RAUTARUUKKI

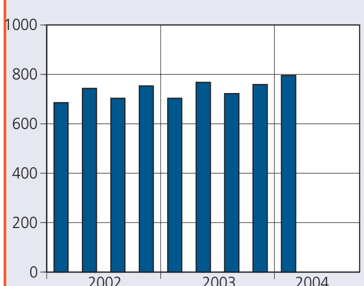
JANUARY–MARCH 2004

- Net sales increased and the result improved considerably
- Prices of steel products rose sharply
- The rise in raw material prices will start to have an impact on the financial performance in the second quarter
- Implementation of the new business model is progressing according to plan

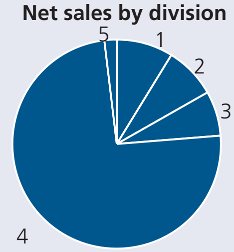
	2004 1–3	2003 1–3	2003 1–12
Net sales, M€	795	704	2,953
Operating profit, M€	73	28	128
- as percentage of net sales	9.1	4.0	4.3
Profit before extraordinary items, M€	63	12	70
Return on capital employed*, %	9.3	1.9	7.1
Return on equity*, %	10.9	– 2.1	6.5
Equity ratio, %	33.7	30.6	34.6
Gearing ratio, %	107	139	112
Interest bearing net debt, M€	900	1,094	922
Earnings per share, €	0.31	0.04	0.39
Equity per share, €	6.17	5.79	6.07
Personnel on average	11,982	12,690	12,782

* based on previous 12 months

Net sales by quarter

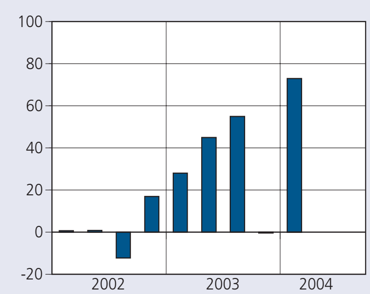


Net sales by division



1 Construction solutions 9%
2 Mechanical engineering solutions 8%
3 Metal fabrication solutions 7%
4 Metal products 74%
5 Other units 2%

Operating profit by quarter



Rautaruukki's organisation

CONSTRUCTION SOLUTIONS

Residential construction
Commercial construction
Infrastructure construction

Processing

MECHANICAL ENGINEERING SOLUTIONS

Marine and offshore industry
Pulp and paper industry
Lifting and transport equipment industry

Processing

METAL FABRICATION SOLUTIONS

Electronics industry
Automotive industry
Household industry
Light engineering industry

Processing

METAL PRODUCTS

Flat steel products
Long steel products
Reinforcing
Other metals

Prefabrication

PRODUCTION

Steel production

Hot rolled plate and strip products
Cold rolled and coated products

Tubular products
Wire, bar and reinforcing products

(unaudited)

Rautaruukki's net sales in the January–March period were EUR 795 million (EUR 704 million in January–March 2003). Operating profit was EUR 73 million (28) and profit before taxes was EUR 63 million (12). The divisions providing solutions for selected customer sectors had a combined operating profit of EUR 16 million (9). Metal Products Division had an operating profit of EUR 63 million (26).

Financial reporting in 2004 is in accordance with the business model introduced on 1 September 2003. The figures for individual divisions for 2003 are based on pro forma figures.

Business environment and market

The steel product market was in an exceptional state due to the continuing strong demand in China. Exports of steel products to China rose extremely sharply and supply declined in Europe. The prices of raw materials used in steel production have risen considerably. In consequence, prices of steel products have also risen significantly from their level at the end of last year.

Demand for steel products and for stainless steel and aluminium products grew slightly in Europe due to the acceleration in economic growth.

Among Rautaruukki's key customer sectors, the volume of construction grew in European Union countries compared to the corresponding period last year. The growth in construction volumes was somewhat faster in the Group's core market area – the Nordic and Baltic countries – than in EU countries.

Mechanical engineering output increased slightly in the EU countries, but the situation varied considerably between different sectors. Shipbuilding output fell short of last year's level in Rautaruukki's core market area.

Metal fabrication output in the EU countries was at the same level as in the corresponding period last year.

Finnish authorities made a proposal for allocating carbon dioxide emission allowances to companies. The initial allocation for 2005–2007 will be made free of charge and it is estimated that Rautaruukki will obtain the allowance it needs.

Profit and loss account	2004	2003	2003
EUR million	1–3	1–3	1–12
Net sales	795	704	2953
Other operating income	5	1	9
Operating expenses	– 686	– 635	– 2632
Depreciation	– 42	– 42	– 203
Operating profit	73	28	128
Financing income and expenses	– 10	– 16	– 58
Profit before extraordinary items	63	12	70
Extraordinary items	0	0	0
Profit before taxes	63	12	70
Taxes*	– 19	– 2	– 26
Change in deferred tax	– 2	– 5	9
Minority interests	0	0	1
Profit of the period	42	6	53

* proportion of estimated taxes for the year weighted by report period's profit

Balance sheet, EUR million	2004	2003	Change	2003
Assets	31 Mar	31 Mar	%	31 Dec
Non-current assets	1299	1422	– 9	1329
Inventories	487	530	– 8	502
Debtors	720	646	+ 12	572
	2507	2597	– 3	2403
Liabilities				
Capital and reserves	852	797	+ 7	838
Minority interests	1	3	– 72	1
Provisions	56	51	+ 10	60
Non-current creditors	799	1011	– 21	927
Current creditors	799	736	+ 9	577
	2507	2597	– 3	2403

Cash flow statement	2004	2003	2003
EUR million	1–3	1–3	1–12
Cash flow before working capital changes	107	68	332
Change in working capital	– 61	– 35	0
Financing items and taxes	– 10	– 15	– 66
Cash flow from extraordinary items	0	0	0
Cash flow from operations	36	19	265
Cash flow from investing activities	– 10	– 20	– 89
Cash flow before financing	26	– 1	176

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

Net sales and result

Rautaruukki had net sales of EUR 795 million (704). The growth in net sales was due to the increase in delivery volumes and to higher prices. The divisions concentrating on solutions for selected customer sectors – Construction Solutions, Mechanical Engineering Solutions and Metal Fabrication Solutions – accounted for 24 per cent of net sales.

The Group's operating profit was EUR 73 million (28). The rise in product prices and reduction in fixed costs improved the operating profit. The increase in raw material prices still did not have a full impact on the Group's costs. The change in the US dollar exchange rate improved the operating profit by EUR 16 million compared to the corresponding period last year.

The profit before extraordinary items and taxes was EUR 63 million (12). The return on capital employed was 9.3per cent (1.9)

Financing

The Group's net interest expenses totalled EUR 11 million (13). Net financial expenses totalled EUR 10 million (16), including a foreign exchange profit of EUR 3 million (loss 2).

Cash flow from operations was EUR 36 million (19) and cash flow before financing was EUR 26 million (–1). Interest-bearing net debt totalled EUR 900 million (1094). Working

Net sales by division EUR million	2004 1–3	2003* 1–3	Change %	2003* 1–12
Construction solutions	70	61	+ 14	356
Mechanical engineering solutions	64	69	– 8	256
Metal fabrication solutions	55	54	+ 2	201
Metal products	591	504	+ 17	2071
Other units	15	15	– 4	70
Consolidated net sales	795	704	+ 13	2953

* pro forma

Operating profit by division EUR million	2004 1–3	2003* 1–3	2003* 1–12
Construction solutions	1	– 4	29
Mechanical engineering solutions	9	10	27
Metal fabrication solutions	5	3	11
Metal products	63	25	78
Other units	– 6	– 5	– 16
Consolidated operating profit	73	28	128

* pro forma

Net sales by quarter* EUR million	I/2003	II/2003	III/2003	IV/2003	I/2004
Construction solutions	61	86	106	102	70
Mechanical engineering solutions	69	67	60	59	64
Metal fabrication solutions	54	51	46	50	55
Metal products	504	546	493	528	591
Other units	15	18	17	20	15
Consolidated net sales	704	768	722	759	795

* 2003 figures pro forma

Operating profit by quarter* EUR million	I/2003	II/2003	III/2003	IV/2003	I/2004
Construction solutions	– 4	4	16	13	1
Mechanical engineering solutions	10	2	10	5	9
Metal fabrication solutions	3	4	4	1	5
Metal products	25	40	28	– 15	63
Other units	– 5	– 4	– 2	– 4	– 6
Consolidated operating profit	28	45	55	0	73

* 2003 figures pro forma

capital grew by EUR 61 million in January-March, mainly due to the increase in trade receivables arising from increased sales.

The equity ratio stood at 33.7 per cent (30.6) and the gearing ratio at 107 per cent (139). At the end of March, the Group had liquid funds of EUR 89 million and committed unused revolving credit facilities with banks to a total of EUR 283 million.

Capital expenditure

Gross capital expenditure on fixed assets amounted to EUR 24 (19) million and consisted of normal development and replacement investments.

Decisions of Annual General Meeting

Rautaruukki's Annual General Meeting held on 23 March 2004 re-elected Mr Turo Bergman as Chairman and Mr Jouko Skinnari as Vice Chairman of Rautaruukki's Supervisory Board. Mr Ole Johansson, Ms Inkeri Kerola, Mr Tauno Matomäki and Mr Lasse Virén were re-elected as members of the Supervisory Board. Mr Heikki Allonen, Ms Mia-petra Kumpula, Mr Petri Neittaanmäki and Mr Tapani Tölli were elected as new members.

Mr Jukka Viinanen was re-elected as Chairman and Mr Georg Ehrnrooth as Deputy Chairman of the Board of Directors. Mr Christer Granskog, Ms Pirkko Juntti, Mr Pekka Timonen and Ms Maarit Toivanen-Koivisto were re-elected as members. Ms Maarit Aarni was elected as a new member to the Board.

The Meeting decided that a dividend of EUR 0,20 per share be distributed for 2003.

The AGM authorized the Board, within one year, to resolve to dispose of the company's shares acquired by the company. The shares can be disposed as consideration in acquisitions, in financing investments or as part of incentive and bonus schemes for company personnel. The Board may also decide to sell the shares in public trading.

The company has in its possession 3,270,000 treasury shares, representing 2.35 per cent of the company's entire shares outstanding. The company has paid EUR 14,737,093 in consideration for them. The Board of Directors does not have an authorisation to increase the share capital or to purchase the company's own shares.

Fundia Wire

Fundia Wire's operations were streamlined last year and the unit recorded a zero operating result in the final quarter of 2003. The operating result in the first quarter of this year remained at zero. Fundia Wire's sales were integrated with Metal Products Division and its production with Production Division.

New business model

Operations in line with the new business model have started up according to plan. The chosen strategy has been further revised and new financial targets have been set for the Group. The solutions divisions have worked with customers to develop new solutions. The first orders based on the solutions business model were obtained during the review period.

In accordance with the strategy, the company has divested business units that do not belong to the new business model. Processing and marketing units outside the core market area have been combined to form larger units and overlapping functions have been eliminated.

Changes in Group structure

During the review period the company acquired the business of TP-Teräskeskus Oy, which provides prefabrication services in Finland, and a 24 per cent holding in Sheet Metal Innovations Oy, which provides services relating to the manufacture of sheet products. The company sold Star Tubes (UK) Ltd, a precision tube wholesaler with operations in Great Britain, and the Engineering Technology Sales unit, which designs process automation for the steel industry. Manufacture of building products at Taldom in Russia ceased in January 2004 on the expiry of a leasing agreement. This production will be replaced in part by production at the St. Petersburg plant and by reinforcing retail sales.

In accordance with the new business model, the organisational structure was simplified still further and administrative functions were brought together. The Group will reduce the number of legal companies. Rannila Steel Oy, Asva Oy, Oy JIT-Trans Ltd, August Lindberg Oy and SKJ-yhtiöt Oy will merge with Rautaruukki Oyj by 1 August 2004.

Contingent liabilities	Group		Rautaruukki Oyj	
EUR million	3/2004	12/2003	3/2004	12/2003
Mortgaged real estates	39	39	28	28
Collateral given on behalf of				
Group companies			99	109
associated companies	2	2	2	2
others	5	6	4	4
Leasing and rental liabilities	276	292	65	70
Repurchase liabilities	0	2	0	0

Values of derivative contracts, EUR million

31 March 2004	Nominal value	Fair value
Interest rate derivatives		
Interest rate swaps	620	– 10.0
Foreign currency derivatives		
Forward contracts	435	– 0.2
Options		
Bought	100	– 2.1
Sold	75	– 1.6
Zinc derivatives*		
Forward contracts	64,500	10.1
Electricity derivatives**		
Forward contract	1,332	5.9

* Nominal values in tonnes
** Nominal values in GWh

Short-term outlook

Residential and infrastructure construction in Rautaruukki's core markets is expected to remain at a satisfactory level. Growth in commercial construction will be slower. Economic prospects in the countries of eastern and eastern Central Europe are encouraging, but competition is intensifying. Demand in the engineering and off-shore industries is expected to strengthen slightly but will remain slack in the Finnish shipbuilding industry. Demand in the electronics, automotive and household appliance industries is expected to grow somewhat.

Demand for steel products is estimated to grow slightly in the Group's core markets. The supply of steel products is expected to remain low in Europe because of continuing strong demand in China. It is estimated that certain steel products may even be in short supply.

Steel product prices are expected to continue to rise, due to the strong demand in China and the increase in raw material costs. The rise in raw material costs has started to affect the Group's costs during the second quarter. It is planned to carry out interim repairs to the number two blast furnace at the Raahe Steel Works in July, which will cause output to decline by some 150,000 tonnes. Developments in US dollar/euro exchange rates have an impact on raw material costs. Rautaruukki's net sales for the full year are estimated to rise to EUR 3.1 billion. The positive earnings trend is expected to continue, but the cost factors mentioned above will affect the result negatively towards the end of the year.

Helsinki 26 April 2004
Rautaruukki Oyj
Board of Directors

DIVISIONS

Construction Solutions

Demand in the construction customer sector was satisfactory in Rautaruukki's market area. Demand for infrastructure construction was strong and deliveries increased. Deliveries for commercial construction increased especially in Sweden. Deliveries for residential and commercial construction increased in eastern Central Europe. In the current market situation, the availability of the Group's own steel raw material has ensured better delivery capabilities than competitors.

Net sales were EUR 70 million (61). Operating profit was EUR 1 million (loss 4). To improve cost-efficiency, production has been combined in larger units in Russia, Czech Republic and Hungary.

The division has worked with customers to develop new solutions. The biggest solutions order, in terms of value, was the delivery of a 100 km long trunk water pipeline to supply water to the Turku region. In Rautaruukki's new pipeline solution, the steel pipes are not welded on site but are joined together with a quick to install joint developed by the company. For the customer this means a higher quality end result and cost savings.

Mechanical Engineering Solutions

Investments in the pulp and paper industry took an upward turn in Europe, but this still did not affect Rautaruukki's deliveries.

Order books in the shipbuilding and marine industries were at a high level globally. The division's deliveries in Rautaruukki's core market area declined due to weaker demand, apart from ship profiles.

Deliveries to the lifting and transport equipment industries grew considerably. Deliveries for wind power construction increased slightly.

Net sales were EUR 64 million (69). Operating profit was EUR 9 million (10).

New joint solutions development projects with customers are currently underway in many customer sectors to increase the amount of the solutions business.

Metal Fabrication Solutions

Rautaruukki's deliveries to the electronics industry were at the same level as last year. Deliveries to the household appliance industry were slightly up on last year. Demand in the light engineering industry at the start of the year was slightly weaker than last year and Rautaruukki's deliveries declined.

Rautaruukki's deliveries to the automotive industry grew slightly, even though demand in the automotive industry in Europe remained unchanged from the corresponding period last year. The division has revised its priorities in the automotive industry and for this reason deliveries are estimated to fall slightly short of plan.

Net sales were EUR 55 million (54). Operating profit was EUR 5 million (3).

Rautaruukki strengthened the partnership network supporting the solutions business by acquiring a 24 per cent holding in Sheet Metal Innovations Oy. The company provides services in product design and product industrialization relating to the manufacturing of sheet metal products. In line with the new business strategy, Star Tubes (UK) Ltd, a precision tube wholesaler with operations in Great Britain, was sold off since it was not part of the Group's core business. Development continues of the division's processing units to support the solutions business.

The division has intensified cooperation with end users in all customer sectors, and is also looking for growth through this for existing solutions. The division has started up new product development projects with customers.

Metal Products

Demand for steel and other metal products in Rautaruukki's core markets increased slightly. The division's deliveries of steel and other metal products totalled 1,011,000 tonnes (891,000).

Net sales were EUR 591 million (504). Operating profit was EUR 63 million (25). Growth in delivery volumes and the increase in product prices contributed to the growth in operating profit.

In line with the new business model, operations were developed with the aim of clarifying customer-related activities, improving cost-efficiency and making more effective use of capital.

To enhance sales and distribution, the operations of different Group companies were combined in Russia, Poland, Denmark and Norway. In Estonia a new service centre started operations that will improve logistics and provide a more comprehensive service throughout the Baltic countries. In Sweden work started on expanding a service centre in order to improve customer service. In Finland the division expanded its prefabrication services by acquiring the business of TP-Teräskeskus Oy. Sales of Fundia Wire's products were merged with the Metal Products Division at the start of the year.

Production

The focus in Production Division, in line with the new business model, was on enhancing delivery reliability, management of capacity, cost-efficiency and use of capital.

Production performed encouragingly and fixed costs also declined. Steel output was 1,184,000 tonnes (1,154,000).

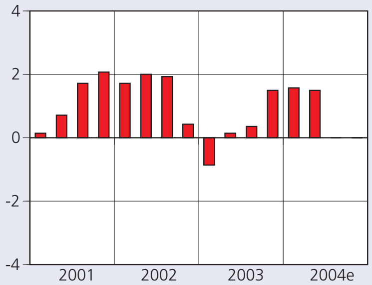
Fundia Wire's production was merged with the Production Division at the start of the year. The Engineering Technology Sales unit, which designs process automation for the steel industry, was sold in March since it was not part of core business.

Global market prices for the raw materials used in steel production rose sharply during the review period. The rise in recycled steel prices already affected production costs for long steel products in the first quarter. The rise in other raw material prices will affect production costs later in the year.

Scheduled interim repairs will be carried out to the number two blast furnace at the Raahe Steel Works in July. This will reduce steel output by some 150,000 tonnes.

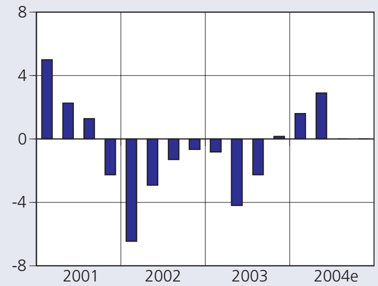
CUSTOMER INDUSTRIES IN EU COUNTRIES
Year to year change of volume, %

Construction



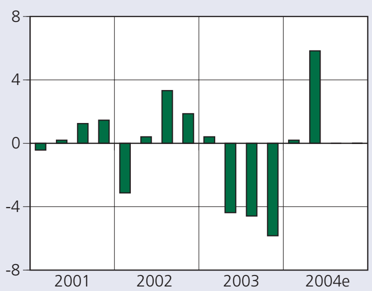
Source: Eurofer, 1/2004

Mechanical engineering



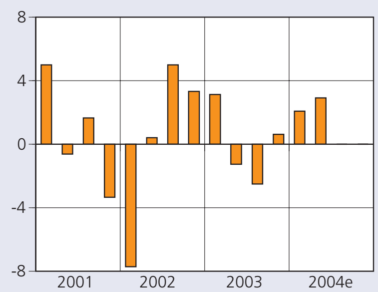
Source: Eurofer, 1/2004

Domestic appliances



Source: Eurofer, 1/2004

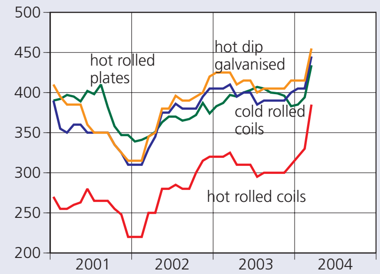
Automotive



Source: Eurofer, 1/2004

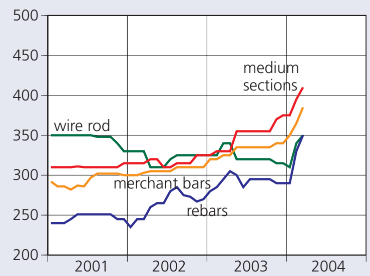
STEEL PRODUCT PRICES

Flat steel products, €/t



Source: CRU, basis transaction prices, Germany, 3/2004

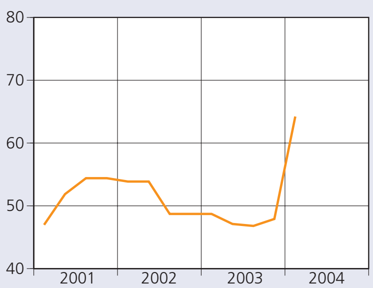
Long steel products, €/t



Source: CRU, basis transaction prices, Germany, 3/2004

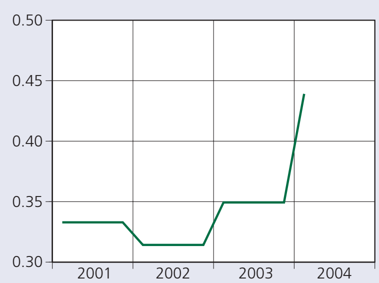
RAW MATERIAL PRICES

Coking coal, $/t



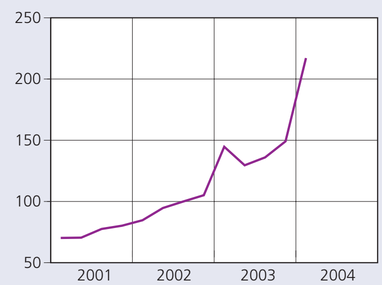
Source: Coal Week International, Australia Queensland

Iron ore, $/t/Fe-%



Source: Metal Bulletin, Kiruna KBF

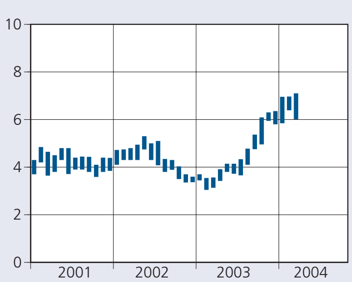
Iron scrap, $/t



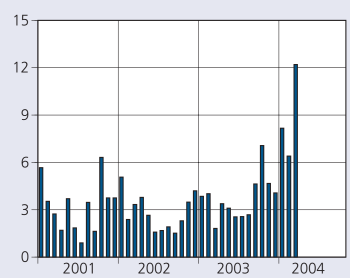
Source: Metal Bulletin, HMS 1&2 fob Rotterdam

RAUTARUUKKI SHARE

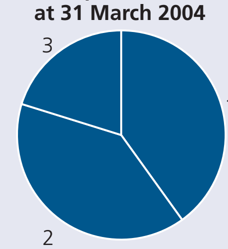
Share price, €



Monthly trading volume, millions



Ownership of Rautaruukki at 31 March 2004



1	The Finnish State	40.1%
2	Other Finnish owners	39.7%
3	Foreign owners	20.2%