

YEAR 2000 IN BRIEF

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

- Demand for steel products was good and prices rose
- Rautaruukki's turnover improved by 13 per cent
- Profit before extraordinary items was EUR 106 million
- Investment programme Rautaruukki 2000 was completed

	2000	1999	Change %
Turnover, M€	2708	2388	+ 13
exports from Finland and international operations %	69	69	
Operating profit, M€	156	57	+ 174
% of turnover	5.8	2.4	
Profit/loss before extraordinary items, M€	106	- 6	
% of turnover	3.9	- 0.2	
Profit/loss before taxes, M€	81	- 6	
% of turnover	3.0	- 0.2	
Interest bearing net debt, M€	1017	1014	
Return on net assets, %	8.7	3.3	
Return on equity, %	8.2	- 2.0	
Equity ratio, %	34.1	34.6	
Earnings per share, €	0.51	- 0.13	
Equity per share, €	6.23	6.02	+ 3
Personnel on average	13176	13219	

Five-year Group statistics and principles governing the calculation of key figures on pages 44–45.
Turnover and operating profit by quarter on page 64.

STATEMENT BY THE PRESIDENT

An improved result – targets set higher

In 2000 Rautaruukki achieved a marked improvement in earnings compared with the previous year. Profit after financial items was EUR 106 million and nearly all our key figures improved.

In future our objective is again to improve our profit-making ability substantially. Despite a slowdown in economic growth, we estimate that Rautaruukki is well placed to accomplish this.

The main targets that have been set for the Group's earnings trend are a 15 per cent return on net assets and bringing the gearing ratio down to the 50 per cent level. We are seeking a return on assets and share price trend which outperform those of European steel companies on average.

The tools for improving Rautaruukki's profit-making ability are the ability to use to the full extent the new capacity and cost-effectiveness of our integrated flat products operations, to implement the new business model which will improve customer service and to boost cost-effectiveness significantly at Fundia and certain other units.

As a consequence of Rautaruukki Steel's investment programme, deliveries of galvanised sheet steel products are estimated to grow by 150 000 tonnes this year. The division's steel output is estimated to increase by almost 100 000 tonnes on last year. In 2002 steel output will grow further by a substantial amount.

A rising proportion of speciality products

The completion of the investment programme has offered the possibility of manufacturing new grades of steel that exceed standard characteristics. These higher margin products already account for a good 500 000 tonnes of Rautaruukki Steel's prod-



ucts and the volume will be lifted year by year. The range of branded products is being expanded to new product groups.

The investments have already raised labour productivity, but all the opportunities for boosting efficiency have yet to be used. Cost-effectiveness will be increased by raising the degree of utilisation of the production lines and by trimming costs. Rautaruukki Steel will also choose the services which it will produce itself and which ones it will outsource to cooperation partners.

Fundia, which manufactures long steel products, is going through a restructuring programme with the aim of achieving 20 per cent savings in personnel costs and 5 per cent savings in other fixed costs. It is estimated that the increase in cost-effectiveness brought by the programme will show up clearly beginning as early as next year's profit figures.

Likewise, the effect of the measures aiming to improve cost-effectiveness at the Metform Division's Carl Froh unit in Germany will begin to show up in Carl Froh's result in 2002.

A customer-driven business model

To improve customer service, Rautaruukki has now got up and running a new business model that will enhance the Group's ability to react even to fast changes in the market.

The redefinition of the strategic business areas of the divisions and the channelling of product and service resources into selected areas are producing results in ways such as improved cooperation with customers.

Rautaruukki estimates that the ability to offer higher-calibre product and service packages to customers will improve the profitability of both customers' operations and Rautaruukki's.

The sales cooperation of the Steel Service Division and the other divisions has been enhanced, with a sharper division of tasks now in place. This will bring improvements in customer service and enable the company to offer products and services to a wider clientele because the Steel Service Division is also seeking to acquire customers whose needs previously could not be satisfied solely from Rautaruukki's own product range.

As part of strengthening the customer-driven way of doing business, Rautaruukki has undertaken test use of e-commerce together with a number of key customers. The objective is to offer all the Group's products to customers via eRautaruukki.

Change in the steel market

We at Rautaruukki believe that those companies will fare best in the steel market whose products and services bring more added value to customers' business than competitors are able to offer.

The structure of the European steel industry has taken a step forward in consolidation now that Usinor of France, Arbed of Luxembourg and Spain's Aceralia will merge to form the world's largest steel company. The structural change that is bringing stability to the steel industry is moving ahead in Europe, and it will have a positive impact on the steel markets and business in the sector.

Rautaruukki's growth outlook

Rautaruukki intends to increase the volume of its operations. The company has what it takes to do this because it will be able to utilise Rautaruukki Steel's recently completed new production capacity to the full extent, including the increase in the production of highly upgraded products. Furthermore, the Steel Service and the Steel Structure Division have good potential for expanding their operations.

Steel wholesaling and service centre operations have become Rautaruukki's third largest division. The acquisition of Heléns Stål AB, which operates in Sweden and Denmark, will strengthen Rautaruukki's position on the steel market in the Nordic countries. Rautaruukki will seek to grow its steel service business further.

The Steel Structure Division's business – the manufacture of construction components and systems – is a second important growth area for Rautaruukki. The Group's sales to eastern Central Europe and Eastern Europe have grown at an annual rate of 20–30 per cent, and the growth rate is estimated to continue.

The Steel Structure Division's objective is to increase its present units' sales volumes and to establish new business units in the countries of

Eastern Europe. The division's volume can also be increased through acquisitions.

Slowing economic growth in 2001

2001 appears set to be a year of somewhat slower economic growth in Europe, and this will be reflected in all business operations. In the steel business the weakening in economic growth is also a sign of tighter competition.

In Europe the consumption of steel products is estimated to remain good during 2001. The balance between supply and demand in steel products will be affected by the exports by European Union countries and imports from outside their borders. The production cutbacks announced by certain steel companies and trend in the level of stocks will affect the supply of products and the price trend.

Rautaruukki's Board of Directors is proposing the payment of a dividend for 2000 of EUR 0.25 per share, or 49 per cent of earnings. This is in line with our competitive and stable dividend policy. In recent years we have paid a dividend that is on average 40 per cent of earnings.

My warm thanks to our shareholders, customers and personnel for the confidence you have shown in Rautaruukki. Last year Rautaruukki celebrated 40 years in business. In embarking on a new decade, we at Rautaruukki will take up the challenge of strengthening the company through the ongoing intensive actions aiming at improving our profit-making ability.

Helsinki 12 March 2001

Mikko Kivimäki

STRATEGY AND GOALS

Financial goals

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

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

Dividend policy

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

Rautaruukki's objective

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

Vision

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

Main principles in strategy

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

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

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

Basic values

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

Ethical values

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

IMPROVING PROFITABILITY

Rautaruukki's key near-term objectives are the full utilisation of the new manufacturing capacity within integrated flat products operations, the implementation of the new customer-driven business model and achieving a significant increase in cost-effectiveness in long steel products. All the objectives aim at improving profitability.

By implementing the strategic objectives, Rautaruukki intends to achieve a 15 per cent return on net assets and to bring its gearing ratio down to the 50 per cent level.

Rautaruukki's strategic success factors are speciality products with a high degree of added value and related customer-focused service, a strong market position in its core markets and cost-effectiveness throughout the entire business chain.

The Group's strategic success factors will be sharpened by implementing a new and more customer-driven business model.

High value-added speciality products

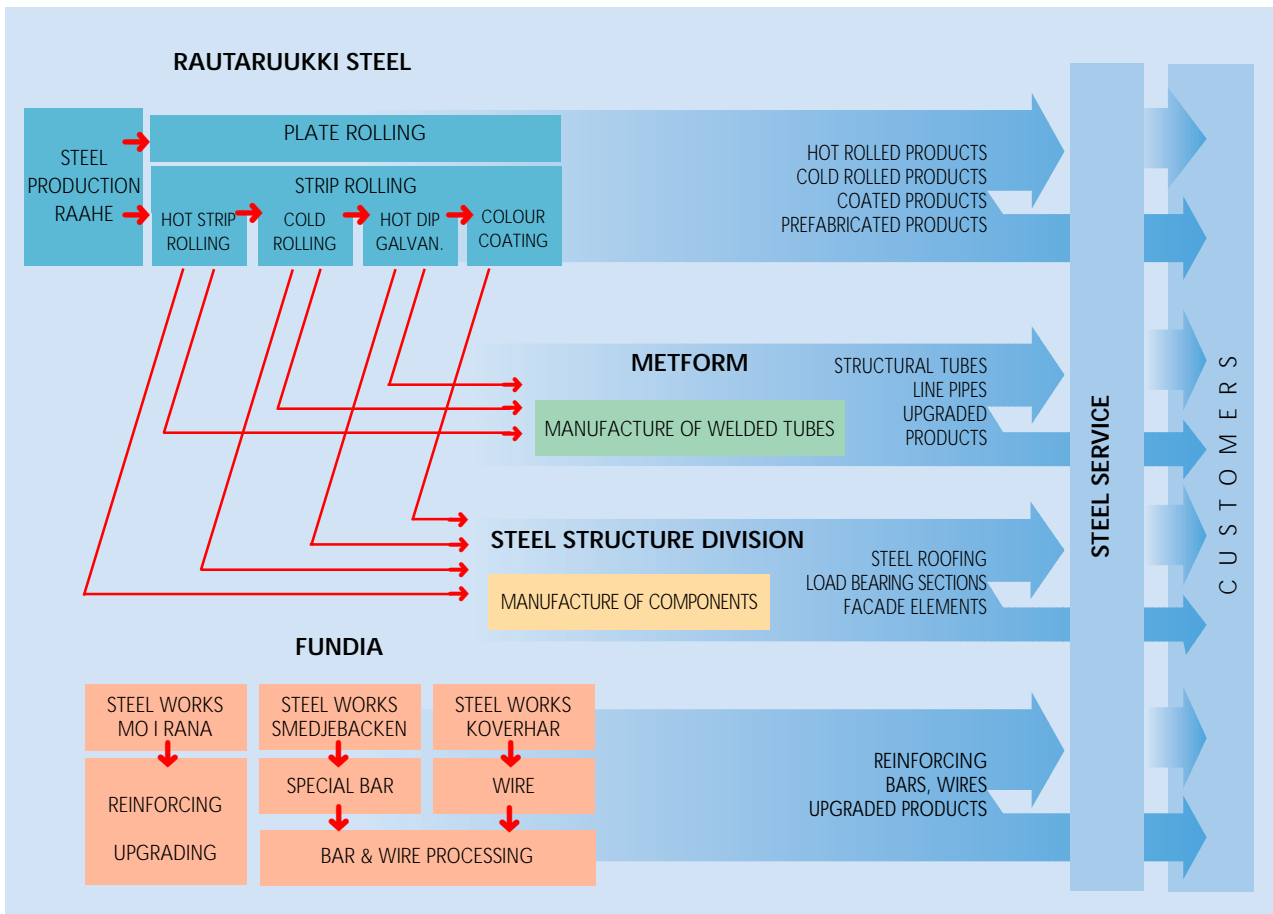
At the Group's integrated steel products works, hot and cold-rolled and coated flat products are manufactured as well as tubular products and hollow sections. The integrated oper-

ations also comprise the Steel Structure Division, which manufactures construction components and system products as well as components for the engineering industry.

The Group's product range also includes long steel products, i.e. bars, wires and rebar steels along with various upgraded products made from them.

Within flat steel products, the degree of upgrading and added value of Rautaruukki's products are among the highest of Europe's steel companies. The Group intends to strengthen further this strategic competitive advantage by increasing the proportion of highly upgraded products within its deliveries. In addition, in its steel production the Group will increase

Rautaruukki's steel production and upgrading



Improving profitability

the share of demanding steel grades that exceed standard characteristics as well as the proportion of demanding, higher-margin products in different product groups.

Rautaruukki Steel's investment programme which was completed in 2000 will raise the steel production used in flat products to 2.8 million tonnes by the end of 2002. In addition, the new 400 000 tonne galvanising line has already raised the capacity of galvanised strip products to about 900 000 tonnes. The new galvanising line will enable Rautaruukki to manufacture e.g. very high-quality Galfan and Galvannealed coated strip products. The capacity within colour-coated products has risen by 50 000 tonnes to 320 000 tonnes. This means that highly upgraded strip products will represent a greater proportion of the products which the Group offers.

The manufacture of construction components and system products made from coated strip as well as components for the engineering industry has grown steadily in recent years. The growth in this business will raise the value added component of the Group's product and service portfolio.

Of Rautaruukki Steel's products, the amount of speciality products that exceed standard characteristics is more than 500 000 tonnes a year and this volume will be increased strongly over the next few years. Within demanding steel grades, Rautaruukki Steel has concentrated, notably, on steel grades having good formability, excellent deep-drawing characteristics, even mechanical properties and good surface quality.

The product range for Fundia's bar and wire products will be oriented towards speciality steels and higher-margin products.

The objective of Fundia Wire's development programme that has partly reached completion is to



With the completion of the new Hämeenlinna galvanizing line, Rautaruukki can offer strip products that have a more versatile dimensional area, better surface quality and are manufactured with new types of coatings.

achieve a significant increase in the value added component of production. Thanks to the new ladle furnace and the modernisation of one of the two casting machines at the Koverhar steel mill, Fundia can deliver billets to Fundia Wire's Nedstaal Draad, which uses them in manufacturing, among other things, highly upgraded cold-heading wires and wires for ball bearings. At the same time, Fundia will cut down significantly its external sales of billets with a low degree of added value. The Dalsbruk rolling mill will go over to endless rolling in the summer 2001, bringing an increase in rolling efficiency.

Rautaruukki markets its high value added speciality products as branded products and is one of the forerunners in the steel industry in promoting this trend. The volume and proportion of branded products within the Group's product range will be expanded in the years ahead. The range of branded products will also be expanded to new product groups.

System products and components for construction are marketed under two so-called house-brands: Rannila and Gasell. Alongside its product manufacturing, Rannila has also started installation service operations, thereby further reinforcing the Rannila brand.

A customer-driven business model

Rautaruukki wants to profile itself as a steel company that offers a high-calibre portfolio of products and services. The objective is for customers to obtain more added value from the Company's products and services than competitors are able to offer.

To improve its customer service, the Group is developing a new and more customer-driven business model. This is a multifaceted development project whose central parts are an in-depth process of learning about customers' business, focusing the know-how resources on selected customer segments and closer co-operation with customers. By offering higher calibre product and service

packages, Rautaruukki can improve the profitability of both customers' business and its own.

Most of the divisions have defined their own strategic business areas (SBAs). The aim of this is to be able to channel, say, product development resources into business areas where Rautaruukki's know-how and service ability are at their strongest and which have the best growth prospects.

In its core market area Rautaruukki has a comprehensive network of steel wholesaling and service centre companies. Customer service can be improved significantly by developing co-operation between Steel Service and the other divisions.

The product and service packages offered by Rautaruukki include, among others, prefabrication of products, design and technical support, installation services, system deliveries and logistics services. In 2001 Rautaruukki will also launch a website offering its products, including related ancillary services.

A central objective in developing the Group's product and service portfolio has been to increase network-like co-operation, especially with companies whose products and services round out the service package which end-customers receive from Rautaruukki.

A strong market position in core markets

Rautaruukki sells 95 per cent of its products to customers in Europe and the remainder to the United States and Southeast Asia. The core markets, i.e. the Nordic countries and the Baltic Rim, account for more than 65 per cent of sales.

Rautaruukki has a strong market position in its core markets, where in many products it is either the leading supplier or one of the largest. Rautaruukki has achieved its position thanks to its versatile and high-quality

product range, its reliability and fast and flexible deliveries. The Steel Service Division will strengthen the Group's market position by offering the kinds of products and services which Rautaruukki has not been able to offer previously. Rautaruukki's objective is to increase the number of long-term partnering customers in its core market area.

Cost-effectiveness on the rise

Rautaruukki's strategic objective in coming years, as in the past, is to be one of the most cost-effective companies in the steel industry. A number of separate projects aiming at improving efficiency further are in progress.

Rautaruukki Steel's investment programme has already lifted the cost-effectiveness of its integrated flat steel products operations. From 1996 to the end of 2000 Rautaruukki Steel's labour productivity has risen by a fifth. Rautaruukki Steel is pushing ahead with further increases in cost-effectiveness.

The restructuring programme that is under way at Fundia's Bar, Wire and Reinforcing units is seeking to raise the Company's cost-effectiveness by a big margin. The Company has its sights set on achieving savings of about 20 per cent in wage and salary expenses and cutting about 5 per cent off of other fixed costs. The restructuring measures will be carried out during 2001. It is estimated that the improvement in cost-effectiveness will show up clearly right in the profit figures for 2002.

Cost-effectiveness is also being stepped up at Carl Froh, Metform's German unit. There the headcount will be reduced by 160 employees. The increase in cost-effectiveness brought by the programme is expected to show up in the Company's earnings in 2002.

Refining co-operation amongst the companies belonging to Rautaruukki Steel Service will bring signif-

icant cost-savings in areas such as logistics, warehousing and purchasing. Cost-effectiveness will furthermore be boosted through a new allocation of the sales and marketing resources of Steel Service on the one hand and of Rautaruukki Steel and Metform on the other.

Rautaruukki's near-term growth prospects

Rautaruukki's strategic objective is to make the fullest use of the potential offered by Rautaruukki Steel's investment programme with the aim of expanding its business operations. Delivery volumes will be increased across the entire manufacturing chain as new production capacity comes on stream. In addition, the Group intends to expand its upgrading and steel service operations, where growth can be obtained not only through the Group's own products but also through products of other manufacturers.

The growth outlook for the Steel Structure Division remains good, particularly in eastern Central Europe and Eastern Europe. The division has increased its sales at an annual rate of 20–30 per cent and growth is estimated to continue ahead over the next few years. The division has set the target of establishing new units in the region and stepping up the sales of its present units. The Steel Structure Division can also grow by way of acquisitions.

Steel service operations can likewise be increased substantially in the years ahead. A number of customer companies are outsourcing their prefabrication functions for steel and metal products. Rautaruukki Steel Service has expanded its own prefabrication operations in Finland and is also beefing them up at the other units in the Baltic area with a view to landing new customers.

SHARE INFORMATION

The paid-in share capital of Rautaruukki Oyj on 31 December 2000 was EUR 236,106,956.50 and comprised 138,886,445 Series K shares, each carrying ten votes at the General Meeting of Shareholders. According to the Articles of Association, a maximum of 100,000,000 Series A shares can also be issued; these will have one vote each at the General Meeting, and a dividend that is 5 percentage points higher than that of the Series K shares may be paid on them. The accounting countervalue of the share is EUR 1.70. The share has no par value.

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

Share issue 2000

According to the resolution passed by the Annual General Meeting, Rautaruukki Oyj's share capital was increased through an EUR 2,516,724.52 bonus issue to make the accounting countervalue of the share an even number. The increase in share capital was covered through a transfer from the company's share premium account.

Warrant bond issue 1994

No subscriptions for shares were made on the basis of the 1994 warrant bond issue for senior management. The subscription period ended on 31 January 2001.

Convertible loan 1998

In the spring 1998 Rautaruukki Oyj floated a FIM 20 million issue of convertible bonds targeted at the Group's personnel and the Rautaruukki Employee Fund. The bonds can be exchanged for a maximum total of 400,000 Rautaruukki Series K shares at a conversion price of EUR 8.41 per share until 15 May 2003. As a consequence of the conversions, the

share capital can be increased by a maximum of EUR 680,000.

Share option issue 1998

The 1998 Annual General Meeting authorized the Supervisory Board and the Board of Directors to grant key employees of the Group a total of 2,600,000 share options on the basis of which they can subscribe a total of 2,600,000 Series K shares, whereby the share capital can be increased by a maximum of EUR 4.42 million.

A right to subscribe for shares will arise if

1. The average share price trend of Rautaruukki's Series K share in 2001 compared with the average share price in 1997 outperforms on average the share price of European steel companies belonging to a peer group and
2. Rautaruukki's return on net assets during three successive years prior to the commencement of the subscription period is better than the average for the peer group. The peer group is made up of Corus, SSAB, Usinor and Voest-Alpine Stahl.

The subscription can take place with half of the options on 1 January 2002 at the earliest and with the other half on 1 January 2003 at the earliest. The subscription period expires on 15 January 2007.

By the end of February 2001, a total of 2,415,000 options had been granted to 88 key employees.

Stock bonus plan

The Supervisory Board decided in 2000 to introduce a stock bonus plan for Rautaruukki's key personnel. Under the stock bonus plan, key employees will have the possibility to receive, during a three year incentive period, a maximum bonus equal to half of their annual salary, of which 40 per cent will be paid in the form of Rautaruukki shares and 60 per cent in cash to cover taxes on the bonus.

The condition for receiving the maximum bonus is that the Rautaruukki Group's average return on assets during the three-year incentive period ranks in the top three of a group comprising, in addition to Rautaruukki, Aceralia, Arbed, ASW Holdings, Corus, Det Danske Stålvalseværk, Outokumpu, Salzgitter, SSAB, Usinor and Voest-Alpine Stahl.

The stock bonus plan covers 109 employees. The shares received as a bonus can be transferred two years after the end of the incentive period at the earliest.

Buyback of own shares

Rautaruukki Oyj's Board of Directors decided to purchase the company's own Series K shares in accordance with an authorization granted by the 2000 Annual General Meeting. According to the authorization, the company can purchase a maximum of 2,000,000 of its own shares in public trading on Helsinki Exchanges, an amount corresponding to 1.44 per cent of the entire shares outstanding.

The company began purchasing its own shares on Helsinki Exchanges on 10 April 2000. By 10 March 2001, Rautaruukki had purchased a total of 1,956,500 of its own shares, representing 1.41 per cent of the company's shares outstanding. The total accounting countervalue of the own shares that were purchased is EUR 3,326,050. The company has paid a total of EUR 9,147,435 in carrying out the share buyback.

The Board of Directors will propose to the 2001 Annual General Meeting the granting of a new authorization to buy back 4 000 000 of the company's own shares, representing 2.88 per cent of the company's entire shares outstanding.

The transfer or cancellation of the company's own shares which were bought back on the basis of authorizations granted by the Annual Gener-

al Meetings in both 2000 and 2001 require a resolution passed by the Annual General Meeting.

The Board of Directors will propose to the Annual General Meeting in 2001 that the Board be authorized to decide on the transfer of a maximum of 4 000 000 of the company's own shares to be used as consideration in acquiring assets related to business operations, to be transferred to the Group's key personnel as part of the company's incentive system or to be sold on Helsinki Exchanges for the purpose of raising funds for the company.

Management's share holdings

The members of the Supervisory Board and the Board of Directors owned a total of 22,819 shares at 10 March 2001, or 0.02 per cent of the voting rights conferred by all the company's shares. In addition, the members of the Board of Directors owned share options and convertible bonds entitling them to subscribe for a maximum of 715,400 Series K shares, representing 0.52 per cent of the voting rights conferred by all the company's shares. Details of the shareholdings of the members of the Board of Directors are given on page 12.

Insiders

In addition to the members of the Supervisory Board, the Board of Directors and the President, the Group's insiders include the senior vice presidents of the divisions the vice president, Treasury the vice president, Group Controller the vice president, Communications the vice president, Strategic Planning the deputy director, Investor Relations the secretary to the Board of Directors the President's secretary the secretary to the member of the Board in charge of Finance and Treasury

the secretary to the vice president, Treasury

At 10 March 2001, insiders held a total of 37,805 shares, representing 0.03 per cent of the voting rights conferred by all the company's shares. In addition, insider members owned share options and convertible bonds entitling them to subscribe for a maximum of 1,197,200 Series K shares, or 0.86 per cent of the voting rights conferred by all the company's shares.

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

State ownership

The Finnish State's was 40.1 per cent at 31 December 2000. On the basis of authorizations obtained from Parliament, the Council of State can reduce the state's holding in Rautaruukki Oyj in such a way that the holding is nevertheless at least one third of the company's shares outstanding and the voting rights they confer.

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

Pre-emption clause

According to the Articles of Association a shareholder whose proportion of the company's entire shares outstanding or the votes they confer reaches or exceeds $33\frac{1}{3}$ 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 Board of Directors does not have a valid authorization to increase the share capital.

Proposal for dividend

The Board of Directors will propose to the Annual General Meeting on 29

March 2001 that a dividend for 2000 of EUR 0.25 per share be paid.

Share price trend

During 2000 the highest share price of Rautaruukki's share was EUR 7.20 and the lowest price was EUR 3.45. The last trade of the year was made at a price of EUR 3.82. Market capitalisation of Rautaruukki Oyj was EUR 531 million.

The share turnover during the year was 34 million representing a total value of EUR 166 million. The average price of the share trades during the year was EUR 4.83.

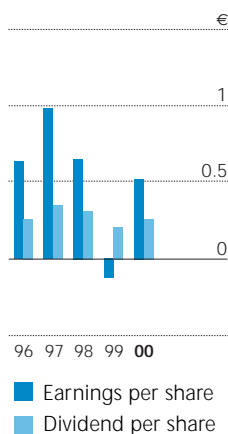
Analysts

Rautaruukki is analysed by following companies:

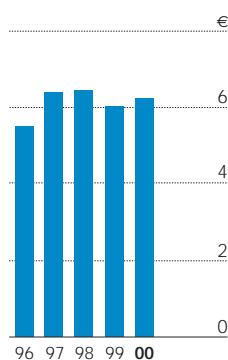
Alfred Berg
ArosMaizels Equities
BNP Paribas
Credit Agricole Indosuez Cheuvreux
Commerzbank
Conventum Securities
Credit Suisse First Boston
D. Carnegie
Danske Securities
Deutsche Bank
Dresdner Kleinwort Benson
Enskilda Securities
Evli Securities
Goldman Sachs International
Handelsbanken Markets
ING Barings
HSBC / CCF Securities
Mandatum Stockbrokers
Merrill Lynch International
Opstock
Orkla Securities
Salomon Smith Barney
Société Generale
Swedbank Markets
UBS Warburg
WestLB Research

Share information

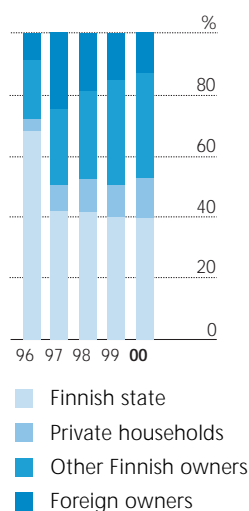
Earnings and dividend per share



Equity per share



Ownership of Rautaruukki



Share issues 1996–2000

	Number of K Shares	Increase in share capital, €	Share capital, €
Share capital 31.12.1995	120 228 416		202 209 679.89
Share issue 6.5.1997	+ 13 000 000	21 864 430.44	224 074 110.33
Share issue 1.9.1999	+ 5 658 029	9 516 121.65	233 590 231.98
Bonus issue 30.3.2000		2 516 724.52	236 106 956.50
Share capital 31.12.2000	138 886 445		236 106 956.50

The largest shareholders of Rautaruukki Oyj according to the share register as on 31.12.2000

Shareholder	Number of shares	Shares %
1. Republic of Finland	55 656 699	40.1
2. Pension Insurance Company Ilmarinen	6 655 233	4.8
3. Odin Norden	6 522 900	4.7
4. Mutual Pension Insurance Company Varma-Sampo	5 213 587	3.8
5. Life Insurance Company Pohjola Ltd	1 545 000	1.1
6. Industrial Insurance Company Ltd	1 489 370	1.1
7. Merita Life Insurance	1 384 500	1.0
8. Federation of Finnish Metal, Engineering and Electrical industries	1 372 000	1.0
9. Local Government Pensions Institution	1 358 917	1.0
10. Rautaruukki Workers' Pension Foundations	1 328 655	1.0
11. Life Insurance Company Sampo	1 294 000	0.9
12. Rautaruukki Oyj	1 230 000	0.9
13. Mutual Life Insurance Company Suomi	1 153 000	0.8
14. Insurance Company Pohjola Ltd	913 066	0.7
15. Kesko Pension Fund	837 452	0.6
16. Esa Rannila	717 500	0.5
17. Mutual Pensions Insurance Company Tapiola	700 700	0.5
18. Investment Fund Evli-Select	653 000	0.5
19. Onnenmäki Foundation	616 257	0.4
20. The Central Church Fund	607 200	0.4

Shareholders by share ownership according to the share register as on 31.12.2000

Number of shares	Shareholders		Shares	
	No.	%	'000	%
1 – 100	2192	10.78	133	0.10
101 – 1 000	14334	70.49	6835	4.92
1 001 – 10 000	3421	16.82	9662	6.96
10 001 – 100 000	306	1.51	8563	6.16
100 001 –	81	0.40	113651	81.83
	20334	100.00	138844	99.97
On the waiting list or the joint book-entry account			42	0.03
			138886	100.00

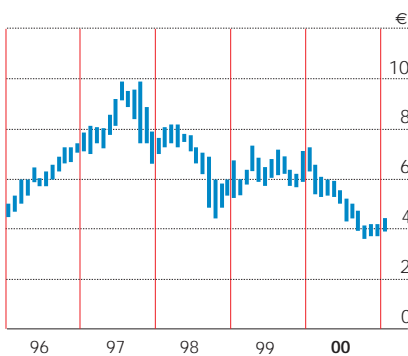
Shareholders by sector according to the share register as on 31.12.2000

Sector	Shareholders		Shares	
	No.	%	'000	%
Companies	762	3.75	8270	5.95
Banks and insurance companies	96	0.47	14516	10.45
Public institutions	61	0.30	75932	54.67
Non profit institutions	243	1.20	4778	3.34
Private households	19086	93.86	17959	12.93
Administrative registrations	9	0.04	10035	7.23
Other foreign owners	77	0.38	7354	5.30
	20334	100.00	138844	99.97
On the waiting list or the joint book-entry account			42	0.03
			138886	100.00

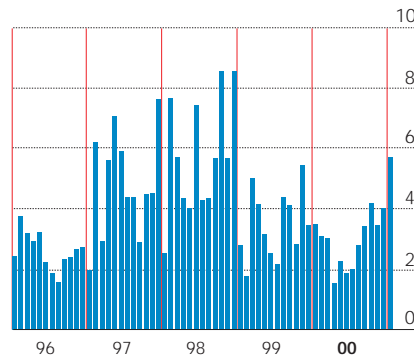
SHARE BASED KEY FIGURES		2000	1999	1998	1997	1996
Earnings per share, EPS	€	0.51	-0.13	0.64	0.98	0.63
– diluted	€	0.49	-0.13	0.63	0.98	0.63
Equity per share	€	6.23	6.02	6.44	6.35	5.48
Dividend per share	€	0.25*	0.20	0.30	0.34	0.25
Dividend per earnings	%	49.4*	-154.6	47.3	34.4	39.8
Price per earnings, P/E		7.6	-53.7	8.6	7.6	11.3
Share trading	thousands	34 318	41 116	68 150	57 215	30 651
Stock turnover	%	25	30	51	44	25
Share trading	M€	166	254	443	470	183
Average price of share	€	4.83	6.18	6.50	8.21	5.98
Lowest price of share	€	3.45	5.10	4.29	6.56	4.32
Highest price of share	€	7.20	7.30	8.16	9.92	7.40
Average adjusted number of shares	thousands	138 462	135 109	133 228	128 764	120 228
– diluted	thousands	142 183	138 699	134 939	128 765	120 229
Adjusted number of shares at year-end	thousands	138 886	138 886	133 228	133 228	120 228
Number of shares at year-end	thousands	138 886	138 886	133 228	133 228	120 228
– without own shares	thousands	137 540				
– diluted	thousands	141 355	142 476	135 779	133 229	120 229
Share price at year-end	€	3.82	6.95	5.53	7.40	7.15
Market capitalisation at year-end	M€	531	965	737	986	859
Effective dividend yield	%	6.5*	2.9	5.5	4.5	3.5

* Board proposal
Calculation of key figures shown on page 45

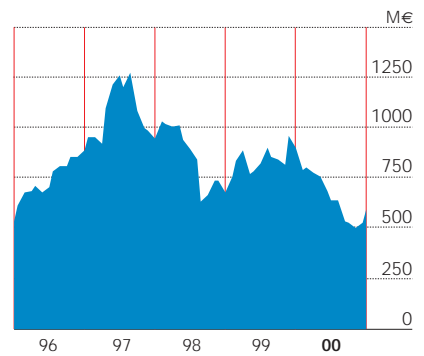
Rautaruukki share price, monthly high-low



Rautaruukki share monthly trading volume, million of shares



Market capitalisation



GROUP ADMINISTRATION

Board of Directors



Chairman:
*Mikko Kivimäki**, b. 1939
President and Chief Executive Officer;
business development, corporate communications,
member since 1976, chairman since 1985
Rautaruukki shares 7007, options 220 000, conv. bonds 1000**



Deputy Chairman:
Lauri Mannerkoski, b. 1944
Senior Executive Vice President; marketing, co-ordination
of production and sales, information management
member since 1988, deputy chairman since 1995
Rautaruukki shares 1320, options 120 000



Pekka Einamo, b. 1940
Executive V.P.
investments, purchases, logistics, risk management,
information technology, environmental affairs
member since 1982
Rautaruukki shares 6661, options 100 000, conv. bonds 1000**



Gösta Engman, b. 1945
Executive V.P.
administration, human resources
member since 1989
Rautaruukki shares 2179, options 100 000, conv. bonds 400**



Seppo Ahonen, b. 1942
Chairman of MVI Partners Oy
member since 1994
Rautaruukki shares 902



Seppo Sahlman, b. 1948
Executive V.P.
finance and treasury
member since 1995
Rautaruukki shares 2848, options 100 000, conv. bonds 3000**



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



Peter Sandvik, b. 1953
Executive V.P., research and development
member since 2000
Rautaruukki options 70 000

** The number of shares that can be subscribed
on the basis of the 1998 convertible loan

Supervisory Board

Jorma Vokkolainen†,*
Chairman
Jouko Skinnari,*
Deputy Chairman

*Göran J. Ehrnrooth**
Georg Ehrnrooth
Tuula Haatainen
Timo Ihämäki
Tauno Matomäki
Hannes Manninen
Seppo Kanerva
Inkeri Kerola

Employee representatives
Kari Jokinen
Pauli Kurikka
Jouko Luttinen
Eero Raivio

† Chairman *Jorma Vokkolainen*
passed away on 27 January 2001

* Supervisory Board working committee

Auditor

KPMG WIDERI OY AB
Hannu Niilekselä,
Authorized Public Accountant

With the exception of *Seppo Ahonen* and *Carita Putkonen*, the other members of the Board are permanently employed by the company. The Board has confirmed the areas of responsibility of the members employed by the company on 5 March 2001. The term of office of the Board will end on 30 April 2001.

CORPORATE GOVERNANCE

The Rautaruukki Group's corporate governance is exercised in accordance with the Finnish Companies Act, other similar legislation and the Articles of Association of Rautaruukki Corporation. In arranging Rautaruukki's management, account is taken of the recommendations for good corporate governance issued by the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers in 1997 as well as the Organization for Economic Cooperation and Development (OECD) in 1999.

Rautaruukki is managed in accordance with sound business principles through achieving long-term growth in the Group's shareholder value. In managing the Group's activities, its stakeholders and the principles of sustainable development are taken into account.

The highest responsibility for the administration and operations of the Rautaruukki Group is exercised by the administrative bodies of the parent company, Rautaruukki Corporation. These bodies are the General Meeting of shareholders, the Supervisory Board, the Board of Directors and the President.

Supervisory Board

Election and Composition

The Supervisory Board is elected for a term of one year by the Annual General Meeting. The Supervisory Board has 5–12 members, three of whom are appointed by the company's founding shareholders. Four representatives of personnel groups take part in the Supervisory Board's deliberations in accordance with its standing rules. At meetings of the Supervisory Board, personnel members have the right to be present and to speak, except when matters connected with the appointment and remuneration of top management as well as collective bargaining agree-

ments are up for decision. The Supervisory Board meets 6–10 times a year.

The Supervisory Board has a Working Committee, which prepares matters that are to be brought before the Supervisory Board. The members of the Working Committee are the chairman and vice chairman of the Supervisory Board, a member of the Supervisory Board elected from amongst the private founding shareholders, and the President and CEO.

Duties and responsibility

The Supervisory Board's duties and responsibility are defined in the Companies Act and in Rautaruukki Corporation's Articles of Association. The principal duties of the Supervisory Board are:

1. to ensure that the company's affairs are managed in accordance with sound business principles, with an eye to profitability and in compliance with the Articles of Association and the resolutions of General Meetings of shareholders;
2. to decide on the number of members of the Board of Directors, to elect the members of the Board of Directors, to appoint and dismiss the President and CEO and to determine the remuneration for him and the members of the Board of Directors;
3. to decide on any considerable expansion or curtailment of the company's operations and other substantial changes in the company's operations, such as an essential change in the company's organization, and it shall further decide on issuing instructions to the Board of Directors in matters of wide scope or fundamental importance;
4. to submit to the Annual General Meeting its statement on the annual accounts, the consolidated annual accounts and the auditors' report, and
5. to decide on convening General Meetings of shareholders.

Board of Directors

Election and composition

The Supervisory Board elects the company's Board of Directors for a three-year term. The Board of Directors has proposed to the 2001 Annual General Meeting that the term of office of the Board of Directors be changed to one year. The Board of Directors comprises the chairman and deputy chairman as well as from two to six other members. The Board of Directors meets 1–2 times a month.

The chairman of the Board of Directors is at present the President and CEO and the vice chairman is the Senior Executive Vice President. At present the other members of the Board of Directors are four permanently employed executives as well as two non-executive directors.

Duties and responsibility

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

The central tasks of the Board of Directors are:

1. to attend to the Group's administration and to the due organization of its operations as well as to see to it that the accounting and management of funds are controlled in an appropriate manner;
2. to prepare the matters to be dealt with at General Meetings and meetings of the Supervisory Board, and to attend to the implementation of these decisions;
3. to set the Group's and the industrial divisions' long-term targets for increasing economic value added for shareholders and to approve the fundamental strategies for achieving these targets;

Corporate governance

4. to set annual plan targets for the Group and the divisions, and to approve the plans that have been prepared for achieving them;
5. to see to the due arrangement of financial and operational reporting and control so that achievement of the objectives set can be monitored continuously, permitting fast reaction to change, when necessary;
6. to decide on the Group's capital expenditure policy, total capital expenditures and the most important individual capital expenditures;
7. to prepare the Group's annual accounts and interim reports;
8. to decide on the company's dividend policy and to make a proposal to the Annual General Meeting concerning the dividend payout;
9. to determine and approve the Group's core values and operational policies for the most important areas for management and control, such as risk management, financing, the internal audit, data security, corporate communications, and personnel and environmental affairs;
10. to decide on the Group's organization and the duties of executives, or if an essential change in the organization is involved, to present a proposal concerning it to the Supervisory Board;
11. on presentation by the President and CEO, to appoint and dismiss members of the company's executive staff and to determine their remuneration;
12. to decide on the principles of the Group's incentive schemes and bonus systems;
13. to ensure that the necessary personnel and training plans are in place to ensure the continuity of the Group's and its divisions' operations, and
14. to decide on other important matters in view of the Group's size, which do not fall within the sphere of daily activities, such as acquisitions and divestments, the expansion and curtailment of operations, the raising

of long-term loans and the sale or pledging of properties or, if a considerable expansion or curtailment of the company's operations or some other essential changes in the company's activities are involved, to make a proposal thereon to the Supervisory Board.

The Board of Directors has defined the profitability and equity ratio targets as the benchmarks for increasing economic value added. The Group's profitability target is a 15 per cent return on net assets and the equity ratio target is 50 per cent.

The Board of Directors tracks, on a regular basis, the achievement of these corporate administration principles and assesses its own ways of working.

The President's duties

The President and CEO is responsible for Rautaruukki's industrial and commercial operations and for attending to its day-to-day administration. Day-to-day administration encompasses managing and supervising the Group's business operations, supervising the activities of executives and deciding on the terms of their employment and remuneration to the extent that this is not entrusted to the Board of Directors. The President and CEO sees to the implementation of the resolutions and decisions passed by General Meetings of shareholders, the Supervisory Board and the Board of Directors.

The Senior Executive Vice President acts as the President's deputy whenever the President is prevented from attending to his duties.

The Group's business organization

Operationally, the Rautaruukki Group is divided into Group Management and five divisions. The senior vice presidents of the divisions report to the President and CEO and are responsible for the development of their division's operations, earnings, balance sheet and arranging the

administration of the companies belonging to their divisions. The divisions are Rautaruukki Steel, Metform, the Steel Structure Division, Fundia and the Steel Service Division.

Control and reporting of the divisions is based on their own balance sheets and profit and loss accounts.

Group Management comprises the President and CEO and the vice presidents in charge of Group functions. Group Management's duties include Group-level strategic planning and business development, communications, marketing, the coordination of production and sales, research and development, risk management and capital expenditure policy, the development of human resources, finance, treasury, legal affairs and investor relations. Reporting to Group Management are also functions that offer Group services to the divisions and their units.

Boards and monitoring groups of the divisions

Appointment and composition

The chairman of the division's Board or the corresponding monitoring group is the Rautaruukki Group's President and CEO or some other board member appointed by the parent company's Board of Directors. In addition to the chairman, the Board or monitoring group of the division comprises 1–3 members elected by the parent company's Board of Directors from amongst their number and the senior vice president of the division in question. A divisional Board can have a maximum of three personnel representatives from the division.

Duties

The main duties of the divisional Board and monitoring groups are:

1. Reviews of strategic and annual plans;
2. operational and financial supervision, and

Business organisation

RAUTARUUKKI STEEL	METFORM	STEEL STRUCTURE DIVISION	FUNDIA	STEEL SERVICE
<p>PRIMARY PRODUCTS Raahe Steel Works, (FI)</p> <p>PLATE PRODUCTS Raahe Steel Works, (FI) Rautaruukki Profiler AS, (NO) Presteel Oy, (FI) Halikko Works, (FI)</p> <p>STRIP PRODUCTS Raahe Steel Works, (FI) Hämeenlinna Works, (FI) Kankaanpää Works, (FI)</p> <p>OTHER UNITS Oy JIT-Trans Ltd, (FI) August Lindberg Oy, (FI) SKJ-yhtiöt Oy, (FI) Engineering, (FI)</p>	<p>STRATEGIC BUSINESS AREAS (SBA)</p> <p>Automotive Building Household Industry Pipelines</p> <p>UNITS Hämeenlinna Tubeworks, (FI) Lappohja Works, (FI) Pulkila Works, (FI) Oulainen Works, (FI) Nordisk Simplex A/S, (DK) Wirsbo Stålrör AB, (SE) Carl Froh GmbH, (DE) Froh HouseTech, (DE) Star Tubes (UK) Ltd, (GB)</p>	<p>FINLAND Rannila Steel Oy</p> <p>SCANDINAVIA Gasell Profil AB, (SE) Gasell Industry Anderslöv Works, (SE) Toijala Works, (FI) Stelform A/S, (DK)</p> <p>BALTICUM AS Rannila Profiil, (EE) Rannila Steel Latvia, (LV) Rannila Steel Vilnius, (LT) ZAT Rannila Kiev, (UA)</p> <p>RUSSIA ZAO Rannila Taldom, (RU) ZAO Rannila Steel, (RU)</p> <p>CENTRAL EUROPE Rannila Velvary, (CZ) Rannila Kosice, (SK) Rautaruukki Polska, (PL)</p>	<p>REINFORCING Mo i Rana, (NO) Oslo, (NO) Halmstad, (SE) Ølstykke, (DK)</p> <p>SPECIAL BAR Smedjebacken, (SE) Boxholm, (SE)</p> <p>WIRE Koverhar, (FI) Dalsbruk, (FI) Nedstaal Draad, (NL)</p> <p>BAR & WIRE PROCESSING Dalsbruk, (FI) Mandal, (NO) Twente, (NL) Redon, (FR) Hjulsbro, (SE) Forsbacka, (SE) Mora, (SE) Hallstahammar, (SE)</p>	<p>ASVA Asva Oy, (FI) Rautaruukki Eesti OÜ, (EE) SIA Rautaruukki Metalcentrs, (LV) UAB Rautaruukki Metalu Centras, (LV) ZAO Rautaruukki Stalservice, (RU) Asva Stal Serwis, (PL)</p> <p>CCB STÅL AS, (NO)</p> <p>RAUTARUUKKI STAHL-SERVICE GMBH, (DE)</p>

3. dealing with and decisions on capital expenditures, acquisitions and plans for expanding or curtailing operations which are of major importance to the division, this within the limits defined by the parent company's Board of Directors.

Monitoring system

The control and monitoring of the Rautaruukki Group's operations is assured by means of the above-discussed management system. The Group employs the reporting systems necessary for efficiently monitoring operations. The highest responsibility for the due arrangement of accounting and supervision of the management of funds rests with the Board of Directors. The President and CEO is responsible for seeing to it that the accounting is in compliance with legal requirements and that the management of funds is arranged in a reliable manner.

The Rautaruukki Group's Internal Audit reports to the President and CEO. The Internal Audit examines

and evaluates the appropriateness and proper functioning of the Group's internal monitoring system, the suitability and efficiency of functions, the reliability of financial information and reporting and compliance with rules, operating principles and guidelines. As part of their legal oversight, the Group's auditors evaluate the proper functioning of internal control.

Rautaruukki's Board of Directors has confirmed insider rules and regu-

lations for the company in accordance with those adopted by Helsinki Exchanges.

The Group's audit is organized such that a firm of independent public accountants elected by the Annual General Meeting to exercise responsibility for the parent company's audit carries out its audit via its own worldwide organization across the entire Rautaruukki Group and is responsible for auditing the entire Group.

Additional Company Governance related information:

Topic	Chapter	page
Financial goals	Strategy and goals	4
Dividend policy	Strategy and goals	4
Management incentive systems	Share information	8
Insiders	Share information	9
State ownership	Share information	9
Areas of responsibility of the Board	Board of directors	12
Management's share holdings	Board of directors	12
Financial risk management		48
Employee incentive systems	Personnel	62

REPORT OF THE BOARD

Business environment and market

Economic growth continued to be buoyant in Europe during 2000, although growth began to slow in the latter part of the year. In Finland and Sweden growth continued to be strong. In some of the countries of eastern Central Europe and Eastern Europe, such as Russia, economic growth strengthened.

The favourable economic trend seen in the United States early in the year slowed markedly in the second half. Economic growth in Southeast Asia continued at the previous year's level.

Demand for steel products in Europe increased owing to growth in the areas of industrial production and construction that use steel products. At the end of the year demand weakened due to higher inventories.

Demand for steel products in the United States weakened towards the end of the year, while demand in Southeast Asia remained good.

In Europe prices of steel products strengthened owing to buoyant demand. In the latter part of the year, prices of hot rolled strip products, galvanized strip products and reinforcing started to fall due to increased supply and higher inventories. In Europe basic EUR prices of flat steel products in 2000 were on average 20–40 per cent higher, and of long products 10–20 per cent higher, than a year earlier.

In the United States and the countries of Southeast Asia average prices of steel products maintained their previous year's levels.

World steel output grew by 7 per cent compared with the previous year. In the European Union, steel output grew 5 per cent and in other European countries 14 per cent.

Rautaruukki's production and deliveries

The steel output of Rautaruukki Steel was 2,564,000 tonnes (2,522,000) and

Turnover by division, EUR million

	2000	1999	change
Rautaruukki Steel	1297	1034	+ 26 %
Metform	386	333	+ 16 %
Steel Structure Division	306	256	+ 20 %
Fundia	644	654	- 2 %
Steel Service	620	431	+ 44 %
Other units	13	49	- 74 %
less internal invoicing	- 559	- 368	+ 52 %
Consolidated turnover	2708	2388	+ 13 %

Fundia's steel output was 1,740,000 tonnes (1,658,000). Rautaruukki Steel's output was 48,000 tonnes lower than planned owing to production disturbances and repairs to the blast furnace cooling system.

The Group's deliveries of flat and tubular products were 2 per cent higher than in 1999. Demand for the Group's products, particularly in its core markets the Nordic countries and the countries of the Baltic region, was good. Deliveries to Finland grew by 22 per cent.

Deliveries of long steel products grew, except for reinforcing, deliveries of which contracted due to the ending of reinforcing production at Smedjebacken. Total deliveries of long steel products grew by 1 per cent.

Due to a higher degree of upgrading, prices of the Rautaruukki Group's flat and tubular products rose more uniformly than European market basic prices, namely 7–27 per cent. The average price of deliveries, weighted by product range, was 17 per cent higher than in 1999. The average EUR price of long products was correspondingly 9 per cent higher. The average SEK price of Fundia's deliveries was 4 per cent higher than in 1999.

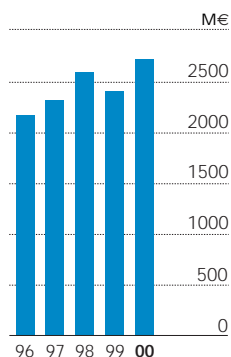
Changes in Group structure

Fundia Profiler AS, which operates in Mo i Rana in Norway and whose main products are ship and construction profiles, was made a part of Rautaruukki Steel as of 1 July 2000 in order to realize marketing synergies. Fundia Profiler's turnover was EUR 69 million and deliveries 141,000 tonnes. The company's figures are included in Rautaruukki Steel's accounts as of 1 January 2000. The company's name was changed to Rautaruukki Profiler AS.

The Dutch wire rod company Nedstaal Draad BV, in which Rautaruukki previously had a 30 per cent stake, became a wholly owned subsidiary of Rautaruukki at the beginning of 2001. The company's turnover was EUR 119 million and deliveries 218,000 tonnes.

Among the most notable of the company's products are cold-heading wires, which are used, for example, in bolts and other fastenings for the automotive industry. As a consequence of the acquisition, the Fundia Koverhar works will deliver to Nedstaal Draad the bulk of the billets it requires, which will reduce the need to export semi-finished products and significantly increase the level of upgrading of Fundia's wire products.

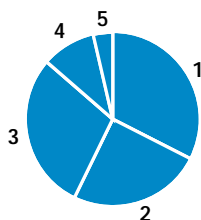
Turnover



Operating profit by division, EUR million

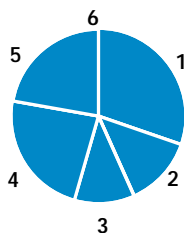
	2000	1999	change
Rautaruukki Steel	130	27	+ 379 %
Metform	7	22	- 68 %
Steel Structure Division	20	16	+ 26 %
Fundia	- 9	- 8	- 23 %
Steel Service	33	19	+ 74 %
Other units and internal items	- 25	- 19	
Consolidated turnover	156	57	+ 175 %

Turnover by market area 2000



1	Finland	32.6%
2	Other Nordic countries	24.6%
3	Other EU countries	29.2%
4	Other Europe	9.9%
5	Other countries	3.7%

External turnover by division 2000



1	Rautaruukki Steel	30.3%
2	Metform	12.8%
3	Steel Structure Division	10.9%
4	Fundia	23.3%
5	Steel Service	22.2%
6	Other units	0.5%

After the completion of a development programme in summer 2001, Fundia Wire will become one of the most important manufacturers of cold-heading wires and ball bearing wires in Europe.

In January 2001, Rautaruukki signed a letter of intent with Tietoenator regarding the transfer of the functions and personnel of Rautaruukki Information Systems unit to Tietoenator. The arrangement will ensure that Rautaruukki has at its disposal in future the IT product and technological expertise, as well as the personnel resources, it requires. Rautaruukki Information Systems unit employs 150 people.

Also in January 2001, Rautaruukki and Heléns Rör AB signed a letter of intent regarding the sale to Rautaruukki of the Swedish steel wholesaling and service centre company Heléns Stål AB. At the same time Heléns Stål AS, a Danish subsidiary of Heléns Stål AB, will transfer to Rautaruukki's ownership. The signing of the final contract of sale is scheduled for February 2001. Heléns Stål's turnover was EUR 137 million.

With the conclusion of the Heléns Stål AB deal, Rautaruukki will have a steel wholesaling and service centre network covering the entire Nordic

region. In addition, the Group has wholesale and service centre companies in the Baltic states, Poland, Russia and Germany. This offers good opportunities to realize the Group's strategic objective of moving closer to end users in the value chain in the Group's core market, namely the Baltic region.

Within Fundia AB and Metform's Carl Froh GmbH restructuring and reorganization measures have been initiated to restore the profitability of operations. The companies have made provisions in the 2000 financial statements for non-recurring costs relating to these measures.

Turnover and financial result

Consolidated turnover increased by 13 per cent and totalled EUR 2,708 million (2,388). Europe accounted for 96 per cent of turnover, with the rest coming from the United States and Southeast Asia.

Euro prices of raw materials were 16 per cent, and of coking coal 12 per cent, higher than they were in 1999. The price of electricity purchases was 5 per cent lower. Some 315,000 tonnes (320,000) of purchased slabs were used and their average price was 46 per cent higher than the pre-

Report of the Board

ceding year. The SEK price of scrap used by Fundia rose by 22 per cent.

Most of the raw materials used by the Group are priced in US dollars. Because product sales priced in US dollars account for only 5 per cent of total sales, they have not compensated for the rise in raw material costs caused by the strengthening of the dollar.

Rautaruukki's operating profit improved substantially and was EUR 156 million (57). Other operating income was EUR 30 million (16), of which the most notable items were the EUR 13 million profit obtained from the sale of YIT-Yhtymä Oyj shares and the EUR 5 million compensation received by virtue of a court of arbitration decision concerning a maritime accident that occurred in 1990. Operating profit improved owing to the strengthening of steel product prices and growth in delivery volumes. The Rautaruukki Steel investment programme, which was completed in August, contributed to the improvement of the operating profit in the fourth quarter. In long products the financial performance was unsatisfactory.

The profit before extraordinary items was EUR 106 million (loss 6). Earnings per share were EUR 0.51 (-0.13). Return on net assets was 8.7 per cent (3.3).

Extraordinary expenses include a EUR 25 million provision for the non-recurring costs arising from the operational restructuring and reorganization measures at Fundia and Carl Froh.

The profit before taxes and minority interest was EUR 81 million (loss 6). The financial statements show a profit of EUR 50 million (loss 18). The profit according to international accounting standards was EUR 51 million (loss 10).

Financing

Rautaruukki's gearing ratio was 118 per cent (121) and equity ratio was

34.1 per cent (34.6). Equity per share was EUR 6.23 at the end of the year (6.02). Total assets were EUR 2,523 million (2,432).

Working capital grew by EUR 106 million. Cash flow from operations was EUR 148 million (179) and cash flow before financing was EUR 32 million (6). The Group's interest-bearing net debt was EUR 1,017 million (1,014). The short-term position of interest-bearing loans was EUR 175 million (230) and the long-term position EUR 888 million (851).

The Group's liquidity was good throughout the year. The ratio of financial assets and inventories to short-term liabilities at the end of the year was 1.9 (1.6). Liquid assets at the close of the year were EUR 46 million (67). The amount of unused committed long-term credit facilities at the end of the year was EUR 234 million (221). The Group had a total of about EUR 470 million of short-term financing programmes and loan facilities, of which EUR 3 million was in use at the end of the year.

Net interest expenses were EUR 50 million (50) and their proportion of net sales fell to 1.8 per cent (2.1). Financial expenses totalled EUR 50 million (62). Financial expenses include a loss on foreign exchange of EUR 1 million (12). Operating profit includes a loss of EUR 2 million on foreign exchange (gain 3). The average interest on the Group's net debt at the end of the year was 5.2 per cent (4.3).

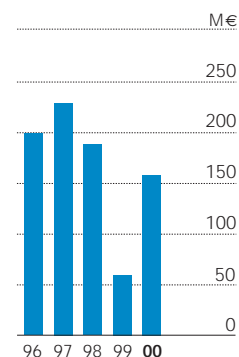
As of the end of the year the Group has applied general principles governing divisions' financing operations. The aim is for more effective management of divisions' and units' capital and financial risks.

Share capital, shares and shareholders

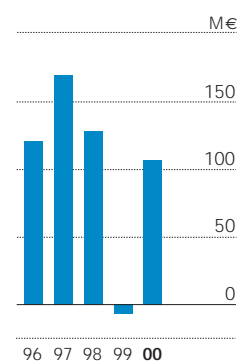
The share capital as at 31 December 1999 was FIM 1,388,864,450.

According to the resolution passed by the Annual General Meeting on 23 March 2000, Rautaruukki

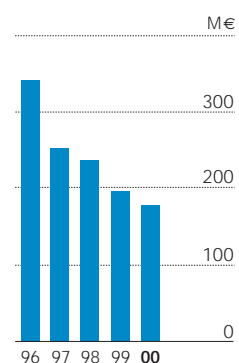
Operating profit



Profit before extraordinary items



Gross investments



Oyj's share capital was redenominated in euros and the share capital was increased through an EUR 2,516,724.52 bonus issue to make the accounting countervalue of the share an even number, namely EUR 1.70. The increase in share capital was covered through a transfer from the company's share premium account. Following the increase the company's share capital at 31 December 2000 was EUR 236,106,956.50. Rautaruukki Oyj's Board of Directors has no valid authorization to increase the share capital.

Rautaruukki Oyj's Board of Directors decided to purchase the company's own Series K shares in accordance with an authorization granted by the Annual General Meeting. According to the authorization, the company can purchase a maximum of 2,000,000 of its own shares in public trading on Helsinki Exchanges, an amount corresponding to 1.44 per cent of the entire shares outstanding.

The company began purchasing its own shares on Helsinki Exchanges on 10 April 2000. By 9 February 2001, Rautaruukki had purchased a total of 1,495,000 of its own shares, representing 1.08 per cent of the company's shares outstanding. The total accounting countervalue of the own shares that were purchased is EUR 2,541,500. The company has paid a total of EUR 7,056,770 in carrying out the share buyback.

The company's own shares are being purchased for the purpose of transferring them to the Group's key employees as part of the incentive system that was decided by the company's Supervisory Board or otherwise to be transferred on or cancelled. The transfer or cancellation of the shares requires a resolution passed by a general meeting of the shareholders.

No subscriptions for shares were made on the basis of the 1994 warrant bond issue for senior management.

Gross capital expenditure by division, EUR million		
	2000	1999
Rautaruukki Steel	98	134
Metform	14	12
Steel Structure Division	10	12
Fundia	39	26
Steel Service	9	9
Other units	6	4
	176	197

The subscription period ended on 31 January 2001.

The convertible bonds issued in 1998 can be exchanged for a maximum total of 400,000 Rautaruukki Series K shares at a conversion price of EUR 8.41 per share up to 15 May 2003. As a consequence of the conversions, the share capital can be increased by a maximum of EUR 680,000.

In accordance with the 1998 option programme the Supervisory Board and the Board of Directors can grant key employees of the Group a total of 2,600,000 share options, on the basis of which they can subscribe a total of 2,600,000 Series K shares, whereby the share capital can be increased by a maximum of EUR 4,420,000. Entitlement to subscribe shares will arise in the event that Rautaruukki's return on assets and the share price trend prior to the subscription have been better on average than the corresponding figures for the steel companies in a European comparison group. The subscription can take place with half of the options on 1 January 2002 at the earliest and with the other half on 1 January 2003 at the earliest. By the end of January 2001, a total of 2,415,000 options had been granted to 88 key employees of the Group.

The lowest trading price of Rautaruukki Oyj's Series K share during the year was EUR 3.45 and the

highest price was EUR 7.20. The last trade of the year was done at a price of EUR 3.82. Rautaruukki Oyj's market capitalization at the end of the year was EUR 531 million (965).

The share turnover during the year was 34 million (41) representing a total value of EUR 166 million (254). The number of registered shareholders at the close of the year was 20,334 (19,992). The Finnish State's holding was 40.1 per cent, and foreigners held 12.5 per cent (14.6) of the Company's shares outstanding. The holding of private individuals was 12.9 per cent (10.4) of the shares outstanding.

Raw materials and energy

The Group buys its most important raw materials mainly from Finland's nearby areas, benefiting from short haulage distances. Rautaruukki bought 3.9 million tonnes of iron ore, mainly from northern Sweden and northwest Russia. Rautaruukki and the Swedish mining company LKAB have an agreement, by which LKAB will supply most of Rautaruukki Steel's iron concentrate needs in the period 2000 to 2004.

Purchases of coking coal, more than half of which came from Poland, amounted to 1.3 million tonnes. The Group used 1.3 million tonnes of scrap in the manufacture of steel. Of this amount, about a third was imported from outside the Nordic countries. The Group's electricity purchas-

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es totalled 1.4 terawatt hours. The Group's own mills generated a further 0.7 terawatt hours of electricity.

Capital expenditure

Gross expenditures on fixed assets totalled EUR 176 million (197) and net capital expenditures EUR 116 million (174).

Rautaruukki Steel's five-year investment programme was completed in August. At the Raahе Works one continuous casting machine was modernized, a coil box installed and coil conveyors renewed in order to increase the coil weight. A new 400,000-tonne galvanizing line and a project aimed at increasing colour coating capacity by 50,000 tonnes were completed at the Hämeenlinna Works.

Rautaruukki Steel's steel output will gradually increase to 2.8 million tonnes. Production of galvanized sheets will rise to nearly 900,000 tonnes and output of painted products to 320,000 tonnes.

The modernization of the Wirsbo Stålrör hot reduction line, which will be completed in summer 2001, began in Metform.

Under the Fundia Wire's development programme, the construction of a ladle furnace and the modernization of a continuous casting machine continued at the Koverhar Works. These projects will be completed in February–March 2001. The Dalsbruk rolling mill will transfer to continuous rolling in summer 2001.

Rautaruukki acquired in St. Petersburg, Russia an industrial property, in which the Group's new steel service centre began its operations. The manufacturing of Rannila Steel's construction system products already located in St. Petersburg was also transferred to the property.

E-commerce

The Group's own electronic trading solution, eRautaruukki, offering a full

range of products, was completed at the end of 2000. Trial use of the system will start in February 2001 with certain key customers.

In September the steel service company Asva opened the electronic AsvaNet for its account customers.

Rautaruukki participated with a major stake in the founding of the e-commerce company Buildforum, in which a group of companies representing the entire chain of construction were also involved. Buildforum's e-commerce operations are expected to get under way during 2001.

The joint electronic marketplace project devised together with other European steel companies was not implemented in its planned form.

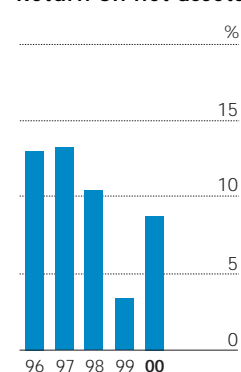
Research and development

The key aim of the Group's research and development is improving competitiveness by developing productivity, production methods as well as new products and services. The development of metallurgical processes, manufacturing methods and new products was enhanced by exploiting the new opportunities offered by information technology. To shorten delivery times and improve reliability, a number of projects aimed at managing the entire delivery chain were initiated.

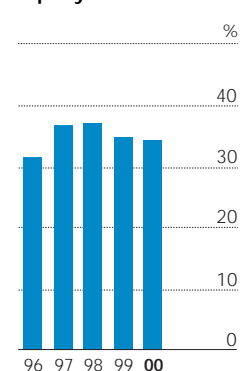
Rautaruukki improved its cooperation with external research institutes, universities and colleges. During the year a number of new joint projects supported by the European Union and the European Coal and Steel Community were initiated with other research institutes and steel companies in EU countries.

A timing model for smelting was introduced at the Rautaruukki Steel smelter. This significantly improved control of the smelter's operations. In order to increase capacity the smelter changed to running three converters. The introduction of a vacuum treatment unit has made possible the

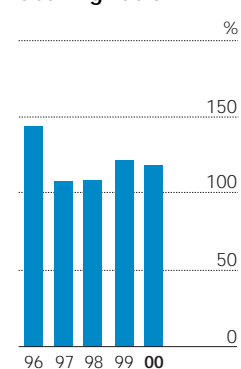
Return on net assets



Equity ratio



Gearing ratio



manufacture of purer grades of steel. These include, for example, low carbon ULC and IF steels, high-strength formable DP steels, as well as HIC steels, which contain minimal amounts of sulphur and hydrogen. The product range has also been expanded to include higher-strength steel grades with deep drawing properties.

The Hämeenlinna Works' new galvanizing line started production of Galfan-coated sheets. Galfan is an aluminium-zinc alloy coating which has excellent corrosion resistance and formability. The line also conducted test runs with the Galvannealed coating, an iron-zinc alloy coating, whose advantages include good welding and painting characteristics. The galvanized sheet finishing process also introduced organic passivation (AFP), which improves sheet steel's corrosion resistance, processing and formability. New customer-oriented coated sheet products are being developed in cooperation with the Häme Polytechnic's Sheet Steel Competence Centre.

Metform participated in development work on automotive industry applications within the global ULSAB-AVC, ULSAC and ULSAS consortiums. Metform's special tubular products, which have arisen as a result of this development work, are already contributing significantly to reducing the weight of vehicles and improving safety.

Slightly more than a third of all research investment was spent on steel construction and on the development of new products and systems for construction engineering. Among the most notable development projects were the Classic roofing products as well as partition wall solutions that provide good sound insulation.

The Rautaruukki Group spent a total of EUR 20 million (20), or 0.7 per

cent of turnover (0.8), on research and development.

Environmental protection

Rautaruukki's environmental policy was renewed and approved by the Board of Directors in October. The new policy emphasizes ecological efficiency during the entire life cycle of manufactured products.

The units continued to build their environmental systems. Some 29 of the Group's units, with a total turnover representing around 85 per cent of consolidated turnover, have an environmental system certified according to the ISO 14001 standard.

Rautaruukki Steel's investment programme, which was completed in the summer, contained a number of investments aimed at cutting environmental emissions and improving working conditions. During the year an extensive study was begun into the treatment of fine-grained dusts and sludges, and preliminary plans were made to develop new treatment processes.

The Norwegian environmental authorities imposed an 80 kg per year maximum limit for mercury in aerial emissions from Fundia's Mo i Rana steel works. The limit covers the period up to the end of June 2002 and Fundia must present by the end of June 2001 action proposals for lowering mercury emissions to a target of 15 kg per year. Studies are currently underway into what technical and financial solutions exist for the reduction of emissions. Discussions on the matter with the Norwegian environmental authorities continue.

Personnel

The Group's payroll at the close of the year was 13,000 people (12,491) and the parent company employed 5,872 people (5,838). During the year the Group employed an average of 13,176 people (13,219) and the parent

company 6,120 (6,299). The increase in personnel was due mainly to an expansion of operations in the Steel Structure and the Steel Service Divisions in the latter part of the year.

The key aim of personnel development is to ensure that the Group in terms of structure and expertise will also have the right kind of people in the future. For the systematic surveying of personnel expertise the Group has developed an information gathering system that will help in the selection of staff when posts are filled internally. Developing expertise in present tasks as well as transfers to new duties will improve the capacity of both the individual and the whole organization to cope in a changing environment.

The Rautaruukki Excellence Programme, an international group-wide initiative to develop management and expert resources, was continued. The programme is implemented with the assistance of external, as well as Rautaruukki's own, leading experts. The deployment of management resources between the different divisions is being developed with the aid of project work.

The volume of users on the intranet information network, which is highly suitable as a management tool, expanded when an English-language version was introduced alongside the Finnish-language network.

During 2000 the profit target of the Rautaruukki bonus system was not reached.

Outlook for 2001

Economic growth in Europe is expected to slow slightly during 2001. In the Nordic countries and the new market economies of the Baltic region, economic growth is expected to continue at a slightly higher rate than the rest of Europe despite some slowing.

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In the United States economic growth has slowed strongly, but it is expected to strengthen once again in the latter part of the year. In the countries of Southeast Asia, economic growth will slow slightly compared with 2000.

Consumption of steel products in Europe is estimated to continue at the good level of the previous year. Demand for steel products will be affected by a high level of inventories and a growth of exports from outside Europe. Inventories are expected to return to normal levels in the first half of 2001. In order to balance supply and demand, some major European steel companies have announced that they will cut production in the early part of the year. Prices of steel products, excluding heavy plates and certain long products, have weakened in the first quarter of the year and this weakening is expected to continue into the second quarter.

Consumption of steel products in the United States is expected to remain at the previous year's level. Prices of steel products are expected to strengthen owing to a normalization of inventory levels and a stabilization of growth in supply. In the countries of Southeast Asia, consumption of steel products is expected to remain at the previous year's level.

Rautaruukki Steel will focus on exploiting the Rautaruukki 2000 investment programme, developing its product structure and raising the level of service in an effort to improve profitability. The steel output of Rautaruukki Steel is expected to increase by nearly 100,000 tonnes compared with the previous year, despite the interim repair of the second blast furnace hearth which will be performed in March. Deliveries of coated products are expected to increase by 150,000 tonnes.

During 2001 restructuring and reorganization measures will be implemented in Fundia and at Metform's Carl Froh GmbH works in order to restore profitability. Provision for the non-recurring costs arising from these measures has been made in the 2000 financial statements.

The Steel Structure Division's business operations are expected to show a further increase, particularly in the eastern European market. The position of the Steel Service Division in the Nordic market will strengthen considerably and turnover will grow with the transfer of the Swedish company Heléns Stål AB to the Rautaruukki Group.

The Group's turnover is forecast to grow to EUR 2.9 billion. Prices of steel products will have a significant impact on Rautaruukki's earnings trend.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

M€	Note	1.1.-31.12.2000		1.1.-31.12.1999	
			%		%
TURNOVER	1)	2708		2388	
Variation in stocks of finished goods and work in progress		64		-38	
Production for own use		11		9	
Other operating income	3)	30		16	
Share of results in associated companies		4		-1	
Raw materials and services	4)	1626		1328	
Staff expenses	5)	518		487	
Depreciation and reduction in value	6)	174		165	
Other operating charges	7)	341	-2659	338	-2317
OPERATING PROFIT	2)	156	5.8	57	2.4
Financial income and expenses	8)				
Income from other investments held as non-current assets		4		3	
Other interest and financial income		8		5	
Interest and other financial expenses		-62	-50	-71	-62
PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS		106	3.9	-6	-0.2
Extraordinary items	9)				
Extraordinary expenses		-25	-25		
PROFIT/LOSS BEFORE TAXES AND MINORITY INTERESTS		81	3.0	-6	-0.2
Income taxes	10)				
Taxes for the year		-21		-18	
Taxes from the previous years		0		-2	
Change in deferred tax		-10	-31	8	-12
PROFIT/LOSS BEFORE MINORITY INTEREST		50	1.8	-17	-0.7
Minority interest of the profits		0		-1	
GROUP PROFIT/LOSS FOR THE FINANCIAL YEAR		50	1.9	-18	-0.7

CONSOLIDATED BALANCE SHEET

M€	Note	31.12.2000	%	31.12.1999	%
ASSETS					
NON-CURRENT ASSETS 11-13)					
Intangible assets					
Intangible rights		8		7	
Goodwill		40		54	
Other capitalised long-term expenses		25		22	
Advance payments		2	74	5	88
Tangible assets					
Land and waters		25		26	
Buildings		358		338	
Machinery and equipment		953		878	
Advance payments and construction in progress		49	1385	138	1380
Investments					
Associated company shares		25		26	
Other shares and similar rights of ownership		13		44	
Own shares		6			
Long term loans receivable from associated companies		1	46	1	70
		1505	59.6	1538	63.3
CURRENT ASSETS					
Stocks 14)					
Raw materials and consumables		118		112	
Finished products / Goods		344		280	
Other stocks		1	463	1	393
Debtors 15)					
Long-term					
Loans receivable		3		2	
Loans receivable owed by associated companies		3		3	
Non-interest bearing receivables		14		10	
Deferred tax assets	20)	28	47	15	31
Short-term					
Trade debtors		390		343	
Amounts owed by associated companies		3		3	
Loans receivable		1			
Other debtors		47		37	
Prepayments and accrued income		20	462	18	402
Cash in hand and at banks					
		46		67	
		1018	40.4	893	36.7
		2523	100.0	2432	100.0

M€	Note	31.12.2000	%	31.12.1999	%
LIABILITIES					
CAPITAL AND RESERVES					
	16)				
Share capital		236		234	
Share premium account		220		222	
Revaluation reserve		24		24	
Fund for own shares		6			
Translation adjustment		-2			
Retained earnings		322		375	
Profit for the financial year		50		-18	
		856	33.9	836	34.4
MINORITY INTEREST					
		3	0.1	3	0.1
OBLIGATORY PROVISIONS					
	18)				
Provisions for pensions		12		7	
Provisions for taxation		8		7	
Other provisions		27	46	2	17
			1.8		0.7
CREDITORS					
	19)				
Non-current creditors					
Interest bearing					
Bonds and debenture loans		131		175	
Convertible bonds		3		3	
Loans from credit institutions		706		642	
Pension loans		43		25	
Other creditors		5	888	6	851
Non interest bearing					
Pension loans		10		11	
Deferred tax liability	20)	161		138	
Other creditors		13	184	9	158
			1072		1009
Current creditors					
Interest bearing					
Loans from credit institutions		164		220	
Pension loans		5			
Bills of exchange payable		1		2	
Other creditors		4	175	8	230
Non interest bearing					
Advances received		5		6	
Trade creditors		198		178	
Accruals and deferred income	21)	103		93	
Amounts owed to associated companies		2		1	
Other creditors	21)	63	370	58	336
			545		566
			1617	64.1	1575
					64.8
			2523	100.0	2432
					100.0

CONSOLIDATED CASH FLOW STATEMENT

M€	1.1.-31.12.2000	1.1.-31.12.1999
Cash flow from operations		
Profit / loss before extraordinary items	106	-6
Adjustments for		
Depreciation	174	165
Financial income and expenses	50	62
Share of associated companies' results	-4	1
Other adjustments	-15	-8
Cash flow before working capital changes	312	214
Change in working capital		
Change in current non-interest bearing debtors	-60	-40
Change in inventories	-71	60
Change in current non-interest bearing creditors	24	21
Change in working capital	-106	42
Cash flow before financing items and taxes	205	256
Interest and other financing items on business operations paid	-43	-52
Taxes paid	-15	-25
Cash flow before extraordinary items	148	179
Cash flow from extraordinary items		
Cash flow from operations	148	179
Cash flow from investing activities		
Investments in tangible and intangible assets	-169	-191
Proceeds from sale of tangible and intangible assets	10	11
Other investments	-6	-7
Proceeds from sale of other investments	45	12
Change in unpaid investments	4	1
Cash flow from investing activities	-116	-174
Cash flow before financing	32	6
Cash flow from financing activities		
Buyback of own shares	-6	
Change in current loans receivable	-1	0
Change in non-current loans receivable	-3	-3
Change in current loans payable	-56	99
Change in non-current loans payable	42	-39
Dividends paid	-28	-40
Translation differences and other adjustments	-1	
Cash flow from financing activities	-53	16
Change in liquid assets according to the calculation	-21	22
Cash and cash equivalents at beginning of period	67	45
Cash and cash equivalents at end of period	46	67
	-21	22

RAUTARUUKKI OYJ'S PROFIT AND LOSS ACCOUNT

M€	Note	1.1.-31.12.2000	%	1.1.-31.12.1999	%
TURNOVER	1)	1269	100.0	1101	100.0
Variation in stocks of finished goods and work in progress		22		-24	
Production for own use		7		7	
Other operating income	3)	19		11	
Raw materials and services	4)	710		595	
Staff expenses	5)	256		236	
Depreciation and reduction in value	6)	108		99	
Other operating charges	7)	130	-1204	131	-1061
OPERATING PROFIT	2)	113	8.9	33	3.0
Financial income and expenses	8)				
Income from other investments held as non-current assets		23		7	
Other interest and financial income		35		26	
Reduction in value from other investments held as non-current assets		0		-1	
Interest and other financial expenses		-58	0	-67	-35
PROFIT BEFORE EXTRAORDINARY ITEMS		113	9.0	-2	-0.2
Extraordinary items	9)				
Extraordinary income		30		5	
Extraordinary expenses		-14	16	-3	3
PROFIT BEFORE APPROPRIATIONS AND TAXES		130	10.3	0	0.0
Appropriations					
Change in depreciation reserve		-52		39	
PROFIT BEFORE TAXES		78	6.1	39	3.5
Income taxes	10)				
Taxes from the previous years		-24		-11	
Taxes for the year		4	-20	-1	-12
PROFIT FOR THE FINANCIAL YEAR		58	4.6	27	2.4

RAUTARUUKKI OYJ'S BALANCE SHEET

M€	Note	31.12.2000	%	31.12.1999	%
ASSETS					
NON-CURRENT ASSETS 11-13)					
Intangible assets					
Intangible rights		2		2	
Goodwill		21		30	
Other capitalised long-term expenses		18		17	
Advance payments		2	43	5	54
Tangible assets					
Land and water areas		6		6	
Buildings		243		222	
Machinery and equipment		710		629	
Advance payments and construction in progress		22	981	119	976
Investments					
Shares in Group companies		245		222	
Receivables from Group companies		5		14	
Shares in associated companies		7		7	
Receivables from associated companies		1		1	
Other shares		6		36	
Own shares		6	270	281	
		1 294	56.7	1 311	58.9
CURRENT ASSETS					
Inventories 14)					
Raw materials and consumables		60		57	
Finished products / goods		92	152	70	127
Debtors 15)					
Long-term					
Trade debtors				1	
Amounts owed by Group companies		357		395	
Amounts owed by associated companies		3		3	
Loan receivables		0		0	
Other debtors		2		1	
Short-term					
Trade debtors		143		122	
Amounts owed by Group companies		81		61	
Amounts owed by associated companies		3		3	
Loan receivables		0		0	
Loan receivables owed by Group companies		150		86	
Other debtors		28		23	
Prepayments and accrued income		6	773	7	703
Cash in hand and at banks					
		63		82	
		988	43.3	913	41.1
		2 282	100.0	2 224	100.0

M€	Note	31.12.2000	%	31.12.1999	%
LIABILITIES					
CAPITAL AND RESERVES					
	16)				
Share capital		236		234	
Share premium reserve		220		222	
Revaluation reserve		33		33	
Fund for own shares		6			
Retained earnings		135		143	
Profit for the financial year		58		27	
		688	30.2	658	29.6
APPROPRIATIONS					
	17)				
Depreciation reserve		387	17.0	335	15.0
PROVISIONS					
	18)				
Provisions for pensions		5	0.2	4	0.2
CREDITORS					
	19)				
Non-current creditors					
Interest bearing					
Bonds and debenture loans		131		175	
Convertible bonds		3		3	
Loans from credit institutions		704		640	
Pension loans		22			
Amounts owed to Group companies		1		1	
Other creditors		1	862		819
Non-interest bearing					
Amounts owed to Group companies		2		2	
Pension loans				1	3
		863	37.8	822	37.0
Current creditors					
Interest bearing					
Loans from credit institutions		148		207	
Pension loans		5			
Amounts owed to Group companies				25	
Other creditors		3	156	6	237
Non-interest bearing					
Advances received		1		1	
Trade creditors		72		71	
Amounts owed to Group companies		24		25	
Amounts owed to associated companies		2		1	
Accruals and deferred income	21)	59		55	
Other creditors		26	183	14	168
		339	14.9	405	18.2
		1 202	52.7	1 227	55.2
		2 282	100.0	2 224	100.0

RAUTARUUKKI OYJ'S CASH FLOW STATEMENT

M€	1.1.–31.12.2000	1.1.–31.12.1999
Cash flow from operations		
Profit /loss before extraordinary items	114	-2
Adjustments for		
Depreciation	108	99
Financial income and expenses	0	35
Other adjustments	-12	-6
Cash flow before working capital changes	209	125
Change in working capital		
Change in current non-interest bearing debtors	-44	-11
Change in inventories	-25	16
Change in current non-interest bearing creditors	1	11
Change in working capital	-68	16
Cash flow before financing items and taxes	141	142
Interest and other financing items on business operations paid	7	-23
Taxes paid	-10	-17
Group contributions	16	3
Cash flow before extraordinary items	154	104
Cash flow from extraordinary items		
Cash flow from operations	154	104
Cash flow from investing activities	-67	-123
Cash flow before financing	87	-19
Cash flow from financing activities		
Buyback of own shares	-6	
Change in current loans receivable	-64	0
Change in non-current loans receivable	39	-72
Change in current loans payable	-81	135
Change in non-current loans payable	35	-18
Dividends paid	-28	-40
Cash flow from financing activities	-106	4
Change in liquid assets	-19	-15
Cash and cash equivalents at beginning of period	82	97
Cash and cash equivalents at end of period	63	82
	-19	-15

NOTES TO THE ACCOUNTS

ACCOUNTING PRINCIPLES

Accounting principles for the financial statements

The consolidated financial statements and those of the parent company Rautaruukki Oyj have been prepared in accordance with Finnish Accounting Act. The financial statements are denominated in euros.

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

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

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

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

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

The past-equity method has been used when eliminating mutual share ownership. If the current value of a subsidiary's fixed assets exceeds its book value, goodwill is allocated to the subsidiary's fixed asset items. This allocated portion is depreciated in accordance with the planned depreciation for the fixed asset in question. The remainder of the goodwill is treated as goodwill of the subsidiary or associated company, which is depreciated over its effective period (no more than 10 years). The same allocation principles are also applied if the acquisition cost calculation yields a negative difference. In this case, the part that is considered to be allocated to fixed assets is subtracted from the value of fixed assets and credited to earnings by reducing the depreciation of the specific fixed assets.

The goodwill of associated companies is included in the balance sheet value of associated companies and the depreciation on it is deducted from the associated companies' profit in the profit and loss account.

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

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

Amounts in foreign currency

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

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

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

Foreign currency derivative contracts

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

Interest rate derivative contracts

Interest rate swaps used to hedge the Group's long-term interest-bearing loans are not valued in the financial statements. Interest on interest rate swaps is periodised over the contract period and booked in a net amount as an adjustment to interest expenses.

The interest on forward rate agreements and interest rate options and futures used to hedge the Group's short-term investments and liabilities is periodised over the term of validity of the agreement and entered as an adjustment to interest expenses. Option premiums are entered in the balance sheet under advance payments or advances received and are discharged on the expiry date as adjustments to interest expenses.

Notes to the accounts

Covering pension expenses and pension liabilities

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

Stocks

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

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

Fixed assets and depreciation

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

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

Extraordinary income and expenses

Extraordinary income and expenses include exceptional business transactions and events that are of material importance.

In 2000, forecast non-recurring Group restructuring expenses of EUR 25 million have been booked in extraordinary expenses.

The parent company's extraordinary income and expenses also include Group contributions.

Taxes

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

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

Research and development expenses

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

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

1. External turnover by division and by market area

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

M€	Group		Rautaruukki Oyj	
	2000	1999	2000	1999
Turnover by division				
Rautaruukki Steel	820	723	1036	859
Metform	345	303	212	184
Steel Structure Division	296	245	21	18
Fundia	632	645		
Steel Service	602	427		
Other units	13	45		39
	2708	2388	1269	1101
Turnover by market area				
Finland	882	744	488	404
Other EU-countries	1265	1164	615	538
Other Europe	462	384	138	105
Other countries	99	96	29	54
Total external turnover of which	2708	2388	1269	1101
- Exports from Finland	753	710	782	697
- International operations	1105	962		

2. Operating profit by division

M€	Group	
	2000	1999
Rautaruukki Steel	130	27
Metform	7	22
Steel Structure Division	20	16
Fundia	-9	-8
Asva and CCB Stål	133	9
Other units and internal items	-25	-19
	156	57

3. Other operating income

M€	Group		Rautaruukki Oyj	
	2000	1999	2000	1999
Gains on the sale of fixed assets	20	10	13	10
Other	10	6	6	1
	30	16	19	11

4. Raw materials and services

M€	Group		Rautaruukki Oyj	
	2000	1999	2000	1999
Materials, supplies and goods				
Purchases during the accounting period	1470	1143	630	514
Change in inventories	-7	47	-3	10
External services	163	138	83	71
	1626	1328	710	595

5. Personnel expenses

M€	Group Rautaruukki Oyj			
	2000	1999	2000	1999
Wages and salaries	421	391	207	194
Pension insurance premiums and pensions	35	34	26	20
Other indirect personnel expenses	61	61	23	22
Total	518	487	256	236

Salaries and emoluments of directors

	2000	1999	2000	1999
of the members of the Supervisory Board	0.1	0.1	0.1	0.1
of the members of the Board and of Managing Directors*	6.0	5.9	1.1	0.9
* including results-based bonuses to Management	0.1	0.1	0.0	0.04

The Group's average payroll by division

	Group Rautaruukki Oyj			
	2000	1999	2000	1999
Rautaruukki Steel	5531	5240	5069	5018
Metform	1621	1575	651	615
Steel Structure Division	1564	1432	87	90
Steel Service	1088	1005		
Fundia	2914	3406		
Other units	458	561	313	576
Total	13176	13219	6120	6299

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

It has been agreed that the president of the Group's parent company will retire at the age of 65. One of the members of Rautaruukki's Board has the right, if he so wishes, to retire at the age of 60. The group has no loans to insiders.

6. Depreciation and reduction in value

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

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

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

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

Depreciation according to plan by the balance sheet line:

M€	Group Rautaruukki Oyj			
	2000	1999	2000	1999
Goodwill	16	15	9	6
Other long-term expenses	8	7	5	5
Buildings and structures	19	18	11	10
Machinery, equipment and other material goods	130	124	82	77
Total	173	165	108	99
Reductions in value	1			
Depreciation and reductions in value, total	174	165	108	99

7. Other operating charges

M€	Group Rautaruukki Oyj			
	2000	1999	2000	1999
Sales freights	175	174	85	89
Rents	46	46	4	5
Losses on the sale of fixed assets	1			
Other	120	117	41	37
Total	341	338	130	131

8. Financial income and expenses

M€	Group Rautaruukki Oyj			
	2000	1999	2000	1999
Income from other investments held as non-current assets				
Dividend income from group companies			15	1
Dividend income from associated companies				3
Dividend income from other companies	4	3	8	2
Interest income from group companies				17
Total	4	3	23	23
Other interest and financial income				
Interest income from group companies			30	8
Interest income from other companies	7	3	5	2
Exchange gains	1	2		
Total	8	5	35	10

Reductions in value

from non-current assets

Reductions in value from value of group's companies				
Other reductions in value from non-current assets	0	-1	0	-1
Total	0	-1	0	-1

Notes to the accounts

M€	Group Rautaruukki Oyj			
	2000	1999	2000	1999
Interest and other financial expenses				
Interest expenses to group companies			-2	-1
Interest expenses to other companies	-56	-53	-53	-49
Exchange losses	-3	-14	-1	-15
Other financing expenses to other companies	-3	-3	-2	-2
	-62	-70	-58	-67
Total financing income and expenses	-50	-62	0	-35

9. Extraordinary items

M€	Group Rautaruukki Oyj			
	2000	1999	2000	1999
Extraordinary income				
Group contributions			30	5
Extraordinary expenses				
Group contributions			-14	-3
Group restructuring	-25			
Extraordinary items, total	-25		16	3

10. Income taxes

M€	Group Rautaruukki Oyj			
	2000	1999	2000	1999
Taxes for the year	21	18	24	11
Taxes from the previous years		2	-4	1
Transfer of imputed tax claim from extraordinary items	-5			
Change in deferred tax	15	-8		
	31	12	20	12

11. Intangible assets

M€	Group Rautaruukki Oyj			
	2000	1999	2000	1999
Intangible rights				
Acquisition cost 1.1.	13	12	6	7
Increases 1.1.-31.12.	3	1		
Decreases and adjustment 1.1.-31.12.				-1
Acquisition cost 31.12.	16	13	6	6
Accumulated depreciation according to plan 1.1.	-6	-7	-4	-4
Accumul. depreciation of decreases and adjustment acc. to plan 1.1.-31.12.		2		
Depreciation according to plan 1.1.-31.12.	-2	-1		
Book value 31.12.	8	7	2	2
Goodwill				
Book value 1.1.	54	50	30	24
Increases 1.1.-31.12.	1	19		13
Depreciation according to plan 1.1.-31.12.	-16	-15	-9	-6
Book value 31.12.	40	54	21	30

M€	Group Rautaruukki Oyj			
	2000	1999	2000	1999
Other capitalised long-term expenses				
Acquisition cost 1.1.	58	51	50	45
Increases 1.1.-31.12.	8	8	6	6
Decreases and adjustment 1.1.-31.12.	1	-1		-1
Acquisition cost 31.12.	67	58	56	50
Accumulated depreciation according to plan 1.1.	-36	-31	-33	-29
Accumul. depreciation of decreases and adjustment acc. to plan 1.1.-31.12.	-1	1	1	
Depreciation according to plan 1.1.-31.12.	-6	-6	-5	-5
Book value 31.12.	25	22	18	17

Advance payments

Book value 1.1.	5		5	
Changes 1.1.-31.12.	-4	5	-3	5
Book value 31.12.	2	5	2	5
Intangible assets, total 31.12.	74	88	43	54

12. Tangible assets

M€	Group Rautaruukki Oyj			
	2000	1999	2000	1999
Land and water areas				
Book value 1.1.	26	23	6	6
Decreases and adjustment 1.1.-31.12.	-2	2		
Book value 31.12.	25	26	6	6
Revaluations included in the acquisition cost of land areas¹				
Revaluations 1.1.	2	2	2	2
Book value 31.12.	2	2	2	2

Buildings

Acquisition cost 1.1.	584	549	386	387
Translation adjustment		9		
Increases 1.1.-31.12.	40	13	32	7
Decreases and adjustment 1.1.-31.12. ²	-40	13	-19	-8
Acquisition cost 31.12.	584	584	400	386
Accumulated depreciation according to plan 1.1.	-246	-205	-164	-156
Translation adjustment of accumulated depreciation		-18		
Accumul. depreciation of decreases and adjustment acc. to plan 1.1.-31.12.	39	-4	19	2
Depreciation according to plan 1.1.-31.12.	-20	-19	-11	-10
Book value 31.12.	358	338	243	222

M€	Group Rautaruukki Oyj			
	2000	1999	2000	1999
Revaluations included in the acquisition cost of buildings¹				
Revaluations 1.1.	30	30	30	30
Revaluations 31.12.	30	30	30	30
Machinery and equipment				
Acquisition cost 1.1.	1888	1796	1417	1377
Translation adjustment		39		
Increases 1.1.-31.12.	211	122	164	68
Decreases and adjustment 1.1.-31.12. ²	106	-69	-9	-28
Acquisition cost 31.12.	2205	1888	1571	1417
Accumulated depreciation according to plan 1.1.	-1010	-917	-788	-734
Accumul. depreciation of decreases and adjustment according to plan 1.1.-31.12. ²	-113	32	8	23
Depreciation according to plan 1.1.-31.12.	-129	-125	-82	-77
Book value 31.12.	953	878	710	629
Book value of machinery 31.12.	939	863	706	625

Machinery and equipment include undepreciated activated interest expenses EUR 0.6 million.

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

² Adjustments issue from structural changes made in sub-group Fundia: Formerly the cumulative values were counted from the acquisition date of Fundia. In this period they have been changed so that they include the acquisition costs of the companies from the earlier periods as well.

M€	Group Rautaruukki Oyj			
	2000	1999	2000	1999
Advance payments and construction in progress				
Acquisition cost 1.1.	138	97	119	69
Changes 1.1.-31.12.	-89	41	-97	50
Book value 31.12.	49	138	22	119
Tangible assets, total 31.12.	1385	1380	981	976

13. Investments

M€	Group Rautaruukki Oyj			
	2000	1999	2000	1999
Shares in Group companies				
Book value 1.1.			222	179
Increases 1.1.-31.12.			24	44
Decreases 1.1.-31.12.			-2	
Book value 31.12.			245	222

Receivables from Group companies

Book value 1.1.			14	33
Changes 1.1.-31.12.			-10	-19
Book value 31.12.			5	14

Shares in associated companies

Book value 1.1.	26	38	7	17
Increases 1.1.-31.12.	1	3		
Decreases 1.1.-31.12.	-5	-3		-3
Transfer between balance sheet rows		-6		-6
Share of the profit for the year	4	-5		
Book value 31.12.	25	26	7	7
Acquisition cost includes Goodwill	-2	-3		

Long-term receivables from associated companies

Book value	1		1	
Change 1.1.-31.12.		1		1
Book value 31.12.	1	1	1	1

Other shares and similar rights of ownership

Book value 1.1.	44	44	36	36
Increases 1.1.-31.12.		1		
Decreases 1.1.-31.12.	-30	-1	-30	
Book value 31.12.	13	44	6	36

Own shares

Book value 1.1.				
Increases 1.1.-31.12.	6		6	
Book value 31.12.	6		6	

On 31.12.2000 the company possessed 1,346,500 pieces of K-Shares with the accounting countervalue EUR 2.3 million.

Total investments 31.12.	46	70	270	281
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Notes to the accounts

13. Stocks and shares 31.12.2000

	Country Domicile	Number of shares	Group share capital	share of voting rights	Nominal value currency thousands	Book values, 1000 €	
						held by Rautaruukki Oyj	held by other Group companies
Subsidiaries of Rautaruukki Oyj:							
Asva Oy	FI Helsinki	98500	100.0	100.0	FIM 98500	78754	
August Lindberg Oy	FI Raaha	5	100.0	100.0	FIM 250	616	
Carl Christensen og Brødre AS	NO Oslo	66	100.0	100.0	NOK 2310	20674	
DCA-instruments Oy	FI Turku	990	97.2	71.0	FIM 990	167	
Etnarör Ab	FI Oulu	100	100.0	100.0	FIM 50	8	
Finnsteel Inc	US Northbrook	3200	100.0	100.0	USD 230	996	32
Oy JIT-Trans Ltd	FI Raaha	150	100.0	100.0	FIM 1500	925	
Kiinteistö Oy Myllynummentie 17	FI Kerava	100	100.0	100.0	FIM 12	14	
Kiinteistö Oy Pakilantie 61-63	FI Helsinki	27000	100.0	100.0	EUR 4541	6567	
Kiinteistö Oy Valtasmeds	FI Helsinki	15	100.0	100.0	EUR 25	25	
Kiinteistö Oy VM-Hallit	FI Kaarina	1580	100.0	100.0	FIM 161	228	
Kyrön Konepaja Oy	FI Karinen	10000	100.0	100.0	FIM 101	655	
Polarplan Oy	FI Kokemäki	100	100.0	100.0	FIM 196	186	
Luvian Teollisuuskiinteistöt Oy	FI Luvia	3100	100.0	100.0	FIM 3100	1321	
OAo NPO-SPU	RU St. Petersburg	400290	100.0	100.0	RUR 40029	4745	
OOO Stalpark	RU St. Petersburg	1	100.0	100.0	RUR 50	2	
Presteel Oy	FI Raaha	2365	55.0	55.0	FIM 2365	2128	
Rannila Kosice s.r.o.	SK Kosice	273786	51.0	51.0	SKK 139631	3661	
Rannila Steel Oy	FI Vimpeli	1500	100.0	100.0	FIM 15000	16819	
Rautaruukki Holding AB	SE Stockholm	570000	100.0	100.0	SEK 57000	32814	
Rautaruukki Holding B.V.	NL Amsterdam	40	100.0	100.0	NLG 40	14	
Rautaruukki Holding Danmark A/S	DK Vallensbæk Strand	1000	100.0	100.0	DKK 16000	5670	
Rautaruukki Holding GmbH	DE Düsseldorf	1	100.0	100.0	DEM 4050	44414	
Rautaruukki (Norge) A/S	NO Oslo	200	100.0	100.0	NOK 200	44	
Rautaruukki Polska Sp.zo.o.	PL Zyrardow	23173	100.0	100.0	PLN 2317	952	
Rautaruukki Profiler AS (former Fundia Profiler AS)	NO Mo i Rana	70000	100.0	100.0	NOK 70000	18000	
Rautaruukki (S.E.A.) Pte Ltd	SG Singapore	100000	100.0	100.0	SGD 100	64	
Rautaruukki (UK) Ltd.	GB London	10000	100.0	100.0	GBP 10	14	
SKJ-yhtiöt Oy	FI Raaha	1000	100.0	100.0	FIM 455	141	8
Star Tubes (UK) Ltd.	GB Birmingham	2780000	100.0	100.0	GBP 2800	3289	28
Startrading Oy	FI Helsinki	900	100.0	100.0	EUR 15	184	
Valtamaat Osakeyhtiö	FI Helsinki	1500	100.0	100.0	EUR 25	25	
						244115	69
Subsidiaries not eliminated from consolidated accounts:							
Housing and real estate corporations, 1 company						526	
Other subsidiaries of Rautaruukki Group (non-trading) 5 companies			100.0	100.0	120	15	25
Non-eliminated subsidiaries, total						541	25
						244656	94
Subsidiaries of Asva Oy:							
Asva StalSerwis Sp.zo.o	PL Zyrardow	7022	100.0	100.0	PLN 7022		1765
Kiinteistö Oy Alpinus	FI Kuusamo	450	100.0	100.0	FIM 48		109
Mittalevy Oy	FI Helsinki	150	100.0	100.0	FIM 18		7
Rautaruukki Eesti AS	EE Tallinn	9450	100.0	100.0	EEK 945		89
SIA Rautaruukki Metalcentrs	LV Riga	37	100.0	100.0	LVL 37		56
Rautaruukki Metalu Centras UAB	LT Vilnius	150	100.0	100.0	LTL 150		201
ZAO Rautaruukki Stalservis	RU Moscow	12	100.0	100.0	RUR 120		19
ZAO Stal Ross	RU St. Petersburg	100	100.0	100.0	USD 9		9
							2254
Subsidiary of A/S Carl Christensen og Brødre:							
CCB Stål AS	NO Oslo	600	100.0	100.0	NOK 600		1534

	Country Domicile	Number of shares	Group share of capital	share of voting rights	Nominal value currency thousands	Book values, 1000 € held by Rautaruukki Oyj	held by other Group companies
Subsidiary of DCA-Instruments Oy:							
Nordic Instruments Inc.	US Massachussets	10000	100.0	100.0	USD 10		7
Subsidiaries of Rannila Steel Oy:							
Alamentti Oy	FI Alajärvi	100	100.0	100.0	FIM 101		79
Kattokolmio Oy	FI Karkkila	1600	80.0	80.0	FIM 48		642
ZAO Rannila St. Petersburg	RU St. Petersburg	7900	100.0	100.0	RUR 7900		566
ZAO Rannila Steel	RU St. Petersburg	48100	100.0	100.0	RUR 48		24
ZAO Rannila Taldom	RU Taldom	27360	95.0	95.0	RUR 2880		710
AS Rannila Profiil	EE Pärnu	1500	100.0	100.0	EEK 4395		339
Rannila Steel Export Oy	FI Vimpeli	5	100.0	100.0	FIM 50		8
Rannila Steel Latvia S.I.A	LV Riga	1800	100.0	100.0	LVL 180		290
Rannila Steel Vilnius U.A.B	LT Vilnius	30	100.0	100.0	LTL 30		6
Rannila Velvary s.r.o.	CZ Velvary		100.0	100.0	CZK 40000		1057
ZAT Rannila Kiev	UA Kiev	5481	100.0	100.0	UAH 2192		539
ZAO Rannila Minsk	BY Minsk	520	100.0	100.0	BYR 520		18
ZAO Rannila Marketing	RU Moscow	50	100.0	100.0	RUR 50		7
							4286
Subsidiary of Rannila Kosice s.r.o:							
Rannila Kft. Hungary	HU Budapest		51.0	51.0	HUF 1		11
Subsidiary of Rautaruukki Holding B.V.:							
Rautaruukki Finance B.V.	NL Amsterdam	40	100.0	100.0	NLG 40		18
Subsidiaries of Rautaruukki Holding Danmark A/S:							
Nordisk Simplex A/S	DK Vallensbæk Strand	2	100.0	100.0	DKK 25000		8530
Stelform A/S	DK Fredericia	3	100.0	100.0	DKK 25000		1958
							10488
Subsidiaries of Rautaruukki Holding GmbH:							
Carl Froh GmbH	DE Sundern	1	100.0	100.0	DEM 3477		13569
Fundia GmbH	DE Mülheim	1	100.0	100.0	DEM 4607		6854
Rannila Stahlhandel GmbH	DE Sundern	1	100.0	100.0	DEM 102		113
Rautaruukki (Deutschland) GmbH	DE Düsseldorf	1	100.0	100.0	DEM 51		307
Rautaruukki Stahlservice GmbH	DE Duisburg	1	100.0	100.0	DEM 26		3830
Schmacke Rohr GmbH	DE Sundern	1	100.0	100.0	DEM 2045	47	2673
						47	27346
Subsidiary of Carl Froh GmbH:							
Froh House Tech GmbH & Co KG	DE Sundern	1	100.0	100.0	EUR 2000		2000
Subsidiary of Fundia GmbH:							
Groth Eisenhandel GmbH & Co KG	DE Monheim	1	100.0	100.0	DEM 750		415
Subsidiary of SKJ-yhtiöt Oy:							
ZAO Peterski	RU St. Petersburg	80	100.0	100.0	RUR 105		
Subsidiaries of Rautaruukki Holding AB:							
Fundia AB	SE Stockholm	3500000	100.0	100.0	SEK 350000		131899
Gasell Profil AB	SE Trelleborg	162000	100.0	100.0	SEK 16200		5865
Rautaruukki Sverige AB	SE Stockholm	9000	100.0	100.0	SEK 900		108
Wirsbo Stålrör AB	SE Surahammar	50000	100.0	100.0	SEK 5000		2265
							140137
Subsidiaries of Gasell Profil AB:							
Gasell Profil A/S	DK Herlev	500	100.0	100.0	DKK 500		168
Gasell Profil AS	NO Oslo	500	100.0	100.0	NOK 50		6
Gasell Profil Polska Sp.zo.o.	PL Warsaw	40	100.0	100.0	PLN 4		7
Gasell Profiles Ltd.	GB St. Albans	1000	100.0	100.0	GBP 1		1
U.A.B. Gasell Profil	LT Kaunas	10	100.0	100.0	LTL 10		2
Zao Gasell Profil Moscow	RU Moscow	770	100.0	100.0	RUR 770		25
							209

Notes to the accounts

	Country Domicile	Number of shares	Group share of share capital	voting rights	Nominal value currency thousands	Book values, 1000 € held by Rautaruukki Oyj	held by other Group companies
Subsidiaries of Fundia AB:							
Fundia Bar & Wire Processing AB	SE Gävle	400000	100.0	100.0	SEK 40000		18442
Fundia Ltd.	GB Solihull	2501000	100.0	100.0	GBP 2501		4074
Fundia Special Bar AB	SE Smedjebacken	106000	100.0	100.0	SEK 10600		11323
Fundia Acier S.A.R.L	FR Paris	100	100.0	100.0	FRF 100		12
Fundia Steel B.V	NL Almelo	35	100.0	100.0	EUR 18		12
Fundia Wire Oy Ab	FI Dragsfjärd	200	100.0	100.0	FIM 20000		21514
Fundia Reinforcing AS	NO Oslo	579901	100.0	100.0	NOK 57990		72605
							<u>127983</u>
Subsidiaries of Fundia Bar & Wire Processing AB:							
Fundia Cromax AB	SE Smedjebacken	1000	100.0	100.0	SEK 100		11
Fundia Dalwire Oy Ab	FI Dragsfjärd	120000	100.0	100.0	FIM 12000		1082
Fundia Hjulsbro AB	SE Linköping	80000	100.0	100.0	SEK 8000		2265
Fundia Mandal Stål AS	NO Mandal	16358	100.0	100.0	NOK 16358		2336
Fundia Steelservice AB	SE Gävle	60000	100.0	100.0	SEK 6000		2151
Fundia SWL AB	SE Smedjebacken	8000	100.0	100.0	SEK 800		113
							<u>7959</u>
Subsidiaries of Fundia Reinforcing AS:							
Fundia Armering AS	NO Oslo	440000	100.0	100.0	NOK 44000		8745
Fundia Armeringsstål AS	NO Mo i Rana	230001	100.0	100.0	NOK 128111		50039
Fundia Betoniteräkset Oy	FI Helsinki	1570	100.0	100.0	FIM 15700		2724
Fundia Bygg AB	SE Halmstad	600000	100.0	100.0	SEK 60000		8882
Fundia Maidenhead Ltd	GB Solihull	998	99.8	99.8	GBP 1		1
Norsk Jernverk BRD GmbH	DE Mülheim	50	100.0	100.0	DEM 26		18
Robocon International AS	NO Oslo	500	100.0	100.0	NOK 50		188
SNJ Gesellschaft für Walzhandel GmbH	DE Mülheim	500	100.0	100.0	DEM 25		17
							<u>70615</u>
Subsidiaries of Fundia Bygg AB:							
Fundia Welbond SA	FR Coveron	20249	100.0	100.0	FRF 2500		
Fundia Welbond BV	NL Raamdonksveer	499	100.0	100.0	NLG 500		254
Fundia Welbond Ltd.	GB Essex		100.0	100.0	GBP		
Fundia Ølstykke A/S	DK Ølstykke	38	100.0	100.0	DKK 1000		722
Hjulsbro AB	SE Linköping	7500	100.0	100.0	SEK 750		102
							<u>1078</u>
Subsidiary of Robocon International AS:							
Robocon Latino America SA	CL Santiago	20249	99.0	99.0	USD 20		
Subsidiaries of Fundia Cromax AB:							
Fundia Bright Bar AB	SE Hallstahammar	50000	100.0	100.0	SEK 5000		566
Fundia Mora AB	SE Mora	38500	100.0	100.0	SEK 3850		907
Fundia Redon S.A.	FR Redon	25050	100.0	100.0	FRF 2505		907
Fundia Twente B.V.	NL Almelo	5000	100.0	100.0	NLG 5000		0
							<u>2381</u>
Subsidiary of Fundia Profiler AS:							
Fundia PreStål AS	NO Mo i Rana	3500	100.0	100.0	NOK 3500		425
Subsidiaries of Fundia Special Bar AB:							
Fundia Tankoteräs Oy	FI Helsinki	150	100.0	100.0	FIM 18		3
SKJ Svenska AB	SE Smedjebacken	1000	100.0	100.0	SEK 100		0
							<u>3</u>
Subsidiaries of Fundia Wire Oy Ab:							
Asunto Oy Lappohjan Kerrostalot	FI Hanko	34556	100.0	100.0	FIM 8235		591
Bostads Ab Sägars	FI Hanko	15263	100.0	100.0	FIM 4579		831
Fastighets Ab Järnstängen	FI Hanko	10100	100.0	100.0	FIM 101		1
Fastighets Ab Lapphyddan	FI Hanko	810	81.0	81.0	FIM 81		14
Fundia Tråd AB	SE Borlänge	500	100.0	100.0	SEK 100		938
							<u>2374</u>

	Country Domicile	Number of shares	Group share of share capital	voting rights	Nominal value currency thousands		Book values, 1000 € held by Rautaruukki Oyj	held by other Group companies
Stocks and shares in subsidiaries, total							244703	401550
Associated companies, share of voting rights 20–50%:								
BuildEurope Oy	FI Helsinki	100000	35.3	35.3	FIM 8594		9	830
AB Järnbruksförnödenheter	SE Stockholm	623	41.5	41.5	SEK 100			12
Bet-Ker Oy	FI Ylivieska	120	44.4	44.4	EUR 224			202
Ekometall AOZT	UA Jenakievo	1000	50.0	50.0	USD 25			21
Helens Rör AB	SE Halmstad	4500	25.0	25.0	SEK 4500		6694	
Kiinteistö Oy Teknocent	FI Oulu	1916	47.9	47.9	FIM 1916		322	
It Barents Region AS	NO Tromsø	4000	33.3	33.3	NOK 4000			483
Needstaal Draad B.V	NL Alblisserdam	1363637	30.0	30.0	EUR 1364			1329
Kings Lynn Steel (Holdings) Ltd.	GB Peterborough	5000	50.0	50.0	GBP 500			
Mofjellet Berghaller AS	NO Mo i Rana	600	40.0	40.0	NOK 1000			179
Norsk Jern Eiendom AS	NO Mo i Rana	3600	30.0	30.0	NOK 22500			8633
Osuuskunta Teollisuuden Romu	FI Helsinki	2	33.3	33.3	FIM 20		2	2
PPTH Steelmanagement Oy	FI Peräseinäjoki	11660	22.0	22.0	FIM 58		10	
Raahen Kauppaklubin Kannatus Oy	FI Raahе	15	33.3	33.3	FIM 150		25	
Rannila Centrostal Bydgoszcz Sp.zo.o.	PL Torun	13202	49.0	49.0	PLN 660			284
							7062	11974
							19036	
Associated companies' profits and goodwill							5951	
Associated companies' value in balance sheet							24987	
Other stocks and share, share of voting rights less than 20%:								
Ancofer Stahlhandel GmbH	DE Mülheim	1	10.0	10.0	DEM 2800			3219
Brødrene Sundt Verktøimaskinfabrikk A/S	NO Oslo	2939	15.4	15.4	NOK 73			24
Oy Datacity Center Ab	FI Turku	1000	7.0	7.0	FIM 100		17	
Ekokem Oy Ab	FI Riihimäki	230	1.3	1.3	FIM 460		77	
Europäisches Entwicklungszentrum für Kokereitechnik GmbH	DE Essen	1	1.0	1.0	DEM 25		10	
Franzefoss Gjennvinning AS	NO Bärum	150	17.7	17.7	NOK 7500			1931
Hangöudds Utvecklingsbolag Ab	FI Hanko	800	10.0	10.0	FIM 800			137
Hex Oy	FI Helsinki	24400	0.6	0.6	FIM 100		25	
Buc Smedjebacken AB	SE Smedjebacken	125	12.5	12.5	SEK 13			1
Metalplast-Oborniki Sp.zo.o	PL Obornik	149903	16.9	16.9	PLN 141		910	
Odda Recycling AS	NO Odda	83	8.3	8.3	NOK 500			10
Posion Kehitysyhtiö Oy	FI Posio	20	3.4	3.4	FIM 200		34	
Raahen Liikuntahalli Oy	FI Raahе	17	8.5	8.5	FIM 17		177	
Raahen Tietotekniikka Oy	FI Raahе	10	2.3	2.3	FIM 10		8	
Savonlinnan Oopperajuhlat Oy	FI Savonlinna	1000	0.5	0.5	FIM 25		5	
Skandinavian Link Finska Oy	FI Helsinki	100	7.7	7.7	FIM 15		17	
Suomen Osakekeskusrekisteri Osuuskunta	FI Helsinki	16	2.2	2.2	FIM 370		54	
Technopolis Oulu Oyj	FI Oulu	10000	0.3	0.3	FIM 100		17	
Tammet Oy	FI Tammisaari	900	15.0	15.0	FIM 324			747
Tornator Oy	FI Helsinki	28371	2.1	2.1	FIM 2837		1387	
Shares in housing and real estate companies							2038	515
Other stocks and shares							862	483
Other stocks and shares, total							5638	7067
Other stocks and shares and non-eliminated subsidiary shares, total								13246
Own shares							6472	
Stocks and shares owned by Rautaruukki Oyj, total							263875	

Notes to the accounts

14. Inventories

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

15. Debtors

Long-term receivables include receivables due for repayment in one year or later. Current assets in foreign currency have been valued in the manner described in the accounting principles.

M€	Group Rautaruukki Oyj		Rautaruukki Oyj	
	2000	1999	2000	1999
Short-term non-interest bearing amounts owed by Group companies				
Trade debtors			25	38
Other non-interest bearing debtors			56	23
			81	61
Short-term amounts owed by associated companies				
Trade debtors	3	3	3	3
Essential items in prepayments and accrued income				
Tax receivables		1		
Interest receivables	1			
Insurance compensation receivables	1	1	1	
Staff expenses paid in advance		1		
Other accruals	18	15	5	7
Total accruals	20	18	6	7

16. Capital and reserves

M€	Group Rautaruukki Oyj		Rautaruukki Oyj	
	2000	1999	2000	1999
Share capital 1.1.	234	224	234	224
Bonus issue	3		3	
Share issue		10		10
Share capital 31.12.	236	234	236	234
Share premium reserve 1.1.	222	199	222	199
Bonus issue	-3		-3	
Share issue premium		23		23
Share premium reserve 31.12.	220	222	220	222
Revaluation reserve 1.1.	24	24	33	33
Revaluation reserve 31.12.	24	24	33	33
Fund for own shares 1.1.	0			
Transfer from retained earnings	6		6	
Fund for own shares 31.12.	6		6	
Profit from previous years 1.1.	357	415	170	183
Transfer to fund for own shares	-6		-6	
Dividend	-28	-40	-28	-40
Profit from previous years 31.12.	322	375	135	143
Profit/Loss for the year	50	-18	58	27
Translation difference	-2			
Capital and reserves, total 31.12.	856	836	688	658

M€	Group Rautaruukki Oyj		Rautaruukki Oyj	
	2000	1999	2000	1999
Distributable earnings				
Profit from previous years 1.1.	322	375	135	143
+ Profit/loss for the financial year	50	-18	58	27
- Redemption of own shares after the close of the financial year	-1		-1	
- Accumulated depreciation difference shown under capital	-298	-218		
= Distributable earnings	74	139	193	170

The biggest shareholders of Rautaruukki Oyj according to the share register as on 31.12.2000

Shareholder	Number of shares		Shares %
	Number	%	
1. Republic of Finland	55 656 699	40.1	
2. Pension Insurance Company Ilmarinen	6 655 233	4.8	
3. Odin Norden	6 522 900	4.7	
4. Mutual Pension Insurance Company Varma-Sampo	5 213 587	3.8	
5. Life Insurance Company Pohjola Ltd	1 545 000	1.1	
6. Industrial Insurance Company Ltd	1 489 370	1.1	
7. Merita Life Insurance	1 384 500	1.0	
8. Federation of Finnish Metal, Engineering and Electronical industries	1 372 000	1.0	
9. Local Government Pensions Institution	1 358 917	1.0	
10. Rautaruukki Workers' Pensions Foundations	1 328 655	1.0	
11. Life Insurance Company Sampo	1 294 000	0.9	
12. Rautaruukki Oyj	1 230 000	0.9	
13. Mutual Life Insurance Company Suomi	1 153 000	0.8	
14. Insurance Company Pohjola Ltd	913 066	0.7	
15. Kesko Pension Fund	837 452	0.6	
16. Esa Rannila	717 500	0.5	
17. Mutual Pensions Insurance Company Tapiola	700 700	0.5	
18. Investment Fund Evli-Select	653 000	0.5	
19. Onnenmäki Foundation	616 257	0.4	
20. The Central Church Fund	607 200	0.4	

The total number of shares held by members of the Supervisory Board and the Board of Directors was 23,319, which represent 0.02 % of the voting right conferred by all the company's shares. In addition the members of the Board of Directors held share options and convertible bonds which confer entitlement to subscribe at most a total of 1,215,540 K Shares, i.e. 0.88 % of the voting right.

Share capital of Rautaruukki Oyj by share series:

	number	€
Series K (10 votes/share)	138 886 445	236 106 957

Series A shares, as defined in the Articles of Association, have not been issued.

Shareholders by share ownership according to the share register as on 31.12.2000

Number of shares	Shareholders		Shares	
	No.	% thousands		%
1 – 100	2192	10.78	133	0.10
101 – 1 000	14334	70.49	6835	4.92
1 001 – 10 000	3421	16.82	9662	6.96
10 001 – 100 000	306	1.51	8563	6.16
100 001 –	81	0.40	113651	81.83
	20334	100.00	138844	99.97
On the waiting list or the joint book-entry account			42	0.03
			138886	100.00

Shareholders by sector according to the share register as on 31.12.2000

Sector	Shareholders		Shares	
	No.	% thousands		%
Companies	762	3.75	8270	5.95
Banks and insurance companies	96	0.47	14516	10.45
Public institutions	61	0.30	75932	54.67
Non profit institutions	243	1.20	4778	3.34
Private households	19086	93.86	17959	12.93
Administrative registrations	9	0.04	10035	7.23
Other foreign owners	77	0.38	7354	5.30
	20334	100.00	138844	99.97
On the waiting list or the joint book-entry account			42	0.03
			138886	100.00

17. Accumulated depreciation difference

In the consolidated annual accounts, the depreciation reserve has been transferred in part to capital and reserves and in part to the deferred tax liability. For the parent company Rautaruukki Oyj, the deferred tax liability, which would have been EUR 112 million, has not been separated out from appropriations.

M€	Rautaruukki Oyj	
	2000	1999
Accumulated depreciation difference 1.1.	335	373
Change in profit and loss account	52	-39
Accumulated depreciation difference 31.12.	387	335
Optional reserves and accumulated depreciation difference, total 31.12.	387	335

18. Provisions

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

M€	Group Rautaruukki Oyj			
	2000	1999	2000	1999
Pension liabilities 1.1.	7	4	4	
Change in staff expenses in the profit and loss account	2	3	1	4
Transfer from interest-bearing pensions loans	3			
Pension liabilities 31.12.	12	7	5	4
Tax provisions 1.1.	7	10		
Change	1	-3		
Tax provisions 31.12.	8	7		
Other obligatory provisions 1.1.	2	4		
Change in extraordinary expenses in the profit and loss account	25			
Other change	-1	-2		
Other obligatory provisions 31.12.	26	2		
Obligatory provisions, total	46	17		

19. Interest bearing long-term creditors

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

The currency mix and repayment schedule of the Group's long-term debt as of 31.12.2000

M€	Currency	Repayment							Total	% of total debt
		2001	2002	2003	2004	2005	2006	2007-		
Convertible bonds	EUR			3					3	0
Bonds and debenture loans	USD	75							75	7
	EUR				62		69		131	13
Loans from credit institutions	EUR	41	52	192	157	111	28	28	609	59
	SEK	31	113	15	3	3	3	3	171	16
Pensions loans	EUR	5	5	5	5	5	2		27	3
	SEK							16	16	2
	NOK						4		4	0
Others	EUR	1		1		1		2	5	0
		153	170	216	227	120	102	53	1041	100

The average interest rate on long-term loans was 5.16%

Notes to the accounts

Bonds

	interest rate	currency	Amount millions	2000 M€	1999 M€
1994–2001	floating	USD	70	75	75
1999–2004	4.0%	EUR	36	36	36
1999–2006	4.5%	EUR	66	66	66
				177	177

Convertible bonds

1998–2003	5.0%	FIM	20	3	3
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On the basis of options, 400 000 pcs K shares can be subscribed.

20. Deferred tax assets and liabilities

M€	Group Rautaruukki Oyj ¹			
	2000	1999	2000	1999
Deferred tax assets				
In the companies' accounts	5			
From consolidation	6	4		
From temporary differences	17	10		
	28	14		
Deferred tax liabilities				
In the companies' accounts	3	2		
From appropriations	117	102	112	97
From consolidation	8	7		
From temporary differences	33	27		
	161	138	112	97

¹ For the parent company, the deferred tax liability from the depreciation difference in the balance sheet is shown. This deferred tax liability is not booked to the company's balance sheet.

21. Accruals and deferred income

M€	Group Rautaruukki Oyj			
	2000	1999	2000	1999
Essential items in accruals and deferred income				
Tax liability	3	1		
Interest debts	8	11	8	11
Personnel expenses	62	56	39	35
Currency hedgings	1	2		2
Other accruals	29	23	12	7
Total accruals	103	93	59	55

Current non-interest bearing creditors owed to Group companies

Trade creditors			8	7
Other creditors			15	18
			24	25

Current non-interest bearing creditors owed to associated companies

Trade creditors	1	1	1	1
Other creditors	1		1	
	2	1	2	1

22. Contingent liabilities

Given securities

M€	Group Rautaruukki Oyj			
	2000	1999	2000	1999

Mortgage backed liabilities

Loans from financial institutions	3	3	2	3
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Collateral in value

Mortgaged real estates	21	86	19	86
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Collateral given on behalf of Group companies

Guarantees			52	51
Debit balance of Group bank accounts			67	49
			119	99

Collateral given on behalf of associated companies

Guarantees	2	2	2	2
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Collateral given on behalf of others

Guarantees	20	60	20	59
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Contingent and other liabilities

Leasing liabilities				
Due next year	33	27	4	
Due later	62	39	10	
	95	66	14	

Other financial liabilities

Repurchase liabilities	15	24	12	21
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Letter of Comfort liabilities* for Group companies

	13	20	13	20
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*Letter of Comfort liabilities do not constitute a legal guarantee.

23. Fair values of derivative contracts as at 31.12.2000

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

M€	Nominal value	Carrying amount	Fair value
Interest rate derivatives			
Forward rate agreements	64	-0.1	-0.1
Interest rate swaps	522	1.2	5.4
Foreign currency derivatives			
Foreign exchange forward contracts	458	-0.4	1.0
Currency options			
Bought	32	-0.4	-0.4
Sold	32	-0.2	-0.2
Metal derivatives*			
Zinc options			
Bought	11 900	-0.2	-0.2
Sold	11 900	-0.3	-0.3

* Nominal amounts of metal derivative contracts in thousands of tonnes

EXCHANGE RATES (euro)

Average rates

	2000	1999	1998	1997	1996
USD	0.924	1.066	1.113	1.145	1.295
GBP	0.610	0.659	0.672	0.699	0.830
SEK	8.447	8.808	8.846	8.745	8.684
NOK	8.113	8.310	8.400	8.102	8.361
DKK	7.454	7.436	7.454	7.566	7.506

Year-end rates

	2000	1999	1998	1997	1996
USD	0.931	1.005	1.167	1.097	1.280
GBP	0.624	0.622	0.705	0.661	0.756
SEK	8.831	8.563	9.487	8.663	8.811
NOK	8.234	8.077	8.872	8.041	8.248
DKK	7.463	7.443	7.449	7.481	7.614

24. Profit and equity in accordance with IAS

The differences between international and Finnish accounting practice

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

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

M€	2000	1999
Profit for the year in the consolidated accounts	50.3	-17.8
Goodwill depreciation allocated to reserves		7.1
Depreciation of revaluations	-0.8	-0.8
Deferred tax liability from depreciation of revaluations	0.2	0.2
Sale & lease back and other agreements	1.5	1.4
Profit for the year in the IAS accounts	51.2	-10.0
Capital and reserves in the consolidated accounts	856.4	835.8
Sale & lease back and other agreements	-3.0	-4.5
Depreciation of revaluations	-22.2	-21.4
Deferred tax liability from depreciation of revaluations	6.4	6.2
Capital and reserves in the IAS accounts	837.6	816.1

Notes to the accounts

25. Financial and share based key figures

		2000	1999	1998	1997	1996
Turnover	M€	2 708	2 388	2 579	2 296	2 159
Personnel on average		13 176	13 219	13 409	12 868	12 812
FINANCE						
Operating profit	M€	156	57	186	227	197
% of turnover	%	5.8	2.4	7.2	9.9	9.1
Profit/Loss before extraordinary items	M€	106	-6	127	169	120
% of turnover	%	3.9	-0.2	4.9	7.4	5.6
Profit/Loss before taxes	M€	81	-6	109	169	120
% of turnover	%	3.0	-0.2	4.2	7.4	5.6
Return on net assets	%	8.7	3.3	10.4	13.2	13.0
Return on equity	%	8.2	-2.0	9.7	16.7	11.9
Equity ratio	%	34.1	34.6	36.9	36.5	31.2
Gearing ratio	%	118	121	109	108	144
Gross investments	M€	176	197	235	251	340
% of turnover	%	6.5	8.2	9.1	10.9	15.7
Research and development	M€	20	20	18	16	16
% of turnover	%	0.7	0.8	0.7	0.7	0.7
Net interest expenses	M€	50	50	61	58	74
% of turnover	%	1.8	2.1	2.4	2.5	3.4
Interest bearing net debt	M€	1 017	1 014	954	916	946
Balance sheet total	M€	2 523	2 432	2 402	2 356	2 140
SHARE BASED KEY FIGURES						
Earnings per share, EPS	€	0.51	-0.13	0.64	0.98	0.63
- diluted	€	0.49	-0.13	0.63	0.98	0.63
Equity per share	€	6.23	6.02	6.44	6.35	5.48
Dividend per share	€	0.25*	0.20	0.30	0.34	0.25
Dividend per earnings	%	49.4*	-154.6	47.3	34.4	39.8
Price per earnings, P/E		7.6	-53.7	8.6	7.6	11.3
Share trading	thousands	34 318	41 116	68 150	57 215	30 651
Stock turnover	%	25	30	51	44	25
Share trading	M€	166	254	443	470	183
Average price of share	€	4.83	6.18	6.50	8.21	5.98
Lowest price of share	€	3.45	5.10	4.29	6.56	4.32
Highest price of share	€	7.20	7.30	8.16	9.92	7.40
Average adjusted number of shares	thousands	138 462	135 109	133 228	128 764	120 228
- diluted	thousands	142 183	138 699	134 939	128 765	120 229
Adjusted number of shares at year-end	thousands	138 886	138 886	133 228	133 228	120 228
Number of shares at year-end	thousands	138 886	138 886	133 228	133 228	120 228
- not counting own shares	thousands	137 540				
- diluted	thousands	141 355	142 476	135 779	133 229	120 229
Share price at year-end	€	3.82	6.95	5.53	7.40	7.15
Market capitalization at year-end	M€	531	965	737	986	859
Effective dividend yield	%	6.5*	2.9	5.5	4.5	3.5

* Board proposal

Principles governing the calculation of key figures

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

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

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

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

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

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

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

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

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

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

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

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

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

* Excluding depreciation of short-term investments

** Taxes have been stated without taxes related to extraordinary items.

BOARD PROPOSAL FOR THE USE OF PROFIT

At the closing of the accounts for 2000 the consolidated distributable capital and reserves of the Group was EUR 74 million, of which the profit for the year was EUR 50 million. The nonrestricted equity capital of the parent company was made up as follows:

Net profit for the year	EUR 57,955,183.37
Retained earnings from previous years	EUR 135,307,454.74
Redemption of own shares after the close of the financial year	EUR - 584,353.78
Total	EUR 192,678,284.33

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

shares total	138,886,445 pcs
shares in the company's possession on 12 February 2001	- 1,495,000 pcs
total shares not counting shares in the company's possession	137,391,445 pcs

a dividend of EUR 0.25 per share be paid, totalling EUR 34,347,861.25

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

Helsinki, 12 February 2001

BOARD OF DIRECTORS

Mikko Kivimäki

Lauri Mannerkoski Pekka Einamo Gösta Engman

Seppo Ahonen Seppo Sahlman Carita Putkonen

Peter Sandvik

AUDITORS' REPORT

(translation)

To the shareholders of Rautaruukki Oyj

We have audited the accounting records and the financial statements, as well as the administration by the Supervisory Board, the Board of Directors and the Managing Director of Rautaruukki Oyj for the year ended 31 December 2000. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and the company's administration.

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

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

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

Helsinki, 12 February 2001

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 2000, as well as the Auditors' Report, the Supervisory Board of Rautaruukki Oyj proposes to the 2001 Annual General

Meeting of shareholders that the profit and loss accounts and the balance sheets of the company and the Group be approved. The Supervisory Board concurs with the Board of Directors' proposal concerning the disposal of profit.

Helsinki, 21 February 2001

SUPERVISORY BOARD

Jouko Skinnari

Göran J. Ehrnrooth

Georg Ehrnrooth

Tuula Haatainen

Timo Ihämäki

Tauno Matomäki

Hannes Manninen

Seppo Kanerva

Inkeri Kerola

FINANCING AND FINANCIAL RISK MANAGEMENT

The Rautaruukki Group's financing operations and the management of financial risks are handled centrally by Group Management. The Board of Directors decides on the principles, objectives and risk levels for the treasury and financial risk management functions. The Group Treasury is responsible for implementing financing operations and managing risks. The divisions and other units are in charge of their own financial result and carry out their financial transactions within the Group.

The objective of the Group's management of financial risks is to reduce the negative effects of movements in the financial markets on the Group's earnings, shareholders' equity and liquidity. An essential part of the Group's risk management consists of cooperation and reporting between the Group Treasury function and the divisions for the purpose of minimizing financial risks.

Foreign exchange risk

The Group's foreign exchange risk is monitored and managed via three separate positions: the cash flow position, the balance sheet position and the foreign currency-denominated shareholders' equity position of overseas Group and associated companies.

The bulk of the Group's foreign exchange surplus against the euro consists of positions in the British pound, Swedish and Danish kronor/kroner and the Polish zloty. The prices of the most important raw materials are set in United States dollars. (Net cash flow risk in Table 1) For the estimated cash flow position, hedging has been done mainly in the British pound, in which about five months of the net cash flow has been hedged. The Group's balance sheet position has on average been completely hedged during 2000.

The most important foreign currency-denominated shareholder's equity items of overseas Group and associated companies were hedged in 2000, with the exception of shareholders' equity denominated in Swedish kronor.

Table 1. Estimated net cash flow risk against euro

	M€
USD	- 330
GBP	+ 120
SEK	+ 30
NOK	- 20
DKK	+ 85
PLN	+ 20
Other currencies	+ 20
Total	- 75

Table 3. Maturity distribution of the revolving credit facilities

M€	2001	2002	2003	2004	2005	Total
	60	60	105	76	163	464

Table 2. Estimated effect of a change of one percentage point in the interest rate curve on the sensitivity of net debt and net interest expenses

M€	Sensitivity	Interest flow risk (12months)
EUR	11.8	1.1
GBP	0.2	0.9
SEK	1.5	1.0
Other currencies	0.8	1.0
Total	14.3	4.0

Interest rate risk

The objective of the Group's risk management is to undertake hedging against major interest rate risks that may impact the Group's earnings. In order to spread out the risk, the Group's borrowing and investments have been diversified across fixed and variable interest rate instruments. Instruments used in hedging include interest rate swaps, forward rate agreements and futures. The major currencies from the standpoint of the Group's interest flow risk in 2000 were the euro, the Swedish krona and the British pound.

The Group's interest-bearing net debt at 31 December 2000 was EUR 1017 million and the average interest rate was 5.2 per cent. The Group's net debt, taking into account derivatives, is mainly in euros.

The Group's interest rate risk is monitored by way of interest flow risk (the impact of a change in the interest rate on estimated net interest expenses over the next 12 months). At 31 December 2000, the interest flow risk impact on the next 12 months of a one percentage point rise in the interest rate was EUR 4 million. In addition, the Group monitors the duration of net liabilities and their sensitivity to changes in the interest rate curve.

The duration of net debt, taking into account derivatives, was 1.3 years at the end of the year, and a change of one percentage point in the interest rate curve (sensitivity) would have led to a

change of about EUR 14 million in the market value. (Interest flow risk and sensitivity by currency in table 2. Derivatives used in hedging interest rate and foreign exchange risks are itemized in Note 23 page 43.)

Liquidity risk

To minimize refinancing risks, the Group strives to achieve a balanced maturity distribution of its loans and to utilize different sources of financing. To ensure liquidity the Group had, at the end of 2000, revolving credit facilities totalling EUR 464 million, of which amount EUR 234 million was unused. (Maturity distribution of the revolving credit facilities in Table 3.) In addition, the Group had several uncommitted credit facilities with banks as well as an EUR 250 million domestic commercial paper programme. As part of its liquidity management the Group seeks continuously to increase the effectiveness of its centralized Group cash pool arrangement.

Credit risk

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

RAUTARUUKKI STEEL

The investment programme starts to bring results



Lauri Rautala
Senior Vice President

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

Key figures

	2000	1999
Turnover, M€	1297	1034
Operating profit, M€	130	27
Return on net assets, %	11.4	2.8
Steel production, 1000 t	2564	2522
Personnel at year-end	5322	4960

Demand for strip products was good throughout the entire year. Demand for heavy plates, which had been at a low level, began to strengthen in the second quarter and was good during the latter part of the year.

The rise in strip product prices that began at the end of 1999 continued during 2000. Prices of heavy plate products began to strengthen in the second quarter. In the final quarter prices of hot-rolled and galvanized strip products started to fall.

Rautaruukki Steel's heavy plate and strip product deliveries totalled 2,524,000 tonnes (2,534,000), of which deliveries outside the Group and deliveries to the Steel Service Division accounted for 72 per cent (73). Deliveries of coated products grew 17 per cent to 683,000 tonnes.

Steel output grew to 2,564,000 tonnes (2,522,000). Output of hot strip products was reduced by a number of production disturbances and by a 19-day production shutdown required for the implementation of the investment programme. Some 320,000

tonnes of purchased slabs and 45,000 tonnes of purchased hot coils were used.

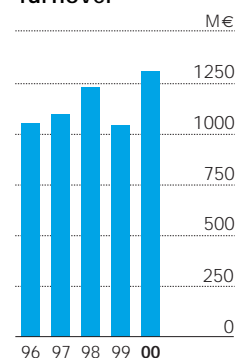
Fundia Profiler AS, which operates in Mo i Rana in Norway and whose main products are ship and construction profiles, was made a part of Rautaruukki Steel under the name Rautaruukki Profiler AS in order to realise marketing synergies. The company's figures are included in Rautaruukki Steel's accounts as of 1 January 2000. Deliveries of ship and construction profiles totalled 141,000 tonnes.

Rautaruukki Steel's turnover was EUR 1297 million (1034) and operating profit was EUR 130 million (27).

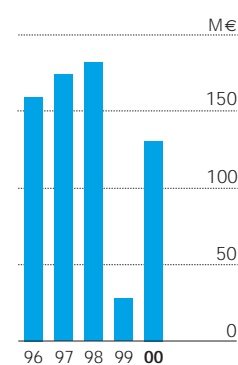
Investment programme completed

Rautaruukki Steel's five-year investment programme, whose purpose was to raise steel and rolling production and the output of coated sheet products, was completed. The programme will improve Rautaruukki

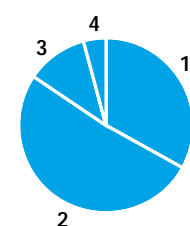
Turnover



Operating profit



External sales by region 2000



1	Finland	33 %
2	Other EU countries	51 %
3	Other Europe	12 %
4	Other countries	4 %

Rautaruukki Steel

Steel's cost competitiveness, increase the degree of upgrading of deliveries and diversify the product range.

At the Hämeenlinna Works, a modernisation project aimed at raising the colour coating capacity by 50,000 tonnes was completed and a new 400,000-tonne galvanizing line was installed in March. The new galvanizing line can manufacture coated sheet products in a greater size range and with new types of coatings. The



Profiles complete Rautaruukki Steel's product range for shipbuilding industry.

Full benefit from investments

Rautaruukki Steel will focus on exploiting to the full the just-completed investment programme, increasing cost efficiency and improving product structure and degree of service. The objective is a clear improvement in profitability.

Steel output will be raised as quickly as possible to an annual level of 2.8 million tonnes in line with capacity. This will reduce the quantity

of purchased slabs used in rolling and cut costs significantly. Most of the increased production will be further processed into coated products.

The features of the new galvanizing line will be utilized in the manufacturing of special products, such as galvanized sheet products possessing good deep drawing characteristics, and Galfan- and Galvannealed-coated sheets. The higher output of colour-coated products will be marketed



manufacture of Galfan-coated products, which contain aluminium, began and test runs were conducted on the line with the iron-zinc alloyed Galvannealed coating.

The last stages of the programme were completed at the Raahе Steel Works in the summer. One continuous casting machine was modernised, a coil box installed and coil conveyors renewed in order to increase the coil weight to 30 tonnes. Larger coils improve output and productivity.

The coated ELECTRO sheet products which Rautaruukki Steel has developed for the electrical and electronics industry have been well received on the market.



The good formability of RAGAL Galfan sheet is well suited to applications such as the manufacture of components for vehicle air bag systems.

RAGAL[®]

RACOLOR[®]

RACOLD[®]

as highly processed building products via the Steel Structure Division.

The efficiency of production will be improved and costs will be cut by raising the utilisation of production lines, by lowering the quality expenses and by focusing on the basic processes.

In Rautaruukki Steel an organization-wide change in operating practices is underway with the objective of strengthening customer orientation and service. Shipbuilding, engineering and steel construction have been chosen as the strategic business areas for plate operations. The strategic business areas for strip operations are the engineering, electronics and automotive industries as well as steel construction. Marketing and sales have been organised in line with the strategic business areas and most of the resources and development effort will be directed to these fields.

The co-operation with the Steel Service Division, which was reorganized at the beginning of 2001, will improve the customer service and the efficiency of sales and marketing operations.

Outlook for 2001

Consumption of plate and strip products is expected to remain good in 2001. The prices of heavy plate products are forecast to strengthen further in the first half of the year. Strip product prices have slightly weakened in the first quarter of 2001.

Steel output is expected to increase by nearly 100,000 tonnes, despite the interim repair of the second blast furnace chamber which will be performed in March. Deliveries of coated products are expected to increase by 150,000 tonnes.



Heavy pipes manufactured by Rautaruukki Steel's Presteel Oy for the undersea protective structures of an oil-drilling platform.



RAEX AR stands up to hard wear and tear and is suitable for use as a construction material for products like rock crusher stations.



A Finnish tractor makes use of Rautaruukki's steel in many forms.

RAEX®

METFORM

Good demand for steel tubes boosts deliveries



Heikki Rusila
Senior Vice President

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

Key figures

	2000	1999
Turnover, M€	386	333
Operating profit, M€	7	22
Return on net assets, %	5.4	14.0
Personnel at year-end	1602	1590

Metform's operations are organized by customer sector into five business areas.

In the Building business area demand for tubular products was good on all the main market areas. Deliveries increased and prices strengthened. There was a strong rise in sales, particularly in Finland.

Demand in the Household business area was good in the first half of the year. During the rest of the year, however, demand weakened and deliveries remained at the previous year's level. Vacuum cleaner tube deliveries grew. Prices strengthened from the beginning of the year but levelled off in the final quarter.

In the Industry business area demand for products was good in the engineering industry. Demand in the shipbuilding and maritime industries was satisfactory. Product prices strengthened in the second half of the year.

In the Automotive business area demand was at the previous year's level. Deliveries of components for vehicle headbag systems, which provide protection for the area of head,

grew during the second half of the year.

In the Pipelines business area the market situation continued to be mixed. Demand for large diameter pipes was weak in the main market areas. Demand for small and medium diameter pipes was good throughout the year and prices strengthened.

Deliveries increased

Metform's production progressed smoothly. A total of 607,000 tonnes of tubular products (566,000) was delivered. Deliveries to Finland, Sweden and Denmark increased, while deliveries to Germany and Norway



showed a slight decrease. Growth in deliveries for construction was particularly strong.

Metform had turnover of EUR 386 million (333) and an operating profit of EUR 7 million (22). The result was weakened by a rise in steel raw material costs, which was stronger than the trend in selling prices.

Division development continued

At the Hämeenlinna Tube Works, the precision tube machines were modernised in order to raise quality output capacity and efficiency. A pipeline welding unit was modernised at the Pulkkila Works. At Wirsbo Stålrör AB, Swellex special tube production capacity was increased and work began on the modernisation of the hot reduction line.

Restructuring and reorganisation measures were initiated at Carl Froh GmbH in order to restore profitability. Vacuum cleaner tubes were separated into their own business unit (Froh HouseTech GmbH & Co. KG). At Carl Froh, work began on modernising and adapting basic tube production to correspond with demand. The aim is to reduce personnel costs and shift from volume products to products yielding a better margin. In value-added products the focus will be on components for vehicle headbag systems, in which Metform is the market leader.

The development of automotive industry applications continued both

Metform delivered pipes for an extension of Finland's natural gas pipeline. Apart from their normal coating, the pipes – which are submerged in water – have a concrete sheath.

with partners and in the international ULSAB-AVC, ULSAC and ULSAS consortiums. Special tubes, which have arisen as a result of this development work, are already contributing significantly to reducing the weight of vehicles and improving safety. The use of high-strength steel tubes is also expected to grow in other areas of industry.

Outlook for 2001

Demand for steel tubes is expected to remain good in the Automotive, Household and Industry business areas. In the Building business demand is expected to fall to some extent and in the Pipelines business demand will continue to be uneven. The price trend for tubular products is expected to be better than for raw materials.



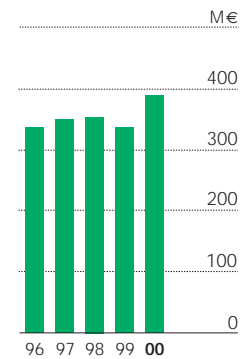
Car of the year in Europe in 2001. The frame of the back seat backrest is made from Metform's high strength FORM 600 DP steel tubes.

Metform's hollow sections in the spectator stadium structures of Helsinki's football arena.

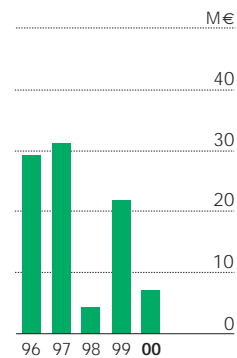


French furniture made from Metform's high-strength steel tubes.

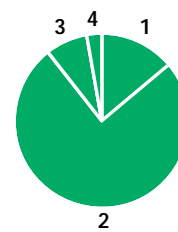
Turnover



Operating profit



External sales by region 2000



1	Finland	14 %
2	Other EU countries	75 %
3	Other Europe	8 %
4	Other countries	3 %

FORM TUBES™

STEEL STRUCTURE DIVISION

A clear improvement in profitability



Markku Koljonen
Senior Vice President

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

Key figures

	2000	1999
Turnover, M€	306	256
Operating profit, M€	20	16
Return on net assets, %	19.4	16.9
Personnel at year-end	1615	1398

Demand for the products of the Steel Structure Division remained good in the Nordic countries and was particularly strong at the end of the year. The recovery of the Russian economy improved the market situation both in Russia and in the neighbouring Baltic states and Poland. More effective marketing in Slovakia boosted demand for the division's products. The division's sales in Eastern and Central Europe grew by 26 per cent and represented 43 per cent of turnover. The price level of products also remained good.

Strong growth continues

The Steel Structure Division fulfilled its targets set in all market areas. The positive trend was influenced by enhanced operations and the launch of new products.

The Steel Structure Division's turnover totalled EUR 306 million (256) and operating profit was EUR 21 million (12). The operating profit figure for 1999 included a capital gain on the sale of shares in PPTH Oy of EUR 7 million.

Diversified service

Investments were directed mainly to complementing basic investments already made and to improving productivity. The Latvian factory was extended at the end of the year. Manufacturing of light-weight wall elements was started in Estonia and Russia. At the beginning of 2001 operations began in a new factory space acquired in St. Petersburg.

Rannila broadened its traditional expertise as a supplier of roofing systems by expanding into commercial

and office construction. In house building, the allocation of additional customer service resources to installation business has been successful and the business will be expanded in future. Rannila is focusing particularly on improving the efficiency of business operations in Finland and on developing new products.

Gasell divided its operations into Gasell Building and Gasell Industry. Growth of construction operations is expected to continue in the Scandinavian market. Gasell Industry's enhanced marketing attracted new customers. The new automatic box factory at Anderslöv and the new production line at Toijala will improve further Gasell Industry's ability to serve customers in the engineering industry.

Outlook for 2001

Demand for the Steel Structure Division's products is expected to remain good. The division's strong regional market position should help to maintain good price levels. The expansion of the product range in the Baltic states and Russia, and the new plant in the St. Petersburg area will strengthen the division's market position further. Continued growth in the division's sales to Eastern and Central Europe is expected.

Gasell Building delivered Shine-coated facade profiles and panels for the Millennium Stadium in Cardiff.

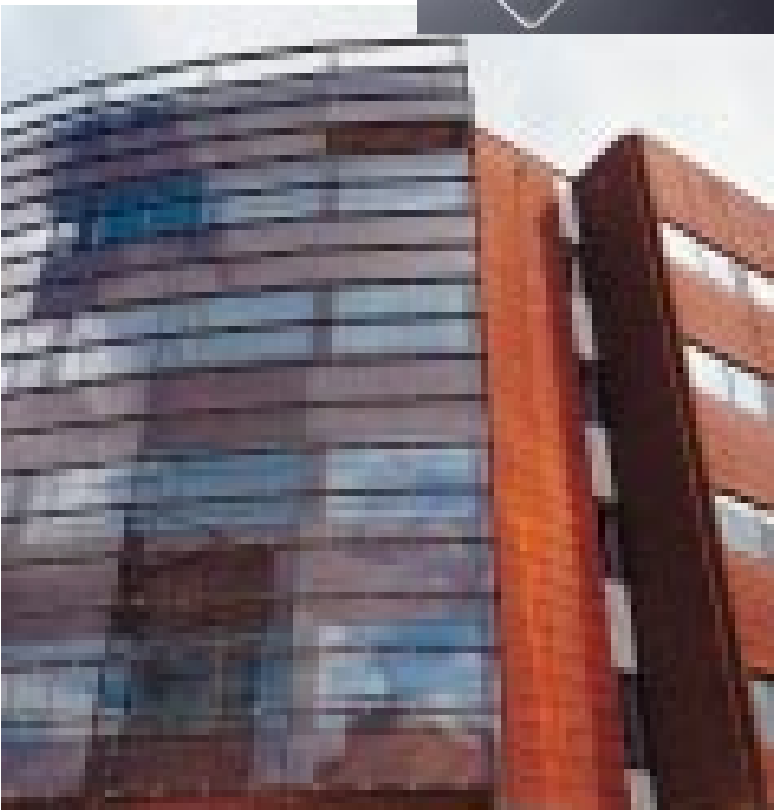




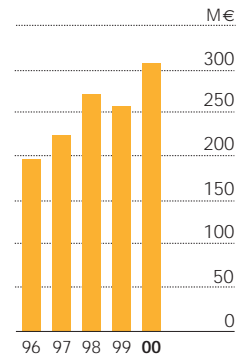
The Steel Structure Division's deliveries to Russia and other countries in Eastern Europe grew strongly.

Gasell Industry's product range has expanded as new production lines have come on stream.

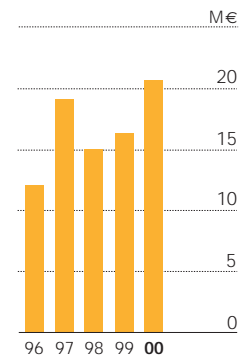
This office building, which won Finland's Steel Structure of the Year award makes use of Rannila's facade panels made from Corten steel.



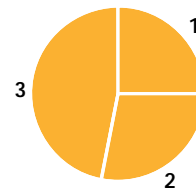
Turnover



Operating profit



External sales by region 2000



- 1 Finland 25 %
- 2 Other EU countries 28 %
- 3 Other Europe 47 %



The aim is a significant reduction in costs



Jarmo Tonteri
Managing Director

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

Key figures

	2000	1999
Turnover, M€	644	654
Operating profit, M€	- 9	- 8
Return on net assets, %	neg.	neg.
Steel production, 1000 t	1740	1658
Personnel at year-end	2831	3152

The demand for long steel products improved in the early part of 2000 and remained stable in the latter part of the year. Product prices rose throughout the year except for reinforcing steels, whose prices took a downward turn in the second half of the year. Prices of long steel products rose more slowly, however, than prices of flat steel products.

Fundia's deliveries totalled 1,760,000 tonnes (1,854,000). Fundia Profiler, which manufactures profiles in Mo i Rana, became part of the Rautaruukki Steel organisation as of 1 January 2000. In addition the contraction of deliveries was influenced by the ending of reinforcing production at Smedjebacken in summer 1999. Delivery volumes of other products increased. The average price of euro-denominated deliveries, excluding profiles, rose by 8 per cent. The corresponding rise in Swedish kronor was 4 per cent.

Fundia's turnover was EUR 644 million (654) and its operating result was a loss of EUR 9 million (8). Price rises in raw materials and energy could not be transferred in full to the

prices of steel products. The price of scrap in Swedish kronor rose by 22 per cent and the euro-denominated price of iron pellets rose by 23 per cent compared with the previous year.

Restructuring and reorganisation

Fundia's earnings trend has been weak and steps taken to improve the situation have been insufficient. Fundia, therefore, has initiated restructuring and reorganisation measures, in relation to which a EUR 18 million provision for non-recurring expenses has been made in the 2000 financial statements. The aim is a significant reduction in personnel and other fixed costs. The reorganisation measures will be implemented during 2001. Discussions with personnel began in February.

Development programmes continue

Fundia Special Bar aims to increase the proportion of special products in its deliveries and to decrease the proportion of the weakly profitable merchant steels. The quality of products

improved at the Smedjebacken and Boxholm Works. Productivity rose at both units with a positive earnings trend.

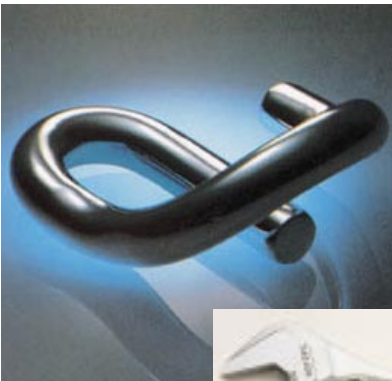
An extensive development programme to improve competitiveness is underway at Fundia Wire. Its aim is to improve the quality and degree of upgrading of products and to reduce production overheads. A new ladle furnace and a modernised casting machine were commissioned at the Koverhar Works in February–March 2001. Equipment will be installed at the Dalsbruk rolling mill in summer 2001 to facilitate the transfer to end-less rolling.

The Netherlands company Nedstaal Draad BV, in which Fundia previously had a 30 per cent stake, became part of Fundia Wire at the beginning of 2001. Nedstaal Draad produces, among other things, cold-heading wire used in bolts and other fastenings for the automotive industry. The Koverhar Works will deliver to Nedstaal Draad the bulk of the billets it requires, which will reduce the need to export semi-finished products and significantly increase the degree of upgrading of Fundia Wire. After the completion of the development programme in summer 2001, Fundia Wire will become one of Europe's largest manufacturers of cold-heading wire and wire for ball-bearings.

Fundia Reinforcing is focusing on boosting sales and reducing costs. The operations of Fundia Bar & Wire Processing continued on a positive note and the operations will be further enhanced.

Outlook for 2001

In early 2001 demand for long steel products is expected to continue at the previous year's level. The trend for prices, however, is expected to be unstable. Restructuring and reorganisation measures are expected to have a significant impact on Fundia's earnings in 2002.



Chrome-plated bars manufactured by Fundia Cromax have a strong market share within hydraulic systems for different types of work machines.

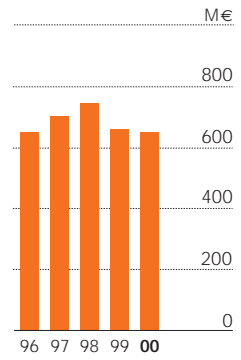
The steel manufactured by Fundia Special Bar is used in the anchoring clips of railway tracks.



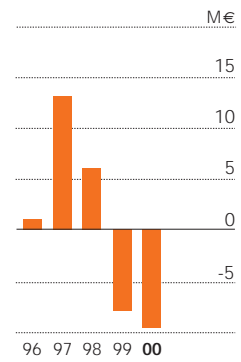
Fundia is increasing the proportion of speciality steels within its production.

Various mesh fences are an important application of rolled wire.

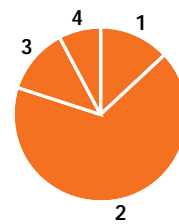
Turnover



Operating profit/loss



External sales by region 2000



- 1 Finland 13 %
- 2 Other EU countries 67 %
- 3 Other Europe 12 %
- 4 Other countries 8 %

fundia

STEEL SERVICE

Steel Service enjoys strong growth



Matti Arteva
Senior Vice President

Rautaruukki Steel Service markets steel products of the Group prefabricated to customers' order. The division also markets steel products of other manufacturers as well as other materials such as aluminium and stainless steel.

Key figures

	2000	1999*
Turnover, M€	620	431
Operating profit, M€	33	19
Return on net assets, %	19.5	15.8
Personnel at year-end	1122	914

* including only Asva and CCB Stål

Demand for steel and metal products clearly began to rise in the engineering and metal products industry and continued to grow in the electronics and electricity industry. Development was boosted by the strong order books of heavy industry and construction. Prices strengthened markedly at the beginning of 2000, but levelled off towards the end of the year. The price fluctuation was strongest in stainless steel.

The recovery of the Russian economy significantly increased demand for steel products. The effects were also felt in neighbouring countries, particularly Estonia and Poland. In Norway demand was also good.

The Steel Service Division's turnover totalled EUR 620 million (431) and operating profit was EUR 33 million (19). The figures for 1999 include only Asva and CCB Stål.

The Steel Service Division's turnover grew and profits improved in all of the division's units. Turnover grew in Finland by 30 per cent. In addition to general economic conditions and rising prices, the turnover figures were also influenced by industry's

increased outsourcing of prefabrication operations.

The result was also much improved in Poland and Estonia. In Norway the division managed to increase market share and exceed profit targets in spite of hard competition and cost pressures.

Prefabrication services added

In line with strategy, investment in Finland focused on increasing prefabrication services. Cutting operations for stainless steel and aluminium

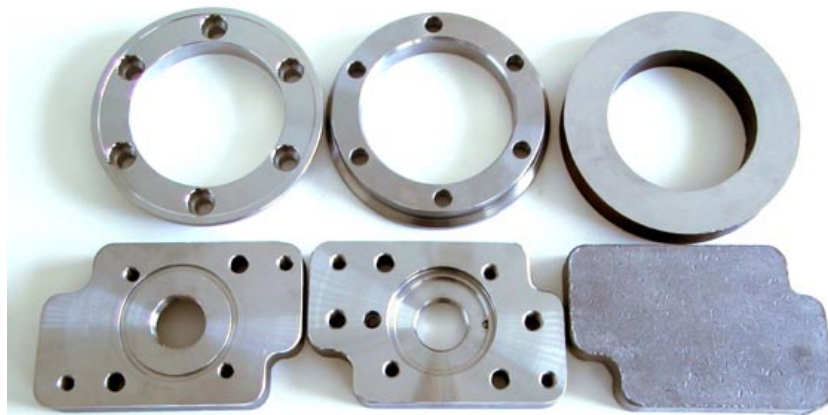
products were centralised in a new production facility established in Järvenpää. In Hyvinkää warehousing and prefabrication services will improve after the factory extension is completed in summer 2001. The extension of the Seinäjoki steel service centre will double form-cutting capacity for hot-rolled steel to 50,000 tonnes.

The new steel service centre opened in St. Petersburg at the end of the year significantly improves the offering of prefabrication services in the area. As the Russian economy grows, the growth prospects for the steel service centre appear good. The Steel Structure Division's production unit operates in the same property.

In February 2001, Rautaruukki acquired the Swedish steel service company Heléns Stål AB, which has units in Sweden and Denmark. The deal requires the approval of the EU competition authorities. Improving cooperation between steel service centres operating in the Nordic countries is expected to yield significant cost benefits in, for example, logistics, warehousing and purchasing. The aim is to expand further Heléns Stål's product area and diversify its prefabrication operations.

Investment projects underway in Norway will enhance warehousing and prefabrication operations and

The metal industry is outsourcing its prefabrication functions. Rautaruukki Steel Service delivers installation-ready machine components to its customers.



will improve the division's competitive positions, particularly in the off-shore industry. Fundia's coil cutting operations in Mülheim, Germany were transferred to the Steel Service Division.

In September, Rautaruukki Steel Service opened the electronic AsvaNet trading site, which will initially serve account customers in Finland. The intention is to extend AsvaNet to foreign units at a later date.



AsvaNet, Asva's e-commerce website, offers customers over 5000 standard products online.

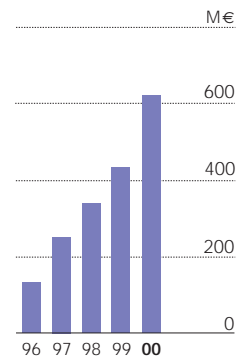
A Finnish bicycle manufacturer receives ready-for-fabrication frame components delivered in accordance with its production programme.



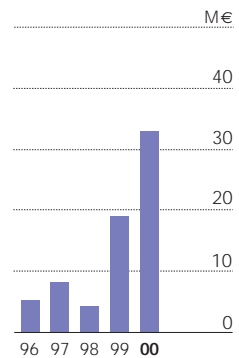
Outlook for 2001

Owing to the strong order book of customer sectors and increasing outsourcing of prefabrication operations, the demand for steel services is expected to remain good. Prices of steel and other metal products are expected to fall during the first part of the year. Start-up costs arising from investments will influence the division's result in 2001.

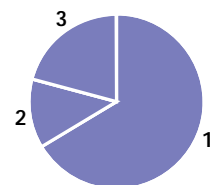
Turnover



Operating profit



External sales by region 2000



1	Finland	66 %
2	Other EU countries	13 %
3	Other Europe	21 %



ENVIRONMENTAL PROTECTION

Rautaruukki has committed itself to adhering to the environmental policy confirmed by management as well as the environmental principles of both the International Iron and Steel Institute (IISI) and the International Chamber of Commerce (ICC). The principles of sustainable development underpin Rautaruukki's goal and core values.

The Group's objective is to obtain certification in line with the ISO 14001 standard for all of its production units from an external accreditation institution. By the end of 2000, close to 30 units had secured certification; the combined turnover of these units was about 85 per cent of the turnover of all production units.

The Steel Structure Division is currently setting up an environmental system at its Latvian, Lithuanian, Ukrainian and Czech units. Asva has also initiated the establishment of such a system at its largest business locations.

Achieving higher efficiency in energy conservation

All of the Group's units strive to achieve energy savings by upgrading energy efficiency. Rautaruukki has made a voluntary energy conservation agreement with the Ministry of Trade and Industry which encompasses all of the Group's Finnish units. The objective is to reduce specific energy consumption by 10 per cent from its level in 1990 by the end of 2005.

In 2000, the energy conservation programme was implemented as planned. The specific energy consumption of the Group's largest unit, the Raahe Steel Works, decreased by three per cent.

Sustainability Group Index

In 1999, Rautaruukki was selected for the Dow Jones Sustainability Group Index (DJSGI), which includes over 200 companies representing 64 fields

of industry from 36 countries. The benchmarks of sustainable development involve the assessment of the financial, ecological and social aspects of companies.

In 2000, a total of 14 steel companies were analyzed worldwide for the DJSGI. Of these, only four steel companies were approved for the DJSGI, Rautaruukki among them. However, from 2000 onwards, a company's free float market capitalization has to match a certain base level, and for this reason Rautaruukki was excluded from the DJSGI.

Environmental publications provide detailed information

Rautaruukki issues a Group Environmental Report every two years. These reports provide detailed information on the environmental impacts of steel manufacturing and processing as well as on Rautaruukki's environmental objectives and the measures taken to implement them.

The Group Environmental Report deals not only with environmental issues, but also with the company's economic and social impacts. The Group Environmental Report for 2000 will be published in autumn 2001. In addition, Rautaruukki Steel publishes its own Environmental Report, which includes the Raahe Steel Works' certified EMAS Statement.

Rautaruukki's Environmental Report for 1999 was selected as Finland's best in an environmental reporting competition. Rautaruukki Steel's Environmental Report came in second in its own category.

Environmental publications can be read at and ordered from Rautaruukki's site, www.rautaruukki.com.

ISO 14 001 Environmental Certifications of the Group

Rautaruukki Steel

Raahe Steel Works, 1997 (EMAS 1997)
Hämeenlinna Works, 1998
Kankaanpää Works, 2000
Halikko Works, 2000
Oy JIT-Trans Ltd, 1999
Rautaruukki Profiler AS, 1999

Metform

Pulkila Works, 1999
Oulainen Works, 1999
Hämeenlinna Tube Works, 1999
Lappohja Works, 1999
Nordisk Simplex A/S, 1999
Carl Froh GmbH, 2000
Wirso Stålrör, 2000

Steel Structure Division

Rannila Steel, 1988
- Alajärvi Works
- Kaarina Works
- Vimpeli Works
Gasell Profil, 1999
- Anderslöv Works
- Gävle Works
Rautaruukki Polska, 1999
Stelform A/S, 1999
AS Rannila Profiil, 2000
Rautaruukki Toijala Works, 2000

Fundia

Fundia Armeringsstål AS, 1996
Fundia Wire Oy Ab, 1999
Fundia Hjulbro AB, 1999
Fundia Special Bar AB, 2000
Fundia Mandal Stål, 2000

RESEARCH AND DEVELOPMENT

The aim of Rautaruukki's research and development is to improve the Group's competitiveness through developing productivity and production methods as well as new products and services. The bulk of outlays on research and development are directed at the company's selected strategic business areas.



Rautaruukki participates in the international UltraLight Steel Auto Closures (ULSAC) program which is a study undertaken by a 33-member consortium of steel producers. By using high and ultra high strength steels combined with advanced manufacturing technologies, ULSAC has developed a frameless car door, which is 33 percent lighter than the average benchmarked doors without compromise to safety and structural performance.

Rautaruukki Steel concentrates on branded products

A higher share of deliveries was accounted for by hot rolled special products and customized products that are made to highly exacting specifications and which boast superior characteristics, over and above the standard level. A greater proportion of steel products are marketed under the Rautaruukki brand.

The RAEX family of hot rolled strip products was developed further and the range of grades was expanded. Higher-strength versions of RAEX OPTIM steel, which is suitable for demanding applications in engineering works, were developed. Delivery volumes of RAEX LASER steel were stepped up by developing cooperation with customers.

In autumn, the new RAEX MULTISTEEL was launched. This multi-purpose steel can be used for structures, pressure vessels and ships. RAEX MULTISTEEL fulfils or exceeds the requirements set on many grades of standard steel. Replacing numerous grades of steel with a single grade

leads to lower transport, processing and storage costs for the customer.

The Hämeenlinna Works' new galvanizing line started production of Galfan-coated sheets. Galfan is an aluminium-zinc alloy coating which has excellent corrosion resistance and formability. The line also conducted test runs with the Galvannealed coating, an iron-zinc alloy coating, whose advantages include good welding and painting characteristics.

Metform engages in international cooperation

At Metform, research work is increasingly being carried out in international research consortia such as CIDECT and the European Pipeline Research Group. The global ULSAB-AVC, ULSAC and ULSAS consortia developed usage applications for the automotive industry in particular. The special Metform pipes that are the fruit of these research efforts are already employed to a significant degree in the reduction of the weight of automobiles and the improvement of their safety.

On Metform's initiative, a project to develop design instructions for cold-formed hollow sections was started up. The project is supported by the European Coal and Steel Community and is expected to substantially increase the use of hollow sections in various applications.

Fundia develops special products

Fundia aims to increase the share of its production accounted for by low-alloy special steels and highly upgraded products.

Fundia Special Bar's Smedjebacken Works developed a technique for manufacturing steel for shock absorber rods. The aluminium and sulphur content of this steel is rigorously controlled. The rod material for the shock absorbers is rolled at Fundia Wire's Needstaal Draad Works in the Netherlands.

Fundia Wire developed Dual Phase steel, which simplifies bolt manufacture. Trial deliveries are now being started up. Thanks to this new grade of steel, neither soft annealing nor the hardening of the completed product need to be performed during bolt manufacture, thereby also improving the dimensional accuracy of the bolts.

New construction products

The Steel Structure Division aims to develop new, customer-focused construction systems and components. The division launched a new product family: Design products for facades. Development work continued on Rannila's Classic roof products and the range of applications for AWS acoustic partition wall studs, which insulate sound effectively, was expanded to cover the construction of terraced houses and public premises. The division has continued to modify its products for use in the conditions of continental Europe, thereby opening up new business opportunities.

PERSONNEL

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

Development of competence

The most important factor behind Rautaruukki's high-performance operations is its professionally skilled and competent personnel. The Group is changing over to a new customer-focused business model that calls for the development of competence and functions throughout the entire organization.

A permanent competitive advantage can be achieved through the management and development of information and competence. The Group's intranet, which covers almost all of its business locations, is used as a management tool and as a channel for the dissemination of in-

formation. The intranet's English version was now launched.

Development discussions are an integral part of a mode of management that encourages and inspires. Development discussions have been started up in all divisions, enabling the company to improve learning both at the organization level and among individual employees.

In order to make efficient use of its current intellectual capital, the Group is devoting effort to the promotion of job rotation among personnel. A data acquisition system has been developed which allows for the systematic assessment of the competence of personnel; with the aid of

this system, internal recruitment can be carried out faster, and it can be ensured that the right people are selected. The challenge facing the company is to make the experienced-based know-how of top experts available for the use of the entire organization.

The Group-wide Excellence Programme for the development of management and expert resources was continued. The programme is being implemented with the assistance of foreign experts and Rautaruukki's own experts. The programme also supports networking between different divisions.

Recruitment of youth plays a key role

One of Rautaruukki's challenges in the near future will be to establish an attractive and dynamic corporate image that will facilitate the recruitment of top-notch experts. Due to the Group's age structure, over the next five years Rautaruukki must recruit about one hundred persons who have completed a university degree.

In Rautaruukki training sessions, employees get a new grasp of how to operate profitably.



A wide range of incentive bonus systems

The Group employs three types of incentive bonus systems for its personnel: profit-based bonuses, result-based bonuses and performance-based bonuses.

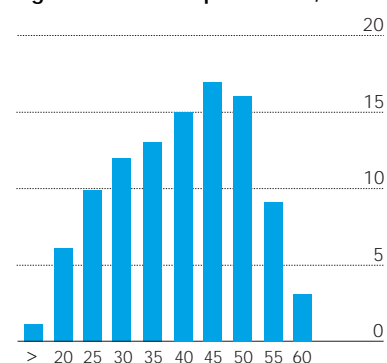
The entire Group uses a bonus system in which bonuses are based on the Group's earnings. In Finland, any annual profit-based bonuses are paid into the personnel fund, while at foreign units the bonuses are paid directly to individual employees. In order for profit-based bonuses to be paid, the Group's return on net assets must be at least 10 per cent.

The parent company also employs a bonus system which hinges on the results of a given business division or unit; under this system, the final amount of the bonus is determined by the Group's return on net

Personnel at year-end

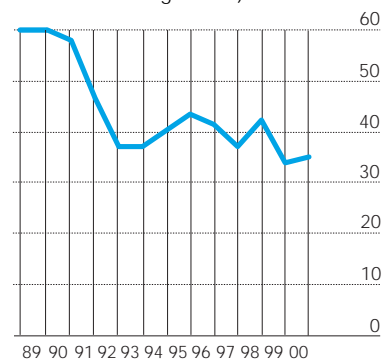
	2000	1999
by division		
Rautaruukki Steel	5322	4960
Metform	1602	1590
Steel Structure Division	1615	1398
Fundia	2831	3152
Steel Service	1122	914
Other units	508	477
Total	13000	12491
by country		
Finland	7943	7741
Sweden	1792	1760
Norway	1092	1044
Germany	760	764
Denmark	265	254
Russia	252	112
Poland	155	166
Estonia	139	124
Slovakia	115	71
Ukraine	103	67
Great Britain	82	98
Netherlands	82	70
Lithuania	81	89
Latvia	71	67
Other countries	68	64
Total	13000	12491

Age structure of personnel, %



Accident rate

(number of accidents per million working hours)



assets. In 2000, the size of the result-based bonus was 0–2 per cent of the annual salaries of the personnel covered by the bonus system, depending on the result of the division in question. Foreign units are preparing to implement result-based bonuses.

Performance-based bonuses go a long way back at Rautaruukki. Different types of bonuses tied to production volumes, quality, time and other performance benchmarks have been used primarily within the parent company since the end of the 1980s. To date, foreign units have made very little use of performance-based bonuses. In 2000, the size of the performance-based bonuses was about 3–5 per cent of the annual salaries of the employees covered by the system.

There are two incentive systems for the Group's management: an op-

tion programme launched in 1998 and a share bonus system launched in 2000. Approximately 100 of the Group's key employees are covered by each of the systems, which are based on the comparison on the Group's return on assets and share price trend with those of other companies in the field.

Boosting occupational safety

The incidence of accidents has remained at around the same level for numerous years. At the Finnish units, 36 work accidents occurred per one million working hours. In order to improve this figure further, a "zero accidents" policy has been more widely adopted as the basis of occupational safety efforts. Operating practices informed by this policy have also been applied.

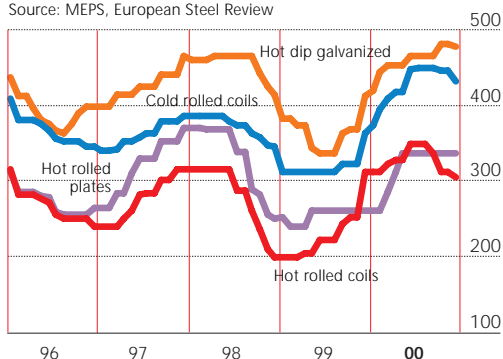
The severity of accidents has continued to decline. At the Finnish units, the number of sick days due to accidents fell by over 10 per cent.

Activities aiming to maintain occupational fitness are being carried out at all of the Group's Finnish units, and such activities are now being introduced at the foreign units. In line with the model employed by the company, the occupational fitness of employees and the condition of the working environment and community are evaluated using fitness tests and various surveys. Measures to upgrade the vigour of personnel, the soundness of working conditions and the viability of the working community have been initiated on the basis of the results and feedback.

PRICE TRENDS AND STATISTICS

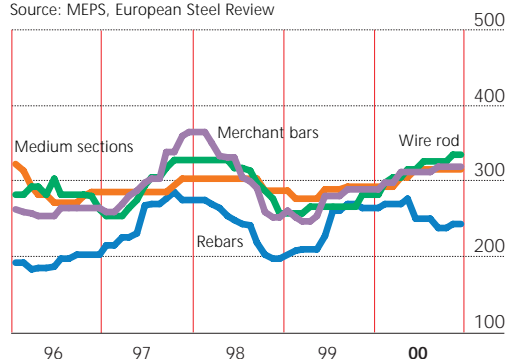
Flat steel products, basic price in Germany, €/t

Source: MEPS, European Steel Review



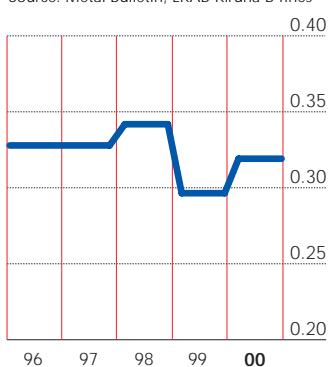
Long steel products, sales price in Germany, €/t

Source: MEPS, European Steel Review



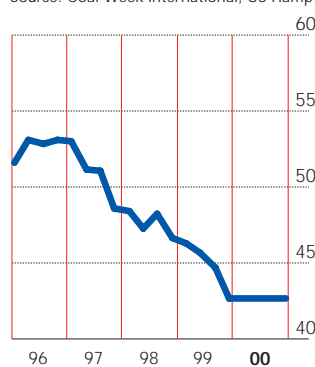
Iron ore, USD/t/Fe%

Source: Metal Bulletin, LKAB Kiruna B fines



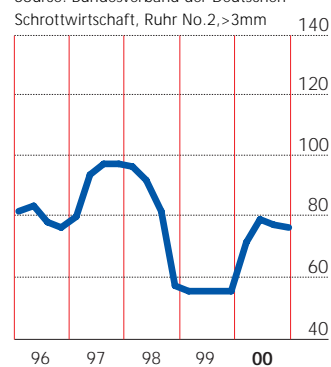
Coking coal, USD/t

Source: Coal Week International, US Hampton Roads



Iron scrap, €/t

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



GROUP STEEL PRODUCTION AND EXTERNAL DELIVERIES

Including deliveries to Rautaruukki Steel Service	1996	1997	1998	1999	2000	
Steel production	1 000 t	3586	4083	4273	4180	4333
EXTERNAL DELIVERIES						
Hot rolled plates, sheets and coils	1 000 t	1016	948	1209	1110	1106
Cold rolled sheets and coils	1 000 t	308	295	258	305	248
Coated sheets and coils	1 000 t	464	442	406	447	491
Tubular products	1 000 t	476	560	559	566	606
Profiled sheets and sections	1 000 t	160	199	246	232	268
Long steel products	1 000 t	1860	1908	1 942	1854	1874

Turnover by quarter (EUR million)

	I/99	II/99	III/99	IV/99	I/00	II/00	III/00	IV/00
Rautaruukki Steel	255	256	241	282	299	334	305	359
Metform	78	87	76	92	100	103	86	97
Steel Structure Division	40	66	79	70	51	73	95	88
Fundia	165	164	152	173	161	163	148	172
Steel Service	103	110	104	114	144	154	162	161
Other units	18	20	1	10	1	3	3	6
less internal invoicing	-76	-97	-95	-100	-123	-150	-146	-141
Consolidated turnover	583	606	559	640	633	680	652	742

Operating profit/loss by quarter (EUR million)

	I/99	II/99	III/99	IV/99	I/00	II/00	III/00	IV/00
Rautaruukki Steel	8	3	-7	24	15	35	25	55
Metform	1	9	3	9	8	4	-2	-3
Steel Structure Division	3	1	8	4	-0	3	11	6
Fundia	-2	-1	-2	-4	4	2	-7	-7
Steel Service	2	6	5	6	9	10	8	5
Other units and internal items	-6	-3	-7	-4	-10	3	-12	-6
Consolidated operating profit	6	15	1	35	25	57	23	51

Five-year statistics on page 44