.12.1995
Rautaruukki (Deutschland) GmbH		100.0	DEM	100		913	31.12.1995
					280	61 613	
Subsidiaries of RR Tube Holding GmbH:							
Carl Froh Röhrenwerke GmbH & Co		100.0	DEM	6800		217 002	31.12.1995
Carl Froh Verwaltungs-GmbH		100.0	DEM	200		676	31.12.1995
						217 677	
Subsidiaries of Rautaruukki Tube Holding A/S:							
Nordisk Simplex A/S		100.0	DKK	20000		30 996	31.12.1995
Stelform A/S		100.0	DKK	30000		21 392	31.12.1995
						52 388	
Stocks and shares in subsidiaries, total					732 537	465 887	
Associated companies, voting rights 20-50 %							
A+R Profilstahl GmbH	33	33.3	DEM	1000		9 130	31.12.1994
Asva Oy	770	20.0		7700	47 823		31.12.1994
Asva Stal Serwis Sp. zoo	1250	50.0		1250	2 211		
Bregal GmbH		25.0	DEM	12475		75 935	30.9.1995
Feralloy North American Steel Co.L.P.		35.0	USD	5604		14 771	30.9.1995
Oy Finnlink Ab	10187	29.3		127	5 840		31.12.1994
Fundia AB	1750000	50.0	SEK	175000	634 480		31.12.1994
Helens Rör AB	4500	25.0	SEK	4500	29 336		31.12.1994
Hämeen Kunnossapito Oy	1350	45.0		135	270		31.12.1994
Kiinteistö Oy Teknocent	1916	47.9		1916	1 916		31.12.1994
Laivanisännistöyhtiö Finn fellow	30	25.0					30.6.1995
Laivanisännistöyhtiö Finnmaid	293997	29.4					31.12.1995
Laivanisännistöyhtiö Rail fellow	294118	29.4					31.12.1995
Patron Products Inc.	49000	48.9	CAD	49		180	30.4.1994
PPTH Teräs Oy	20000	40.0		20000	20 002		31.12.1994
Raahen Kauppaklubin Kannatus Oy	15	33.3		150	151		31.12.1994
Rannila-Centrostal Bydgoszcz sp.zo.o.	13202	49.0				1 687	31.12.1994
BET-KER Oy	120	40.0		1200		1 200	
Teknos Steel Oy	4500	45.0		450	10 668		31.12.1994
TSV-insinöörit Oy	500	28.1		250	425		31.12.1994
Valtameri	405540	24.6		4055	38 335		30.4.1995
YIT-yhtymä Oy	4912000	20.1		49120	291 623		31.12.1994
					1 083 080	102 904	
					1 185 984		
Associated companies' profits and goodwill						-93 141	
Associated companies' value in balance sheet						1 092 843	

NOTES TO THE ACCOUNTS

Company name	Number of shares	Group voting rights, %	Nominal value currency thousands	Book values 1 000 FIM held by Rautaruukki Oy other Group companies	Balance sheet date
Other stocks and shares, share of voting rights less than 20 %:					
Ancofer Stahlhandel GmbH		10.0	DEM 2800		19 162
Broderne Sundt Verktøymaskinfabrik A/S	2939	15.0	NOK 74		137
Oy Datacity Center Ab	1000	7.0	100	100	
Ekokem Oy Ab	230	1.3	460	460	
Europäisches Entwicklungszentrum für Kokereitechnik GmbH	1	1.0	DEM 25	59	
Finnair Oy	15600	0.0	78	764	
Helsingin Arvopaperipörssi Osuuskunta	1			150	
Incap Oy	17436	8.8	1744	2 720	
Kansallis-Osake-Pankki/Merita	350000	0.1	3500	4 941	
Metalplast-Oborniki Spolska zo.o.	149903	16.9		1 864	
Oulun Teknologia kylä Oy	2000	0.3	100	100	
Posion Kehitysyhtiö Oy	20	3.4	200	200	
Raahen Liikuntahalli Oy	17	8.5	17	1 055	
Raahen Teräsatama Oy	1	0.2	5	5	
Savonlinnan Oopperajuhlat Oy	1000	0.5	25	30	
Skandinavian Link Finska Oy	100	7.7	15	100	
Suomen Osakekeskusrekisteri Osuuskunta	10	2.2	700	700	
Osuuskunta Teollisuuden Romu	1	16.7	10	10	
Unitas Oy/Merita	225000	0.1	2250	2 523	
Vakuutusosakeyhtiö Sampo	67326	0.5	1347	17 270	
Shares in housing and real estate companies				16 476	3 581
Other stocks and shares				2 912	647
Total other stocks and shares				52 438	23 527

12. Valuation items

Pension liabilities

MFIM	1995	Group 1994	Rautaruukki Oy 1995	Rautaruukki Oy 1994
Pension funds' uncovered pension liability 1.1.	167.4	167.4	167.4	167.4
Change in uncovered pension liability	-12.9		-12.9	
Pension funds' uncovered pension liability 31.12.	154.5	167.4	154.6	167.4
Liability for pensions paid directly by company 1.1.	128.9	121.1	115.5	119.4
Change in uncovered pensions liability	-114.3	7.8	-115.5	-3.9
Liability for pensions paid directly by company 31.12.	14.6	128.9	0.0	115.6
Total pension liabilities	169.1	296.3	154.6	283.0

Capitalized exchange rate loss

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

MFIM	1995	Group 1994	Rautaruukki Oy 1995	Rautaruukki Oy 1994
Currency exchange losses 1.1.		101,2		100,7
Change		-101,2		-100,7
Currency exchange losses 31.12.	0.0	0.0	0.0	0.0

Capitalized interest during construction period

The interest for the period the Raahe Steel Works' coking plant was under construction. Annual booking to interest costs.

MFIM	1995	Group 1994	Rautaruukki Oy 1995	Rautaruukki Oy 1994
Capitalized interest in valuation items as at 1.1.	37.0		37.0	
Change	-8.1	37.0	-8.1	37.0
	28.9	37.0	28.9	37.0

Other valuation items

Other valuation items include activated expenses on loans payable.

MFIM	1995	Group 1994	Rautaruukki Oy 1995	Rautaruukki Oy 1994
Other valuation items 1.1.	3,5			
Change in 1995	-2,7	3,5		
Other valuation items 31.12.	0,8	40,5		
Other valuation items, total	29,7	40,5	28,9	37,0
Valuation items, total	198,8	336,8	183,5	320,0

13. Inventories

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

Beginning from the year 1994, the indirect costs of acquisition and manufacturing have also been capitalized in the inventories in addi-

tion to the direct costs. The effect on the profit of 1994 resulting from the change in the valuation practice, being FIM 87 million for the parent company and FIM 115 million for the Group, was included in the extraordinary income in the profit and loss account.

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

Short-term receivables include receivables that fall due for payment within one year. Financial assets in foreign currency have been valued in the manner described in the accounting principles.

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

MFIM	Rautaruukki Oy	
	1995	1994
Accounts receivable	156.2	170,8
Short-term loans and other receivables	237.8	346,2
Accruals	49.5	12,1
Other short-term receivables	5.7	71,3
	449.2	600,4

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

MFIM	Rautaruukki Oy	
	1995	1994
Accounts receivable	82.8	97,6
Accruals	0.0	0,1
	82.8	97.7

15. Management pension commitments

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

16. Shareholders' interests

MFIM	1995	Group		Rautaruukki Oy	
		1994	1995	1994	1995
Restricted equity					
Share capital 1.1.	1202.3	1018.3	1202.3	1018.3	
Share issue		184.0		184.0	
Share capital 31.12.	1202.3	1202.3	1202.3	1202.3	
Reserve fund 1.1.	782.4	174.6	782.4	174.6	
Share issue premium		607.8		607.8	
Reserve fund 31.12.	782.4	782.4	782.4	782.4	
Revaluation fund	195.0	195.0	195.0	195.0	
Translation adjustment	-1.2	-14.9			
Restricted equity 31.12.	2178.5	2164.8	2179.7	2179.7	
Nonrestricted equity					
Profit/loss from previous years 1.1.	139.7	-237.4	577.7	457.0	
Dividend distribution	-120.2		-120.2		
Translation adjustment	-26.8	4.4			
Profit/loss from previous years 31.12.	-7.3	-233.0	457.5	457.0	
Profit for the year	786.5	372.7	634.6	120.7	
Nonrestricted equity 31.12.	779.2	139.7	1092.1	577.7	
Shareholders' equity 31.12.	2957.7	2304.5	3271.8	2757.4	

The shareholders of Rautaruukki Oy according to the share register at 31.12.1995

Shareholder	Number of shares	shares, %	shares, FIM
Republic of Finland	82 549 681	68.66	825 496 810
Pension Insurance Company Ilmarinen Ltd	2 890 000	2.40	28 900 000
Pension-Varma Mutual Insurance Company	2 199 657	1.83	21 996 570
Local Government Pensions Institution	1 221 917	1.02	12 219 170
Mutual Life Insurance Company Suomi	1 120 000	0.93	11 200 000
Sampo Insurance Company Ltd	808 437	0.67	8 084 370
Suomen Vientiluotto Oy	613 000	0.51	6 130 000
Enso-Gutzeit Oy pension foundation B-department	554 000	0.46	5 540 000
Teollisuusvakuutus Oy	519 370	0.43	5 193 700
Salama Life Insurance Company	479 000	0.40	4 790 000
Administrative registrations	9 355 330	7.78	93 553 300
Other owners	17 918 024	14.90	179 180 240
	120 228 416	100.00	1 202 284 160

17. Optional reserves and accumulated depreciation difference

MFIM	1995	Group		Rautaruukki Oy	
		1994	1995	1994	1995
Accumulated depreciation difference 1.1.	804,2	729,8	762,2	674,6	
Change in profit and loss account	-34,5	74,4	-47,5	87,6	
Accumulated depreciation difference 31.12.	769.7	804,2	714,7	762,2	
Transition reserve 1.1.	291.5	292.5	281.9	276.3	
Change in profit and loss account	-31.7	-1.0	-30.3	5.6	
Transition reserve 31.12.	259.8	291.5	251.6	281.9	
Operating reserve 1.1.		1.7			
Change in profit and loss account		-1.7			
Operating reserve 31.12.	0	0	0	0	
Provision for doubtful debt 1.1.		9.0			
Change in profit and loss account		-9.0			
Provision for doubtful debt 31.12.	0	0	0	0	
Investment reserve 1.1.		0.7			
Change in profit and loss account		-0.7			
Investment reserve 31.12.	0	0	0	0	
Guarantee reserve 1.1.	0.3	6.4			
Change in profit and loss account	-0.3	-6.1			
Guarantee reserve 31.12.	0	0.3	0	0	
Other reserves 1.1.	0	31.3			
Change in profit and loss account		-31.3			
Other reserves 31.12.	0	0	0	0	
Optional reserves and accumulated depreciation difference, total 31.12.	1029.5	1096.0	966.3	1044.1	

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

NOTES TO ACCOUNTS

18. External liabilities

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

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

MFIM	Rautaruukki Oy	
	1995	1994
Accounts payable	69.6	94.7
Accruals	16.8	15.7
Short-term debts	231.0	123.9
Long-term debts	416.2	906.4
	733.6	1140.7

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

MFIM	Rautaruukki Oy	
	1995	1994
Accounts payable	2.2	0.0
Accruals	33.3	
Short-term debts	0.0	3.7
Long-term debts	4.2	4.3
	39.7	8.0

The currency mix and interest maturity of long-term debt as of 31.12.1995

including currency swaps FIM 2268 million and interest rate swaps FIM 2681 million used for hedging long-term loans

	MFIM	% of total debt	% fixed rate (over 12 month interest period)	average maturity of fixed rate position
FIM	2737	56%	77%	3 years
DEM	1184	24%	11%	3 years
CHF	436	9%	0%	
USD	132	3%	0%	
DKK	167	3%	73%	3 years
NOK	138	3%	70%	2.5 years
Other	123	2%	0%	
	4917	100%	50%	

Repayment schedule of interest bearing long-term debt as of 31.12.1995

including currency swaps used for hedging long-term loans

Annual repayments, MFIM	Group
1996	1176
1997	601
1998	1044
1999	191
2000	1152
2001-	753
Total	4917

Bonds

	interest rate	amount million	1995	1994
		currency units	MFIM	MFIM
1991-1996	7%	CHF 100	378.8	390.8
1993-1997	8.50%	FIM 300	300.0	300.0
1994-2001	floating	USD 75	326.9	355.7
Bonds issued with warrants				
1994-1999	6%	FIM 0,5	0.5	0.5
			1006.2	1047.0

19. Contingent liabilities

MFIM	Group		Rautaruukki Oy	
	1995	1994	1995	1994
For own debts				
Given as pledges				
Shares pledged		17.3		
Mortgaged real estates	559.5	624.4	517.6	506.0
	559.5	641.7	517.6	506.0
For Group companies				
Guarantees			773.4	1386.0
For associated companies				
Mortgaged real estates	20.0	20.0	20.0	20.0
Guarantees	307.6	249.3	306.4	249.3
	327.6	269.3	326.4	269.3
For others				
Given as pledges				
Guarantees	26.8	14.2	25.8	6.5
Leasing liabilities				
Due next year	49.4	52.6	4.3	4.3
Due later	70.0	118.3	10.6	14.8
	119.4	170.9	14.9	19.1
	473.8	464.4	1140.5	1680.9

Repurchase liability

At the request of the leaser, Rautaruukki Oy is liable to purchase the vessels leased (pusher and pusher barges) at the price of FIM 146.6 million when the lease expires in 1997.

20. Financial risk management and derivative contracts

About 30 per cent of the Rautaruukki Group's turnover is generated outside Finland and exports from Finland account for about 40 per cent of turnover. Raw materials are mainly purchased in foreign currency. The largest net foreign currency cash inflows are in German marks and Swedish crowns. Other net currency cash inflow, apart from that in Norwegian crowns, is almost entirely in the currencies of EU countries. The only significant operational net currency deficit is in US dollars. The Group's interest-bearing net debt at the end of the financial year totalled FIM 4 347 million or 47 per cent of turnover.

Changes in exchange rates and interest rates have a significant impact on the Group's financial performance and competitive strength. Derivative agreements (forward exchange contracts and forward rate agreements, currency and interest rate swaps, and options) are one method used by the Group to manage currency and interest rate risk, following the principles described below.

The Group constantly evaluates the market and credit risks on its financial assets and liabilities, including derivative contracts. To evaluate market risks, it constantly compares different instruments against market prices and estimates their price sensitivity to changes in market factors. Duration analysis is one method used. Rautaruukki minimizes the credit risks related to financial contracts, in other words the risk that the counter party may not be able to fulfil its obligations, by making contracts only with leading Finnish and foreign banks and financial institutions and by investing liquid assets only in financially sound insurance companies, financial institutions and other companies that have been approved by the Board of Directors. Default by the other party is not to be expected.

Managing currency risks

The foreign exchange policy approved by the Board states that Rautaruukki's objective is to hedge the Group's business operations against currency risks. The Group management is responsible for managing currency risks. A currency position that is susceptible to currency risk includes foreign currency denominated assets and liabilities as well as future forecast cash flows. Currency risks are managed based on the net currency position, currency by currency. The impact on profit and loss account and on forecast cash flows is monitored separately. Derivative contracts are one means used as a tool for hedging. At the end of the financial period, the gross value of open forward exchange contracts was FIM 3 423 million and currency swaps outstanding were FIM 2 611 million. There were no open currency options as at year-end. The forward exchange contracts are valued at the Bank of Finland's exchange rate on 31 December 1995. Exchange rate differences are recorded in the profit and loss account under Currency Exchange Differences, apart from the premium or discount corresponding to the interest rate difference which is recorded under Interest Expenses and amortized to income over the life of the agreement. The premiums of any currency options purchased are recorded in Advance Payments in the balance sheet assets, and the price of any sold options in Advance Payments under liabilities. Open currency options are valued at market value in the financial statements. Results of matured currency options (incl. premiums) are recorded in the profit and loss account under currency exchange differences.

Most of Rautaruukki's purchases of raw materials are based on long-term agreements. Purchases in US dollars are partially hedged up to three years by forward exchange contracts. The exchange and interest rate differences arising from these hedging activities are deferred and charged to the profit and loss account, contrary to the explana-

tion given above, as an adjustment to the purchase in question at the end of the hedging period. The gross amount open forward exchange contracts made for this purpose at the end of 1995 was FIM 706 million and the deferred unrealized profit was FIM 9 million.

The Group also uses foreign currency loans and forward exchange contracts to hedge a portion determined by the Board of the shareholders' equity in subsidiaries and associate companies. The FIM equivalent of loans and forward exchange contracts used for hedging this purpose was FIM 269 million at the end of 1995. Exchange rate differences related to these contracts are recorded in the consolidated balance sheet under Translation adjustments in Shareholders' Equity. Accrued interest and amortized premium or discount are recorded as normal under interest expenses.

Management of interest rate risks

The Group management is responsible for interest rate risk management. Interest rate risks resulting from a mismatch of interest periods between interest-bearing assets and liabilities are managed by currencies. The objective is to hedge the Group's net interest expenses over a period of several years against changes caused by sharp rises in interest rates. Loans and investments are dispersed among fixed and floating interest rate instruments, including interest rate derivatives.

The Group's interest rate swaps outstanding on 31 December 1995 were FIM 2 681 million. The swaps have an average maturity of about three years. Forward rate agreements and interest rate futures are used to hedge short-term investments or loans. The total of open three-month forward rate agreements on 31 December 1995 was FIM 300 million. There were no open interest rate options. The interest payable and receivable under the swap terms is accrued for and received as a net adjustment under interest income or expenses, depending on whether the agreement is hedging an asset or a liability. Unrealized changes in the market value which correspond to the recorded change in market value of the hedged position are also recorded as an adjustment in income. The results of forward rate agreements and interest rate futures are amortized over the life of the underlying financial instrument. Open forward rate agreements and interest rate futures are not revalued in the financial statements. The premiums of any interest rate options purchased are recorded in Advance Payments in the balance sheet assets, and the price of any options sold in Advance Payments under liabilities. The premium is amortized to income over the life of the option contract.

Managing liquidity

The Group management is responsible for the Group's financing as well as its liquidity management. The liquidity position is monitored as the relationship between liquid assets and liquid liabilities. When calculating the liquidity position the Group's cash and bank receivables (31 December 1995 FIM 266 million), marketable securities included in current assets (31 December 1995, FIM 296 million) and open committed credit limits granted by banks (31 December 1995, FIM 44 million) are taken into account as positive items. The company also had a total of about FIM 2.4 billion in unused commercial paper and bank limits. In addition in January 1996, Rautaruukki signed a seven-year revolving credit facility with an international banking syndicate for DEM 350 million (about FIM 1 065 million).

Short-term interest-bearing loans and repayments of long-term loans due in the next 12 months (31 December 1995 FIM 1 211 million) are treated as items that weaken the liquidity position. Forecast changes in net debt also affect the liquidity position.

EXCHANGE RATES

	Average rates			Year-end rates				
	1995	1994	1993	1995	1994	1993	1992	1991
USD	4.3658	5.2184	5.7189	4.3586	4.7432	5.7845	5.245	4.125
DEM	3.0471	3.2169	3.4584	3.0435	3.0615	3.3350	3.2485	2.7186
SEK	0.6123	0.6758	0.7350	0.6546	0.6358	0.6945	0.7436	0.7429
DKK	0.7790	0.8207	0.8822	0.7862	0.7794	0.8549	0.8407	0.6974
NOK	0.6889	0.7393	0.8059	0.6899	0.7014	0.7701	0.7602	0.6894
GBP	6.8910	7.9820	8.5820	6.741	7.409	8.554	7.957	7.718
FRF	0.8746	0.9406	1.0096	0.8906	0.8873	0.9817	0.9532	0.7941
ITL	0.00268	0.00324	0.00364	0.00275	0.00292	0.00338	0.00356	0.00358
ECU	5.644	6.175	6.685	5.597	5.815	6.459	6.340	5.523

21. PROFIT AND EQUITY IN ACCORDANCE WITH IAS

The differences between international and Finnish accounting practice

The accounting principles adopted by Rautaruukki Group are in compliance with IAS (International Accounting Standards) apart from a few exceptions. Differences have arisen in handling revaluations and some other fixed asset items, sale and lease back agreements and the booking of pension liabilities.

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

MFIM	1995	1994	MFIM	1995	1994
Profit for the year in the consolidated accounts	786	373	Shareholders' interests in the consolidated accounts	2958	2304
Inventory adjustment	0	-115	Optional reserves	1030	1096
Goodwill depreciation allocated to reserves	38	0	Pension liabilities entered in expenses	-158	-296
Depreciation of revaluations	-5	-5	Goodwill depreciation allocated to reserves	-156	-194
Adjustment to other depreciation	20	22	Sale & lease back and other agreements	-119	-150
Exchange rate losses	0	101	Depreciation of intangible assets	-57	-77
Pension expenses	138	-8	Depreciation of revaluations	-107	-102
Other long-term expenses	0	-19	Associated companies	-13	-18
Associated companies	5	8	Shareholders' interests in the IAS accounts	3378	2563
Sale & lease back and other agreements	31	24			
Change in reserves	-66	25			
Profit for the year in the IAS accounts	947	406			

BOARD PROPOSAL FOR THE USE OF PROFIT

At the closing of the accounts for 1995 the consolidated nonrestricted equity capital of the Group was FIM 779.2 million, of which the profit for the year was FIM 786.5 million. The nonrestricted equity capital of the parent company was made up as follows:

Net profit for the year	FIM	634 646 555.53
Retained earnings from previous years	FIM	457 528 267.95
<u>Total</u>	FIM	<u>1 092 174 823.48</u>

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

on the share capital of	FIM	1 202 284 160.00
a dividend of 17 per cent be paid	FIM	204 388 307.20
and the remainder of the profit		
be posted to the retained earning account		
bringing it to a total of	FIM	887 786 516.28

Helsinki, 26 February 1996

BOARD OF DIRECTORS

Mikko Kivimäki

Lauri Mannerkoski

Pekka Einamo

Aulis Saarinen

Gösta Engman

Seppo Ahonen

Seppo Sahlman

AUDITORS' REPORT

To the shareholders of Rautaruukki Oy

We have audited the accounting records and the financial statements, as well as the administration by the Supervisory Board, the Board of Directors and the Managing Director of Rautaruukki Oy for the year ended 31 December 1995. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and the company's administration.

We have conducted our audit in accordance with Finnish Generally Accepted Auditing Standards. Those standards require that we plan and perform the audit in order to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration has

been to examine that the Supervisory Board, the Board of Directors and the Managing Director have complied with the rules of the Finnish Companies Act.

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

We have acquainted ourselves with the interim financial statements made public by the company during the year. It is our understanding that the interim financial statements have been prepared in accordance with the rules and regulations governing the preparation of such statements in Finland.

Helsinki, 27 February 1996

KPMG WIDERI OY AB

Hannu Niilekselä

Authorized Public Accountant

STATEMENT BY THE SUPERVISORY BOARD

Having today considered the company's financial statements and consolidated financial statements for 1995, as well as the Auditors' Report, the Supervisory Board of Rautaruukki Oy proposes to the 1996 Annual General Meeting of shareholders that the profit and loss accounts and the balance sheets of the company and the Group be approved. The Supervisory

Board concurs with the Board of Directors' proposal concerning the disposal of profit.

The following members of the Supervisory Board are due to retire at the 1996 Annual General Meeting of shareholders: Chairman Paavo Väyrynen and members Tauno Heikonen, Marjut Kaarilahti, Kari Uotila and Juhani Vähäkangas.

Helsinki, 21 March 1996

SUPERVISORY BOARD

Paavo Väyrynen

Jorma Rantanen

Göran J. Ehrnrooth

Tauno Heikonen

Juhani Vähäkangas

Juhani Alaranta

Georg Ehrnrooth

Tuula Haatainen

Marjut Kaarilahti

Timo Ihamäki

Kari Uotila

Tauno Matomäki

Continued strong demand for hot-rolled steel



Heikki Rusila

Raahe Steel (formerly the Steel Division) manufactures hot rolled plate and strip to meet the needs of the Group's other units and customers in Finland and abroad. It also markets steel industry byproducts and provides transport services

The strong growth in the consumption of industrial steel plate in Finland continued and the consumption of ship-building plate remained at a good level. Raahe Steel's deliveries to the Group's upgrading units grew significantly.

Raahe Steel maintained its position on the markets in Scandinavia and continental Europe. Deliveries to Poland, the Baltic countries and the St Petersburg area grew thanks to stepped-up

marketing efforts. The rise in the world market prices of steel, which started in late 1993, continued on into 1995, but the rise in the prices of strip products tailed off towards the end of the year.

Good profitability

Deliveries of steel by the Raahe Steel Works totalled 2 204 000 tonnes (2 165 000), of which intra-Group de-

liveries accounted for 58 per cent (55). Raahe Steel's turnover was FIM 5 031 million (4 603). The growth in turnover was due to the strengthening of foreign currency-denominated prices and the increase in delivery quantities.

Raahe Steel's operating profit was FIM 1 085 million (1 041). The division's profitability improved and was good. The depreciation of the US dollar lowered raw material and energy costs. Because of the use of purchased slabs, total raw-material costs were higher than they were a year earlier.

Earnings were improved by the better alignment of products and market areas, generating increased sales. Value added was improved by increasing the sales of cut lengths and prefabricated plate. To improve profitability, products that fit in poorly with the production process

RAAHE STEEL

Senior V.P. Heikki Rusila

RAAHE STEEL WORKS

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

OY JIT-TRANS LTD

AUGUST LINDBERG OY

SKJ COMPANIES

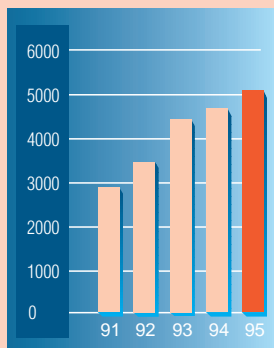
Division Board

- Mikko Kivimäki, *Chairman*
 - Lauri Mannerkoski, *Deputy Chairman*
 - Raimo Aho*
 - Pekka Einamo
 - Heikki Rusila
 - Aulis Saarinen
 - Seppo Sahlman
 - Pekka Vaarno
 - Pirkko Utriainen*
 - Erkki Ylitalo*
- * *personnel representative*

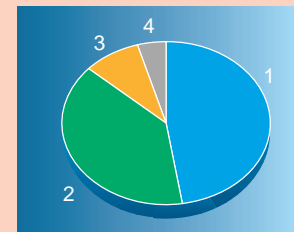
Key Figures

	1995	1994
Turnover, MFIM	5 031	4 603
Operating profit, MFIM	1 085	1 041
Return on net assets, %	20.0	24.2
Steel production, 1000 t	2 007	2 267
Personnel at year-end	3 688	3 706

Turnover, FIM million



External sales by region 1995



1. Finland	48%
2. Other EU countries	39%
3. Other Europe	9%
4. Other countries	4%

were dropped from the manufacturing programme, but at the same time new products were added to it.

Blast furnaces modernized

The modernization of Blast Furnace No. 1 in the summer lasted 76 days. The start-up of the blast furnace went well and production objectives were achieved more quickly than anticipated. Structural improvements were made to the blast furnace, and these will raise its output by 15 per cent and extend its efficient working life to 15 years. After the previous modernization, the working life was 10 years.

The modernized blast furnace represents the world's most advanced blast furnace technology. It has a new cooling stove system with closed water circulation, employs high quality fire-resistant material and is fitted with direct granulation equipment to handle slag. Even prior to the modernization, Rautaruukki's blast furnaces have been amongst the world's most cost-effective, and the new technology will further extend this efficiency advantage.

The rebuild of Blast Furnace No. 2 got under way. The modernization work itself will be carried out in the spring of 1996, and plans call for completing the work in 61 days.

In the summer an investment programme was launched to modernize the production lines of the steel plant and the rolling mill so that the greater output of the modernized blast furnaces can be made into steel and rolled products. The investment programme is described in greater detail on pages 48-49.



Raahe Steel delivered the shipbuilding steel for the world's largest gas tanker.

Blast Furnace No. 1 at the Raahe Steel Works was modernized in the summer and Blast Furnace No. 2 will be modernized in the spring 1996. Shown in the photograph is the new control room.



Putting slag to use

The rebuild of the blast furnace involved building a direct granulation system for processing blast furnace slag. The equipment will reduce particulate and sulphur emissions as well as the amount of solids discharged into the waterways. In addition, this will mean an improvement in the possibilities of using blast furnace slag as a binding substance in earthworks. SKJ Companies sold almost all the slag generated in the production process at the steel works.

Slag handling equipment based on the technology developed by SKJ Companies was completed for export at two steelworks in Russia and at Fundia's steelworks in Koverhar.

Outlook for 1996

The demand for hot rolled plate and sheet is estimated to remain stable in all of Raahe Steel's main market areas. The

market for hot rolled coils is overshadowed by uncertainty because of high stock levels. Raahe Steel's deliveries for upgrading and to customers in Finland are expected to remain high. On the export side, we shall strive to maintain our market position in our traditional market areas. During the overhaul of Blast Furnace No. 2, the supply of steel for the rolling mill will be ensured by using purchased slabs and larger amounts of scrap.

The fall in the prices of hot rolled products which began at the end of 1995 is expected to stabilize after the first half of 1996. Raahe Steel's operating profit is estimated to weaken, and profitability is expected to remain satisfactory.



The fuel reservoirs at the Antwerp harbour depot are built from Rautaruukki's installation-ready prefabricated steel plate.

Deliveries grow, profitability improves



Pekka Vaarno

Rautaruukki Strip Products (formerly the Thin Sheet Division) manufactures and markets cold rolled, galvanized and colour-coated sheet products for construction, interior design and furnishing, the automotive and transport industry, household appliances and packaging.

The market situation for cold rolled, galvanized and colour-coated steel on the division's main markets in Europe was clearly better than it was a year ago. Beginning in late autumn, the filling up of stocks created disequilibrium on the market.

The price level of strip products has risen since the autumn of 1994, but the prices of cold rolled and galvanized sheet headed downward in the last quarter of the year. There was an increase in the price difference compared with hot

rolled steel that is used as a raw material. The appreciation of the Finnish mark cut into the increase in FIM-denominated prices.

Profitability improves

Strip Products had its production capacity in full use and the division increased the volume of its deliveries by carrying out debottlenecking measures. Strip Products' turnover was FIM 2 925 million (2 558). A total of 957 000 tonnes



Air-conditioning equipment offers versatile applications of galvanized sheet.

of sheet was delivered (852 000), of which cold rolled products amounted to 400 000 tonnes (354 000) and coated sheet amounted to 557 000 tonnes (489 000). Intra-Group deliveries totalled 259 000 tonnes (155 000).

Strip Products posted an operating profit of FIM 176 million (118). The division's profitability improved to a good level.

Production increases at the Hämeenlinna Works

An overhaul of the pickling line and the

tandem rolling mill was started at the Hämeenlinna cold rolling plant in the latter months of the year. The production of rolled products will be raised to 1 250 000 tonnes a year by increasing the rolling speeds and renewing the equipment. The maximum weight of coils will be raised to correspond to the 30 tonne weight of the hot rolled coils produced by Raabe Steel.

The investments will mean a significant improvement in the quality of products and the cost competitiveness of the Hämeenlinna Works. The overhauled equipment will be in use in 1998. The estimated cost of this capital project is FIM 270 million, which includes a considerable amount of normal replacement investments.

Outlook for 1996

The demand for strip products is forecast to remain stable. The large stocks of cold rolled and galvanized products are likely to be wound down during the year. The decline in prices which began at the end of 1995 is estimated to level off after the first half of 1996. The demand for colour-coated products is expected to grow further, especially in the Baltic area. The profitability of Strip Products is anticipated to improve further.



Colour-coated steel is part of the good life.

STRIP PRODUCTS

Senior V.P. Pekka Vaarno

COLD ROLLING AND GALVANIZING

Hämeenlinna Works
Bregal GmbH
(share 25 %)
Ragal GmbH
Rautaruukki
Stahlservice GmbH

COLOUR COATING

Hämeenlinna unit
Suomen Metalcolor Oy
Metalcolour A/S

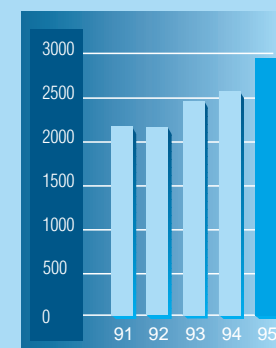
Division Board

Mikko Kivimäki,
Chairman
Lauri Mannerkoski,
Deputy Chairman
Pekka Einamo
Hanna Haakana*
Hannu Oja*
Heikki Rusila
Aulis Saarinen
Seppo Sahlman
Varma Silvennoinen*
Pekka Vaarno
** personnel representative*

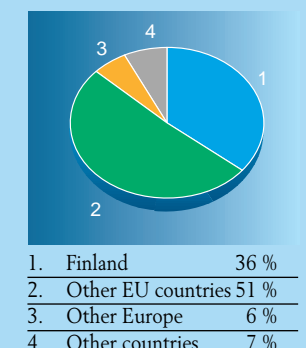
Key figures

	1995	1994
Turnover, MFIM	2 925	2 558
Operating profit, MFIM	176	118
Return on net assets, %	17.8	11.5
Personnel at year-end	1 036	1 006

Turnover, FIM million



External sales by region 1995



Strengthening prices improve the financial result



Juha Järvelä

Metform manufactures and markets welded steel tubes and pipes and value-added products based on them. Metform is Europe's third largest manufacturer of welded precision tubes and hollow sections. It has plants in Finland, Sweden, Denmark and Germany.

The demand for welded steel tubular products on the main markets was good in the first half of the year. The price level of products rose, but in the last quarter of the year both demand and the rise in prices tailed off. The demand for value-added products was at a satisfactory level all year long.

Metform signed an agreement with Gasum Oy concerning the delivery of coated pipes needed for extending Finland's gas pipeline network.

The quantities of tubular products delivered grew by 9 per cent. The division's turnover was FIM 2 448 million (2353). Turnover grew in all of Metform's product groups.

Metform's operating profit was FIM 185 million (111). Profitability was good. It was improved by the growth in the quantities of product delivered and an improved price level, but also by investments that increased productivity.



A district heating network can be built using Rautaruukki line pipe, even under water.



Capital expenditures at all the units
The modernization of the production lines and finishing equipment was continued at all of Metform's units.

At the Pulkkila Works, the forming unit of the tube manufacturing line was modernized. Thanks to modern technology, the setting and adjustment time for the tube welding line has shortened and production efficiency has improved. The effects of the upgrade show up particularly well in the manufacture of demanding grades.

As part of the development programme at Wirsbo Stålrör AB, the coil handling equipment of the tube manufacturing line was modernized. The development programme has improved the plant's profitability through increased productivity and better quality.

Outlook for 1996

Deliveries of Metform's tubular products are expected to remain at the good level of 1995. The price trend is estimated to level off, but the price differential compared with the steel used as a raw material will grow further. Metform's profitability is estimated to improve and to be at a good level.

METFORM

Senior V.P. Juha Järvelä

STRUCTURAL TUBING

Hämeenlinna
Tube Works
Lappohja Works
Pulkkila Works
Nordisk Simplex A/S

LINE PIPES

Oulainen Works
Wirsbo Stålrör AB

UPGRADED PRODUCTS

Carl Froh GmbH & Co

SALES COMPANY

Star Tubes (UK) Ltd

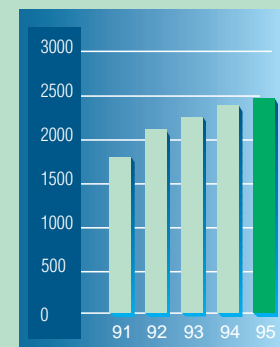
Division Board

Mikko Kivimäki,
Chairman
Gösta Engman,
Deputy Chairman
Juha Järvelä
Timo Krankkala*
Kjell-Peter Lindroos*
Jouko Luttinen*
Lauri Mannerkoski
Aulis Saarinen
Seppo Sahlman
* *personnel representative*

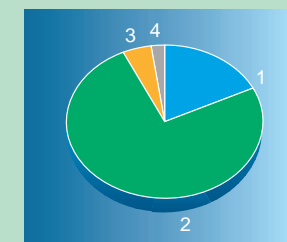
Key figures

	1995	1994
Turnover, MFIM	2 448	2 353
Operating profit, MFIM	185	112
Return on net assets, %	17.8	9.9
Personnel at year-end	1 670	1 988

Turnover, FIM million



External sales by region 1995



1. Finland	18 %
2. Other EU countries	75 %
3. Other Europe	5 %
4. Other countries	2 %

Metform's new Combi tubes are excellently suited to agricultural construction.

Operational overhaul pays off



Jorma Lukkari



Markku Koljonen

The Steel Structure Division manufactures and markets construction products that are made from the Group's own steel and are used primarily in construction. The division's main products

are profiled sheet, load-bearing sections and facade elements. The division is the leading manufacturer of profiled products in the Baltic area and it has plants in Finland, Sweden, Denmark, Poland, Estonia and Russia.

The demand for construction products continued to be at a low level in Finland, but demand grew in the new market economy countries on the Baltic Rim and in Sweden. Deliveries by the Steel Structure Division grew in all its

market areas.

The Steel Structure Division had turnover of FIM 856 million (670). In addition to the growth in deliveries, the increase in turnover was due in part to the section-manufacturing units that



were transferred to the Steel Structure Division from Metform at the beginning of September.

Operating profit in the black

The division's operating profit went into the black. Reorganization measures within the division and the growth in deliveries on the nearby markets improved profitability significantly, but the result was still weak.

Steel is the perfect material for building noise barriers.

the beginning of September, the cold-formed sections product group that previously belonged to Metform was made a part of the Steel Structure Division. The units concerned were the Toijala Works, Gasell Metform AB and Stelform A/S. Sections add greater variety to the division's product range and thus improve its customer service.

Growth continues in the Baltic area

The Steel Structure Division has had profiling plants in Estonia since 1992 and in Poland since 1994. During this time the division has greatly increased its deliveries to the Baltic countries, Russia and Poland. In 1995 deliveries to these countries already accounted for 25 per cent of the division's turnover.

The Steel Structure Division continued to develop its operations in Finland's nearby areas. Rannila Steel opened new sales companies in St Petersburg, Latvia and Lithuania. In De-

ember, Rannila Taldom AO started the manufacture of profiled sheet near Moscow. In Estonia, AS Rannila Profiil was acquired in its entirety by Rannila Steel. Towards the end of the year Rautaruuki took a 16.9 per cent stake in Metalplast-Oborniki Sp.z o.o, a Polish company that manufactures construction products.

Outlook for 1996

In 1996 the Steel Structure Division's deliveries are expected to increase further, mainly in Finland's nearby areas, owing to growing demand. Profitability is estimated to improve to an acceptable level.

Deliveries of steel roofing to Poland and the Baltic countries showed strong growth. Seen here is an installation in Poland.



STEEL STRUCTURE DIVISION

Senior V.P. Jorma Lukkari,
Steel Structure and Engineering Divisions

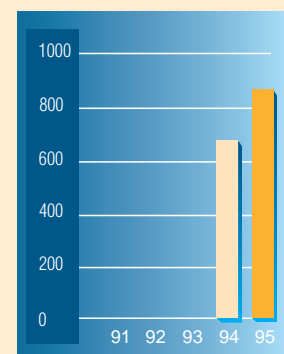
V.P. Markku Koljonen,
Steel Structure Divisions

- Mäkelä Metals Oy
- Rannila Steel Oy
- Toijala Works
- Gasell Profil AB
- Stelform A/S
- AS Rannila Profiil
- Rautaruuki Polska Sp. z o.o
- Rannila Taldom A/O
- Rannila Steel Latvia Sia
- Uab Rannila Steel Vilnius

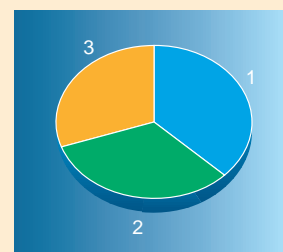
Key figures

	1995	1994
Turnover, MFIM	856	670
Operating profit, MFIM	20	- 16
Return on net assets, %	3.8	neg.
Personnel at year-end	783	558

Turnover, FIM million



External sales by region 1995



1. Finland	37%
2. Other EU countries	32%
3. Other Europe	31%

A stronger order book; operating profit on the way up



Jorma Lukkari

The Engineering Division manufactures and markets rolling stock, dished ends and other engineering products, and it sells technology developed within the Group.

The Engineering Division's turnover grew by 32 per cent on the previous year. Operating profit improved but was still loss-making due to the low capacity utilization of Oy Transtech Ltd, which manufactures rolling stock.

Deliveries grow

Transtech delivered rolling stock worth a total of some FIM 250 million. In ad-

dition, Transtech delivered FIM 50 million of engineering products.

A total of 192 goods wagons were delivered to Sweden, Norway and Great Britain. Two Pendolino test trains were delivered to VR Corporation (formerly the Finnish State Railways) in cooperation with the Italian main supplier. The first four of the 20 electric locomotives ordered by VR Corporation were delivered to the Swiss main supplier. Eight



CCB-Gruppen

CCB-Gruppen is Norway's second largest steel wholesaler, and it has outlets in nine localities in Norway. The company has a payroll of 155 employees.

The demand for steel, metals and building materials continued to grow in Norway and prices firmed up. CCB-Gruppen increased its market share.

CCB-Gruppen's turnover grew by 17 per cent and was NOK 690 million (591). The company improved its profitability significantly. The profit after financial items was NOK 42 million (11).

ENGINEERING DIVISION

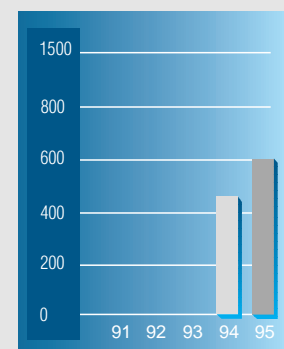
Senior V.P. Jorma Lukkari

- Transtech
- Halikko Works
- Polartherm Oy
- Hydoring Oy
- DCA-Instruments Oy
- Rautaruukki Engineering

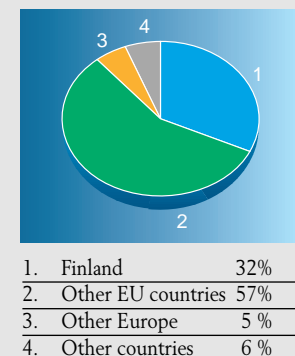
Key figures

	1995	1994
Turnover, MFIM	594	450
Operating profit, MFIM	- 51	- 90
Return on net assets, %	neg.	neg.
Personnel at year-end	1 012	1 247

Turnover, FIM million



External sales by region 1995



electric locomotive bodies were delivered to a Swedish customer.

The profitability of the Halikko Works, which manufactures steel dished ends for pressure vessels, improved further and was good. Capital spending projects were launched at the works to provide the capacity for manufacturing larger dished ends.

Changes in the division's structure

Rautaruukki acquired the shares in Transtech that were owned by Valmet and VR Corporation. At the end of the year, Oy Transtech Ltd was merged with Rautaruukki Oy as the Transtech unit.

During the year Rautaruukki sold the New Technology unit, which manufactured measuring equipment for the steel industry, as well as stakes in the associated companies Fincitec Oy, Idesco Oy and Noptel Oy.

The order book grows

VR Corporation ordered from Transtech 42 new-type, double-decker, alumi-

Transtech's order book has grown and it comprises several types of rolling stock.

um-frame Intercity and service wagons. These deliveries will begin towards the end of 1997. During 1996 Transtech will deliver to the Rover Group in Great Britain 104 covered special wagons which it has developed, and 85 coal transport wagons to Powell Duffry Standard Ltd. The Swedish company Nordwaggon AB ordered 103 sliding wall wagons, which will be delivered in 1996.

Outlook for 1996

The outlook for the Engineering Division is better than it has been previously thanks to Transtech's stronger order book. On its books, Transtech has wagon orders valued at FIM 800 million, of which FIM 200 million are scheduled for 1996. Operating profit is estimated to improve, but profitability will still be weak.

An improved result four years running



Lennart Kallioniemi

Rautaruukki Oy and Norsk Jern Holding AS each own 50 per cent of Fundia AB, which manufactures long steel products at various locations in Scandinavia. The main products are reinforcing bars, special bars, wire rods, rolled beams and various processed products, such as welding wire, prestressed concrete strands, drawn and galvanized rods as well as chromium plated bars.

Fundia's operations are divided into five business units: Reinforcing, Special Bar, Wire, Structural Steels and Bar and Wire Processing. Fundia has production units in Finland, Sweden, Norway, the Netherlands and France as well as sales units in a number of countries in Europe.

Rautaruukki and Norsk Jern Holding AS have signed a bill of sale according to which Fundia will become a wholly-owned subsidiary of Rautaruukki. The deal calls for approval by the authorities.

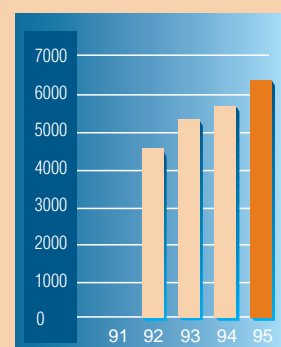
In the first half of the year, the demand for Fundia's products grew strongly and the prices in most of the product groups rose. In the autumn, demand began to weaken and the prices of merchant steel grades with less value added went into decline. Towards the end of the year, the market situation weakened further. The market situation for more demanding grades of steel and products with a higher degree of value added nevertheless remained better. In accordance with Fundia's strategy, these products have accounted for a growing share of Fundia's deliveries.

Fundia's turnover grew to SEK 6 304 million (5 624). Operating profit was SEK 393 million (278). Profit before extraordinary items, reserves and taxes was SEK 351 million (154), which includes SEK 96 million of gains on foreign exchange.

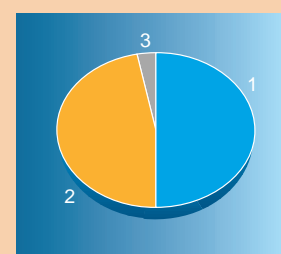
Key figures

	1995	1994
Turnover, MSEK	6 304	5 624
Operating profit, MSEK	393	278
Return on net assets, %	12	10
Steel production, 1000 t	1 485	1 480
Personnel at year-end	3 633	3 580

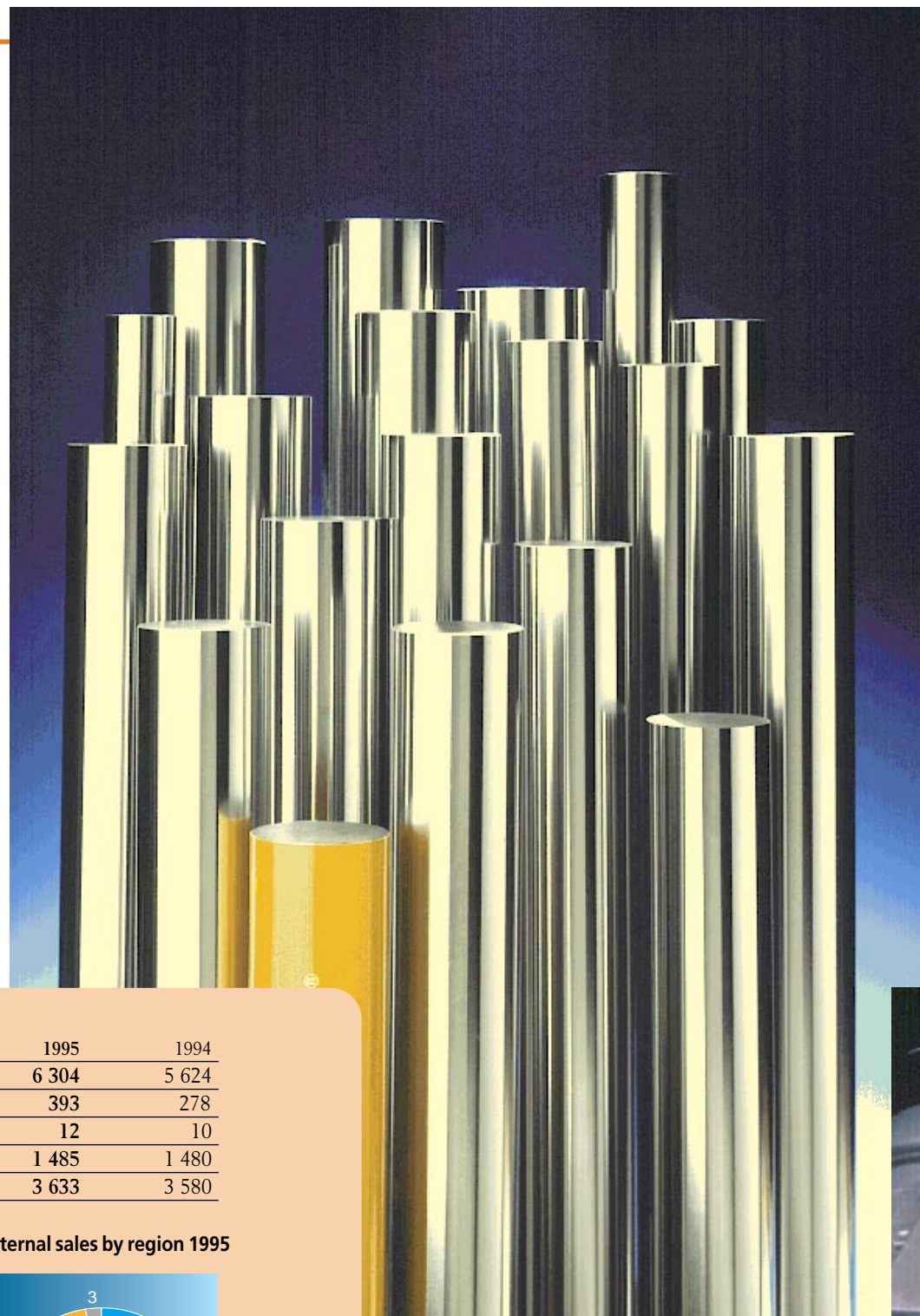
Turnover, SEK million



External sales by region 1995



1. Nordic countries	50 %
2. Other Europe	47 %
3. Other countries	3 %



Fundia's bar and wire processing products include chromium plated bars.



Leaf springs for vehicles are an important use of Fundia's flat bars.

Investment programme seen to completion

During the year the SEK 800 million investment programme launched in 1993 to develop Fundia's production structure was seen to completion. The largest capital expenditures were the Mo i Rana wire rod line, the modernization of the Koverhar blast furnace, the increase in the rolling speed of the Dalsbruk wire mill and the development of steel production at Smedjebacken. The investments will enhance production, improve quality and increase the proportion of low-alloy special steels in the production programme.

The quantities of production of the different products were mainly at the previous year's level in spite of the production shutdowns caused by the capital projects.

Processing expands

At the beginning of the year, a new Bar and Wire Processing division was formed and the bar and wire processing units were transferred to it. The objective is to carry ahead the development and processing of products that support Fundia's core businesses.

In June the Cromax business of Ovako Steel was purchased. Cromax manufactures and markets chromium plated bars, which are used in the hydraulic equipment industry. Production plants are located in Sweden, the Netherlands and France. A new company, Fundia Cromax AB, was set up to take over Fundia's previous functions in these product lines, which were transferred from the Hallstahammar Works. Fundia Cromax is part of the Bar and Wire Processing division.

Outlook for 1996

Economic growth is estimated to slow down in Fundia's main market area in Western Europe during 1996. Competition is expected to get tougher and the volume of construction, an important area for Fundia, will again be low in the main markets.

Fundia is estimated to have turnover in 1996 of SEK 6.5 billion. The result is estimated to remain at the level of 1995, net of gains on foreign exchange, but it involves factors of uncertainty due to market situation. The capital expenditure programme completed in 1995 will affect the result to the full extent.

RAUTARUUKKI 2000 INVESTMENT PROGRAMME

Rautaruukki's steel production and rolling operations are among the most cost-effective in Europe today. The Rautaruukki 2000 investment programme that got underway in autumn 1995 will give further improvements in efficiency. Rautaruukki is modernizing its existing production lines, removing bottlenecks, and installing new automation and control systems. The investment programme itself will be very cost-effective.

Blast furnace no. 1 at the Raah Steel Works was refurbished in the summer of 1995 and no. 2 will have its turn in April-May 1996. When this work is completed, iron production will rise to 2.5 million tonnes a year. The increase in iron production coupled with more efficient use of scrap iron will make it possible to boost steel output and rolling capacity as well.

The Rautaruukki 2000 programme, which will be carried out between 1995 and 1999, comprises 30 different projects at the Raah and Hämeenlinna works. The investments are to remove bottlenecks in production and to modernize machines and equipment.

The investments will raise steel and hot rolling output at the Raah steel works from 2.3 million to 2.8 million tonnes. The investments will cost an estimated FIM 1 770 million, but this includes a considerable amount of normal replacement work. The full extra capacity will be in use from the year 2000.

Cold rolling production will similarly be raised at the Hämeenlinna works from 930 000 tonnes to 1 250 000 tonnes. This and related replacement investments will cost FIM 270 million. This will make it possible to produce upgraded products from Raah Steel's extra hot rolling output.

Profitability is good

The whole investment programme will be cost-effective. The capital costs for the extra output are low since the company is not building new production lines but upgrading existing ones. The

costs are the equivalent of setting up a new minimill. And running costs for the extra production are extremely low because personnel costs may even fall. The investments will gradually become productive from 1997 onwards, and the payback period from then should be about five years.

Rautaruukki estimates that it can finance these investments using income from its operations. The group's overall cash flow is expected to remain positive throughout the period when the work is going on. The company's equity ratio is expected to continue to improve.

Improved efficiency

These investments will considerably raise cost-efficiency at the works, which is already among the highest in the world. They will also widen the product range, raise the level of upgrading and the added value, and improve production quality. And they will considerably reduce harmful emissions.

Raising steel output at Raah will result in a rationalization of operations that will reduce personnel there by more than 80. Productivity will rise in steel production from 650 to 800 tonnes per man year and at the Hämeenlinna Works by more than 30 percent. These improvements will ensure that Rautaruukki is cost competitive into the 21st century.

Increased smelting capacity

Raah Steel will increase steel production by raising the smelting capacity of



the converters from 100 tonnes to 120 tonnes. It will also build a desulphurization plant for the converters, making it possible to produce virtually sulphur-free special steels.

A new continuous casting machine will be built to replace three old machines and two other casting machines will be modernized at the continuous casting plant. The maximum length for slabs will rise to 12 metres and the max-

The smelting capacity of converters will be raised to 120 tonnes. A desulphurization plant for the converters makes it possible to produce virtually sulphur-free special steels.

imum weight from 20 tonnes to 30 tonnes.

The most important change at the rolling mill will be the construction of a walking beam furnace. This will be able to heat larger slabs more efficiently than the old furnace.

The rolling stands and the coiler area will be upgraded in the strip rolling line to make it possible to handle 12 metre slab lengths, 30 tonne coil weights and increasing production volumes.

Lower emission levels

The investments will significantly reduce harmful emissions and improve working conditions. They will cut emissions of loose dust from the converter plant by 80 per cent and improve dust extraction from flue gases.

A completely closed water circulation system will be built at the rolling mill. This will improve the standard of purification for the water, increase the water's cooling capacity and reduce the load on the water system considerably. Emissions of oil and solid materials will fall to one fifth of their previous levels.



Increased production volumes will be achieved at the strip rolling mill by upgrading the rolling stands and the coiler area.

Raising cold rolling production

The pickling line, the motors of the tandem rolling mill and the automation system will be upgraded at the Hämeenlinna Works' cold rolling mill. The weights of cold-rolled coils will also be raised and the handling system for the coils will be reorganized.

The investments will raise the capacity of the existing pickling line and double the maximum speed of the tandem rolling mill. The investments will increase the cost-efficiency of the Hämeenlinna Works and will considerably improve the quality of cold-rolled products. The investments will not increase the number of personnel.

Increasing rolling production will make it gradually possible to increase production of value added products. Rautaruukki plans to sell the extra output mainly as value added products in its existing market areas.

GROUP STATISTICS 1991-1995

		1995	1994	1993	1992	1991
Turnover	FIM million	9 213	8 255	7 683	7 064	7 317
Exports and international operations	%	68	70	74	73	65
Personnel at year-end		8 730	9 068	9 151	9 281	11 197
Personnel on average		9 318	9 444	9 437	9 873	10 896
Value added per person	1 000 FIM	436	386	351	296	243
Steel production	1000 t	2 007	2 267	2 201	2 094	2 478

FINANCE

Operating profit	FIM million	1 385	1 050	762	252	-77
% of turnover	%	15.0	12.7	9.9	3.6	-1.1
Profit before extraordinary items, reserves and taxes	FIM million	954	658	78	-899	-853
% of turnover	%	10.4	8.0	1.0	-12.7	-11.7
Profit before reserves and taxes	FIM million	810	440	-42	-726	-959
% of turnover	%	8.8	5.3	-0.6	-10.3	-13.1
Return on net assets	%	15.5	12.1	9.0	3.6	0.2
Return on equity	%	23.4	21.6	2.6	-36.9	-26.2
Equity ratio	%	37.7	31.6	21.1	17.4	25.2
Gearing	%	109	143	274	335	214
Gross investments	FIM million	778	544	432	742	1 363
% of turnover	%	8.4	6.6	5.6	10.5	18.6
Research and development	FIM million	80	66	65	82	93
% of turnover	%	0.9	0.8	0.8	1.2	1.3
Net interest expenses	FIM million	387	424	475	571	469
% of turnover	%	4.2	5.1	6.2	8.1	6.4
Interest bearing net debt	FIM million	4 347	4 850	6 246	6 643	6 139

KEY FIGURES

Earnings per share, EPS	FIM	7.19	5.40	0.55	-9.54	-8.65
Equity per share	FIM	33.16	28.28	22.20	21.10	30.46
Dividend per share	FIM	1.70*	1.00	0	0	0
Dividend per earnings	%	23.7*	18.5	0	0	0
Price per earnings, P/E		3.7	7.0	79.3	-1.7	-2.0
Share trading	thousands	36 313	23 184	13 285	4 829	2 619
Share trading	FIM million	1 033	1 136	411	97	58
Average price of share	FIM	28.44	49.00	30.93	20.19	22.00
Adjusted average number of shares		120 228 416	113 935 813	92 923 861	92 647 166	92 647 166
Adjusted number of shares at year-end		120 228 416	120 228 416	101 828 416	92 647 166	92 647 166
Number of shares at year-end		120 228 416	120 228 416	101 828 416	92 647 166	92 647 166
Share price at year-end	FIM	26.50	38.00	43.90	16.50	17.20
Market capitalization at year-end	FIM million	3 186	4 569	4 470	1 440	1 501

* Board proposal

Principles governing the calculation of key figures:

Value added per person =	$\frac{\text{operating profit} + \text{depreciation} + \text{wages} + \text{indirect employee costs} + \text{rents} - \text{share of associated companies' profits}}{\text{average personnel}}$
Return on net assets =	$\frac{\text{profit before extraordinary items, reserves and taxes} + \text{interest expenses} + \text{exchange rate differences} + \text{other financing expenses (excl. change in the values of short-term investment)}}{[\text{balance sheet total} - \text{obligatory provisions} - \text{non-interest bearing debt}] \text{ (average of the beginning and end of the year)}}$
Return on equity =	$\frac{\text{profit before extraordinary items, reserves and taxes} - \text{taxes}}{[\text{shareholders' interests} + \text{optional reserves and accumulated depreciation difference} + \text{minority interests}] \text{ (average of the beginning and end of the year)}}$
Equity ratio =	$\frac{\text{shareholders' interests} + \text{optional reserves and accumulated depreciation difference} + \text{minority interests}}{\text{balance sheet total} - \text{short-term advanced payments received}}$
Earnings per share (EPS) =	$\frac{\text{profit before extraordinary items, reserves and taxes} - \text{minority interest of profit} - \text{taxes}}{\text{adjusted average number of shares}}$
Equity per share =	$\frac{\text{shareholders' interests} + \text{optional reserves and accumulated depreciation difference}}{\text{adjusted number of shares at year-end}}$
Dividend per share =	$\frac{\text{dividends paid}}{\text{adjusted number of shares at year-end}}$
Dividend per earnings =	$\frac{\text{dividend per share}}{\text{earnings per share}}$
Price per earnings (P/E) =	$\frac{\text{share price at year-end}}{\text{earnings per share}}$
Average share price =	$\frac{\text{total FIM trading of the share}}{\text{adjusted number of shares traded}}$
Market capitalization =	number of shares x share price at year-end
Interest bearing net debt =	interest bearing debt – interest bearing receivables – cash and other liquid current assets
Gearing =	$\frac{\text{interest bearing net debt}}{\text{shareholders' interests} + \text{optional reserves and accumulated depreciation difference} + \text{minority interests}}$

Basis of estimation of division results:

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



- Group management, Helsinki and Oulu
- Raahe Steel
- Strip Products
- Metform
- Steel Structure Division
- Engineering Division
- Sales and service units
- Major associated companies



Group management

Oulu Office
 Kiilakiventie 1, P.O.Box 217
 FIN-90101 OULU
 Tel +358 81 883 60
 Tlx 32109 steel fi
 Fax +358 81 883 6450

Helsinki Office
 Fredrikinkatu 51-53, P.O.Box 860
 FIN-00101 HELSINKI
 Tel +358 0 680 81
 (from 3 June: + 358 0 4177 11)
 Tlx 124887 steel fi
 Fax +358 0 680 8288
 (from 3 June: + 358 0 4177 6288)

Raahe Steel

P.O. Box 93
 FIN-92101 RAAHE
 Tel +358 82 84 911
 Tlx 32312 steel fi
 Fax +358 82 849 2246

Raahe Steel Works
 P.O. Box 93
 FIN-92101 RAAHE
 Tel +358 82 84 911
 Tlx 32312 steel fi
 Fax +358 82 849 2246

Oy JIT-Trans Ltd
 P.O.Box 93
 FIN-92101 RAAHE
 Tel +358 82 849 3909
 Tlx 32230 jit fi
 Fax +358 82 263 923

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

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

Strip Products

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

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

Suomen Metalcolor Oy
 Rautatienkatu 19
 FIN-38700 KANKAANPÄÄ
 Tel +358 30 5781 660
 Fax +358 30 5781 696

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

Rautaruukki in Internet: <http://www.rautaruukki.fi>

Ragal Feinblech GmbH

Birkenstraße 15
D-28195 BREMEN, GERMANY
Tel +49 421 175 940
Fax +49 421 175 9440

Rautaruukki Stahlservice GmbH

Kiffward 34
D-47138 DUISBURG, GERMANY
Tel +49 203 45 19-0
Fax +49 203 45 19 270

Metform

FIN-13300 HÄMEENLINNA
Tel +358 17 6201
Fax +358 17 6203 373

Hämeenlinna Tube Works

FIN-13300 HÄMEENLINNA
Tel +358 17 6201
Fax +358 17 620 2546

Lappohja Works

FIN-10820 LAPPOHJA
Tel +358 11 268 7100
Tlx 13141 steel fi
Fax +358 11 268 7256

Oulainen Works

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

Pulkila Works

Lehtolantie 36
FIN-92600 PULKKILA
Tel +358 85 819 5111
Fax +358 85 819 5290

Wirsbo Stålrör AB

P.O.Box 100
S-73061 VIRSBO, SWEDEN
Tel +46 223 383 00
Fax +46 223 383 02

Nordisk Simplex A/S

Vejlægårdsvej 34
DK-2665 VALLENSBÆK STRAND, DENMARK
Tel +45 43 566 600
Tlx 33400 tubes dk
Fax +45 43 566 619

Carl Froh GmbH & Co

P.O.Box 2040
D-59837 SUNDERN, GERMANY
Tel +49 2935 810
Tlx 84227 froh d
Fax +49 2935 81202

Star Tubes (UK) Ltd

Unit 3, Park Lane Industrial Estate
Park Lane, Oldbury
WEST MIDLANDS B69 4JX, U.K.
Tel +44 121 544 4666
Fax +44 121 544 7439

Steel Structure Division**Development unit**

Fredrikinkatu 51-53, P.O.Box 860
FIN-00101 HELSINKI
Tel +358 0 680 81
(from 3 June: + 358 0 4177 11)
Tlx 124887 steel fi
Fax +358 0 680 8373
(from 3 June: + 358 0 4177 6373)

Mäkelä Metals Oy

Vimpelintie 661
FIN-62830 LUOMA-AHO, ALAJÄRVI
Tel +358 66 5574 666
Tlx 72162 mapel fi
Fax +358 66 5575 116

Rannila Steel Oy

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

Toijala Works

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

Gasell Profil AB

P.O.Box 7
S-23108 ANDERSLÖV, SWEDEN
Tel +46 410 214 00
Fax +46 410 214 50

Gasell Profil AB

P.O.Box 967
S-80133 GÄVLE, SWEDEN
Tel +46 26 172 500
Fax +46 26 172 599

Stelform A/S

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

AS Rannila Profiil

Turba 5, PÄRNU
EE-3600 ESTONIA
Tel +372 44 452 90
Fax +372 44 452 89

Rautaruukki Polska Sp. z o.o.

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

Rannila Taldom A/O

Moskovskoj oblasti
1 Golutvinskij per., 3
109180 MOSCOW, RUSSIA
Tel +7 095 238 3531
Fax +7 095 238 3513

Gasell Profil AS

Brobekkveien 80,
P.O.Box 202 Alnabru
N-0516 OSLO, NORWAY
Tel +47 22 722 090
Fax +47 22 657 766

Rannila Steel Latvia Sia

Grecinieku 22/24
LV 1050 RIGA, LATVIA
Tel +371 2 213 503
Fax +371 2 224 138

Uab Rannila Steel Vilnius

T. Sevcenkos 19
VILNIUS, LITHUANIA
Tel +370 2 635 259
Fax +370 2 263 287

Engineering Division**Transtech**

Kiilakiventie 1, P.O.Box 217
FIN-90101 OULU
Tel +358 81 883 60
Tlx 32109 steel sf
Fax +358 81 883 6960

Halikko Works

FIN-24910 HALIKKO AS
Tel +358 24 52 471
Fax +358 24 524 7392

Rautaruukki Engineering

Kiilakiventie 1, P.O.Box 217
FIN-90101 OULU
Tel +358 81 883 60
Tlx 32109 steel fi
Fax +358 81 883 6711

MAS Seuthe GmbH

Elsa-Brandström-Straße 21
P.O.Box 16 62
D-58656 HEMER, GERMANY
Tel +49 2372 5060
Tlx 827436 mas d
Fax +49 2372 3262

Polartherm Oy

FIN-29100 LUVIA
Tel +358 39 5581 544
Fax +358 39 5581 844

Hydoring Oy

P.O.Box 10
FIN-21801 KYRÖ
Tel +358 21 4868 100
Fax +358 21 4868 110

DCA-Instruments Oy

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

Other units**CCB-Gruppen**

Professor Birkelands vei 21
P.O.Box 140 Furuset
N-1001 OSLO, NORWAY
Tel +47 22 909 000
Fax +47 22 909 070

Rautaruukki

Information Systems
P.O.Box 93
FIN-92101 RAAHE
Tel +358 82 84 911
Fax +358 82 849 4001

Fundia**Fundia AB**

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

Sales companies**Finnsteel Inc.**

5 Revere Drive, Suite 502
NORTHBROOK, IL 60062, U.S.A.
Tel +1 847 480 0420
Fax +1 847 480 9466

Rautaruukki-Danmark

Vejlægårdsvej 34
DK-2665 VALLENSBÆK STRAND, DENMARK
Tel +45 43 566 666
Tlx 33400 tubes dk
Fax +45 43 566 679

Rautaruukki (Deutschland) GmbH

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

– Niederlassung Berlin

Müllerstrasse 153
D-13353 BERLIN, GERMANY
Tel +49 30 4650 900
Fax +49 30 4650 9099

Rautaruukki Eesti OÜ

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

Rautaruukki (Norge) AS

Fjordveien 1, P.O.Box 211
N-1322 HØVIK, NORWAY
Tel +47 67 592 220
Fax +47 67 592 483

Rautaruukki (Sverige) AB

Fatburgsgatan 7, P.O.Box 17605
S-11892 STOCKHOLM, SWEDEN
Tel +46 8 642 4225
Fax +46 8 643 7340

Rautaruukki (UK) Ltd

Merevale House
Parkshot Richmond
SURREY TW9 2RG, ENGLAND
Tel +44 181 948 8177
Fax +44 181 948 5716

Rautaruukki (S.E.A.) Pte Ltd

360 Orchard Road # 06-03
International Building
SINGAPORE 238869
Tel +65 737 9992
Fax +65 737 9995

Rautaruukki Polska Sp. z o.o.

Biuro w Warszawie
Al. Jeruzolimskie 99 m 31
02-001 WARSZAWA, POLAND
Tel +48 3912 1526
Fax +48 3912 2265

Rautaruukki Oy

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

Rautaruukki M.E.

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



RAUTARUUKKI

RAUTARUUKKI
Group management

OULU OFFICE
Kiilakiventie 1
P.O. BOX 217
FIN-90101 OULU
Tel +358 81 883 60
Fax +358 81 883 6450

HELSINKI OFFICE
Fredrikinkatu 51-53
P.O: Box 860
FIN-00101 HELSINKI
Tel +358 0 680 81
(From 3 June: +358 0 4177 11)
Fax +358 0 680 8288
(From 3 June: +358 0 4177 6288)