

YEAR 2001 IN BRIEF

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

- Steel markets weakened strongly in the second half of the year
- The degree of upgrading of Rautaruukki's deliveries rose
- Turnover increased by 7 per cent
- Profit before extraordinary items was EUR 41 million

	2001	2000
Turnover, M€	2,906	2,708
exports from Finland and international operations %	70	69
Operating profit, M€	93	156
% of turnover	3.2	5.8
Profit/loss before extraordinary items, M€	41	106
% of turnover	1.4	3.9
Profit/loss before taxes, M€	41	81
% of turnover	1.4	3.0
Interest bearing net debt, M€	1,087	1,017
Return on net assets, %	5.0	8.7
Return on equity, %	3.4	8.2
Equity ratio, %	33.3	34.1
Earnings per share, €	0.22	0.51
Equity per share, €	6.21	6.23
Personnel on average	13,678	13,176

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

Dear Shareholders

From a good start of the year to a difficult year end

The beginning of 2001 boded well for companies in the steel market, but the sharp slowdown in world economic growth led to a difficult situation towards the end of the year.

Rautaruukki's earnings trend last year tracked the general pace of the economy. As recently as the first part of the year it was estimated that earnings would develop favourably. The difficult market situation in the latter months, however, slashed the previous year's result in half.

Because of the tough market conditions and partially owing to the unforeseen repairs to the Raahe blast furnace, last year Rautaruukki was not able to exploit fully the possibilities offered by Rautaruukki Steel's investment programme.

The weakening in the business cycle, including the steel markets, has affected the entire sector's earnings. In the current year we at Rautaruukki are focusing on lifting profits by intensifying our own corrective measures. It is also estimated that the poor market situation at the beginning of the year will improve as the year wears on.

Earnings potential

We have at our disposal the potential for higher earnings now that Rautaruukki Steel's capital expenditure projects have reached completion. We aim furthermore to lift Rautaruukki Steel's output and to increase the share in our deliveries of speciality products that are marketed under brand names. At the same time we are also trimming costs with an eye to improving our efficiency.

Rautaruukki is quickening the tempo of its actions to develop into a company that manufactures high-



margin speciality products. Concurrently, we are honing our customer service ability so that it is in line with the demanding service challenges related with these products.

Over the past five years Rautaruukki has transformed itself from being a manufacturer of steel products to become a company that operates in the processing and service sector. The share of highly upgraded, prefabricated and service-intensive products has already grown to 50 per cent of our turnover. We are increasing the proportion of the business that produces added value for Rautaruukki and our customers.

Fundia's restructuring

One of last year's accomplishments at Rautaruukki was that we pushed ahead with Fundia's restructuring programmes. Cutting 500 staff from the payroll of Fundia coupled with an improvement in profitability for specific products and customers are estimated to lead to an improvement in earnings right during the current year.

When the business cycle improves and we ramp up our own operations, Fundia will be in a position to achieve a significant improvement in profits. Cost-effectiveness measures are being continued Group-wide – at all our divisions and within Group administration.

Steel market faces difficult decisions

The United States' attempt to protect its own markets with import tariffs has led to uncertainty and a fall in prices in the steel markets outside the United States. As a consequence of the United States' regrettable actions, the EU countries too must defend

their own interests because there are serious obstacles in the way of free competition.

The process of consolidation that has created stability in the steel industry and led to healthier markets has made great strides in Europe, and there are signs that it is also getting under way in the United States. The fragmentation of the US steel industry has also been a reason for the sector's difficult competitive situation and a partial reason why the country's steel industry wants to protect itself against foreign competition.

The talks initiated by the OECD with the aim of cutting the world's steel producing capacity can possibly yet affect the United States' planned three-year protective tariffs. Were the OECD talks to lead to a successful outcome, this would improve the balance of supply and demand in the global steel markets.

Cutting overcapacity amongst the world's steel producers is a difficult problem, and the probable upswing in the business cycle can make it more difficult to achieve the cuts. From the standpoint of the steel industry the matter is nevertheless of great importance and that is why it is hoped that these measures aiming at stabilizing the markets and bringing about a healthier price level will be successful.

A modest upswing expected in 2002

According to various forecasts, European economic growth in 2002 is not estimated to exceed last year's. In the steel markets the operating environment is expected to improve towards the end of the year because economic growth is likely to pick up somewhat in the second half.

The prices of steel products in Europe will be affected by the trend in the supply and demand of products. The biggest contributing factor will be the continuation of production curtailments by European companies and the level of imports to western Europe. In the latter respect we are now in a new kind of situation following the USA's decisions. It is estimated that the stock situation will normalize in Europe during the current spring.

Some European steel companies have announced they are raising their product prices at the start of the second quarter. For Rautaruukki too, the deliveries so far agreed for the second quarter, particularly in strip products, have been made at stronger selling prices.

Over the past years Rautaruukki has made major inputs both in terms of investments and acquisitions. In the current year we shall concentrate on making the most of them. To improve cash flow, our capital expenditures this year will be lower than depreciation and we shall also continue to step up the capital turnover rate and to improve the balance sheet structure.

Rautaruukki's Board of Directors is proposing that a dividend of EUR 0.20 per share be paid for the 2001 financial year. This is line with our stable dividend policy as we have promised. I wish to extend my warm thanks to our shareholders, customers and personnel for the trust you have shown in our company during 2001.

Helsinki, 11 March 2002
Mikko Kivimäki

STRATEGY AND GOALS

Financial goals

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

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

Dividend policy

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

Rautaruukki's objective

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

Vision

Tomorrow's Rautaruukki is a leading company on its main market, the Nordic countries, and nearby 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 in-depth 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

RAUTARUUKKI'S NEAR-TERM TARGETS

More speciality products and cost-effectiveness

Rautaruukki wishes to profile itself as a steel company which in its own core market area produces highly upgraded speciality products and outperforms its competitors in providing customer service. In line with this objective, the share of the processing and service business for steel products will be increased further.

The Rautaruukki Group is continuing with actions to improve cost-effectiveness and raise the degree of value added processing and service. The company is also seeking to improve product and service-specific profitability. The Group's operations will be developed more clearly in a customer-driven direction.

Rautaruukki has launched the RADAR project (Rautaruukki Accurate Demand and Response), which aims to implement service concepts that meet customers' needs whilst at the same time boosting the efficiency of production and logistics functions.

The Group has purchased a supply chain management system to support optimization of Rautaruukki Steel's and Metform's businesses. Similar systems have also been introduced by certain other companies in the process industry.

Rautaruukki reckons that by stepping up the management of the value chain extending from raw materials to the end users of products, it will be possible to improve the Group's competitiveness over the next few years. The organization of the Group's largest division, Rautaruukki Steel, has been revamped in accordance with the new challenges of customer service.

Investment programme to yield still more benefits

The sharp slowdown in economic growth in Rautaruukki's main mar-

Investment programme Rautaruukki 2000, effect on production volumes

	Actual 1996	Actual 2001	Planned
Production (1000 tonnia)			
Iron	1929	2312	2500
Steel	2018	2565	2800
Hot rolling	2374	2746	3000
Cold rolling	905	1114	1250
Galvanizing	583	879	900
Colour coating	223	282	320

ket areas during 2001 hampered the exploitation of Rautaruukki Steel's investment programme that was completed towards the end of 2000. There still is untapped potential to be realized in boosting production volumes and especially in raising the degree of upgrading.

It has been possible to place the increased steel production capacity in use only in part so far because owing to maintenance shutdowns of the blast furnaces and certain production problems, iron production has not reached the forecast level.

Because of repairs to the blast furnaces, steel output will not yet reach maximum capacity in 2002 and 2003, though production will increase. The full 2.8 million tonne steel output can be reached in 2004.

Rautaruukki Steel's production lines have traditionally ranked amongst the best in Europe. In the steel industry the modernization of production lines has a temporary ef-

fect on capacity utilization rates. It is estimated that at Rautaruukki capacity utilization rates will improve already during 2002 and further in 2003. At the same time, yields and quality output ability will rise.

New coated strip and tubular products

The capacity for coated strip products, which was raised through the investment programme, has become operational to the full extent and partly even been exceeded. For market reasons, however, production was cut back towards the end of 2001. The next focus within strip products will be on specially coated Galfan and Galvannealed products that are marketed to demanding customers as well as on DP steels that have good formability.

In the manufacture of tubular products and construction products Rautaruukki has already succeeded

Rautaruukki's near-term targets

in utilizing the value-added upgrading possibilities of the new coated products. For example, Silver precision tubes having excellent formability are made from Galfan-coated strip that is manufactured on the new galvanizing line. The production volumes of Silver tubes will grow in 2002.

Another new branded tubular product is Optim high-strength steel tubes. The raw material used to make them is hot-rolled special strength RAEX steel. Production volumes of Optim tubes will also be increased in 2002.

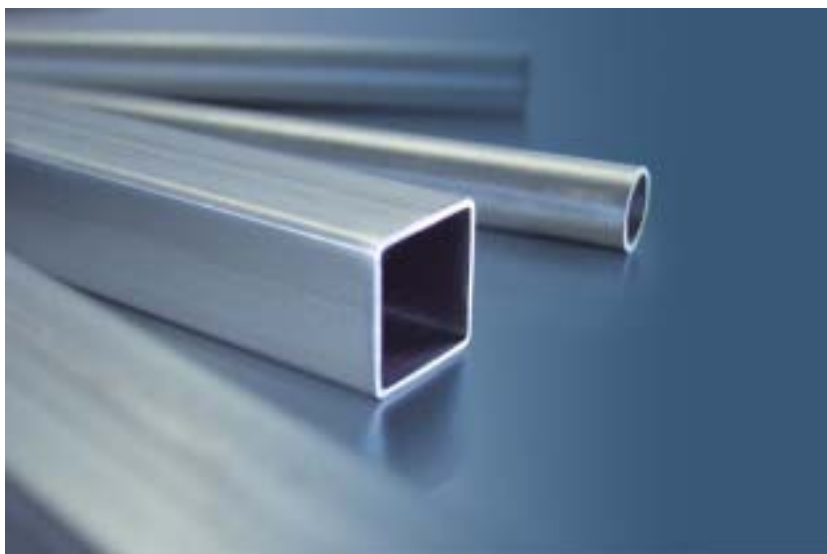
Rautaruukki's objective within tubular products is to boost the value-added component by increasing the proportion of higher margin speciality products. Apart from tubes that are marketed under brand names, these include, for example, tubular components used in headbag lateral impact absorbers for vehicles. Rautaruukki is Europe's leading manufacturer of these special tubes.

Rautaruukki has also started the production of tubes manufactured from ferrite stainless steel. These products enjoy growing demand, particularly in the automotive industry.

Redefined brand strategy

Raising the degree of upgrading of the Group's flat products is being continued by augmenting the proportion of speciality products within total deliveries. Speciality products mean grades of steel that exceed standard characteristics and value-added products manufactured from them or products having a very high share of customized service for a specific customer or application.

Rautaruukki's Brand Management policy has been overhauled. The Group's objective is to evolve into one of Europe's leading brand



Amongst the new brands that Rautaruukki brought out on the market were Silver Tubes, which are made of Galfan-coated steel and whose surface quality makes them suitable for demanding applications.

product manufacturers in the steel industry.

The company is seeking energetically to increase the number of products marketed as brands in the years ahead. Brand products are also a tool for improving the Group's profitability because the margins on them are substantially higher than those of standard products. Brand products yield added value both for Rautaruukki's business and that of its customers.

Within flat products Rautaruukki is concentrating on five brands: Laser, Optim, Litec, Silver and Pural. Within a brand there can be products that are produced at various stages of the upgrading process. For example, the Laser, Optim and Litec brands comprise hot-rolled, cold-rolled and coated products.

Fundia's restructuring programme is nearing completion

Fundia's restructuring programme will be completed during 2002. Pres-

ently in progress is the last part of the programme: boosting the efficiency of Fundia Wire and especially of the Netherlands-based Fundia Nedstaal, which is part of Fundia Wire. When the restructuring programme has ended, Fundia's payroll will have been reduced by about 500 employees, or 15 per cent. Thereafter the focus of Fundia's development will be on improving product and customer-specific profitability.

The result of Fundia Special Bar, Fundia Reinforcing and Fundia Bar & Wire Processing was in the black already in 2001. In these three units, added value per employee has risen significantly and growth is expected to continue.

The effects of Fundia Wire's restructuring will show up in profits partly in 2002, but for the most part in 2003. Accordingly, Fundia as a whole is in a markedly better position to raise its profitability over the next few years.

Steel Structure Division and Steel Service grow further

Rautaruukki's Steel Structure Division has increased its turnover by an annual rate of 20–30 per cent over the past five years. An exception was 2001, when the division's growth nearly came to a standstill owing to the weakened market situation.

In 2002 the Steel Structure Division is expected to get back on the growth track and turnover is estimated to grow by 15 per cent. The division intends to increase its operations

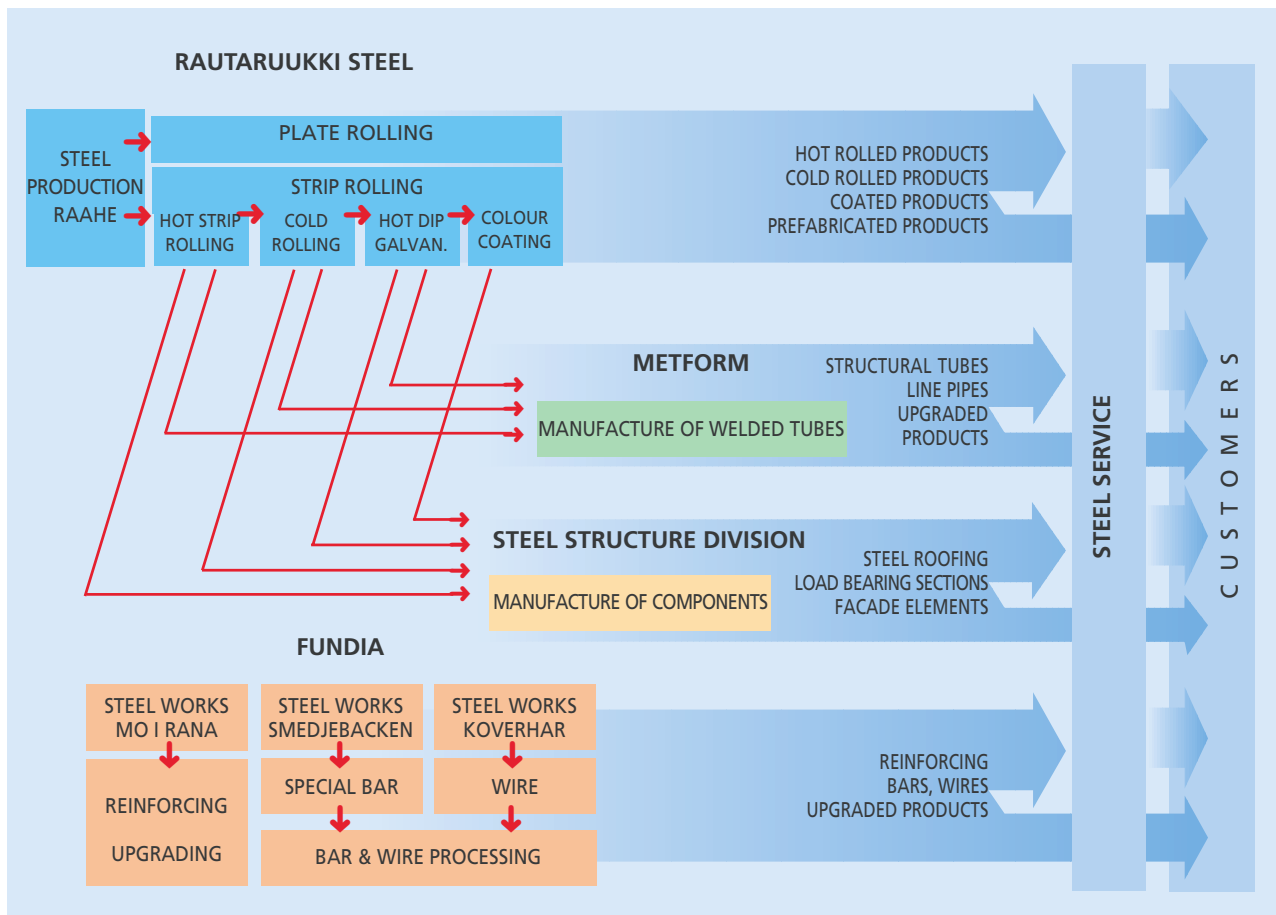
in eastern central Europe and eastern Europe further by establishing new production units and expanding its product range.

In recent years Rautaruukki Steel Service has been one of the Group's most important development and capital expenditure areas. The division's growth and earnings-generating potential is considered to be good.

Now that the Swedish Asva AB has become a part of the Steel Service Division, it is the largest player in its

industry in the Nordic countries. The other growth area is Russia, Poland and the Baltic countries, where the division is estimated to have good potential for business growth. An important factor driving growth is that customer industries using steel and other metal products are showing a clear trend towards outsourcing their prefabrication functions to steel service centres.

Rautaruukki's steel production and upgrading



SHARE INFORMATION

The paid-in share capital of Rautaruukki Oyj on 31 December 2001 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.

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 option programme ended, and no share subscriptions based on the programme were made.

Stock bonus plan

Under the share bonus system that Rautaruukki launched in 2000, the Group's key employees have the pos-

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

It is a condition for receiving the maximum bonus that the Rautaruukki Group's average return on assets during the three-year incentive period is among the best three companies in a peer group. The peer group comprises Rautaruukki and ten other companies. The other companies in the peer group for the incentive periods that began from the start of 2001 and 2002 are Arcelor, ASW Holdings, Corus, DDS, Outokumpu, Salzgitter, SSAB, Stelco, US Steel and VA Stahl.

Buyback of own shares

Rautaruukki Oyj's Board of Directors received an authorization granted by the 2000 Annual General Meeting to purchase a maximum of 2,000,000 of its own shares. The company began purchasing its own shares on Helsinki Exchanges on 10 April 2000 and purchased the maximum amount by 15 March 2001.

The Board of Directors received from the 2001 Annual General Meeting a new authorisation to purchase a maximum of 4,000,000 of its own shares, which is 2.88 per cent of the entire shares outstanding. The number of own shares purchased in accordance with the new authorisation totalled 1,270,000 shares as at 31 December 2001.

The number of own shares purchased by the company totalled 3,270,000 shares at the end of the financial year, which is 2.35 per cent of the entire shares outstanding. The company has paid a total of EUR 14,737,093 in carrying out the share buyback.

The transfer or cancellation of the company's own shares require a resolution passed by the Annual General Meeting. The Board of Directors received an authorization granted by the 2001 Annual General Meeting 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 9,075 shares at 31 December 2001, or 0.007 per cent of the voting rights conferred by all the company's shares. In addition, the members of the Board of Directors owned convertible bonds entitling them to subscribe for a maximum of 1,000 Series K shares, representing 0.0007 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

Rautaruukki Group applies the Regulations on Insider Trading approved by Helsinki Exchanges. In addition to the members of the Supervisory Board and the Board of Directors, the Group's insiders include

members of the Management Group,
vice presidents reporting to the President and CEO
the secretary to the Supervisory Board,
the secretary to the Board of Directors,
the secretaries to the above mentioned company executives,
the vice president, Treasury,
the vice president, Group Controller,
the vice president, Communications,
the deputy director, Investor Relations

At 31 December 2001, insiders held a total of 25,143 shares, representing 0.02 per cent of the voting rights conferred by all the company's shares. In addition, insider members owned convertible bonds entitling them to subscribe for a maximum of 6,800 Series K shares, or 0.005 per cent of the voting rights conferred by all the company's shares.

State ownership

The Finnish State's holding in Rautaruukki Oyj was 40.1 per cent at 31 December 2001. 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 never-

theless at least 20 per cent of the company's shares outstanding and the voting rights they confer.

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

Pre-emption clause

According to the Articles of Association a shareholder whose proportion of the company's entire shares outstanding or the votes they confer reaches or exceeds $33\frac{1}{3}$ 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 26 March 2002 that a dividend for 2001 of EUR 0.20 per share be paid.

Share price trend

During 2001 the highest share price of Rautaruukki's share was EUR 4.85 and the lowest price was EUR 3.59. The closing price of the year was EUR 4.10. Market capitalisation of Rautaruukki Oyj was EUR 569 million.

The share turnover during the year was 39 million representing a total value of EUR 162 million. The average price of the share trades during the year was EUR 4.16.

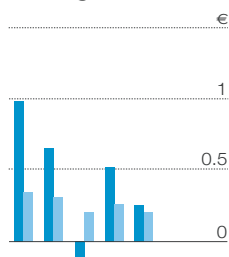
Analysts

Rautaruukki is analysed by following companies:

- BNP Paribas
- Commerzbank
- Conventum Securities
- Credit Suisse First Boston
- D. Carnegie
- Danske Securities
- Deutsche Bank
- Enskilda Securities
- Evli Securities
- Goldman Sachs International
- Handelsbanken Markets
- ING Barings
- HSBC / CCF Securities
- Mandatum Stockbrokers
- Merrill Lynch International
- Opstock
- Societ  Generale
- UBS Warburg

Share information

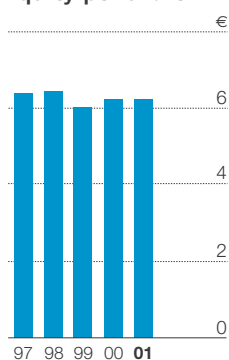
Earnings and dividend per share



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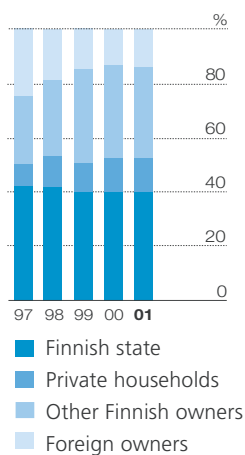
■ Earnings per share
■ Dividend per share

Equity per share



97 98 99 00 01

Ownership of Rautaruukki



97 98 99 00 01

■ Finnish state
■ Private households
■ Other Finnish owners
■ Foreign owners

Share issues 1997–2001

	Number of K Shares	Increase in share capital, €	Share capital, €
Share capital 31.12.1996	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 31.12.2001	138 886 445		236 106 956.50

The largest shareholders of Rautaruukki Oyj according to the share register as on 31.12.2001

Shareholder	Number of shares	Shares %
1. Republic of Finland	55,656,699	40.1
2. Mutual Pension Insurance Company Varma-Sampo	5,712,587	4.1
3. Odin Norden	5,659,400	4.1
4. Rautaruukki Oyj	3,270,000	2.4
5. Insurance Company Suomi Ltd	1,445,000	1.0
6. Life Insurance Company Sampo	1,428,000	1.0
7. Nordea Life Insurance	1,395,900	1.0
8. Federation of Finnish Metal, Engineering and Electrical Industries	1,372,000	1.0
9. Rautaruukki Pension Foundation	1,328,655	1.0
10. Local Government Pensions Institution	1,307,417	0.9
11. OP-Delta Investment Fund	1,292,500	0.9
12. Mutual Life Insurance Company Suomi	1,153,000	0.8
13. Esa Rannila	953,000	0.7
14. Insurance Company Pohjola Ltd	913,066	0.7
15. Kesko Pension Fund	837,452	0.6
16. Mutual Insurance Company Tapiola	750,700	0.5
17. Sampo-Leonia Share	652,837	0.5
18. The Central Church Fund	641,500	0.5
19. Onnenmäki Foundation	616,257	0.4
20. Fortum Pensions Foundation	596,900	0.4

Shareholders by share ownership according to the share register as on 31.12.2001

Number of shares	Shareholders		Shares	
	No.	%	'000	%
1 – 100	2,145	10.82	130	0.09
101 – 1 000	13,892	70.08	6,612	4.76
1 001 – 10 000	3,390	17.10	9,553	6.88
10 001 – 100 000	316	1.59	9,230	6.65
100 001 –	81	0.41	113,321	81.59
	19,824	100.00	138,846	99.97
Joint book-entry account			40	0.03
			138,886	100.00

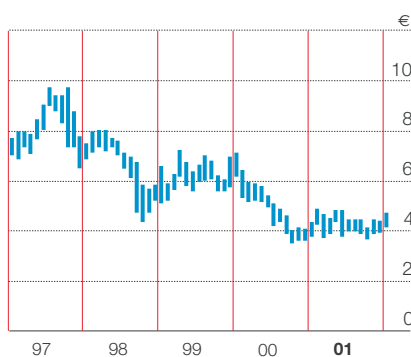
Shareholders by sector according to the share register as on 31.12.2001

Sector	Shareholders		Shares	
	No.	%	'000	%
Companies	741	3.74	10,019	7.21
Banks and insurance companies	104	0.53	15,662	11.28
Public institutions	72	0.36	71,459	51.45
Non profit institutions	248	1.25	5,217	3.76
Private households	18,572	93.68	17,594	12.67
Administrative registrations	9	0.05	12,442	8.96
Other foreign owners	78	0.39	6,452	4.64
	19,824	100.00	138,846	99.97
Joint book-entry account			40	0.03
			138,886	100.00

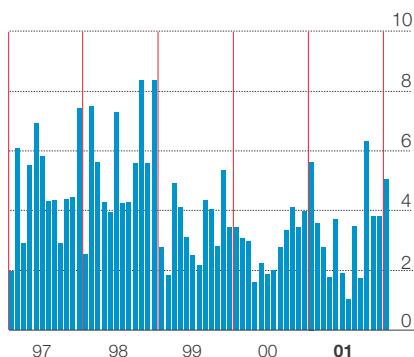
SHARE BASED KEY FIGURES		2001	2000	1999	1998	1997
Earnings per share, EPS	€	0.22	0.51	-0.13	0.64	0.98
– diluted	€	0.21	0.49	-0.13	0.63	0.98
Equity per share	€	6.21	6.23	6.02	6.44	6.35
Dividend per share	€	0.20*	0.25	0.20	0.30	0.34
Dividend per earnings	%	91.9*	49.4	-154.6	47.3	34.4
Price per earnings, P/E		18.8	7.6	-53.7	8.6	7.6
Share trading	thousands	39,038	34,318	41,116	68,150	57,215
Stock turnover	%	29	25	30	51	44
Share trading	M€	162	166	254	443	470
Average price of share	€	4.16	4.83	6.18	6.50	8.21
Lowest price of share	€	3.59	3.45	5.10	4.29	6.56
Highest price of share	€	4.85	7.20	7.30	8.16	9.92
Average adjusted number of shares	thousands	136,132	138,462	135,109	133,228	128,764
– diluted	thousands	138,947	142,183	138,699	134,939	128,765
Adjusted number of shares at year-end	thousands	138,886	138,886	138,886	133,228	133,228
Number of shares at year-end	thousands	138,886	138,886	138,886	133,228	133,228
– not counting own shares	thousands	135,616	137,540	138,886	133,228	133,228
– diluted	thousands	138,431	141,355	142,476	135,779	133,229
Share price at year-end	€	4.10	3.82	6.95	5.53	7.40
Market capitalization at year-end	M€	569	531	965	737	986
Effective dividend yield	%	4.9*	6.5	2.9	5.5	4.5

* Board proposal
Calculation of key figures shown on page 45

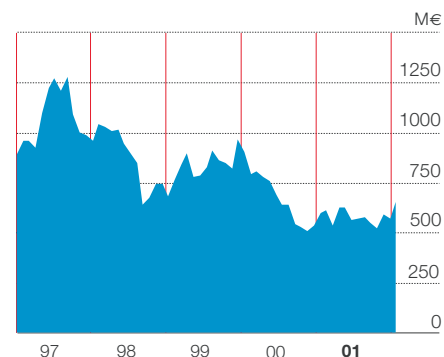
Rautaruukki share price, monthly high–low



Rautaruukki share monthly trading volume, million of shares



Market capitalisation



GROUP ADMINISTRATION



Board of Directors: (from the left) Jukka Viinanen, Chairman, Georg Ehrnrooth, Vice Chairman, Mikko Kivimäki, Pekka Timonen, Carita Putkonen, Harri Hollmén and Christer Granskog.

Board of Directors

Chairman:

Jukka Viinanen, b. 1948
President and CEO,
Orion-yhtymä Oyj

Deputy Chairman:

Georg Ehrnrooth, b. 1940
former President and CEO,
Metra Corporation
Rautaruukki shares 1902

Members:

Christer Granskog, b. 1947
President and CEO,
Kalmar Industries AB

Harri Hollmén, b. 1949

President and CEO,
Hollmén Lundmark Partners Oy

Carita Putkonen, b. 1948
Finance Counsellor,
Ministry of Finance

Pekka Timonen, b. 1960
Senior Advisor,
Ministry of Trade and Industry

Mikko Kivimäki, b. 1939
President and CEO,
Rautaruukki Oyj
Rautaruukki shares 7007

Emoluments of the Board of Directors

The monthly emolument paid to the Chairman of the Board is EUR 2521, that of the Vice Chairman EUR 2016, and the emoluments of the other members of the Board are EUR 1680 per month. A meeting fee of EUR 252 is paid. The company's President and CEO is not paid a separate emolument for his membership of the Board of Directors.

Supervisory Board

Chairman

Turo Bergman*, b. 1946
Deputy Head of Department,
Central Organisation of Finnish
Trade Unions, SAK

Deputy Chairman

Jouko Skinnari*, b. 1946
Member of Parliament

Members:

Tuula Haatainen, b. 1960
Member of Parliament
Timo Ihamäki, b. 1939
Member of Parliament
Ole Johansson, b. 1951
President and CEO, Wärtsilä Oyj Abp
Seppo Kanerva, b. 1941
Member of Parliament
Inkeri Kerola, b. 1957
Member of Parliament
Bertel Langenskiöld*, b. 1950
President and CEO, Fiskars Oyj Abp
Hannes Manninen, b. 1946
Member of Parliament
Tauno Matomäki, b. 1937
Mining Counsellor

Employee representatives:

Kari Jokinen
Pauli Kurikka
Jouko Luttinen
Eero Raivio

* Supervisory Board

Working Committee
The Chairman of the Board and the company's President participate in the meetings of the Supervisory Board and the Working Committee.

Auditor

KPMG WIDERI OY AB
Hannu Niilekselä,
Authorized Public Accountant

Management Group

The Management Group comprises of the following Group executives and senior vice presidents of the divisions:



Group executives:

Chairman of the Management Group
President and CEO

Mikko Kivimäki, b. 1939
– corporate management
– communications and
corporate image
Rautaruukki shares 7007



Deputy Chairman of the
Management Group
Senior Executive Vice President

Lauri Mannerkoski, b. 1944
– marketing
– coordination of production
and sales
Rautaruukki shares 2000



Gösta Engman, b. 1945
– personnel
– other administration
– information security
Rautaruukki shares 2179



Jorma Lukkari, b. 1948
– business development
– information management
– investments
– purchasing and logistics
Rautaruukki shares 816



Seppo Sahlman, b. 1948
– finance
– treasury
– legal matters
– risk management
Rautaruukki shares 2848



Peter Sandvik, b. 1953,
– research and development
– personnel development
– energy and environment



Senior vice presidents of the divisions:

Matti Arteva, b. 1945
Steel Service
Rautaruukki shares 402



Markku Koljonen, b. 1951
Steel Structure Division
Rautaruukki shares 759



Lauri Rautala, b. 1954
Rautaruukki Steel



Heikki Rusila, b. 1949,
Metform
Rautaruukki shares 4516



Jarmo Tonteri, b. 1952
Fundia AB

CORPORATE GOVERNANCE

Rautaruukki Corporation's corporate governance conforms to the Finnish Companies Act, other related legislation and the Articles of Association of Rautaruukki Corporation. The organization of Rautaruukki's management takes into account the recommendations on good corporate governance issued by the Finnish Central Chamber of Commerce and the Confederation of Finnish Industry and Employers in 1997 and by the Organization for Economic Cooperation and Development (OECD) in 1999.

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

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

Supervisory Board

Election and composition

The Supervisory Board is elected for a term of one year by the Annual General Meeting. The Supervisory Board has 5–12 members. The Ministry of Trade and Industry is entitled to appoint one of these and the company's founding shareholders appoint three. Four representatives of personnel groups participate in the work of the Supervisory Board in accordance with its standing rules. Personnel representatives are entitled to be present and to speak at meetings of the Supervisory Board except in matters connected with the appointment and remuneration of top management and with collective bargaining agreements. The Supervisory Board meets as required, normally 4–6 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 and a member of the Supervisory Board elected from the founding shareholders. The Chairman of the Board of Directors and the company's President participate in the meetings of the Supervisory Board and the Working Committee.

Duties and responsibility

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

1. to ensure that the company's affairs are managed in accordance with sound business principles, aiming at profitability, and in compliance with the Articles of Association and the resolutions of the General Meetings of Shareholders;
2. to decide on the size of the Board of Directors, to elect the Chairman, Vice Chairman and other members of the Board of Directors, to appoint and dismiss the President and CEO, and to determine his remuneration and that of the members of the Board of Directors;
3. to decide on any major expansion or curtailment of the company's operations, on any other significant changes in the company's operations, such as a material change in the company's organization, and 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 financial statements, the consolidated financial statements 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 one-year term. The Board of Directors comprises the chairman, vice chairman and from two to six ordinary members. The Board of Directors meets as required, normally 8–12 times a year.

Duties and responsibility

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

The Board of Directors with the auditors elected by the Annual General Meeting form the Audit Committee. This committee, chaired by the Chairman of the Board of Directors, meets twice a year by inviting the auditors to two meetings of the Board of Directors. The internal auditor also participates in these meetings, to present the audit plans to the Board of Directors.

The Chairman and Vice Chairman of the Board of Directors with the President and CEO form the Compensation Committee, which makes proposals to the Board of Directors concerning management salaries and remuneration systems. For the salary and remuneration system of the President and CEO, the Compensation Committee makes a proposal to the Supervisory Board. When dealing with this issue, the President and CEO does not participate in meetings of the Compensation Committee.

Principal tasks of the Board of Directors are:

1. to attend to the Group's administration and to the due organization of its operations, and to ensure that the accounting and management of funds

are controlled in an appropriate manner;

2. to prepare the matters to be dealt with at General Meetings and meetings of the Supervisory Board and to ensure that the decisions taken by these are implemented;

3. to set long-term targets for the Group and the industrial divisions so as to achieve economic value added, and to approve general strategies to meet these targets;

4. to approve the annual plans of the Group and the industrial divisions;

5. to attend to the due arrangement of financial and operational reporting and control, so that it is possible to continuously monitor how these targets are being met and when necessary to react quickly to exceptional situations;

6. to decide on the Group's total level of capital expenditure and on the largest individual items;

7. to prepare the Group's annual financial statements and interim reports;

8. to decide on the company's dividend policy and to make a proposal to the Annual General Meeting for the dividend to be paid;

9. to define and approve the Group's core values and operational policies for the most important areas for management and control, such as risk management, financing, internal audit, data security, and personnel and environmental matters;

10. to decide on the Group's organization, or if a significant change in the organization is involved, to make a proposal to the Supervisory Board;

11. on the proposal of the President and CEO, to appoint and dismiss members of the executive staff and to determine their remuneration. Executive staff refers to corporate executives that report to the President and those in charge of the industrial divisions.

12. to decide on the principles for the Group's incentive and bonus schemes, and

13. to decide on other matters that do not fall within the sphere of daily activities and are significant in relation to the size of the company, such as the expansion and curtailment of operations, the raising of long-term loans and the sale or pledging of properties or, if a matter involves a significant expansion or curtailment of the company's operations or other material changes in the company's activities, to make a proposal to the Supervisory Board.

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

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

Duties of the President

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

The Supervisory Board chooses the deputy for the President.

The Group's Management Group

The Management Group comprises the President, other corporate executives appointed to the management group by the Board of Directors at the proposal of the President, and the senior vice presidents at the industrial divisions.

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

The Group's business organization

Operationally, the Rautaruukki Group is divided into Group Management and the industrial divisions. The senior vice presidents at the divisions report to the President and CEO and are responsible for developing the operations of their divisions, for their earnings and balance sheets, and for arranging the administration of the companies belonging to their divisions.

Control and reporting at 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. The duties of Group Management include Group-level strategic planning and business development, communications, marketing, coordinating production and sales, research and development, risk management and investment policy, development of human resources, finance, treasury, legal affairs and investor relations. Functions that provide Group services to the divisions and their units also report to Group Management.

Boards and monitoring groups at the industrial divisions

Appointment and composition

The parent company appoints Boards of Directors or similar supervisory groups for the industrial divisions at the proposal of the President from executives in Corporate Management and in the business divisions. At the proposal of the President and with the approval of the Board of Directors of the parent company, the Boards of Directors may also include external experts and a maximum of four personnel representatives. The President of the parent company shall be chairman of the Board of Directors or similar supervisory group at the industrial divisions, unless the parent company's Board of Directors decides otherwise.

Business organisation

RAUTARUUKKI STEEL	METFORM	STEEL STRUCTURE DIVISION	FUNDIA	STEEL SERVICE
<p>STRATEGIC BUSINESS AREAS (SBA)</p> <ul style="list-style-type: none"> Automotive Building Construction Electro Engineering Marine <p>UNITS</p> <ul style="list-style-type: none"> Raabe Steel Works, (FI) Hämeenlinna Works, (FI) Kankaanpää Works, (FI) Presteel Oy, (FI) Halikko Works, (FI) Oy JIT-Trans Ltd, (FI) August Lindberg Oy, (FI) SKJ Companies, (FI) Engineering, (FI) Rautaruukki Profiler AS, (NO) Prestål AS, (NO) Rautaruukki Stahlservice GmbH, (DE) 	<p>STRATEGIC BUSINESS AREAS (SBA)</p> <ul style="list-style-type: none"> Automotive Building Household Industry Pipelines <p>UNITS</p> <ul style="list-style-type: none"> Hämeenlinna Tubeworks, (FI) Lappohja Works, (FI) Pulkila Works, (FI) Oulainen Works, (FI) Nordisk Simplex A/S, (DK) Wirso Stålrör AB, (SE) Carl Froh GmbH, (DE) Froh HouseTech, (DE) Star Tubes (UK) Ltd, (GB) 	<p>FINLAND</p> <ul style="list-style-type: none"> Rannila Steel Oy <p>SCANDINAVIA</p> <ul style="list-style-type: none"> Gasell Profil AB, (SE) Gasell Industry Anderslöv Works, (SE) Toijala Works, (FI) Stelform A/S, (DK) <p>BALTICUM</p> <ul style="list-style-type: none"> AS Rannila Profiil, (EE) Rannila Steel Latvia, (LV) Rannila Steel Vilnius, (LT) ZAT Rannila Kiev, (UA) <p>RUSSIA</p> <ul style="list-style-type: none"> ZAO Rannila Taldom, (RU) ZAO Rannila Steel, (RU) <p>CENTRAL EUROPE</p> <ul style="list-style-type: none"> Rannila Velvary, (CZ) Rannila Kosice, (SK) Rautaruukki Polska, (PL) 	<p>REINFORCING</p> <ul style="list-style-type: none"> Mo i Rana, (NO) Oslo, (NO) Åminnefors, (FI) Halmstad, (SE) Ølstykke, (DK) <p>SPECIAL BAR</p> <ul style="list-style-type: none"> Smedjebacken, (SE) Boxholm, (SE) <p>WIRE</p> <ul style="list-style-type: none"> Koverhar, (FI) Dalsbruk, (FI) Nedstaal, (NL) <p>BAR & WIRE PROCESSING</p> <ul style="list-style-type: none"> Dalwire, (FI) Mandal, (NO) Hjulsbro, (SE) Forsbacka, (SE) Mora, (SE) Hallstahammar, (SE) Twente, (NL) Redon, (FR) Molinella, (IT) 	<p>ASVA</p> <ul style="list-style-type: none"> Asva Oy, (FI) Asva AB, (SE) Asva A/S, (DK) Asva Eesti AS, (EE) Asva Stal Serwis, (PL) SIA Asva Latvija, (LV) UAB Asva Lietuva, (LT) ZAO Asva Stal, (RU) <p>CCB STÅL AS, (NO)</p>

Duties

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

1. to review strategic and annual plans,
2. to supervise operations and finance, and
3. to review capital expenditure, company acquisitions, and plans to expand or curtail operations that have a major impact on the division.

Monitoring system

The control and monitoring of the operations of Rautaruukki Group is as-

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

The Rautaruukki Group's Internal Audit reports to the President

and CEO. The Internal Audit examines and assesses the appropriateness and effectiveness of the Group's internal monitoring system, the relevance and efficiency of functions, the reliability of financial information and reporting, and compliance with rules, operating principles and guidelines. The reports of the Internal Audit are also sent to the Chairman of the Board of Directors. The Group's auditors evaluate the effectiveness of internal controls as part of their legal oversight.

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

The Group's audit is organized so that the authorized public accountant firm elected by the Annual General Meeting as responsible for the parent company carries out its audit through its global organization throughout the 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 system	Share information	8
Insiders	Share information	9
State ownership	Share information	9
Management's share holdings	Group Management	12-13
Areas of responsibility of the Management Group	Group Management	13
Financial risk management		48
Employee incentive systems	Personnel	63

REPORT OF THE BOARD

Business environment and market

Economic growth slowed throughout the world during 2001, and in the final quarter of the year growth had almost completely stopped. Growth slowed sharply in the countries of Western Europe, and the slowdown in Finland was even more marked. In the countries of Eastern Europe and eastern Central Europe, economic growth continued to be clearly faster than in the rest of Europe.

The demand for steel products in Europe was good in the first half of the year, but it weakened in the second half, with demand very low in the final quarter. Demand for steel products also weakened in the United States and in Southeast Asia.

Western European countries' own steel output maintained the previous year's high level during the first three quarters of the year, but began to contract in the final quarter. Imports of steel products into Western Europe grew. Inventories were high, but they began to decline in the final quarter. These factors together with weakening demand for steel products led to an imbalance between supply and demand, resulting in a sharp fall in product prices. The import restrictions on steel products planned in the United States also had an impact of the steel market.

In Europe basic prices of flat steel products in 2001 were on average 15–20 per cent lower than those of the previous year, excluding heavy plates, whose prices were on average 5 per cent higher. Prices of long steel products were on average close to the previous year's level.

In the United States average prices of steel products were 10–20 per cent lower than a year earlier. In the countries of Southeast Asia average prices of steel products remained clearly lower than their previous year's levels.

Turnover by division, EUR million

	2001	2000	change
Rautaruukki Steel	1316	1297	+ 1%
Metform	351	386	– 9%
Steel Structure Division	311	306	+ 2%
Fundia	724	644	+ 12%
Steel Service	702	620	+ 13%
Other units	150	13	
less internal invoicing	– 648	– 559	+ 16%
Consolidated turnover	2906	2708	+ 7%

World steel output declined by 1 per cent compared with 2000. In the countries of the European Union, steel output contracted by 3 per cent and in other European countries it maintain the level set in 2000. In the final quarter of the year, world steel output was 2 per cent lower than the previous year, with steel output in the European Union countries and the rest of Europe recording declines of 6 per cent and 2 per cent respectively.

Rautaruukki in the market

The objective of Rautaruukki Steel's investment programme, which began in 2000, was to raise steel output as well as rolling and coating capacity. The steel output of Rautaruukki Steel was 2,565,000 tonnes (2,564,000). The growth of Rautaruukki Steel's output was slowed by the repair of the second blast furnace hearth.

The rolling and coating capacity objectives outlined in the programme were achieved and partly exceeded. Owing to the market climate, Rautaruukki Steel cut rolling production by 90,000 tonnes from the planned figure in the final quarter by reducing the use of purchased slabs. Increasing the

volume of coated products raised the degree of upgrading of deliveries significantly.

The Group's deliveries of plate and tubular products were 1 per cent higher than in 2000. Despite the fall in product prices, the average price of deliveries was maintained at the previous year's level due to an increase in the degree of upgrading of deliveries. Deliveries of coated products grew by 45 per cent. Deliveries in the final quarter of the year were 3 per cent up and the average price of deliveries was 5 per cent lower than in the previous quarter.

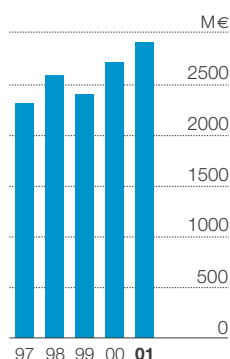
The steel output of Fundia was 1,604,000 tonnes (1,740,000). In the final quarter, Fundia cut its rolling production by 40,000 tonnes from the planned figure owing to the market situation.

Deliveries of long steel products grew by 5 per cent. The delivery volume was influenced by the deliveries from Fundia Nedstaal, which Fundia acquired at the beginning of the year, the increase in deliveries of ship profiles and the reduction of billet deliveries.

The average price of long steel deliveries was 8 per cent higher than

Report of the Board

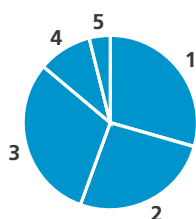
Turnover



Operating profit by division, EUR million

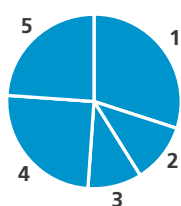
	2001	2000	change
Rautaruukki Steel	83	130	- 36%
Metform	12	7	+ 71%
Steel Structure Division	10	20	- 50%
Fundia	- 4	- 9	
Steel Service	9	33	- 73%
Other units and internal items	- 16	- 25	
Consolidated operating profit	93	156	- 40%

Turnover by market area 2001



1	Finland	30%
2	Other Nordic countries	26%
3	Other EU countries	30%
4	Other Europe	10%
5	Other countries	4%

External turnover by division 2001



1	Rautaruukki Steel	30%
2	Metform	11%
3	Steel Structure Division	10%
4	Fundia	25%
5	Steel Service	24%

in 2000. The rise in the average price was influenced by deliveries from Fundia Nedstaal and the reduction of billet deliveries. Excluding billet deliveries and Fundia Nedstaal, the average price of long steel products was 2 per cent lower than the previous year. In the final quarter of the year deliveries were 11 per cent higher and their average price was at the same level as in the third quarter.

Changes in Group structure

As part of Fundia Wire's development programme, the Dutch rolling company Nedstaal Draad BV, in which Rautaruukki previously had a 30 per cent holding, was wholly acquired by Rautaruukki at the beginning of 2001. At the beginning of 2002, Fundia Cromax acquired the Italian company Fluid S.p.A, which manufactures chrome-plated bars. As a consequence of this, Fundia has around a 30 per cent share of the chrome-plated bar market in Europe.

In March the functions and personnel of Rautaruukki's Information Systems unit were transferred to TietoEnator Corporation. The purpose of the arrangement is to ensure that in future Rautaruukki has the IT product and technology expertise, as well as the human resources, it requires.

Rautaruukki acquired the Swedish steel wholesale and service centre company Heléns Stål AB in April 2001 and the company's name was changed to Asva AB at the same time. The warehousing functions of Avesta Polarit AS in Norway were transferred to Rautaruukki in June. The acquisitions will strengthen Rautaruukki steel service operations in the Nordic countries.

Rautaruukki's Supervisory Board and Board of Directors

On 29 March 2001 the 2001 Annual General Meeting elected Turo Bergman Chairman of Rautaruukki's Supervisory Board and re-elected Jouko Skinnari Vice Chairman. Tuula Haatainen, Timo Ihamäki, Seppo Kannerva, Inkeri Kerola, Hannes Manninen and Tauno Matomäki were re-elected as members. Ole Johansson and Bertel Langenskiöld were elected to the Supervisory Board as new members.

On 27 March 2001 Rautaruukki's Supervisory Board elected a new Board of Directors for Rautaruukki. The term of office of the Board of Directors began on 1 May 2001. Jukka Viinanen was elected Chairman of the Board of Directors and Georg Ehrnrooth was elected Vice Chair-

man. Christer Granskog, Harri Holmén, Carita Putkonen, Pekka Timonen and Rautaruukki's President and CEO Mikko Kivimäki were elected to seats on the Board. Rautaruukki's previous Board of Directors consisted primarily of executive directors.

Rautaruukki is administered in accordance with the prevailing legislation, the company's Articles of Association and the principles of corporate governance laid down by the Supervisory Board. The principles of corporate governance are presented in the company's annual report.

The Supervisory Board has a Working Committee, which prepares matters that are brought before the Supervisory Board. The Chairman of the Board of Directors and the President and CEO attend meetings of the Supervisory Board and the Working Committee.

The Board of Directors and the auditors form an Auditing Committee, which meets twice a year. The Chairman and Vice Chairman of the Board of Directors, together with the President and CEO, form the Compensation Committee of the Board of Directors.

Turnover and financial result

Consolidated turnover increased by 7 per cent and totalled EUR 2,906 million (2,708). Rautaruukki's core markets, namely the Nordic countries, eastern Central Europe and Eastern Europe accounted for 66 per cent of turnover, while Europe as a whole accounted for 96 per cent.

Prices of iron raw materials were on average 5 per cent, and of coking coal 22 per cent, higher than in 2000. The price of electricity purchases was 5 per cent lower than the previous year, and the price of scrap used by Fundia was at the previous year's level.

Operating profit was EUR 93 million (156). A rise in the costs of raw materials used in steel produc-

tion, as well as lower prices for steel products, contributed to the weakening of the operating profit. The loss of steel output owing to the repair of a blast furnace hearth at Rautaruukki Steel as well as cuts in rolling output in the latter part of the year also contributed to the lower operating profit. The operating loss in the final quarter of the year was EUR 12 million (operating profit 51).

Other operating income was EUR 17 million (30), which included a EUR 8 million profit obtained from the sale of Rautaruukki's Information Systems unit. The profit before extraordinary items was 41 million (106). Return on assets was 5.0 per cent (8.7).

The profit before taxes and minority interest was EUR 41 million (81). The financial statements show a profit of EUR 30 million (50).

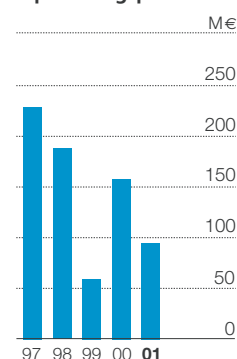
Fundia's restructuring programme

Fundia's restructuring programme was completed in the Reinforcing and Special Bar units, and they, like Fundia Bar & Wire Processing, returned clear positive results after financial items. These divisions will obtain nearly full benefit from the restructuring programme during 2002.

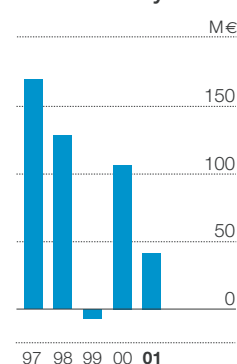
Fundia Wire's significant loss resulted from a weakening of product prices, higher raw material costs in iron manufacturing, and disruptions caused by the investment programme which is underway at the Koverhar steel mill and the Dalsbruk rolling mill. The Wire unit's restructuring programme will be completed towards the end of 2002. The benefit obtained from it will fall partly in 2002 but mostly in 2003.

When the entire restructuring programme is completed, Fundia's workforce will have been reduced by around 500 employees. Development programmes aimed at raising the degree of upgrading and the quality of

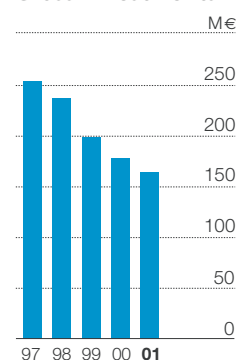
Operating profit



Profit before extraordinary items



Gross investments



Report of the Board

products will continue within Fundia.

Financing

Rautaruukki's gearing ratio was 129 per cent (118) and its equity ratio was 33.3 per cent (34.1). Equity per share was EUR 6.21 (6.23). Total assets were EUR 2,559 million (2,523).

Working capital grew by EUR 26 million. Cash from operations was EUR 141 million (148) and cash flow before financing was EUR 9 million negative (32 positive). The Group's interest-bearing net debt was EUR 1,087 million (1,017). The short-term position of interest-bearing loans was EUR 216 million (175) and the long-term position 912 million (888).

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 1.8 (1.9).

Net interest expenses were EUR 49 million (50) and their proportion of net sales fell to 1.7 per cent (1.8). Financial expenses totalled EUR 52 million (50). Financial expenses include a loss on foreign exchange of EUR 1 million (1). Operating profit includes a gain of EUR 6 million on foreign exchange (loss 2). The average interest on the Group's net debt at the end of the year was 4.6 per cent (5.2).

Share capital, shares and shareholders

The share capital did not change during the year. The share capital as at 31 December 2001 was EUR 236,106,956.50. Rautaruukki Oyj's Board of Directors has no valid authorisation to increase the share capital.

Up to 15 March 2001, the company purchased the maximum amount of its own shares allowed in accordance with an authorisation granted by the 2000 Annual General Meeting, namely 2,000,000 shares. The Board of

Gross capital expenditure by division, EUR million

	2001	2000
Rautaruukki Steel	55	98
Metform	26	14
Steel Structure Division	11	10
Fundia	45	39
Steel Service	21	9
Other units	3	6
	162	176

Directors received from the 2001 Annual General Meeting a new authorisation to purchase a maximum of 4,000,000 of its own shares, which is 2.88 per cent of the entire shares outstanding. The number of own shares purchased in accordance with the new authorisation totalled 1,270,000 shares as at 31 December 2001.

The number of own shares purchased by the company totalled 3,270,000 shares at the end of the financial year, which is 2.35 per cent of the entire shares outstanding. The company has paid a total of EUR 14,737,093 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.

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.

The 1998 option programme ended, and no share subscriptions based on the programme were made. Rautaruukki currently has no option programmes. A share bonus system, launched in 2000, has acted as a long-term incentive to key employees. The minimum bonus is paid when Rautaruukki's average return on assets in a three-year incentive period is at least at the median level in a comparison group of eleven companies in the sector. Bonuses, excluding taxes, are paid in the form of company shares, which can be surrendered at the earliest two years after the end of the incentive period.

The lowest trading price of Rautaruukki Oyj's Series K share during the year was EUR 3.59 and the highest price was EUR 4.85. The last trade of the year was done at a price of EUR 4.10. Rautaruukki Oyj's market capitalisation at the end of the year was EUR 569 million (531).

The share turnover during the year was 39 million (34) representing a total value of EUR 162 million (166). The number of registered shareholders at the close of the year was 19,824 (20,334). The Finnish State's holding was 40.1 per cent, and foreigners held 13.6 per cent (12.5) of the company's shares outstanding.

It is proposed that a dividend of EUR 0.20 per share be distributed, representing 92 per cent of the profit.

Capital expenditure

Gross expenditure on fixed assets totalled EUR 162 million (176) and net capital expenditure EUR 150 million (116). The most significant single investments were connected with the implementation of the Fundia Wire development programme and the acquisition of Asva AB. The construction of a new joint business control system was initiated in Rautaruukki Steel and Metform. The Steel Structure Division established new production units in both Poland and Ukraine.

Improving customer service

Improving customer service was one of Rautaruukki's key strategic areas of focus during 2001. The division of work between the divisions was changed and accordingly Rautaruukki Steel and Metform are concentrating on their major customers. The Steel Service Division will handle a greater proportion of SME sector customers than before with the aim of improving customer service and boosting sales.

Further progress was made in developing the divisions' existing electronic business systems. The trial use of the Group's electronic trading solution, eRautaruukki, continued. Electronic trading proper will start during 2002.

Research and development

The key aims of Rautaruukki's research and development was to raise the degree of upgrading and to increase the number of special products tailored to customers. An important area was also the process development to improve the quality of products and cut costs.

Rautaruukki launched on to the market steel products better suited for modern automated engineering production. An important development area was also strong, highly

formable coated steels possessing good painting characteristics. New roof and facade systems, among other things, were developed for construction. At its Koverhar mill, Fundia developed new steels particularly for the needs of Fundia Nedstaal's product range.

Key areas of process development were raising steel output at the Raahe steel works by increasing the use of scrap and extending the life of converter linings, as well as reducing the use of coke in blast furnaces through greater use of oil injections and oxygen enrichment.

Rautaruukki participated in a number of international research projects, including a joint steel industry development project to lower the weight of vehicles and improve safety.

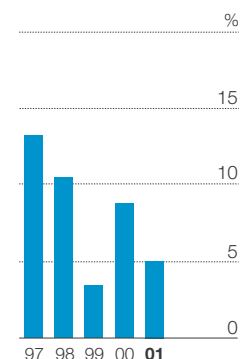
The Rautaruukki Group spent a total of EUR 19 million (20), or 0.7 per cent of turnover (0.7), on research and development.

Sustainable development

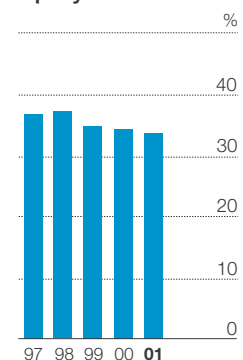
Rautaruukki is committed to increasing the value of the company while taking the principles of sustainable development into account. In November 2001 the Group published its first sustainable development report, which stated how financial, social and environment-related matters are handled within Rautaruukki. In addition to key performance indicators, the report includes accounts on operations, practices and the management of matters in the aforementioned sub-areas. The report contains data for the years 1998–2000 and topical information about events in 2001.

An important development area was the more efficient utilisation of waste arising in production processes. Rautaruukki Steel's Raahe works made a start on the construction of a dust separation unit at its sintering plant, which will cut dust emissions

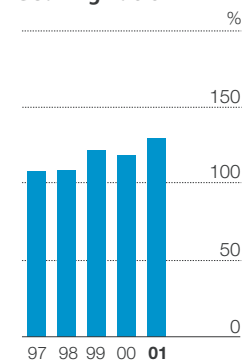
Return on net assets



Equity ratio



Gearing ratio



Report of the Board

from the sintering plant by nearly a third from the present level. At the same time heavy metal emissions from the sintering plant will be cut by a half.

The quantity and origin of mercury emissions at the Mo i Rana steel plant was investigated and a review made of the technology required to treat the gases. Testing of the various technical options available will be completed during 2002.

Personnel

The Group's payroll at the close of the year consisted of 12,975 people (13,000) and the parent company employed 5,599 people (5,872). During the year the Group employed an average of 13,678 (13,176) people and the parent company 5,990 (6,120). The payroll was increased by acquisitions and by the expansion of operations in the Steel Structure and the Steel Service Divisions. In other respects personnel numbers decreased due to rationalisation.

To enhance internal recruitment Rautaruukki introduced programmes directed at both workers and white-collar staff which will help find suitable candidates from within the Group for open positions.

Activities to maintain working capacity continued in all Finnish units and also in some units abroad. The aim of such activity is, as well as enhancing personal mental and physical fitness, to improve management methods, team working and working conditions.

Outlook for 2002

Economic forecasts suggest that the world economy will continue to grow very slowly in the first half of 2002, but that growth will begin to pick up towards the end of the year. In Western Europe economic growth is expected to remain on average at the low level of 2001. In the countries of eastern Central Europe and Eastern Europe, the rate of economic growth is expected to be faster than in the rest of Europe.

In the United States economic growth is expected to continue at the level of 2001. In the countries of Southeast Asia, economic growth is expected to pick up slightly.

In the early part of 2002, demand for steel products in Western Europe is expected to remain at the low level experienced at the end of last year, but to begin to strengthen thereafter. In Western Europe, the balance between supply and demand as well as the price development of steel products will be influenced by a contraction of the region's own steel output, the normalisation of inventory levels and the level of imports into Western Europe. The prices of steel products are expected to be at their lowest in the European market in the first quarter of 2002.

In the United States a decision on possible import restrictions on steel products will be made during March 2002. If negotiations, initiated by the OECD in autumn 2001, on the worldwide contraction of steel production capacity bear fruit, this is expected to

have an impact on any import restriction decisions of the United States. The aim of the negotiations is to cut steel production capacity by 60–65 million tonnes by 2003.

In the United States, demand for steel products is expected to remain at last year's level. Prices of steel products have begun to strengthen due to a contraction of supply. In the countries of Southeast Asia, consumption of steel products is expected to increase slightly.

In all divisions of the Rautaruukki Group, measures to reduce costs and raise the degree of upgrading will continue during 2002. To improve cash flow, the level of investments will be lower than the depreciation during 2002, and development programmes will be continued in order to boost capital turnover.

A shutdown due to the repair of Rautaruukki Steel's blast furnace No 1 will take place in summer 2002 and a repair shutdown of blast furnace No 2 is planned for 2003. The blast furnace at Fundia's Koverhar steel mill will also be repaired in summer 2002, resulting in a shutdown.

Consolidated turnover is forecast to be around EUR 3 billion in 2002. The anticipated very slow economic growth in Europe, together with low prices of steel products and continuing weak demand, will create a difficult operating environment for the steel business. The operating environment is expected to improve towards the end of the year.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

M€	Note	1.1.–31.12.2001		1.1.–31.12.2000	
			%		%
TURNOVER	1)	2 906	100.0	2 708	100.0
Variation in stocks of finished goods and work in progress		-14		64	
Production for own use		8		11	
Other operating income	3)	17		30	
Share of results in associated companies		2		4	
Raw materials and services	4)	1 738		1 626	
Staff expenses	5)	550		518	
Depreciation and reduction in value	6)	172		174	
Other operating charges	7)	366	-2 826	341	-2 659
OPERATING PROFIT	2)	93	3.2	156	5.8
Financial income and expenses	8)				
Income from other investments held as non-current assets		0		4	
Other interest and financial income		5		8	
Interest and other financial expenses		-57	-52	-62	-50
PROFIT BEFORE EXTRAORDINARY ITEMS		41	1.4	106	3.9
Extraordinary items	9)				
Extraordinary expenses		0		-25	
PROFIT BEFORE TAXES AND MINORITY INTERESTS		41	1.4	81	3.0
Income taxes	10)				
Taxes for the year		-5		-21	
Taxes from the previous years		6		0	
Change in deferred tax		-13	-12	-10	-31
PROFIT BEFORE MINORITY INTEREST		29	1.0	50	1.8
Minority interest of the profits		0		0	
GROUP PROFIT FOR THE FINANCIAL YEAR		30	1.0	50	1.9

CONSOLIDATED BALANCE SHEET

M€	Note	31.12.2001	%	31.12.2000	%
ASSETS					
NON-CURRENT ASSETS 11–13)					
Intangible assets					
Intangible rights		7		8	
Goodwill		25		40	
Other capitalised long-term expenses		20		25	
Advance payments		9	61	2	74
Tangible assets					
Land and waters		24		25	
Buildings		353		358	
Machinery and equipment		948		953	
Advance payments and construction in progress		55	1 381	49	1 385
Investments					
Associated company shares		23		25	
Long term loans receivable from associated companies		1		1	
Other shares and similar rights of ownership		11		13	
Own shares		13	49	6	46
		1 490	58.2	1 505	59.6
CURRENT ASSETS					
Stocks 14)					
Raw materials and consumables		136		118	
Finished products and goods		367		344	
Other stocks		4	507	1	463
Debtors 15)					
Long-term					
Loans receivable		2		3	
Loans receivable owed by associated companies		2		3	
Non-interest bearing receivables		11		14	
Deferred tax assets 20)		14	30	28	47
Short-term					
Trade debtors		401		390	
Amounts owed by associated companies		6		3	
Loans receivable		1		1	
Other debtors		54		47	
Accrued income		29	491	20	462
		521		509	
Cash in hand and at banks		41		46	
		1 068	41.8	1 018	40.4
		2 559	100.0	2 523	100.0

M€	Note	31.12.2001	%	31.12.2000	%
LIABILITIES					
CAPITAL AND RESERVES					
	16)				
Share capital		236		236	
Share premium account		220		220	
Revaluation reserve		24		24	
Fund for own shares		13		6	
Translation adjustment		4		-2	
Retained earnings		330		322	
Profit for the financial year		30		50	
		856	33.5	856	33.9
MINORITY INTEREST					
		3	0.1	3	0.1
OBLIGATORY PROVISIONS					
	18)				
Provisions for pensions		14		12	
Provisions for taxation		1		8	
Other provisions		9	23	27	46
			0.9		1.8
CREDITORS					
	19)				
Non-current creditors					
Interest bearing					
Bonds and debenture loans		131		131	
Convertible bonds		3		3	
Loans from credit institutions		664		706	
Pension loans		88		43	
Other creditors		26	912	5	888
Non interest bearing					
Pension loans		10		10	
Deferred tax liability	20)	161		161	
Other creditors		8	179	13	184
			1 092		1 072
Current creditors					
Interest bearing					
Loans from credit institutions		183		164	
Pension loans		5		5	
Bills of exchange payable		0		1	
Other creditors		28	216	4	175
Non interest bearing					
Advances received		9		5	
Trade creditors		184		198	
Accruals and deferred income	23)	119		103	
Amounts owed to associated companies	22)	4		2	
Other creditors		52	369	63	370
			585		545
			1 676	65.5	1 617
					64.1
			2 559	100.0	2 523
					100.0

CONSOLIDATED CASH FLOW STATEMENT

M€	1.1.–31.12.2001	1.1.–31.12.2000
Cash flow from operations		
Profit before extraordinary items	41	106
Adjustments for		
Depreciation	172	174
Financial income and expenses	52	50
Share of associated companies' results	-2	-4
Other adjustments	-2	-15
Cash flow before working capital changes	261	312
Change in working capital		
Change in current non-interest bearing debtors	22	-60
Change in inventories	-5	-71
Change in current non-interest bearing creditors	-42	24
Change in working capital	-26	-106
Cash flow before financing items and taxes	235	205
Interest and other financing items on business operations paid	-55	-43
Taxes paid	-16	-15
Cash flow before extraordinary items	164	148
Cash flow from extraordinary items	-22	
Cash flow from operations	141	148
Cash flow from investing activities		
Investments in tangible and intangible assets	-153	-169
Proceeds from sale of tangible and intangible assets	10	10
Other investments	-9	-6
Proceeds from sale of other investments	2	45
Change in unpaid investments	-1	4
Cash flow from investing activities	-150	-116
Cash flow before financing	-9	32
Cash flow from financing activities		
Buyback of own shares	-8	-6
Change in current loans receivable	0	-1
Change in non-current loans receivable	3	-3
Change in current loans payable	41	-56
Change in non-current loans payable	1	42
Dividends paid	-34	-28
Translation differences and other adjustments		-1
Cash flow from financing activities	3	-53
Change in liquid assets according to the calculation	-6	-21
Cash and cash equivalents at beginning of period	46	67
Cash and cash equivalents at end of period	41	46
	-6	-21

RAUTARUUKKI OYJ'S PROFIT AND LOSS ACCOUNT

M€	Note	1.1.-31.12.2001 %		1.1.-31.12.2000 %	
TURNOVER	1)	1 285	100.0	1 269	100.0
Variation in stocks of finished goods and work in progress		19		22	
Production for own use		5		7	
Other operating income	3)	9		19	
Raw materials and services	4)	742		710	
Staff expenses	5)	267		256	
Depreciation and reduction in value	6)	109		108	
Other operating charges	7)	139	-1 257	130	-1 204
OPERATING PROFIT		60	4.7	113	8.9
Financial income and expenses	8)				
Income from other investments held as non-current assets		5		23	
Other interest and financial income		38		35	
Interest and other financial expenses		-59	-16	-58	0
PROFIT BEFORE EXTRAORDINARY ITEMS		44	3.4	114	9.0
Extraordinary items	9)				
Extraordinary income		17		30	
Extraordinary expenses		-27	-10	-14	16
PROFIT BEFORE APPROPRIATIONS AND TAXES		33	2.6	130	10.3
Appropriations					
Change in depreciation reserve		-26		-52	
PROFIT BEFORE TAXES		7	0.6	78	6.1
Income taxes	10)				
Taxes for the year		-2		-24	
Taxes from the previous years		0	-2	4	-20
PROFIT FOR THE FINANCIAL YEAR		5	0.4	58	4.6

RAUTARUUKKI OYJ'S BALANCE SHEET

M€	Note	31.12.2001	%	31.12.2000	%
ASSETS					
NON-CURRENT ASSETS					
	11-13)				
Intangible assets					
Intangible rights		2		2	
Goodwill		12		21	
Other capitalised long-term expenses		15		18	
Advance payments		9	38	2	43
Tangible assets					
Land and water areas		6		6	
Buildings		237		243	
Machinery and equipment		660		710	
Advance payments and construction in progress		37	941	22	981
Investments					
Shares in Group companies		272		245	
Receivables from Group companies		12		5	
Shares in associated companies		7		7	
Receivables from associated companies		1		1	
Other shares		6		6	
Own shares		13	311	6	270
		1 290	55.0	1 294	56.7
CURRENT ASSETS					
Inventories					
	14)				
Raw materials and consumables		78		60	
Finished products and goods		111	189	92	152
Debtors					
	15)				
Long-term					
Amounts owed by Group companies		426		357	
Amounts owed by associated companies		2		3	
Loan receivables		1		0	
Other debtors		1		2	
Short-term					
Trade debtors		123		143	
Amounts owed by Group companies		73		81	
Amounts owed by associated companies		5		3	
Loan receivables owed by Group companies		138		150	
Other debtors		29		28	
Prepayments and accrued income		14	812	6	773
Cash in hand and at banks					
		55		63	
		1 056	45.0	988	43.3
		2 345	100.0	2 282	100.0

M€	Note	31.12.2001	%	31.12.2000	%
LIABILITIES					
CAPITAL AND RESERVES					
	16)				
Share capital		236		236	
Share premium reserve		220		220	
Revaluation reserve		33		33	
Fund for own shares		13		6	
Retained earnings		151		135	
Profit for the financial year		5		58	
		658	28.0	688	30.2
APPROPRIATIONS					
	17)				
Depreciation reserve		413	17.6	387	17.0
PROVISIONS					
	18)				
Provisions for pensions		6	0.3	5	0.2
CREDITORS					
Non-current creditors					
Interest bearing					
Bonds and debenture loans	19)	131		131	
Convertible bonds		3		3	
Loans from credit institutions		662		704	
Pension loans		66		22	
Amounts owed to Group companies		0		1	
Other creditors		22	885	1	862
Non-interest bearing					
Amounts owed to Group companies		2		2	
		887	37.8	863	37.8
Current creditors					
Interest bearing					
Loans from credit institutions		169		148	
Pension loans		5		5	
Other creditors		27	201	3	156
Non-interest bearing					
Advances received		1		1	
Trade creditors		56		72	
Amounts owed to Group companies	21)	35		24	
Amounts owed to associated companies	22)	4		2	
Accruals and deferred income	23)	70		59	
Other creditors		14	180	26	183
		381	16.3	339	14.9
		1 268	54.1	1 202	52.7
		2 345	100.0	2 282	100.0

RAUTARUUKKI OYJ'S CASH FLOW STATEMENT

M€	1.1.–31.12.2001	1.1.–31.12.2000
Cash flow from operations		
Profit before extraordinary items	44	114
Adjustments for		
Depreciation	109	108
Financial income and expenses	16	0
Other adjustments	2	-12
Cash flow before working capital changes	171	209
Change in working capital		
Change in current non-interest bearing debtors	17	-44
Change in inventories	-37	-25
Change in current non-interest bearing creditors	19	1
Change in working capital	0	-68
Cash flow before financing items and taxes	171	141
Interest and other financing items on business operations paid	-23	7
Taxes paid	-22	-10
Group contributions	-9	16
Cash flow from operations	116	154
Cash flow from investing activities	-102	-67
Cash flow before financing	14	87
Cash flow from financing activities		
Buyback of own shares	-7	-6
Change in current loans receivable	13	-64
Change in non-current loans receivable	-68	39
Change in current loans payable	43	-81
Change in non-current loans payable	30	35
Dividends paid	-34	-28
Cash flow from financing activities	-23	-106
Change in liquid assets	-8	-19
Cash and cash equivalents at beginning of period	63	82
Cash and cash equivalents at end of period	55	63
	-8	-19

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.

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.

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.

Notes to the accounts

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, in the operating profit.

Extraordinary income and expenses

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

In 2000, extraordinary expenses included EUR 25 million to cover the Group's forecast non-recurring restructuring expenses, of which EUR 22 million had been realised during 2001.

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.

Rounding off of figures in the annual accounts

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

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	
	2001	2000	2001	2000
Turnover by division				
Rautaruukki Steel	818	820	1067	1036
Metform	315	345	196	212
Steel Structure Division	300	296	19	21
Fundia	632	632		
Steel Service	691	602		
Other units	149	13	2	
	2906	2708	1285	1269
Turnover by market area				
Finland	858	882	451	488
Other EU-countries	1432	1265	625	615
Other Europe	508	462	164	138
Other countries	108	99	45	29
Total external turnover of which	2906	2708	1285	1269
- Exports from Finland	738	753	834	782
- International operations	1337	1105		

2. Operating profit by division

M€	Group	
	2001	2000
Rautaruukki Steel	83	130
Metform	12	7
Steel Structure Division	10	20
Fundia	-4	-9
Steel Service	9	33
Other units and internal items	-16	-25
	93	156

3. Other operating income

M€	Group		Rautaruukki Oyj	
	2001	2000	2001	2000
Gains on the sale of fixed assets	3	20	0	13
Other	14	10	9	6
	17	30	9	19

4. Raw materials and services

M€	Group		Rautaruukki Oyj	
	2001	2000	2001	2000
Materials, supplies and goods				
Purchases during the				
accounting period	1580	1470	665	630
Change in inventories	-17	-7	-18	-3
External services	175	163	96	83
	1738	1626	742	710

5. Personnel expenses

M€	Group Rautaruukki Oyj			
	2001	2000	2001	2000
Wages and salaries	425	421	204	207
Pension insurance premiums and pensions	61	35	42	26
Other indirect personnel expenses	65	61	21	23
Total	550	518	267	256

Salaries and emoluments of directors

of the members of the Supervisory Board	0.1	0.1	0.1	0.1
of the members of the Board and of Managing Directors including results-based bonuses to Management	6.1	6.0	0.7	1.1
	0.1	0.1		

The Group's average payroll by division

	Group Rautaruukki Oyj			
	2001	2000	2001	2000
Rautaruukki Steel	5539	5531	4959	5069
Metform	1510	1621	620	651
Steel Structure Division	1767	1564	90	87
Steel Service	1279	1088		
Fundia	3221	2914		
Other units	361	458	198	313
Total	13678	13176	5867	6120

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. 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			
	2001	2000	2001	2000
Goodwill	9	16	9	9
Other long-term expenses	9	8	5	5
Buildings and structures	20	19	12	11
Machinery, equipment and other material goods	132	130	83	82
Total	170	173	109	108
Reductions in value	2	1		
Depreciation and reductions in value, total	172	174	109	108

7. Other operating charges

M€	Group Rautaruukki Oyj			
	2001	2000	2001	2000
Sales freights	190	175	94	85
Rents	51	46	4	4
Losses on the sale of fixed assets		1		
Other	125	120	41	41
Total	366	341	139	130

8. Financial income and expenses

M€	Group Rautaruukki Oyj			
	2001	2000	2001	2000
Income from other investments held as non-current assets				
Dividend income from group companies			2	15
Dividend income from associated companies			3	
Dividend income from other companies		4		8
	0	4	5	23
Other interest and financial income				
Interest income from group companies			36	30
Interest income from other companies	4	7	1	5
Exchange gains	1	1		
Other financial income	1			
	5	8	38	35
Interest and other financial expenses				
Interest expenses to group companies			-2	-2
Interest expenses to other companies (see also Note 10)	-53	-56	-54	-53
Exchange losses	-2	-3	-2	-1
Other financing expenses to other companies	-2	-3	-1	-2
	-57	-62	-59	-58
Total financing income and expenses	-52	-50	-16	0

Notes to the accounts

9. Extraordinary items

M€	Group Rautaruukki Oyj			
	2001	2000	2001	2000
Extraordinary income				
Group contributions			17	30
Extraordinary expenses				
Group contributions			-26	-14
Group restructuring		-25	-1	
Extraordinary items, total	0	-25	-10	16

10. Income taxes

M€	Group Rautaruukki Oyj			
	2001	2000	2001	2000
Taxes for the year	5	21	2	24
Taxes from the previous years	-6			-4
Transfer of imputed tax claim from extraordinary items		-5		
Other change in deferred tax	13	15		
	12	31	2	20

The Group's total tax rate was 29% (38% in the previous year).

The crediting to income of taxes for previous years is due to the discharge of the tax provision booked in Sweden in 1996. Sweden's Kammarrätten (Fiscal Court of Appeal) has delivered its judgement on the tax appeal in favour of the company. The judgement nevertheless does not yet have force of law because the tax recipient has applied for a permit to submit an appeal to the Högsta Domstolen, which is Sweden's Supreme Court.

The amount of the discharged tax provision was EUR 6 million. At the same time, accrued interest liabilities of EUR 5 million were credited to income by deducting them from interest expenses.

The company believes that with a very great probability a permit to submit an appeal will not be granted because in two other similar cases, appeal permit applications were rejected, whereby the judgement of the lower court received force of law.

11. Intangible assets

M€	Group Rautaruukki Oyj			
	2001	2000	2001	2000
Intangible rights				
Acquisition cost 1.1.	16	13	6	6
Increases 1.1.-31.12.	1	3		
Acquisition cost 31.12.	17	16	6	6
Accumulated depreciation according to plan 1.1.	-8	-6	-4	-4
Depreciation according to plan 1.1.-31.12	-2	-2		
Book value 31.12.	7	8	2	2
Goodwill				
Book value 1.1.	40	54	21	30
Increases 1.1.-31.12.	-5	1		
Depreciation according to plan 1.1.-31.12	-9	-16	-9	-9
Book value 31.12.	25	40	12	21

M€	Group Rautaruukki Oyj			
	2001	2000	2001	2000
Other capitalised long-term expenses				
Acquisition cost 1.1.	67	58	56	50
Increases 1.1.-31.12.	3	8	2	6
Decreases and adjustment 1.1.-31.12.	-1	1		
Acquisition cost 31.12.	69	67	58	56
Accumulated depreciation according to plan 1.1.	-43	-36	-38	-33
Accumul. depreciation of decreases and adjustment acc. to plan 1.1.-31.12.		-1		1
Depreciation according to plan 1.1.-31.12.	-7	-6	-5	-5
Book value 31.12.	20	25	15	18
Advance payments				
Book value 1.1.	2	5	2	5
Changes 1.1. - 31.12.	7	-4	7	-3
Book value 31.12.	9	2	9	2
Intangible assets, total 31.12.	61	74	38	43

12. Tangible assets

M€	Group Rautaruukki Oyj			
	2001	2000	2001	2000
Land and water areas				
Book value 1.1.	25	26	6	6
Increases 1.1.-31.12	1			
Decreases and adjustment 1.1.-31.12.	-1	-2		
Book value 31.12.	24	25	6	6
Revaluations included in the acquisition cost of land areas¹				
Revaluations 1.1.	2	2	2	2
Revaluations 31.12.	2	2	2	2
Book value 31.12.	2	2	2	2
Buildings				
Acquisition cost 1.1.	584	584	400	386
Increases 1.1.-31.12	29	40	6	32
Decreases and adjustment 1.1.-31.12. ²	8	-40		-19
Acquisition cost 31.12.	621	584	405	400
Accumulated depreciation according to plan 1.1.	-226	-246	-156	-164
Accumul. depreciation of decreases and adjustment acc. to plan 1.1.-31.12. ²	-22	39		19
Depreciation according to plan	-20	-20	-12	-11
Book value 31.12.	353	358	237	243
Revaluations included in the acquisition cost of building¹				
Revaluations 1.1.	30	30	30	30
Revaluations 31.12.	30	30	30	30

M€	Group Rautaruukki Oyj			
	2001	2000	2001	2000
Machinery and equipment				
Acquisition cost 1.1.	2205	1888	1571	1417
Translation adjustment	-4			
Increases 1.1.-31.12.	96	211	35	164
Decreases and adjustment 1.1.-31.12. ²	5	106	-18	-9
Acquisition cost 31.12.	2301	2205	1588	1571
Accumulated depreciation according to plan 1.1.	-1252	-1010	-861	-788
Translation adjustment	3			
Accumul. depreciation of decreases and adjustment according to plan 1.1.-31.12.	30	-113	17	8
Depreciation according to plan 1.1.-31.12.	-135	-129	-83	-82
Book value 31.12.	948	953	660	710
Book value of machinery 31.12.	933	939	655	706
Advance payments and construction in progress				
Acquisition cost 1.1.	49	138	22	119
Changes 1.1.-31.12.	6	-89	15	-97
Book value 31.12.	55	49	37	22
Tangible assets, total 31.12.	1381	1385	941	981

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

² Adjustments in 2000 issue from structural changes made in sub-group Fundia: Formerly the cumulative values were counted from the acquisition date of Fundia. In 2000 they have been changed so that they include the acquisition costs of the companies from the earlier periods as well.

13. Investments

M€	Group Rautaruukki Oyj			
	2001	2000	2001	2000
Shares in Group companies				
Book value 1.1.			245	222
Increases 1.1.-31.12.			30	24
Decreases 1.1.-31.12.			-3	-2
Book value 31.12.			272	245
Receivables from Group companies				
Book value 1.1.			5	14
Changes 1.1.-31.12.			7	-10
Book value 31.12.			12	5
Shares in associated companies				
Book value 1.1.	25	26	7	7
Increases 1.1.-31.12.		1		
Decreases 1.1.-31.12.		-5		
Transfer between balance sheet rows	-1			
Share of the profit for the year	-1	4		
Book value 31.12.	23	25	7	7
Acquisition cost includes Goodwill		-2		
Long-term receivables from associated companies				
Book value 1.1.	1	1	1	1
Book value 31.12.	1	1	1	1
Other shares and similar rights of ownership				
Book value 1.1.	13	44	6	36
Decreases 1.1.-31.12.	-2	-30		-30
Book value 31.12.	11	13	6	6
Own shares				
Book value 1.1.	6		6	
Increases 1.1.-31.12.	8	6	8	6
Change in value	-1		-1	
Book value 31.12.	13	6	13	6
On 31.12.2001 the company possessed 3,270,000 pieces of K-Shares with the accounting countervalue EUR 5.6 million.				
Total investments 31.12.	49	46	311	270

Notes to the accounts

Stocks and shares 31.12.2001

	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 Rautaruukki Oyj:								
Asva Oy	FI Helsinki	98500	100.0	100.0	FIM	98500	78755	
August Lindberg Oy	FI Raahе	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	
Fundia Acier S.A.R.L	FR Paris	100	100.0	100.0	FRF	100	253	
Oy JIT-Trans Ltd	FI Raahе	150	100.0	100.0	FIM	1500	925	
Kiinteistö Oy Pakilantie 61–63	FI Helsinki	27000	100.0	100.0	EUR	4541	6567	
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 Raahе	2365	55.0	55.0	FIM	2365	2128	
Rannila Kosice s.r.o.	SK Kosice	139630	51.0	51.0	SKK	139630	3661	
Rannila Steel Oy	FI Vimpeli	1500	100.0	100.0	FIM	15000	16819	
Rautaruukki B.V. (Fundia Steel BV)	NL Almelo	40	100.0	100.0	EUR	18	123	
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	7009	
Rautaruukki Holding GmbH	DE Düsseldorf	1	100.0	100.0	DEM	4050	68414	
Rautaruukki Ltd	GB Solihull	2501000	100.0	100.0	GBP	2501	4611	
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	NO Mo i Rana	70000	100.0	100.0	NOK	70000	18000	
Rautaruukki Sales Ltd	GB London	10000	100.0	100.0	GBP	10000	14	
Rautaruukki (S.E.A.) Pte Ltd	SG Singapore	100000	100.0	100.0	SGD	100	64	
SKJ-yhtiöt Oy	FI Raahе	1000	100.0	100.0	FIM	500	141	8
Star Tubes (UK) Ltd.	GB Birmingham	2780000	100.0	100.0	GBP	2800	3289	29
Valtamaat Osakeyhtiö	FI Helsinki	1500	100.0	100.0	EUR	25	25	
							271830	37
Subsidiaries not eliminated from consolidated accounts:								
Housing and real estate corporations, 1 company							526	
Other subsidiaries of Rautaruukki Group (non-trading) 3 companies							10	25
Non-eliminated subsidiaries, total							536	25
							272366	62
Subsidiaries of Asva Oy:								
Asva StalSerwis Sp.zo.o	PL Zyrardow	7022	100.0	100.0	PLN	7022		1 765
Kiinteistö Oy Alpinus	FI Kuusamo	450	100.0	100.0	EUR	8		109
Mittalevy Oy	FI Helsinki	150	100.0	100.0	EUR	3		7
Asva Eesti AS	EE Tallinn	9450	100.0	100.0	EEK	945		89
SIA Asva Latvija	LV Riga	37	100.0	100.0	LVL	37		56
UAB Asva Lietuva	LT Vilnius	150	100.0	100.0	LTL	150		201
ZAO Asva Stal	RU Moscow	12	100.0	100.0	RUB	120		19
OOO Asva Stalservis	RU St. Petersburg	1	100.0	100.0	RUB	20		781
ZAO Stal Ross	RU St. Petersburg	100	100.0	100.0	RUB	100		9
								3035
Subsidiaries of A/S Carl Christensen og Brødre:								
CCB Stål AS	NO Oslo	600	100.0	100.0	NOK	600		1588
Bergen Specialstål AS	NO Oslo	8 333	100.0	100.0	NOK	8000		1006
								2594

	Country Domicile	Number of shares	Group share (%) of share capital	(%) of voting rights	Nominal value currency thousands	Book values, 1000 € held by Rautaruukki Oyj	held by other Group companies
Subsidiary of DCA-Imstruments 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 100		79
Kattokolmio Oy	FI Karkkila	1600	80.0	80.0	FIM 40		642
ZAO Rannila Sankt-Petersburg	RU St. Petersburg	7900	100.0	100.0	RUR 7900		566
ZAO Rannila Taldom	RU Taldom	27360	95.0	95.0	RUR 2736		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 30000		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 52000		18
ZAO Rannila Marketing	RU Moscow	50	100.0	100.0	RUR 50		7
							4262
Subsidiaries of Rannila Kosice s.r.o:							
Rannila Kft. Hungary	HU Budapest		100.0	100.0	HUF 484		11
Rannila Romania r.t.l	RO Brasov		100.0	100.0	ROL 359		8
							19
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		7786
Stelform A/S	DK Fredericia	3	100.0	100.0	DKK 25000		1699
Asva A/S	DK Glostrup	500	100.0	100.0	DKK 500		298
							9783
Subsidiaries of Rautaruukki Holding GmbH:							
Carl Froh GmbH	DE Sundern	1	100.0	100.0	DEM 6800		37569
Fundia GmbH	DE Mülheim	1	100.0	100.0	DEM 9010		6854
Rautaruukki Rohr GmbH	DE Sundern	1	100.0	100.0	DEM 200		113
Rautaruukki (Deutschland) GmbH	DE Düsseldorf	1	100.0	100.0	DEM 52		307
Rautaruukki Stahlservice GmbH	DE Duisburg	1	100.0	100.0	DEM 50		3830
Schmacke Rohr GmbH	DE Sundern	1	100.0	100.0	DEM 4000	47	2674
						47	51347
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
Subsidiaries of Rautaruukki Holding AB:							
Asva AB	SE Halmstad	70000	100.0	100.0	SEK 7000		4760
Fundia AB	SE Stockholm	1320000	100.0	100.0	SEK 350000		125235
Gasell Profil AB	SE Trelleborg	162000	100.0	100.0	SEK 16200		5569
Rautaruukki Sverige AB	SE Stockholm	9000	100.0	100.0	SEK 90		102
Wirsbo Stålrör AB	SE Surahammar	50000	100.0	100.0	SEK 5000		2150
							137817

Notes to the accounts

	Country Domicile	Number of shares	Group share (%) of share voting rights		Nominal value currency thousands		Book values, 1000 € held by Rautaruukki Oyj / held by other Group companies	
Subsidiaries of Gasell Profil AB:								
Gasell Profil A/S	DK Herlev	500	100.0	100.0	DKK	500		159
Gasell Profil AS	NO Frogner	500	100.0	100.0	NOK	50		6
Gasell Profil Polska Sp.zo.o.	PL Warsaw	40	100.0	100.0	PLN	4		6
Gasell Profiles Ltd.	GB Maisemore	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		24
								198
Subsidiaries of Fundia AB:								
Fundia Bar & Wire Processing AB	SE Gävle	40000	100.0	100.0	SEK	40000		19940
Fundia Special Bar AB	SE Smedjebacken	106000	100.0	100.0	SEK	10600		10751
Fundia Wire Oy Ab	FI Dragsfjärd	200	100.0	100.0	FIM	20000		20427
Fundia Reinforcing AS	NO Oslo	579901	100.0	100.0	NOK	57990		68937
								120056
Subsidiaries of Fundia Bar & Wire Processing AB:								
Fundia Cromax AB	SE Smedjebacken	1000	100.0	100.0	SEK	100		3913
Fundia Dalwire Oy Ab	FI Dragsfjärd	120000	100.0	100.0	FIM	12000		1028
Fundia Hjulsbro AB	SE Linköping	80000	100.0	100.0	SEK	8000		3306
Fundia Mandal Stål AS	NO Mandal	16358	100.0	100.0	NOK	16358		2218
Fundia Steelservice AB	SE Gävle	60000	100.0	100.0	SEK	6000		3414
Fundia SWL AB	SE Smedjebacken	8000	100.0	100.0	SEK	800		855
								14733
Subsidiaries of Fundia Reinforcing AS:								
Fundia Armeringstål AS	NO Mo i Rana	230001	100.0	100.0	NOK	128111		51814
Fundia Armering AS	NO Oslo	440000	100.0	100.0	NOK	44000		9055
Fundia Betoniteräkset Oy	FI Dragsfjärd	1570	100.0	100.0	FIM	15700		2820
Fundia Armering AB	SE Halmstad	600000	100.0	100.0	SEK	60000		9197
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		19
Robocon International AS	NO Oslo	500	100.0	100.0	NOK	50		195
SNJ Gesellschaft für Walzhandel GmbH	DE Mülheim	500	100.0	100.0	DEM	25		17
								73119
Subsidiaries of Fundia Armering AB:								
Fundia Welbond BV	NL Raamdonksveer	499	100.0	100.0	NLG	500		257
Fundia Armering A/S	DK Ølstykke	38	100.0	100.0	DKK	1000		685
Hjulsbro AB	SE Linköping	7500	100.0	100.0	SEK	750		97
								1039
Subsidiary of Robocon International AS:								
Robocon Latino America SA	CL Santiago	20249	99.0	99.0	NOK	2000		252
Subsidiaries of Fundia Cromax AB:								
Fundia Bright Bar AB	SE Hallstahammar	50000	100.0	100.0	SEK	5000		3623
Fundia Mora AB	SE Mora	38500	100.0	100.0	SEK	3850		1194
Fundia Redon S.A.	FR Redon	25050	100.0	100.0	FRF	2505		862
Fundia Twente B.V.	NL Almelo	5000	100.0	100.0	NLG	5000		0
								5679
Subsidiary of Fundia Special Bar AB:								
Fundia Tankoteräs Oy	FI Helsinki	150	100.0	100.0	FIM	18		3

	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 Wire Oy Ab:									
Asunto Oy Lappohjan Kerrostalot	FI Hanko	34556	100.0	100.0	FIM	8235		591	
Bostads Ab Sågars	FI Hanko	15263	100.0	100.0	FIM	4579		831	
Fastighets Ab Järnstången	FI Hanko	10100	100.0	100.0	FIM	101		1	
Fastighets Ab Lapphyddan	FI Hanko	810	81.0	81.0	FIM	81		14	
Fundia Nedstaal Draad B.V	NL Alblisserdam	4545455	100.0	100.0	EUR	4545		4538	
Fundia Tråd AB	SE Borlänge	500	100.0	100.0	SEK	100		938	
								6912	
Stocks and shares in subsidiaries, total								272413	433351
Associated companies, share of voting rights 20–50%:									
BuildForum Oy	FI Helsinki	100000	35.3	35.3	FIM	8594	9	813	
AB Järnbruksförmödenheter	SE Stockholm	623	41.5	41.5	SEK	100		11	
Bet-Ker Oy	FI Ylivieska	120	44.4	44.4	EUR	224		202	
Ekometall AOZT	UA Jenakievo	1000	50.0	50.0	USD	25			
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		529	
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		183	
Norsk Jern Eiendom AS	NO Mo i Rana	3600	30.0	30.0	NOK	22500		10477	
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	12500	
							19562		
Associated companies' profits and goodwill								3439	
Associated companies' value in balance sheet								23001	
Other stocks and shares, share of voting rights less than 20%:									
Ancofer Stahlhandel GmbH	DE Mülheim	1	10.0	10.0	DEM	1432		3219	
Brødrene Sundt Verktøimaskinfabrikk A/S	NO Oslo	2939	15.4	15.4	NOK	73		25	
Oy Datacity Center Ab	FI Turku	1000	7.0	7.0	FIM	100	17		
Ekokem Oy Ab	FI Riihimäki	230	1.3	1.3	FIM	460	77		
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	
Raahen Tietotekniikka Oy	FI Raahе	10	2.3	2.3	FIM	10	8		
Skandinavian Link Finska Oy	FI Helsinki	100	7.7	7.7	FIM	15	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								1979	614
Other stocks and shares								1147	367
Other stocks and shares, total								5567	5120
Other stocks and shares and non-eliminated subsidiary shares, total									11248
Own shares								13407	
Stocks and shares owned by Rautaruukki Oyj, total								298449	

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.

M€	Group Rautaruukki Oyj			
	2001	2000	2001	2000
Short-term non-interest bearing amounts owed by Group companies				
Trade debtors			30	25
Other non-interest bearing debtors			43	56
			73	81
Short-term amounts owed by associated companies				
Trade debtors	5	3	5	3
Other non-interest bearing debtors	1		1	
	6	3	5	3
Essential items in prepayments and accrued income				
Interest receivables			1	
Tax receivables	2	1		
Insurance compensation receivables	2	1	1	1
Currency hedgings	10		10	
Insurance compensation receivables	14	17	3	5
Total accruals	29	20	14	6

16. Capital and reserves

M€	Group Rautaruukki Oyj			
	2001	2000	2001	2000
Share capital 1.1.	236	234	236	234
Bonus issue		3		3
Share capital 31.12.	236	236	236	236
Share premium reserve 1.1.	220	222	220	222
Bonus issue		-3		-3
Share premium reserve 31.12.	220	220	220	220
Revaluation reserve 1.1.	24	24	33	33
Revaluation reserve 31.12.	24	24	33	33
Fund for own shares 1.1.	6		6	
Transfer from retained earnings	8	6	8	6
Write-down on own shares	-1		-1	
Fund for own shares 31.12.	13	6	13	6
Profit from previous years 1.1.	373	357	193	170
Transfer to fund for own shares	-8	-6	-8	-6
Dividend	-34	-28	-34	-28
Profit from previous years 31.12.	330	322	151	135
Profit for the year	30	50	5	58
Translation difference	4	-2		
Capital and reserves, total 31.12.	856	856	658	688

M€	Group Rautaruukki Oyj			
	2001	2000	2001	2000
Distributable earnings				
Profit from previous years	330	322	151	135
+ Profit for the financial year	30	50	5	58
- Redemption of own shares after the close of the financial year		-1		-1
- Accumulated depreciation difference shown under capital	-320	-298		
= Distributable earnings	39	74	156	193

The biggest shareholders of Rautaruukki Oyj according to the share register as on 31.12.2001

Shareholder	Number of shares	Shares %
1. Republic of Finland	55,656,699	40.1
2. Mutual Pension Insurance Company Varma-Sampo	5,712,587	4.1
3. Odin Norden	5,659,400	4.1
4. Rautaruukki Oyj	3,270,000	2.4
5. Insurance Company Suomi Ltd	1,445,000	1.0
6. Life Insurance Company Sampo	1,428,000	1.0
7. Nordea Life Insurance	1,395,900	1.0
8. Federation of Finnish Metal, Engineering and Electronical Industries	1,372,000	1.0
9. Rautaruukki Pension Foundation	1,328,655	1.0
10. Local Government Pensions Institution	1,307,417	0.9
11. OP-Delta Investment Fund	1,292,500	0.9
12. Mutual Life Insurance Company Suomi	1,153,000	0.8
13. Esa Rannila	953,000	0.7
14. Insurance Company Pohjola Ltd	913,066	0.7
15. Kesko Pension Fund	837,452	0.6
16. Mutual Insurance Company Tapiola	750,700	0.5
17. Sampo-Leonia Share	652,837	0.5
18. The Central Church Fund	641,500	0.5
19. Onnenmäki Foundation	616,257	0.4
20. Fortum Pensions Foundation	596,900	0.4

The total number of shares held by members of the Supervisory Board and the Board of Directors was 9,075, which represent 0.007 % of the voting right conferred by all the company's shares. In addition the members of the Board of Directors held convertible bonds which confer entitlement to subscribe at most a total of 1,000 K Shares, i.e. 0.0007 % of the voting right.

Share capital of Rautaruukki Oyj by share series:

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

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

Shareholders by share ownership according to the share register as on 31.12.2001

Number of shares	Shareholders		Thousands	Shares	
	No.	%			%
1 – 100	2,145	10.82	130	0.09	
101 – 1 000	13,892	70.08	6,612	4.76	
1 001 – 10 000	3,390	17.10	9,553	6.88	
10 001 – 100 000	316	1.59	9,230	6.65	
100 001 –	81	0.41	113,321	81.59	
	19,824	100.00	138,846	99.97	
Joint book-entry account			40	0.03	
			138,886	100.00	

Shareholders by sector according to the share register as on 31.12.2001

	Shareholders		Thousands	Shares	
	No.	%			%
Companies	741	3.74	10,019	7.21	
Banks and insurance companies	104	0.53	15,662	11.28	
Public institutions	72	0.36	71,459	51.45	
Non profit institutions	248	1.25	5,217	3.76	
Private households	18,572	93.68	17,594	12.67	
Administrative registrations	9	0.05	12,442	8.96	
Other foreign owners	78	0.39	6,452	4.64	
	19,824	100.00	138,846	99.97	
Joint book-entry account			40	0.03	
			138,886	100.00	

17. Appropriations

In the consolidated annual accounts, the depreciation reserve has been transferred in part to capital and reserves and in part to the deferred tax liability. For the parent company Rautaruukki Oyj, the deferred tax liability, which would have been EUR 120 million, has not been separated out from appropriations.

M€	Rautaruukki Oyj	
	2001	2000
Accumulated depreciation difference 1.1.	387	335
Change in profit and loss account	26	52
Accumulated depreciation difference 31.12.	413	387
Appropriations, total 31.12.	413	387

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			
	2001	2000	2001	2000
Pension liabilities 1.1.	12	7	5	4
Change in staff expenses in the profit and loss account	2	2	2	1
Transfer from interest-bearing pensions loans		3		
Pension liabilities 31.12.	14	12	6	5
Tax provisions 1.1.	8	7		
Change (see also Note10)	-7	1		
Tax provisions 31.12.	1	8		
Other obligatory provisions 1.1	26	2		
Change in extraordinary expenses in the profit and loss account		25		
Changes to other items in the profit and loss account	-17	-1		
Other obligatory provisions 31.12.	9	26		
Obligatory provisions, total	23	46		

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 31.12.2001

M€	Currency	Repayments							Total	% of total debt
		2002	2003	2004	2005	2006	2007	2008–		
Convertible bonds	EUR		3						3	0
Bonds and debenture loans	EUR			65		71			135	12
Loans from credit institutions	EUR	61	191	170	191	33	28	20	695	64
Pensions loans	SEK	109	18	3	3	3	3		138	13
	EUR	5	5	5	4	2		50	72	7
	SEK						16		16	1
Others	NOK						4		4	0
	EUR	4	6	4	4	4	4	4	28	3
		179	223	246	202	112	55	74	1,091	100

The average interest rate on long-term loans was 4.59 %

Notes to the accounts

Bonds

	interest rate	currency	2001 M€	2000 M€
1999–2004	4.0 %	EUR	65	65
1999–2006	4.5 %	EUR	71	71
			135	135

Convertible bonds

1998–2003	5.0 %	EUR	3	3
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On the basis of equity warrants connected with the convertible bond issue, 400 000 Series K shares can be subscribed for.

20. Deferred tax assets and liabilities

M€	Group Rautaruukki Oyj ¹			
	2001	2000	2001	2000
Deferred tax assets				
In the companies' accounts	5	5		
From consolidation	5	6		
From temporary differences	4	17		
	14	28		
Deferred tax liabilities				
In the companies' accounts	3	3		
From appropriations	124	117	120	112
From consolidation	8	8		
From temporary differences	26	33		
	161	161	120	112

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. Current non-interest bearing creditors owed to Group companies

M€	Group Rautaruukki Oyj			
	2001	2000	2001	2000
Trade creditors			7	8
Other creditors			27	15
			35	24

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

M€	Group Rautaruukki Oyj			
	2001	2000	2001	2000
Trade creditors	4	1	4	1
Other creditors		1		1
	4	2	4	2

23. Current creditors

Essential items in accruals and deferred income

M€	Group Rautaruukki Oyj			
	2001	2000	2001	2000
Tax liability	5	3		
Interest debts	10	8	10	8
Personnel expenses	65	62	37	39
Currency hedgings	12	1	12	
Other accruals	27	29	11	12
Total accruals	119	103	70	59

24. Contingent liabilities

Given securities

M€	Group Rautaruukki Oyj			
	2001	2000	2001	2000

Mortgage backed liabilities

Loans from financial institutions	3	3	2	2
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Collateral in value

Mortgaged real estates	71	21	69	19
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Collateral given on behalf of Group companies

Guarantees			55	52
Debit balance of Group bank accounts			73	67
			128	119

Collateral given on behalf of associated companies

Guarantees	2	2	2	2
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Collateral given on behalf of others

Guarantees	8	20	7	20
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Contingent and other liabilities

Leasing liabilities				
Due next year	29	33	2	4
Due later	67	62	3	10
	96	95	5	14

Other financial liabilities

Repurchase liabilities	14	15	12	12
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Letter of Comfort liabilities* for Group companies

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

25. Derivative contracts

Fair values of derivative contracts as at 31.12.2001

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

M€	Nominal value	Fair value
Interest rate derivatives		
Interest rate swaps	555	1.7
Foreign currency derivatives		
Forward contracts	477	-0.4
Options*		
Bought	37	0,3
Sold	37	0
Zinc derivatives**		
Futures	26,100	
Options		
Bought	13,500	-0.2
Sold	13,500	-0.3

* Risk reversal

** Nominal amounts in tonnes

EXCHANGE RATES

Average rates

	2001	2000	1999	1998	1997
USD	0.896	0.924	1.066	1.113	1.145
GBP	0.622	0.610	0.659	0.672	0.699
SEK	9.255	8.447	8.808	8.846	8.745
NOK	8.048	8.113	8.310	8.400	8.102
DKK	7.452	7.454	7.436	7.454	7.566

Year-end rates

	2001	2000	1999	1998	1997
USD	0.881	0.931	1.005	1.167	1.097
GBP	0.609	0.624	0.622	0.705	0.661
SEK	9.301	8.831	8.563	9.487	8.663
NOK	7.952	8.234	8.077	8.872	8.041
DKK	7.437	7.463	7.443	7.449	7.481

Notes to the accounts

26. Financial and share based key figures

		2001	2000	1999	1998	1997
Turnover	M€	2,906	2,708	2,388	2,579	2,296
Personnel on average		13,678	13,176	13,219	13,409	12,868
FINANCE						
Operating profit	M€	93	156	57	186	227
% of turnover	%	3.2	5.8	2.4	7.2	9.9
Profit/Loss before extraordinary items	M€	41	106	-6	127	169
% of turnover	%	1.4	3.9	-0.2	4.9	7.4
Profit/Loss before taxes	M€	41	81	-6	109	169
% of turnover	%	1.4	3.0	-0.2	4.2	7.4
Return on net assets	%	5.0	8.7	3.3	10.4	13.2
Return on equity	%	3.4	8.2	-2.0	9.7	16.7
Equity ratio	%	33.3	34.1	34.6	36.9	36.5
Gearing ratio	%	129	118	121	109	108
Gross investments	M€	162	176	197	235	251
% of turnover	%	5.6	6.5	8.2	9.1	10.9
Research and development	M€	19	20	20	18	16
% of turnover	%	0.7	0.7	0.8	0.7	0.7
Net interest expenses	M€	49	50	50	61	58
% of turnover	%	1.7	1.8	2.1	2.4	2.5
Interest bearing net debt	M€	1,087	1,017	1,014	954	916
Balance sheet total	M€	2,559	2,523	2,432	2,402	2,356
SHARE BASED KEY FIGURES						
Earnings per share, EPS	€	0.22	0.51	-0.13	0.64	0.98
- diluted	€	0.21	0.49	-0.13	0.63	0.98
Equity per share	€	6.21	6.23	6.02	6.44	6.35
Dividend per share	€	0.20*	0.25	0.20	0.30	0.34
Dividend per earnings	%	91.9*	49.4	-154.6	47.3	34.4
Price per earnings, P/E		18.8	7.6	-53.7	8.6	7.6
Share trading	thousands	39,038	34,318	41,116	68,150	57,215
Stock turnover	%	29	25	30	51	44
Share trading	M€	162	166	254	443	470
Average price of share	€	4.16	4.83	6.18	6.50	8.21
Lowest price of share	€	3.59	3.45	5.10	4.29	6.56
Highest price of share	€	4.85	7.20	7.30	8.16	9.92
Average adjusted number of shares	thousands	136,132	138,462	135,109	133,228	128,764
- diluted	thousands	138,947	142,183	138,699	134,939	128,765
Adjusted number of shares at year-end	thousands	138,886	138,886	138,886	133,228	133,228
Number of shares at year-end	thousands	138,886	138,886	138,886	133,228	133,228
- not counting own shares	thousands	135,616	137,540	138,886	133,228	133,228
- diluted	thousands	138,431	141,355	142,476	135,779	133,229
Share price at year-end	€	4.10	3.82	6.95	5.53	7.40
Market capitalization at year-end	M€	569	531	965	737	986
Effective dividend yield	%	4.9*	6.5	2.9	5.5	4.5

* Board proposal

Principles governing the calculation of key figures

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

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

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

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

$$\text{Interest bearing net debt} = \text{interest bearing debt} - \text{cash and other liquid current assets}$$

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

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

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

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

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

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

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

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

¹ Excluding depreciation of short-term investments

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

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

BOARD PROPOSAL FOR THE USE OF PROFIT

At the closing of the accounts for 2001 the consolidated distributable capital and reserves of the Group was EUR 39 million, of which the profit for the year was EUR 30 million. The nonrestricted equity capital of the parent company was made up as follows:

Net profit for the year	EUR	5,112,692.22
Retained earnings from previous years	EUR	150,768,945.79
Total	EUR	155,899,638.01

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

shares total	138,886,445 pcs
shares in the company's possession on 5 February 2002	- 3,270,000 pcs
total shares not counting shares in the company's possession	135,616,445 pcs

a dividend of EUR 0.20 per share be paid, totalling EUR 27,123,289

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

Helsinki, 5 February 2002

BOARD OF DIRECTORS

Jukka Viinanen

Georg Ehrnrooth Christer Granskog Harri Hollmén

Carita Putkonen Pekka Timonen Mikko Kivimäki

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 2001. 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, 6 February 2002

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 2001, as well as the Auditors' Report, the Supervisory Board of Rautaruukki Oyj proposes to the 2002 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, 28 February 2002

SUPERVISORY BOARD

Turo Bergman

Jouko Skinnari

Tuula Haatainen

Timo Ihamäki

Tauno Matomäki

Hannes Manninen

Seppo Kanerva

Inkeri Kerola

Ole Johansson

Bertel Langenskiöld

FINANCING AND FINANCIAL RISK MANAGEMENT

The Rautaruukki Group's financing operations and the management of financial risks are handled centrally by Group Management. Treasury functions are handled in accordance with the financial policy approved by the Board of Directors which defines the principles and objectives of treasury operations and financial risk management. The parent company's Corporate Treasury is responsible for implementing financing operations and managing risks. The divisions and subsidiaries are responsible for their own financial result and carry out their financial transactions within the Group.

The objective of the Group's management of financial risks is to minimise the negative effects of financial risks on the Group's earnings, shareholders' equity and liquidity. An essential part of the risk management consists of cooperation between the parent company's Corporate Treasury and the divisions for the purpose of minimizing financial risks and the operational risks confronting the Treasury function.

Foreign exchange risk

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

The bulk of the Group's foreign exchange surplus against the euro is in British pounds and Danish kroner. The prices of the most important raw materials are set in U.S. dollars, which means that the Group has a substantial dollar deficit. In addition, the Group runs a deficit in Norwegian kroner. (Net cash flow risk in Table 1)

The future cash flow has been hedged in British pounds, in which about six months of net cash flow was hedged. The dollar risk connected with raw material purchases has been hedged with currency options corresponding to 2–3 months of expenditures. The Group's balance sheet posi-

tion was on average completely hedged during 2001. The foreign currency-denominated shareholders' equity amounts of foreign subsidiaries and associated companies were unhedged for the most part of 2001.

Interest rate risk

In order to manage the Group's interest rate risks, the Group's borrowing and investments are spread out between fixed and variable interest rate contracts. In addition, interest derivatives are used for hedging. The main foreign currencies from the standpoint of the Group's interest rate risk were the euro and the Swedish krona. The Group's interest-bearing net debt at 31 December 2001 was EUR 1087 million and the average interest rate was 4.6 per cent.

Interest rate risk is monitored by way of interest flow risk. At 31 December 2001 the interest flow risk impact over the next 12 months of a one percentage point rise in the interest rate was EUR 5 million. In addition, the Group monitors the average duration of the net liabilities exposure and its sensitivity to changes in the interest rate curve.

Taking into account derivatives, the duration of the net liabilities exposure at the end of the year was 1 year. A change of one percentage point in the interest rate curve (sensitivity) would have led to a change of about EUR 10 million (1%) in the market value. (The interest flow risk and sensitivity in Table 2. Fair values of derivative contracts in Note 25, page 43.)

Liquidity risk

To minimise refinancing risks, the Group strives to achieve a balanced maturity distribution of its loans and to make use of a number of different sources of financing. To ensure liquidity the Group had, at the end of 2001, revolving credit facilities totalling EUR 403 million, of which EUR 85 million were uncommitted. In addition, in January 2002 there was EUR 95 million of undrawn long-term bank loans.

Table 1. Estimated net cash flow risk against euro

M€	
USD	- 300
GBP	+ 140
SEK	+ 20
NOK	- 90
DKK	+ 50
PLN	+ 30
Other currencies	+ 50
Total	- 100

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

M€	Sensitivity	Interest flow risk
		(12months)
EUR	9.3	3.8
SEK	0.9	0.3
Other currencies	0.2	0.9
Total	10.4	5.0

The Group has several non-binding long-term credit lines with banks as well as an EUR 250 million domestic commercial paper programme, of which EUR 227 million was uncommitted at 31 December 2001. The Group employs efficient and centralised cash management arrangements as part of its liquidity management.

Credit risk

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

Raw material risk

The raw materials used by the Group involve price risks, for which the established derivatives markets provide only for hedging the price risk of zinc. At the end of the year, 75 per cent of the estimated zinc purchases for 2002 and 25 per cent for 2003 had been hedged with options and futures. (Metal derivatives in Note 25, page 43.)

RAUTARUUKKI STEEL

Degree of upgrading rises

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 fast and reliable deliveries coupled with cost-effective manufacturing.

Key figures	2001	2000
Turnover, Me	1316	1297
Operating profit, Me	83	130
Return on net assets, %	7.3	11.4
Steel production, 1000 t	2565	2564
Personnel at year-end	5185	5322

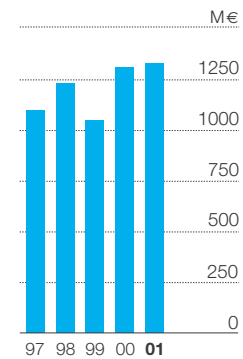
Demand for heavy plates remained satisfactory, chiefly due a good order book from the off-shore and ship building industry. Demand for strip products already began to tail off at the beginning of the year, particularly as a result of a weak order book from the electricity and electronics industry. Demand for products was extremely weak in the final quarter of the year.

The prices of heavy plates rose at the beginning of 2001 but took a downturn in the second half of the year. Prices of strip products fell throughout the entire year. The average price of Rautaruukki Steel deliveries was slightly higher than the previous year due to an increase in the degree of upgrading.

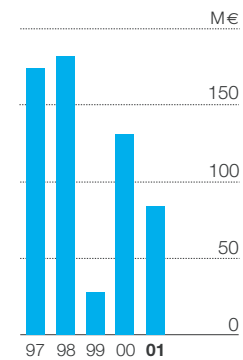
Deliveries of Rautaruukki Steel totalled 2,683,000 tonnes (2,666,000).



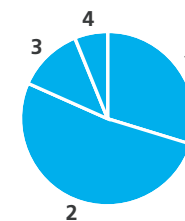
Turnover



Operating profit



External sales by region 2001



- 1 Finland 30%
- 2 Other EU countries 52%
- 3 Other Europe 12%
- 4 Other countries 6%

The building of wind energy plants continued to thrive in Europe. Rautaruukki Steel delivers ready-to-install plate components for wind energy plant frames.

Rautaruukki Steel

Deliveries of coated products grew by 45 per cent.

Rautaruukki Steel's turnover was EUR 1,316 million (1,297) and operating profit was EUR83 million (130). In addition to the weakened market situation, rising raw material costs and a loss of steel output caused by the repair of a blast furnace chamber contributed to the fall in operating profit.

Rolling production grew according to plan

The objective of the Rautaruukki Steel investment programme completed in 2000 is to increase steel output to 2.8 million tonnes. Owing to problems with iron production this objective has not yet been fulfilled. Rautaruukki Steel's steel output totalled 2,565,000 tonnes (2,564,000).

The rolling and coating capacity objectives outlined in the investment programme were achieved and partly exceeded. Owing to the market cli-

mate, Rautaruukki Steel cut rolling production by 90,000 tonnes from the planned figure in the final quarter by reducing the use of purchased slabs.

The proportion of products for demanding applications grew. During the year the selection and measurement range of the Laser product family, highly suitable for laser cutting, were expanded. Demand for Optim plates, which are designed for demanding applications in engineering works, increased, particularly in Finland. During the year the new

This Lännen Green Line backhoe loader makes versatile use of RAEX Multisteel.

RAEX®



RAGAL®

Pural-coated sheet is excellently suited to traditional seamed roofs.

RACOLOR®

Litec sheet products were launched on to the market. Due to their good formability and very high strength, these products are well suited for use in automotive industry safety components. The market share of colour-coated Pural products grew in roofing and wall profiles.

Reorganisation

To boost operations, Rautaruukki Steel's former profit-unit structure was reorganised as of 1 March 2002. In the new operating model, the en-

tire division's production and sales have each been centralised into their own area of responsibility.

Rautaruukki Steel's sales have been divided into six business areas: Automotive, Building, Construction, Electro, Engineering and Marine. Rautaruukki Steel will focus on its major customers in these business areas. The Steel Service Division for its part will focus on serving customers in the SME sector.

After the completion of the Rautaruukki 2000 investment pro-

gramme, the capital expenditures decreased and they comprised of maintenance investments and investments aiming at boosting efficiency.

Outlook for 2002

At the beginning of the year, demand for steel products is expected to continue at the low level of the end of 2001, but to pick up thereafter. Rautaruukki Steel will continue measures to lower costs and increase the degree of upgrading. A shutdown to repair the blast furnace No. 1 will take place in summer 2002.

Safety depends on small things. The clasp of a safety belt made from RACOLD steel.

Sailing along with the Carnival Pride cruise vessel, Rautaruukki steel visits exotic ports of call.

RACOLD®



METFORM

Special products now account for a bigger share of deliveries

Rautaruukki 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.

Key figures	2001	2000
Turnover, M€	351	386
Operating profit, M€	12	7
Return on net assets, %	8.3	5.4
Personnel at year-end	1415	1602

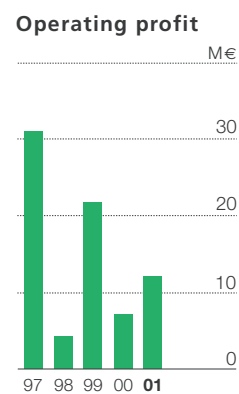
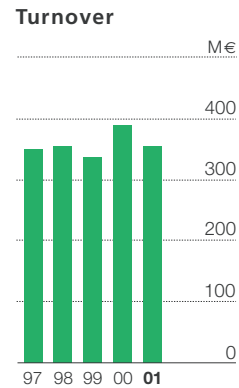
Demand for steel tubes was mainly good in the first half of the year, but it began to weaken thereafter. Prices of tubular products fell slightly.

Metform reduced its deliveries to the Automotive business area and focused on products that yield better margins, such as vehicle headbag components.

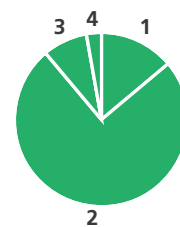
The general weakening of the market in the second half of the year

led to a contraction of deliveries in both the Household and the Building business areas. In the Industry business area, on the other hand, demand continued to be good and deliveries increased.

In the Pipelines business area, demand for large diameter pipes was extremely weak at the beginning of 2001, but it gradually picked up towards the end of the year. De-



External sales by region 2001



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



FORM TUBES™

The platforms of the Helsinki Railway Station received a stylish canopy structure, made from Metform's hollow sections.

mand for smaller diameter pipes was stable.

Deliveries declined, operating profit improved

Metform's deliveries totalled 552,000 tonnes (607,000). The division's turnover was EUR 351 million (386) and operating profit was EUR12 million (7). The Carl Froh GmbH restructuring programme, lower raw material prices and an increase in the share of special products had a positive impact on operating profit.

Focus on special products

In research and development the focus was on increasing the proportion of special products. Metform continued developing automotive industry applications in international research projects.

Two new tubular product families were launched on to the market. Silver tubes made of Galvan-coated steel strip have excellent surface quality and customers can take them into their own production processes without prefabrication. Optim tubes are made from high-strength, hot-rolled steel strip, which enables the manu-

facture of lighter and stronger structures.

New steel pipe piles set by drilling consolidated their position as, among other things, a foundation solution for bridge structures. Sales increased of Swellex components used to strengthen tunnel structures.

Investments were made at the Oulainen, Hämeenlinna and Wirsbo works to expand the product range and improve quality. A new precision tubing line was opened at Carl Froh. The production capacity of headbag components was also increased when the new automatic production line came into use.

Outlook for 2002

Demand for steel tubes is expected to continue to be uncertain at the beginning of the year, but to improve as the year goes on. Metform will strive to raise its degree of upgrading and to increase deliveries of special products. Deliveries of tubing components in particular are expected to rise.



Swellex components that are used in reinforcing tunnel structures have gained a major position worldwide.



The capacity for manufacturing tubular components for vehicle headbags was increased at the Carl Froh plant. Carl Froh components are used in the Mercedes Benz C Model, among others.

STEEL STRUCTURE DIVISION

A wider reach in eastern and central Europe

The Steel Structure Division manufactures and markets steel products for construction as well as systems based on them. The division's brands are Rannila and Gasell. Gasell Industry also develops and manufactures light engineering products.

Key figures	2001	2000
Turnover, M€	311	306
Operating profit, M€	10	20
Return on net assets, %	9.6	19.4
Personnel at year-end	1709	1615

Demand for the Steel Structure Division's products was good early in the year, but seasonal demand was weaker than usual during the summer. Demand slowed further at the end of year due to the exceptionally early onset of winter.

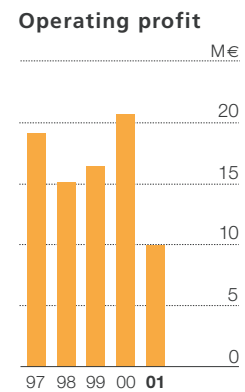
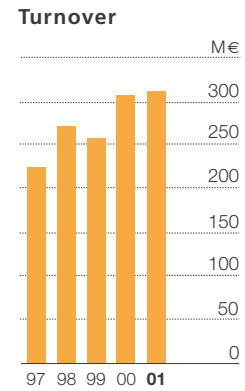
The Steel Structure Division's turnover totalled EUR311 million (306) and operating profit was EUR10 million (20). Sales improved in eastern and central Europe. In the Nordic countries sales stayed at ap-

proximately the previous year's level. Intensified price competition as well as the weakening of the market had a negative impact on operating profit.

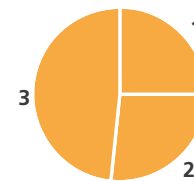
Expansion continued

The Steel Structure Division opened new factories in southern Poland and eastern Ukraine. A sales office was opened in Romania to strengthen sales in the Balkan region. An agency was opened in Kazakhstan.

The Steel Structure Division is playing a prominent role in Russia's growing construction market.



External sales by region 2001



1	Finland	25%
2	Other EU countries	27%
3	Other Europe	48%

Rannila

Gasell

The Steel Structure Division enhanced its position by launching on to the market new products for consumer and professional construction as well as by increasing the range of product packages intended for professional builders. Roofing installation business grew further in Finland and a start-up was made in Poland.

New products introduced by Rannila included the Solar roofing

product family, which utilises the energy of the sun, and the Nordico facade system, based on thermoprofile steel frame. The products were well received in the market.

Gasell Building has begun to focus on international project operations selling large-scale deliveries. Gasell Industry, which manufactures light engineering products, invested in expanding its product range.

Outlook for 2002

The general economic uncertainty will continue to be reflected in construction. The Steel Structure Division will continue expanding and developing its sales and production network. Through its increased capacity and service provision, the division is expected to continue to grow, particularly in Russia and the Balkan region.



Gasell has supplied facade panels for a number of IKEA stores.



The Helsinki High Tech Center, which won Finland's Steel Structure of the Year award, makes use of Rautaruukki steel in many forms.



Rannila Solar roofing has an integrated laminated solar panel that blends in with the dark surface of the roof.

Restructuring programme begins to produce results

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	2001	2000
Turnover, M€	724	644
Operating result, M€	- 4	- 9
Return on net assets, %	neg.	neg.
Steel production, 1000 t	1604	1740
Personnel at year-end	3018*	2831

* 2549 excluding Fundia Nedstaal

Demand for reinforcing and bar products was good in the first half of the year, but it gradually weakened during the autumn. Demand for wire products weakened throughout the year. Prices were stable, however.

Fundia's deliveries totalled 1,815,000 tonnes (1,760,000). Deliveries were boosted by the contribution of rolling products from Fundia Nedstaal. Deliveries of billets declined.

Excluding Nedstaal, the average price of rolling product deliveries was slightly lower than the previous year. For market reasons, rolling production contracted by 40,000 tonnes from the planned level in the final quarter of the year.

Result improved slightly

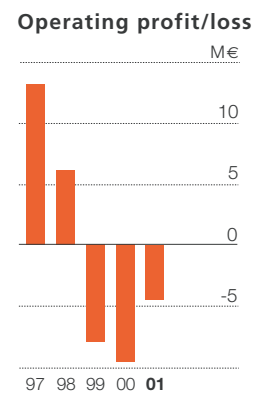
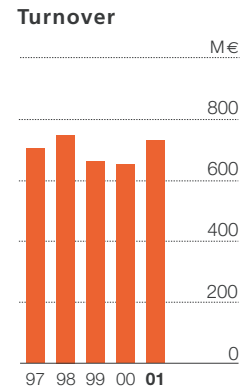
Fundia's turnover was EUR 724 million (644). The operating loss was EUR 4 million (9). Of Fundia's subdivisions, Reinforcing, Special Bar and Bar & Wire Processing each recorded clearly positive results after financial items. Fundia Wire's operating result was strongly negative. This was due, among other things, to intense price

competition, high raw material costs and production disruptions caused by the development programme which is underway.

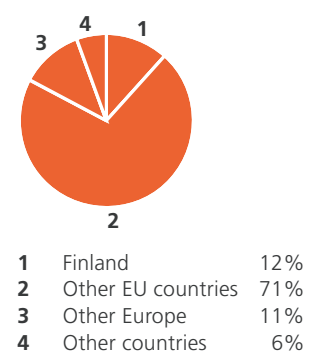
Acquisitions in the Netherlands and Italy

At the beginning of the year, the Dutch company Nedstaal Draad BV became part of Fundia and its name was changed to Fundia Nedstaal BV. The acquisition supplemented Fundia Wire's product range. Nedstaal's rolling mill began to use billets produced in Koverhar, which raised the degree of upgrading of deliveries. The acquisition also meant that Fundia acquired a new logistical point in the centre of the European wire rod market.

At the beginning of 2002 Fundia bought the Italian company Fluid S.p.A., which manufactures chrome-plated bars. The company has a strong position in Italy, the most important market area for these products in Europe. Fundia strengthened its position as Europe's leading manufacturer of chrome-plated bars.



External sales by region 2001



Development and restructuring programmes

In order to restore Fundia's profitability, a restructuring programme was initiated at the beginning of the year with the goal of reducing personnel and other fixed costs. Personnel will be reduced by around 500 employees, and most of this was achieved in 2001. Development programmes are also underway to raise the degree of up-grading of products.

Restructuring programmes were completed in Fundia Reinforcing and Special Bar. Fundia Reinforcing continued measures aimed at improving cost

efficiency and logistics. Fundia Special Bar increased the proportion of special steels in its deliveries and continued to increase productivity and improve marketing and customer service.

Fundia Wire's development and restructuring programmes are still continuing. A new ladle furnace and a modernised casting machine were commissioned at the Koverhar Works. The start-up of continuous rolling at the Dalsbruk rolling mill was postponed for technical reasons until 2002.

To boost cost efficiency, Ned-

staal's entire rolling production will be centralised in a single rolling line in summer 2002. Fundia's restructuring programme will be completed during 2002.

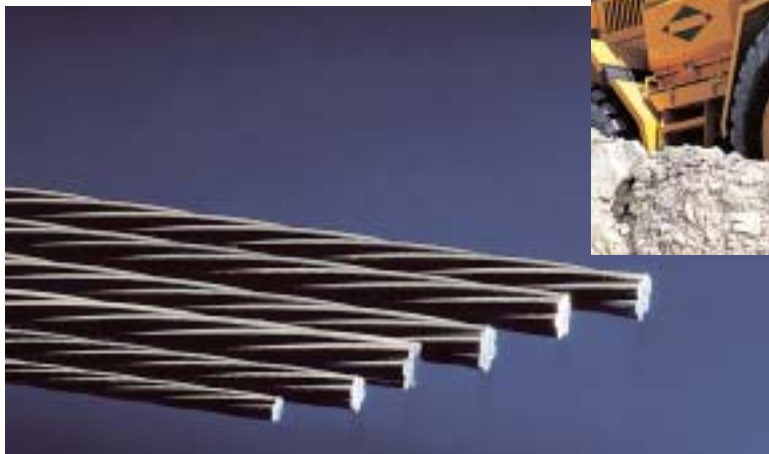
Outlook for 2002

The weak market for long steel products is expected to continue in all product groups during the first half of the year, after which the market situation is expected to start to improve. Reinforcing and Special Bar will gain nearly the full benefit of Fundia's restructuring, but its impact in Fundia Wire will not be felt for the most part until 2003.



Fundia Nedstaal is Europe's leading supplier of valve spring steels.

Pre-stressed concrete strands are used most commonly for reinforcing panel-built structures.



Fundia's Cromax strengthened its position as Europe's leading manufacturer of chrome-plated bars. The most important use of the products is in making hydraulic piston rods.

STEEL SERVICE

Operations expand in the Nordic region

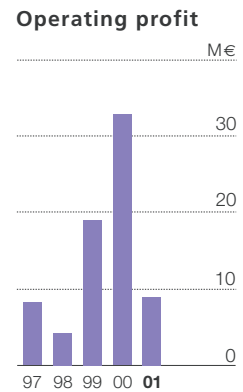
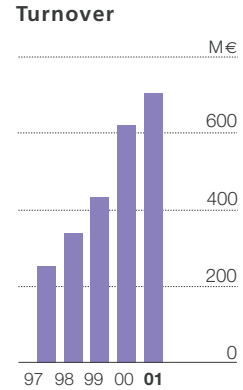
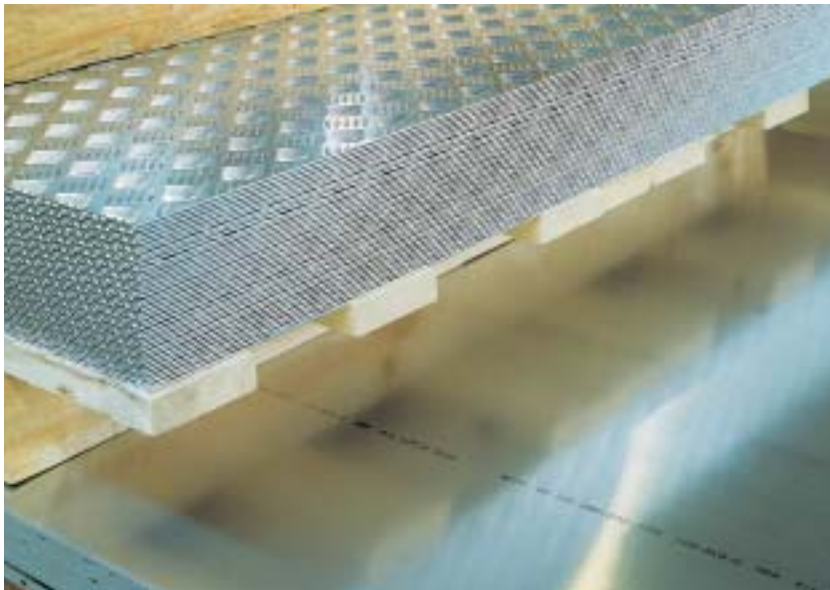
Rautaruukki Steel Service markets steel products of the Group prefabricated to customers' order. The division also markets steel products of other manufacturers as well as other materials such as aluminium and stainless steel.

Key figures	2001	2000
Turnover, M€	702	620
Operating profit, M€	9	33
Return on net assets, %	4.2	19.5
Personnel at year-end	1320	1122

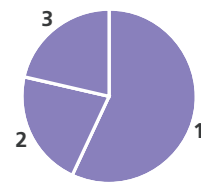
In Finland the good order book from industry kept demand at a reasonable level in the early part of the year, but by the spring demand from the electronics industry had clearly begun to contract. Demand weakened towards the end of the year, and in the final quarter deliveries were exceptionally low. Product prices fell.

Demand and prices for steel and other metal products also fell in Sweden, Poland and Germany, where the situation was exacerbated particularly by a weakening of demand in the automotive and construction industries. The market situation in Norway, on the other hand, remained good, particularly due to demand from the offshore industry.

Rautaruukki's Steel Service Division focuses on offering tailor-made service to customers in the small and medium-sized business sector.



External sales by region 2001



1	Finland	57%
2	Other EU countries	22%
3	Other Europe	21%



The Steel Service Division's turnover was EUR 702 million (620). The division's operating profit was EUR 9 million (33). The lower operating profit was the result of the weak market climate and of non-recurring costs relating to company acquisitions.

Position strengthened in the Nordic countries

The Steel Service Division expanded its operations significantly in the Nordic countries. In April 2001 the Swedish steel service company Heléns Stål AB became part of Asva and its name was changed to Asva AB. The Steel Service Division thus obtained a firm foothold in the Swedish and Danish markets.

In Norway the stainless steel warehousing functions of Avesta-Polarit were transferred to CCB Stål, a move which considerably strengthened the Group's position as a supplier of stainless steels. CCB Stål is one of Norway's largest steel service companies.

In Finland investments aimed at increasing prefabrication services continued. Prefabrication services for tubing and beam products were added at the Hyvinkää service centre, and form-cutting capacity for hot-rolled steel products will be doubled at the Seinäjoki service centre in the early 2002. New prefabrication lines were also acquired for units in Sweden and Norway.

Rautaruukki Stahlservice GmbH which operates in Germany was transferred into Rautaruukki Steel's organisation.

Outlook for 2002

The market situation in the steel service business is expected to continue to be weak in the early 2002, but it is expected to improve during the latter part of the year.

The Steel Service Division will enhance cooperation between its units in order to obtain full synergy benefits in the Nordic market. Sales are expected to grow in the Russian and Baltic markets.



Finn-Power's Night Train flexible sheet metal manufacturing system, for which Asva supplies installation-ready machine parts.



The Division's prefabrication services were increased, particularly in Finland and the other Nordic countries.

SUSTAINABLE DEVELOPMENT

Rautaruukki's objective is to raise company's value on a long-term basis taking into account various stakeholder groups and the principles of sustained development.

Sustainability Report

Rautaruukki has published environmental reports in 1997 and 1999, and the company regularly updates its environmental website on the Internet. Some of Rautaruukki's plants publish their own environmental reports, the most extensive of which is Rautaruukki Steel's Environmental Report, which is in compliance with the EU's EMAS requirements.

In 2001 Rautaruukki published its first Sustainability Report, which tells how the company attends to financial, social and environmental matters. The report contains performance indicators as well as statements concerning the activities, practices and management of these issues.

The report has been published in both printed form and on the Internet. The next Sustainability Report will come out in 2003. Information that has undergone substantial changes is updated on the website annually.

A commitment to environmental management

Rautaruukki's environmental policy stresses the importance of environmental protection work. The aim is to make sound and exemplary management of environmental affairs one of the characteristics of the Rautaruukki brand.

Apart from its own environmental policy, Rautaruukki has given its commitment to operate in accordance with the Business Charter for Sustainable Growth, published by the International Chamber of Commerce (ICC), in order to achieve sustainable

growth. The company furthermore honours the environmental protection principles published by the International Iron and Steel Institute (IISI).

The environmental system has been observed to be a good tool for managing the company's environmental affairs and continuously improving the level of environmental protection. All the Group's major production units have certified environmental systems.

Capping dust emissions

The slag that arises in the manufacture of iron and steel is used nearly entirely in cement manufacture, construction or as a soil conditioner. So far it has not been possible to recycle the dust arising in the steel manufacturing process owing to its high concentrations of zinc and alkali substances.

Construction of a dust processing plant was started at Fundia's Koverhar Works. The objective is to process dusts for recycling and use in construction.

In addition to the present flue gas extractors, it was decided to build for the sintering plant at Rautaruukki Steel's Raahe Steel Mill a new electric filter that enables dust emissions to be cut to nearly a third. About 70–80 per cent of the dust recovered is re-used as a raw material for the sintering plant. At the same time, the sintering plant's heavy metal emissions will be reduced to half of their present level. At a cost of 12 million euros, this is one of Rautaruukki's largest environmental investments.

ISO 14 001 Environmental Certifications of the Group

Rautaruukki Steel

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

Metform

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

Steel Structure Division

Rannila Steel, 1988
Gasell Profil, 1999
Rautaruukki Polska, 1999
Stelform A/S, 1999
AS Rannila Profil, 2000
Rautaruukki Toijala Works, 2000

Fundia

Fundia Armeringsstål, 1996
Fundia Wire, 1999
Fundia Hjulbro, 1999
Fundia Special Bar, 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.

Boosting the efficiency of iron and steel production

To lower the manufacturing costs of pig iron, test runs were made with LKAB's pilot blast furnace in order to study how the use of coke can be reduced by increasing oil injection and oxygen enrichment.

The focus of development at Rautaruukki Steel's steel plant was on raising steel output to 2.8 million tonnes a year. To reach the objective, the share of scrap in the converter was increased from 190 kilos to 250 kilos per tonne of steel produced. The number of melts per 24 hours was raised from 59 to 62 by developing control of the converters. The lifetime of converter linings was extended to more than 2000 melts.

Fundia steels for demanding products

Among the major projects at Fundia Special Bar was improvement of the electric furnace control and raising the yield at the rolling mills. At the Smedjebacken Works, grades of steel were developed for demanding applications, such as the chains used in the mining industry.

The main object of Fundia Wire's development work was making optimal use of the ladle metallurgy capital expenditure projects and the characteristics of the modernized casting machine. Grades of steel were developed, particularly for the needs of Fundia Nedstaal's product range.

Rautaruukki Steel expands its palette of branded products

A number of product development projects were launched together with key customers. Within flat product

production, the volumes of special grades manufactured, such as thermo-mechanically rolled steels, rose thanks to the development actions. The manufacture of various upgraded sheet metal components also increased.

The characteristics of Laser sheets that have been developed for laser cutting were improved further and their dimensional range was expanded. The company began to make use of the Laser concept also in the cold-rolled and coated RACOLD, RAGAL and RACOLOR product groups.

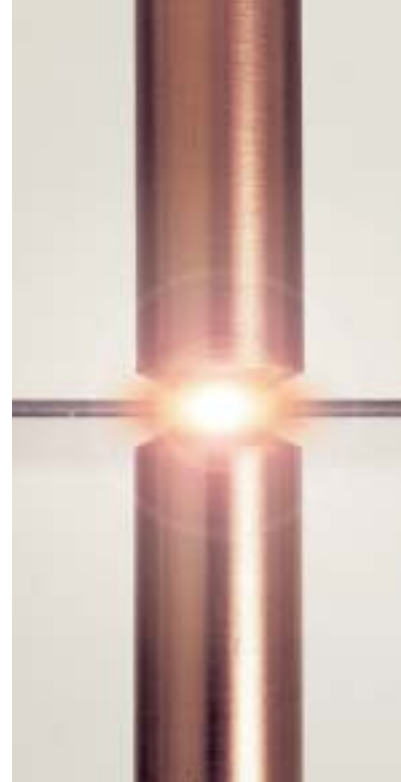
The high-strength galvanized RAGAL DP family of steel products was expanded both by adding new grades and dimensional ranges. Customers' interest in extra-strong galvanized steels has increased and delivery volumes have grown substantially.

Rautaruukki brought out on the market pearlescent PVDF colour-coated sheets which change their hue depending on the angle of viewing and are suitable for modern facade solutions.

Speciality products from Metform

The automotive industry has taken an increasingly prominent position of Metform's products. The division has chosen to specialize in safety-improving structures, such as side impact absorbers, headbag systems and safety frames.

Metform came out with two new tubular product families: Silver steel tubes that are made from Galfan-coated steel strip have excellent surface quality, whereas Optim tubes are manufactured from high-strength



Galvanized RAGAL Galvannealed sheet has excellent weldability characteristics.

hot-rolled steel strip, enabling the fabrication of lighter weight strong structures.

Construction: a key development area

About a third of the Group's development outlays went for promoting the use of steel in construction. Major projects were the further development of the Classic roofing system, the Design facade system, the external wall system based on thermoprofiles and the AWS partition wall system. A new steel pile system was developed for the foundations of residential buildings.

To promote the use of steel, additional product approvals were obtained in new markets in eastern central Europe. Training activities in the area of steel construction were started up in Poland.

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.

Competence development moves into the new millennium

The operational concept of Rautaruukki's institute was renewed. Named Ferrea, the new institute operates in Raahe and Hämeenlinna and has the task of training new professionals for the Group and developing the job skills of Rautaruukki personnel.

Ferrea offers customized study programmes. The study is a blend of traditional integrated teaching and modern e-learning methods. An online learning environment makes it possible to learn anytime, anywhere.

The Rautaruukki Excellence Programme continued ahead with the purpose of giving Rautaruukki's key

employees the capabilities of operating in future in Rautaruukki's main expert and management positions.

Inputs were also made into competence development through customized development measures within Rautaruukki's different divisions. A customer-focused operational model and an operating environment that changes faster by the day call for a new kind of competence, especially on the part of supervisory staff, but also across the entire personnel. Customized competence development projects and measures were launched, with an emphasis on supporting the development of the competence of supervisors and sales

In Rautaruukki's job fitness activities the accent is on developing workplace coordination and the physical and mental well-being of staff members.



staff who work in the customer interface.

Encouraging job rotation

To increase job rotation, Rautaruukki introduced a database that makes it easier to find in-house staff to fill job vacancies. The staff are encouraged to undertake internal career rotation both in Finland and at the units abroad. An international Group offers a wide spectrum of challenging job tasks.

At Rautaruukki Steel a project was launched with the purpose of supporting the personnel's career planning. On the information network those interested in various career opportunities can acquaint themselves with different job positions and the competence requirements for them.

Job fitness through doing things together

Activities to keep up job fitness were continued at the Group's units in Finland and started at a number of units abroad. The objective is to develop the employees' working ability and the workplace, working conditions and individuals. Activities that maintain job fitness also include keeping up mental and physical fitness together with co-workers.

The managers at sites and departments see it that activities are started up in cooperation with the personnel as well as the labour safety and occupational health organizations. The implementation models at company sites differ, but the common approach is to assess the initial situation at the level of both the workplace and the individual.

Good results in labour protection

The Group-wide accident frequency fell by 3 per cent from the previous year. The divisions that turned in the best results were Rautaruukki Steel, Metform and the Steel Structure Division.

Personnel at year-end

by division	2001	2000
Rautaruukki Steel	5185	5322
Metform	1415	1602
Steel Structure Division	1709	1615
Fundia	3018	2831
Steel Service	1320	1122
Other units	328	508
Total	12975	13000

by country	2001	2000
Finland	7609	7943
Sweden	1745	1792
Norway	1061	1092
Germany	580	760
Netherlands	559	82
Russia	260	252
Denmark	238	265
Poland	169	155
Estonia	144	139
Ukraine	142	103
Slovakia	139	115
Lithuania	85	81
Great Britain	79	82
Latvia	76	71
Other countries	89	64
Total	12975	13000

At Rautaruukki the starting point for labour protection has for two years been our “zero accident policy”. In 2001 the first of Rautaruukki’s units to achieve this objective was Metform’s Oulainen plant.

Labour protection is being stepped up by arranging training sessions where the employees can study hazardous situations that have occurred and analyze risk surveys of the machinery. The central factors in reducing accidents are the person’s own attitude and training people to think in terms of accident-free operations.

Rautaruukki’s incentive system

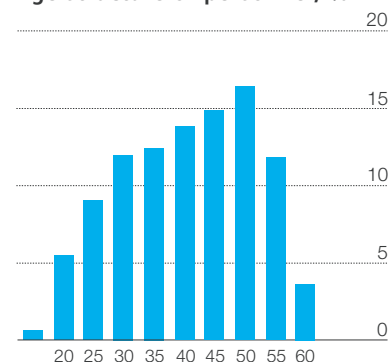
To motivate its personnel, Rautaruukki employs three types of incentive system: bonuses based on profits, divisional results and performance.

The profit-related bonus system is based primarily on the Group’s financial result, but it also includes separate criteria. In Finland the bonuses are paid into a personnel fund, whereas at the units abroad payouts go directly to the employees.

During 2001 the profit target of the Rautaruukki bonus system was not reached. The separate criterion involving lowering of the accident frequency was reached in part, which means that profit-related bonuses of about EUR 0.2 million will be paid to the employees of personnel groups that lowered the accident frequency.

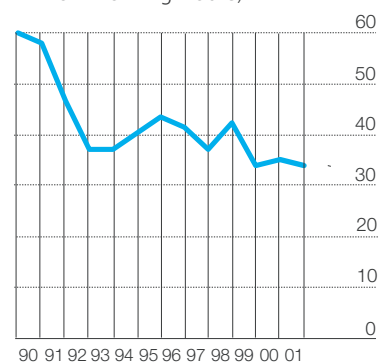
Bonus systems which hinge on the results of a given business division or unit are also employed. Various salary and wage components that are tied to production volumes, quality, completion periods and other cor-

Age structure of personnel, %



Accident rate

(number of accidents per million working hours)



responding benchmarks are used primarily by the parent company.

Group management’s long-term incentive system is the share bonus system that was started in 2000.

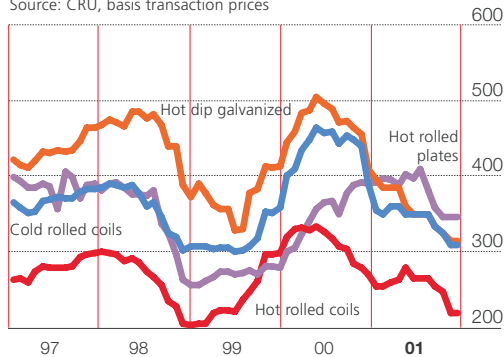
Sustainability Report

More details of personnel affairs are given in the Sustainability Report published by Rautaruukki.

PRICE TRENDS AND STATISTICS

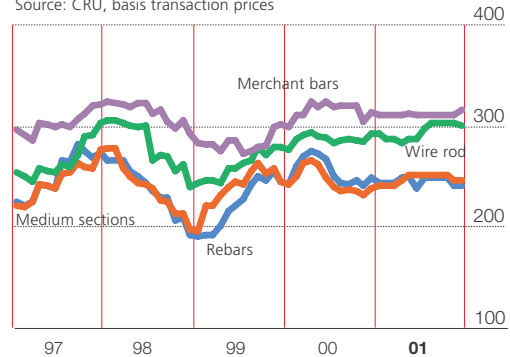
Flat steel products, prices in Germany, €/t

Source: CRU, basis transaction prices



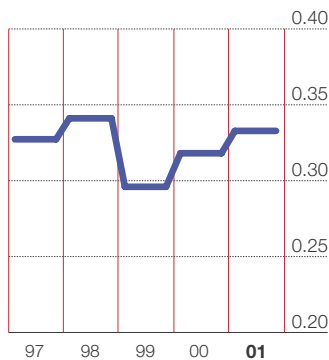
Long steel products, prices in Germany, €/t

Source: CRU, basis transaction prices



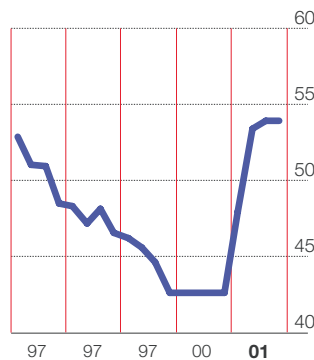
Iron ore, USD/t/Fe%

Source: Metal Bulletin, LKAB Kiruna B fines



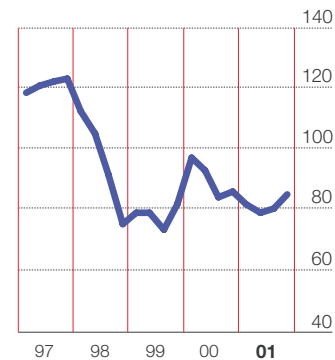
Coking coal, USD/t

Source: Coal Week International, US Hampton Roads



Iron scrap, €/t

Source: Metal Bulletin, HMS1 fob Rotterdam



GROUP STEEL PRODUCTION AND EXTERNAL DELIVERIES

		1996	1997	1998	1999	2000
Including deliveries to Rautaruukki Steel Service						
Steel production	1,000 t	4,083	4,273	4,180	4,333	4,169
EXTERNAL DELIVERIES						
Hot rolled plates, sheets and coils	1,000 t	948	1,209	1,110	1,106	1,044
Cold rolled sheets and coils	1,000 t	295	258	305	248	186
Coated sheets and coils	1,000 t	442	406	447	491	702
Tubular products	1,000 t	560	559	566	606	552
Profiled sheets and sections	1,000 t	199	246	232	268	258
Long steel products	1,000 t	1,908	1,942	1,854	1,874	1,969

TURNOVER BY QUARTER

(EUR million)	I/00	II/00	III/00	IV/00	I/01	II/01	III/01	IV/01
Rautaruukki Steel	299	334	305	359	351	357	314	295
Metform	100	103	86	97	97	95	80	80
Steel Structure Division	51	73	95	88	58	80	94	79
Fundia	161	163	148	172	199	195	158	172
Steel Service	144	154	162	161	156	192	182	172
Other units	1	3	3	6	31	39	40	41
less internal invoicing	-123	-150	-146	-141	-161	-182	-164	-142
Consolidated turnover	633	680	652	742	731	774	703	697

OPERATING PROFIT BY QUARTER

(EUR million)	I/00	II/00	III/00	IV/00	I/01	II/01	III/01	IV/01
Rautaruukki Steel	15	35	25	56	38	30	10	5
Metform	8	4	-2	-4	1	6	3	1
Steel Structure Division	-0	3	11	7	-3	3	10	0
Fundia	4	2	-7	-7	2	4	-5	-6
Steel Service	9	10	8	5	6	3	2	-3
Other units and internal items	-10	3	-12	-6	0	-5	-2	-10
Consolidated operating profit	25	57	23	51	46	42	17	-12

Five-year statistics on page 44